

# CARSON CUMBERBATCH PLC

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Annual Report 2019/20



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CARSON

CUMBERBATCH PLC

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# Financial Highlights

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

For the year ended/as at 31st March	2020	2019	% Change
<b>Income Statement</b>			
Group revenue	105,972,774	97,139,538	9
Segment results	10,360,134	13,295,569	(22)
Profit/(loss) before taxation	(474,307)	5,060,992	(109)
Profit/(loss) after taxation from continuing operations	(2,655,520)	1,068,430	(349)
EBITDA	16,731,872	18,806,358	(11)
Profit/(loss) attributable to ordinary shareholders	(1,527,808)	93,952	(1,726)
Cash earning per share (Rs.)	27.05	37.35	(28)
Earnings/(loss) per share (Rs.) - Group	(7.78)	0.48	(1,726)
Dividend per share (Rs.) - Company	0.75	1.00	(25)
<b>Statement of Cash flow</b>			
Operating cash flow	5,312,077	7,334,846	(28)
Capital expenditure	7,810,103	6,370,979	23
<b>Statement of Financial Position</b>			
Shareholders' funds	26,964,499	32,308,420	(17)
Net assets	55,185,964	63,893,865	(14)
Net assets per ordinary share (Rs.)	137.30	164.51	(17)
Return on ordinary shareholders' funds (%)	-5.67%	0.29%	(2,048)
Total assets	172,887,674	165,667,317	4
Net debt	66,874,488	60,418,200	11
<b>Market/Shareholder Information</b>			
Market value per share (Rs.) - Company	155	160	(3)
Enterprise value (Rs. Mn)	125,536	123,426	2
Market capitalization (Company) (Rs. Mn)	30,440	31,422	(3)
Revenue to Government of Sri Lanka	38,607,504	33,207,490	16
Group value addition	53,138,984	48,550,579	9
Group employment (Nos.)	14,014	13,975	-
Employee benefit liability as of 31 March	1,165,496	1,310,188	(11)

# Chairman's Statement

Dear Shareholder,

I welcome you to the 107th Annual General Meeting of Carson Cumberbatch PLC and present to you the Annual report and Consolidated Financial Statements of your Company and the Group. Let me begin with an update on the operational background of the year. As known by all of you, FY19/20 was a challenging year, with two major calamities affecting our country in particular and globally as well. Of the two major events that affected our business activity were the terrorist attacks made on Easter Sunday in Sri Lanka and the global outbreak of the COVID-19 disease. On the domestic front, the negative repercussions of the Easter attacks were evident in the first three quarters of the financial year due to the decelerating economic growth caused by the immediate collapse of the key foreign exchange earners such as Tourism and becoming less attractive in the eyes of the global investor. The economic fallout of the above incident also led to the low discretionary spending by local consumers, thereby distressing the overall demand conditions.

During the final quarter of the year, the global economy, the local economy and human lifestyle as a whole were unexpectedly traumatised by the fast spread of the COVID-19 pandemic. In order to curtail the uncontrollable spread of the pandemic, worldwide healthcare workers and national forces joined hands in unison as frontline caregivers. In such a backdrop, due to concerns regarding health and safety, global and local travel was also brought to a standstill and the country's international airport was closed for arrivals from March 2020 onwards and remains close to-date. Further, the curfews and temporary lockdowns

imposed across the globe caused many restrictions to the business community and the markets. Therefore, in respecting the advisories from the local public health authorities and the Government, business activities of your Group across all geographical locations were also voluntarily controlled, by limiting operational capacities whilst prioritising health and safety of the employees and business partners as our corporate responsibility contribution to curtail the virus spread. Under the above distressed conditions, your Group reported a loss after tax of Rs. 2.5 Bn for the year derived from a consolidated revenue of Rs. 106 Bn. However, it should be explicitly highlighted that the above loss was primarily driven by several non-cash book entries that the group had to account for in respect of the highly subdued external market conditions and the governing Accounting Standards. Of the above loss, Rs. 1.9 Bn accounts to unrealised exchange losses which arose due to the significant depreciation of Indonesian Rupiah (IDR ) over USD during the course of the year. In addition, another Rs. 1.85 Bn loss is coming from the mark-to market adjustments of the financial assets as required by the Accounting Standards, with the low-key performance of the Colombo Stock Exchange following the economic and business downturn from the above-mentioned events. Also, considering the depressed market conditions, an impairment charge of Rs. 740.3 Mn was recorded by the Beverage sector for the year in the Statement of Profit and Loss of your Group. I would further wish to outline the individual business dynamics of each of the business sectors of your group.

## OIL PALM PLANTATIONS

During the year, the business was impacted by two consecutive years of low prices in the industry for global Crude Palm Oil (CPO). The prices, which remained at the range of MYR 2,000 per Metric Tonne, started recovering during the third quarter, and were yet again pushed down by the demand downturn following the spread of the pandemic. In addition, global crude petroleum prices were not incentivising the veg-oil prices during the year, remaining range-bound at USD 50-60 level, and subsequently crashing since January 2020 despite the emergence of industry benevolent bio-diesel programmes such as B30 of Indonesia. Meanwhile, adverse weather led to a decrease in crop at our mature plantations, impacting the Fresh Fruit Bunch (FFB) production for the year. In spite of this, externally sourced FFB and volumes from the mini-mill in Nabire strengthened the sales volumes of the sector.

During the year, on rupee terms, the Oil Palm Plantations sector saw its net finance costs increasing by Rs. 2.08 Bn, stemming from its USD denominated borrowings obtained to improve the scale of the business and enhance future revenue opportunities. Accordingly, as for the developments, the Nabire full capacity oil processing plant was successfully completed by end of April 2020 making it the sixth oil processing plant of the sector with two more to follow shortly. The sector will expect to commission the new mills for the remaining young mature plantations during the course of the next financial year, which will allow grounds for the systematic repayment of its long-term borrowings from the expected cash flows of these young plantations.

Lion added two more accolades to its collection- firstly being rated as an AAA corporate by Fitch rating joining a short list of 4 others and Lion brand chosen as the 8th valuable brand in the country and first in FMCG category

### OILS AND FATS

The declining CPO prices were restricting the price potential of palm kernel input prices of the sector. However, the Oils and Fats sector managed to increase its specialty fats volumes sold during the year. Nevertheless, the pandemic-induced lockdown during the final quarter of the year deprived the sector of reaching the expected sales target for the period as various countries reacted in different magnitudes with port disruptions including in the key Gulf Cooperation Council (GCC) region. Accordingly, demand for the discretionary non-essential items such as chocolates and ice cream slumped during the final quarter of the year. One of the key milestones of the year for the Oils and Fats sector was its strategic business tie-up with J-Oil Mills INC, a listed entity in Tokyo Stock Exchange, during December 2019, which is expected to ensure positive synergies in the immediate future.

### BEVERAGE

In the Beverage sector, the demand conditions were clouded by the above-mentioned economic adversities, leading to volatility in tourism and low discretionary spending in the local market. Immediate impact of COVID-19 was felt by the sector in the form of zero sales due to the imposition of curfew in the country during the last month of the year. Apart from the volumes, the excise duties on both mild and strong beer varieties were upwardly revised in the months of March 2019 and December 2019, hiking

up the beer prices. Resulting from the market downturn driven projections, the sector had to record a non-cash impairment charge of Rs. 740.3 Mn, on account of the brands acquired from Millers Brewery Limited. Despite the local market adversities, the Beverage segment was able to achieve ambitious progress in the export market during the year under consideration, with a volume of over 1,110 containers. Lion added two more accolades to its collection- firstly being rated as an AAA corporate by Fitch rating joining a short list of 4 others and Lion brand chosen as the 8th valuable brand in the country and first in FMCG category in the latest LMB Brand Finance study.

### PORTFOLIO AND ASSET MANAGEMENT

During the year, the Colombo Stock Exchange showed enormous vulnerability from the effects of both Easter attacks and the evolving pandemic. From 20th March 2020 onwards, the Colombo Stock Exchange was closed till the end of the financial year, adhering to the curfew measures of the country.

In view of the above volatile conditions, both the All Share Price Index (ASPI) and the blue chip S&P SL20 Index ticked off negative performances for the year with declines of 17.74% and 28.90% respectively. Accordingly, the discretionary portfolio performance of the sector also declined by 12.33%, after adjusting for dividend payments to the shareholders. At the financial year close, sector prudently valued its portfolio based on the year-end market prices, despite the flexibility given by the industry to conduct the

valuations not exceeding the closing market prices as of 31st December 2019. This resulted in an unrealised loss of Rs. 1.85 Bn from fair value of financial assets being recognised in the Statement of Profit and Loss for the year. Nonetheless, looking back at the past five-year time horizon, the sector's discretionary portfolio performance has been successful in outperforming the ASPI by 18.01%.

### LEISURE

The terror impact to the country from the Easter attacks dampened tourist confidence during the first few months of the year. The gradual recovery in tourism achieved towards the middle of the year with the unity of all industry stakeholders was unfortunately reversed during the last quarter with the onset of the pandemic. Thus, within an extremely competitive market centered on domestic tourism, Pegasus Reef hotel and Giritala Hotel managed to secure occupancies of 45% and 40% respectively for the year. The demand dynamics for the MICE market and outdoor events were also impacted by the inclement weather during the course of the year. As of the year-end, the sector was seen increasingly pressured by the effects of the pandemic such as the curtailment of all non-essential travel due to the curfew, concerns regarding social distancing and safety and the closure of the international airport for arrivals from 17th of March 2020 onwards. However, after closing doors for two months, the operations of the sector have successfully recommenced with the best of safety protocols and operational capacity restrictions in place in order to mitigate the every potential risk from the pandemic.

## Chairman's Statement

### REAL ESTATE

The land prices in Colombo appreciated in the calendar year 2019, yet at a lower pace compared to 2018. The competition in the real estate marketplace continues to evolve with the increased advent of "Grade-A" properties to the market, pressuring the existing occupancy and rental yields. Under such market circumstances, during the year under review, the average occupancy of the sector declined to 81% from 95%. Also, given the prevailing market uncertainties, the sector did not see any valuation gains on its investment property during the year. However, with the onset of COVID-19, the sector supported its most affected tenants through re-negotiating their immediate rent payments as a considerate proprietor focused on long-term quality-oriented rent relationships.

### CLOSING REMARKS

As a resilient conglomerate, your Group remains focused and positive by looking ahead, despite the immediate economic and operational strain created by the pandemic on the market and businesses. We will move forward whilst achieving a balance in utmost health and safety of our operations and the optimum level of business and customer satisfaction. Whilst rationalising our operational costs groupwide, organic growth through fresh investments was yet undertaken on our 3 main fronts- Oil Palm Plantations, Beverage and Portfolio and Asset management - totalling Rs. 7.2 Bn. We also take pride in stating that none of our group employees lost their jobs nor had to take pay cuts on account of COVID impact, which we consider as a key Corporate Social Responsibility.

Finally, I wish to express my heartfelt gratitude and appreciation to all our management teams, employees, business partners and all other stakeholders for steering the business through such uncertain times with the highest dedication. Most importantly, my sincere gratitude extends to all our valued shareholders who continue to demonstrate unwavering faith on our strong foundations.

COVID is yet another challenge in over a century old history of your company and with the weight of the support and the confidence of all our stakeholders behind us, we are steadfast on reaching our business goals undeterred whilst ensuring safety of our staff and the society whom we come in contact with. Trends of recovery shown by our main business sectors during the first quarter of 2020/21 keeps the optimism alive.

(Sgd.)  
Tilak De Zoysa  
Chairman

14th August 2020  
Colombo

# Directors' Profile

## TILAK DE ZOYSA

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

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

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

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

## HARI SELVANATHAN

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

He was the Past President of the National Chamber of Commerce and Past Vice Chairman of the International Chamber of Commerce (Sri Lanka). He counts over 20 years' experience in commodity trading in International Markets.

He holds a Bachelor's Degree in Commerce.

## MANO SELVANATHAN

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

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

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

In January 2011, he was awarded with the prestigious 'PRAVASI BHARATIYA SAMMAN AWARD' by the President of India. He also received the Presidential Honour of 'ORDER OF KNIGHT COMMANDER' in October 2013 awarded by the Government of Chile.

He holds a Bachelor's Degree in Commerce.

## CHANDIMA GUNAWARDENA

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

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

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

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

## Directors' Profile

### SURESH SHAH

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

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

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

### VIJAYA MALALASEKERA

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

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

### FAIZ MOHIDEEN

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

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

### RAJENDRA THEAGARAJAH

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

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

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

Mr. Theagarajah served as Director/Chief Executive Officer (CEO) of National Development Bank PLC (NDB) from August 2013 till November 30, 2016. Prior to that, he served as CEO/Managing Director at Hatton National Bank PLC for 9 years. Mr. Theagarajah was also a past Chairman of the Sri Lanka Bankers' Association (Guarantee) Ltd, Financial Ombudsman Sri Lanka (Guarantee) Ltd, former Director of Colombo Stock Exchange and former Chairman of the Asian Bankers Association. He has also served as a Council Member of the Sri Lanka Institute of Directors.

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

### RAVI DIAS

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

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

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

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

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

### SAKTHA AMARATUNGA

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

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

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

**SHARADA SELVANATHAN**

Sharada Selvanathan has been on the Board of Carson Cumberbatch PLC [CCPLC] for over a year.

Sharada has spent nearly 10 years at CCPLC's oil palm arm, Goodhope Asia Holdings Ltd. (Goodhope). She now focuses on corporate strategy and human resources for the oil palm group. Sharada is a member of the Executive Committee of Goodhope and works closely with senior management in making key decisions.

Prior to Goodhope, Sharada worked at BNP Paribas in London, Hong Kong and Singapore.

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

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

**KRISHNA SELVANATHAN**

(Alternate Director to Mr. M. Selvanathan)

Krishna Selvanathan - Director, Carsons Management Services (Private) Limited, is the CEO of Guardian Fund Management Limited and serves as a Board Member of other investment sector companies within the Ceylon Guardian Group. He also serves as a Director of Lion Brewery (Ceylon) PLC and Pegasus Hotels of Ceylon PLC. He holds a BA Degree in Accounting & Finance and Business Administration from the University of Kent, U.K.

**SUDARSHAN SELVANATHAN**

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

Sudarshan Selvanathan serves as an Executive Director on the Board of Lion Brewery (Ceylon) PLC. Prior to joining Carson Cumberbatch in 2019, he was a partner at JNE Partners LLP and a senior member of the investment team at its predecessor firms, MSD Partners & MSD Capital. Prior to joining MSD in 2006, he served in various roles at Lone Star Funds and Lehman Brothers. He holds a BSc (Hons) Management Science from the University of Warwick, United Kingdom.

# Group Structure

## PLANTATIONS, OILS & FATS

- Goodhope Asia Holdings Ltd.  
• 2008\* • 53.33%
- Agro Asia Pacific Limited  
• 2010\* • 100%
- Premium Nutrients Private Limited  
• 2011\* • 100%
- Shalimar Developments Sdn. Bhd.  
• 1980\* • 100%
- Premium Oils & Fats Sdn. Bhd.  
• 2011\* • 100%
- Premium Vegetable Oils Sdn. Bhd.  
• 1978\* • 80%
- Shalimar (Malay) PLC  
• 1909\* • 99.25%
- Selinsing PLC  
• 1907\* • 95.68%
- Indo-Malay PLC  
• 1906\* • 87.14%
- Good Hope PLC  
• 1910\* • 90.91%
- Agro Harapan Lestari  
(Private) Limited  
• 2008\* • 100%
- AHL Business Solutions  
(Private) Limited  
• 2010\* • 100%
- Goodhope Investments  
(Private) Limited  
• 2012\* • 100%
- PT Agro Indomas  
• 1987\* • 94.30%
- PT Agro Bukit  
• 2004\* • 95%
- PT Agro Asia Pacific  
• 2008\* • 100%
- PT Karya Makmur Sejahtera  
• 2003\* • 95%
- PT Agro Harapan Lestari  
• 2007\* • 100%
- PT Rim Capital  
• 2006\* • 95%
- PT Agrajaya Baktitama  
• 1994\* • 95%
- PT Nabire Baru  
• 2008\* • 95%
- PT Agro Wana Lestari  
• 2006\* • 95%
- PT Batu Mas Sejahtera  
• 2006\* • 95%
- PT Sawit Makmur Sejahtera  
• 2008\* • 95%
- PT Sumber Hasil Prima  
• 2006\* • 95%
- PT Sinar Sawit Andalan  
• 2008\* • 95%
- PT Sariwana Adi Perkasa  
• 2008\* • 95%
- PT Agro Bina Lestari  
• 2006\* • 95%
- PT Agro Surya Mandiri  
• 2006\* • 95%
- Arani Agro Oil Industries  
Private Limited  
• 1986\* • 100%

## BEVERAGE

- Ceylon Beverage Holdings PLC  
• 1910\* • 75.37%
- Lion Brewery (Ceylon) PLC  
• 1996\* • 59.13%
- Pubs 'N Places (Private) Limited  
• 2007\* • 100%
- Retail Spaces (Private) Limited  
• 2012\* • 100%
- Luxury Brands (Private) Limited  
• 2012\* • 100%
- Pearl Springs (Private) Limited  
• 2014\* • 100%
- Millers Brewery Limited  
• 2010\* • 100%

## PORTFOLIO & ASSET MANAGEMENT

- Ceylon Guardian Investment Trust PLC  
• 1951\* • 67.15%
- Ceylon Investment PLC  
• 1919\* • 65.94%
- Guardian Capital Partners PLC  
• 1920\* • 86.22%
- Rubber Investment Trust Limited  
• 1906\* • 100%
- Guardian Fund Management Limited  
• 2000\* • 100%
- Guardian Acuity Asset Management Limited+  
• 2011\* • 50%
- Guardian Fund Management LLC  
• 2019\* • 100%
- Guardian Value Fund LLC  
• 2019\* • 100%
- Leechman & Company (Private) Limited  
• 1953\* • 100%

## LEISURE

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

## REAL ESTATE

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

## MANAGEMENT SERVICES

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

.....

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

### Country of Incorporation/Operation

- Sri Lanka
  - Indonesia
  - Malaysia
  - Singapore
  - India
  - Mauritius
- .....

# Sector Review



## BEVERAGE

The “Lion” brand was ranked as the most valuable FMCG brand in the country in the latest LMD Brand Finance study. Furthermore, the sector company was rated AAA by Fitch Ratings, making it one amongst five Sri Lankan Corporates to be rated thus.

### BUSINESS CONTEXT

The financial year 2019/20 posed numerous external challenges to the growth of the sector. The year unfortunately started with the terror attacks on Easter Sunday. This immediately shifted the growth landscape of foreign and domestic tourism in Sri Lanka. Consequently, on premise outlets mainly at the premium end in Colombo observed a significant drop in footfall, generating lower sales volumes.

Subsequently, the sector’s volumes started to gradually recover, however this recovery was cut short by heavy unseasonal weather from August-November 2019. By December 2019, the sector’s volumes started gaining ground, responding well to the gradual pick-up in growth of the country’s tourism industry. Nevertheless, the unexpected and unprecedented damage on the global and local economy created by the COVID-19 pandemic with its temporary lockdowns and curfews prevented the sector from reaching its expected sales potential for the financial year.

The sector’s contribution to government revenue during the financial year amounted to Rs 38.42 Bn, an increase of

21% YoY. Two excise duty increases were witnessed by the sector in the months of March 2019 and December 2019.

In terms of the sector’s export sales, volumes and values successfully expanded by 58% and 48% respectively, translating to more than 1,100 containers during the year under review. The Lion brand now reaches 33 countries across all five continents. In the Maldives, it remains the market leader with the highest contribution coming from Africa and the Middle East in terms of volumes and revenue.

As a responsible corporate citizen, Lion brewery takes cognizance of the environmental impact from indiscriminate disposal of the used beer cans by the consumers, and has in place a collection and recycling process which covers a little over 80% of the cans consumed. These used cans are recycled and turned out as intricate handcraft items.

### KEY HIGHLIGHTS

As one of the key highlights of the year, the “Lion” brand was ranked as the most valuable FMCG brand in the country in the latest LMD Brand Finance study.

Furthermore, the sector company was rated AAA by Fitch Ratings, making it one amongst five Sri Lankan Corporates to be rated thus. All of the above significant achievements during the year demonstrated the strong underlying fundamentals of the Beverage segment.

### FINANCIAL PERFORMANCE

On a revenue of Rs. 49.2 Bn, the sector achieved a profit after tax of Rs. 2.8 Bn. The total assets of the sector, as of 31st March 2020, stood at Rs. 40.3 Bn.

Given the depressed economic conditions, the sector had to account for an impairment charge of Rs. 740.3 Mn for the year with respect to the brands acquired from Millers Brewery.

### FUTURE OUTLOOK

The sector’s immediate growth will largely be dependent on the impact of the COVID-19 pandemic on the economic growth and demand conditions, both domestically and globally, and the extent of measures implemented to control the pandemic. However, the sector will continue to stand strong, enriched by its solid foundations and capabilities.



## OIL PALM PLANTATIONS

During the year under the review, the segment achieved an overall oil extraction rate of 21.83%, which is an improvement of 62 basis points YoY.

### BUSINESS CONTEXT

The Oil Palm Plantations sector was negatively impacted by the downtrend in both prices and crop. CPO prices remained at the MYR 2,000 per Metric Tonne (MT) level, resulting in two consecutive years of low prices in the industry. Similarly, average palm kernel prices also dipped by 25% during the year under review.

The Fresh Fruit Bunch (FFB) production for the year declined by 4% YoY to reach 1.22 Mn MT. However, Oil Palm Plantations sold over 318,000 MT of CPO during the year under review, which accounts as the highest volume in the segment history, growing by 1% YoY. The higher sales volume was because of increased volumes from the Nabire mini-mill and higher purchases of external FFB.

### KEY HIGHLIGHTS

During the year under the review, the segment achieved an overall oil extraction rate of 21.83%, which is an improvement of 62 basis points YoY. The sector also ensured successful application of budgeted fertiliser volumes given dry weather conditions.

In FY19/20, the Oil Palm Plantations segment continued its investments in young mature plantations, to build them into fully-operational locations, with work progressing on three new mills. The Nabire full capacity mill (45MT/hr) was completed by the end of April 2020.

In addition, the segment successfully completed its refinancing of its existing banking facilities in order to optimise its capital structure, which also included a Redeemable Convertible Preference Share (RCPS) component. Further details follow in the latter sections of the Annual Report.

### FINANCIAL PERFORMANCE

On a revenue of Rs. 33.1 Bn, the sector achieved a loss after tax of Rs. 4.1 Bn. Net finance expenses increased to Rs. 5.06 Bn and foreign exchange movements contributed to an exchange rate loss of Rs. 1.9 Bn. The total assets of the sector as of 31st March 2020 stood at Rs. 91.1 Bn.

### FUTURE OUTLOOK

The Oil Palm Plantations sector expects to commission the remaining two mills in 3Q and 4Q of financial year 20/21. In addition, the sector aims to increase the crop volumes from its mature plantations and extract more oil, thereby reaching a higher mill extraction rate in the next financial year. The sector also aims to obtain enhanced certifications for the oil produced at several mills and thereby increase revenue through premium pricing for RSPO certified CPO sales.

## Sector Review



### OILS AND FATS

In 2019, the Oils and Fats segment entered into a strategic business tie-up with J-Oil Mills INC of Japan (an entity listed on the Tokyo Stock Exchange). J-Oil acquired an investment of 20% in the segment's leading specialty fats business, Premium Vegetable Oils Sdn Bhd, and a controlling investment of 51% in Premium Fats Sdn Bhd - the margarine production plant.

#### BUSINESS CONTEXT

The Oils and Fats segment saw palm kernel input prices decline by 14% YoY, to an average of MYR 1,351 per Metric Tonne (MT). The specialty fats volumes expanded by 12% YoY, with utilisation at the production plant increasing by 6% to 81% during the year. Such volumes also include the manufacture of specialty fats using purchased palm kernel oil, which decreased the mid-stream plant utilisation to 85% from 92% in the prior financial year.

The Malaysian plants continued their operations with additional health and safety measures in response to the COVID-19 precautions without any stoppage in production. However, the lockdown caused by the pandemic during the 4Q of FY19/20 curtailed the ability of the Oils and Fats segment to finish the year with additional sales, as global economies and logistics were affected. Additionally, demand for discretionary items such as chocolates and ice cream was impacted negatively during this period.

In India, the refining operation remains closed. However, several options are being considered for this business. These assets continue to be classified as an asset held-for-sale.

#### KEY HIGHLIGHTS

In 2019, the Oils and Fats segment entered into a strategic business tie-up with J-Oil Mills INC of Japan (an entity listed on the Tokyo Stock Exchange). J-Oil acquired an investment of 20% in the segment's leading specialty fats business, Premium Vegetable Oils Sdn Bhd, and a controlling investment of 51% in Premium Fats Sdn Bhd - the margarine production plant.

J-Oil Mills INC engages in the production, processing, and sale of fats and oil products.

#### FINANCIAL PERFORMANCE

On a revenue of Rs. 22 Bn, the sector achieved a profit after tax of Rs. 444.3 Mn. The total assets of the sector as of 31st March 2020 stood at Rs. 17.4 Bn.

#### FUTURE OUTLOOK

The sector will be concentrate on:

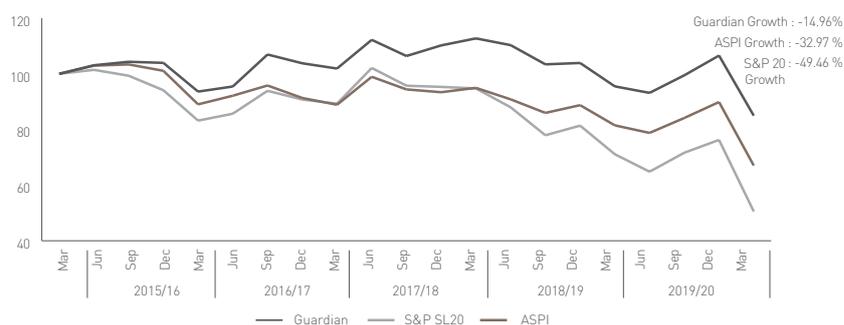
1. Expanding margin through trading, widening the customer base and growing sales volumes to existing and new markets,
2. Retaining customers through Research and Development
3. Leveraging on the tie-up with J-Oil.



## PORTFOLIO AND ASSET MANAGEMENT

Over the past five-year period, the discretionary portfolio performance of the sector saw a decline of 14.96%. However, the same has been able to outperform the All Share Price Index by approximately 18.01%.

### Five year track record - Guardian discretionary portfolio



## BUSINESS CONTEXT

Economic implications on the businesses from the Easter attacks at the start of the year and the COVID-19 pandemic at the closure of the year were reflected in the Colombo Stock Exchange (CSE) performance. During FY19/20, the main All Share Price Index (ASPI) declined by 17.74% while the S&PSL20 index recorded a decline of 28.90%. The CSE, which closed on 20th March 2020 due to the local curfew and lockdown measures, reopened on April 2020 to witness considerable declines in the ASPI and S&PSL 20 of 18.3% and 26% respectively.

Subsequently, the market has seen a slight recovery.

The CSE performance for the year was also influenced by other macroeconomic factors such as economic uncertainty, concerns regarding the country's debt repayments and slower credit growth.

In the above context, the discretionary portfolio of the sector, which is actively managed using fundamental analysis, declined to Rs. 9.98 Bn from Rs. 11.42 Bn reported in the previous year. This translates to a decline of 12.33%, after adjusting for dividend payment to shareholders.

## FINANCIAL PERFORMANCE

On a revenue of Rs. 759.8 Mn, the sector achieved a loss after tax of Rs. 1.4 Bn. The total assets of the sector as of 31st March 2020 stood at Rs. 15.1 Bn.

The above decline in profit was resulted by the depressed equity markets as an effect of COVID-19. Accordingly, the Institute of the Chartered Accountants of Sri Lanka issued guidelines providing the option to value the quoted equity investments based on a valuation, subject to valuation price not exceeding the closing market price as at 31st December 2019. However, due to the subjectivity of such an assessment and uncertainty of the timing of the full recovery, the sector valued its portfolio based on the latest market prices available as at 31st March 2020. Accordingly, an unrecognised fair value loss of Rs. 1.85 Bn on financial assets was recognised in the Statement of Profit and Loss for the year.

## GUARDIAN GROUP PORTFOLIO PERFORMANCE

Description	As at			As at 31-	Dividend adjusted performance
	31/03/2020	31/03/2019	Change %	March-20 (Dividend adjusted)	
Discretionary portfolio (Rs. '000) *	9,987,076	11,422,792	-12.57%	10,014,902	-12.33%
Total Portfolio (Rs. '000)*	13,665,962	15,510,443	-11.89%	13,693,788	-11.71%
ASPI (Points)	4,572.00	5,557.00	-17.73%		-17.73%
S&P 20 (Points)	1,947.00	2,739.00	-28.92%		-28.92%

\*After adding back the total cash outflow from the distribution of dividend by the sector which was Rs. 27.8 Mn during the period.

## FUTURE OUTLOOK

With the prevailing uncertainty relating to the end of the pandemic, the economic implications are yet to be determined. However, given the current economic vulnerabilities, the Sri Lankan economy is likely to be significantly affected in terms of growth compared to the global economy. The economic impact and the impact on capital markets will need to be carefully evaluated. However, the sector will continue to adhere to its successful long-term investment philosophy of fundamental investing.

## Sector Review



### LEISURE

The revenue opportunities for the sector have currently narrowed down to the limited domestic market base. Hence, the competitiveness of the industry and the fixed cost of the operations are likely to exert considerable challenges for the sector in the short to medium term.

#### BUSINESS CONTEXT

Sri Lanka's tourism absorbed back-to-back blows from the terror attacks on Easter Sunday at the beginning of the financial year and the onset of the COVID-19 pandemic towards the closure of the year. Hence, the industry was characterised with extreme price-wars in order to lure the domestic traveller, both by graded accommodation as well as supplementary accommodation. The reduction in foreign demand was reflected by the 18% YoY dip in tourist arrivals witnessed by the industry during the calendar year 2019, with a count of only 1.9 Mn tourists. Accordingly, gross tourist receipts to the country declined by Rs. 65.6 Bn YoY, causing tremors across the overall economy.

With the onset of the pandemic in the country from March 2020 onwards, the operations of the sector were restricted due to curfew, closure of the international airport and the cutting down of non-essential travel and discretionary spending in the local market. The sector closed its operations for nearly two months in

order to integrate a new detailed safety protocol, new sanitisation standards and disinfection procedures in order to effectively prepare for the risks from the pandemic.

#### FINANCIAL PERFORMANCE

On a revenue of Rs. 596.9 Mn, the sector achieved a loss after tax of Rs. 41.2 Mn. The total assets of the sector as of 31st March 2020 stood at Rs. 2.3 Bn.

The revenue downfall was mainly impacted due to the drop in occupancies of both the hotels, following the above industry context. Accordingly, Pegasus Reef Hotel and Giritale Hotel secured occupancies of 45% and 40% respectively for the year under review. However, the Average Room Rate (ARR) was maintained during the same period, augmented by the exchange rate depreciation as well as the change in the guest mix. Food and beverage revenue also took a hit owing to less demand from the key MICE (Meetings, Incentives, Conferences and Exhibitions) segment during the period.

#### FUTURE OUTLOOK

The revenue opportunities for the sector have currently narrowed down to the limited domestic market base. Hence, the competitiveness of the industry and the fixed cost of the operations are likely to exert considerable challenges for the sector in the short to medium term. However, despite the challenges, the sector will continue to strive for safety and service excellence whilst closely monitoring changing customer demand patterns and offering value.



## REAL ESTATE

The commercial real estate market demonstrates increased pressure in terms of maintaining occupancies of existing spaces, which is further justified by the lower than average absorption of the new Grade A office spaces recently injected to the market.

### BUSINESS CONTEXT

In the calendar year 2019, Colombo land prices showed an uptrend, with a 10.4% overall growth and a 10.3% growth in commercial land value as per the Land Valuation index compiled by the Central Bank of Sri Lanka. Nevertheless, this was relatively low when compared with 17.9% growth observed in 2018. Moreover, the growth of value added to GDP from real estate activity including ownership of dwelling was slow at 2.4% when compared to 3.9% in 2018.

Hence, the commercial real estate market demonstrates increased pressure in terms of maintaining occupancies of existing spaces, which is further justified by the lower than average absorption of the new Grade A office spaces recently injected to the market. However, based on the current developments, the Colombo skyline is expected to be identified with a considerable stock of new premium spaces in the medium term within the Central Business District (CBD) bounds, exerting further pressure on the existing occupancies and rental yields.

The impact of COVID-19 on the sector was somewhat cushioned, due to its long-term relationship-based rent agreements with tenants. However, as a considerate property manager, the sector granted flexibility in terms of extending support to identified most affected tenants by renegotiating their immediate rent commitments and/or by offering deferred payment plans.

During the year under consideration, in a competitive marketplace, the average occupancy of the sector's properties declined to 81% from 95% recorded in the previous financial year.

### FINANCIAL PERFORMANCE

On a revenue of Rs. 268.2 Mn, the sector achieved a profit after tax of Rs. 151.6 Mn. The total assets of the sector as of 31st March 2020 stood at Rs. 5 Bn.

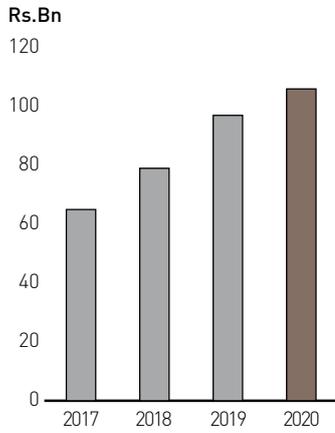
The sector did not see fair value gains on its investment properties during the year under review owing to market uncertainties.

### FUTURE OUTLOOK

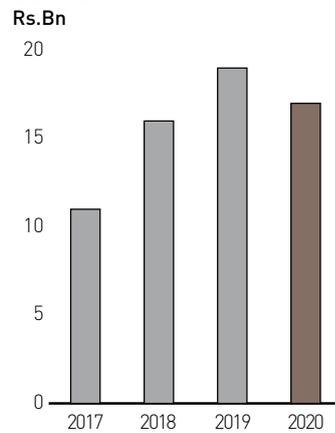
Given the present challenging backdrop created by the pandemic, the task of sourcing new tenants is expected to be longer than the usual time frames for the sector with its prime focus on securing quality-based long-term relationships. Nevertheless, the sector remains in a good standing with the prime locations of its properties and the superior and personalised services on offer.

# Graphical Financial Review

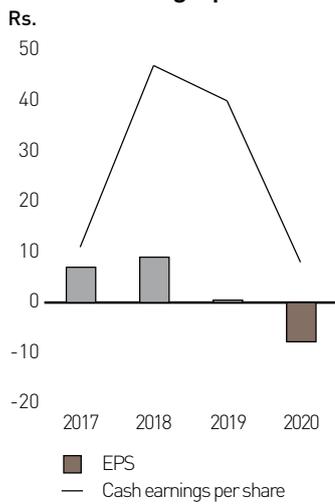
## Revenue



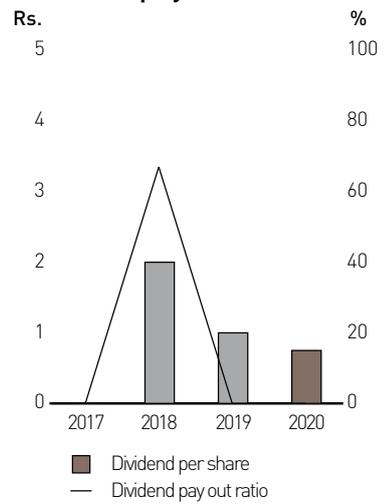
## EBITDA



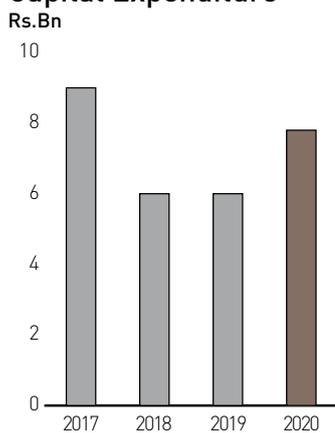
## Earnings per share vs Cash earnings per share



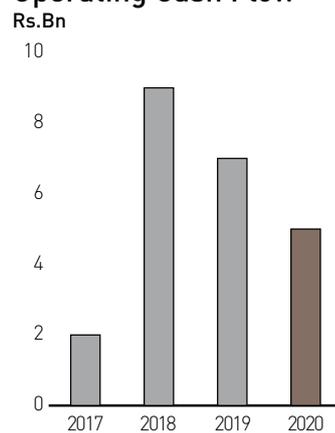
## Dividend per share vs Dividend pay out ratio



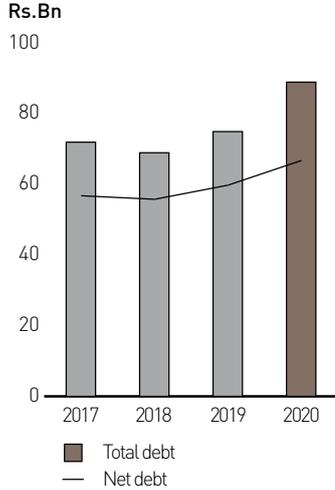
## Capital Expenditure



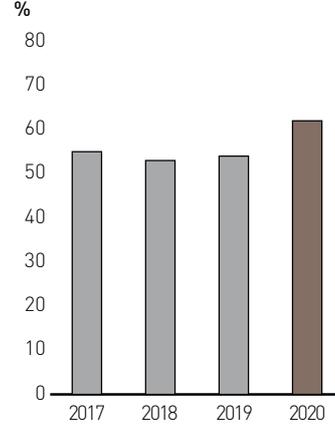
## Operating Cash Flow



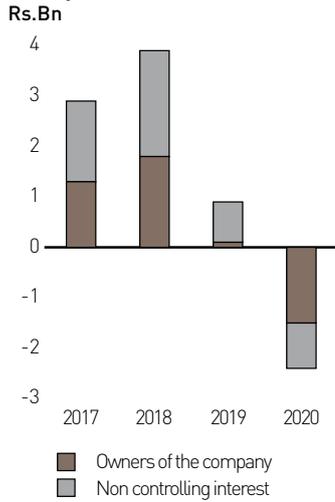
### Total debt vs Net debt



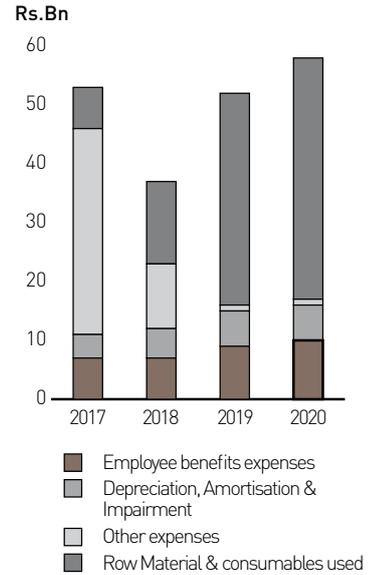
### Gearing ratio



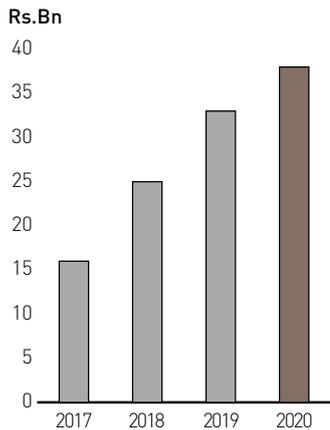
### Net profit distribution



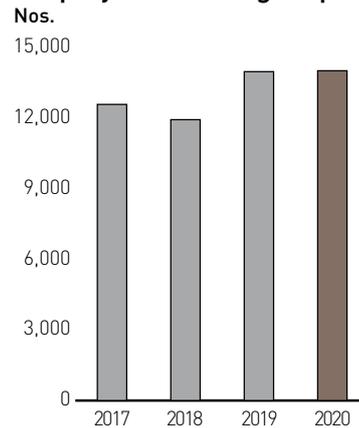
### Analysis of Group operating expenses



### Taxes paid to the Government of Sri Lanka



### Employees of the group



# Group Financial Review

## INTRODUCTION

The Financial year 19/20 presented a challenging environment for business growth across every sector of the Group. At the beginning the financial year, the insensible bombings on Easter Sunday stifled the country's key industries, hurting the overall economy and the disposable income of the people. Mid-year brought unseasonal rains, which further impacted the livelihoods of many. The closure of the year came with an overwhelming scare over a pandemic. Tourism industry slowed almost to a standstill as a result, causing subdued demand conditions in the Leisure and Beverage segments of the Group. Portfolio and Asset Management segment too was impacted with the extremely volatile economic and market backdrop stemming from the above events. Overseas business segments of Oil Palm Plantations and Oils and Fats also encountered challenges from the pandemic induced business uncertainties towards the year-end.

## REVENUE

Group Revenue for FY19/20 reached Rs. 106 Bn, improving by 9% from the prior year's Rs. 97.1 Bn.

The Beverage segment was the highest contributor to Group revenue with a contribution of 46%, as the revenue from the segment increased by 11% YoY to reach Rs. 49.2 Bn from Rs. 44.2 Bn in FY18/19. However, the above revenue appreciation was primarily owing to the price revisions that took effect with the excise duty increases. Following the 12.5% increase in excise duties for beer in March 2019, excise duties were further revised up in December 2019, mainly to compensate the VAT reduction to 8% from 15%, augmenting the segment's revenue. However, the price increases together with other economic

setbacks such as the unfavourable demand conditions attributable to muted tourism and curtailed disposable income levels following the aforementioned incidents caused a decline in the local market sales for the year. However, it was promising to see the contribution by exports to the sector volume and top-line, both of which grew by 58% and 48% respectively.

The Oil Palm Plantations segment contributed 31% to the Group revenue amounting to USD 182.7 Mn, which translates to Rs. 33.1 Bn for the year. The increase of 14% over the corresponding year was mainly due to exchange rate benefit on translation to reporting currency and marginal improvement in sales volumes and average CPO sales price. However, during the year, the upstream operations of the Plantations segment did not see a conducive market for desired revenue growth due to the negative impact on both of its key variables - price and crop. The average monthly CPO spot prices during the year under review at Bursa Malaysia was MYR 2,293, trending below the past 10-year historical average despite the low crop volumes produced by the industry. Further, in line with the prevailing low price trend in the industry, the average palm kernel sales prices in Indonesia also experienced a YoY decline of 25% over the prior financial year. The above low price regime was also impacted to a reasonable extent by the global pandemic spread and the low price trend of crude petroleum oil towards the latter part of the financial year. Meanwhile, the sector's revenue growth was further constrained due to 4% YoY drop in the total Fresh Fruit Bunch (FFB) production for the year. However, despite the lower yields, the Oil Palm Plantations segment managed to sell over 318,000 Metric Tonnes of CPO

for the year, albeit increased by 1% YoY, supported by its mini-processing plant in Nabire as well as increased externally-purchased FFB.

The Oils and Fats segment's reported revenue saw a marginal reduction of 2% YoY to be at Rs. 22 Bn (USD 123.7 Mn), with an overall contribution of 21% to Group revenue. Revenue of the segment was impacted by the declined market price trend in the industry following the decrease in average palm kernel input prices in Malaysia, which reduced by 14% YoY to MYR 1,351 per Metric Tonne, in tandem with the low CPO price trend. However, the plant utilisation of specialty fats production increased by 6% over the prior year to reach 81% during the current year, resulting in a 12% YoY expansion in specialty fats sales volumes and thereby reinforcing the segment's revenue. Nevertheless, the strict lockdown unfolded by the pandemic during the final quarter of the financial year constrained additional sales for the Oils and Fats business of the Group. One of the key events for the sector during the year was J-Oil Mills INC of Japan, a listed entity on the Tokyo Stock Exchange, investing a 20% stake in the sector's specialty fats business, Premium Vegetable Oil Sdn Bhd and also acquiring a controlling investment (51%) in the sector's margarine production plant, Premium Fats Sdn Bhd, for a consideration of USD 12 Mn. Above tie-up is expected to enhance the future revenue generation of the segment.

Portfolio and Asset Management segment of the Group saw an increase of 38% YoY in its revenue to reach Rs. 759.8 Mn, through securing opportunities for increased net realised gains from disposal of financial assets measured at fair value through profit or loss compared to the loss recorded in the corresponding year. However,

given the extremely challenging business backdrop, the All-Share Price Index (ASPI) and the S&P SL20 index substantially declined by 17.74% and 28.90% respectively, where the month of March 2020 alone saw panic sales resulting in the ASPI declining by 18.3% and S&P SL20 declining by 26.0% due to the scare of COVID-19 pandemic. Therefore, considering the impact this has on the valuation of equity instruments, the Institute of Chartered Accountants of Sri Lanka issued guidelines recommending the entities to evaluate whether the quoted prices of an asset represent fair value taking into consideration the decline in volume/activity in the market due to the impact of COVID-19. Accordingly, as per the said

guidelines, if a transaction or a quoted price does not represent the fair value and if an adjustment is required, entities were given the option to value its quoted equity investments based on a valuation, subject to the said valuation price not exceeding the closing market price of the investment as at 31st December 2019. However, due to subjectivity of such assessment and uncertainty of the timing of the full recovery, the segment did not avail of this option but have valued their listed equity investment portfolio based on the last available market prices as at 31st March 2020. This resulted in the sector's discretionary portfolio to record a dip of 12.33% for the year, after adjusting for the dividend payments to shareholders.

The leisure sector is the hardest hit of all due to challenges posed during the year. Accordingly, the Leisure segment revenue decreased by 12% YoY to be at Rs. 596.9 Mn. However, promotional offers with unique propositions focused on local tourism and the contribution from MICE segment mainly through corporate clientele benefitted the sector in mitigating the extent of revenue drop for the year. Moving on to Real estate, operating in an evolving marketplace with availability of competitive spaces and rates, the segment recorded a 7% YoY decline in its revenue, due to a reduction in its average annual occupancy from 95% in FY18/19 to 81% in FY19/20.

Revenue (Rs'000)	FY19/20	%	FY18/19	%	YoY increase/ (decrease)
		Contribution		Contribution	
Investment Holdings and Management Services	22,388	0.02%	55,257	0.06%	(59%)
Portfolio and Asset Management	759,798	0.72%	551,042	0.57%	38%
Oil Palm Plantations	33,093,461	31.23%	28,986,634	29.84%	14%
Oils and Fats	22,016,677	20.78%	22,364,121	23.02%	(2%)
Beverage	49,215,362	46.44%	44,216,826	45.52%	11%
Real Estate	268,209	0.25%	288,127	0.30%	(7%)
Leisure	596,879	0.56%	677,531	0.70%	(12%)
Group	105,972,774	100.00%	97,139,538	100.00%	9%

## OPERATING PROFIT

The decrease in volume from dull demand conditions of all the key business segments of the Group due to the aforementioned challenges and the increase in direct operating expenses driven mainly by the excise duty increases of the Beverage segment resulted in the Group recording a marginal decline in its gross profit by 6% for the year, to be at Rs. 25.6 Bn. However, the Group operating profit witnessed a decline of a much larger magnitude of 38% YoY, to be at Rs. 6.2 Bn for FY19/20 from Rs. 9.9 Bn reported in FY18/19.

The key contributors of dragging the operating profits down were the incorporation of several major non-cash items, namely the impairment and fair value adjustments necessitated by the challenging market conditions towards the end of the financial year, affecting the valuation of assets and the accounting for exchange rate movements. Accordingly, the foreign currency translation losses amounted to Rs. 1.9 Bn compared with Rs. 691.8 Mn in FY18/19. Further, the downward fair value adjustments pertaining to financial assets amounted to Rs. 1.85 Bn compared with Rs. 2.5 Bn in FY18/19. Furthermore, the Group witnessed a reduction in fair value

gains on its investment properties by Rs. 271.7Mn to be at Rs. 151.4 Mn as opposed to Rs. 423.1 Mn during FY18/19. Apart from the above, an impairment provision was also made by the Beverage sector on its acquired Millers Brewery brands due to subdued market conditions affecting the volume of such brands in larger proportion necessitating an impairment charge of Rs. 740.3 Mn for the year.

## Group Financial Review

Operating Profit (Rs '000)	FY19/20	% Contribution	FY18/19	% Contribution	YoY increase/ (decrease)
Investment Holdings and Management Services	(54,680)	(0.88%)	(103,417)	(1.04%)	(47%)
Portfolio and Asset Management	(1,327,186)	(21.45%)	(2,279,308)	(22.92%)	(42%)
Oil Palm Plantations	1,212,241	19.59%	4,811,498	48.37%	(75%)
Oils and Fats	962,562	15.56%	671,518	6.75%	43%
Beverage	5,251,554	84.86%	6,311,804	63.47%	(17%)
Real Estate	194,315	3.14%	635,058	6.38%	(69%)
Leisure	(51,010)	(0.82%)	(100,652)	(1.01%)	(49%)
Group	6,187,796	100.00%	9,946,501	100.00%	(38%)

For the year under review, the highest contribution to the operating profit of the Group was from the Beverage segment with a contribution of 85% for the year. However, in the context of reduced revenue opportunities and absence of 10 days revenue due to curfew and temporary banning of sale of liquor as some of the measures taken by authorities to prevent the spread of COVID-19 impact, was significant to the bottom line of the segment especially during a peak selling period. As a result, the sector's operating profit declined by 17% YoY during FY19/20 to be at Rs. 5.2 Bn. However, the largest item that dragged down the sector operating profit was the aforementioned brand impairment charge of Rs. 740.3 Mn, which if excluded, the YoY decline in the operating profit of the Beverage segment approximated to 5%.

At Rs. 1.2 Bn, the Oil Palm Plantations segment contributed 20% to the Group operating profit for the year under review, though reduced from the prior year's Rs. 4.8 Bn. The segment profitability for the year was negatively impacted by the increased cost of production as well as a significant increase in the depreciation charges on its newer operational properties

due to the progressive maturity of the plantations. Yet again, largest hit to operating profit was recorded via a considerable foreign exchange loss of Rs. 1.9 Bn which the segment had to absorb, resulting from the unrealised exchange losses arising from the translation of foreign currency denominated long-term borrowings consequent to the depreciation of the Indonesian Rupiah against the US Dollar during FY19/20. The closing exchange rate of IDR against USD as at 31st March 2020, was IDR 16,367, which was a significant depreciation of 15% relative to the prior year's closing rate of IDR 14,244. However, the Oil Palm Plantations segment was able to see Rs. 158.6 Mn as fair value gains from its biological assets during the year under review, in contrast to the past year's fair value loss of Rs. 392.9 Mn.

With a contribution of 16%, the operating profit of Oils and Fats segment was at Rs. 962.5 Mn, increasing by 43% over the comparable year's Rs. 671.5 Mn. The operating profit was greatly supported by the prudent cost management strategies implemented at the sector level in order to ensure manufacturing cost efficiencies.

Meanwhile, the Portfolio and Asset Management segment recorded an operating loss of Rs. 1.3 Bn, relative to Rs. 2.3 Bn loss in FY18/19. The operating profitability of the sector was affected due to fair value loss of Rs. 1.85 Bn, on "fair value through profit or loss of financial assets", following the downtrend in the equity market performance due to uncertainties over the looming pandemic in March 2020. As per the Guidelines issued by Institute of Chartered Accountants of Sri Lanka mentioned above, the segment had the option to value its portfolio based on valuation, yet on prudence and uncertainty around the timing of full recovery the equity portfolios were valued based on last available market prices as at 31st March 2020. At the time of writing this review, the market has experienced partial recovery but yet below the ASPI of 6,129.21 as at 31 December 2019.

The Group's real estate segment contributed Rs. 194 Mn to the overall Group operating profit. However, relative to the corresponding year, the sector's operational profit reduced by 69%, mainly due to the absence of fair valuation gain on investment properties compared to the previous financial year and marginally due to

the revenue reduction. In comparison to the fair valuation gains amounting to Rs. 423.1 Mn in the corresponding period, no gains were reported in the year under review where the investment property portfolio value of the real estate segment remained in line with the previous year's value due to market uncertainties.

Meanwhile, the Leisure segment recorded an operating loss of Rs. 51 Mn for the year in comparison to previous year's operating profit of Rs. 44.5 Mn adjusted for the impact from an impairment provision of Rs. 145.2 Mn relating to a compensation claim. The current year's operating loss is predominantly a result of the contracted top line following the depressed industry situation as well as increased depreciation charges from service improvement projects. However, even under challenging circumstances, the leisure sector managed to achieve a cash profit of Rs. 33.7 Mn, excluding the impact of depreciation charges.

In addition to the above reasons, the Group operating profit was weighed down by the increase in fixed overhead expenditure across most of the sectors. Accordingly, the total administrative expenses recorded an increase of 15% over the previous year to be at Rs. 9.2 Bn from Rs. 8 Bn, with depreciation charges being a primary reason for the increase, while the other operating expenses of the Group marked an increase of 111% YoY to reach Rs. 908.1 Mn mainly due to one-off charges as disclosed in the financial statements. However, the total distribution expenses of the Group saw a marginal decrease to be at Rs. 6.4 Bn in line with a reduced topline.

## NET DEBT AND NET FINANCE EXPENSES

### Net Debt

During the year under review, the Group was able to considerably reduce its combined net debt of the Sri Lankan business segments; Beverage, Leisure, Real Estate and Portfolio & Asset Management. Accordingly, the local net debt position reduced by 37% YoY to be at Rs. 763.4 Mn from Rs. 1.2 Bn which is noteworthy amidst the numerous and unusual challenges faced by the respective businesses. However, the net debt position of the overseas operations of Oil Palm Plantations and Oils and Fats increased by 11% YoY in reporting currency (LKR) terms to reach Rs. 64.2 Bn. However, in terms of the functional currency, the aggregate borrowings from foreign operations only increased by 9% YoY to USD 365 Mn from USD 336.3 Mn. Accordingly, as of 31st March 2020, the Group's total net debt stood at Rs. 66.9 Bn, an increase of 11% over the prior year while the consolidated net finance expenses for the year increased by 36% over FY18/19, to be at Rs. 6.7 Bn.

The net debt of the Oil Palm Plantations increased by 19%, to reach Rs. 54.4 Bn from Rs. 45.7 Bn as of 31st March 2019. Moreover, the Oil Palm Plantations segment accounted for Rs. 5.06 Bn of the Group's net finance expense, underpinned by the increases in base rate and margin on longer term funding obtained targeting the next five to six year period. During the year, the sector managed to complete the re-financing of its existing funding facilities to optimise its capital structure, aligning future repayments to the expected cash flows from its young mature plantations which are currently under development. Accordingly, in September 2019, the sector holding company, Goodhope Asia Holdings Limited (GAHL), completed raising USD 170

Mn from a five-year senior secured amortizing term loan facility, and a USD 105 Mn from a six-year senior secured non-amortizing term loan facility. Also, the sector issued Redeemable Convertible Preference Shares (RCPS) to the lender under the above USD 105 Mn facility, allowing the option for the holder to convert to ordinary shares of GAHL at any time during the term. Further details regarding the derivative instruments of RCPS would be followed under the Notes to the Financial Statements.

Moving on, at Rs. 9.7 Bn, the Oils and Fats segment however managed to achieve a 19% reduction in its net debt position during the year whilst the reported net finance expenses from the continuing operations marginally increased by 1% YoY to Rs. 655 Mn. Proceeds worth Rs. 1.7 Bn from the issuance of shares to J-Oil INC was utilised to repay the borrowings of the sector, which reduced to Rs. 10.4 Bn from Rs. 12.4 Bn reported in the corresponding year.

In the meantime, in the Beverage segment net debt saw a YoY decrease of 10% to reach Rs. 2.8 Bn from Rs. 3.1 Bn, as a result of the gradual repayments of its existing loans, consequently leading to a drop in its net finance expenses by 31% YoY to Rs. 757.3 Mn. The sector company, Lion Brewery, was rated AAA by Fitch Ratings from the previous rating of AA-, making it one amongst the five publicly rated Sri Lankan corporates to be rated thus by Fitch.

Primarily due to above reasons, the Group's net interest cover ratio for the year based on the reported operating profit, was seen decreasing to 0.9 times from 2.03 times in the preceding financial year.

## Group Financial Review

Net debt (Rs'000)	FY19/20	% Contribution	FY18/19	% Contribution	YoY increase/ (decrease)
Investment Holdings and Management Services	1,937,212	2.90%	1,520,297	2.52%	27%
Portfolio and Asset Management	(1,724,608)	(2.58%)	(1,591,542)	(2.63%)	8%
Oil Palm Plantations	54,444,070	81.41%	45,721,162	75.67%	19%
Oils and Fats	9,729,770	14.55%	11,965,777	19.80%	(19%)
Beverage	2,792,915	4.18%	3,088,877	5.11%	(10%)
Real Estate	(318,687)	(0.48%)	(271,930)	(0.45%)	17%
Leisure	13,816	0.02%	(14,441)	(0.02%)	(196%)
Group	66,874,488	100.00%	60,418,200	100.00%	11%

### NET PROFIT

For the FY19/20, Carson Cumberbatch PLC at a Group level recorded a loss of Rs. 2.7 Bn from continuing operations as opposed to a profit of Rs. 1.1 Bn reported during FY18/19. In addition to the aforementioned impairment charges, fair value adjustments and foreign exchange losses, the above loss is also stemming from the Rs. 1.8 Bn increase in the Group net finance expenses as highlighted earlier. Accordingly, a comparison between the reported net loss and the core business profit of the group is given below.

Rs. '000	FY19/20	FY18/19
Profit/(loss) for the year from continuing operations	(2,655,520)	1,068,430
Adjustments to arrive at the core profit		
Impairment of business assets	740,315	145,207
Foreign exchange losses	1,896,358	691,817
Change in fair value of investment properties	(151,434)	(423,145)
Change in fair value of biological assets	(158,646)	392,859
Adjusted core profit before FVTPL fair value adjustments	(328,927)	1,875,168
Change in fair value of fair value through profit or loss financial assets	1,845,745	2,542,330
Adjusted core profit	1,516,818	4,417,498

After accounting for a profit from discontinued operations amounting to Rs. 195.2 Mn, the Group recorded a loss after tax of Rs. 2.5 Bn versus a profit after tax of Rs. 908.3 Mn in the corresponding period.

## CAPITAL EXPENDITURE

Over the year, the Group invested in capital expenditure focused on expansion of business operations. Accordingly, over the past five-year period, the Group has invested a total of Rs. 34.9 Bn on Capital Expenditure in terms of property, plant and equipment, biological assets and intangible assets, approximating to 96% of the consolidated net operating cash flow of the Group for the same period. For the financial year 19/20, the Group incurred Rs. 7.2 Bn capital expenditure, which amounts to 135% of the net operational cash flows of the year. The Group's total asset base increased by 4% YoY to stand at Rs. 172.9 Bn for the year.

During the financial year 19/20, the Oil Palm Plantations sector focused on its investments on young mature plantations in order to convert them into fully-fledged operational locations. Accordingly, the Nabire processing plant project with a capacity of 45 Metric Tonnes per hour was completed by the end of April 2020. Commissioning new processing plants for the remaining two young mature plantations are scheduled to be concluded during the final two quarters of FY20/21, which upon completion will strengthen the cash flow contribution and profitability. Lion Brewery during the year under review increased its capacity and automated the raw material handling

section of the production process. This is expected to improve truck turnaround time at the brewery and the health and safety of people whilst reducing operating expenditure. During the year, Brewery also increased capacity in yeast propagation and storage.

These current and past capital projects are expected to enhance the future revenue growth, ensure efficiencies and reduce the cost of operations. Accordingly, these investments are envisaged to improve medium to long-term cash generation whilst facilitating the gradual reduction in borrowings and strengthening of shareholder returns.

Cash Utilisation (Rs. Mn)	2015/16	2016/17	2017/18	2018/19	2019/20	Total
<b>Cash Inflows</b>						
Net Operating Cashflow	12,614	2,141	9,160	7,335	5,312	36,562
Cash Inflows from Investing Activities	462	19,841	592	1,205	451	22,550
Cash Inflows from Financing Activities	2,598	1,518	7,914	4,076	50,050	66,157
<b>Total Inflows</b>	<b>15,674</b>	<b>23,500</b>	<b>17,666</b>	<b>12,616</b>	<b>55,813</b>	<b>125,269</b>
<b>Cash Outflows</b>						
<b>Investing Activities</b>						
Purchase and construction of Property, Plant and Equipment, Biological assets, intangible assets/prepaid lease payments	(8,204)	(7,755)	(5,808)	(5,975)	(7,183)	(34,925)
Other Operating Activities	(1,107)	(537)	(1,384)	(353)	(1,227)	(4,608)
<b>Total Outflows from Investing Activities</b>	<b>(9,311)</b>	<b>(8,292)</b>	<b>(7,192)</b>	<b>(6,328)</b>	<b>(8,410)</b>	<b>(39,533)</b>
<b>Financing Activities</b>						
Repayment of Borrowings, Finance lease creditors and net decrease in Non-controlling interest	(7,942)	(11,812)	(2,629)	(8,790)	(49,222)	(80,395)
Dividends paid (including preference dividends)	(803)	(606)	(731)	(453)	(449)	(3,042)
<b>Total Outflows from Financing Activities</b>	<b>(8,745)</b>	<b>(12,418)</b>	<b>(3,360)</b>	<b>(9,243)</b>	<b>(49,671)</b>	<b>(83,437)</b>
Movement in cash and cash equivalents	(2,382)	2,790	7,114	(2,955)	(2,268)	2,298
Opening cash and cash equivalents	(8,219)	(10,601)	(7,811)	(697)	(3,652)	(8,219)
Closing cash and cash equivalents	(10,601)	(7,811)	(697)	(3,652)	(5,920)	(5,920)

Carsons Management Services (Private) Limited

14th August 2020

# Sustainability Report

Group has positioned its CSR management as self-regulating business model that helps the group be socially accountable -to itself, its stakeholders and the public. Keeping with long standing ethos, it contributes to sustainable social development in align with the values and principles of World Commission on Environment and Development.

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

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

We continue to endeavour in augmenting our continued activities to support youth development keeping up with our strong belief of future of a nation relies on their contribution towards all socio-economic strategic initiatives. These efforts would be the foundation for building just society.

## CULTURE OF CORPORATE CITIZENSHIP

Carson Cumberbatch has been supportive national cause and in April 2020 in demonstrating corporate citizenship responsibility contributed to enhance COVID PCR testing, in the faculty of medicine at the University of Colombo in collaboration with their department of Microbiology and department of Anatomy and Human Genetics unit.

Group also made a substantial contribution into a project spearheaded by Rotary International District 3220 to source a state of the art fully automatic PCR system.

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

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

The Group works in collaboration with governments, communities, industry partners and other stakeholders to promote policies and actions that will sustain healthy ecosystems. We continue to mobilize collective actions to move towards increasing implementation of sustainable business practices in a way that responsibly manages resource use, reduces environmental footprint, and enhances employee and community welfare and well-being.

## HEALTH, SAFETY AND WELLBEING OF OUR WORKFORCE

The health, safety wellbeing of our employees is a priority. To protect our workforce during the COVID-19 pandemic, we have been implementing preventative measures across all business units.

### Access to Medical Services

The polyclinics at our plantation locations are established to deal with the treatment of injuries, illnesses and medical emergencies and provide employees with services such as medical tests, immunizations and family planning.

## Employee Wellbeing

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

## COVID-19 Prevention at our Plantations

Prioritizing the health of our employees, we have introduced procedures to protect our employees from COVID-19 and allow operations at our plantations under continued safely. Measures include:

1. Provision of necessary protective equipment, including face masks, hand sanitizers, soap and disinfectants.
2. Installation of hand washing and hand sanitizing stations throughout our operations.
3. Campaigns to raise awareness and encourage preventative measures, including the critical importance of proper hand washing and hand sanitizing.
4. Regularly disinfecting workplaces, and other commonly used areas in our estates.
5. Physical distancing measures, controlled entrance and exit to and from estates, and quarantine measures.
6. Health screenings, including regular checks of body temperature prior to entrance to estates and workplaces, and rapid tests for 1000 individuals.
7. Introduction of procedures to deal with any suspected case of COVID-19 and guidelines for employees that display symptoms.

The changes in working procedures to ensure the prevention, early detection and control of COVID-19 are being effectively implemented to prevent any outbreak of the disease in our plantations. Mass testing has been conducted in Goodhope's plantation units with the use of 1000 rapid test kits. Zero COVID-19 infections have been recorded.

### **Contributions to Community Health and Medical Services in Response to COVID-19**

In response to the COVID-19 pandemic, we have coordinated with local officials and contributed to national and local initiatives to help ensure that the communities remain safe and protected from the impacts of COVID-19. The company has provided essential protective equipment, including face masks, hand sanitizers and soap among local communities and has donated health screening devices for temperature checking. Since March 2020, we have provided cloth masks, surgical masks, and rapid test kits worth of USD 55,000 to be used by our workers and the surrounding communities.

We have been working with local COVID-19 Taskforces in spraying disinfectants in public spaces and conducting campaigns on the risks of the disease and prevention measures. The campaigns communicate the critical importance of proper hand washing and hand sanitizing in order to better tackle this virus spread.

To help ensure that the necessary equipment is available for the treatment of COVID-19 patients, Goodhope has donated five ventilators, amounting to a cost of \$206,896 to enable intensive care treatment of patients. In April 2020, the company donated three ventilator units to RSUD Murjani Hospital, Sampit, Central Kalimantan and two units to RSUD General Hospital in Nabire, Papua. The donation of

ventilators to the Intensive Care Units of hospitals. These critical care respiratory are known to have helped the recovery of patients in Central Kalimantan and Nabire, Papua. The donations are well recognized by local government institutions and stakeholders as reported on the national and regional printed and online media, including reputable media, i.e., Jakarta Globe and Palm Oil Magazine

### **COMMITMENT TO EDUCATING CHILDREN AND YOUTH**

Carson Cumberbatch PLC has a long-standing commitment towards educating, developing and empowering youth. Our education programs are delivered with the aim to equip students with the knowledge and skills needed for their future careers and endeavours. Our vision is to not only support the standard learning of subjects, but to promote educational activities that provide opportunities for students to creatively solve problems through critical thinking, collaborative working and effective communication.

Group continue to support stakeholders of locations of our business presence through range of initiatives from child education and nurturing to building learning and growth prospects to youth through formal and informal interventions.

#### **Computer Skills Development**

Since its commencement in 2014 the Computer Skills Development centre in Hambanthota continue to develop government officials and children of the district.

Children are given initial aptitude information technology and stimuli for creativity and Public health officers gain skills development to data management; storage, retrieval and dissemination of vital data for preventive and corrective medication. In the year under review the center has facilitated 70 midwives and health

inspectors and 30 grade five students and to date, total of 275 midwives and health inspectors, 40 Gramasewaka officials, 20 Divisional Secretarial officials, 20 children and 100 youth of Hambanthota district.

The contribution is measured by how it has helped the way they do serve the public and also how have it helped in their work-life balance. During the period of lock down due COVID 19 the acquired skills helped most of them to work from home.

Computer centre also supports Public Library located in the same building by providing internet facility to those who visits the library of its services. This enhanced facility is gaining momentum as number visits the library has increased significantly.

Center has piloted a workshops on social media marketing awareness to SMEs and Farmers of the districts of Matara and Hambanthota and would extend these programs as an added facilitation to pro-COVID recovery efforts of SMEs.

Key objectives of our education program include: i) Ensuring all infrastructure to provide decent education opportunities; ii) Raising awareness of the importance of education and encouraging parents to send their children to schools. We facilitate the continuous professional development of teachers by providing training to improve teaching skills, enhance knowledge of subject areas and support school accreditation processes.

#### **Agro Harapan Foundation**

Established in 2008, the Agro Harapan Foundation works to provide quality education for children residing within the communities surrounding our plantations operations. We ensure that all children living in our plantations will have access to good quality school and assist the public school in neighbouring villages towards improvement of quality

## Sustainability Report

education and in the same time to assist the pupils or students to reach their true and maximum potentials.

The Foundation adopts a multi-faceted approach towards this purpose, managing its own schools whilst also contributing to assisting existing schools within the community. In 2019/20, the Foundation employed 131 teachers consisting of 63 full-time internal teachers and 68 auxiliary teachers seconded to public schools. A total of 13 schools are managed by the Foundation, providing free education to children surrounding our mature plantations in Central Kalimantan. Furthermore, we continue to support a existing schools within the communities, facilitating better school governance and equipping such schools to meet minimum standards set by the National Education Board, for instance by setting up new classrooms and increasing classroom capacity. Total investment in FY2019/20 was \$1,014,189, supporting a total of 5844 students, including 3346 employees' children and 2498 community children.

### Accreditation Achievements

Our flagship school SMP Tunas Agro at PT Agro Indomas Central Kalimantan (Junior High School) has achieved the top level of national accreditation "A-grade" since 2010. Having used the SMP Tunas Agro as a model for performance management, top grade national school accreditation has now been achieved for two of our internal elementary schools: SD Tunas Agro 1 at PT Agro Indomas and SDS Tunas Agro 2 at PT Agro Wana Lestari.

We are also working with local education agencies to improve education performance of the public schools in all operating locations, including Nabire and West Kalimantan towards achieving good accreditation.

### Teaching and Learning during the COVID-19 Pandemic

In accordance with the implementation of large-scale social restrictions, school students have been required to study from home in the final few months of the school year to remain safe from COVID-19. In response to the restrictions and in line with instructions from local authorities, Tunas Agro Primary and Junior High School have introduced online Teaching and Learning for Students. The online method of teaching was introduced to replace teaching and learning activities from class. The online approach uses common smart phone communication applications through which students are able to receive assignments from their teachers and submit completed work. Through the use of the system, test and exams for Junior High School Students were also still able to be conducted following the High School Education Curriculum.

### Sustainability at Schools

We aim to 'educate for sustainability' by working with teachers and relevant organizations to embed sustainability into the teaching curriculum and to promote sustainability initiatives in schools. We aim to build awareness and knowledge on environmental, economic, and social components of sustainability, providing motivation to take action and encouraging values such as critical thinking and innovation, thereby empowering students to contribute to solutions for more sustainable ways of living.

### Training Centre at PT Agro Indomas

Goodhope has invested in creating its own learning academy "The Goodhope Academy for Management Excellence" (GAME). The Training Centre at PT Agro Indomas provides capacity building opportunities for employees, local communities, neighbouring companies

and other stakeholders. Topics of engagement and training activities include communication of our policies and standards, management training and skills development to enhance transferable as well as technical skills. During the year there were 673 of training sessions including 565 residential training sessions of which 47 was open to outside participants. Strong corporate commitments have been made to implement enhanced practices for the sustainable management of natural resources and the protection of biodiversity and ecosystem services.

### Career guidance of National Universities

Group continue its facilitation of much needed soft skills development and guidance to university students in their career pursuit. Group continued its support students of management and science faculties Sri Jayewardenepura University in their career pursuit and soft skills development.

### SUSTAINABILITY INITIATIVES AND CULTURE OF CONSERVATION

The Group works in collaboration with governments, communities, industry partners and other stakeholders to promote policies and action that will sustain healthy ecosystems. We continue to mobilize collective actions to move towards increasing implementation of sustainable business practices in a way that responsibly manages resource use, reduces environmental footprint, and enhances employee and community welfare and well-being.

Our Sustainability initiatives are aim to make ever-increasing positive contributions to the United Nations Sustainable Development Goals (UN SDGs).

## Conservation and Sustainable Land Use

We promote the protection of biodiversity and the conservation of natural resources and are working on progressively mitigating the negative environmental impacts of our operations.

### Landscape-level conservation and land use planning

We support landscape-level conservation and land use planning as an important approach for achieving the conservation of natural resources in combination with sustainable production to meet needs. Our hope is that the landscape-level approach will encourage the development of systems and solutions to help overcome existing problems and better enable forest conservation and responsible sourcing for the production of sustainable palm oil. Projects include collaborations with partner organizations to for development of a spatial plan for sustainable landscape activities in Ketapang Region, West Kalimantan.

### Community Co-management of Conservation Areas

Goodhope secured community-backed support to develop a framework for collaborative community-based conservation management at Bukit Santuai (Santuai Hill) in the sub-district of Mentaya Hulu, East Kotawaringin, Central Kalimantan, Indonesia. The initiative to integrate the conservation of culture and biodiversity has been established since 2012 by an agreement between the local community at Bukit Santuai district and the companies PT Agro Wana Lestari (AWL) and PT Karya Makmur Sejahtera (KMS). The Conservation Committee comprises local leaders and representatives from local communities, local government agencies, and the company. The HCV area of 2,404 ha in the AWL/KMS concession forms the focus of the conservation initiative. To advance the

conservation efforts and strengthen the program, Goodhope has initiated a partnership with the conservation organization Swaraowa.

### FIRE PREVENTION AND CONTROL

During the prolonged dry season in 2019, about 1.6 million hectares of land and forest burned across Indonesia according to Environment and Forestry Ministry data. Our companies in Indonesia stepped up capacity to respond to landfires, working together with local authorities and communities on the conservation of forest areas and mitigation of threats. Efforts included community fire awareness training; ensuring full preparedness for effective response; and emergency action to directly extinguish identified fires.

Reflecting on the data from previous year and anticipating this coming year dry season, it is imperative that we sufficiently address the threats of land fires in and around our concessions. In anticipation of the onset of the dry season in Kalimantan, all management units have been requested to take adequate actions have to ensure preparedness and remain vigilant to prevent and mitigate the threat of landfires. We are working to:

1. Foster muajithliti-stakeholder cooperation with government agencies and local communities to build mutual cooperation and partnership in early detection, early warning and early response to mitigate land/forest fires threat
2. Conduct fire awareness training and fire response drills for both employees and local communities.
3. Ensure the availability of adequate fire equipment and trained fire response teams.
4. Ensure effective systems for the efficient identification, verification and response to hotspots and fires.

Our response to land fire threats this year must be conducted alongside the threat of COVID-19 and in line with health protocols. Prevention and mitigation efforts require the use of the necessary personal protection equipment and should be conducted practicing physical distancing.

### FOREST REHABILITATION AND RESTORATION

We are in the process of developing forest rehabilitation initiatives to strengthen the resilience of sites where forest has been lost or degraded. Main objectives are to accelerate and assist the recovery of degraded land, for example by planting seedlings and by implementing appropriate protective measures to mitigate threats and enable regeneration. Such endeavors have the potential to enhance levels of biodiversity, safeguard ecosystem services and help contribute to mitigating climate change.

Goodhope is now working on developing a forest rehabilitation program to restore the ecological functions of forest degraded by external fires in 2019. PT. Rim capital is developing the program in association with the local government and community. Planting of native tree species is undertaken in areas where restoration or rehabilitation is required. This initiative is conducted in tandem with public awareness efforts to mitigate threats and promote the regeneration of forest further prevent fire threats in the future.

As a responsible corporate citizen, Lion brewery takes cognizance of the environmental impact from indiscriminate disposal of the used beer cans by the consumers, and has in place a collection and recycling process which covers a little over 80% of the cans consumed. These used cans are recycled and turned out as intricate handicraft items.

## Sustainability Report

### MONITORING AND MITIGATION OF GREENHOUSE GAS EMISSIONS

Recognizing global climate change as an urgent environmental problem, Goodhope is committed to progressively reduce the net greenhouse gas emissions resulting from our operations. Our efforts to reduce our carbon footprint incorporate many integrated approaches aimed at conserving and enhancing carbon sinks and minimizing emissions of greenhouse gases (carbon dioxide, sulphur dioxide, methane and nitrous oxide). Initiatives are developed based on the evaluation of carbon stock assessments and calculation of greenhouse gas emissions, which provide the necessary framework and guidance for the company to implement actions to reduce the impact of its operations on climate change.

### RESPONSIBLE SOURCING AND SUPPLY CHAIN MANAGEMENT

We continue to work towards ensuring that all purchases are from legal and responsible sources and all third parties with whom we work adhere to the principles of No Deforestation, No Peatland Development and No Exploitation (NDPE). To assist with our efforts we support the exploration of improved systems and solutions to support zero-deforestation supply chains and smallholder inclusion. Our hope is that landscape-scale mapping approaches will provide a mechanism to identify forests for protection while enabling smallholder inclusion in supply chains and net effectiveness in the implementation of no-deforestation commitments.

We will increasingly engage with suppliers to promote and evaluate compliance with our responsible sourcing commitments consistent with our Sustainability Policy. We will use risk assessment tools to determine the risk of each third-party supplying mill in our supply chain and set priorities for monitoring and evaluation activities in

order to assess and verify compliance. Through our engagement processes we aim to encourage the implementation of improved practices across our entire supply chain in line with standards for the productions of sustainable palm oil.

### COMMUNITY WELFARE AND SMALLHOLDER SUPPORT

Within the scope of our capabilities, we promote the fulfilment of human rights through improving economic, environmental and social conditions and serve as a positive influence in communities in which we operate. We support the UN Declaration on the Rights of Indigenous Peoples and UN Food and Agriculture Organization (FAO) Voluntary Guidelines on the Responsible Governance of Tenure and enable local communities to give or withhold their Free, Prior, and Informed Consent (FPIC) to land-use plans for development or conservation.

#### Supporting Community Health and Development

Improving the physical infrastructure of villages in and around our concessions is an important pre-requisite for sustainable livelihood development and conservation success. As a means to improve community welfare, Goodhope contributes to enhance the availability of basic facilities and services, including providing better and safer access to and from villages, support for clean water projects, and improved health and education facilities. Our aim is to support and enhance the basic needs and welfare of individuals, families and groups. In FY 2019/20 \$231,330 invested in Goodhope Corporate Social responsibility programs.

#### Collaborations for Health care

We aim to increasingly integrate employee health services with community health services so that communities living in and around our plantations have access to affordable

and better health services. Programs include free healthcare checks; blood donation campaigns; family planning services; and health campaigns promoting healthy lifestyles and the prevention of disease.

### ECONOMIC EMPOWERMENT & COMMUNITY WELLBEING

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

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

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

#### Youth to Nation Foundation

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

### **Nurturing 140 young entrepreneurs**

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

These would receive competencies development through workshops, field visits and intervention through IT platform to conduct their enterprises. The nurturing program intended to build business capabilities and best practices to ensure sustainable growth bring needed facilitation to their door steps.

The program is backed by regional chambers, NEDA, Small Industrial authorities of Matara and Galle and Divisional Secretariat of Nathandiya.

Program also helped them to gain awareness and application of social media platforms to gain market penetration and formation of clusters to share both technical and market information.

### **Women's Empowerment Program**

In Papua, our Women's Empowerment Program aims to build the independence of women among local communities in Nabire. Since July 2015, monthly Savings and Loans Cooperative Meetings have been routinely held at Wanggar village, for savings and borrowing activities, and to encourage initiatives for improved economic income and enhanced welfare. Currently 23 members benefit from the program. It is intended that the initiative will become an independent program, fully handed over to the board and its members, with the company only monitoring the progress of the group

### **Smallholder Support**

Goodhope provides cooperative-owned scheme smallholder (PLASMA) plantation as an effective way to support sustainable development

among the local communities. Under this type of smallholder scheme, the company manages cooperative-owned plantations, and in this way is able to generate above average returns for the cooperative members.

Currently Goodhope has more than 4,000 members in its plasma schemes, in a total of 28 cooperatives. For each cooperative, we aim to provide training to promote self-management, financial awareness and financial planning skills, to enhance the abilities of members to effectively manage their funds from the shares of profit, encourage and support entrepreneurship and contribute to long-term improvements in community welfare.

### **Independent Smallholders**

The company actively supports independent smallholders by facilitating their inclusion into our supply chain and by promoting the implementation of practices to increase the productivity, profitability, and sustainability of smallholder supplied commodities.

We engage with smallholders to promote the implementation of practices that increase the productivity, profitability, and sustainability of smallholder supplied commodities and to provide alternatives to deforestation. Based on the information we received through the interview with farmers during collecting data and mapping smallholders, we are implementing training activities for smallholder farmers to promote the benefits of sustainable land management and build capacity for livelihood improvement programs. In collaboration with Daemeter Consulting, our Farmer Field School program aims to help smallholder farmers to be eligible for sustainability certification (ISPO and RSPO), improve crop productivity, and adopt good agronomy practices while encouraging the reduced and responsible use of chemical fertilizer and pesticides.

### **Alternative Income Generating Opportunities**

We support programs that aim to enhance the capacity of local communities to participate in, contribute to, and benefit from sustainable ways of earning incomes without disturbing forest ecosystems. Towards this, we foster partnerships in order to collectively mobilize our resources to promote self-reliance among marginalized communities in our areas of business operations, through improving access to social and financial capital, improving financial literacy and encouraging entrepreneurial capabilities. One of our community development projects is Mitra Makmur scheme by sponsoring and building capacity of local community group to run a business partnership model in Central Kalimantan. Under the scheme, the company rent dump trucks for fresh fruit bunches transport from local villagers group. Currently, the scheme has provided 16 dump trucks rented and used by PT Agro Wana Lestari, which allows local community to earn an alternative income stream.

Goodhope has been working with a number of partner organizations on supporting the development of livelihood programmes including fruit and vegetable farming and the cultivation of stingless bees for honey production. We seek to ensure that the right programs are delivered to meet the aspirations of local communities and that the communities are sufficiently equipped with the necessary skills and infrastructure to support and facilitate sustainable development and long-term welfare and wellbeing. We will continue to encourage alternative income generating activities designed to enhance community welfare in and around our operating locations and embrace partnership approaches to managing landscape level community development and conservation programs.

## Sustainability Report

# People Sustainability

Carson Cumberbatch PLC believes in the premise that continuously re-designing our people values ensures the permanence of the business as a whole due to our differentiation edge being our people.

We strive to create an encouraging environment for our people which enables them to harness their capabilities irrespective of their differences. This is the foundation for our goal of being a preferred employer for our current and future employees. We focus on the work culture, employee engagement, productivity, effectiveness and efficiency as part of our people philosophies. We ensure transparency in our industrial relations which seamlessly create corporative relations; promoting diversity and effective people practices by line managers.

With continuous improvement of HR practices in our Group companies, the values made available to the employees has resulted in the Group being an employer of choice. Coupled with work-life balance, occupational health and safety, performance-based remuneration, career development, empowered work environment and sophisticated technology are within the package of employee value protection.

### Total Employee Strength

Sector	Executive Directors	Managers	Executives	Non-Executives	Employees by Sector for 2020
Plantations, Oils and Fats	13	262	416	12,718	13,409
Investment	2	5	15	1	23
Beverage	1	70	73	93	237
Real Estate	1	1	5	12	19
Leisure	0	10	39	234	283
Management	7	9	21	6	43
<b>Total</b>	<b>24</b>	<b>357</b>	<b>569</b>	<b>13,064</b>	<b>14,014</b>

### LEARNING AND DEVELOPMENT

The Group provides seamless learning opportunities to the staff. Some of the sector companies have their own staff learning academies and other regular training and development needs analyses are conducted along with facilitation of learning activities. Cross functional performance teams are an intrinsic part of this endeavour where a fresh outlook is gained for routine activities for better and productive performance.

All sector companies invest in learning and development including encashment of examination fees, study leave and sponsorship as an incentive to staff to strive to improve themselves, which in turn ensures well updated staff, creating a better learning environment.

### SUCCESSION PLANNING

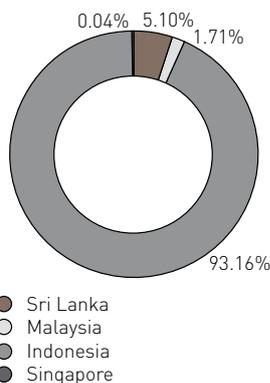
We recognise the importance of having a pipeline in place for a smooth work transition by ensuring a robust second layer of employees. This is mainly achieved through identifying internal successors for key positions and developing them to take up roles in time to come.

An initial gap analysis is conducted for these identified employees and their career advancement is discussed and properly documented to ensure the development is in the desired trajectory.

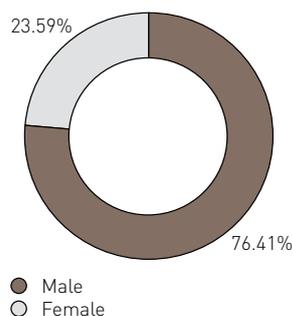
### REWARD AND RECOGNITION

The Group ensures internal and external equity, being in line with the company policy on reward and recognition by ensuring employees

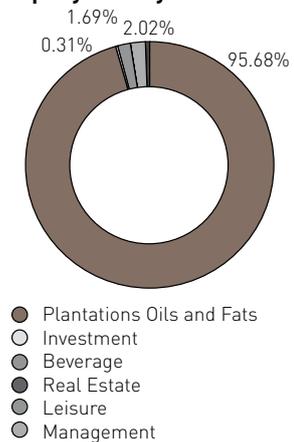
### Total Workforce by Country



### Gender Diversity



### Employees by Sector



are recognised solely on merit. The performance management system operates as the primary evaluation system through which developmental and constructive feedback is given to employees as a mechanism for better performance.

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

### WORK-LIFE BALANCE

The Company believes that employees' private and professional life should have a good balance and reinforces employee satisfaction and loyalty. The Company supports employees who wish to take an active part in the community or assume responsibilities in professional, civic, cultural or voluntary organisations with mutual understanding.

Group emphasis on socialising of employees is manifested through events of the annual calendar. Staff family engagement of annual trip, children art exhibition and Christmas party are some activities which promote the culture blend of solidarity and sociability at work.

### HEALTH AND SAFETY

With strategic importance placed on employee safety, the Group has taken various measures to ensure this goal is achieved by compliance with local and international standards and regular audits and training of employees in all operating locations of the Group including fire safety training, providing Personal Protective Equipment and periodic reviews of all safety equipment.

Medical schemes and awareness sessions are designed and conducted to provide employees and their immediate families with the proper knowledge to maintain their health. Both indoor and outdoor medical facilities are maintained by investing in regular doctors' visits and other medical facilities and insurance coverage.

### BUSINESS CONTINUITY DURING COVID-19

The Group was successful in operating all its businesses in spite of the prevailing COVID-19 pandemic. Through pre-planned business continuity action plans, a smooth transition of Work-from-Home for all operational critical staff was achieved during the period. Staff was provided with access to equipment as well as systems that enabled them to provide the best in the given circumstances.

In spite of the Government guidelines permitting hard-hit companies sanctions for downsizing and salary deductions, the Group was successful in maintaining its original employee cadre with no salary deductions in any form.

Currently, the Group operates with only the staff performing critical functions reporting to work whilst others continue to work-from-home. To ensure the safety of all staff reporting to work, all operating locations of the Group have provided them with the required Personal Protective Equipment as well as standard operating procedures which need to be regularly followed.

### BEVERAGE SECTOR

#### EMPLOYER BRANDING

With the aim of being a preferred employer, the Sector embarked on being certified as a "Great Place to Work" by the Great Place to Work Sri Lanka for the year 2019 / 2020. This is in line with the Group's vision of being an employer of choice to all our current as well as future employees.

#### PERFORMANCE MANAGEMENT

During the year under review emphasis was given to identifying performers to ensure a performance-driven culture that is mutually-beneficial to the company and the employees.

This meant ensuring the robustness of the performance management process included transparency, simplicity, timeliness and proper feedback. This in turn ensured a stronger linkage

between the sector and the employee key performance indicators as well as identifying and evaluating the potential future leaders for succession in the Company.

### TALENT MANAGEMENT

As in the previous year, our emphasis was on succession and building a future-ready management. In line with the above, the following was rolled out:

#### Training and Development

1. Management Development Programme – extensive programme designed to upskill existing middle managers and high potential assistant managers.
2. Executive Development Programme – programme to upskill those identified staff to better perform their current roles as well as for their next role in management.
3. One-on-one coaching for high potential assistant managers and above grades to prepare them for future leadership roles.

### EMPLOYEE ENGAGEMENT

The "Discover the Lion in You" – conquering the Mahaweli, a Company-wide initiative was rolled out in October 2019. The initiative was to build a stronger team and identify the competencies within each one of us to be better equipped for the many challenges we may face in the future.

### PLANTATIONS SECTOR

#### DIVERSE WORKFORCE

Diversity is embedded in our people processes – from recruitment to employee development – and reflected in all HR-related initiatives. Managers are made responsible for fostering diverse capabilities in employees. Our hiring and development programmes too are devised to reflect these key aspects of the Group's diversity principles.

To ensure strict adherence to this policy, the staff are identified through a structured recruitment process, which is focused on evaluating skills,

## Sustainability Report

### People Sustainability

competencies and alignment to the organisation culture. Working together in such a diverse cultural background helps develop a culture of inclusion and facilitates learning and appreciation of diversity.

#### CULTURAL DIVERSITY

Across our operating locations in Indonesia and Malaysia, the Group employs a multinational workforce from different nationalities-from Sri Lanka, Malaysia, Indonesia, India, Singapore, UK and Pakistan at managerial levels in addition to local talent. Such diverse experienced work force supports in addressing specific skill shortages in the geography and to facilitate local talent development. Through sustained development, we have been successful in developing local talent to take over positions.

#### BIPARTITE COMMUNICATION FORUM (LKS BIPARTITE)

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

#### NO CHILD LABOUR POLICY

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

#### EMPLOYEE REWARDS

We consider our diverse workforce as our competitive advantage. Our total reward philosophy represents a wide spectrum of compensation models and metrics that would be competitive within the industry landscape in which

each Company operates and provide each individual with fair and consistent rewards, benefits and compensation within an integrated organisational framework.

#### PAY EQUALITY

The remuneration for the staff across various levels, is solely based on level-based salary scales, which considers the factors such as scope, skills and experience required to perform the role, decision making, span of control, criticality of the role, location. The scales are reviewed on a periodic basis to ensure competitiveness with the market standards.

All salaries and benefits for our workforce are in adherence to all statutory requirements across operating locations.

#### EMPLOYEE MOTIVATION

##### Recognition and Achievement

Appreciating those employees who have been able to contribute to the growth of the respective company by way of value addition or achievement of an exceptional milestone are recognised through structured rewards and recognition programmes.

##### Performance Management

Performance management is a key function, which serves to usher higher order employee and business performance. Clarity of objectives, ongoing feedback and reviews form the bedrock of effective performance management. Half yearly and annual performance reviews provide opportunities to discuss priorities and feedback for strengthening and improving performance. The rewards mechanism are tied and differentiated based on performance output and ranks.

##### Growth and Development

Career development is considered as an integral part of the employee development process. Career advancement is provided in terms of either advancement within the same

department and within the same location or with a transfer to another location with higher scope of duties and complexities in performing the job function.

#### LIVING ENVIRONMENT

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

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

#### LEARNING AND DEVELOPMENT

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

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

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

In FY19-20, training and development was targeted at core technical, managerial skills development and statutory areas, which are critical for business operations.

## **OCCUPATIONAL HEALTH AND SAFETY**

We are committed to provide a safe and healthy work environment. To ensure employees participation in their own safety, clear guidelines are provided and sign-boards are put up in strategic locations as a reminder to both employees and other visitors. Regular training is conducted to keep all employees abreast of new developments and new procedures to be implemented and followed. It is mandatory for employees to use Personal Protective Equipment (PPE) when working in or visiting our plantations and mills. Safety Officers are appointed and periodic audits and monitoring is undertaken to ensure that safety policies are adhered to by all.

The Oils and Fats segment focuses on initiatives to maintain environment, health and safety (EHS) and housekeeping in line with best-in-class standards. Teams were identified to work on specific areas such as quality improvement and waste reduction in line with international benchmarks.

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

## **A NOTE ON COVID-19 RESPONSE**

During the period of the pandemic, unprecedented in our lifetimes, the sector took precautions since end January 2020, placing employees' safety and business continuity as our priority. With measures such as restricting travel restrictions, working on Emergency Response Plans and initiating work from home (WFH) mode being implemented, long before any Government mandated

restrictions coming to effect. The required IT infrastructure was activated immediately, and staff were able to seamlessly transition to the WFH option. Detailed protocols were drawn up for operating locations in Indonesia and Malaysia.

In addition, Personal Protective Equipment (PPEs) such as masks, suits, gloves, etc. have been provided to all doctors. All staff and family members were provided with masks. Sanitisation standards are adhered to all workplaces, including housing units.

## **LEISURE SECTOR**

### **EMPLOYER BRANDING**

The Pegasus Reef Hotel conducted a Climate Survey during the year under review as a means of identifying thriving areas of the hotel as well as the areas that needs to be closely monitored and developed. This is the initial step in the sector's goal of being a preferred employer in line with the Group's vision.

### **HUMAN RESOURCE PLANNING**

With the view of harnessing future talent and as a means of identifying potential leaders, the sector works with various public and private sector training institutes to meet its human capital requirements. Through this exercise, the sector has been able to reap benefits that have cascaded to the smooth operations of the hotels as well as having a pipeline of talent that could move up to be leaders and managers in the future.

### **LEARNING AND DEVELOPMENT**

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

One such activity is the Skills Assessment Centre, which acts as the performance review mechanism where gaps are identified and employees are rewarded with career growth for best performance. In addition, the

Pegasus Reef Hotel employs a Buddy Programme, which acts as the initial contact point for new recruits to the hotel in getting them familiarised in a more informal setting. The Single Point Of Contact (SPOC) Teams initiative too has added value as a continuous cross functional team that identifies issues in the hotel and proposes solutions, which creates constant development cycles.

### **WORK-LIFE BALANCE**

Events in the staff calendar are rolled out on a monthly basis with activities such as staff outing, sports day, quiz competitions, movie nights and town hall meetings bringing about much-needed work-life balance in a customer-centric industry. This in return inculcates camaraderie at work and a setting to develop relations in an informal setting.

### **SAFETY AND HEALTH**

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

### **OPERATIONS DURING COVID-19**

The sector was successful in continuing its management operations during the COVID-19 pandemic and conducted many awareness sessions for the staff to be in readiness when customer operations commence. These included sessions on Standard Operation Procedures in Customer Handling, Pool Handling Guidelines, Security Guidelines and Prevention of Food Contamination.

In addition, the sector ensured that all staff are provided with Personal Protective Equipment (PPE) including face masks, gloves and hand sanitisation for maximum protection.

# Value Added Statement

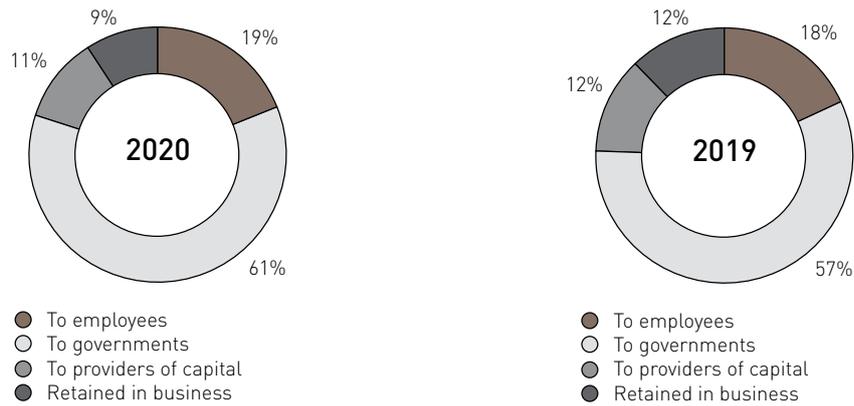
For the year ended 31st March	2020		2019		2018		2017		2016	
Revenue	105,972,774		97,139,538		79,181,390		64,512,872		76,470,465	
Other income	1,279,975		966,088		1,377,802		688,168		319,852	
	107,252,749		98,105,626		80,559,192		65,201,040		76,790,317	
Cost of materials and services purchased from outside	(54,113,765)		(49,555,047)		(39,266,422)		(30,132,666)		(39,329,167)	
Value Added	53,138,984		48,550,579		41,292,770		35,068,374		37,461,150	
		%		%		%		%		%
Distributed as follows										
To Employees as remuneration and other benefits	10,265,331	19	9,345,775	19	7,687,444	19	7,508,093	21	7,372,362	20
To Governments										
as taxation/excise & import duty - Sri Lanka	31,847,669	60	26,082,095	54	19,309,483	47	14,183,205	40	20,521,997	55
- Overseas	327,765	1	1,698,832	3	1,739,277	4	1,059,340	3	941,189	3
To Providers of capital										
as interest on loans	6,786,741	13	5,004,823	10	4,496,028	11	4,423,660	13	2,617,581	7
as non controlling interest	(932,452)	(2)	814,313	2	2,068,167	5	1,644,769	5	800,804	2
as dividend to shareholders (Company)	147,290	0	196,387	0	392,774	1	-	-	294,580	1
Retained in the business as depreciation	6,371,738	12	5,510,789	11	4,225,354	10	4,954,762	14	4,381,325	12
as retained profits	(1,675,099)	(3)	(102,435)	(0)	1,374,243	3	1,294,545	4	531,312	1
	53,138,984	100	48,550,579	100	41,292,770	100	35,068,374	100	37,461,150	100

## Note

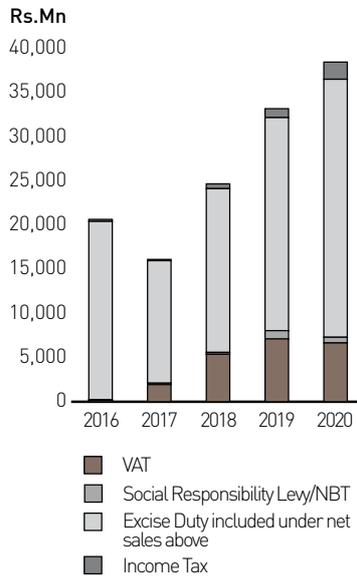
- The Statement of Value Added shows the quantum of wealth generated by the activities of the companies within the Group, (excluding its Associate Companies) and its application.
- Value Added Tax and Economic Services Charge are excluded in arriving at the above revenue. Therefore, total tax liability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

For the year ended 31st March	2020		2019		2018		2017		2016	
Value Added Tax	6,759,835		7,125,001		5,381,353		1,943,723		174,750	
Nation Building Levy included under net sales above	667,011		931,269		210,504		161,690		45,742	
Excise Duty & Import duty included under net sales above	29,233,357		24,140,705		18,551,986		13,873,695		20,208,675	
	36,660,203		32,196,975		24,143,843		15,979,108		20,429,167	
Income Tax	1,947,301		1,010,121		546,993		147,820		235,807	
Total Taxes paid to the Government of Sri Lanka	38,607,504		33,207,096		24,690,836		16,126,928		20,664,974	

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



### Taxation paid to Sri Lankan Government



# Management Teams

## PLANTATIONS, OILS & FATS

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

**Aneesh Dudeja**  
President and Chief Financial Officer

**Satish Selvanathan**  
Executive Director

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

**Samir Desai**  
Director/Chief Operating Officer - Edible Oils & Fats Segment and Upstream Sales

**Ahmad Latif**  
Chief Financial Officer - Downstream & Group Chief Risk Officer

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

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

**Edi Suhardi**  
Director - Sustainability

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

**Muthukumaran Murugiah**  
Director - Engineering

**Gnanasegaran Kasiya**  
Regional Controller - Plantations

**Rushdi Azeez**  
Director/Country Head

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

## BEVERAGE

**Suresh Shah**  
Director/CEO

**Rajiv Meewakkala**  
Director/CEO - Designate

**Ranil Goonetilleke**  
Director - Finance

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

**Nirosh de Silva**  
General Manager - Technical

**Madhushanka Ranatunga**  
General Manager - Luxury Brands

**Indika Daniels**  
Head - Pubs & Places

**Hiran Edirisinghe**  
Chief Engineer

**Shiyan Jayaweera**  
Head of Marketing

**Shiran Jansz**  
Head of Procurement

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

**Nishantha Hulangamuwa**  
Head of Outbound Supply Chain

**Eshantha Salgado**  
Head of Technological Development & Sustainability

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

**Channa Senarathne**  
Head of Regulatory Affairs

**Jehan Goonaratne**  
Financial Controller - Corporate Finance

**Keerthi Kanaheraarachchi**  
Head of Sales

**Chaminda Bandaranayake**  
Head of Packaging

**Prashanthan Pathmanathan**  
Financial Controller - Commercial

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

**Chandana De Silva**  
Quality Assurance Manager

**PORTFOLIO & ASSET MANAGEMENT**

Krishna Selvanathan  
Director/CEO

Tharinda Jayawardena  
Head of Research

Sumith Perera  
Head of Portfolio Management

Asanka Jayasekara  
Senior Fund Manager

Prabath Ekanayake  
Finance Manager

Ms. Dinupa Pieris  
Head of Marketing

Priyan De Mel  
Manager - Operations

**REAL ESTATE**

Nalake Fernando  
Director - Property Management

S. Rajaram  
Head of Engineering

Sisira Wickramasinghe  
Finance Manager - CMSL

**LEISURE****Pegasus Reef Hotel**

Amila Alvis  
General Manager - Pegasus Reef Hotel

Vibath Wijesinghe  
Director - Finance, CMSL

Kapila Gunathilake  
Head of Finance

Dushmantha Fernando  
Head of Sales & Marketing

Ms. Mala Munasinghe  
Executive Housekeeper

Promoda Fernando  
Food and Beverage Manager

Ms. Premila Samarakoon  
Front Office Manageress

Nalinda Abeyratne  
Executive Chef

Kolitha Perera  
Chief Engineer

**Giritale Hotel**

Thiagarajah Ganeshan  
General Manager - Giritale Hotel

Senarath Ekanayake  
Accountant

**MANAGEMENT SERVICES**

Ajith Weeratunge  
Director

Ms. Keshini De Silva  
Director

Krishna Selvanathan  
Director

Ms. Amali Alawwa  
Director - Legal

Vibath Wijesinghe  
Director - Finance

Amal Badugodahewa  
Director - Tax

Bernard Silva  
Head of HR

Chaminda Premarathne  
Director - Internal Audit

Sunimal Jayasuriya  
Head of IT

# Group Directorate

## PLANTATIONS, OILS & FATS

### GOODHOPE ASIA HOLDINGS LTD.

#### Directors:

Chandra Das S/O Rajagopal Sitaram  
 \*\* NEI (Chairman), H. Selvanathan  
 (Executive Director & Deputy  
 Chairman), Abdullah Bin Tarmugi \*\*  
 NEI (Resigned w.e.f. 5/9/2019),  
 Chan Cheow Tong Jeffery \*\* NEI  
 (Resigned w.e.f. 5/9/2019),  
 D.C.R. Gunawardena \*\*\* NE & NI,  
 A. P. Weeratunge\* NE, A. Dudeja

### SHALIMAR DEVELOPMENTS SDN. BHD.

#### Directors:

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

### PT AGRO INDOMAS

#### Commissioners:

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

#### Directors:

A. Dudeja - President Director, C.A.V.S.  
 Upasena (Vice President Director),  
 C.S. Pakadang, Edi Suhardi (Appointed  
 w.e.f. 1/8/2019), B.C.S.T.I Rodrigo

### SHALIMAR (MALAY) PLC

#### Directors:

H. Selvanathan (Chairman),  
 M. Selvanathan, I. Paulraj \* NE,  
 D.C.R. Gunawardena \* NE, K.C.N.  
 Fernando, A.K. Sellayah \*\* NEI  
 (Deceased on 13/9/2019),  
 S. Mahendrarajah \*\* NEI, D.P De Silva  
 \*\*\* NEI (Appointed w.e.f. 16/12/2019)

### SELINSING PLC

#### Directors:

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

### INDO-MALAY PLC

#### Directors:

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

### GOOD HOPE PLC

#### Directors:

H. Selvanathan (Chairman),  
 M. Selvanathan, I. Paulraj \* NE,  
 D.C.R. Gunawardena \* NE,  
 A. K. Sellayah \*\* NEI (Deceased on  
 13/9/2019), S. N. Alles \*\* NEI, D.P  
 De Silva \*\*\* NEI (Appointed w.e.f.  
 16/12/2019)

### PT AGRO ASIA PACIFIC

#### Commissioners:

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

#### Directors:

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

### PT KARYA MAKMUR SEJAHTERA

#### Commissioners:

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

#### Directors:

A. Dudeja (President Director), C.A.V.S.  
 Upasena (Vice President Director), C.S.  
 Pakadang, Edi Suhardi (Appointed w.e.f.  
 1/8/2019), B.C.S.T.I Rodrigo

### PT AGRO HARAPAN LESTARI

#### Commissioners:

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

#### Directors:

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

### PT AGRO BUKIT

#### Commissioners:

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

#### Directors:

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

### AGRO HARAPAN LESTARI (PRIVATE) LIMITED

#### Directors:

H. Selvanathan (Chairman),  
 M.R. Jiffrey, C.A.V.S. Upasena,  
 Ms. Sharada Selvanathan, A.R. Azeez

\* Non-Executive Director

\*\* Non-Executive/Independent Director

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

**AHL BUSINESS SOLUTIONS (PRIVATE) LIMITED****Directors:**

D.C.R. Gunawardena (Chairman),  
M.I.M. Amjad, M.R. Jiffrey,  
C.A.V.S. Upasena.

**AGRO ASIA PACIFIC LIMITED****Directors:**

H. Selvanathan, M. Selvanathan,  
Satish Selvanathan

**PT AGRAJAYA BAKTITAMA****Commissioners:**

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

**Directors:**

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

**PT RIM CAPITAL****Commissioners:**

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

**Directors:**

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

**PT AGRO WANA LESTARI****Commissioners:**

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

**Directors:**

A. Dudeja (President Director),  
C.A.V.S. Upasena (Vice President  
Director), C.S. Pakadang, Edi Suhardi  
(Appointed w.e.f. 1/8/2019),  
B.C.S.T.I Rodrigo

**PT NABIRE BARU****Commissioners:**

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

**Directors:**

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

**PT BATU MAS SEJAHTERA****Commissioners:**

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

**Directors:**

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

**PT SAWIT MAKMUR SEJAHTERA****Commissioners:**

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

**Directors:**

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

**PT SUMBER HASIL PRIMA****Commissioners:**

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

**Directors:**

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

**PT SINAR SAWIT ANDALAN****Commissioners:**

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

**Directors:**

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

**PT SARIWANA ADI PERKASA****Commissioners:**

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

**Directors:**

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

**PT AGRO BINA LESTARI****Commissioners:**

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

**Directors:**

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

**PT AGRO SURYA MANDIRI****Commissioners:**

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

**Directors:**

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

## Group Directorate

### ARANI AGRO OIL INDUSTRIES PRIVATE LIMITED

Directors:

S.K. Desai, G.V. Krishna Rao, S.C.P. Chelliah

### PREMIUM OILS & FATS SDN.BHD.

Directors:

H. Selvanathan, M. Selvanathan, C.A.V.S. Upasena, M.R. Jiffrey, S.K. Desai

### PREMIUM VEGETABLE OILS SDN. BHD.

Directors:

Satish Selvanathan (Chairman), H. Selvanathan, Samir Desai, Ahmad Latif, Naoto Muto

### PREMIUM NUTRIENTS PRIVATE LIMITED

Directors:

H. Selvanathan, M. Selvanathan, A. Dudeja, Samir Desair (Appointed 23/8/2019)

### GOODHOPE INVESTMENTS (PRIVATE) LIMITED

Directors:

H. Selvanathan - Chairman, M.R. Jiffrey, M.I.M. Amjad

## BEVERAGE

### CEYLON BEVERAGE HOLDINGS PLC

Directors:

D. A. Cabraal (Chairman) \*\*NEI, H. Selvanathan (Deputy Chairman), M. Selvanathan (Director/Alternate Director to H. Selvanathan), S. K. Shah (Chief Executive Officer/Director), D.C.R. Gunawardena \* NE, R.H. Meewakkala, S. Clini (Appointed w.e.f. 31/10/2019) \* NE

### LION BREWERY (CEYLON) PLC

Directors:

D. A. Cabraal (Chairman) \*\* NEI, H. Selvanathan (Deputy Chairman), S. K. Shah (Chief Executive Officer/Director), D.C.R. Gunawardena \* NE, D. R. P. Goonetilleke, K. Selvanathan (Director/Alternate Director to H. Selvanathan), Ms. S.J.F. Evans\*\* NEI, R. H. Meewakkala, Lim C. K.\* NE, S. Selvanathan, S. Clini \* NE (Appointed w.e.f. 26/10/2019)

### PUBS 'N PLACES (PRIVATE) LIMITED

Directors:

S.K. Shah, D.R.P. Goonetilleke, S.W.M.K.N. Hulangamuwa, M.R.B. Ranatunga, S.G.S. Atton, W.H.S. Boteju (Resigned w.e.f. 4/11/2019)

### RETAIL SPACES (PRIVATE) LIMITED

Directors:

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

### LUXURY BRANDS (PRIVATE) LIMITED

Directors:

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

### PEARL SPRINGS (PRIVATE) LIMITED

Directors:

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

### MILLERS BREWERY LIMITED

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

## REAL ESTATE

### EQUITY ONE LIMITED

Directors:

D.C.R. Gunawardena (Chairman), K.C.N. Fernando (Vacated office w.e.f. 14/6/2020), E.H. Wijenaik (Vacated office w.e.f. 14/6/2020), A.P. Weeratunge, S. Mahendrarajah, P.D.D. Fernando (Vacated office w.e.f. 14.6/2020)

### EQUITY TWO PLC

Directors:

D.C.R. Gunawardena \*NE (Chairman), K.C.N. Fernando (Vacated office w.e.f. 14/6/2020), A.P. Weeratunge, E.H. Wijenaik \*\*NEI (Vacated office w.e.f. 14/6/2020), P.D.D. Fernando \*\*NEI (Vacated office w.e.f. 14.6/2020)

### EQUITY THREE (PRIVATE) LIMITED

Directors:

I. Paulraj, K. C. N. Fernando

\* Non-Executive Director

\*\* Non-Executive/Independent Director

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

## LEISURE

### PEGASUS HOTELS OF CEYLON PLC

#### Directors:

D.C.R. Gunawardena \*NE (Chairman),  
M. Dayananda \*\*NEI (Vacated office  
w.e.f. 13/6/2020), K. Selvanathan,  
S.R. Mather, V.R. Wijesinghe

### EQUITY HOTELS LIMITED

#### Directors:

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

### CARSONS AIRLINE SERVICES (PRIVATE) LIMITED

#### Directors:

H. Selvanathan (Chairman),  
M. Selvanathan, D.C.R. Gunawardena

## PORTFOLIO & ASSET MANAGEMENT

### CEYLON GUARDIAN INVESTMENT TRUST PLC

#### Directors:

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

### CEYLON INVESTMENT PLC

#### Directors:

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

### GUARDIAN FUND MANAGEMENT LLC

#### Directors:

T.K. Servansingh, T. Soodhoo  
C.W. Knight, S. Thomas, K. Selvanathan

### GUARDIAN VALUE FUND LLC

#### Directors:

Z. Soopun, T. Parmessur  
C. W. Knight, S. Thomas, M. A. T.  
Jayawardana

### GUARDIAN CAPITAL PARTNERS PLC

#### Directors:

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

### RUBBER INVESTMENT TRUST LIMITED

#### Directors:

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

#### Alternate Director:

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

### LEECHMAN & COMPANY (PRIVATE) LIMITED

#### Directors:

H. Selvanathan, M. Selvanathan,  
S. Mahendrarajah

### GUARDIAN FUND MANAGEMENT LIMITED

#### Directors:

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

### GUARDIAN ACUITY ASSET MANAGEMENT LIMITED

#### Directors:

D.C.R. Gunawardena (Chairman),  
M. R. Abeywardena, K. Selvanathan,  
D. P. N. Rodrigo, S. M. Perera

## MANAGEMENT SERVICES

### CARSONS MANAGEMENT SERVICES (PRIVATE) LIMITED

#### Directors:

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

\* Non-Executive Director

\*\* Non-Executive/Independent Director

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

# Risk Management

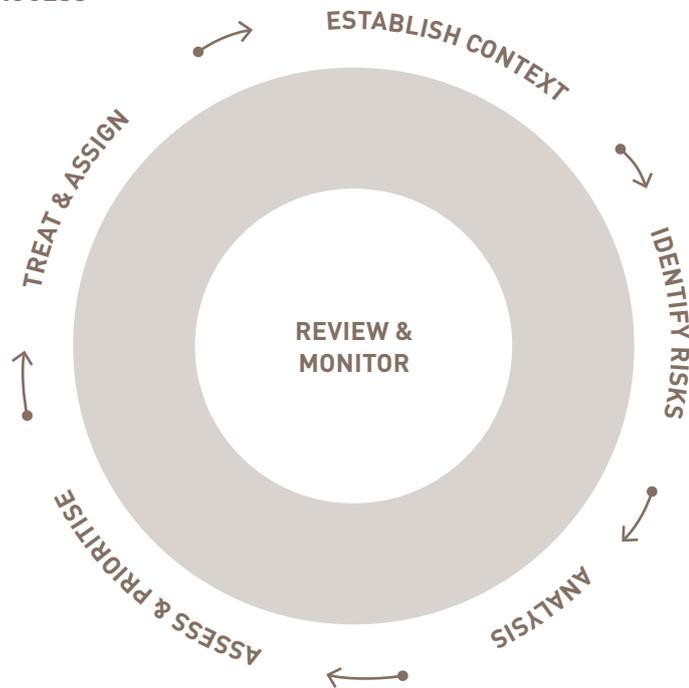
Carson Cumberbatch PLC is a diversified conglomerate. Carson Group with global operations is exposed to a great variety of risks which are either general in nature or industry/country specific. As a result, risk management has become an integral part of business and management. These practices provide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

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

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

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

## ERM PROCESS



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

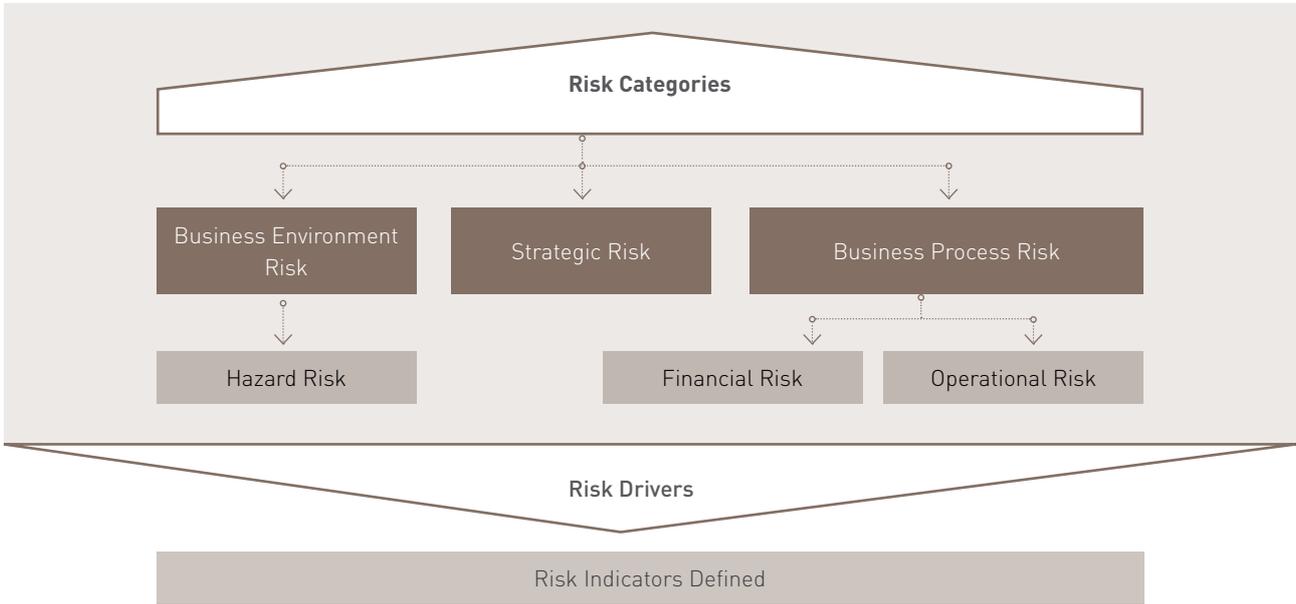
When executing the ERM process, management identifies the risks and categorises in to main three types of risks as shown below. Purpose of the risk modeling is to create a common language for better communication, knowledge sharing and comparison. Risk drivers are the key factors which create risks.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

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

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

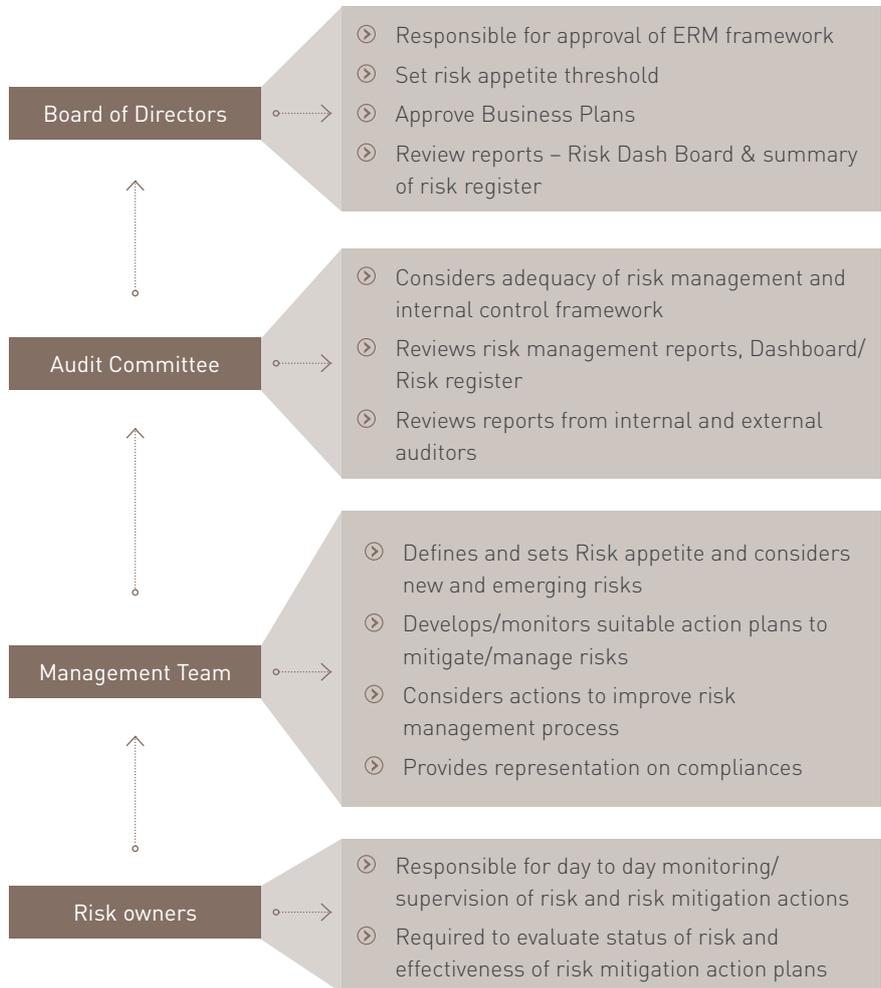
Once risk events are identified risk responses could take the form of;

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



Comprehensive and benchmarked Procedure Manuals and techniques, together with timely supervision and monitoring of risk management practices by the business managers while discharging their responsibilities and accountability provides the first line of defence. Relevant action plans to be reviewed and monitored by the management teams in their respective spheres of operation. Further, during this process relevance and impact of identified risks will be reassessed. Status and outcome of the action plans are presented to CEO, Audit Committee and Board of Directors.

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



## Risk Management

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

Risk	Impact	Risk Responses and Strategies
<b>Terrorism/ Global Pandemic</b>	<p>Easter Sunday attack had negative impact on local operations of the group. This was further worsened by Covid 19 pandemic. The COVID 19 pandemic has caused disruption to many local and global business and economic activities as it forced to close country borders, lockdown cities and implement social distancing to ensure health and safety of citizens. Each sector has been closely monitoring the impact of the pandemic on the operations as at year end and in the immediate future.</p> <p>Further, some of the sectors like leisure, investment management and beverage had to temporarily ceased operations because of Covid 19. Further, leisure sector was affected due to subdued foreign tourists arrival due to COVID-19 pandemic.</p>	<p>Group took immediate steps to implement actions in the Business Continuity Plan and put in to action the alternate working arrangements with due consideration to health and safety of employees.</p> <p>Where necessary, Employees were deployed to monitor and upkeep plant and machinery.</p> <p>We are closely monitoring the economic cost of the pandemic and will be continually assessing the financial impact across our sectors and draft proactive business responses.</p>
<b>Commodity Price Risk</b>	<p>Oil Palm Plantation and Oil &amp; Fats Segments are susceptible to fluctuations in global Crude Palm Oil (CPO) prices for which we have minimal control being a price taker. Key impacts on CPO price is driven by demand of vegetable oil, supply from plantation industry as a whole, supply and demand for substitute oils, crude oil prices and demand for biofuel and other such factors.</p> <p>Crude oil price stagnant at MYR2k range, with Ex-Mill price below budget.</p> <p>Country level and consumer level -curtailment of import/demand</p> <p>All sectors</p> <p>Prices of other raw materials may also fluctuate due to changes in global economic conditions, weather patterns, government policies and developments in international trade.</p>	<p><b>Oil Palm Plantation Segment</b></p> <p>Manage the price volatility and cash flows by entering into physical forward sales contracts, increase the storage capacity and price hedging at opportune timing.</p> <p>The segment continues to focus on becoming one of the lowest cost producers, as cost remains the area within the control of the management.</p> <p><b>Oils &amp; Fats Segment</b></p> <p>Seek to maintain a back-to-back cover on raw material purchases (Palm Kernel PK feedstock) to minimise the price volatilities</p> <p>Transfer the price fluctuations to the customer, whenever possible.</p> <p><b>Beverage Sector</b></p> <p>Beverage sector continuously monitor commodity prices of raw materials and where opportune, enters into forward contracts for buying major raw materials with the assistance of international business partner or on its own.</p>

Risk	Impact	Risk Responses and Strategies
<b>General Securities Risk</b>	<p>Any trading in securities carries inherent investment risks associated with the entity issuing those securities. In particular the price or value of any security can and does fluctuate and may even become valueless, resulting in possible loss not only of returns and profits, but even also of all or part of the principal sums invested. These risks arise as a result of the overall risks faced by the issuing entity which affects its ability to provide a return to the investors holding the securities issued by it. Particularly in the case of equities, past performance of any investment is not necessarily indicative of future performance. At Guardian our approach focuses on the fact that there is no substitute for fundamental individual security assessment.</p> <p>Largest components of assets remain with carefully selected quoted investments in the Colombo Stock Exchange (CSE).</p> <p>The closure of the CSE affected our operations as we were unable to transact to reshape the portfolio accordingly.</p>	<p><b>Investment sector</b></p> <p>Sound internal research processes. We will evaluate all investments after taking precautions given the stressed conditions.</p> <p>Once an investment is made a continuous process of monitoring the performance of that investment is adopted.</p> <p>Manage the concentration risk arising from over exposure to one security by monitoring sector exposure and single company exposure as mitigation strategies. Further, private equity exposure limits at company and group level are monitored as another measure of managing risk. Loss limits are set to monitor stocks performing below their cost of acquisition to determine whether temporary capital erosion is a concern. This helps us mitigate the downside risk of any security in the portfolio.</p> <p>Market risks affecting a particular class of security are mitigated by switching to asset classes that are assessed to be less risky in a particular scenario.</p> <p>In the case of private equity, Board representation in proportion to the investment for stakes over 10% is considered necessary while for smaller stakes, monitoring mechanisms to facilitate constant evaluation of the investment will be built into the shareholder agreement.</p>
<b>Environment Scrutiny Risk</b>	<p><b>Oil Palm Plantation Segment</b></p> <p>The NGO's scrutiny and enforcement on palm industry has increased with calls for a greater standard than industry set standards identified by RSPO (Roundtable on Sustainable Palm Oil). NGO's are pushing MNC companies who are the customers of the main oil producers/traders to go beyond RSPO and adhere to NDPE (No Deforestation, No Peat, No Exploitation Policy)</p> <p>These NGO's are aggressively focusing to push for higher standards and targeting mid to large scale plantation companies as well as focusing on the financiers (Bankers) of such plantations.</p>	<p><b>Oil Palm Plantation Segment</b></p> <p>GAHL has committed to this higher standard with its own new NDPE policy in 2017, with the input of major stakeholders including NGO's.</p> <p>GAHL's sustainability initiatives are focused on education and empowerment as well as environment management.</p> <p>GAHL's sustainability action plan is shared monthly with external stakeholders and have been received well by them.</p>

## Risk Management

Risk	Impact	Risk Responses and Strategies
<b>Development Delays Risk</b>	<p>New plantation development in Indonesia can be negatively impacted due to multiple &amp; ambiguous land claims, difficulties in procuring contractors and poor infrastructure in remote locations.</p> <p>Depressed palm oil prices and increased environmental scrutiny has also led to a negative impact on new plantation development in past few years.</p> <p>Project delays may result in significant increases in development costs when restarted, build up of overhead costs and loss of land to third parties as well as social issues from local smallholders (Plasma) who expect development of land at a faster pace.</p>	<p>Ensure that necessary permits and licenses are acquired in a timely manner to complete the developments.</p> <p>Furthermore, GAHL will proactively manage social issues affecting land release and multiple land claims.</p> <p>GAHL will target to match the funding durations to cover the total capex up to maturity stage of plantation.</p> <p>Employ a bigger pool of experienced contractors to ensure that disruptions to development projects are minimised.</p>
<b>Land Ownership Risk</b>	<p>Land allocated to plantations by regional authorities face overlap with concession given to other industries such as mining and forestry. In addition, plantation companies in Indonesia face overlap claims with other palm plantations as well as local communities due to unclear land titles and ownership which results from lack of clarity between local, regional and national authorities on land status.</p> <p>Indonesian government is also under pressure from NGO's to curtail deforestation and use of land for plantations.</p> <p>At the same time, Indonesia is looking to fight poverty by mandating small holder/plasma schemes in order to achieve poverty alleviation via distribution of wealth at rural level.</p>	<p>Ensure that all required approvals from the respective authorities are obtained and validated prior to commencement of land development</p> <p>Expedite land title processing in order to safeguard the planted land within the group.</p> <p>Establish and maintain sound relationships with key personnel in regulatory establishments.</p>

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

## Risk Management

Risk	Impact	Risk Responses and Strategies
<b>Liquidity Risk</b>	The risk that the sector cannot easily meet its operational and financial obligations can result in unavailability of sufficient funds that may interrupt the smooth functioning of the day to day operations.	<p>Management is closely monitoring the liquidity position of group companies and where necessary has applied for the concessions granted by lending institutions for the businesses affected by Covid 19.</p> <p>Manage such an exposure through effective working capital management</p> <p>Maintain sufficient credit facilities</p> <p>Develop policies and procedures to plan liquidity based on medium term plans.</p> <p>Where applicable some of the group companies have applied for moratorium facilities on existing borrowing offered by banks as per the guidelines of Central Bank of Sri Lanka.</p> <p><b>Investment sector</b></p> <p>Investing in companies with a reasonable free float and where securities are heavily traded. Also by limiting the portfolio's buy list to highly traded blue chips, the risk of illiquidity can be mitigated. Good research will enable the fund team to identify changes in fundamentals and be proactive in investment decision making.</p> <p>In the case of private equity, liquidity risks are difficult to manage due to time bound exit strategies. However, our insistence on one or two fall back exit options being built into the shareholder agreement ensures that eventually private equity projects will end up in an encashable state with at least a minimum return.</p>
<b>Financial Leverage and Cash Flow Risk</b>	<p>Oil Palm Plantation segment is impacted by its high financial leverage due to price and volume impacts. GAHL require to generate strong free cash flow and repay debt from its operational cash inflows.</p> <p>The segment will require managing its capital repayment given current borrowing structure</p>	<p>Manage and repay bank funding facilities and service of the borrowing facilities, while maintaining adequate liquidity.</p> <p>Implement cost control measures targeting overhead reductions and capex prioritization.</p>
<b>Credit Risk</b>	Each sector is exposed to credit risk primarily from its trade receivables, which arise from its operating activities and its deposits with Banking Institutions.	<p>With the slowdown of economic activities, recovery of dues of some of the sectors have shown some challenges.</p> <p>Individual companies exercise some of the following controls to mitigate this risk.</p> <p>Implementation of credit policies</p> <p>Continuous and regular evaluation of creditworthiness of customers</p> <p>Ongoing monitoring of receivable balances.</p> <p>Covering credit exposure through a combination of bank guarantees &amp; discounting of credit to banks with no recourse to the company.</p>

Risk	Impact	Risk Responses and Strategies
<b>Interest Rate Risk</b>	<p>The interest rates on all of our loans and borrowings are currently on a floating basis. As such, our financial performance may be affected by changes in prevailing interest rates in the financial market.</p> <p>With the global spread of COVID-19, Central Bank of Sri Lanka initiated some policy changes to revive the economy and encourage banks and financial institutions to reduce interest rates.</p>	<p>Financial strength of the Carson Cumberbatch PLC is used via group treasury in negotiating the rates.</p> <p>Plantation sector will pursue derivative mechanisms such as interest swaps, where necessary.</p> <p>As at the reporting dates both financial assets and financial liabilities of the Group consist of variable as well as fixed rate instruments.</p> <p>Appropriate capitalization of business together with the right balance between long &amp; short term bank facilities plus obtaining a combination of loans linked to AWDR/SLIBOR/AWPLR &amp; LIBOR</p>
<b>Systems and Process Risks</b>	<p>The risk of direct or indirect losses due to inadequate or failed internal processes and systems.</p> <p>Information technology is a vital component of the operations of the group.</p>	<p>Enhanced IT systems via secured VPN with no disruptions, virus upgrades, backups and Disaster Recovery sites monitoring.</p> <p>Maintain detail procedure manuals and provide training and guidelines for new recruits.</p> <p>The internal audit function of the Group carryout regular review on internal control systems and processes and recommends process improvements if shortcomings are noted.</p>
<b>Legal and Regulatory Compliance Risk</b>	<p>Failure to comply with regulatory and legal framework applicable to the Group.</p>	<p>The management together with the Carsons group legal division proactively identifies and set up appropriate systems and processes for legal and regulatory compliance in respect of Sector operations.</p> <p>Arrange training programs and circulate updates for key employees on new/revised laws &amp; regulations on need basis.</p> <p>Provide comments on draft laws to government and regulatory authorities.</p> <p>Obtain comments and interpretations from external legal consultants on areas that require clarity.</p> <p>Obtain compliance certificates from management on quarterly basis on compliance with relevant laws and regulations.</p> <p>To minimize the spread of Covid 19, Government and health authorities have issued guidelines and rules to operate business activities. Group has implemented all possible measures for the safety of the staff and customers, adhering to said guidelines and rules.</p>
<b>Reputational Risk</b>	<p>As a Group which carries out business activities in different sectors, it is vital to safeguard the good name and reputation of the businesses.</p>	<p>Employees are communicated the right values from the inception both by formal communication and by example. Our screening process at interviews, attempts to select people of the right calibre, while training them for higher responsibility is ongoing.</p> <p>The extensive compliance process also ensures that the Group does not take the risk of process failure that will lead to reputation risk.</p> <p>Maintaining good relationships with all stakeholders further helps manage any crisis situations that can damage reputation.</p>

# Information to Shareholders & Investors

## 1 STOCK EXCHANGE LISTING

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

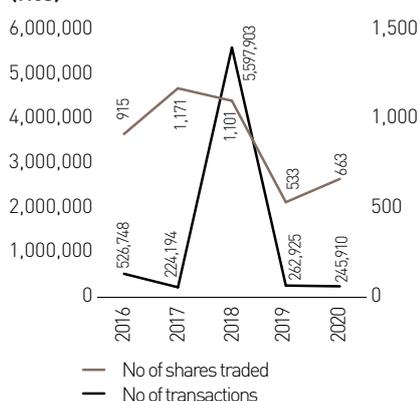
## 2 MARKET CAPITALISATION AND MARKET PRICE

Market Capitalisation of the Company's share, which is the number of ordinary share in issue multiplied by the market value of a share, was Rs. 30,440 Mn as at 31st March 2020. (Rs. 31,422 Mn as at 31st March 2019)

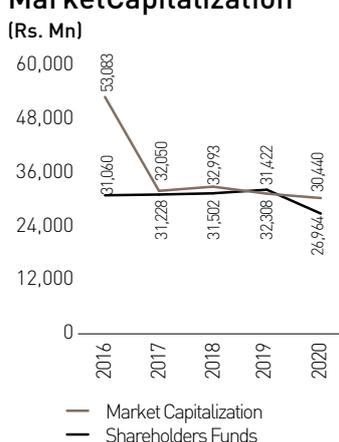
The Information on Market prices are set out below :

For the year ended 31st March	2020	Q4	Q3	Q2	Q1	2019
<b>Share Information</b>						
Highest price (Rs.)	224	224	224	178	180	199
Lowest price (Rs.)	150	155	154	158	150	137
As at periods end (Rs.)	155	155	190	161	160	160
<b>Trading Statistics</b>						
No of transactions	663	151	224	170	118	533
No of shares traded	245,910	75,713	50,374	57,643	62,180	262,925
Value of all shares Traded (Rs. Mn)	43	14	9	10	10	44
Market Capitalization (Rs. Mn)	30,440	30,440	37,314	31,618	31,422	31,422
Enterprise Value (Rs. Mn)	125,536	125,536	137,632	128,934	124,704	123,426

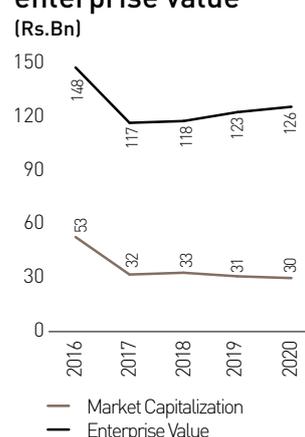
### Share Trading (Nos)



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



### Market Capitalization and enterprise value (Rs. Bn)



## 3 SHAREHOLDER BASE

The total number of ordinary shareholders as at 31st March 2020 was 1,997 compared to the 2,005 as at 31st March 2019.

#### 4 DISTRIBUTION AND COMPOSITION OF SHAREHOLDERS

Distribution of Shares		Residents			Non-Residents			Total		
		No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1	1,000	1,560	228,145	0.12	16	5,571	0.00	1,576	233,716	0.12
1,001	10,000	259	853,432	0.43	17	65,597	0.03	276	919,029	0.47
10,001	100,000	93	2,682,546	1.37	16	711,691	0.36	109	3,394,237	1.73
100,001	1,000,000	15	4,779,283	2.43	7	2,534,015	1.29	22	7,313,298	3.72
Above	1,000,000	8	142,508,610	72.57	6	42,018,024	21.40	14	184,526,634	93.96
Total		1,935	151,052,016	76.92	62	45,334,898	23.09	1,997	196,386,914	100

#### 5 COMPOSITION OF SHAREHOLDERS

Ordinary Shares	31st March, 2020			31st March, 2019		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individuals	1,865	20,401,128	10.39	1,877	20,512,428	10.44
Institutions	132	175,985,786	89.61	128	175,874,486	89.56
Total	1,997	196,386,914	100	2,005	196,386,914	100
Residents	1,935	151,052,016	76.92	1,944	151,223,679	77.00
Non Residents	62	45,334,898	23.08	61	45,163,235	23.00
Total	1,997	196,386,914	100	2,005	196,386,914	100

#### 6 PUBLIC HOLDING

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

The Company's Public Holding as at 31st March 2020

- Market Capitalization of the public holding – Rs.4.39Bn
- Percentage of ordinary shares held by the public – 14.41% (2019 – 14.41%)
- The number of public shareholders – 1,983

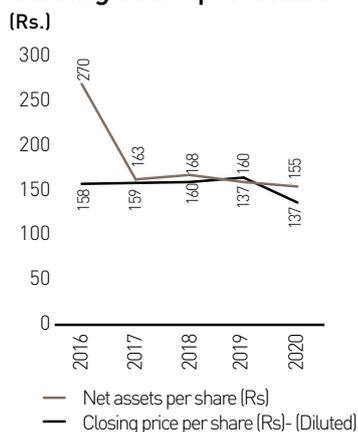
#### 7 INFORMATION ON RATIOS

	2020	2019
EPS (Rs.)	(7.78)	0.48
Price to Book (times)	1.13	0.97
Price Earnings Ratio - Group	(19.92)	334.45
Dividend Yield (%)	0.48%	0.63%
Market Value Added (Mn.)	98,571	91,117

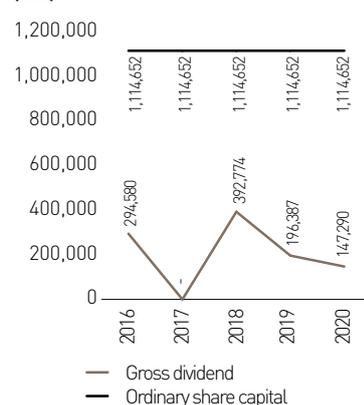
## Information to Shareholders & Investors

### 8 INFORMATION ON DIVIDENDS

#### Net Assets per Share and Closing Price per Share (Rs.)



#### Gross Dividend and Ordinary Share Capital (Rs.)



### 9 MATERIAL FORESEEABLE RISK FACTORS

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

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

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

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

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

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

For the year ended 31st March - In Rs.'000

Ordinary Shares	Per share Rs.	2020		2019	
		Amount Rs. '000	Per share Rs.	Amount Rs. '000	Per share Rs.
First interim dividend	0.75	147,290	1.00	196,387	
	0.75	147,290	1.00	196,387	

**12 DIVIDENDS SINCE**

Year ended 31st March	DPS (Rs.)	Dividends (Rs.'000)
2016	1.50	294,580
2017	-	-
2018	2.00	392,774
2019	1.00	196,387
2020	0.75	147,290

**13 ORDINARY SHARES IN ISSUE**

Year ended 31st March	Number of Shares
2016	196,386,914
2017	196,386,914
2018	196,386,914
2019	196,386,914
2020	196,386,914

**14 HISTORY OF SCRIP ISSUES**

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

**15 INFORMATION ON MOVEMENT IN NUMBER OF SHARES**

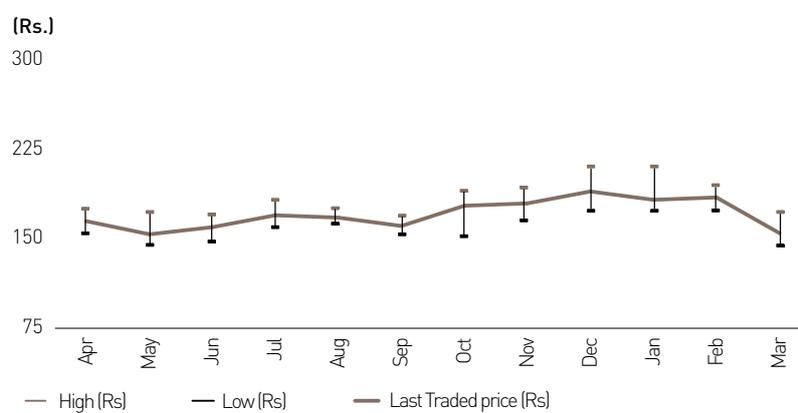
Financial Year	Issue	Basis	Number of Shares issued	No. of Shares Cumulative Ordinary
2005/06	Bonus Issue	5 for 1	5,093,550	6,112,260
2008/09	Sub-division	15 for 1	85,571,640	91,683,900
	Capitalisation	1 for 20	4,584,195	96,268,095
2010/11	Sub-division	2 for 1	96,268,095	192,536,190
	Capitalisation	1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

## Information to Shareholders & Investors

### 16 SHARE PRICE TREND OVER LAST FIVE YEARS

Year ended 31st March	2016	2017	2018	2019	2020
Highest Price (Rs.)	355	190	240	199	224
Lowest Price (Rs.)	212	150	145	137	150
Last Traded Price (Rs.)	270	163	168	160	155

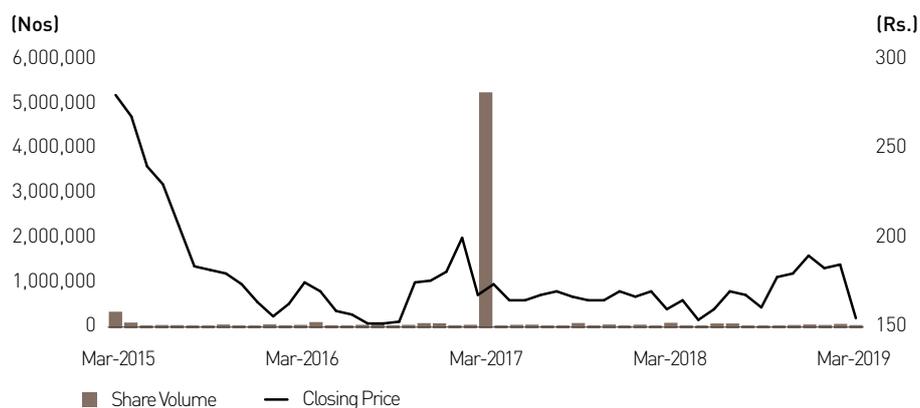
### Share Price Trend Over Last Financial Year



## 17 INFORMATION ON SHAREHOLDERS' FUNDS AND MARKET CAPITALIZATION

As at 31st March	2016	2017	2018	2019	2020
Shareholders' Funds (Rs. Mn.)	31,060	31,228	31,502	32,308	26,964
Market Capitalization (Rs. Mn.)	53,083	32,050	32,993	31,422	30,440
Market Capitalization as % of CSE Total Mkt. Captl. (%)	2.18%	1.31%	1.22%	1.31%	1.58%

## 18 PRICE AND SHARE VOLUME CHART



## Information to Shareholders & Investors

### 19. TEN YEAR SUMMARY - GROUP

For the year ended / as at 31st March	2020	2019
<b>OPERATING RESULTS</b>		
Revenue	105,972,774	97,139,538
Profit from operations (Segment results)	10,360,133	13,295,569
Finance expenses	6,673,454	4,892,419
Profit/(loss) before taxation from continuing operations	(474,307)	5,060,992
Income tax expenses	2,181,213	3,992,562
Profit/(loss) for the year	(2,460,260)	908,265
Profit/(loss) attributable to the non controlling interest	(932,452)	814,313
Profit/(loss) attributable to the owners of the company	(1,527,808)	93,952
<b>CAPITAL EMPLOYED</b>		
Stated capital	1,114,652	1,114,652
Reserves	25,849,847	31,193,768
	26,964,499	32,308,420
Non - controlling interest	28,221,465	31,585,445
Short - term and long - term borrowings	89,260,736	75,215,984
	144,446,700	139,109,849
<b>ASSETS EMPLOYED</b>		
Non - current assets	118,109,798	119,429,300
Current assets	54,777,876	46,238,017
	172,887,674	165,667,317
Current liabilities - excluding borrowings	(16,487,219)	(14,891,115)
Other financial payables	(1,300,771)	(87,368)
Deferred liabilities	(10,652,984)	(11,578,985)
	144,446,700	139,109,849
<b>CASH FLOW STATEMENTS</b>		
Net cash inflows from operating activities	5,312,077	7,334,846
Net cash generated from/(used in) investing activities	(7,959,373)	(5,123,036)
Net cash generated from/(used in) financing activities	379,321	(5,166,862)
Net (decrease)/increase in cash & cash equivalents	(2,267,975)	(2,955,052)
<b>OPERATIONAL RATIOS</b>		
Return on ordinary shareholders' funds (%)	(5.67)	0.29
Equity to total assets (%)	31.92	38.57
Revenue growth (%)	9.09	22.68
Asset growth (%)	4.36	3.54
Revenue to capital employed (times)	0.73	0.70
No. of employees	14,014	13,975
Revenue per employee	7,562	6,951
Value added per employee	3,782	3,466
<b>DEBT &amp; GEARING RATIOS</b>		
Interest cover (times)	1.55	2.72
Total debts	89,260,736	75,215,984
Net debts	66,874,488	60,418,200
Debt equity ratio (%)	161.75	117.72
Gearing ratio (%)	61.79	54.07
Debt/total assets (%)	51.63	45.40
Current ratio (times)	1.05	0.98
<b>INVESTOR RATIOS</b>		
Dividend cover (times)	(10.37)	0.48
Dividends per share (Rs.)	0.75	1.00
Market value per share (Rs.)	155	160
Market capitalization (Rs. Mn)	30,440	31,422
Earnings/(loss) per share (Rs.)	(7.78)	0.48
Price earnings ratio (times)	(19.92)	334.45
Net assets per ordinary share (Rs.)	137.30	164.51

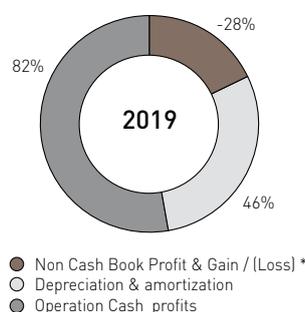
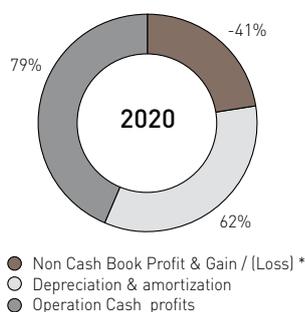
	2018	2017	2016	2015	2014	2013	2012	2011
	79,181,390	64,512,872	76,470,465	88,625,807	76,540,926	76,162,126	66,079,268	34,628,986
	10,075,229	5,222,920	8,615,720	13,540,127	13,220,868	15,149,220	14,184,433	12,222,452
	4,496,028	4,423,660	2,617,581	2,476,181	2,073,516	1,496,146	2,335,777	689,373
	7,387,888	139,094	3,610,229	8,375,195	11,136,235	13,637,001	16,937,125	12,088,562
	3,653,111	1,600,320	1,622,822	2,545,401	3,257,220	3,981,725	4,307,795	2,545,643
	3,835,184	2,939,314	1,626,695	5,981,894	7,879,015	9,655,276	12,629,330	9,542,919
	2,068,167	1,644,769	800,804	2,896,301	4,167,120	5,061,334	5,627,102	5,002,206
	1,767,017	1,294,545	825,891	3,085,593	3,799,471	4,593,942	7,002,228	4,540,713
	1,114,652	1,114,652	1,114,652	1,114,652	1,114,652	1,114,652	1,114,652	1,614,652
	30,387,273	30,113,024	29,945,232	35,676,040	43,077,998	45,437,613	30,627,531	22,338,727
	31,501,925	31,227,676	31,059,884	36,790,692	44,192,650	46,552,265	31,742,183	23,953,379
	29,148,484	28,225,711	27,230,412	29,469,854	38,939,136	40,070,069	30,851,607	24,702,515
	69,438,172	72,460,014	75,797,441	75,980,241	64,292,897	52,234,376	37,664,912	23,340,260
	130,088,581	131,913,401	134,087,736	142,240,787	147,424,683	138,856,710	100,258,702	71,996,154
	122,040,152	120,046,963	130,083,631	130,894,948	138,985,093	132,463,346	95,532,196	59,290,601
	37,970,193	36,363,828	30,612,691	30,993,726	35,618,440	26,556,439	22,999,510	20,196,905
	160,010,345	156,410,791	160,696,322	161,888,674	174,603,533	159,019,785	118,531,706	79,487,506
	(20,108,822)	(17,466,786)	(19,294,743)	(13,516,259)	(16,765,430)	(10,769,171)	(11,228,917)	(4,740,251)
	(87,695)	(77,607)	(63,559)	(55,818)	(50,492)	(28,077)	(25,492)	(773,052)
	(9,725,248)	(6,952,997)	(7,250,283)	(6,075,810)	(10,362,928)	(9,365,827)	(7,018,595)	(1,978,049)
	130,088,580	131,913,401	134,087,737	142,240,787	147,424,683	138,856,710	100,258,702	71,996,154
	9,160,094	2,140,797	12,613,686	5,053,389	13,584,976	4,667,377	12,629,005	4,295,879
	(6,599,663)	11,548,755	(8,848,557)	(21,876,166)	(15,187,257)	(19,256,701)	(17,586,408)	(4,784,405)
	4,553,882	(10,899,879)	(6,146,488)	9,897,091	12,805,689	2,331,876	(3,981,001)	9,803,861
	7,114,313	2,789,673	(2,381,359)	(6,925,686)	11,203,408	(12,257,448)	(8,938,404)	9,315,335
	5.61	4.15	2.66	8.39	8.60	9.87	22.06	18.96
	37.90	38.01	36.27	40.93	47.61	54.47	52.81	61.21
	22.74	(15.64)	(13.72)	15.79	0.50	15.26	90.82	62.37
	2.30	(2.67)	(0.74)	(7.28)	9.80	34.16	49.12	98.68
	0.61	0.49	0.57	0.62	0.52	0.55	0.66	0.48
	11,935	12,583	15,136	15,954	15,580	15,097	14,453	11,672
	6,634	5,127	5,052	5,555	4,913	5,045	4,572	2,967
	3,460	2,787	2,475	2,361	2,255	2,308	2,382	1,985
	2.24	1.18	3.29	5.47	6.38	10.13	6.07	17.73
	69,438,172	72,460,014	75,797,441	75,980,241	64,292,897	52,234,376	37,664,912	23,340,260
	56,095,978	57,077,439	68,180,571	66,956,985	47,753,595	44,369,967	28,893,154	12,450,514
	114.49	121.88	130.03	114.67	77.34	60.30	60.17	47.97
	53.38	54.93	56.53	53.42	43.61	37.62	37.57	32.42
	43.40	46.33	47.17	46.93	36.82	32.85	31.78	29.36
	0.81	0.67	0.63	0.81	0.84	0.75	1.00	2.18
	4.50	-	2.81	5.24	9.68	11.70	14.26	11.51
	2.00	-	1.50	3.00	2.00	2.00	2.00	2.00
	168	163	270	366	365.00	440.00	465	635
	32,993	32,050	53,083	71,956	71,681	86,410	91,320	124,666
	9.00	6.59	4.21	15.71	19.35	23.39	28.51	23.01
	18.67	24.76	64.20	23.32	18.86	18.81	16.31	27.59
	160.41	159.01	158.16	187.34	225.03	237.03	161.63	121.13

## Information to Shareholders & Investors

(Amounts expressed in Sri Lankan Rs. '000)

### 16 GROUP QUARTERLY RESULTS

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	FY 2020
<b>INCOME STATEMENT</b>					
Revenue	24,317,960	27,688,540	27,702,914	26,263,360	105,972,774
Profit before tax from continuing operations	213,658	2,447,847	1,779,002	(4,914,814)	(474,307)
Net Profit / (Loss) after tax	(422,873)	1,555,348	1,049,773	(4,642,509)	(2,460,261)
Earnings / (Loss) per share	(1.66)	3.69	2.54	(12.35)	(7.78)
<b>CASH FLOW</b>					
Operating cash flows before working capital changes	3,656,840	8,375,823	12,967,965	17,070,232	17,070,232
Capital expenditure	(948,008)	(2,260,038)	(3,669,697)	(7,810,103)	(7,810,103)
Working capital changes	(1,474,767)	(1,992,009)	(3,105,174)	(1,055,911)	(1,055,911)
Cash flow from investing activities	(1,089,542)	(2,719,119)	(4,033,326)	(7,959,373)	(7,959,373)
Cash flow from financing activities	(552,199)	(2,407,874)	(2,186,894)	379,321	379,321
<b>BALANCE SHEET</b>					
Shareholders' funds	32,165,301	33,754,825	34,868,299	26,964,498	26,964,498
Non controlling interest	31,685,511	32,996,026	35,030,523	28,221,465	28,221,465
Total assets	166,273,785	175,017,817	183,483,633	172,887,674	172,887,674
Total liabilities	102,422,973	108,266,966	113,584,811	117,701,710	117,701,710
Intangible assets	5,992,429	6,002,646	5,341,041	9,882,889	9,882,889
Cash and cash equivalents	11,661,457	10,949,135	14,408,619	22,386,248	22,386,248
Loans and borrowings	73,258,001	75,269,135	79,696,750	89,260,736	89,260,736
Net gearing - %	49.10	49.07	48.29	54.79	54.79
Net assets value per share (Rs.)	163.79	171.88	177.55	137.30	137.30
Net tangible assets per share (Rs.)	133.27	141.31	150.35	86.98	86.98



# FINANCIAL INFORMATION

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62	Annual Report of the Board of Directors on the affairs of the Company	83	Income Statement
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75	Audit Committee Report	88	Statement of Changes in Equity
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## Financial Calendar

Financial Year end	-	31st March 2019
<b>Announcement of results</b>		
1st Quarter ended 30th June 2019	-	13th August 2019
2nd Quarter ended 30th September 2019	-	14th November 2019
3rd Quarter ended 31st December 2019	-	14th February 2020
4th Quarter ended 31st March 2020	-	29th May 2020
<b>Dividend</b>		
1st Interim Dividend FY 2019/20	-	24th September 2019
Notice of Annual General Meeting	-	26th August 2020
107th Annual General Meeting	-	18th September 2020

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

The Board of Directors of Carson Cumberbatch PLC have pleasure in presenting to the shareholders their Report together with the Audited Financial Statements for the year ended 31st March 2020.

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

The Annual Report was approved by the Board of Directors on 14th August 2020.

## GENERAL

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

## THE PRINCIPAL ACTIVITIES OF THE COMPANY

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

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

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

## REVIEW OF OPERATIONS AND FUTURE DEVELOPMENTS

The Chairman's Statement on pages 4 to 6 and Sector Reviews on pages 12 to 17 provide an overall assessment of the business performance of the Group and its future developments. These reports together with audited financial statements reflect the state of affairs of the Company and the Group.

The segment-wise contribution to Group Results, Assets and Liabilities are provided in Note 8 to the financial statements on pages 118 to 125.

## FINANCIAL STATEMENTS

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

The aforementioned Financial Statements for the year ended 31st March 2020, duly signed by the Director, Carsons Management Services (Private) Limited, the Secretariat together with two Directors of the Company, are given on page 71 which form an integral part of this Annual Report of the Board of Directors.

## SIGNIFICANT ACCOUNTING POLICIES

Details of accounting policies have been discussed in Note 5 of the financial statements. There have been no significant changes in the accounting policies adopted by the Group during the year under review. Those are mentioned in the Note 5 For all periods up to and including the year ended 31 March 2020, the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) which have materially converged with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

## REVENUE

Revenue generated by the Company amounted to Rs. 192.6 Mn (2019 - Rs. 258.5 Mn), whilst group revenue amounted to Rs. 105,972 Mn (2019 - Rs. 97,139 Mn). Contribution to group revenue from the different business

segments is provided in Note 8 to the financial statements.

## RESULTS AND APPROPRIATIONS

The loss after tax of the holding Company was Rs. 93.2 Mn (2019 - Rs. (24 Mn)) whilst the Group profit/(loss) attributable to equity holders of the parent for the year was Rs. (1,527.8 Mn) (2019 - Rs. 93.9 Mn). Results of the Company and of the Group are given in the statement of income.

Detailed description of the results and appropriations are given overleaf.

For the year ended 31st March	Group		Company	
	2020	2019	2020	2019
Results from operating activities	9,619,819	13,150,362	113,252	180,521
Foreign exchange losses	(1,896,358)	(691,817)	(1,636)	(6,202)
Net finance cost	(6,673,454)	(4,892,419)	(193,510)	(190,348)
Share of profit of equity accounted investee, (net of tax)	11,351	6,910	-	-
Change in fair value of biological assets	158,646	(392,859)	-	-
Change in fair value of investment properties	151,434	423,145	-	-
Changes in fair value of financial assets held for trading	(1,845,745)	(2,542,330)	(4,916)	(8,384)
Profit/(loss) before tax accruing to the company and subsidiaries	(474,307)	5,060,992	(86,810)	(24,413)
Income tax expenses	(2,181,213)	(3,992,562)	(6,416)	-
Profit/(loss) from continuing operations	(2,655,521)	1,068,430	(93,226)	(24,413)
Profit/(Loss) from discontinued operations, (net of tax)	195,260	(160,165)	-	-
Profit/(loss) for the year	(2,460,261)	908,265	(93,226)	(24,413)
Profit/(Loss) attributable to non controlling interest	(932,452)	814,313	-	-
Profit/(loss) attributable to owners of the company	(1,527,809)	93,952	(93,226)	(24,413)
Other adjustments	540,285	1,456,260	-	63,428
Balance brought forward from the previous year	28,188,649	26,834,824	7,543,835	7,701,208
Amount available for appropriation	27,201,124	28,385,036	7,450,609	7,740,223
Dividend				
Ordinary Share dividend				
Final dividend	(147,290)	(196,387)	(147,290)	(196,387)
Balance to be carried forward to next year	27,053,835	28,188,649	7,303,318	7,543,835

## RESERVES

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

For the year ended 31st March	Group		Company	
	2020	2019	2020	2019
Capital Reserve	2,746,892	2,786,451	287,552	287,552
Revenue Reserve	23,102,955	28,407,317	10,080,749	10,640,481
Total	25,849,847	31,193,768	10,368,301	10,928,033

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

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

### CAPITAL EXPENDITURE

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

For the year ended 31st March	2020	2019
Portfolio and Asset Management		
Property, plant & equipment	563	243
Intangible assets	-	-
Oil Palm Plantations		
Property, plant & equipment	4,559,532	3,887,157
Bearer Plants	329,780	1,033,479
Intangible assets/prepaid lease payment for land	604,777	210,219
Oils & Fats		
Property, plant & equipment	157,576	75,563
Intangible assets	1,078	-
Beverage		
Property, plant & equipment	1,971,482	902,625
Intangible assets	5,747	47,006
Real Estate		
Property, plant & equipment	2,345	271
Investments Properties	35,276	22,530
Leisure		
Property, plant & equipment	79,963	188,999
Intangible assets	1,680	-
Management Services		
Property, plant & equipment	60,304	2,887
	7,810,103	6,370,979

### VALUE OF THE INVESTMENT PORTFOLIO

The market value/valuation of the Group's investment portfolio as at 31st March, 2020 was Rs. 8,443 Mn. (2019 - Rs. 10,002 Mn)

### VALUE OF THE INVESTMENT PROPERTIES

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

All properties classified as investment property were valued in accordance with the requirements of LKAS 40. The Group revalued all its investment properties as at 31 March 2020. The

carrying value of investment property of the Group is Rs. 4,396.9 Mn (2019 - Rs. 3,878.9 Mn).

Details of the revaluation of property, plant and equipment and investment property are provided in notes 19 and 22 to the financial statements.

Details of Group properties as at 31 March 2020 are disclosed in the Group Real Estate Portfolio section of the Annual Report.

### MARKET VALUE OF FREEHOLD PROPERTIES

Certain freehold properties (land and buildings) of the Group have been revalued based on the independent professional valuation and written-up in the books of account to conform to

market value of such properties. Details of such revaluation are given in Note 19 to the financial statements.

### DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of the Financial Statements of the Group and the Company which reflect a true and fair view of the state of its affairs. The Directors are of the view that the Statement of Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flow and notes thereto appearing on pages 83 to 203 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act, No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of

1995 and amendments thereto and Listing Rules of the Colombo Stock Exchange. The "Statement of Directors' Responsibility" for the Financial Reporting is given on page 72 which forms an integral part of this Report.

### INTERESTS REGISTER

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

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

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

### DIRECTORS' BENEFITS

The Directors' remuneration of the Company for the financial year ended 31st March 2020 are given in Note

14(d) and Note 46 to the Financial Statements as per the requirements of Section 168 (1) (f) of the Companies Act, No. 07 of 2007.

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

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

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

Directors	No of Ordinary Shares as at	
	31.03.2020	31.03.2019
Mr. T. de Zoysa (Chairman)	-	-
Mr. H. Selvanathan (Deputy Chairman)	76,852	76,852
Mr. M. Selvanathan	1,805,146	1,805,146
Mr. D. C. R. Gunawardena	-	-
Mr. S. K. Shah	-	-
Mr. V. P. Malalasekera	-	-
Mr. F. Mohideen	-	-
Mr. R. Theagarajah	-	-
Mr. W. M. R. S. Dias	-	-
Mr. A. S. Amaratunga	1,156	1,156
Ms. Sharada Selvanathan	-	-
Messrs. M. Selvanathan & H. Selvanathan	449,820	449,820
Alternate Directors		
Mr. Krishna Selvanathan (for Mr. M. Selvanathan)	-	-
Mr. Sudarshan Selvanathan (for Mr. D. C. R. Gunawardena)	-	-

### DIRECTORS' SHAREHOLDINGS IN GROUP'S QUOTED COMPANIES

Subsidiaries	No of Ordinary Shares as at	
	31.03.2020	31.03.2019
Ceylon Guardian Investment Trust PLC		
Mr. D. C. R. Gunawardena	257	257
Ceylon Investment PLC		
Mr. D. C. R. Gunawardena	257	257
Ceylon Beverage Holdings PLC		
Mr. H. Selvanathan	690	690
Mr. M. Selvanathan	690	690
Mr. D. C. R. Gunawardena	15	15
Mr. S. K. Shah	2,632	2,632
Mr. T. de Zoysa	690	690

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

Subsidiaries	No of Ordinary Shares as at	
	31.03.2020	31.03.2019
<b>Lion Brewery (Ceylon) PLC</b>		
Mr. H. Selvanathan	1,579	1,579
Mr. M. Selvanathan	1,579	1,579
Mr. D. C. R. Gunawardena	34	34
Mr. S. K. Shah	6,016	6,016
<b>Shalimar (Malay) PLC</b>		
Mr. M. Selvanathan	1	1
<b>Selinsing PLC</b>		
Mr. M. Selvanathan	1	1
<b>Good Hope PLC</b>		
Mr. M. Selvanathan	1	1
<b>Indo-Malay PLC</b>		
Mr. M. Selvanathan	1	1
<b>Equity Two PLC</b>		
Mr. S. K. Shah	9,300	9,300
Mr. W. M. R. S. Dias	200	200
<b>Guardian Capital Partners PLC</b>		
Mr. H. Selvanathan	1,261	1,261
Mr. M. Selvanathan	63,409	63,409
Mr. D. C. R. Gunawardena	25	25

### DIRECTORS

The names of the Directors who served during the year are given under corporate information in the inner back cover.

#### Directors to retire by rotation

In terms of Articles 72, 73 & 74 of the Articles of Association of the Company, Messrs. Mr. D. C. R. Gunawardena and W. M. R. S. Dias retire by rotation and being eligible offer themselves for re-election.

#### Reappointment of Directors who are over 70 years of age as per Sec. 211 of the Companies Act, No. 7 of 2007

As per the recommendation of the Nomination Committee of the Company and the Board, it is recommend that Messrs. V. Malalasekera, Tilak de Zoysa, F. Mohideen, M. Selvanathan and

H. Selvanathan who are over 70 years of age be re-appointed as Directors of the Company for a further period of one year from the conclusion of the Annual General Meeting and that the age limit stipulated in Sec.210 of the Companies Act, No.7 of 2007 shall not be applicable to the said Directors.

### CORPORATE GOVERNANCE

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

### BOARD OF DIRECTORS

As required by Section 168 (1) (h) of the Companies Act, No 07 of 2007, the names of the Directors who held office during the year are tabulated below and their brief profiles are given on pages 7 to 9 of the Annual Report.

Name of the Director			
	Executive	Non- Executive	Independent
Mr. T. de Zoysa (Chairman) <sup>1</sup>	-	✓	✓
Mr. H. Selvanathan (Deputy Chairman)	✓	-	-
Mr. M. Selvanathan	✓	-	-
Mr. D. C. R. Gunawardena	-	✓	-
Mr. S. K. Shah	✓	-	-
Mr. V. P. Malalasekera <sup>2</sup>	-	✓	✓
Mr. F. Mohideen <sup>3</sup>	-	✓	✓
Mr. R. Theagarajah	-	✓	✓
Mr. W. M. R. S. Dias	-	✓	✓
Mr. A. S. Amaratunga	-	✓	✓
Ms. Sharada Selvanathan	✓	-	-

### Alternate Directors

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

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

Each of the Non-Executive Directors of the Company have submitted a signed declaration on Independence/ Non - Independence as per Rule 7.10.2(b) of the Listing Rules of the Colombo Stock Exchange (CSE). The said declarations were tabled at a Board Meeting held on 14th August 2020, in order to enable the Board of Directors to determine the Independence/ Non-Independence of each of the Non-Executive Directors, in terms of Rule 7.10.3(a) of the Listing Rules of the CSE.

Accordingly, the Board has determined the following Non-Executive Directors as Independent Directors on the Board.

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

### Directors' Meeting Attendance

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

Director	Meetings attended (out of 10)
Mr. T. de Zoysa (Chairman)	08
Mr. H. Selvanathan (Deputy Chairman)	10
Mr. M. Selvanathan	10
Mr. D. C. R. Gunawardena	09
Mr. S. K. Shah	07
Mr. V. P. Malalasekera	08
Mr. F. Mohideen	10
Mr. R. Theagarajah	06
Mr. W. M. R. S. Dias	09
Mr. A. S. Amaratunga	10
Ms. Sharada Selvanathan	10

### Board Evaluation

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

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

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

### Board Sub - Committees

The Board, while assuming the overall responsibility and accountability for the management of the Company, has also appointed Board sub-

committees to ensure more effective control over certain affairs of the Company, conforming to the Corporate Governance Standards of the Listing Rules of the CSE and industry best practices. Accordingly, the following Board subcommittees have been constituted by the Board.

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

### Remuneration Committee

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

#### Remuneration Committee Members

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

### Composition

In terms of Listing Rule 7.10.5 and as permitted by the Colombo Stock Exchange, the Remuneration Committee of the Company functions as the Remuneration Committee for some of its subsidiary Companies.

### Scope and Objective

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

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

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

### Functions and Proceedings

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

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

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

The Remuneration Committee meets at least twice a year.

During the period under review the Committee had only one meeting as a meeting scheduled for March 2020 could not be held due to the COVID-19 pandemic situation in the country. The attendance of the members were as follows;

Remuneration Committee	Meetings attended (out of 1)
Mr. T. de Zoysa (Chairman)	1
Mr. D. C. R. Gunawardena	1

Remuneration Committee	Meetings attended (out of 1)
Mr. R. Theagarajah	-
Mr. W. M. R. S. Dias	1

### Reporting and Responsibilities

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

Aggregated remuneration paid to the Non-Executive Directors of the Company are disclosed under Note 14 (d) on page 129 of the Annual Report. Executive Directors are not compensated for their role on the Board.

### Audit Committee

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

Audit Committee Members	Executive	Non- Executive	Independent
Mr. V. P. Malalasekara (Chairman)	-	✓	✓
Mr. F. Mohideen	-	✓	✓
Mr. D. C. R. Gunawardena	-	✓	-
Mr. A. S. Amaratunga	-	✓	✓

The Audit Committee Report is given on pages 75 to 76 of this Annual Report.

### Nomination Committee

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

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

### Scope and Objective

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

### Functions and Proceedings

The Nomination Committee recommends new appointments to the Board. Based on the recommendation of the Nomination Committee, the Board approves the new appointments of Executive and Non-Executive Directors to the Board.

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

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

The Nomination Committee meets at least twice a year.

During the period under review, the Committee had only one meeting as a meeting scheduled for March 2020 could not be held due to the COVID-19

pandemic situation in the country. The attendance of the members were as follows;

Nomination Committee	Meetings attended (out of 1)
Mr. T. de Zoysa (Chairman)	1
Mr. D. C. R. Gunawardena	1
Mr. R. Theagarajah	-
Mr. W. M. R. S. Dias	1

### Related Party Transactions Review Committee

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

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

The Related Party Transactions Review Committee Report is given on page 74 of this Annual Report.

### Declaration

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

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

### Non-Recurrent Related Party Transactions

There were no Non-Recurrent Related Party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per audited Financial Statements of 31st March 2020, which required additional disclosures in the Annual Report of 2017/18 under Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

### Recurrent Related Party Transactions

All the Recurrent Related Party transactions which in aggregate value exceeded 10% of the revenue of the Company as per 31st March 2020 audited Financial Statements are disclosed under Note 46 to the Financial Statements, as required by Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

### Internal Control and Risk Management

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

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

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

### INDEPENDENT AUDITORS

Independence confirmation has been provided by Messrs KPMG as required by Section 163 (3) of the Companies Act No. 07 of 2007, in connection with the audit for the year ended 31st March 2020 confirming that KPMG is not aware of any relationship with or interest in the Group and the Company that would impair their independence within the meaning of the Code of Professional Conduct and Ethics issued by the ICASL, applicable as at the reporting date.

### Company

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

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

A sum of Rs. 1,313,000/- was paid to them by the Company as audit fees for the year ended 31st March 2020 (2019 - Rs. 1,250,000/-) in addition they were paid Rs. 70,000/- (2019 - Rs. 758,000/-) by the Company as fees for audit related services.

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

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

### Group

The group works with firms of Chartered Accountants in Sri Lanka and abroad, namely, KPMG and Ernst & Young. Details of audit fees are set out in Note 14 (b) of the financial statements.

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

### Independent Auditor's Report

The independent Auditor's Report on the Financial Statements is given on pages 77 to 82 of this Annual Report.

### DIVIDEND

A First Interim dividend of 75 Cents per Ordinary Share for the year ended 31st March 2020 was declared by the Board on 3rd September 2019 and the said dividend distribution was made to the shareholders on 23rd September 2019.

The Board of Directors have not recommended a final Dividend for the year ended 31st March 2020.

### SOLVENCY TEST

Taking into account the First interim dividend distribution for the financial year ended 31st March 2020, the Directors are satisfied that the Company would meet the Solvency Test requirement under Section 56(2) of the Companies Act No. 07 of 2007 immediately after the distribution.

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

### STATED CAPITAL

The Stated Capital of the Company as at 31st March 2020 was Rs. 1,114,651,929/- consisting of 196,386,914 Ordinary shares. There was no change in the Stated Capital of the Company during the year.

### STATUTORY PAYMENTS

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

### OUTSTANDING LITIGATION

In the opinion of the Directors and in consultation with the Company lawyers, litigations currently pending against the Company will not have material impact on the reported financial results of future operations of the Company. Details of litigations pending against the Company and the Group are given in Notes 38(d) and 44(ii) respectively.

### GOING CONCERN

In determining the basis of preparing the financial statements for the year ended 31 March 2020, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the Group Companies and the appropriateness of the use of the going concern basis. In March 2020, each industry group evaluated the resilience

of its businesses considering a wide range of factors under multiple stress tested scenarios, relating to expected revenue streams, cost management, profitability the ability to defer non-essential capital expenditure, debt repayment schedules, if any, cash reserves and potential sources of financing facilities, if required, and the ability to continue providing goods and services to ensure businesses continue as least impacted as possible.

Having presented the outlook for each industry group to the CCPLC Board and after due consideration of the range and likelihood of outcomes, the Directors are satisfied that the Company, its subsidiaries, associates and joint ventures have adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.

### CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The commitments made on account of capital expenditure and contingent liabilities as at 31st March 2020 are given in Note 44 (a) and Note 44 (d) respectively to the financial statements.

### RESEARCH AND DEVELOPMENT

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

### CORPORATE SOCIAL RESPONSIBILITIES

Carson Cumberbatch PLC and its subsidiaries have engaged in a variety of CSR initiatives on the fundamental premise of supporting sustainable and

holistic socioeconomic development of the country, and also in the region where its business interests lie. The detailed report consisting of completed and on-going initiatives are included in the sustainability section of the Annual Report.

## HUMAN RESOURCE

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

The number of persons employed by the Group as at 31st March 2020 was 14,014 (31st March 2019 - 13,975). The Company had no employees as at 31st March 2020 (2019 - Nil).

## MAJOR SHAREHOLDERS

Twenty Major Shareholders - Ordinary Shares.

No. of Shares as at 31st March	2020	%	2019	%
Bukit Darah PLC A/C No 2	89,706,431	45.68	89,706,431	45.68
Tower Investments (Pvt) Ltd	20,927,425	10.66	20,927,425	10.66
Fulcrum (Private) Limited	19,231,059	9.79	19,231,059	9.79
Portelet Limited	14,747,670	7.51	14,747,670	7.51
Newgreens Limited	14,747,670	7.51	14,747,670	7.51
Employees Provident Fund	5,602,586	2.85	5,602,586	2.85
Mr. N. Ramaiah	5,543,473	2.82	5,543,473	2.82
Mrs. V. Nataraj	2,608,447	1.33	2,608,447	1.33
Mr. V. Nataraj	2,542,074	1.29	2,542,074	1.29
Goodhope Holdings (Pvt) Limited.	2,167,187	1.10	2,167,187	1.10
GF Capital Global Limited	1,828,690	0.93	1,679,581	0.86
Mr. M. Selvanathan	1,805,146	0.92	1,805,146	0.92
Ceylon Finance and Securities (Private) Ltd	1,606,239	0.82	1,606,239	0.82
Skan Investments (Pvt) Limited.	1,462,537	0.74	1,462,537	0.74
Mrs. M.N.C. Pellizzari	939,801	0.48	939,801	0.48
Pershing LLC S/A Averbach Grauson & Co.	769,388	0.39	769,388	0.39
Mr. S. Selvanathan	703,348	0.36	703,348	0.36
Interkrish Investment Company (Pvt) Limited.	454,488	0.23	454,488	0.23
Mr. K.C. Vignarajah	451,981	0.23	451,969	0.23
Mr. M. Selvanathan and Mr. H. Selvanathan	449,820	0.23	449,820	0.23

## DONATIONS

The Group made no donations during the year under review (2019 - Rs. Nil).  
Company - Nil (2019 - Rs. Nil)

## EQUITABLE TREATMENT TO SHAREHOLDERS

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

## EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date, no circumstances have arisen, which would require adjustments to or disclosures in the financial statements, other than those disclosed in note 45 to the financial statements, if any.

## SHARE INFORMATION

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

## ANNUAL REPORT

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

The Board of Directors have approved the Financial Statements of the Company together with the Reviews which form part of the Annual Report on 14th August 2020. The appropriate number of copies of the Annual Report will be submitted to the Colombo Stock Exchange, the Sri Lanka Accounting and Auditing Standards Monitoring Board and the Registrar General of Companies, within applicable time frames.

## ANNUAL GENERAL MEETING

The One Hundred and Seventh Annual General Meeting of the Company will be held on Friday, the 18th day of September 2020 at 9.30 a.m. at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 07, Sri Lanka by means of audio or audio and visual technology.

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

Signed on behalf of the Board

(Sgd.) H. Selvanathan  
Director

(Sgd.) M. Selvanathan  
Director

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

Carsons Management Services  
(Private) Limited  
Secretaries

14th August 2020

# Statement of Directors' Responsibility

The Statement sets out the responsibility of the Board of Directors, in relation to the Financial Statements of Carson Cumberbatch PLC and the Consolidated Financial Statements of the Company and its Subsidiaries (the Group). The responsibilities of the External Auditors in relation to the Financial Statements are set out in the "Independent Auditors' Report" given on pages 77 to 82.

In terms of Sections 150 (1), 151, 152 and 153 (1) and (2) of the Companies Act No. 07 of 2007, the Board of Directors of the Company are responsible for ensuring that the Group and the Company keep proper books of account of all the transactions and prepare Financial Statements that give a true and fair view of the financial position of the Group and the Company as at end of each financial year and place them before a general meeting. The Financial Statements comprise of the Statement of Financial Position as at 31st March 2020, the Income Statement and Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended and Notes thereto.

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

- financial position of the Group and the Company as at March 31, 2020; and
- financial performance of the Group and the Company for the financial year then ended.

## COMPLIANCE REPORT

The Board of Directors also wishes to confirm that:

- (a) appropriate Accounting Policies have been selected and applied in preparing the Financial Statements exhibited on pages 96 to 115 based on the latest financial reporting framework on a consistent basis,

while reasonable and prudent judgements have been made so that the form and substance of transactions are properly reflected and material departures, if any, have been disclosed and explained;

- (b) the Financial Statements for the year 2020, prepared and presented in this Annual Report are in agreement with the underlying books of account and are in conformity with the requirements of the following:

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

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

- (d) they have taken appropriate steps to ensure that the Group and the Company maintain proper books of account and review the financial reporting system directly by them at their regular meetings and also through the Audit Committee. The Report of the said Committee is given on pages 75 to 76. The Board of Directors approves the Interim Financial Statements following a review and recommendation by the Audit Committee;

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

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

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

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

- (i) as required by Sections 166 (1) and 167 (1) of the Companies Act, they have prepared this Annual Report in time and ensured that a copy thereof is sent to every shareholder of the Company as required by the Rule 7.5 (a) and (b) on Continuing Listing Requirements of the Listing Rules of the CSE;

- (j) that all shareholders in each category have been treated equitably in accordance with the original terms of issue;
- (k) that the Company has met all the requirements under Rule 7 on Continuing Listing Requirements of the Listing Rules of the CSE, where applicable;
- (l) that after considering the financial position, operating conditions, regulatory and other factors and such matters required to be addressed in the "Code of Best Practice on Corporate Governance" issued by the CA Sri Lanka, the Board of Directors have a reasonable expectation that the Company and its Subsidiaries possess adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the Going Concern basis in preparing the Financial Statements;
- (m) the Financial Statements of the Group and the Company have been certified by the Director, Carsons Management Services (Pvt) Ltd, the Secretariat who is responsible for the preparation of accounts, as required by Sections 150 (1) (b) and 152 (1) (b) of the Companies Act and also have been signed by Two Directors of the Company on 14th August 2020 as required by Sections 150 (1) (c) and 152 (1) (c) of the Companies Act and other regulatory requirements; and
- (n) the Company's External Auditors, Messrs. KPMG who were appointed in terms of Section 158 of the Companies Act and in accordance with a resolution passed at the last Annual General Meeting, were provided with every opportunity to undertake the inspections they considered appropriate. They carried out reviews and sample checks on the system of internal controls as they considered appropriate and necessary for expressing their opinion on
- the Financial Statements and maintaining accounting records. They have examined the Financial Statements made available to them by the Board of Directors together with all the financial records, related data and minutes of shareholders' and Directors' meetings and expressed their opinion which appears as reported by them on pages 77 to 82.
- Accordingly, the Board of Directors are of the view that they have discharged their responsibilities as set out in this Statement.
- By Order of the Board,
- (Sgd.)  
**K.D. De Silva (Mrs)**  
 Director  
**Carsons Management Services (Private) Limited.**  
 Secretaries
- Colombo  
 14th August 2020

# Report of the Related Party Transactions Review Committee

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

## COMPOSITION OF THE COMMITTEE

The Members of the RPTRC are as follows :

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

## MEETINGS OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

CCPLC-RPTRC held three (03) Meetings during the financial year to discuss matters relating to the Company and where necessary the approval of the Members were also sought via circulation of papers.

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

	Meetings attended
Mr. V.P. Malalasekera (Chairman)	2/3
Mr. F. Mohideen	3/3
Mr. D.C.R. Gunawardena	3/3
Mr. H. Selvanathan	3/3
Mr. M. Selvanathan	3/3
Mr. S.K. Shah	3/3

A Meeting of the RPTRC was scheduled for March 2020 and could not be held due to the COVID-19 pandemic situation in the country.

## PURPOSE OF THE COMMITTEE

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

## POLICIES AND PROCEDURES

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

The self-declarations from the Directors and Key Management Personnel are obtained for the purpose of identifying parties related to them. Further, the guidelines which senior management must follow in routing Related Party Transactions to the relevant forum, including transaction threshold values and pricing where applicable have been documented. This includes once approved recurrent transactions that are operational in nature and which as per the RPT Code need not be repeatedly approved, if within the broad thresholds.

The RPTRC in discharging its function endeavours to ensure that :

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

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

The Related Party Transactions of the Company for the period 1st April 2019 to 31st March 2020 have been reviewed by the Members of the RPTRC and the comments and observations of the Committee have been communicated to the Board of Directors of the Company.

(Sgd.)  
V.P. Malalasekera  
Chairman – Related Party Transactions Review Committee  
Carson Cumberbatch PLC

Colombo  
14th August 2020

# Audit Committee Report

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

## Investment Sector

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

## Real Estate Sector

Equity Two PLC

## Beverage Sector

Lion Brewery (Ceylon) PLC  
Ceylon Beverage Holdings PLC

## Leisure Sector

Pegasus Hotels of Ceylon PLC

## Plantation Sector – Malaysia

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

## The Audit Committee consists of the following Members

Audit Committee Members	Executive/ Non-Executive/ Independent
Mr. V.P. Malalasekera (Chairman)	Non-Executive, Independent
Mr. D.C.R. Gunawardena	Non-Executive
Mr. F. Mohideen	Non-Executive, Independent
Mr. A.S. Amaratunga	Non-Executive, Independent

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

Mr. D.C.R. Gunawardena is a Non-Executive Director of Carson Cumberbatch PLC and in most of its

Group Companies. He is a Fellow of the Chartered Institute of Management Accountants, U.K.

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

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

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

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

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

The Audit Committee of the Company convened seventeen (17) Meetings

during the financial year and the attendance of the Members were as follows:

	Meetings attended
Mr. V.P. Malalasekera (Chairman)	15/17
Mr. D.C.R. Gunawardena	17/17
Mr. F. Mohideen	15/17
Mr. A.S. Amaratunga	17/17

Matters pertaining to the Company, as well as of the companies coming within the purview of Carson Cumberbatch PLC-Audit Committee were discussed at the Meetings. The Chief Executive Officer/Country Head (Sri Lanka)/ Head of Finance of the respective companies, internal auditors and senior management staff members of Carsons Management Services (Private) Limited, who provides secretariat services/ Managers to Group Companies also attended the Audit Committee Meetings by invitation.

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

The Group Internal Audit (GIA) carried out detailed audits in respect of the Company and the Beverage Sector, Investment Sector, Real Estate Sector and the Leisure Sector companies and

## Audit Committee Report

the audits were based on the audit plans formulated and approved by the Audit Committee for the financial year.

In accordance with the approved audit plans for 2019/2020, Carson Cumberbatch PLC, the Investment Sector, Real Estate Sector, Beverage Sector and the Leisure Sector were audited.

The financial audits for the Four Malaysian Plantation Companies are carried out annually, whilst no field audits at estate level were carried out. The Four Malaysian Plantation Companies were sold during the financial year 2016/2017. In the case of Overseas Indonesian Plantation companies coming under the purview of Goodhope Asia Holdings Limited (GAHL), the Plantation Sector Holding Company, the audit matters thereon are reported to the GAHL-Audit Committee.

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

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

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

Based on the audit reporting

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

The financial statements for the year ended 31st March 2020, which are incorporated in the Annual Report of the Company and of the companies coming within the purview of the Audit Committee of Carson Cumberbatch PLC were reviewed at meetings of the Audit Committee, together with the External Auditors, Messrs. KPMG and Ernst & Young (pertaining to Plantation Sector Companies) and were recommended for the approval of the Boards of the respective companies, prior to release of same to the Regulatory Authorities and to the shareholders. The Audit Committee was provided with confirmations and declarations as required, by Carsons Management Services (Private) Limited, Secretariat, Managers, Chief Executive Officer, Head of Finance, Director-Finance of the respective companies and Agro Harapan Lestari (Private) Limited-Managers, as relevant confirming that the said financial statements were prepared in accordance with the Sri Lanka Accounting Standards and the information required by the Companies Act No. 7 of 2007 therein and presented a true and fair view of the Company's state of affairs as at that date and the Company's activities during the year under review.

External Auditors tabled an "Auditors Statement" at the Audit Committee Meeting confirming their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka, as well as risk management guidelines of KPMG. The Committee has considered the nature of the services provided by the Auditors and the level of audit and non-audit fees received by the Auditors from the Group, which is included in

the said "Auditors Statement". The Committee also discussed with the Auditors the processes within their organisation to ensure independence. Having gone through the above process, the Committee satisfied itself that the independence of the External Auditors is not compromised by any event or service that may give rise to a conflict of interest.

The Audit Committee has concurred to recommend to the Board of Directors the re-appointment of Messrs. KPMG, Chartered Accountants, as Auditors of the Company for the financial year ending 31st March 2021, subject to the approval of the shareholders at the Annual General Meeting.

### AUDIT COMMITTEE'S REPORTING STRUCTURE

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

(Sgd.)

**V.P. Malalasekera**

Chairman – Audit Committee  
Carson Cumberbatch PLC

Colombo  
14th August 2020

# Independent Auditor's Report



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

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+94 - 11 244 6058  
**Internet** : [www.kpmg.com/lk](http://www.kpmg.com/lk)

## TO THE SHAREHOLDERS OF CARSON CUMBERBATCH PLC

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Carson Cumberbatch PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2020, 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 as set at on pages 83 to 203 of this annual report.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at March 31, 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for Opinion

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

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

#### Key Audit Matters

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

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

M.R. Mihular FCA  
T.J.S. Rajakarier FCA  
Ms. S.M.B. Jayasekara ACA  
G.A.U. Karunaratne FCA  
R.H. Rajan FCA  
A.M.R.P. Alahakoon ACA  
P.Y.S. Perera FCA  
W.W.J.C. Perera FCA  
W.K.D.C. Abeyrathne 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, Ms. P.M.K. Sumanasekara FCA

## Independent Auditor's Report

Impairment assessment of bearer plants and property plant and equipment	
Risk Description	Our Responses
<p>Refer to Note 5 (accounting policy) and Note 19 - 20 to the Financial statements.</p> <p>Plantation sector of the Group carried out an internal impairment assessment for their bearer plants and property plant and equipment during the year in order to identify any impairment indication exist.</p> <p>The Group has recorded Rs.56,213 Mn property plant and equipment and Rs.30,215 Mn bearer plants as at March 31, 2020.</p> <p>Accordingly, the sector concluded that there is no impairment indication that require an impairment provision as at March 31, 2020.</p> <p>Due to the materiality in the context of financial statements as a whole and significant management judgments, estimates and measurement uncertainty created due to COVID-19 outbreak, the impairment of property plant and equipment and bearer plants were considered as a Key Audit Matter.</p>	<p><b>Our audit procedures included</b></p> <p>Involving the component auditors of the plantation sector in assessing the methodology, judgments and estimates involved in impairment assessment and Reviewed the work carried out by component auditors where necessary.</p> <p>Internal valuation consultants of the component auditors were used in evaluating the appropriateness of the related assumptions included in impairment assessment.</p> <p>Discussions with the management and component auditors in relation to the possible impact on the key assumptions and the resulting valuation due to COVID 19 pandemic.</p> <p>Assessing the adequacy of disclosure in the financial statements in relation to the impairment of property plant and equipment and bearer plants as required by the accounting standards and the impact of COVID-19 pandemic.</p>

Valuation of Investment Property	
Risk Description	Our Responses
<p>Refer Note 5 (accounting policy) and Note 22 to the Financial statements.</p> <p>The fair value of investment properties amounted to Rs.4,396 Mn as at 31 March 2020. These investment properties are stated at fair value, based on valuations by a professional external valuer engaged by the entity.</p> <p>Valuation of investment properties is considered a significant audit risk due to the materiality of the carrying amount and the subjective nature of property valuations using level 3 assumptions which depend on the nature of property, its location and expected future net rental values, market yields, capitalization rates and comparable market transactions. A change in the key assumptions will have a significant impact to the valuation.</p>	<p><b>Our audit procedures included</b></p> <p>Assessing the objectivity, independence, competence and professional qualifications of the external valuer.</p> <p>Assessing the appropriateness of the valuation techniques used by the external valuer, taking into account the profile of the investment properties.</p> <p>Discussions with management and the external valuer and compare the key assumptions used against externally published market comparable or industry data where available and challenging the reasonableness of key assumptions in particular rental rates, capitalization rates and occupancy rates based on our knowledge of the business and industry and internal benchmarks.</p> <p>Discussions with the management and the external valuer in relation to the possible impact on the key assumptions and the resulting valuation due to COVID 19 pandemic.</p> <p>Compare with alternative valuation methods in order to determine the highest and best use of the property.</p> <p>Assessing the adequacy of the disclosures in the financial statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions in the estimates. This includes the relationships between the key unobservable inputs and fair values, in conveying the uncertainties.</p>

Carrying value of investments	
Risk Description	Our Responses
<p>Refer Note 5 (accounting policy) and Note 27- 28 to the Financial statements.</p> <p>The financial investments of the Group as at 31st March 2020 comprises FVTPL financial assets amounting to Rs. 8,444 Mn and FVOCI financial assets amounting to Rs. 4,808 Mn. As at the reporting date, the Group's FVTPL portfolio is made up of listed equity investments amounting to Rs. 7,497 Mn, unlisted equity investments amounting to Rs. 241 Mn, investment in debentures 103 Mn and unit trust investments amounting to Rs. 603 Mn</p> <p>Investment in equity and unit trust investments are measured based on quoted market prices. Unlisted equity instruments require the exercise of judgment and the use of estimates and assumptions as observable market prices or market parameters are not available. For such instruments, the fair value is determined through the use of valuation techniques or models applied by the Group.</p> <p>As a result of the COVID-19 pandemic, volatility in the financial markets has increased. There have been a sharp decline in market yields, greater illiquidity of financial assets due to low trading, all of which have diminished the observability of the market data needed to measure these financial instruments, making their measurement more complex. Note 27 to these financial statements describes impact of COVID -19 outbreak on the valuation of FVTPL financial statements, judgments and assumptions used by the Company in particular due to the impact of COVID-19 pandemic.</p> <p>Due to the materiality of the FVTPL financial instruments in the context of the financial statements, and measurement uncertainty created due to COVID-19 outbreak, we considered valuation of FVTPL financial instruments as a Key Audit Matter.</p>	<p>Our audit procedures included</p> <p>Documenting and testing the design and implementation and operating effectiveness of the investment valuation process and key controls in place;</p> <p>Checking the CDS confirmation to verify the existence, completeness and accuracy of the number of quoted shares and agreeing the market price as of 20th March 2020 with the CSE prices.</p> <p>Checking the number of units and the unit price as at 31st March 2020 with the external confirmations received from the Unit Trust Management Company to verify the existence, accuracy and completeness.</p> <p>Assessing the appropriateness of the valuation techniques used by the Company in valuing the unquoted equity instruments as at 31st March 2020</p> <p>Assessing and challenging the key assumptions, inputs and judgments used in the valuation of the unquoted equity instruments by;</p> <ul style="list-style-type: none"> <li>- Comparing the assumptions to expectations based on current trends and investee industry knowledge.</li> <li>- Challenging the management on key assumptions used to generate forward looking cash flow and revenue estimates and other key assumptions used in the valuation process such discount rates, liquidity adjustments etc.</li> </ul> <p>Assessing whether the fair value of the financial investments has been measured considering the COVID-19 Pandemic; Guidance notes on the Implications on Financial Reporting issued by the Institute of Chartered Accountants of Sri Lanka (CASL) and whether impacts of the pandemic have been considered in measuring the fair value as at 31st March 2020.</p> <p>Assessing the adequacy of disclosure in the financial statements in relation to the fair valuation of the financial investments as required by the accounting standards and the impact of COVID-19 pandemic.</p>

## Independent Auditor's Report

Revenue Recognition	
Risk Description	Our Response
<p>Refer Note 5 (accounting policy) and Note 8 to the Financial statements.</p> <p>The Company recorded revenues of Rs. 193 Mn for year ended 31 March 2020 and Group recorded revenue of Rs. 105,973 Mn for the year ended 31 March 2020.</p> <p>Whilst revenue recognition and measurement is not complex for the Company, the subsidiary operates in a market which is affected by different customer behavior and the various discounts and locally imposed duties and fees in regard to revenue recognition introduce an inherent risk to the revenue recognition process. This, together with the focus on volumes and revenue as key performance measures resulted in revenue being selected as a key audit matter.</p>	<p>Our audit procedures among included:</p> <p>Identifying and evaluating the design and implementation and operating effectiveness of key controls relating to revenue recognition and reviewing General IT Controls and Application Controls and consider impact on financial reporting with the assistance of IRM specialist.</p> <p>Performing a fraud risk assessment through inquiry of management regarding any actual or suspected override of controls in relation to revenue recognition.</p> <p>Testing design and implementation and operating effectiveness of controls over journal entries and post-closing adjustments.</p> <p>Through inquiry and observation assessing the accounting for significant transactions that are outside of the normal course of business or are otherwise unusual.</p> <p>Testing that sample amounts have been recognised in the correct period for cut-off and evaluate whether there are any significant amount of returns after the year end.</p> <p>Agreeing the monthly sales system reports to general ledger to ensure that the revenue is recognized accurately in accordance with the Company's accounting policy.</p>

Carrying value of Brands acquired	
Risk Description	Our Response
<p>Refer Note 5 (accounting policy) and Note 23 to the Financial statements.</p> <p>The subsidiary, Lion Brewery (Ceylon) PLC has recognized intangible asset relating to Brands acquired with a carrying value of Rs. 1,586 Mn as at the reporting date.</p> <p>The annual impairment testing relating to the brand which is an indefinite life intangible asset is considered to be a key audit matter due to the significant judgment required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount has been derived using discounted forecasted cash flow model. This model uses several key assumptions, including estimates of future sales volume growth rate, contribution growth rate and discount rate.</p> <p>Note 50 in the Financial Statements describes the impact of COVID-19 outbreak to the current year financial statements and the possible effects of the future implications of COVID-19 outbreak on the Company's future prospects, performance and cash flows. Management has considered the uncertainties from these events and circumstances as the outbreak is prevailing at the time of finalizing these financial statements.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>Evaluating the appropriateness and consistency of underlying assumptions via corroborating estimates of future cash flows and discussing whether they are reasonable and supported by the most recent approved management budgets, including expected future performance of the CGUs, and discussing whether these are appropriate in light of future macroeconomic expectations in the markets including latest economic conditions pursuant to the Covid-19 outbreak.</li> <li>Recomputing and comparing the data used in the forecasted cash flow model with information maintained by management and historical trends.</li> <li>Assessing the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgments.</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 do not express any form of assurance conclusion thereon.

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

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

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

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

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

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

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

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

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

## Independent Auditor's Report

inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant

audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

### Report on Other Legal and Regulatory Requirements

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

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



CHARTERED ACCOUNTANTS

Colombo, Sri Lanka  
14th August 2020

# Income Statement

(Amounts expressed in Sri Lankan Rs. '000)

For the year ended 31st March	Note	Group		Company	
		2020	2019	2020	2019
Continuing operations					
Revenue	8	105,972,774	97,139,538	192,631	258,565
Direct operating expenses	9	(80,327,098)	(69,897,651)	-	-
Gross profit		25,645,676	27,241,887	192,631	258,565
Other income	10	1,279,975	966,088	-	-
Change in fair value of investment properties	22	151,434	423,145	-	-
Change in fair value of biological assets	21	158,646	(392,859)	-	-
Change in fair value of fair value through profit or loss financial assets		(1,845,745)	(2,542,330)	(4,916)	(8,384)
Distribution expenses		(6,433,633)	(6,466,634)	-	-
Administrative expenses		(9,223,730)	(8,014,607)	(79,379)	(78,044)
Other operating expenses	10	(908,154)	(431,165)	-	-
Impairment of business assets	11	(740,315)	(145,207)	-	-
Foreign exchange losses	12	(1,896,358)	(691,817)	(1,636)	(6,202)
Profit from operations		6,187,796	9,946,501	106,700	165,935
Net finance cost	13	(6,673,454)	(4,892,419)	(193,510)	(190,348)
Share of profit of equity accounted investee, (net of tax)	26	11,351	6,910	-	-
Profit/(loss) before tax	14	(474,307)	5,060,992	(86,810)	(24,413)
Income tax expenses					
Current taxation	15	(2,275,066)	(2,708,953)	(6,416)	-
Deferred taxation	15	93,853	(1,283,609)	-	-
		(2,181,213)	(3,992,562)	(6,416)	-
Profit/(loss) from continuing operations		(2,655,520)	1,068,430	(93,226)	(24,413)
Discontinued operations					
Loss from discontinued operations, (net of tax)	33	(186,952)	(160,165)	-	-
Gain on disposal of subsidiary	33	382,212	-	-	-
Net impact from discontinued operations, (net of tax)		195,260	(160,165)	-	-
Profit/(loss) for the year		(2,460,260)	908,265	(93,226)	(24,413)

## Income Statement

(Amounts expressed in Sri Lankan Rs. '000)

For the year ended 31st March	Note	Group		Company	
		2020	2019	2020	2019
Profit/(loss) Attributable to:					
Owners of the Company					
Profit/(loss) from continuing operations, (net of tax)		(1,812,596)	179,368	(93,226)	(24,413)
Profit/(loss) from discontinued operations, (net of tax)		284,788	(85,416)	-	-
		(1,527,808)	93,952	(93,226)	(24,413)
Non controlling interest					
Profit/(loss) from continuing operations, (net of tax)		(842,924)	889,062		
Loss from discontinued operations, (net of tax)		(89,528)	(74,749)		
		(932,452)	814,313		
Basic earnings/(loss) per share (Rs.)	16	(7.78)	0.48	(0.47)	(0.12)
Basic earnings/(loss) per share - Continuing operations (Rs.)	16	(9.23)	0.91	(0.47)	(0.12)
Basic earnings/(loss) per share - Discontinued operations (Rs.)	16	1.45	(0.43)	-	-
Dividend Per ordinary share (Rs.)	18	0.75	1.00	0.75	1.00
Earnings before interest, tax, depreciation and amortisation (EBITDA)	17	16,731,872	18,806,358	-	-

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

Figures in brackets indicate deductions.

# Statement of Profit or Loss and Other Comprehensive Income

(Amounts expressed in Sri Lankan Rs. '000)

For the year ended 31st March	Note	Group		Company	
		2020	2019	2020	2019
Profit/(loss) for the year		(2,460,260)	908,265	(93,226)	(24,413)
Other Comprehensive Income					
Items that are or may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		(7,193,699)	2,127,267	-	-
Loss on effective portion of changes in fair value of cash flow hedge	31	(196,792)	-	-	-
Share of other comprehensive income of equity accounted investee, (net of tax)		17,493	30	-	-
Items that will not be reclassified to profit or loss:					
Revaluation Surplus on Property, Plant & Equipment	19	560,473	279,088	-	-
Deferred tax expenses on revaluation surplus	15	(278,767)	(78,145)	-	-
Remeasurements of defined benefit obligation	39	223,135	400,463	-	-
Related tax on actuarial gain	15	(57,218)	(101,572)	-	-
Equity investments at FVOCI – net change in fair value	27	(534,203)	(162,931)	(319,216)	102,510
Other comprehensive income/(expenses) for the year, (net of tax)		(7,459,578)	2,464,200	(319,216)	102,510
Total Comprehensive Income/(expenses) for the year		(9,919,838)	3,372,465	(412,442)	78,097
Total Comprehensive Income/(expenses) Attributable to:					
Owners of the Company		(5,429,907)	1,173,710	(412,442)	78,097
Non controlling interest		(4,489,931)	2,198,755	-	-
		(9,919,838)	3,372,465	(412,442)	78,097
Attributable to:					
Owners of the Company					
Total comprehensive income/(expenses) from continuing operations, (net of tax)		(5,714,694)	1,326,677	(412,442)	78,097
Total comprehensive income/(expenses) from discontinued operations, (net of tax)		284,787	(152,967)	-	-
		(5,429,907)	1,173,710	(412,442)	78,097
Non controlling interest					
Total comprehensive income/(expenses) from continuing operations, (net of tax)		(4,400,404)	2,332,619	-	-
Total comprehensive expenses from discontinued operations, (net of tax)		(89,527)	(133,864)	-	-
		(4,489,931)	2,198,755	-	-

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

Figures in brackets indicate deductions.

# Statement of Financial Position

(Amounts expressed in Sri Lankan Rs. '000)

As at 31st March	Note	Group		Company	
		2020	2019	2020	2019
<b>ASSETS</b>					
<b>Non - Current Assets</b>					
Property, plant & equipment	19	56,212,971	55,268,429	-	-
Bearer Plants	20	30,215,027	34,216,375	-	-
Investment properties	22	4,396,967	3,878,996	-	-
Intangible assets	23	9,882,889	10,811,685	-	-
Investments in subsidiaries	24	-	-	9,307,670	9,307,670
Investments in equity accounted investee	26	633,105	48,123	-	-
Investment in equity and debt securities	27	4,807,829	5,342,033	4,004,957	4,324,173
Deferred tax assets	15	3,264,739	4,109,867	-	-
Other financial receivables	30	24,759	24,759	-	-
Other non financial receivables	30	8,671,512	5,729,033	-	-
<b>Total non - current assets</b>		<b>118,109,798</b>	<b>119,429,300</b>	<b>13,312,627</b>	<b>13,631,843</b>
<b>Current Assets</b>					
Inventories	29	8,190,735	6,886,406	-	-
Trade receivables	30	3,970,640	3,648,705	215,781	78,642
Other financial receivables	30	1,608,789	1,272,806	-	-
Other non financial receivables	30	7,812,037	7,221,750	5,500	4,290
Current tax recoverable	15	103,845	149,619	6,696	11,005
Investment in equity and debt securities	27	7,840,888	9,731,706	84,131	89,048
Investment in Unit trusts	28	602,690	270,091	-	-
Derivative financial instruments	31	14,446	59,156	-	-
Biological assets	21	1,557,026	1,497,067	-	-
Cash and cash equivalents	32	22,386,248	14,797,784	305,724	63,708
		54,087,344	45,535,090	617,832	246,693
Assets held for sale	33	690,532	702,927	-	-
<b>Total current assets</b>		<b>54,777,876</b>	<b>46,238,017</b>	<b>617,832</b>	<b>246,693</b>
<b>Total assets</b>		<b>172,887,674</b>	<b>165,667,317</b>	<b>13,930,459</b>	<b>13,878,536</b>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Stated capital	34	1,114,652	1,114,652	1,114,652	1,114,652
Capital reserves	35	2,746,892	2,786,451	287,552	287,552
Revenue reserves	36	23,102,955	28,407,317	10,080,749	10,640,481
Equity attributable to owners of the Company		26,964,499	32,308,420	11,482,953	12,042,685
Non-controlling interest	25	28,221,465	31,585,445	-	-
<b>Total equity</b>		<b>55,185,964</b>	<b>63,893,865</b>	<b>11,482,953</b>	<b>12,042,685</b>

(Amounts expressed in Sri Lankan Rs. '000)

As at 31st March	Note	Group		Company	
		2020	2019	2020	2019
<b>LIABILITIES</b>					
<b>Non - Current Liabilities</b>					
Loans and borrowings	37	53,583,177	42,692,542	-	-
Other financial payables	38	73,163	87,368	-	-
Other non financial liabilities	38	1,165,496	1,343,057	-	-
Derivative financial instruments	31	1,227,608	-	-	-
Deferred tax liabilities	15	9,487,488	10,235,928	-	-
<b>Total non - current liabilities</b>		<b>65,536,932</b>	<b>54,358,895</b>	<b>-</b>	<b>-</b>
<b>Current Liabilities</b>					
Trade payables	38	5,761,875	3,941,910	-	-
Other financial payables	38	10,451,447	9,855,815	179,720	226,257
Current tax liabilities	15	152,343	1,093,390	-	-
Derivative financial instruments	31	121,554	-	-	-
Loans and borrowings	37	35,677,559	30,445,157	2,267,786	1,609,594
Debentures		-	2,078,285	-	-
<b>Total current liabilities</b>		<b>52,164,778</b>	<b>47,414,557</b>	<b>2,447,506</b>	<b>1,835,851</b>
<b>Total liabilities</b>		<b>117,701,710</b>	<b>101,773,452</b>	<b>2,447,506</b>	<b>1,835,851</b>
<b>Total equity and liabilities</b>		<b>172,887,674</b>	<b>165,667,317</b>	<b>13,930,459</b>	<b>13,878,536</b>
Net assets per ordinary share	40	137.30	164.51	58.47	61.32

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

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

(Sgd.)

A.P. Weeratunge

Director

Carsons Management Services (Private) Limited

The Board of Directors are responsible for the preparation and presentation of these financial statements. These financial statements were approved by the Board on 14th August 2020.

(Sgd.)

M. Selvanathan

Director

(Sgd.)

D.C.R. Gunawardena

Director

# Statement of Change in Equity

(Amounts expressed in Sri Lankan Rs. '000)

	Stated Capital	Capital Accretion Reserve	Revaluation Reserve	Other Capital Reserve
<b>Group</b>				
Balance as at 31st March 2018	1,114,652	287,552	934,747	1,462,280
Impact of adopting SLFRS -9 as at 01st April 2018	-	-	-	-
Adjusted Balance as at 01st April 2018	1,114,652	287,552	934,747	1,462,280
<b>Total comprehensive income</b>				
Profit for the year	-	-	-	-
Other Comprehensive income for the year	-	-	92,976	-
Total comprehensive income for the year	-	-	92,976	-
<b>Transactions with owners of the Company</b>				
<b>Contributions and Distributions</b>				
Share capital contributed by non-controlling shareholders	-	-	-	-
Dividends on ordinary shares	-	-	-	-
Dividends paid to Non-controlling Shareholders	-	-	-	-
Forfeiture of unclaimed dividends	-	-	-	-
Transfer and other reserve movements	-	-	-	-
Total Contributions by and distributions to owners	-	-	-	-
<b>Changes in ownership interests</b>				
Goodwill on change in shareholdings	-	-	-	-
Acquisition of additional interest in subsidiaries	-	-	-	8,896
Total changes in ownership interests	-	-	-	8,896
Balance as at 31st March 2019	1,114,652	287,552	1,027,723	1,471,176
<b>Total comprehensive income</b>				
Loss for the year	-	-	-	-
Other Comprehensive income/(expenses) for the year	-	-	130,346	-
Total comprehensive income/(expenses) for the year	-	-	130,346	-
<b>Transactions with owners of the Company</b>				
<b>Contributions and Distributions</b>				
Dividends on ordinary shares	-	-	-	-
Dividends paid to Non-controlling Shareholders	-	-	-	-
Forfeiture of unclaimed dividends	-	-	-	-
Effect on reclassification of Investment Property	-	-	(169,905)	-
Total Contributions by and distributions to owners	-	-	(169,905)	-
<b>Changes in ownership interests</b>				
Dilution of equity interest in a subsidiaries without change in control	-	-	-	-
Dilution of equity interest in a subsidiary with change in control	-	-	-	-
Total changes in ownership interests	-	-	-	-
Balance as at 31st March 2020	1,114,652	287,552	988,164	1,471,176

(Amounts expressed in Sri Lankan Rs. '000)

Revenue Reserves	Currency Translation Reserves	FVOCI Reserve	Cash flow hedging Reserve	Retained Earnings	Attributable to Owners of the Company	Non-Controlling Interest	Total Equity
379,100	(4,653,821)	5,142,591	-	26,834,824	31,501,925	29,148,484	60,650,409
-	-	(1,511,344)	-	1,511,344	-	-	-
379,100	(4,653,821)	3,631,247	-	28,346,168	31,501,925	29,148,484	60,650,409
-	-	-	-	93,952	93,952	814,313	908,265
-	950,498	(109,958)	-	146,242	1,079,758	1,384,442	2,464,200
-	950,498	(109,958)	-	240,194	1,173,710	2,198,755	3,372,465
-	-	-	-	-	-	625,127	625,127
-	-	-	-	(196,387)	(196,387)	-	(196,387)
-	-	-	-	-	-	(212,928)	(212,928)
-	-	-	-	2,418	2,418	1,726	4,144
(52,732)	-	51,295	-	(5,583)	(7,020)	(1,601)	(8,621)
(52,732)	-	51,295	-	(199,552)	(200,989)	412,324	211,335
-	-	-	-	(300,628)	(300,628)	(2,473)	(303,101)
387	(84)	22,736	-	102,467	134,402	(171,645)	(37,243)
387	(84)	22,736	-	(198,161)	(166,226)	(174,118)	(340,344)
326,755	(3,703,407)	3,595,320	-	28,188,649	32,308,420	31,585,445	63,893,865
-	-	-	-	(1,527,808)	(1,527,808)	(932,452)	(2,460,261)
-	(3,647,603)	(360,519)	(104,949)	80,626	(3,902,099)	(3,557,479)	(7,459,578)
-	(3,647,603)	(360,519)	(104,949)	(1,447,182)	(5,429,907)	(4,489,931)	(9,919,839)
-	-	-	-	(147,290)	(147,290)	-	(147,290)
-	-	-	-	-	-	(247,822)	(247,822)
-	-	-	-	7,386	7,386	4,094	11,480
-	-	-	-	238,209	68,563	22,321	90,625
-	-	-	-	98,305	(71,341)	(221,407)	(293,007)
376	(23,066)	-	-	431,827	409,347	1,226,808	1,635,945
-	(33,787)	-	-	(217,764)	(251,551)	120,550	(131,001)
376	(56,853)	-	-	214,063	157,796	1,347,358	1,504,944
327,131	(7,407,863)	3,234,801	(104,949)	27,053,835	26,964,499	28,221,465	55,185,964

## Statement of Change in Equity

(Amounts expressed in Sri Lankan Rs. '000)

	Stated Capital	Capital Accretion Reserve	FVOCI Reserve	Retained Earnings	Attributable to Owners of the Company	Total Equity
<b>Company</b>						
Balance as at 31st March 2018	1,114,652	287,552	1,347,306	7,701,208	10,450,718	10,450,718
Impact of adopting SLFRS - 9 as at 01st April 2018	-	-	1,646,830	63,428	1,710,258	1,710,258
	1,114,652	287,552	2,994,136	7,764,636	12,160,976	12,160,976
<b>Total comprehensive income/(expenses)</b>						
Loss for the year	-	-	-	(24,413)	(24,413)	(24,413)
Other Comprehensive income for the year	-	-	102,510	-	102,510	102,510
Total comprehensive income/(expenses) for the year	-	-	102,510	(24,413)	78,097	78,097
Ordinary dividend paid	-	-	-	(196,387)	(196,387)	(196,387)
Total Contributions by and distributions to owners	-	-	-	(196,387)	(196,387)	(196,387)
Balance as at 31st March 2019	1,114,652	287,552	3,096,646	7,543,835	12,042,686	12,042,686
<b>Total comprehensive income</b>						
Loss for the year	-	-	-	(93,226)	(93,226)	(93,226)
Other Comprehensive expenses for the year	-	-	(319,216)	-	(319,216)	(319,216)
Total comprehensive expenses for the year	-	-	(319,216)	(93,226)	(412,442)	(412,442)
Ordinary dividend paid	-	-	-	(147,290)	(147,290)	(147,290)
Total Contributions by and distributions to owners	-	-	-	(147,290)	(147,290)	(147,290)
Balance as at 31st March 2020	1,114,652	287,552	2,777,430	7,303,319	11,482,953	11,482,953

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

Figures in brackets indicate deductions.

# Statement of Cash Flow

(Amounts expressed in Sri Lankan Rs. '000)

For the year ended 31st March	Group		Company	
	2020	2019	2020	2019
<b>Cash flows from operating activities</b>				
Profit/(loss) before income tax expenses from continuing operations	(474,307)	5,060,992	(86,810)	(24,413)
Loss before income tax expenses from discontinued operations	(185,100)	(160,165)	-	-
	(659,407)	4,900,827	(86,810)	(24,413)
<b>Adjustments for:</b>				
Change in fair value of biological assets	(158,646)	392,859	-	-
Gain from changes in fair value of investment properties	(151,434)	(423,145)	-	-
Mark to market value adjustments - unrealized	1,845,745	2,542,330	4,916	8,384
Unwinding of discount on compensation receivable	-	145,207	-	-
Impairment of business assets	740,315	-	-	-
Share of profit of equity accounted investee, (net of tax)	(11,351)	(6,910)	-	-
Investment property write-off	-	14,478	-	-
Depreciation on property, plant & equipment	4,205,741	3,660,864	-	-
Depreciation on Bearer Plants	1,868,459	1,552,412	-	-
Amortization of intangible assets	297,538	297,513	-	-
Provision for retiring gratuity	280,009	286,147	-	-
Plasma interest income	(644,319)	(482,036)	-	-
Net finance cost	6,786,741	5,004,823	193,510	190,348
Profit on disposal of property, plant & equipment	(26,608)	(123,525)	-	-
Unrealized loss on Derivative financial instruments	30,061	47,254	-	-
De - recognition of goodwill and customer relationship	122,548	-	-	-
Progressive insurance receipts on property damages	-	(15,186)	-	-
Deposit liability write back	3,239	(7,081)	-	-
Provision/(Reversal) for Inventories	40,163	(104,433)	-	-
Non cash dividend received	-	(337)	-	(337)
Exchange impact on translation of foreign operations	2,503,291	930,103	1,636	6,202
	17,731,492	13,711,337	200,062	204,597
	17,072,084	18,612,164	113,252	180,184
<b>Changes in</b>				
Inventories	(1,476,257)	(312,118)	-	-
Trade and other receivables	(1,364,805)	2,189,968	(1,210)	(322)
Amounts due from related companies	-	-	(137,139)	(43,541)
Trade and other payables	2,072,677	(5,570,183)	9,320	6,662
	16,303,699	14,919,831	(15,777)	142,983
Net cash movement in investments	(287,526)	(117,801)	-	-
<b>Cash generated from operations</b>	<b>16,016,173</b>	<b>14,802,030</b>	<b>(15,777)</b>	<b>142,983</b>
Interest paid	(6,370,412)	(4,929,635)	(193,296)	(187,374)
Income tax paid	(4,193,266)	(2,379,023)	(2,107)	(1,666)
Gratuity paid	(140,417)	(158,526)	-	-
<b>Net cash generated from/(used in) operating activities</b>	<b>5,312,077</b>	<b>7,334,846</b>	<b>(211,180)</b>	<b>(46,057)</b>

## Statement of Cash Flow

(Amounts expressed in Sri Lankan Rs. '000)

For the year ended 31st March	Group		Company	
	2020	2019	2020	2019
<b>Cash flows from investing activities</b>				
Payments for property, plant & equipment/investment property	(6,240,073)	(4,695,617)	-	-
Payments for bearer plant development costs	(329,780)	(1,022,200)	-	-
Payments for intangible assets	(613,282)	(257,225)	-	-
Payments for acquisition of additional interest in subsidiaries	-	(341,058)	-	(281,671)
Movement in non current VAT and other receivables	(789,962)	341,306	-	-
(Increase)/decrease in plasma investments	(292,781)	295,490	-	-
Net cash outflow from disposal of a subsidiary	(122,814)	-	-	-
Proceeds from disposal of property, plant & equipment and bearer plants	187,367	257,551	-	-
Deposits received	263,415	310,749	-	-
Deposits refunded	(21,463)	(12,032)	-	-
<b>Net cash used in investing activities</b>	<b>(7,959,373)</b>	<b>(5,123,036)</b>	<b>-</b>	<b>(281,671)</b>
<b>Cash flows from financing activities</b>				
Proceeds from long - term loans	48,325,332	4,061,262	-	-
Settlement of borrowings	(46,857,132)	(7,681,508)	-	-
Proceeds from issuance of shares of subsidiary	1,724,983	-	-	-
Payment of finance lease creditors	(365,351)	(109,538)	-	-
Settlement of debenture	(2,000,000)	(998,800)	-	-
Progressive insurance receipts on property damages	-	15,186	-	-
Dividend paid to non - controlling shareholders by subsidiaries	(243,728)	(212,928)	-	-
Dividend paid by the Company	(204,783)	(240,536)	(204,783)	(240,536)
<b>Net cash generated from/(used in) financing activities</b>	<b>379,321</b>	<b>(5,166,862)</b>	<b>(204,783)</b>	<b>(240,536)</b>
<b>Net decrease in cash &amp; cash equivalents</b>	<b>(2,267,975)</b>	<b>(2,955,052)</b>	<b>(415,963)</b>	<b>(568,264)</b>
Cash & cash equivalents at the beginning of the year	(3,652,490)	(697,439)	(1,537,705)	(969,441)
<b>Cash &amp; cash equivalents at the end of the year (Note32)</b>	<b>(5,920,465)</b>	<b>(3,652,490)</b>	<b>(1,953,668)</b>	<b>(1,537,705)</b>

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

Figures in brackets indicate deductions.

# Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

## 1. REPORTING ENTITY

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

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

The consolidated financial statements as at and for the year ended 31 March 2020 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

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

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

The Group has 11 listed subsidiaries, listed on the Colombo Stock Exchange, out of the 51 subsidiaries, 1 Associate entity and 1 jointly controlled entity set out in Note 24 and 26 on pages 154 to 160 in the financial statements.

There were no significant changes in the nature of the principal activities of

the Company and the Group during the financial year under review.

The Group had 14,014 (2019 - 13,975) employees at the end of the financial year. The Company had no employees as at the reporting date (2019 - Nil).

The consolidated financial statements were authorised for issue by the Board of Directors on 14th August 2020.

## 2. BASIS OF PREPARATION

### Statement of compliance

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

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

This is the first set of the Group's annual financial statements in which IFRS 16 Leases has been applied. The related changes to significant accounting policies due to the adoption of this standard are described in Note 4.

### Basis of measurement

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

- Derivative financial assets are measured at fair value;
- Non- derivative financial instruments classified fair value through profit or loss are measured at fair value;
- Fair value through OCI financial assets are measured at fair value;
- Biological assets are measured at fair value less costs to sell;
- Land and buildings are measured at revalued amounts;
- Defined benefit obligation are measured at its present value, based on an actuarial valuation as explained in Note 39.
- Investment properties are measured at fair value.

### Going Concern

In light of ongoing COVID-19 pandemic situation, the Group has assessed its going concern and a detailed disclosure of its assessment are provided in the financial statement. In preparing the financial statements for the year ended 31st March 2020, the management has assessed the possible effects of COVID-19 on the businesses of the Group to determine their ability to continue as a going concern. Based on currently available information, the management is satisfied that having taken into consideration factors that could impact the revenue, supply chain, cash flows, accessibility to funds & costs, the Group would continue as a going concern.

Consequent to giving due consideration to the presentations by management, the Directors are satisfied that the Group have adequate resources to continue as a going concern for a foreseeable future. The Group had positive net asset, working capital and cash flow positions as at the reporting date. Furthermore, management is not

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

### Functional and Presentation Currency

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

### Rounding

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

### Materiality and aggregation

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

### Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with LKAS/SLFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

### A. Judgements

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

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

### B. Assumptions and estimation uncertainties:

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

The Group assesses at each reporting date whether there is objective evidence that an asset or portfolio of assets is impaired. The recoverable amount of an Asset or Cash Generating Unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to present value using appropriate discount rates that reflects the current market assessments of the time value of money and risks specific to the asset. The carrying value of goodwill is reviewed at each reporting date and is written down to the extent that it is no longer supported by probable future benefits. Goodwill is allocated to CGU for the purpose of impairment testing.

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

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

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

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

### Deferred tax assets

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

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

(Amounts expressed in Sri Lankan Rs. '000)

### Defined benefit plans

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

### Current taxation

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

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

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

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

Pursuant to a decision letter from the Supreme Court of the Republic of Indonesia on a Judicial Review over the above regulation, certain articles have been revoked. Effective from 22

July 2014, FFB is no longer classified Strategic Taxable Good and is therefore subject to input VAT. As a result, input VAT in relation to activities in producing FFB can be claimed against the Group's output VAT.

### Determination of functional currency

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

### Fair value of free hold land

Where the fair value of freehold land recorded on the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flow model. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values.

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

land. The valuation of freehold land is described in more detail in Note 19.

Estimation uncertainty in preparation of financial statements due to the post-lockdown economic implications of COVID-19 pandemic.

The post-lockdown implications have increased the uncertainty of estimates made in preparation of the Financial Statements. The estimation uncertainty is associated with:

- the extent and duration of the disruption to businesses arising from the actions of stakeholders such as government, businesses and customers
- the extent and duration of the expected economic downturn due to impact on GDP capital markets, credit risk of our customers, impact of unemployment and possible decline in consumer discretionary
- the effectiveness of government and central bank measures that have and will be put in place to support businesses through this disruption and economic downturn.

The significant accounting estimates impacted by these forecasts and associated uncertainties are related to expected credit losses and recoverable amount assessments of non-financial assets, recoverable value of property plant and equipment and net realisable value of inventory.

### Collectively assessed allowance for expected credit losses

The post-lockdown economic implications on the country's economy and how businesses and consumers respond to same are uncertain. There could be a possible increase in credit risk due to the loss of income by some of the businesses and the individuals

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

who are our customers, which would delay the settlements of customer dues whilst the possibility of default also exists.

This uncertainty is reflected in the Group's assessment of expected credit losses from its credit portfolio which are subject to a number of management judgements and estimates. Judgements relevant to expected credit loss computations are further discussed in note 42 to these financial statements.

### 3. DETERMINATION OF FAIR VALUES

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

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

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows;

- Level 1- Quoted Prices (unadjusted) in active markets for identifiable assets and liabilities.
- Level 2 - Inputs other than quoted price included in Level 1 that are

observable from the asset or liability either directly (as prices) or indirectly (derived prices)

- Level 3-Inputs from the assets or liability that are not based on observable market data (unobservable inputs)

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

### 4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group initially applied SLFRS 16 Leases from 1st April 2019. A number of other new standards are also effective from 1st April 2019 but they do not have a material effect on the Group's financial statements.

The Group applied SLFRS 16 using the modified retrospective approach (option B), under which no cumulative effect of initial application is recognized in retained earnings at 1st April 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under LKAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SLFRS 16 have not generally been applied to comparative information.

#### A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an arrangement contains a Lease. The

Group now assesses whether a contract is or contains a lease based on the definition of a lease, as prescribed in SLFRS 16.

On transition to SLFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SLFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under LKAS 17 and IFRIC 4 were not reassessed for whether there is a lease under SLFRS 16. Therefore, the definition of a lease under SLFRS 16 was applied only to contracts entered into or changed on or after 1st April 2019.

#### B. As a lessee

As a lessee, the Group leases many assets including buildings, equipment and motor vehicles of property and other equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SLFRS 16, the Group recognizes right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

(Amounts expressed in Sri Lankan Rs. '000)

**i. Leases classified as operating leases under LKAS 17**

Previously, the Group classified property leases as operating leases under LKAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1st April 2019. Right-of-use assets are measured at either:

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all other leases. The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying SLFRS 16 to leases previously classified as operating leases under LKAS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

**ii. Leases classified as finance leases under LKAS 17**

The Group leases a number of items of production equipment. These leases were classified as finance leases under LKAS 17. For these finance leases, the carrying amount of the right-of-use

asset and the lease liability at 1st April 2019 were determined at the carrying amount of the lease asset and lease liability under LKAS 17 immediately before that date.

**C. As a lessor**

The Group leases out its investment property, including own property and right-of-use assets. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to SLFRS 16 for leases in which it acts as a lessor, except for a sub-lease.

The Group sub-leases some of its properties. Under LKAS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to SLFRS 16, the right-of-use assets recognized from the head leases are presented in investment property and measured at fair value at that date. The Group assessed the classification of the sub-lease contracts with reference to the right of use asset rather than the underlying asset, and concluded that they are operating leases under SLFRS 16.

The Group has also entered into a sub-lease during 2019, which has been classified as a finance lease.

The Group has applied SLFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

**D. Impact on financial statements**

**i. Impact on transition**

On transition to SLFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained

earnings. The impact on transition is summarised below.

In thousands of LKR	1st April 2019
Right-of-use assets	448,781
Lease equalization reserve	(3,570)
Total Right-of-use assets	445,211
Lease liabilities	448,781

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using Group's incremental borrowing rate at 1st April 2019.

Following table summarises the impact of transition to SLFRS-16 as at 1st April 2019.

In thousands of LKR	1st April 2019
Operating lease commitments at 31st March 2019 as disclosed under LKAS 17 in the group's consolidated financial statements	473,192
Recognition exceptions for leases	(24,773)
Lease liability recognised as at 1st April 2019	448,782
Add: Commitments relating to leases previously classified as finance leases	306,925
Lease liability as at 1st April 2019	755,707

**5. SIGNIFICANT ACCOUNTING POLICIES**

The Group has constantly applied the following accounting policies to all periods presented in these Consolidated Financial Statement except for the changes of Accounting policies due to the adoption of SLFRS 16.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### Basis of consolidation and business combinations

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31st March 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

### Business combinations

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

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

(Amounts expressed in Sri Lankan Rs. '000)

If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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

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

### Subsidiaries

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

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

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

### Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value when the control is lost. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Any interest retained in the former subsidiary is measured at fair value;
- Recognises any surplus or deficit in profit or loss;

### Non-controlling interests (NCI)

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

### Financial year end

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

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

### Interest in equity accounted investee

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

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

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

### Foreign currency

#### Foreign currency transactions

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

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

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

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

- on investment in equity securities designated as at fair value through other comprehensive income (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent the hedge is effective.

### Foreign operations

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

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity. However, if the foreign operation not a fully owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss

on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

### Financial Instruments

- Recognition and initial measurement

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

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

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

### Financial assets

- Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as measured at:

amortised cost; fair value through other comprehensive income (FVOCI) - debt

(Amounts expressed in Sri Lankan Rs. '000)

<p>investment; fair value through other comprehensive income (FVOCI) - equity investment; or fair value through profit or loss (FVTPL).</p>	<p>All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.</p>	<p>periods, the reasons for such sales and expectations about future sales activity.</p>
<p>Financial assets are not reclassified subsequent to their initial recognition unless the Group 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.</p>	<ul style="list-style-type: none"> <li>Financial assets - Business model assessment</li> </ul>	<p>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 Group's continuing recognition of the assets.</p>
<p>A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:</p>	<p>The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:</p>	<p>Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.</p>
<ul style="list-style-type: none"> <li>it is held within a business model whose objective is to hold assets to collect contractual cash flows; and</li> <li>Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.</li> </ul>	<ul style="list-style-type: none"> <li>the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;</li> <li>how the performance of the portfolio is evaluated and reported to the Group's management;</li> <li>the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;</li> <li>how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and</li> <li>the frequency, volume and timing of sales of financial assets in prior</li> </ul>	<ul style="list-style-type: none"> <li>Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest.</li> </ul>
<p>A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:</p>	<ul style="list-style-type: none"> <li>it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and</li> <li>its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.</li> </ul>	<p>For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.</p>
<p>On initial recognition of an equity investment that is not held for trading, the Group 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.</p>	<ul style="list-style-type: none"> <li>contingent events that would change the amount or timing of cash flows;</li> <li>terms that may adjust the contractual coupon rate, including variable-rate features;</li> <li>prepayment and extension features; and</li> </ul>	<p>In assessing whether the contractual cash flows are solely payments of principal and interest, the Group 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:</p>

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

- Financial assets – Subsequently measurement and gains and losses

**Financial assets at FVTPL** These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. However, see Note 27 for derivatives designated as hedging instruments.

**Financial assets at amortised cost** These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

### Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

**Equity investments at FVOCI** These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

### Financial liabilities

#### Classification, subsequent measurement and gain and losses

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

#### Derecognition

##### Financial assets

The Group 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

### Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group 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.

### Offsetting

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

(Amounts expressed in Sri Lankan Rs. '000)

### Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

### Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the

cumulative change in fair value of the hedged item.

The Group uses commodity swap contracts for its exposure to volatility in the commodity prices. Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss.

When a cash flow hedge is discontinued, the cumulative gain or loss previously recognized in other comprehensive income will remain in the cash flow hedge reserve until the future cash flows occur if the hedged future cash flows are still expected to occur or reclassified to profit or loss immediately if the hedged future cash flows are no longer expected to occur.

### Impairment

#### Financial Assets

The Group recognises loss allowances for Expected Credit Loss (ECL) s on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group 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 Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

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

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

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

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

- Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

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 Group expects to receive).

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

- Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Group on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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

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

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

- Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures to recovery of amounts due.

### Non-financial assets

The carrying amounts of the Group's non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to

their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

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

### Non-current assets held for sale

Non-current assets (and disposal group) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

(Amounts expressed in Sri Lankan Rs. '000)

This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Comparatives in the statement of the financial position are not re-presented when a non-current assets is classified as held for sale. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

### Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which;

- represent a separation major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re - presented as if the operation had been discontinued from the start of the comparative year.

### Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred.

Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### Stated capital

#### Ordinary shares

Ordinary shares are classified as equity. Costs attributable to the issue of ordinary shares are recognised as an expense.

### Property, plant and equipment

#### Recognition and measurement

All items of property, plant equipment are initially recorded at cost. Where items of property, plant & equipment are subsequently revalued, the entire class of such assets is revalued. Revaluations are made with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair values at the reporting date. Subsequent to the initial recognition of the asset at cost, the revalued property, plant & equipment are carried at revalued amounts less accumulated depreciation thereon and accumulated impairment losses.

The Group applies revaluation model to freehold properties and cost model to the remaining assets under property, plant & equipment which are stated at historical cost less accumulated depreciation less accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- The cost of materials and direct labour;
- Any other cost directly attributable to bringing the assets to a working condition for their intended use;
- When the Group has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and

Capitalized borrowing cost;

- Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.
- When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

### Revaluation of freehold properties

The freehold properties of the Group are carried at revalued amounts. Revaluation of these assets are carried out at least three (3) to five (5) years in order to ensure the book value every year reflect the realizable value of such assets, and are depreciated over the remaining useful lives of such assets, wherever applicable.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

When an asset is revalued, any increase in the carrying amount is recognized in other comprehensive income and accounted in equity under revaluation surplus unless it reverses a previous revaluation decrease relating to the same asset, which was previously recognized as an expense. In these circumstances, the increase is recognized as income to the extent of the previous write down. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized as an expense unless it reverses a previous increment relating to that asset, in which case it is charged in other comprehensive income to the extent that the decrease does not exceed the amount held in the evaluation surplus in respect of that same asset. The decrease recognized in other comprehensive income to reduce the amount accumulated in equity under revaluation reserve. Any balance remaining in the revaluation surplus in respect of an asset, is transferred directly to accumulated profits on retirement or disposal of the asset.

### Reclassification to investment property

When the use of a property changes from owner occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on this re-measurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or Loss.

### Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Ongoing repairs and maintenance are expensed as incurred.

### Depreciation

Items of property, plant and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use. Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows;

	No of Years
Land improvements	30
Buildings – Leased	20 – 42
Buildings - Freehold	20 – 42
Plant & machinery	5 – 27
Motor vehicles	4 – 5
Furniture, fittings & office Equipment	5 – 16
Computers	3 - 5
Returnable Containers	5
Cutlery, Crockery and glassware	5

Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### Disposal

The gains or losses arising on disposal or retirement of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment are recognized net within Other Income in the Statement of Income. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

### Returnable containers

Returnable containers of subsidiary Lion Brewery (Ceylon) PLC are classified under Property, Plant and Equipment. All purchases of returnable containers are recognised at cost and depreciated over a period of 5 years. In the event a returnable container breaks within the premises of the Company, the written down value, on a First in First out (FIFO) basis, are charged to the Profit or Loss.

Empty bottles used for exports are recognised as an expense in the Profit or Loss at the time the export takes place.

Deposits are collected from the agents for the returnable containers in their possession and are classified under current liabilities as explained in Note 38. The said deposit will be refunded to the agent only upon the returning these returnable containers due to cessation of their operation or due to a contraction in sales.

### Capital Work-in-Progress

Capital work-in-progress represents the accumulated cost of materials and other costs directly related to the construction of an asset. Capital in progress is transferred to the respective asset accounts at the time it is substantially completed and ready for its intended use.

(Amounts expressed in Sri Lankan Rs. '000)

### **Bearer Plants**

Bearer plants comprise mature and immature oil palm plantations.

Immature Plantations are stated at acquisition cost which includes the cost incurred for field preparation, planting, fertilizing and maintenance, capitalization of borrowing costs incurred on loans used to finance the developments of immature plantations and an allocation of other indirect costs based on planted hectares.

No depreciation is provided during the immature period. The carrying values of the Immature Plantation are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recovered.

Mature plantations are measured at cost less accumulated depreciation and impairment losses. Depreciation is provided on straight-line basis over estimated useful life of 22 years of the Mature Plantations and recognized in Profit or Loss Statement. Carrying values of the Mature Plantation are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recovered.

The residual value, useful life and depreciation method are reviewed at each reporting date and adjusted prospectively, if appropriate. Bearer plants are de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on glassware de-recognition of the bearer plant is included in profit or loss in the year the asset is de-recognised.

### **Plasma advances**

Costs incurred during the development of Plasma oil palm plantation area up to the productive stage of the oil palm

plantation are capitalised as Plasma development costs in the Advances to Plasma account.

Once the Plasma oil palm plantation area reaches its productive stage, the area will be transferred to the Plasma farmers based on the agreed conversion amounts, which are generally determined at the inception date of the Plasma arrangement. The Plasma arrangement is based on an agreement between the relevant plantation company and a cooperative, which represents the Plasma farmers. The difference between the accumulated development costs of Plasma oil palm plantations and their conversion values is charged to the Income Statement.

### **Lease land rights**

Land rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. Land use rights are amortised over the period of the lease.

### **Intangible assets and goodwill**

#### **Recognition and measurement**

##### **Goodwill**

Goodwill arising on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see note 23.

##### **Subsequent measurement**

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity accounted investee as a whole.

### **Customer relationships**

Customer relationships acquired as part of business combination are initially recognised at their fair value at the date of acquisition and are subsequently carried at cost less accumulated amortisation and impairment. Customer relationships are amortised over 10 years and tested for impairment annually.

### **Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to in preparing the asset for its intended use, and capitalised borrowing costs.

Other development expenditure is recognised in profit or loss as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

### **Software**

All computer software costs incurred, licensed for use by the Group, are not integrally related to associated hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

economic benefits, are included in the Statement of Financial Position under the category intangible assets and carried at cost less accumulated amortization and any accumulated impairment losses. These costs are amortised to the Statement of profit or loss using the straight line method over 3 to 10 years.

### Brands

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

### Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

### Subsequent expenditure

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

### Amortisation

Except for goodwill and brand intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use. The estimated useful lives for the current and comparative years are as follows;

	No of Years
Customer relationship	10
Land rights	30
Software development cost and licenses	3 – 10

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

### Impairment

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

### Investment property

Investment property is property held either to earn rental income or capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods and services or for administrative purposes. Investment properties are measured initially at cost, including transaction costs.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-today servicing of an investment property.

Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions as at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are included in the Statement of profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the Investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the Statement of profit or loss in the year of retirement or disposal.

Transfers are made to/from investment property when, and only when, there is a change in use, evidenced by commencement/end of owner occupation, commencement of development with a view to sale, commencement of an operating lease to another party or completion of construction or development. For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Group as an owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant & equipment up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is of income.

When the Group completes the construction or development of a self-constructed investment property, any

(Amounts expressed in Sri Lankan Rs. '000)

difference between the fair value of the property at that date and its previous carrying amount is recognized in the Statement of profit or loss.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in statement of profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

### Biological assets

Biological assets comprise of fresh fruit bunches ("FFB") of oil palm plantations which are measured at fair value less estimated costs to sell. The fair value of the FFB is measured by reference to estimated FFB quantities and publicly available index price set by Indonesian government. In determining the estimated FFB production quantities, the Group considers the estimated yield of the biological assets which is dependent on the age of the oil palm trees, the location, soil type and infrastructure. Any change in the estimates may affect the fair value of the FFB significantly. The management review the assumptions and estimates periodically to identify any significant change in the fair value of FFB.

### Inventories

Inventories are measured at cost or net realizable value whichever is lower after making due allowance for obsolete and slow moving items, except for fresh fruit bunches which are valued at realized values.

The cost of inventories of the group;

Raw Material and Containers	Cost of purchase together with any incidental expenses
Work - in - progress	Raw material cost and a proportion of manufacturing expenses
Finished Goods	Raw material cost and manufacturing expenses in full
Food Items	Weighted average cost basis
Linen Stock	In the year of purchase at cost of purchase and in the second year in use at 25% of the Cost of purchase

### Employee benefits

#### Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

#### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in statement of profit or loss in the periods during which related services are rendered by employees.

### Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans are calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets (if applicable) are deducted. All actuarial gain/(loss) are recognised in the Other Comprehensive Income.

The discount rate is the yield at the reporting date on high quality corporate bonds, that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

The defined benefit plans are regulated at each of the geographical locations the Group operates in and the salient features of each of such plans are tabulated below;

#### Sri Lankan Subsidiaries

The subsidiaries are liable to pay retirement benefits under the Payment of Gratuity Act, No. 12 of 1983.

The liability recognised in the Financial Statements in respect of defined benefit plans are the present value of the defined benefit obligation as at the reporting date. The defined benefit obligation is calculated by a qualified actuary as at the reporting date using the Projected Unit Credit (PUC) method as recommended by LKAS 19 - 'Employee Benefits'. Such actuarial valuations will be carried out once in every year. The liability is not externally funded. All Actuarial gains or losses are recognised immediately in other comprehensive income.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

### Indonesian Subsidiaries

The subsidiaries recognize an unfunded retirement benefits liability, relating to the settlement of termination, gratuity, compensation and other benefits set forth in Labor Law No. 13 year 2003 (Law No. 13/2003) based on an actuarial calculation by an independent actuary using the 'Projected Unit Credit Method'. All actuarial gain or losses are recognised immediately in other comprehensive income.

### Malaysian Subsidiaries

The subsidiaries are liable to pay Retirement Gratuity where employees have served in the company's operations in Malaysia for more than five years and fulfilling the conditions in the Malaysian Agricultural Producers Association and National Union Plantation Worker's agreements. The resulting difference between brought forward provision at the beginning of the year, net of any payment made, and the carried forward provision at the end of a year, is dealt with in the Statement of Income. The gratuity liability is not funded.

The Group's subsidiary operations in Malaysia participate in the national pension scheme as defined by the law of the country. They make contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

### Termination benefits

Termination benefits are recognised as an expense when the Group is

demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

### Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation.

A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized

because it cannot be measure reliably. The Group does not recognize a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognize contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

### Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

### Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

### Onerous contracts

A provision for onerous contracts are recognised when the expected benefits to be derived by the Group of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing

(Amounts expressed in Sri Lankan Rs. '000)

with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

## Leases

### Policy applicable from 1st April 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SLFRS 16.

#### a) Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### Rights-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Buildings 2 to 3 years  
Motor vehicles 1 to 6 years  
Heavy equipment 1 to 6 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Notes. The Group's right-of-use assets are presented within property, plant and equipment (Note 19).

#### Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group's exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of

lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Loans and borrowings (see Note 37).

#### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

### Policy applicable before 1st April 2019

#### a) Group as a lessee

##### Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met the fulfilment if the arrangement is dependent on the use of a specific asset or assets; and the arrangement contains a right to use assets.

At inception or on reassessment of the arrangement, the Group separates the payments and other consideration required by such an arrangement into

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

### Finance Lease

Leases of property, plant & equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Assets held under finance lease are capitalized at the cash price as part of property, plant & equipment and depreciated over the shorter of the estimated useful lives of the assets or the lease term.

Upon initial recognition assets acquired through the finance leases are stated at an amount equal to the lower of their fair values and the estimated present value of the minimum lease payments at the date of inception less accumulated depreciation and impairment losses. In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is practicable to determine; if not, the group's incremental borrowing rate is used.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations and net of finance charges are included in borrowings. The interest element of the finance charge is charged to the Statement of Income over the lease

period. Property, plant and equipment acquired under finance lease contracts are depreciated over the useful life of the asset. If there is no reasonable certainty that the ownership will be transferred to the Group, the asset is depreciated over the shorter of the lease term and its useful life.

### Operating Lease

Lease of assets under which all the risks and benefits of ownership are retained by the lessor are classified as operating leases.

### Leased assets

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

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

### Lease payments

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period

during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

## Revenue

### Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control over a good or service to a customer. Determining the timing of the transfer of control at a point in time or over time require judgment.

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

The following specific criteria are used for the purpose of recognition of revenue according to the timing of the performance obligations are met.

### Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, volume rebates and sales taxes. Revenue recognised at the point in time when the control of goods and products is transferred customer with a right of return within a specified period, the Group considers the timing of recognition. Revenue from contracts with customers is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

### Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows;

(Amounts expressed in Sri Lankan Rs. '000)

- Servicing fees included in the price of the products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- Revenue from time and material contracts is recognized at the contractual rates as labour hours are delivered and direct expenses are incurred.

### Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

### Rental income

Rental income from investment property is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from other property is recognised as other income.

### Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognized on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognized by reference to the underlying arrangement.

### Dividend income

Dividend income is recognised in statement of income on the date that the Group's right to receive payment is established, which in the case of quoted

securities is normally the ex- dividend date.

### Sale of fresh fruit bunches

Upon delivery and acceptance by customers.

### Gain on disposal of financial assets (categorized as fair value through other comprehensive income/fair value through profit or loss)

Profits or losses on disposal of investments are accounted for in the Statement of Income on the basis of realized net profit.

### Other Income - on accrual basis

Net gains and losses of a revenue nature resulting from the disposal of property, plant & equipment have been accounted in the income Statement.

### Expenditure recognition

#### Operating expenses

All expenses incurred in day-to-day operations of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to revenue in arriving at the profit or loss for the year. Provision is made for bad and doubtful debts, all known liabilities and depreciation on property, plant & equipment.

### Finance income and finance costs

Finance income comprises interest income on funds invested, gains on the re-measurement to fair value of any pre-existing interest in an acquiree in a business combination, gains on hedging instruments that are recognised in the statement of profit or loss and reclassifications of net gains previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and deferred consideration, dividends on preference shares classified as liabilities, contingent consideration, losses on hedging instruments that are recognised in profit or loss and reclassifications of net losses previously recognised in other comprehensive income.

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

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

### Income tax expense

Income Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in the statement of profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

### Current taxation

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends. Current tax assets and liabilities are offset if certain criteria are met.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### Deferred taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit nor loss;
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised, based on the level of future taxable profit forecasts and tax planning strategies.

### Tax exposures

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

### Economic service charge (ESC)

As per the provisions of Economic Service Charge Act No. 13 of 2006 and amendments thereto ESC, is payable

on "Liable Turnover" and is deductible from the income tax payments. Any unclaimed ESC can be carried forward and settled against the income tax payable within the three subsequent years. As per the notice published by the department of Inland Revenue on 29th November 2019, ESC was abolished with effective from 1st December 2019.

### Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales taxes incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amounts of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

As per the notice published by the department of Inland Revenue on 29th November 2019, NBT was abolished with effective from 1st December 2019.

### Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

(Amounts expressed in Sri Lankan Rs. '000)

### Related party transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is charged.

### Events after the reporting period

All material and important events which occur after the Balance Sheet date have been considered and disclosed in Note 45.

### Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are declared and are no longer at the discretion of the Company.

### Presentation

Assets and liabilities are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

Where appropriate, the significant accounting policies are disclosed in the succeeding notes.

### Offsetting Income and Expenses

Income and expenses are not offset unless required or permitted by accounting standards.

### Offsetting Assets and Liabilities

Assets and liabilities are offset and the net amount reported in the statement of financial position only where there is;

- A current enforceable legal right to offset the assets and the liability; and
- An intention to settle the liability simultaneously

### Director's responsibility

The Board of Directors is responsible for the preparation and presentation of the Financial Statements. This is more fully described under the relevant clause in the Directors' Report.

### Comparative Information

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

### Cash And Cash Equivalents

Cash and cash equivalents comprise of cash at bank and in hand balances. Cash and bank balances are stated at recoverable values. There were no cash and cash equivalents held by the Group companies that were not available for use.

Bank overdrafts and short-term borrowings that are repayable on demand and forming an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

## 6. OPERATING SEGMENTS

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers' report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance.

Additional disclosures on each of these segments are shown including the factors used to identify the reportable segments and the measurement basis of segment information.

## 7. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

A number of new standards are effective for annual periods beginning after 1st January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to Conceptual Framework in SLFRS Standards.
- Definition of a Business (Amendments to SLFRS 3).
- Definition of Material (Amendments to LKAS 1 and LKAS 8).
- Interest rate benchmark reform (Amendments to SLLFR 09, LKAS 39, SLFRS 07)

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 8 REVENUE

#### Revenue streams

The Group generates revenue primarily from Beverage sector, Oil palm Plantation and Oils and fats segments. (Note 8 (iii))

#### (i) Revenue Analysis

For the year ended 31st March	Group		Company	
	2020	2019	2020	2019
Gross Revenue	112,732,609	104,264,539	192,631	258,565
Taxes to the Government of Sri Lanka	(6,759,835)	(7,125,001)	-	-
Net Revenue	105,972,774	97,139,538	192,631	258,565
Revenue from contract with customers				
Sale of Goods	113,025,068	100,347,584	-	-
Investment income	1,010,850	1,042,425	192,631	258,565
Property rental income	296,001	310,677	-	-
Commission, support services fees & royalty fees	6,628,116	4,023,134	-	-
Hospitality services	597,299	677,531	-	-
	8,532,266	6,053,767	192,631	258,565
Net revenue before intra - group transactions	121,557,334	106,401,351	192,631	258,565
Less: Intra - group transactions	(15,584,560)	(9,261,813)	-	-
Net Revenue	105,972,774	97,139,538	192,631	258,565

Disaggregation of revenue from contract with customers.

Revenue from contracts with customer (including revenue related to the discontinued operations) is disaggregated by primary geographical market (Note 8 (iv)) and major products and services.

#### (ii) Operating Segments

##### Basis of segmentation

The Group's primary segment reporting format is Business segments and the secondary format is geographical segments. The risks and returns of the Group's operations are primarily determined by the nature of the different activities that the Group engages in, rather than the geographical location of these operations and are managed separately because they require different technology and marketing strategies.

This is reflected by the Group's organizational structure. Industry segment activities of the Group have been broadly classified into eight segments: Investment Holdings, Portfolio and Asset Management, Oil Palm Plantations, Beverage, Real-Estate, Leisure, Oils & fats and Management Services base on the nature of product or service rendered. The following summary describes the operations of each reportable segment.

Reportable Segment	Description of Operations
Investment Holdings	- Holding of strategic investments
Portfolio and Assets Management	- Investment and management of listed, private equity, fixed income and unit trust investments
Oil Palm Plantations	- Production and sale of palm oil, palm kernel and fresh fruit bunches to the domestic and international market
Oils & Fats	- Manufacturing, marketing and selling of refined oils and specialty fats to the bakery, chocolate and confectionery, ice creams and creamer industries and cooking oil products to end consumers
Beverage	- Production and sale of Beer, Import & distribution of alcoholic beverages
Real Estate	- Letting office and warehouse premises on rent for commercial purposes
Leisure	- Hoteliering
Management Services	- Providing support services to the Group entities

(Amounts expressed in Sri Lankan Rs. '000)

## 8 REVENUE (Contd.)

Sales between segments are made at prices that approximate the market prices. Segment revenue, segment expenses and segment results include the transactions between industry segments. These transactions and any unrealized profits and losses are eliminated on consolidation. Segmental expenses are expenses that are directly attributed to a relevant segment or a portion of expenses that can be allocated on a reasonable basis as determined by the Management.

The Group's geographical segments are based on the location of the Group's assets and spread of operations. The activities of the Group have been broadly classified into five geographical segments, namely operations within Sri Lanka, Malaysia, Indonesia, Singapore and India. Sales to external customers are segmented based on the location of the seller. The principal operations of each geographical segments are follows:

### Geographical Segment

#### Description of operations

Sri Lanka	- Investment holding, portfolio and assets management, production & sale of Beer, Import and distribution of alcoholic beverages, letting of office and warehouse premises for commercial purposes, hoteliering and management services.
Malaysia	- Manufacturing, marketing and selling of refined oils and specialty fats to the bakery, chocolate & confectionery, ice creams and creamer industries and cooking oil products to end consumers and management services.
Indonesia	- Management Service, production and sale of palm oil and palm kernel to the domestic and international markets, production and sale of FFB.
Singapore	- Investment holding
India	- Manufacturing, marketing and selling of refined oils and specialty fats to the bakery, chocolate & confectionery, ice creams and creamer industries and cooking oil products to end consumers. (Since discontinued)
Mauritius	- Portfolio and assets management

#### Principal categories of customers

The principal categories of customers for goods and services are corporate customers, government customers, wholesale customers and retail customers. The group's reportable segments are therefore as follows:

Investment Holding	- corporate customers
Portfolio and Asset Management	- corporate customers, retail customers
Oil Palm Plantations	- corporate customers
Oils & Fats	- corporate customers, retail customers
Beverage	- wholesale & retail customers
Real Estate	- corporate customers
Leisure	- corporate customers, retail customers
Management Services	- corporate customers

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 8 REVENUE (Contd.)

#### (iii) Operating segments - Information about reportable segments

##### (a) Primary/Business segmentation

Information related to each reportable segment is set out below. Segment profit/(loss) before tax is used to measure performance because entities that are operating in the same industry.

For the year ended 31st March	Investment Holding		Portfolio & Asset Management		Oil Palm Plantations	
	2020	2019	2020	2019	2020	2019
Total revenue	192,632	258,565	871,215	742,095	46,185,032	35,959,738
Intra segment revenue	-	-	(111,417)	(191,053)	(12,473,059)	(4,536,950)
Segment revenue	192,632	258,565	759,798	551,042	33,711,973	31,422,788
Inter segment revenue	(186,617)	(218,977)	-	-	(618,512)	(2,436,154)
Revenue	6,015	39,588	759,798	551,042	33,093,461	28,986,634
Segment results	(73,364)	(38,456)	527,155	290,229	2,971,096	6,024,594
Other material non-cash items						
Foreign exchange (losses)/gains	(1,636)	(6,202)	112	(31,018)	(1,917,502)	(820,237)
Change in fair value of business assets	(4,916)	(8,384)	(1,854,453)	(2,538,519)	158,646	(392,859)
Impairment of business assets	-	-	-	-	-	-
	(79,916)	(53,042)	(1,327,186)	(2,279,308)	1,212,240	4,811,498
Net Finance cost	(193,510)	(190,348)	(27,843)	(12,643)	(5,057,455)	(2,973,973)
Share of profit of equity accounted investee, (net of tax)	-	-	4,725	6,910	-	-
Profit/(loss) before Income tax expenses	(273,426)	(243,390)	(1,350,304)	(2,285,041)	(3,845,215)	1,837,525
Income tax expenses						
Current taxation	(11,060)	(5,145)	(45,986)	(60,729)	(341,686)	(1,718,340)
Deferred taxation	-	-	771	2,026	41,013	201,003
	(11,060)	(5,145)	(45,215)	(58,703)	(300,673)	(1,517,337)
Profit/(loss) from continuing operations	(284,486)	(248,535)	(1,395,519)	(2,343,744)	(4,145,888)	320,188
Discontinued operation	-	-	-	-	-	-
Profit/(loss) from discontinued operation, net of tax	-	-	(27,273)	-	-	-
Profit/(loss) for the year	(284,486)	(248,535)	(1,422,792)	(2,343,744)	(4,145,888)	320,188
Attributable to:						
Owners of the Company	(284,486)	(248,535)	(826,548)	(1,333,068)	(2,171,637)	113,292
Non controlling interest	-	-	(596,244)	(1,010,676)	(1,974,251)	206,896
	(284,486)	(248,535)	(1,422,792)	(2,343,744)	(4,145,888)	320,188
Earnings/(loss) per ordinary share (Rs.)	(1.45)	(1.27)	(4.21)	(6.79)	(11.06)	0.58
<b>(b) Summarised statement of cash flows</b>						
Cash flows from/(used in) operating activities	(211,180)	(46,057)	1,372,857	(416,756)	461,789	(610,848)
Cash flows from/(used in) investing activities	-	(281,671)	(160)	(59,465)	(4,664,689)	(4,712,207)
Cash flows from/(used in) financing activities	(204,783)	(240,536)	823,726	(24,194)	6,970,730	3,954,882
Net increase/(decrease) in cash and cash equivalents	(415,963)	(568,264)	2,196,423	(500,415)	2,767,830	(1,368,173)
<b>(c) Other Information</b>						
Total cost incurred during the year to acquire Property, plant & equipment, Bearer Plants, Investments properties	-	-	563	243	4,889,312	4,920,636
Intangible assets (including land rights)	-	-	-	-	604,777	210,219
Depreciation	-	-	707	912	2,351,796	1,929,506
Amortization of intangible assets (including land rights)	-	-	4,446	4,446	264,161	241,895
Salaries, fees, wages and related expenses	18,480	19,000	72,306	77,885	7,247,798	6,417,916
Defined benefit plan expenses/Gratuity	-	-	2,495	1,957	220,731	232,641

the management believes that this information in is the most relevant in evaluating the results of the respective segments relative to other

Oils & Fats		Beverage		Real Estate		Leisure		Management Services		Group	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
22,667,611	22,903,240	50,203,503	45,075,589	296,001	310,677	596,879	677,531	544,461	473,916	121,557,334	106,401,351
(214,154)	(106,833)	(988,141)	(858,763)	-	-	-	-	-	-	(13,786,771)	(5,693,599)
22,453,457	22,796,407	49,215,362	44,216,826	296,001	310,677	596,879	677,531	544,461	473,916	107,770,563	100,707,752
(436,780)	(432,286)	-	-	(27,792)	(22,550)	-	-	(528,088)	(458,247)	(1,797,789)	(3,568,214)
22,016,677	22,364,121	49,215,362	44,216,826	268,209	288,127	596,879	677,531	16,373	15,669	105,972,774	97,139,538
961,388	521,392	5,814,950	6,296,785	185,306	211,913	(51,635)	44,060	25,235	(50,375)	10,360,134	13,295,569
1,173	150,126	21,310	15,019	-	-	185	495	-	-	(1,896,358)	(691,817)
-	-	155,609	-	9,009	427,718	440	-	-	-	(1,535,665)	(2,512,044)
-	-	(740,315)	-	-	-	-	(145,207)	-	-	(740,315)	(145,207)
962,561	671,518	5,251,554	6,311,804	194,315	635,058	(51,010)	(100,652)	25,235	(50,375)	6,187,796	9,946,501
(654,926)	(646,782)	(757,309)	(1,096,273)	13,757	10,617	4,520	16,878	(688)	105	(6,673,454)	(4,892,419)
6,626	-	-	-	-	-	-	-	-	-	11,351	6,910
314,261	24,736	4,494,245	5,215,531	208,072	645,675	(46,490)	(83,774)	24,547	(50,270)	(474,307)	5,060,992
4,073	1,167	(1,824,397)	(859,859)	(51,361)	(67,581)	(925)	1,331	(3,724)	203	(2,275,066)	(2,708,953)
(96,593)	(60,785)	149,726	(1,290,751)	(5,085)	(125,638)	6,173	(9,846)	(2,152)	383	93,853	(1,283,609)
(92,520)	(59,618)	(1,674,671)	(2,150,610)	(56,446)	(193,219)	5,248	(8,515)	(5,876)	586	(2,181,213)	(3,992,562)
221,741	(34,882)	2,819,574	3,064,921	151,626	452,456	(41,242)	(92,289)	18,671	(49,684)	(2,655,520)	1,068,430
222,533	(160,165)	-	-	-	-	-	-	-	-	195,260	(160,165)
444,274	(195,047)	2,819,574	3,064,921	151,626	452,456	(41,242)	(92,289)	18,671	(49,684)	(2,460,260)	908,265
324,555	(110,852)	1,306,782	1,372,756	141,962	433,086	(37,110)	(83,042)	18,671	(49,684)	(1,527,808)	93,952
119,719	(84,195)	1,512,792	1,692,165	9,664	19,370	(4,132)	(9,247)	-	-	(932,452)	814,313
444,274	(195,047)	2,819,574	3,064,921	151,626	452,456	(41,242)	(92,289)	18,671	(49,684)	(2,460,260)	908,265
1.65	(0.56)	6.65	6.99	0.72	2.21	(0.19)	(0.42)	0.10	(0.25)	(7.78)	0.48
386,799	1,626,181	1,964,068	5,640,305	57,691	219,614	58,646	116,273	(45,840)	(46,724)	5,312,077	7,334,846
(108,418)	(68,369)	(647,747)	233,326	(1,990)	(174,124)	(41,441)	(181,870)	(88,433)	(2,456)	(7,959,373)	(5,123,036)
96,768	(1,260,078)	196,473	(3,764,929)	100,000	(34,367)	90,787	36,027	151,748	41,576	379,321	(5,166,862)
375,153	297,734	1,512,794	2,108,702	155,701	11,123	107,992	(29,570)	17,475	(7,604)	(2,267,975)	(2,955,052)
157,576	75,563	1,971,482	902,625	37,621	22,801	79,963	188,999	60,304	2,887	7,196,821	6,113,754
1,078	-	5,747	47,006	-	-	1,680	-	-	-	613,282	257,225
454,085	438,158	1,302,357	1,224,816	8,687	8,314	85,536	62,824	15,903	21,707	4,219,071	3,686,237
31,723	21,633	4,850	53,515	-	-	-	-	222	266	305,402	321,755
1,092,414	903,773	940,953	1,057,516	57,144	52,488	197,939	181,821	358,288	349,230	9,985,322	9,059,629
-	-	40,826	36,847	642	623	4,526	4,118	10,789	9,961	280,009	286,147

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 8 REVENUE (Contd.)

For the year ended 31st March	Investment Holding		Portfolio & Asset Management		Oil Palm Plantations	
	2020	2019	2020	2019	2020	2019

#### (d) Segments Assets/Liabilities are as follows:

##### SEGMENT ASSETS

##### Non - Current Assets

Fixed assets*	-	-	2,041	2,185	56,718,103	60,344,845
Intangible assets (Including land rights)	-	-	194,224	198,669	6,435,447	6,475,196
Financial assets measured at fair value through other comprehensive income/equity accounted investee/Unit trusts	1,128,943	1,254,382	3,731,725	4,135,774	-	-
Deferred tax assets	-	-	3,544	2,611	3,237,686	4,082,305
Other financial receivables	-	-	-	-	-	-
Other non financial receivables	-	-	-	-	8,671,512	5,729,033
<b>Total non - current assets</b>	<b>1,128,943</b>	<b>1,254,382</b>	<b>3,931,534</b>	<b>4,339,239</b>	<b>75,062,748</b>	<b>76,631,379</b>

##### Current Assets

Inventories/biological assets	-	-	-	-	3,348,299	3,750,056
Trade debtors and other financial assets	-	-	14,470	42,299	1,976,520	1,357,433
Other non financial receivables	12,997	16,451	58,324	66,188	6,102,455	5,448,369
Financial assets measured at fair value through profit or loss	84,131	89,048	8,277,201	9,843,117	-	-
Cash and cash equivalents	305,724	63,708	2,783,992	1,773,714	4,607,711	1,529,305
<b>Total current assets</b>	<b>402,852</b>	<b>169,207</b>	<b>11,133,987</b>	<b>11,725,318</b>	<b>16,034,985</b>	<b>12,085,163</b>
Assets held for sale	-	-	-	-	-	-
<b>Total segmental assets</b>	<b>1,531,795</b>	<b>1,423,589</b>	<b>15,065,521</b>	<b>16,064,557</b>	<b>91,097,733</b>	<b>88,716,542</b>

##### SEGMENT LIABILITIES

##### Non - Current Liabilities

Loans and borrowings	-	-	-	-	47,737,744	33,607,495
Other financial payables	-	-	-	-	1,227,608	-
Other non financial liabilities	-	-	10,834	7,758	854,096	1,057,310
Deferred tax liabilities	-	-	-	-	2,775,427	3,595,898
<b>Total non - current liabilities</b>	<b>-</b>	<b>-</b>	<b>10,834</b>	<b>7,758</b>	<b>52,594,875</b>	<b>38,260,703</b>

##### Current Liabilities

Trade and other financial liabilities	179,720	227,415	113,067	194,784	9,631,650	6,632,248
Loans and borrowings/debentures	2,267,786	1,609,594	1,059,384	182,172	11,314,037	13,642,972
<b>Total current liabilities</b>	<b>2,447,506</b>	<b>1,837,009</b>	<b>1,172,451</b>	<b>376,956</b>	<b>20,945,687</b>	<b>20,275,220</b>
<b>Total segmental liabilities</b>	<b>2,447,506</b>	<b>1,837,009</b>	<b>1,183,285</b>	<b>384,714</b>	<b>73,540,562</b>	<b>58,535,923</b>

\*Fixed assets include Property, Plant and Equipments, Bearer Plants, Right to use Assets and Investment Properties.

(Amounts expressed in Sri Lankan Rs. '000)

Oils & Fats		Beverage		Real Estate		Leisure		Management Services		Group	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
7,725,052	8,218,805	20,012,272	18,493,199	4,298,393	4,273,888	2,001,459	2,007,612	67,645	23,266	90,824,965	93,363,800
1,271,532	1,421,709	1,951,701	2,687,583	27,584	27,584	1,680	-	721	944	9,882,889	10,811,685
580,266	-	-	-	-	-	-	-	-	-	5,440,934	5,390,155
-	-	6,446	7,828	-	-	-	-	17,063	17,123	3,264,739	4,109,867
-	-	-	-	-	-	24,759	24,759	-	-	24,759	24,759
-	-	-	-	-	-	-	-	-	-	8,671,512	5,729,033
9,576,850	9,640,514	21,970,419	21,188,610	4,325,977	4,301,472	2,027,898	2,032,371	85,429	41,333	118,109,798	119,429,300
3,282,450	2,053,722	3,091,561	2,562,431	-	-	25,317	17,180	134	84	9,747,761	8,383,473
2,694,152	2,087,508	828,789	1,399,301	35,762	24,558	43,680	69,390	502	178	5,593,875	4,980,667
476,716	716,324	1,056,083	952,724	135,220	131,805	12,488	26,321	61,598	13,187	7,915,881	7,371,369
-	-	-	-	47,540	40,150	34,706	29,482	-	-	8,443,578	10,001,797
672,291	445,430	13,364,350	10,564,799	419,024	271,930	189,806	123,076	43,350	25,822	22,386,248	14,797,784
7,125,609	5,302,984	18,340,783	15,479,255	637,546	468,443	305,997	265,449	105,584	39,271	54,087,344	45,535,090
690,532	702,927	-	-	-	-	-	-	-	-	690,532	702,927
17,392,991	15,646,425	40,311,202	36,667,865	4,963,523	4,769,915	2,333,895	2,297,820	191,013	80,604	172,887,674	165,667,317
3,377,060	5,701,464	2,358,750	3,326,271	-	-	109,623	57,312	-	-	53,583,177	42,692,542
-	-	-	-	73,163	87,368	-	-	-	-	1,300,771	87,368
-	-	207,333	204,060	3,201	3,302	22,287	19,950	67,745	50,677	1,165,496	1,343,057
358,014	327,235	5,135,106	5,092,765	1,018,426	1,013,386	200,515	206,644	-	-	9,487,488	10,235,928
3,735,074	6,028,699	7,701,189	8,623,096	1,094,790	1,104,056	332,425	283,906	67,745	50,677	65,536,932	54,358,895
2,458,707	1,924,516	3,754,965	5,417,979	217,985	266,967	121,517	153,112	9,608	74,093	16,487,219	14,891,115
7,025,001	6,709,743	13,798,515	10,327,405	100,337	-	93,999	51,323	18,500	233	35,677,559	32,523,442
9,483,708	8,634,259	17,553,480	15,745,384	318,322	266,967	215,516	204,435	28,108	74,326	52,164,778	47,414,557
13,218,782	14,662,958	25,254,669	24,368,480	1,413,112	1,371,023	547,941	488,341	95,853	125,003	117,701,710	101,773,452

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

8 REVENUE (Contd.)	Sri Lanka		Malaysia	
	2020	2019	2020	2019
(iv) Operating segments - Information about reportable segments				
(a) Secondary/Geographical segments				
For the year ended 31st March				
Revenue	50,898,542	45,814,818	22,016,676	22,364,122
Segment results	6,440,429	6,788,409	961,871	521,267
Other material non-cash items	-	-	-	-
Foreign exchange (losses)/gains	54,405	18,380	41,545	185,297
Change in fair value of business assets	(1,694,311)	(2,119,185)	-	-
Impairment of business assets	(740,315)	(145,207)	-	-
Profit/(loss) from operations	4,060,208	4,542,397	1,003,416	706,564
Net Finance cost	(960,341)	(1,261,794)	(654,818)	(646,881)
Share of profit of equity accounted investee, (net of tax)	4,725	6,910	6,626	-
Profit/(loss) before Income tax expenses	3,104,590	3,287,513	355,224	59,683
Income tax expenses				
Current taxation	(1,947,301)	(1,010,121)	(41)	1,098
Deferred taxation	149,344	(1,414,601)	(96,594)	(60,785)
	(1,797,957)	(2,424,722)	(96,635)	(59,687)
Profit/(loss) from continuing operations	1,306,633	862,791	258,589	(4)
Discontinued operation				
Profit/(loss) from discontinued operation, net of tax	(27,273)	-	367,856	-
Profit/(loss) for the year	1,279,360	862,791	626,445	(4)
(c) Other Information				
Total cost incurred during the year to acquire Property, plant & equipment, Bearer Plants, Investments properties	2,155,029	1,160,593	158,284	72,677
Intangible assets (including land rights)	8,083	51,138	1,078	-
Depreciation	1,429,349	1,335,390	454,105	438,158
Amortization of intangible assets (including land rights)	38,265	86,853	31,723	21,633
Salaries, fees, wages and related expenses	2,106,065	2,289,169	1,092,414	903,773
Defined benefit plan expenses/Gratuity	65,812	58,220	-	-

(Amounts expressed in Sri Lankan Rs. '000)

Indonesia		Singapore		Mauritius		Discontinued operations India		Group	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
32,211,328	28,498,010	845,392	462,588	836	-	-	-	105,972,774	97,139,538
2,436,653	6,072,226	525,902	(86,333)	(4,721)	-	-	-	10,360,134	13,295,569
-	-	-	-	-	-	-	-	-	-
(1,060,996)	(894,736)	(931,312)	(758)	-	-	-	-	(1,896,358)	(691,817)
158,646	(392,859)	-	-	-	-	-	-	(1,535,665)	(2,512,044)
-	-	-	-	-	-	-	-	(740,315)	(145,207)
1,534,303	4,784,631	(405,410)	(87,091)	(4,721)	-	-	-	6,187,796	9,946,501
(3,430,584)	(2,917,175)	(1,628,277)	(66,569)	566	-	-	-	(6,673,454)	(4,892,419)
-	-	-	-	-	-	-	-	11,351	6,910
(1,896,281)	1,867,456	(2,033,687)	(153,660)	(4,155)	-	-	-	(474,307)	5,060,992
(339,864)	(1,690,752)	12,140	(9,178)	-	-	-	-	(2,275,066)	(2,708,953)
41,103	191,777	-	-	-	-	-	-	93,853	(1,283,609)
(298,761)	(1,498,975)	12,140	(9,178)	-	-	-	-	(2,181,213)	(3,992,562)
(2,195,042)	368,481	(2,021,547)	(162,838)	(4,155)	-	-	-	(2,655,520)	1,068,430
-	-	-	-	-	-	(145,323)	(160,165)	195,260	(160,165)
(2,195,042)	368,481	(2,021,547)	(162,838)	(4,155)	-	(145,323)	(160,165)	(2,460,260)	908,265
4,795,393	4,879,918	88,115	566	-	-	-	-	7,196,821	6,113,754
604,121	206,087	-	-	-	-	-	-	613,282	257,225
2,267,470	1,863,535	35,453	7,329	-	-	32,694	41,825	4,219,071	3,686,237
235,414	213,269	-	-	-	-	-	-	305,402	321,755
6,442,428	5,639,185	344,416	227,502	-	-	-	-	9,985,322	9,059,628
214,197	227,927	-	-	-	-	-	-	280,009	286,147

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 8 REVENUE (Contd.)

#### (c) Segments Assets/Liabilities are as follows:

For the year ended 31st March	Sri Lanka		Malaysia	
	2020	2019	2020	2019
<b>Segment Assets</b>				
<b>Non - Current Assets</b>				
Fixed assets*	26,407,007	24,835,991	7,725,052	8,218,805
Intangible assets (Including land rights)	2,257,402	3,024,363	1,271,532	1,421,709
Financial assets measured at fair value through other comprehensive income/ equity accounted investee/Unit trusts	4,860,668	5,390,156	580,266	-
Deferred tax assets	27,930	27,562	-	-
Other financial receivables	24,759	24,759	-	-
Other non financial receivables	-	-	-	-
<b>Total non - current asset</b>	<b>33,577,766</b>	<b>33,302,831</b>	<b>9,576,850</b>	<b>9,640,514</b>
<b>Current Assets</b>				
Inventories/Biological assets	3,117,012	2,579,695	3,282,450	2,053,722
Trade debtors and other financial assets	935,711	1,538,965	2,558,819	1,948,689
Other non financial receivables	1,440,076	1,314,824	446,430	681,254
Financial assets measured at fair value trough profit or loss	8,443,578	10,001,797	-	-
Cash and cash equivalents	16,566,738	13,184,452	658,286	376,077
<b>Total current assets</b>	<b>30,503,115</b>	<b>28,619,733</b>	<b>6,945,985</b>	<b>5,059,742</b>
Assets held for sales	-	-	-	-
<b>Total segmental assets</b>	<b>64,080,881</b>	<b>61,922,564</b>	<b>16,522,835</b>	<b>14,700,256</b>
<b>SEGMENT LIABILITIES</b>				
<b>Non - Current Liabilities</b>				
Loans and borrowings/debentures	2,468,373	3,383,583	3,377,060	3,684,722
Other financial payables	73,163	87,368	-	-
Other non financial liabilities	334,977	307,593	-	-
Deferred tax liabilities	6,360,006	6,317,614	358,014	327,235
<b>Total non - current liabilities</b>	<b>9,236,519</b>	<b>10,096,158</b>	<b>3,735,074</b>	<b>4,011,957</b>
<b>Current Liabilities</b>				
Trade and other financial liabilities	4,627,512	6,619,904	2,353,879	1,813,369
Loans and borrowings/debentures	17,338,522	12,170,758	5,006,271	5,744,759
<b>Total current liabilities</b>	<b>21,966,034</b>	<b>18,790,662</b>	<b>7,360,150</b>	<b>7,558,128</b>
<b>Total segmental liabilities</b>	<b>31,202,553</b>	<b>28,886,820</b>	<b>11,095,224</b>	<b>11,570,085</b>

\*Fixed assets include Property, Plant and Equipments, Bearer Plants, Right to use Assets and Investment Properties.

(Amounts expressed in Sri Lankan Rs. '000)

Indonesia		Singapore		Mauritius		Discontinued operations India		Group	
2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
56,613,902	60,284,212	79,004	24,792	-	-	-	-	90,824,965	93,363,800
6,353,955	6,365,613	-	-	-	-	-	-	9,882,889	10,811,685
-	-	-	-	-	-	-	-	5,440,934	5,390,156
3,236,809	4,082,305	-	-	-	-	-	-	3,264,739	4,109,867
-	-	-	-	-	-	-	-	24,759	24,759
8,671,512	5,729,033	-	-	-	-	-	-	8,671,512	5,729,033
74,876,178	76,461,163	79,004	24,792	-	-	-	-	118,109,798	119,429,300
3,348,299	3,750,056	-	-	-	-	-	-	9,747,761	8,383,473
1,556,568	1,354,278	402,609	32	-	-	140,168	138,703	5,593,875	4,980,667
5,931,255	5,333,011	67,343	7,210	854	-	29,923	35,070	7,915,881	7,371,369
-	-	-	-	-	-	-	-	8,443,578	10,001,797
1,154,183	1,026,505	3,133,395	134,032	854,990	-	18,656	76,718	22,386,248	14,797,784
11,990,305	11,463,850	3,603,347	141,274	855,844	-	188,747	250,491	54,087,344	45,535,090
-	-	-	-	-	-	690,532	702,927	690,532	702,927
86,866,483	87,925,013	3,682,351	166,066	855,844	-	879,279	953,418	172,887,674	165,667,317
30,150,409	19,660,139	17,587,335	13,947,356	-	-	-	2,016,742	53,583,177	42,692,542
-	-	1,227,608	-	-	-	-	-	1,300,771	87,368
830,519	1,035,464	-	-	-	-	-	-	1,165,496	1,343,057
2,769,468	3,591,079	-	-	-	-	-	-	9,487,488	10,235,928
33,750,396	24,286,682	18,814,943	13,947,356	-	-	-	2,016,742	65,536,932	54,358,895
9,073,243	6,192,670	325,663	158,004	1,677	-	105,245	107,167	16,487,219	14,891,115
4,016,433	9,296,354	7,297,602	4,346,555	-	-	2,018,731	965,016	35,677,559	32,523,442
13,089,676	15,489,024	7,623,265	4,504,559	1,677	-	2,123,976	1,072,183	52,164,778	47,414,557
46,840,072	39,775,706	26,438,208	18,451,915	1,677	-	2,123,976	3,088,925	117,701,710	101,773,452

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

<b>9 DIRECT OPERATING EXPENSES</b>		
	Group	
For the year ended 31st March	2020	2019
Cost of inventories recognised as expense – physical deliveries	8,839,663	8,348,063
Depreciation and overheads	11,483,818	8,038,878
Harvesting and plantation maintenance	9,812,900	8,607,665
Processing (milling) costs	1,542,790	1,481,122
Purchase of Fresh Fruit Bunches	5,809,892	3,838,380
Production and feedstock costs	15,345,431	15,668,316
Excise Duty paid to the government of Sri Lanka	27,332,555	23,015,480
Others	160,049	899,747
	<b>80,327,098</b>	<b>69,897,651</b>
<b>10 OTHER INCOME/OTHER OPERATING EXPENSES</b>		
<b>10.1 Other Income</b>		
	Group	
For the year ended 31st March	2020	2019
Gain on disposal of fixed assets:		
Beverage	16,703	3,528
Oil Palm Plantations	2,904	118,309
Oil & Fats	2,222	-
Leisure	(177)	1,607
Management Services	4,956	81
	<b>26,608</b>	<b>123,525</b>
Net unrealised fair value gain on derivative financial instruments	-	98,247
Plasma management fee	78,888	38,760
Plasma interest income	644,319	482,036
Sale of Roundtable on Sustainable Palm Oil certificate	75,482	97,573
Sale of sludge Oil	177,867	-
Sundry income	276,811	125,947
	<b>1,279,975</b>	<b>966,088</b>
<b>10.2 Other Operating Expenses</b>		
	Group	
For the year ended 31st March	2020	2019
Amortisation of Customer Relationship	18,828	19,522
De - recognition of goodwill	119,771	-
De - recognition of customer relationship	2,777	-
Realised fair value loss on derivative financial instruments	219,094	-
Unrealised fair value loss on derivative financial instruments	30,061	-
Other operating expenses*	517,623	411,643
	<b>908,154</b>	<b>431,165</b>
*Other operating expenses mainly consists of machinery and maintenance expenditure of the Beverage sector.		

(Amounts expressed in Sri Lankan Rs. '000)

## 11 IMPAIRMENT OF BUSINESS ASSETS

For the year ended 31st March	Group	
	2020	2019
Compensation receivable (Note 30(c))	-	145,207
Brand (Note 23(d))	740,315	-
	740,315	145,207

## 12 FOREIGN EXCHANGE LOSSES

For the year ended 31st March	Group		Company	
	2020	2019	2020	2019
Foreign exchange loss	1,896,358	691,817	1,636	6,202

### (a) Company

As at 31st March 2020, the Company recorded a foreign exchange loss amounting to Rs. 1.6 Mn (2019 - loss of Rs. 6.2 Mn), arising mainly from translation of Sterling Pound denominated liability (Note 38 (d)).

### (b) Oil Palm plantations and Oils and fats segments

The foreign exchange gain/(loss) relates to the assets, liabilities, income and expenses of the Goodhope Asia Holdings Limited and its subsidiaries whose certain transactions and balances are recorded in different currencies other than reporting currency of each such subsidiary.

For the year ended 31st March 2020, Goodhope Asia Holding Limited group recorded a foreign exchange loss of Rs. 1,916 Mn (2019 - loss of Rs. 670.1 Mn). The unrealized exchange loss mainly arose from the translation of foreign currency denominated long term borrowings as at the balance sheet date consequent to depreciation of the Indonesian rupiah (IDR) against the US dollar (USD) throughout the year.

The closing exchange rate of IDR against USD as at 31st March 2020 was IDR 16,367 which is a 15% depreciation compared to the closing exchange rate that prevailed as at 31st March, 2019 which is 14,244.

## 13 NET FINANCE COSTS

For the year ended 31st March	Group		Company	
	2020	2019	2020	2019
Finance income from:				
Interest income - Fixed Deposits	984,329	1,000,089	-	-
Interest income - Other Deposits	29,882	70,472	-	-
Total finance income	1,014,211	1,070,561	-	-
Finance Costs on:				
Bank borrowings	(7,584,321)	(5,761,740)	(193,510)	(190,348)
Debenture interest	(125,299)	(185,688)	-	-
Interest expenses on lease liabilities	(100,232)	(29,190)	-	-
	(7,809,852)	(5,976,618)	(193,510)	(190,348)
Less: Amount capitalized under				
Property, plant and equipment	(72,792)	(2,359)	-	-
Bearer Plants	(49,395)	(11,279)	-	-
	(122,187)	(13,638)	-	-
Total finance costs	(7,687,665)	(5,962,980)	(193,510)	(190,348)
Net Finance costs	(6,673,454)	(4,892,419)	(193,510)	(190,348)

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

14 PROFIT/(LOSS) BEFORE INCOME TAX EXPENSES	Group		Company	
	2020	2019	2020	2019
For the year ended 31st March				
Profit/(loss) before tax has been arrived at after charging				
Auditors' remuneration and other professional services (Note b)	80,620	82,443	1,383	1,628
Professional services (Note c)	362,949	437,098	8,871	7,900
Personnel costs (Note d)	10,265,332	9,345,775	18,480	19,000
Audit committee fees	3,360	2,695	3,360	2,695
Remuneration committee Fees	200	200	200	200
Nomination committee Fees	250	250	200	200
Related Party Transaction Review Committee fees	900	900	900	900
Donations	-	-	-	-
Royalty paid to the Carlsberg A/S	165,446	170,756	-	-
Research and development costs	100,761	81,686	-	-
Depreciation on property, plant and equipment, bearer plants	6,087,530	5,238,649	-	-
Less - Amount capitalised as part of cost of bearer plants	(13,330)	(25,373)	-	-
Depreciation on property, plant and equipment - net	6,074,200	5,213,276	-	-
Amortization of intangible assets and prepaid lease payment for land	305,402	321,755	-	-
Less - Amount capitalised as part of cost of bearer plants	(7,864)	(24,242)	-	-
Net amortization of intangible assets and prepaid lease payment for lands	297,538	297,513	-	-
Total depreciation and amortization included in the income statement (Note a)	6,371,738	5,510,789	-	-
<b>(a) Depreciation and amortization are included in the income statement under the following headings</b>				
Direct operating expenses	3,658,112	2,736,435	-	-
Administrative expenses	2,648,364	2,279,529	-	-
Distribution expenses	65,262	494,825	-	-
	6,371,738	5,510,789	-	-
<b>(b) Auditors' Remuneration and other professional services</b>				
Fees payable to KPMG for the audit of annual accounts of Carson Cumberbatch PLC	1,313	1,250	1,313	1,250
Fees payable to KPMG for the audit of subsidiaries of Carson Cumberbatch PLC	7,549	9,190	-	-
Fees payable to other Auditors for the audit of subsidiaries of Carson Cumberbatch PLC	66,158	63,026	-	-
Total statutory audit fees	75,020	73,466	1,313	1,250
Non audit services				
Advisory/compliance services - (Other Auditors)	2,869	4,382	-	-
Advisory services - (KPMG Sri Lanka)	2,175	4,097	-	-
	5,044	8,479	-	-
Audit related services				
KPMG Sri Lanka	556	878	70	378
Other Auditors	-	-	-	-
	556	878	70	378
	80,620	82,443	1,383	1,628

(Amounts expressed in Sri Lankan Rs. '000)

14 PROFIT/(LOSS) BEFORE INCOME TAX EXPENSES (Contd.)	For the year ended 31st March	Group		Company	
		2020	2019	2020	2019
<b>(c) Professional Services</b>					
Legal services	80,137	117,652	8,871	7,900	
Valuation services	25,446	30,157	-	-	
Consultation fees	24,885	22,281	-	-	
Plantation consultant services	133,392	169,868	-	-	
Other services	99,089	97,140	-	-	
	362,949	437,098	8,871	7,900	
<b>(d) Personnel Costs</b>					
Salaries, fees, wages and other related expenses	9,415,676	8,600,811	18,480	19,000	
Defined contribution plan expenses - EPF & ETF	569,647	458,817	-	-	
Defined benefit plan expenses - Gratuity (Note 39)	280,009	286,147	-	-	
	10,265,332	9,345,775	18,480	19,000	
The above include:					
Directors fees	42,637	41,622	18,480	19,000	
Directors' emoluments	930,336	807,523	-	-	
	972,973	849,145	18,480	19,000	
<b>(e) The number of employees during the year were:</b>					
		Group			
		2020		2019	
		Year end	Average	Year end	
				Average	
Employee by Industry					
Portfolio and assets management	23	23	22	21	
Oil palm plantations/Oils and fats	13,409	13,383	13,356	12,345	
Beverage	237	237	237	226	
Real Estate	19	19	18	18	
Leisure	283	291	298	302	
Management services	43	44	44	43	
	14,014	13,997	13,975	12,955	
Employees by geographical location					
Sri Lanka	715	731	747	734	
Malaysia	239	242	245	240	
Indonesia	13,055	13,018	12,978	11,976	
India	-	3	5	5	
Singapore	5	3			
	14,014	13,997	13,975	12,955	

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

15 INCOME TAX EXPENSES	For the year ended 31st March	Group		Company	
		2020	2019	2020	2019
<b>(a) Income statement</b>					
<b>(i) Current taxation</b>					
Charge for the year		2,389,102	2,677,400	-	-
Economic service charge/write-off		6,416	-	6,416	-
Over provision for previous years		(161,625)	(4,301)	-	-
Dividend tax on intercompany dividends		41,173	35,854	-	-
		2,275,066	2,708,953	6,416	-
<b>(ii) Deferred Taxation</b>					
Origination of temporary differences in the current year (Note 15 (b))		(93,853)	1,283,609	-	-
		(93,853)	1,283,609	-	-
Total Income tax expense on continuing operations		2,181,213	3,992,562	6,416	-
Income tax expenses may be analysed as follows:					
Current Taxation					
Sri Lanka		1,947,301	1,010,121	6,416	-
Overseas		327,765	1,698,832	-	-
		2,275,066	2,708,953	6,416	-
Deferred Taxation					
Sri Lanka		(149,344)	1,414,601	-	-
Overseas		55,491	(130,992)	-	-
		(93,853)	1,283,609	-	-
Total					
Sri Lanka		1,797,957	2,424,722	6,416	-
Overseas		383,256	1,567,840	-	-
		2,181,213	3,992,562	6,416	-

Group tax expenses is based on the taxable profit of individual companies within the group. At present the tax laws of Sri Lanka does not provide for group taxation.

(Amounts expressed in Sri Lankan Rs. '000)

## 15 INCOME TAX EXPENSES (Contd.)

### (b) Deferred tax expenses

For the year ended 31st March	Group	
	2020	2019
Income statement		
Deferred tax expense arising from;		
Accelerated depreciation & amortisation for tax purposes	(497,995)	682,166
Revaluation of investment property to fair value	4,113	125,638
Retirement benefit obligations	81,050	(50,545)
Benefit arising from tax losses	290,556	525,378
Others	28,423	972
Deferred tax charged/(reversed) directly to Income Statement	(93,853)	1,283,609
Other comprehensive income		
Deferred tax expense arising from;		
Actuarial gain on defined benefit obligations	57,218	101,572
Revaluation of land and building to fair value	278,767	78,145
Total deferred tax charged directly to statement of other comprehensive income	335,985	179,717
Total deferred tax charged	242,132	1,463,326

### (c) Deferred tax assets/Liabilities

For the year ended 31st March	Assets		Liabilities	
	2020	2019	2020	2019
At the beginning of the year	4,109,867	3,537,087	10,235,928	8,262,413
Origination and Reversal of temporary differences	(633,614)	209,822	(808,792)	1,673,148
Transfers/exchange translation difference	(211,514)	362,958	60,352	300,367
	3,264,739	4,109,867	9,487,488	10,235,928
The closing deferred tax asset and liability balances relate to the following;				
Property, plant & equipment	461,797	649,629	6,265,469	6,227,591
Bearer Plants	241,055	341,417	1,942,205	2,572,206
Investment properties	-	-	1,018,425	1,014,312
Intangible assets	19,888	40,811	230,898	385,291
Leased assets	1,903	-	30,491	36,528
Employee benefit liability	190,998	272,682	-	-
Losses available for offset against future taxable income	2,342,715	2,796,825	-	-
Others	6,383	8,503	-	-
	3,264,739	4,109,867	9,487,488	10,235,928

Income Tax provisions for the year ended 31st March 2020 were made based on applicable tax rates under Inland Revenue Act No. 24 of 2017.

The Group recognises a deferred tax asset on utilised tax losses which is expected to reduce the future tax expenses. The Group's risk management strategy involved implementation of the business continuity plans at the respective companies as a response to COVID-19 pandemic.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 15 INCOME TAX EXPENSES (Contd.)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, were shown in the statements of financial position:

For the year ended 31st March	Group	
	2020	2019
Deferred tax assets	3,264,739	4,109,867
Deferred tax Liabilities	(9,487,488)	(10,235,928)
	(6,222,749)	(6,126,061)

### (d) Net Income Tax recoverable/(payable) Movement

As at 31st March	Group		Company	
	2020	2019	2020	2019
At the beginning of the year	825,435	1,155,365	11,005	9,339
Subsidiaries'/Company's' taxation on current year's profit	(2,389,102)	(2,677,400)	-	-
Irrecoverable economic service charge	(6,416)	-	(6,416)	-
(Under)/over provision for previous years	161,625	4,301	-	-
Dividend tax on intercompany dividends	(41,173)	(35,854)	-	-
Payments and set off against refunds	4,191,414	2,379,023	2,107	1,666
Net Income Tax recoverable	2,741,783	825,435	6,696	11,005
Break-up of net Income tax recoverable/(payable)				
Income tax recoverable				
Non Current	2,790,281	1,769,206		
Current	103,845	149,619	6,696	11,005
Total income tax recoverable	2,894,126	1,918,825	6,696	11,005
Income tax payable	(152,343)	(1,093,390)	-	-
Net Income Tax recoverable	2,741,783	825,435	6,696	11,005

(Amounts expressed in Sri Lankan Rs. '000)

## 15 INCOME TAX EXPENSES (Contd.)

### (e) Recognized deferred tax assets

The recognition of deferred tax assets relating to unutilised tax losses carried forward by subsidiaries of the Group have been reassessed by the management at the year end. Accordingly, Rs. 390.8 Mn (2019: Rs. 276.7 Mn) of unused tax losses of Indonesian subsidiaries for which deferred tax assets had been recognised in previous years were derecognised during the year and charged to the income statement. Management has assessed that the losses may not be used to offset taxable profits in the future and there are no other tax planning opportunities or other evidence of recoverability of such tax losses in the near future.

Management believes that sufficient taxable profit will be available to allow the remaining tax losses to be utilised. Accordingly, the relevant subsidiaries have recognised deferred tax assets relating to the remaining unutilised tax losses carried forward.

### (f) Unrecognised deferred tax assets

#### Group

The amounts of unutilised tax losses which deferred tax assets have not been recognised for Indonesian and Indian subsidiaries as at the end of the financial year amounts to Rs. 1,563 mn (2019: Rs. 1,106.8mn) and Rs. 4,788 Mn (2019: Rs. 4,335 Mn) respectively. The expiry dates of the tax losses for the Indonesian and Indian subsidiaries ranges from 1 to 5 years and 1 to 8 years respectively. Further, in the beverage sector deferred tax assets not accounted in respect of the tax losses amounted to Rs. 1,782.92 Mn (2019 - 2,859.92) since the utilization against the future taxable profit are not probable.

Subsidiaries falling within the Sri Lankan tax exemption need not account for deferred tax, as temporary differences do not exist during the tax exemption period. Therefore, deferred tax has not being provided for Agro Harapan Lestari (Private) Limited, AHL Business Solutions (Private) Limited and Goodhope Investments (Private) Limited.

No deferred tax liabilities (2019: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain group's subsidiaries as the group has determined that undistributed earnings of those subsidiaries will not be distributed in the foreseeable future.

#### Company

The Company has accumulated tax loss of Rs 1,344 Mn (2019: Rs. 1,314 Mn) as at the reporting date. The deferred tax asset of Rs 376Mn (2019 - Rs.368 Mn ) arising from the said tax loss has not been recognized due to uncertainty of future taxable profits against which the deferred tax assets would be utilized, given that the Company's only source of income being dividend income which is tax exempt.

### (g) Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability (2019: nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of the subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to Rs.77,143 Mn (2019: Rs. 69,577 Mn).

### (h) Corporate tax rate in Sri Lanka

As provided in LKAS 12 - "Income Taxes" deferred tax assets and liabilities should be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Accordingly following income tax rates have been used during the year;

Leisure Sector	14%
Beverage Sector	40%
Real Estate Sector	28%
Other Sectors	28%

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

15 INCOME TAX EXPENSES (Contd.)	For the year ended 31st March	Group		Company	
		2020	2019	2020	2019
<b>(i) Reconciliation of the Accounting Profit with the Taxable Profit</b>					
Profit/(loss) before taxation	(474,307)	5,060,992	(86,810)	(24,413)	
Aggregate tax disallowed expenses	8,551,953	9,299,396	270,817	274,594	
Aggregate of allowable deductions	(4,610,758)	(8,118,088)	-	-	
Dividend income	(551,325)	(862,140)	(192,615)	(227,137)	
Exempt (profits)/Loss	(244,264)	104,179	-	-	
Adjustments of change in fair value	2,316,342	2,118,177	4,916	8,384	
Impairment of business assets	740,315	145,207	-	-	
Operating losses incurred during the year	2,987,587	4,935,945	3,692	-	
Tax adjusted profits	8,715,543	12,683,668	-	31,428	
<b>Adjustments</b>					
Adjustments due to the consolidation/conversions	(474,428)	51,075	-	-	
Share of net results of Equity accounted investee	(11,351)	(6,910)	-	-	
Tax losses utilized during the year	(1,188,256)	(2,896,253)	-	(31,428)	
Taxable income	7,041,508	9,831,580	-	-	
<b>Taxation on Profits</b>					
Taxation at 14%	-	15,464	-	-	
Taxation at 28% & 24%	147,519	465,727	-	-	
Taxation at 40%	1,894,303	496,210	-	-	
10% WHT on Inter company dividend	41,173	35,854	-	-	
Off - Shore profits at varying rates	347,280	1,699,999	-	-	
Economic Service Charge - write off/credit	6,416	-	6,416	-	
Under/(over) provision for previous years	(161,625)	(4,301)	-	-	
	2,275,066	2,708,953	6,416	-	
<b>Analysis of Tax Losses</b>					
Tax losses brought forward	28,639,030	20,145,579	1,314,034	1,345,462	
Adjustment on losses (Finalization/write-off/conversions)	(14,848,754)	6,453,759	26,817	-	
Tax losses incurred during the year	2,627,972	4,935,945	3,692	-	
Utilization of tax losses during the year	(1,188,256)	(2,896,253)	-	(31,428)	
Tax losses carried forward	15,229,992	28,639,030	1,344,543	1,314,034	

Utilization of tax losses in the current year has resulted in tax saving of Rs. 294Mn (2019 - Rs. 1,096 Mn) for the Group.

As per section 19 of the Inland Revenue Act No. 24 of 2017, any unclaimed tax losses incurred during the year could be carried forward for further six years. In addition, as per the Gazette notification [No. 2064/53] issued on the transitional provisions, any unclaimed loss as at 31st March 2018, is also deemed to be a loss incurred for the year of assessment commencing on or after 1st April 2018 and shall be carried forward up to 6 years. Such losses can be set off against profits without any limitation but subjecting to source of income as provided in the Act. As specified above, some companies in the Group have carried forward tax losses which are available to be set off against the future tax profits of the companies. Adjustment for taxation on the losses from overseas operations are made in accordance with the provisions of the relevant statutes in those countries.

(Amounts expressed in Sri Lankan Rs. '000)

## 15 INCOME TAX EXPENSES (Contd.)

### (j) Taxation of Profits

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

The income tax provision for Carson Cumberbatch PLC is calculated in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the notice issued by the Department of Inland Revenue on the instruction of the Ministry of Finance on 12th February 2020 (No. PN/IT/2020-03) on subject of "Implementation of Proposed Changes to the Inland Revenue Act, No. 24 of 2017" and further amended by the notice No. PN/IT/2020-03 (Revised) issued by the Department of Inland Revenue dated on 8th April 2020.

As the proposed changes are effective from 1st January 2020, the Department of Inland Revenue has issued a notice No. PN/IT/2020-06 dated 6th May 2020, providing instructions on the subject of "Computation of Income Tax Payable and Payments for the Year of Assessment 2019/2020". As per instructions issued, taxable income computed for the full year needs to be apportioned over the two periods by applying the pro rata basis based on the time (i.e. 9 months and 3 months) and the relevant tax rates for two periods should be applied. Though the legislative process relating to the amendment to laws needs to be completed in order for the tax rate to be considered as substantively enacted as at the reporting date.

However, Company has computed the current tax based on above instructions. The Company has adopted the above on the basis that formal amendments to the Inland Revenue Act No. 24 of 2017 would be made in the near future. In terms of above, income tax shall be calculated by applying the relevant rate set out under the First Schedule and the subsequent amendment notices issued by the Department of Inland Revenue dated on 8th April 2020. As per the First Schedule and the subsequent notices, company with income from a business is liable to income tax at a rate of 28% & 24%. (2019 - 28%). The Company has recorded a taxable loss. Therefore, no impact if the business profits & the profits of investment income are calculated using the currently enacted tax rate of 28%.

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

Companies incorporated and operating outside Sri Lanka are liable for income tax in accordance with the provisions of the foreign jurisdictions applicable to those companies. The corporate income tax rates applicable to group companies operating in the following countries are;

	2020	2019
Singapore	17%	17%
Indonesia	25%	25%
India	30.9%	30.9%
Malaysia	24%	24%
Mauritius	15%	N/A

### (k) Tax Exemptions and Concessions

(i) In terms of Inland Revenue Act No 24 of 2017, a company predominantly conducting a business of exporting goods and services will be liable to income tax at the rate of 14% with effect from 1st April 2018. Accordingly, Company's subsidiaries Agro Harapan Lestari (Pvt) Limited and AHL Business Solutions (Pvt) Limited are liable to income tax at 14%. (2018 - Exempt)

#### (ii) Malaysian Plantations Companies Incorporated in Sri Lanka

The profits from plantation activities of the Sri Lankan incorporated companies having its plantation operations in Malaysia are liable to corporate income tax in Malaysia. However the plantations activities were discontinued in the financial year 2016/17. Such companies profits other than plantation activities, are liable to tax at a rate of 28% upto 31.12.2019 and 24% from 1.01.2020 (2019 - 28%)

(iii) In terms of item (h) of third schedule of the Inland Revenue Act, No. 24 of 2017, gains made on the realization of an asset consisting of shares quoted in any official list published by any stock exchange licensed by the Securities and Exchange Commission of Sri Lanka are exempt from income tax.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 15 INCOME TAX EXPENSES (Contd.)

#### (k) Tax Exemptions and Concessions (Contd.)

(iv) As per the directive issued by the Ministry of Finance in accordance to the section 57 & 59 of the Inland Revenue Act No 24 of 2017, unit trusts are considered as pass-through vehicles. Accordingly, income derived from a unit trust is identified in the companies accounts using the same source and character as identified by the unit trust. As beneficiaries, companies are therefore required to pay 28% tax on interest income derived through Fixed Income Unit Trust

(v) In terms of Inland Revenue Act No 24 of 2017, a company predominantly engaged in undertaking for the promotion of tourism will be liable to income tax at the rate of 14% with effect from 1st April 2018. The term "predominantly" is defined as a company that is 80% or more calculated on Gross income. Accordingly, Company's subsidiaries Pegasus Hotels of Ceylon PLC and Equity Hotels Limited are liable to income tax at 14%. (2019 - 14%)

(vi) As per the First Schedule of the Inland Revenue Act No 24 of 2017, a company with income from a business consisting of liquor (including beer) is liable to income tax at 40%. Therefore Company's subsidiaries Lion Brewery Ceylon PLC and Luxury Brand Pvt Limited having taxable income which consist of component of liquor, are liable to pay income tax at 40% (2019 - 40%)

(vii) Dividend and gains realization of shares in a non - resident company where derived by a resident company with a holding of 10% or more either directly or indirectly in the non-resident company, are exempt from income tax.

(viii) Premium Oils and Fats Sdn. Bhd. ("POF") incorporated in Malaysia has received "Operational Headquarters" ("OHQ") status from the Malaysian Industrial Development Authority. Accordingly, POF's income from qualifying services is exempt from corporate income tax until 2020.

(ix) Guardian Value Fund LLC (the "Company") & Guardian Fund Management LLC - Incorporated under the laws of Mauritius in accordance with the Mauritius Companies Act and has been granted a Global Business License by the Financial Services Commission (the "FSC"). The companies are liable for income tax in Mauritius on its chargeable income at 15%. These Companies may claim a tax credit equivalent to the higher of the foreign tax paid or 80% of the Mauritius tax on its foreign-source income. The companies have no U.S. source trade or business income and is therefore not subject to United States federal income tax. Consequently, no United States federal income tax has been reflected in the Financial Statements. Following the Finance Act 2018, all companies categorized as Category 1 Global Business License will be now licensed as Global Business License. Effective from January 01, 2019, deemed Foreign Tax Credit regime available to GBL companies is abolished. There is an introduction of an 80% exemption regime on the following income:

- Foreign dividend, subject to amount not allowed as deduction in source country
  - Interest income derived by a company other than a bank
  - Profit attributable to a permanent establishment of a resident company in foreign country
  - Foreign source income derived by a Collective Investment Scheme ("CIS"), Closed-End Funds, CIS Manager, CIS Administrator, Investment Adviser or Asset Manager licensed or approved by the Financial Services Commission ("FSC")
  - Income derived by companies engaged in ship and aircraft leasing
- Gains or profits from the sale of units, securities or debt obligations are exempt from tax in Mauritius.

Companies are not eligible for the credit in respect of the 80% presumed foreign tax for the period ended March 31, 2020. At March 31, 2020, Said companies have tax losses and are therefore not liable to income tax. The tax losses are available for set-off against future taxable income of the respective company up to year ending March 31, 2025

#### (l) Economic Service Charge

Economic Service Charge (ESC) payable at 0.5% on the relevant turnover has been abolished from 01st January 2020. ESC paid during the year could be deducted against current income tax liability and any unclaimed amount could be carried forward for a maximum of two years. Any unclaimed amount within the specified period has been adjusted as an income tax expense together with any adjustments relating to income tax payable or receivable balances in respect of previous years.

#### (m) Notional tax credits carried forward

As per the Gazette notification issued in relation to the transitional provisions of Inland Revenue Act No. 24 of 2017, the carried forward notional tax credits as per section 138(2) of Inland Revenue Act No 10 of 2006 may be carried forward to be set off against the income tax liability within three consecutive years of assessment commencing from the year of assessment 2018/2019

(Amounts expressed in Sri Lankan Rs. '000)

## 16 EARNINGS/(LOSS) PER ORDINARY SHARE

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

The Group's earnings/(loss) per ordinary share of Rs. (7.78) (2019 - Rs. 0.48) and Company's loss per ordinary share of Rs. 0.47 (2019 - Rs. 0.12), are calculated by dividing the profit/(loss) attributable to the ordinary shareholders of Carson Cumberbatch PLC by the Company's weighted average number of ordinary shares in issue during the year.

The amounts used in calculating the earnings per share are as follows:

For the year ended 31st March	Group		Company	
	2020	2019	2020	2019
Amount used as the Numerator				
Profit/(loss) for the year	(2,460,260)	908,265	(93,226)	(24,413)
Attributable to non controlling interest	932,452	(814,313)	-	-
Net Profit/(loss) attributable to Ordinary Shareholders	(1,527,808)	93,952	(93,226)	(24,413)
Number of Ordinary Shares used as the Denominator				
Ordinary shares in issue (No's)	196,386,914	196,386,914	196,386,914	196,386,914
Basic earnings/(loss) per Ordinary Share (Rs.)	(7.78)	0.48	(0.47)	(0.12)

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

The Group's earnings/(loss) per ordinary share from continuing operations of Rs. (9.23) (2019 - Rs. 0.91) is calculated by dividing the profit from continuing operations attributable to the ordinary shareholders of Carson Cumberbatch PLC by the Company's weighted average number of ordinary shares in issue during the year.

The amounts used in calculating the earnings per share are as follows:

For the year ended 31st March	Group		Company	
	2020	2019	2020	2019
Amount used as the Numerator				
Profit/(loss) for the year from continuing operations	(2,655,520)	1,068,430	(93,226)	(24,413)
Attributable to non controlling interest from continuing operations	842,924	(889,062)	-	-
Net Profit/(loss) attributable to Ordinary Shareholders from continuing operations	(1,812,596)	179,368	(93,226)	(24,413)
Number of Ordinary Shares used as the Denominator				
Ordinary shares in issue (No's)	196,386,914	196,386,914	196,386,914	196,386,914
Basic earnings/(loss) per Ordinary Share (Rs.)	(9.23)	0.91	(0.47)	(0.12)

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

The Group's earnings/(loss) per ordinary share from discontinued operations of Rs. 1.45 (2019 - Rs. (0.43)) is calculated by dividing the Profit/(loss) from discontinued operations attributable to the ordinary shareholders of Carson Cumberbatch PLC by the Company's weighted average number of ordinary shares in issue during the year.

The amounts used in calculating the earnings per share are as follows:

For the year ended 31st March	Group	
	2020	2019
Amount used as the Numerator		
Profit/(loss) for the year from discontinued operations	195,260	(160,165)
Attributable to non controlling interest from discontinued operations	(89,528)	(74,749)
Net Profit/(loss) attributable to Ordinary Shareholders from discontinued operations	284,788	(85,416)
Number of Ordinary Shares used as the Denominator		
Ordinary shares in issue (No's)	196,386,914	196,386,914
Basic earnings/(loss) per Ordinary Share from discontinued operation (Rs.)	1.45	(0.43)

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 17 EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA)

Management has presented the performance measure EBITDA because it monitors this performance measure at a consolidated level and it believes that this measure is relevant to an understanding of the Group's financial performance. EBITDA is calculated by adjusting profit from continuing operations to exclude the impact of taxation, net finance costs, depreciation, amortisation, impairment losses/reversals related to Bearer plant, biological assets, property, plant and equipment, Investment properties and financial assets measured at fair value through profit of loss.

EBITDA is not a defined performance measure in LKAS and SLFRS. The Group's definition of EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

Reconciliation of EBITDA to profit from continuing operations

For the year ended 31st March	Group	
	2020	2019
Profit / (Loss) from continuing operations	(2,655,520)	1,068,430
Income tax expense	2,181,213	3,992,562
Profit / (Loss) before tax	(474,307)	5,060,992
Adjustments for:		
Net finance costs	6,673,454	4,892,419
Depreciation	6,074,200	5,213,276
Amortisation	297,538	297,513
Impairment of business assets	740,315	145,207
Foreign exchange losses	1,896,358	691,817
Change in fair value of investment properties	(151,434)	(423,145)
Change in fair value of biological assets	(158,646)	392,859
Change in fair value of financial assets measured at fair value through profit or loss	1,845,745	2,542,330
Share of net result of equity accounted investee	(11,351)	(6,910)
EBITDA	16,731,872	18,806,358

### 18 DIVIDEND PER ORDINARY SHARE

For the year ended 31st March	Total dividend		Dividend per ordinary share	
	2020	2019	2020 (Rs.)	2019 (Rs.)
Dividend paid				
Final Dividend	147,290	196,387	0.75	1.00
	147,290	196,387	0.75	1.00

(Amounts expressed in Sri Lankan Rs. '000)

**19 PROPERTY, PLANT & EQUIPMENT - GROUP****(a) For the year ended 31st March 2020**

	Freehold Land & Buildings	Leasehold Land & Buildings	Plant & Machinery	Motor Vehicles	Office Equipment, Furniture & Fittings	Computers	Returnable Containers	Capital Work - In Progress	Total
As at 1st April 2019	8,199,880	30,142,182	32,134,150	2,101,431	1,565,837	958,817	3,445,422	2,412,894	80,960,613
Recognition of right-to-use assets on initial application of SLFRS-16	-	445,211	-	-	-	-	-	-	445,211
Adjusted balance as at 1st April 2019	8,199,880	30,587,393	32,134,150	2,101,431	1,565,837	958,817	3,445,422	2,412,894	81,405,824
Additions	296,072	1,193,752	198,818	601,442	61,353	28,553	696,393	3,755,382	6,831,765
Revaluation	560,473	-	-	-	-	-	-	-	560,473
Re-classification	-	2,649	126,258	-	2,351	6,642	-	(137,900)	-
Deemed disposal of subsidiary	-	(39,514)	(361,852)	(2,147)	(2,858)	(1,035)	-	-	(407,406)
Re-classification to investments property	(331,261)	-	-	-	-	-	-	-	(331,261)
Transfers / Adjustments	158,436	308,700	959,813	-	57,219	1,065	-	(1,764,995)	(279,762)
Disposals / Written - off	(7,337)	-	(51,198)	(79,513)	(6,140)	(2,281)	(685,810)	-	(832,279)
Effect of movements in exchange rates	-	(1,830,937)	(559,366)	(135,415)	(54,451)	(23,283)	-	(198,740)	(2,802,192)
As at 31st March 2020	8,876,263	30,222,043	32,446,623	2,485,798	1,623,311	968,478	3,456,005	4,066,641	84,145,162
Depreciation/Accumulated Depreciation									
As at 1st April 2019	161,681	7,181,571	12,576,242	1,400,261	1,221,380	851,653	2,299,396	-	25,692,184
Charge for the year	113,080	1,438,394	1,873,526	203,512	124,402	61,799	404,358	-	4,219,071
Transfers / Adjustments	(12,123)	(81,600)	-	-	-	-	-	-	(93,723)
Re-classification to investments property	(1,032)	-	-	-	-	-	-	-	(1,032)
Deemed disposal of subsidiary	-	(7,934)	(108,540)	(2,147)	(2,858)	(1,035)	-	-	(122,514)
On disposals / Written - off	-	-	(28,608)	(78,284)	(5,443)	(2,281)	(553,368)	-	(667,984)
Effect of movements in exchange rates	-	(507,778)	(442,859)	(75,417)	(45,320)	(22,437)	-	-	(1,093,811)
As at 31st March 2020	261,606	8,022,653	13,869,761	1,447,925	1,292,161	887,699	2,150,386	-	27,932,191
Carrying amounts as at 31st March 2020	8,614,657	22,199,390	18,576,862	1,037,873	331,150	80,779	1,305,619	4,066,641	56,212,971

Property, plant and equipment includes right - of use assets of Rs 1,172 mn related to leased properties that do not meet the definition of investment property.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 19 PROPERTY, PLANT & EQUIPMENT - GROUP

#### (b) For the year ended 31st March 2019

	Freehold Land & Buildings	Leasehold Land & Buildings	Plant & Machinery	Motor Vehicles	Office Equipment, Furniture & Fittings	Computers	Returnable Containers	Capital Work - In Progress	Total
<b>Cost/Valuation</b>									
As at 1st April 2018	9,293,665	24,003,951	29,364,950	1,669,338	1,364,462	1,036,850	3,761,241	2,210,164	72,704,621
Additions	179,137	1,370,923	533,477	409,748	146,496	71,286	515,042	1,831,636	5,057,745
Revaluation	279,088	-	-	-	-	-	-	-	279,088
Transfers from operators	107,431	-	-	-	12,357	2,074	-	-	121,862
Transfers/Adjustments	(1,693,720)	2,364,619	884,553	(10,061)	(6,116)	9,309	(686,255)	(1,702,967)	(840,638)
Disposals/Written - off	(777)	(5,287)	(52,473)	(106,917)	(44,286)	(202,203)	(144,773)	-	(556,716)
Effect of movements in exchange rates	35,056	2,407,976	1,403,643	139,323	92,924	41,501	167	74,061	4,194,651
As at 31st March 2019	8,199,880	30,142,182	32,134,150	2,101,431	1,565,837	958,817	3,445,422	2,412,894	80,960,613
<b>Depreciation/ Accumulated Depreciation</b>									
As at 1st April 2018	416,909	5,302,795	10,139,076	1,247,168	1,081,723	902,415	2,702,788	-	21,792,874
Charge for the year	155,037	1,025,394	1,769,535	165,234	93,743	75,003	402,291	-	3,686,237
Transfers/Adjustments	(415,672)	299,905	12,572	(2,174)	122	(7,675)	(660,910)	-	(773,832)
On disposals/Written - off	(23)	(3,303)	(46,514)	(106,371)	(33,584)	(156,881)	(144,773)	-	(491,449)
Effect of movements in exchange rates	5,430	556,780	701,573	96,404	79,376	38,791	-	-	1,478,354
As at 31st March 2019	161,681	7,181,571	12,576,242	1,400,261	1,221,380	851,653	2,299,396	-	25,692,184
Carrying amounts as at 31st March 2019	8,038,199	22,960,611	19,557,908	701,170	344,457	107,164	1,146,026	2,412,894	55,268,429

(Amounts expressed in Sri Lankan Rs. '000)

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

### (c) Details of Group Freehold Lands & Building stated at valuation are Indicated below: - Continuing Operations

Property	Method of Valuation	Effective Date of Valuation	Valuer	Land Extent (in Acres)	Number of Buildings/ Blocks	Carrying Value of Revalued Assets as at 31st March 2020 If carried at Historical Cost	Carrying Value of Revalued Assets as at 31st March 2020
Pegasus Hotels of Ceylon PLC, Wattala, Sri Lanka	Market Approach	31.03.2017	Mr. S. Sivaskantha, F.I.V. (Sri Lanka) professional valuers	13.47	1	576,353	1,597,447
Lion Brewery (Ceylon) PLC Biyagama, Kaduwela, Tangalle and Kurunegala, Sri Lanka	Market/ income Approach	31.03.2020	Mr. K. Arthur Perera A.M.I.V. (Sri Lanka) Valuer & Consultant	38.41	46	3,458,896	5,222,151
Millers Brewery Limited Padukka, Sri Lanka	Market/ income Approach	31.03.2020	Mr. S. Sivaskantha, F.I.V. (Sri Lanka) professional valuers	22.72	12	699,910	1,402,180
Equity Two PLC Colombo 1, Sri Lanka	Investment Approach	31.03.2020	Mr. S. Sivaskantha, F.I.V. (Sri Lanka) professional valuers	0.18	1	129,443	392,879
				74.78	60	4,864,602	8,614,657

Market approach method: Open market value method uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

The investment method : is used to value properties which are let to produce an income for the investor. Conventionally, investment value is a product of rent and yield. Each of these elements is derived using comparison techniques.

### (d) Fair value measurement

The fair value of the Land & Building were determined by external, independent property valuer, having appropriate recognised professional qualifications for the category of Property being valued. The valuer provides the fair value measurements of property has been recognized as Level 3 fair value based on the valuation techniques used.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

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

#### (d) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring fair values, as well as the significant unobservable inputs used.

Description	Effective date of valuation	Valuation technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
Land of Lion Brewery (Ceylon) PLC	31.03.2020	Open Market Value method	(i) Per perch value Rs. 40,000 - Rs. 625,000	Positive correlated sensitivity
Buildings of Lion Brewery (Ceylon) PLC	31.03.2020	Open Market Value method	(i) Estimated price per square foot Rs. 1,500 - Rs. 11,000 (ii) Percentage of depreciation	Positive correlated sensitivity
Land of Millers Brewery Limited	31.03.2020	Open Market Value method	(i) Per perch value Rs. 3,400 - Rs. 300,000	Positive correlated sensitivity
Buildings of Millers Brewery Limited	31.03.2020	Open Market Value method	(i) Estimated price per square foot Rs. 2,500 - Rs. 5,000 (ii) Percentage of depreciation	Positive correlated sensitivity
Land of Pegasus Hotels of Ceylon PLC	31.03.2017	Market Approach	(i) Per perch value	Positive correlated sensitivity
Buildings of Pegasus Hotels of Ceylon PLC	31.03.2017	Market Approach	(i) Estimated price per square foot (ii) Percentage of depreciation	Positive correlated sensitivity
Buildings of Equity Hotels Limited	31.03.2017	Market Approach	(i) Estimated price per square foot (ii) Percentage of depreciation	Positive correlated sensitivity
Land & Building of Equity Two PLC	31.03.2020	Investment Approach	(i) Contractual rentals agreed with the tenants.	Positive correlated sensitivity
			(ii) Occupancy rate 70% - 85%	Positive correlated sensitivity
			(iii) Capitalization rate 6%	Negative correlated sensitivity
			(iv) Repair and insurance 20%	Negative correlated sensitivity
			(v) Valuer has used market price per perch for excess land in existing location using a range of prices for similar lands based on adjusted fair value taking into account of other valuation considerations.	Positive correlated sensitivity

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

The carrying values of property, plant and equipment of the Indonesian Plantation Companies were tested for impairment based on internal valuations. The recoverable values of the Plantation Assets have been established based on their cash generating potential over their useful economic life on a 'Going Concern' basis. Accordingly, the recoverable value exceeds net carrying value of property, plant and equipment. No impairment was required for the financial year ended 31 March 2020.

(Amounts expressed in Sri Lankan Rs. '000)

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

As at 31st March	Group	
	2020	2019
At cost	46,426,701	46,802,331
At valuation (Note c)	8,614,657	8,038,199
Right of use assets (refer note 37 (a))	1,171,613	427,899
	56,212,971	55,268,429

**(g) Capital work-in-progress consists of**

As at 31st March	Group	
	2020	2019
Land Improvements	216,517	470,590
Buildings	83,612	406,375
Plant & Machinery	1,589,764	1,429,183
Others	2,176,748	106,746
	4,066,641	2,412,894

**(h) Capitalisation of borrowing costs**

The Group's property, plant and equipment include borrowing costs arising from bank loans borrowed specifically for their development. For the financial year ended 31 March 2020, the borrowing cost capitalised to property, plant and equipment was Rs. 73 Mn or equivalents to US\$ 406,000 (2019: Rs. 2.4 Mn or equivalents to US\$14,000). The weighted average rate used to determine the amount of borrowing costs eligible for capitalisation for the financial year ended 31 March 2020 was 7.32% (2019: 5.78%) which was the effective interest rate of the borrowing.

**(i) Assets pledged as security**

The carrying value of certain property, plant and equipment of the Group amounting to approximately Rs. 26 Bn or equivalent to US\$ 136,999,000 (2019 - Rs. 24 Bn or equivalent to US\$ 135,558,000) are pledged as security for bank borrowings.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

20 BEARER PLANTS	Group	
	2020	2019
As at 31st March		
Cost		
Balance as at the beginning of the year	46,203,564	41,213,972
Increase due to plantation development costs	329,780	1,033,479
Capitalisation of interest	49,395	11,279
Capitalisation of depreciation of property plant & equipment	13,330	25,373
Capitalisation of amortisation of intangible assets	7,864	24,242
Transfers/Adjustments	(538,131)	-
Disposal	-	(11,495)
Effect of movements in exchange rates	(3,042,979)	3,906,714
Balance as at end of the year	43,022,823	46,203,564
Accumulated depreciation		
Balance as at the beginning of the year	7,974,696	5,811,963
Charge for the year	1,868,459	1,552,412
Transfers/Adjustments	(168,094)	-
Disposal	-	(13,809)
Effect of movements in exchange rates	(633,227)	624,130
Balance as at end of the year	9,041,834	7,974,696
Accumulated Impairment		
Balance as at the beginning of the year	4,012,493	3,671,385
Effect of movements in exchange rates	(246,531)	341,108
Balance as at end of the year	3,765,962	4,012,493
Net balance as at end of the year	30,215,027	34,216,375
<b>(a) Analysis of bearer plants</b>		
At the end of the financial year, the Group's total planted area and related value of mature and immature plantations are as follows:		
	Indonesian Plantations	
As at 31st March	2020	2019
Area		
Planted Area:		
- Mature	61,862	62,070
- Immature	30	1,153
	61,892	63,223
	Indonesian Plantations	
As at 31st March	2020	2019
Value		
Planted Area:		
- Mature	29,407,564	27,077,711
- Immature	807,463	7,138,664
	30,215,027	34,216,375

(Amounts expressed in Sri Lankan Rs. '000)

- (b)** The carrying value of bearer plants of the Group pledged/undertaken as security for the bank borrowings amounted to approximately Rs. 31 Bn or equivalent to US\$ 163,934,000 (2019 Rs. 26 Bn or equivalent to US\$ 150,038,000).
- (c)** Depreciation of property, plant and equipment capitalised to immature plantations for the financial years ended 31 March 2020, Rs. 13 Mn (2019 - Rs. 11.2 Mn).
- During the financial year, borrowing costs amounting to Rs. 49.4 Mn (2019: Rs. 11.2 Mn) have been capitalised to immature plantations under bearer plants.
- (d)** The carrying values of bearer plants of the Indonesian Plantation Companies were tested for impairment based on internal valuations. The recoverable values of the Plantation Assets have been established based on their cash generating potential over their useful economic life on a 'Going Concern' basis. Accordingly, the recoverable value exceeds net carrying value of bearer plants. No impairment was required for the financial year ended 31 March 2020.

## 21 BIOLOGICAL ASSETS

As at 31st March	Group	
	2020	2019
Biological assets	1,557,026	1,497,067
<b>Movement of biological Assets</b>		
At the beginning of the year	1,497,067	1,724,203
Change in fair value of biological assets	158,646	(392,859)
Effect of movements in exchange rates	(98,687)	165,723
At the end of the year	1,557,026	1,497,067

The fair value of biological assets was determined based on the market price and the estimated yield of Fresh Fruit Bunches (FFB), net of maintenance and harvesting costs, and estimated cost to sell. The estimated yield is dependent on the age of the oil palm trees, the location of the plantations, soil type and infrastructure. The market price of the FFB is largely dependent on the prevailing market prices of crude palm oil and palm kernel. Point-of-sale costs include all costs that would be necessary to sell the assets.

Fair valuation of FFB fall under level 3 category in the fair value hierarchy as provided in Note 41 to this financial statement.

Significant assumptions made in determining the fair values of the biological assets and sensitivity analysis of price fluctuation is provided below:

As at 31st March	Group	
	2020	2019
FFB - Volume (MT)	103,833	114,013
<b>Average FFB Price (US\$/MT)</b>		
2020	57 - 105	
2019	69 - 101	
2018	91 - 129	

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 21 BIOLOGICAL ASSETS (Contd.)

The following table shows the impact on the fair value measurement of assets that are sensitive to changes in market price.

As at 31st March	Group	
	Change in market price US\$'000	Changes in fair value US\$'000
2020		
Index price	Increased by 10%	1,002
	Decreased by 10%	(1,002)
2019		
Index price	Increased by 10%	1,073
	Decreased by 10%	(1,073)

The Group is exposed to the following risks relating to its Palm Oil plantations.

#### (i) Regulatory and environmental risk

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environment and other laws.

#### (ii) Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume due to market supply and demand. Management performs regular industry trend analysis for projected harvested volumes and pricing.

#### (iii) Climate and Other risks

The Group Palm Oil plantations are exposed to the risk of damage from climatic changes, disease and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular plants inspections and industry pest and disease surveys. The Group is also insured against natural disasters such as floods and hurricanes.

(Amounts expressed in Sri Lankan Rs. '000)

**22 INVESTMENT PROPERTIES**

	Freehold Land	Freehold Building	Other Equipment	Capital Work In Progress	Group				
As at 31st March					2020	2019			
<b>(a) Investment Properties of the Group comprise of:</b>									
Equity One Ltd	2,125,904	257,001	39,438	-	2,422,343	2,420,612			
Equity Two PLC	704,424	216,138	36,268	-	956,830	954,962			
Equity Three (Private) Limited	431,183	70,543	1,691	27,507	530,924	503,422			
Ceylon Beverage Holdings PLC	468,900	17,970	-	-	486,870				
	3,730,411	561,652	77,397	27,507	4,396,967	3,878,996			
	Freehold Land		Freehold Building		Other Equipment	Capital Work In Progress	Total	Total	
For the year ended 31st March	2020	2019	2020	2019	2020	2019	2020	2019	
<b>(b) Movements of Investment Properties</b>									
Balance as at the beginning of the year	3,243,784	2,842,508	540,105	494,286	95,107	111,004	-	3,878,996	3,447,798
Reclassification from property plant equipments	319,205	-	12,056	-	-	-	-	331,261	-
Additions during the year	-	-	6,133	20,927	1,636	1,603	27,507	35,276	22,531
Gain/(loss) on fair value adjustment (Note c)	167,422	401,276	3,358	39,370	(19,346)	(17,501)	-	151,434	423,145
Written - off due to fire related damages	-	-	-	(14,478)	-	-	-	-	(14,478)
Balance at end of the year	3,730,411	3,243,784	561,652	540,105	77,397	95,106	27,507	4,396,967	3,878,996
<b>(c) Change in fair value of investment properties</b>									
Equity One Ltd	8,175	260,879	(2,556)	21,326	(9,147)	(8,466)	-	(3,528)	273,739
Equity Two PLC	9,552	78,814	-	15,101	(9,835)	(8,734)	-	(283)	85,181
Equity Three (Private) Limited	-	61,583	-	2,943	(364)	(301)	-	(364)	64,225
Ceylon Beverage Holdings PLC	149,695	-	5,914	-	-	-	-	155,609	-
	167,422	401,276	3,358	39,370	(19,346)	(17,501)	-	151,434	423,145

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 22 INVESTMENT PROPERTIES (Contd.)

#### (d) Details of investment properties - Group

Company	Location	Description	Method of valuation	Net rentable area (In Sq.ft.)	Extent (Hectares)	Historical Cost	Fair Value 31st March 2020	Fair Value 31st March 2019
Equity One Ltd	Dharmapala Mw., Colombo 07.	Office Space	Investment approach	44,647	0.238	120,288	1,488,322	1,486,592
Equity One Ltd	Vauxhall Lane, Colombo 02	Warehouse Space	Depreciated replacement cost	32,408	0.455	237,348	934,020	934,020
Equity Two PLC	No 55, Janadhpathi Mawatha, Colombo 1	Office Space	Investment approach	44,046	0.146	429,779	956,832	954,963
Equity Three (Private) Limited	George R. De Silva Mw, Colombo 13	Office Space	Depreciated replacement cost	31,237	0.208	69,256	530,923	503,421
Ceylon Beverage Holdings PLC	Nuwara Eliya		Open Market value approach	-	1.51	-	460,870	-
Ceylon Beverage Holdings PLC	Trincomalee		Open Market value approach	-	0.09	-	26,000	-
							<b>4,396,967</b>	<b>3,878,996</b>

The Investment Properties of the Group comprise of number of commercial properties that are leased to external and related party tenants. The lease agreements are typically entered in to two year periods with the option for subsequent renewals.

The Group recognized land and building located at 61, Janadhpathi Mawatha owned by the subsidiary company Equity Two PLC though held to earn rental income and capital appreciation (and classified as investment property by the said subsidiary) as Property Plant and Equipment as opposed to investment property since Company's subsidiary Carsons Management Services (Private) Limited occupies a substantial portion at the said property.

#### (e) Summary description of valuation methodologies

**Investment approach:** The investment method is used to value properties which are let to produce an income for the investor. Conventionally, investment value is a product of rent and yield. Each of these elements is derived using comparison techniques.

**Market approach method:** Open market value method uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

(Amounts expressed in Sri Lankan Rs. '000)

**(f) Fair value hierarchy**

The fair value of the investment properties was determined by external, independent property valuer, Mr. S. Sivaskantha, F.I.V. (Sri Lanka) of Perera Sivaskantha & Company, having appropriate recognised professional qualifications and recent experience in the location and category of the properties valued. Fair values were determined with reference to recent market transactions for similar properties in the same location as the respective companies' investment properties

Under prevailing circumstances, it is premature to ascertain the full impact COVID-19 would have on the real estate market as the pandemic continues to evolve. However, all the available information in the market have been taken into account in determining the fair value of the properties as at the reporting date by the Property Valuer.

The fair value measurement for the investment properties have been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

**Valuation technique and significant unobservable inputs**

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Description	Location	Valuation technique	Significant Unobservable Inputs	Interrelationship between Key Unobservable Inputs and Fair Value Measurements
Land & Building	Colombo	Investment approach	<p>Contractual rentals agreed with the tenants.</p> <p>Occupancy Rate 70% - 85%</p> <p>Capitalization rate 5% - 6%</p> <p>Repair and insurance 20%</p> <p>Valuer has used market price per perch for excess land in existing location using a range of prices for similar lands based on adjusted fair value taking in to account of other valuation considerations.</p>	<p>The estimated fair value would increase/(decrease) if –</p> <p>Contractual rentals was higher/(lower)</p> <p>Occupancy rate was higher/(lower)</p> <p>Capitalization rate was (higher)/lower</p> <p>Repair and insurance was (higher)/lower</p> <p>Market value per perch was higher/(lower)</p>
Land & Building	Colombo	Market approach	<p>Construction cost per square foot Rs.4,000 - Rs. 7,000.</p> <p>Market price per perch, valuer has used a range of prices for respective lands based on an adjusted fair value taking into account of other valuation considerations.</p> <p>Depreciation rate for the usage of assets 35% - 70%</p>	<p>Cost per square feet was higher/(lower)</p> <p>Market value per perch was higher/(lower)</p> <p>Depreciation rate for usage higher/(lower)</p>
Land & Building	Nuwara Eliya Trincomalee	open market value approach	<p>Valuer has used market price per perch for excess land in existing location using a range of prices for similar lands based on adjusted fair value taking in to account of other valuation considerations.</p>	<p>Market value per perch was higher/(lower)</p>

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 22 INVESTMENT PROPERTIES (Contd.)

#### (g) Capitalization of borrowing costs into investment properties

No borrowing cost was capitalized for the year ended 31st March 2020 (2019 - Rs. Nil).

#### (h) Contractual obligations to construct and develop investment properties

During the year, Equity Three (Private) Limited has commenced installation of a centralized air conditioning unit to the investment property located in Colombo 13. The costs incurred up to 31st March 2020 amounts to Rs.27.5mn and are recorded under Capital Work in progress.

(i) All the direct operating expenses of the Group are incurred on investment properties that are generating rental income.

(j) There were no restrictions on title of investment properties as at the reporting date.

(k) No items of the investment properties of the Group were pledged as security for liabilities as at the reporting date.

#### (l) Rental Income

Rental income recognized and related cost incurred by the Group are as follows:

For the year ended 31st March	2020	2019
Rental income derived from investment properties	296,001	310,677
Direct operating expenses generating rental income	(92,072)	(85,802)

(m) During the financial year ended 31st March 2020, the Ceylon Beverage Holdings PLC realised that the lands and buildings of the company had been erroneously classified as PPE. Accordingly, the properties located at Nuwara Eliya and Trincomalee, were reclassified as Investment Properties during the year. The affected Group's financial statement lines were not restated for prior periods since the impact of such reclassification is immaterial to the Group's consolidated financial statements.

### 23 INTANGIBLE ASSETS - GROUP

For the year ended 31st March	Goodwill		Computer Software		Land rights		Brand/Trade mark		Customer Relationship		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Cost/Valuation												
Balance as at the beginning of the year	2,567,154	2,567,154	1,773,473	1,681,216	6,243,963	5,515,537	2,455,276	2,413,423	390,551	390,551	13,430,417	12,567,881
Additions	-	-	16,000	11,283	596,403	205,242	879	40,700	-	-	613,282	257,225
Deemed Disposal	(119,771)	-	-	-	-	-	-	-	(45,822)	-	(165,593)	-
Impairment (Note23 (d))	-	-	-	-	-	-	(740,315)	(281)	-	-	(740,315)	(281)
Transfer/Adjustment	-	-	3,536	(6,899)	(21,046)	(281)	-	-	-	-	(17,510)	(7,180)
Effect of movements in exchange rates	-	-	(49,677)	87,873	(431,584)	523,465	-	1,434	-	-	(481,261)	612,772
Balance as at end of the year	2,447,383	2,567,154	1,743,332	1,773,473	6,387,736	6,243,963	1,715,840	2,455,276	344,729	390,551	12,639,020	13,430,417
Accumulated Amortization												
Balance as at the beginning of the year	-	-	820,215	692,094	1,442,864	1,135,588	4,147	2,036	351,506	331,984	2,618,732	2,161,702
Amortization	-	-	59,609	108,712	214,070	191,410	12,895	2,111	18,828	19,522	305,402	321,755
Deemed Disposal	-	-	-	-	-	-	-	-	(43,045)	-	(43,045)	-
Transfer/Adjustment	-	-	-	(3,194)	-	-	-	-	-	-	-	(3,194)
Effect of movements in exchange rates	-	-	(18,677)	22,603	(106,491)	115,866	210	-	-	-	(124,958)	138,469
Balance as at end of the year	-	-	861,147	820,215	1,550,443	1,442,864	17,252	4,147	327,289	351,506	2,756,131	2,618,732
Carrying amounts as at the end of the year	2,447,383	2,567,154	882,185	953,258	4,837,293	4,801,099	1,698,588	2,451,129	17,440	39,045	9,882,889	10,811,685

(Amounts expressed in Sri Lankan Rs. '000)

## 23 INTANGIBLE ASSETS - GROUP (Contd.)

### (a) Goodwill

Goodwill is tested for impairment annually and when circumstances indicate, that the carrying value may be impaired. Goodwill arising from business combinations has been allocated to an individual cash generating unit ("CGU") for impairment testing. The carrying amounts of goodwill allocated to each CGU are as follows, categorized under the respective sectors.

As at 31st March	2020	2019
Portfolio and asset management sector	182,740	182,740
Beverage sector	244,827	244,827
Real estate sector	27,584	27,584
Oil palm plantation sector	989,038	989,038
Oil & Fats sector	1,003,194	1,122,965
	2,447,383	2,567,154

#### Oil palm plantation sector

The recoverable amounts of the CGUs have been determined based on Value-In-Use ("VIU") calculations using cash flow projections from financial budgets approved by management based on the age profile of the plantations. Management determines the values assigned to each key assumption used in the cash flow projections based on past experience, operational considerations and current business practices common to the oil palm plantation industry.

The pre-tax discount rates applied to the cash flow projections and forecasted terminal growth rates used to extrapolate cash flow projections beyond the forecasted period are as follows:

As at 31st March	Oil palm Plantation sector	
	2020	2019
Pre-tax discount rates	14%	13%
Terminal Growth Rate	0%	0%

The calculations for value in use for the CGUs are most sensitive to the following assumptions:

**Pre-tax discount rates** - Discount rates represent the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and derived from its Weighted Average Cost of Capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected rate of return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowing the Group is obliged to service. Segment specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

**Terminal growth rate** - The forecasted terminal growth rate used does not exceed the longterm average growth rate of the industry and country in which the entities operate.

**Project CPO selling price** - The projected selling price of CPO is based on the consensus of reputable independent forecasting service firms for the short-term period and the World Bank forecast for the remaining projection period.

#### Sensitivity to changes in assumptions

With regards to the assessment of Value-In-Use, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount after incorporating the considerations of Covid - 19.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 23 INTANGIBLE ASSETS - GROUP (Contd.)

#### Oils and fats sector

The recoverable amount of the CGU has been determined based on Value-In-Use ("VIU") calculations using cash flow projections from financial budgets approved by management.

The pre-tax discount rates applied to the cash flow projections and forecasted terminal growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

As at 31st March	Oil & Fats segment	
	2020	2019
Pre-tax discount rates	11%	12%
Terminal Growth Rate	2%	2%

The calculations for value in use for the CGUs are most sensitive to the following assumptions:

**Pre-tax discount rate** - Discount rate represents the current market assessment of the risks specific to each CGU, regarding the time value of money and individual risks of the underlying assets which have been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and derived from its Weighted Average Cost of Capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected rate of return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowing the Group is obliged to service. Segment specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

**Terminal growth rate** - The forecasted terminal growth rate used does not exceed the longterm average growth rate of the industry and country in which the entities operate.

#### Sensitivity to changes in assumptions

With regards to the assessment of Value-In-Use, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount after incorporating the considerations of Covid - 19.

#### Beverage Sector

Goodwill relating to Lion Brewery (Ceylon) PLC and Ceylon Beverage Holdings PLC is included in Beverage Sector. The value in use is assessed based on the financial budgets prepared by the management and by monitoring the net asset position of the entities.

#### Portfolio and Asset Management Sector

Goodwill relating to Guardian Group is included in this sector. The value in use is assessed based on financial budgets prepared by the management and by monitoring the net asset position of the entities.

### (b) Software development costs and licences

Software with a finite life is amortized over the period of expected economic benefit.

Software development costs and licenses represent the costs incurred in the development of the Group Enterprise Resource Planning ("ERP") systems and its related licenses that are used to generate financial and management information and have an average remaining amortization period of 4 years (2019: 4 years).

All research costs and development costs not eligible for capitalization amounting to Rs. 106.7 Mn (2019: Rs. 58.6 Mn) have been expensed and are recognized in the Statement of Profit or Loss.

(Amounts expressed in Sri Lankan Rs. '000)

### (c) Land Rights

#### (i) Details of leasehold property - Indonesia

Land rights represent amounts paid on obtaining land rights certificate under Hak Guna Usaha ("HGU") or Right to cultivate and expenses incurred for obtaining operating licences. The land rights have an average remaining amortisation period of 21 years (2019: 22 years).

Management believes that the existing land rights of the Group will be renewed by the Government of Indonesia upon expiry because under the laws of Indonesia, land rights can be renewed upon the request of the HGU holder (subject to the approval of the Government of Indonesia).

Land rights acquisition costs representing the cost associated with the legal transfer or renewal for titles of land rights such as, among others, legal fees, land survey and re-measurement fees, taxes and other related expenses. Such costs are also deferred and amortised on a straight-line basis over the terms of the related land rights of 21 years.

#### (ii) Provision for impairment on land rights

The carrying value of assets of the Indonesian Plantation Companies were tested for impairment based on an internal valuation. The recoverable value of the plantation assets have been established based on their cash generating potential over their useful economic life on 'going concern' basis. As per the internal valuation, the recoverable value of the assets were higher than its carrying value, No impairment was required for the financial year ended 31st March 2020.

#### (iii) Analysis of prepaid land rights

As at 31st March	Group	
	2020	2019
Prepaid lease rights that are to be amortised;		
Not later than one year	212,699	214,125
Later than one year but not later than 5 years	894,666	867,596
Later than five years	3,729,928	3,719,378
	4,837,293	4,801,099

### (d) Brands - Lion Brewery (Ceylon) PLC (LBC PLC)

Lion Brewery (Ceylon) PLC acquired brands amounting to Rs. 4 bn during FY 2014/15 from Millers Brewery Ltd. The said acquisition consisted of five brands namely, Sando Power, Sando Stout, Three Coins, Grand Blonde and Irish Dark. Brands are not amortized as the useful life is considered to be infinite given the nature of the assets. However, the assessment of indefinite life is reviewed annually. The brands are tested for impairment annually.

#### Impairment assumptions of Brands

Consequent to the evaluation of the short term down turn post April Easter Attacks together with the environmental impact on the business, an impairment test was carried out for the brands acquired from Millers Brewery Ltd as at 31st December 2019 as per the accounting standard LKAS 36. The LBC PLC had computed its recoverable amount of the acquired brands by forecasting the annual sales values and discounting such estimated cash flows by its cost of equity. Accordingly, the carrying value of the said brands as at 31st December stood at Rs. 1,788 Mn which resulted in an impairment of Rs. 538 Mn which was charged to the statement of profit or loss.

As at 31st March 2020, a further impairment test was carried out for the brands acquired from Millers Brewery Ltd, as per the accounting standard LKAS 36. The LBC PLC computed its recoverable amount of the acquired brands by forecasting the annual sales values and discounting such estimated cash flows by its cost of equity adjusted with a risk premium. Cost of equity was determined based on the risk free rate of a 10 year treasury bond for the relevant cash flows, whereas the equity risk premium added was based on non-observable inputs as estimated for a valuation of the business in a previous period. Therefore, the difference in the discount rate compared with previous financial year is the change in the risk free rate due to market changes. Accordingly, the carrying value of the said brands as at 31st March stands at Rs. 1,586.6 Mn resulting in a further impairment of Rs. 202 Mn which has been charged in the statement of profit or loss for the quarter ended 31st March 2020. Therefore, the total impairment for the year ended 31st March 2020, amounted to Rs. 740 Mn.

### (e) Customer relationships

Customer relationships acquired as part of business combination were initially recognised at their fair value at the date of acquisition and are subsequently carried at cost less accumulated amortisation and impairment. The average remaining amortisation period as at 31st March 2020 is 1 year (2019: 2 years).

The impairment loss amounting to Rs 2.7 million (2019 - Nil) was recognized for the year ended 31 March 2020. This is in respect of the share dilution of Premium Vegetables Oils and Fats Sdn. Bhd (PVOSB). J-Oil Mills INC acquired 20% stake in PVOSB on 2nd December 2019 which diluted the Group effective controlling interest by 10.67%.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

24 INVESTMENT IN SUBSIDIARIES	Principal activities	Country of incorporation	Effective equity Interest held by the Group %		Investment through Group		Direct Investment by the Company	
			2020	2019	Cost 2020	Cost 2019	Cost 2020	Cost 2019
As at 31st March								
<b>(i) Quoted Investments</b>								
Investments in Ordinary Shares								
Equity Two PLC	Real Estate	Sri Lanka	87.88%	87.88%	389,166	389,166	6	6
Pegasus Hotels of Ceylon PLC	Leisure	Sri Lanka	89.98%	89.98%	408,680	408,680	414,480	414,480
Selinsing PLC	Oil palm plantation	Sri Lanka	51.03%	51.03%	724,640	724,640	-	-
Good Hope PLC	Oil palm plantation	Sri Lanka	48.50%	48.50%	497,584	497,584	-	-
Indo - Malay PLC	Oil palm plantation	Sri Lanka	46.48%	46.48%	1,382,499	1,382,499	-	-
Shalimar (Malay) PLC	Oil palm plantation	Sri Lanka	52.39%	52.39%	616,029	616,029	-	-
Ceylon Guardian Investment Trust PLC	Portfolio and Asset Management	Sri Lanka	69.30%	69.30%	705,251	705,251	701,375	701,375
Ceylon Investment PLC	Portfolio and Asset Management	Sri Lanka	45.70%	45.70%	520,267	520,267	-	-
Guardian Capital Partners PLC	Portfolio and Asset Management	Sri Lanka	60.45%	60.45%	446,267	446,267	-	-
Ceylon Beverage Holdings PLC	Beverage	Sri Lanka	75.37%	75.37%	719,260	719,260	1,167,166	1,167,166
Lion Brewery (Ceylon) PLC	Beverage	Sri Lanka	46.27%	46.27%	2,244,395	2,244,395	-	-
Total investment in Subsidiaries - quoted					8,654,038	8,654,038	2,283,027	2,283,027
<b>(ii) Unquoted Investment</b>								
Equity One Ltd	Real Estate	Sri Lanka	98.96%	98.96%	1,103,849	1,103,849	1,110,262	1,110,262
Leechman and Company (Private) Limited	Portfolio and Asset Management	Sri Lanka	100.00%	100.00%	849	849	849	849
Rubber Investment Trust Limited	Portfolio and Asset Management	Sri Lanka	56.97%	56.97%	612	612	-	-
Pearl Springs (Pvt) Ltd	Investment holding	Sri Lanka	45.64%	45.64%	1,150,000	1,150,000	-	-
Millers Brewery Ltd	Beverage	Sri Lanka	45.64%	45.64%	1,150,000	1,150,000	-	-
Goodhope Investments Ltd	Business outsourcing	Sri Lanka	53.33%	53.33%	15,000	15,000	-	-
Guardian Fund Management Limited	Portfolio and Asset Management	Sri Lanka	69.30%	69.30%	55,682	55,682	-	-
Guardian Value Fund Management LLC	Portfolio and Asset Management	Mauritius	57.50%	-	805,153	-	-	-
Guardian Fund Management LLC	Portfolio and Asset Management	Mauritius	57.50%	-	12,722	-	-	-
The Sri Lanka Fund	Portfolio and Asset Management	Cayman Islands	44.98%	49.36%	108,420	224,560	-	-
Goodhope Asia Holdings Ltd	Investment holding	Singapore	53.33%	53.33%	5,587,014	5,587,014	5,587,014	5,587,014
Shalimar Developments Sdn. Bhd.	Investment holding	Malaysia	51.34%	51.34%	2,665,105	2,665,105	-	-
PT Agro Indomas	Oil palm plantation	Indonesia	48.61%	48.61%	2,300,042	2,300,042	-	-
PT Agro Bukit	Oil palm plantation	Indonesia	50.67%	50.67%	4,785,841	4,785,841	-	-
PT Karya Makmur Sejahtera	Oil palm plantation	Indonesia	50.67%	50.67%	1,127,370	1,127,370	-	-
PT Agro Wana Lestari	Oil palm plantation	Indonesia	50.67%	50.67%	4,077,542	4,077,542	-	-
PT Rim Capital	Oil palm plantation	Indonesia	50.67%	50.67%	1,293,076	1,293,076	-	-
PT Nabire baru	Oil palm plantation	Indonesia	50.67%	50.67%	8,190,664	8,190,664	-	-
PT Agrajaya Baktitama	Oil palm plantation	Indonesia	50.67%	50.67%	292,136	292,136	-	-
PT Batus Mas Sejahtera	Oil palm plantation	Indonesia	50.67%	50.67%	284,638	284,638	-	-
PT Sawit Makmur Sejahtera	Oil palm plantation	Indonesia	50.67%	50.67%	293,587	293,587	-	-
PT Sumber Hasil Prima	Oil palm plantation	Indonesia	50.67%	50.67%	331,125	331,125	-	-
PT Sinar Sawit Andalan	Oil palm plantation	Indonesia	50.67%	50.67%	325,595	325,595	-	-
PT Siriwana Adi Peraksa	Oil palm plantation	Indonesia	50.67%	50.67%	136,839	136,839	-	-
PT Agro Bina Lestari	Oil palm plantation	Indonesia	50.67%	50.67%	257,929	257,929	-	-
					36,350,790	35,649,055	6,698,125	6,698,125

(Amounts expressed in Sri Lankan Rs. '000)

24 INVESTMENT IN SUBSIDIARIES (Contd.)	Principal activities	Country of incorporation	Effective equity Interest held by the Group %		Investment through Group		Direct Investment by the Company	
			2020	2019	Cost 2020	Cost 2019	Cost 2020	Cost 2019
As at 31st March			2020	2019	Cost 2020	Cost 2019	Cost 2020	Cost 2019
PT Agro Surya Madiri	Oil palm plantation	Indonesia	50.67%	50.67%	257,929	257,929	-	-
PT Agro Asia Pacific	Trading of palm oil products	Indonesia	53.33%	53.33%	15,478	15,478	-	-
Agro Asia Pacific Limited	Trading of palm oil products	Singapore	53.33%	53.33%	20,296	20,296	-	-
PT Agro Harapan Lestari	Plantation management services	Indonesia	53.23%	53.23%	119,152	119,152	-	-
Agro Harapan Lestari Sdn. Bhd.	Plantation management services	Malaysia	-	53.33%	-	75,860	-	-
Agro Harapan Lestari (Private) Limited	Management services	Sri Lanka	53.33%	53.33%	26,865	26,865	-	-
AHL Business Solution (Private) Limited	Business outsourcing	Sri Lanka	53.33%	53.33%	207,500	207,500	-	-
Premium Nutrients Pvt Ltd	Investment holding	Singapore	53.33%	53.33%	7,917,699	7,917,699	-	-
Premium Oils & Fats Sdn. Bhd.	Operating headquarters	Malaysia	53.33%	53.33%	36,504	36,504	-	-
Premium Vegetable Oils Sdn. Bhd.	Oils and Fats	Malaysia	42.66%	53.33%	5,146,677	5,146,471	-	-
Premium Fats Sdn. Bhd.	Oils and Fats	Malaysia	-	53.33%	-	91,648	-	-
Arani Agro Oil Industries Pvt Ltd	Oils and Fats	India	53.33%	53.33%	4,213,048	3,191,600	-	-
Carsons Management Services (Private) Limited	Management Services	Sri Lanka	100.00%	100.00%	323,341	323,341	323,341	323,341
Less: Impairment							(323,341)	(323,341)
Carsons Airline Services (Private) Limited	Leisure	Sri Lanka	100.00%	100.00%	18,999	18,999	18,999	18,999
Less: Impairment							(18,999)	(18,999)
Equity Hotels Limited	Leisure	Sri Lanka	89.98%	89.98%	7,296	7,296	-	-
Equity Three (Private) Limited	Real Estate	Sri Lanka	98.95%	98.95%	54,000	54,000	-	-
Pubs 'N Places (Private) Ltd	Beverage	Sri Lanka	75.37%	75.37%	511,881	511,881	-	-
Retail Spaces (Private) Limited	Beverage	Sri Lanka	75.37%	75.37%	-	-	-	-
Luxury Brands (Private) Limited	Beverage	Sri Lanka	75.37%	75.37%	250,000	50,000	-	-
					55,477,455	53,221,766	6,698,125	6,698,125
<b>(iii) Investments in Quoted Deferred Shares</b>								
Ceylon Guardian Investment Trust PLC					126,863	126,863	126,863	126,863
Total Investment in Subsidiaries - Unquoted					126,863	126,863	126,863	126,863
<b>(iv) Deemed Investments</b>								
Equity One Ltd					-	-	194,303	194,303
Pegasus Hotels of Ceylon PLC					-	-	5,352	5,352
Carsons Management Services (Private) Limited					-	-	3,358	3,358
Impairment					-	-	(3,358)	(3,358)
Carsons Airline Services (Private) Limited					-	-	3,019	3,019
Impairment					-	-	(3,019)	(3,019)
					-	-	199,655	199,655
Total Investment in Subsidiaries					64,258,356	62,502,667	9,307,670	9,307,670

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 24 INVESTMENT IN SUBSIDIARIES (Contd.)

#### (a) Acquisition of new subsidiaries - 2020

During the year, 2019/20, the Group formed the following subsidiaries:

Investor	Subsidiary	Acquired interest	Consideration Paid
Ceylon Guardian Investment Trust PLC	Guardian Value Fund LLC	44.35%	357,139
Ceylon Investment PLC		44.35%	357,139
Rubber Investment Trust Limited		11.30%	90,875
Ceylon Guardian Investment Trust PLC	Guardian Fund Management LLC	50.00%	6,361
Ceylon Investment PLC		50.00%	6,361

#### (b) Disposal of interest in subsidiaries without loss of control

Current year the Group disposed partial interest in the following subsidiary without loss of control.

Immediate holding company	Name of subsidiary	Disposal of interest	Proportion of ownership interest after disposal (Group gross interest) %	Consideration
Premium Nutrients Pvt Ltd	Premium Vegetable Oils Sdn. Bhd.	20.00%	80.00%	1,591,764
Ceylon Guardian Investment Trust PLC	The Sri Lanka Fund	4.22%	39.12%	66,609
Ceylon Investment PLC	The Sri Lanka Fund	4.22%	39.12%	66,609

#### (c) Disposal of interest in subsidiaries with loss of control

Current year the Group disposed partial interest in the following subsidiary with loss of control.

Immediate holding company	Name of subsidiary	Disposal of interest	Proportion of ownership interest after disposal (Group gross interest) %	Consideration
Premium Nutrients Pvt Ltd	Premium Fats Sdn. Bhd.	51.00%	49.00%	578,836

(Amounts expressed in Sri Lankan Rs. '000)

**(d) Share Dilution of group Subsidiaries, Premium Fats Sdn Bhd (PFSB) and Premium Vegetables Premium Oils and Fats Sdn. Bhd (PVOSB)**

Premium Nutrients Private Limited (PNPL), a fully owned subsidiary of Goodhope Asia Holdings Ltd has concluded a business tie-up with J-Oil Mills INC, a listed entity on the Tokyo Stock Exchange, Japan on 2nd December 2019 for equity dilution in two subsidiary companies of PNPL given below.

PNPL held 100% ownership in PFSB and PVOSB. J-Oil Mills INC acquired 51% stake in PFSB and a 20% stake in PVOSB at a total consideration of US\$ 12 million.

J-Oil Mills, INC engages in the production, processing, and sale of fats and oil products. It operates in three Segments. The oil and fats business segment offers fats and oil, soybean meals, and rapeseed meals. The oil and fats processing business segment offers margarine and powdered oil. The foodstuffs and fine material business includes the production, processing, and sale of starch, and chemical products.

PNPL continues to hold 49% stake in PFSB and 80% stake in PVOSB. PFSB will no longer be considered as a Subsidiary Company within the Group and now considered as an Investment in Associate.

**ii. Acquisition from non-controlling interests - 2019**

During the year, 2018/19 the Group acquired additional interest in the following subsidiaries from the non controlling shareholders:

Acquirer	Acquiree	Additional interest	Proportion of ownership interest after additional acquisition (Group gross interest)	Consideration Paid
Carson Cumberbatch PLC	Equity One Limited	0.01%	98.96%	388
Carson Cumberbatch PLC	Lion Brewery (Ceylon) PLC	0.63%	59.14%	281,283
Ceylon Guardian Investment Trust PLC	Ceylon Investment PLC	1.10%	65.94%	59,387

**25 NON CONTROLLING INTEREST**

Group had established control over all of its subsidiaries without having to make significant assumptions throughout the year.

**(a) Summary of non controlling interest**

	Group	
	2020	2019
Balance as at 1st April	31,585,445	29,148,484
Total comprehensive income/(expenses) for the year	(4,489,931)	2,198,755
Total contributions by and distributions to owners	(221,407)	412,324
Total changes in ownership interests in subsidiaries	1,347,358	(174,118)
Balance as at 31st March	28,221,465	31,585,445

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 25 NON CONTROLLING INTEREST (Contd.)

(b) The following table summarizes the information relating to each of the Group's subsidiaries, that has material Non controlling interest.

For the year ended 31st March	Goodhope Asia Holdings Ltd		Ceylon Beverage Holdings PLC		Ceylon Guardian Investments Trust PLC	
	2020	2019	2020	2019	2020	2019
Summarised statement of Income						
Revenue	55,110,138	51,350,755	49,215,362	44,216,826	759,798	551,042
Profit/(loss) before Income tax expenses	(3,530,954)	1,862,261	4,494,245	5,215,531	(1,350,304)	(2,285,041)
Income tax expenses	(393,193)	(1,576,955)	(1,674,671)	(2,150,610)	(45,215)	(58,703)
Net profit/(loss) for the period	(3,701,614)	125,141	2,819,574	3,064,921	(1,422,792)	(2,343,744)
Other comprehensive income/(expenses)	(7,159,048)	2,366,953	288,635	208,463	(499,493)	(61,234)
Total comprehensive income	(10,867,662)	2,492,094	3,108,209	3,273,384	(1,922,285)	(2,404,978)
Net profit attributable to NCI	(1,854,532)	122,701	1,512,792	1,692,165	(596,244)	(1,010,676)
Other comprehensive income attributable to NCI	(3,503,638)	1,295,606	155,084	112,007	(228,074)	(21,474)
Total comprehensive income attributable to NCI	(5,358,170)	1,418,307	1,667,876	1,804,172	(824,318)	(1,032,150)
Summarised statement of Financial Position						
Non-current assets	84,639,598	86,271,893	21,970,419	21,188,610	3,931,534	4,339,238
Current assets	23,851,126	18,091,074	18,340,783	15,479,255	11,133,987	11,725,318
Non-current liabilities	56,329,949	44,289,402	7,701,189	8,623,096	10,834	7,758
Current liabilities	30,429,395	28,909,479	17,553,480	15,745,384	1,172,451	376,956
Net assets attributable to NCI	14,007,488	16,300,250	8,056,278	5,035,607	5,706,086	7,467,151
Summarised Cashflow Information						
Cash flows from operating activities	848,587	1,015,333	1,964,068	5,640,305	1,372,707	(416,756)
Cash flows from investing activities	(4,773,103)	(4,780,575)	(647,747)	233,326	(160)	(59,465)
Cash flows from financing activities	7,067,498	2,694,803	196,473	(3,764,929)	823,726	(24,194)
Dividends paid to NCI during the year	-	-	(247,822)	(166,937)	-	(38,802)
Effective ownership interests held by NCI	46.67%	46.67%	24.63%	24.63%	30.70%	30.70%

### 26 INVESTMENTS IN EQUITY ACCOUNTED INVESTEE

(a) The following are the Equity Accounted Investees of the Group

Name of investee	Note	Principal activities	Relationship Status	Proportion of ownership interest %	Proportion of effective ownership interest %
Guardian Acuity Asset Management Limited	(i)	Unit trust Management	Joint Venture	50	34.65
Premium Fats Sdn. Bhd.	(ii)	Oils and Fats	Associate	49	26.13

(Amounts expressed in Sri Lankan Rs. '000)

## 26 INVESTMENTS IN EQUITY ACCOUNTED INVESTEE (Contd.)

### (i) Joint Venture Company

Guardian Acuity Asset Management Limited, is a company incorporated in Sri Lanka, to set up and carry out Unit Trust Management activities licensed by Securities and Exchange Commission of Sri Lanka, and governed by a Joint Venture agreement between Acuity Partners (Private) Limited and Ceylon Guardian Investment Trust PLC. Ceylon Guardian Investment Trust PLC and Acuity Partners (Pvt) Limited hold 50% each of the issued share capital in the said company.

### (ii) Associate Company

As at 31 March 2020, the Group has a 49% interest in Premium Fats Sdn. Bhd. (PFSB), which is involved in the manufacture and sale of oils and fats.

### (b) Measurement of Joint venture Companies - Group

	Carrying Value	Cost	Carrying Value	Cost
As at 31st March	2020	2020	2019	2019
Joint venture Company				
On Unquoted Shares				
Guardian Acuity Asset Management Limited	35,000	35,000	35,000	35,000
Associate Company				
Premium Fats Sdn. Bhd.	91,648	91,648		
	126,648	126,648	35,000	35,000
Investors' share of net assets				
As at the beginning of the year	13,123		6,183	
Share of jointly controlled entity's profit net of taxation	11,351		6,910	
Associate Share of net assets attributable to the group	464,490		-	
Share of other comprehensive income net of taxation	17,493		30	
Investments in Joint Venture Company (Equity Basis)	506,457		13,123	
Carrying amount of interest in joint venture and Associate companies (Equity Basis)	633,105		48,123	

(c) The summarized financial information of the equity accounted investee, adjusted for the proportion of ownership interest held by the Group is as follows:

#### Share of net results of equity accounted investee

For the year ended 31st March	Revenue		Profit after tax		Group's Share of Profit after tax	
	2020	2019	2020	2019	2020	2019
Joint Venture Company						
Guardian Acuity Asset Management Limited	42,131	42,231	9,449	13,819	4,725	6,910
Associate Company						
Premium Fats Sdn. Bhd.	230,658	-	13,522	-	6,626	-
	272,789	42,231	22,971	13,819	11,351	6,910

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

26 INVESTMENTS IN EQUITY ACCOUNTED INVESTEE (Contd.)	Joint Venture Company		Associate Company	
	2020	2019	2020	2019
For the year ended 31st March				
Non - Current assets	1,530	833	471,522	-
Current assets	153,660	105,753	791,123	-
Total assets	155,190	106,586	1,262,645	-
Non - Current Liabilities	1,770	1,286	43,677	-
Current liabilities	47,743	9,054	34,752	-
Total liabilities	49,513	10,340	78,429	-
Shareholders' equity (100%)	105,677	96,246	1,184,216	-
Proportion of the Group's ownership interest.	50%	50%	49.00%	-
Carrying amounts of investment	52,839	48,123	580,266	-

## 27 INVESTMENT IN EQUITY AND DEBT SECURITIES

### (a) Summary - Group

	2020	2019
	Fair value	Fair value
Non Current Assets		
Fair value through Other Comprehensive Income		
Investment in Equity Securities- Quoted Shares	4,807,828	5,342,032
Investment in Debt Securities- Debenture- Unquoted	1	1
Total Investments in equity securities-Non current assets	4,807,829	5,342,033
Current assets		
Fair value through profit or loss		
Investment in Equity Securities - Quoted Shares	7,496,826	9,275,963
Investment in Equity Securities- Unquoted Shares	101,449	98,881
Investment in Equity Securities- Private Equity (Unlisted)	139,650	149,761
Investment in Debt Securities- Treasury bonds/Debentures- Unquoted	102,963	207,101
Total Investments in equity securities-Current assets	7,840,888	9,731,706

Information about the Group's exposure to credit and market risks and fair value measurement are included in Note 42

Considering the impact of Covid 19 Pandemic has created, the Institute of Chartered Accountants of Sri Lanka has issued guidelines recommending the entities to evaluate whether the quoted prices of an asset represent fair value taking in to consideration the decline in volume/activity in the market.

As per the said guidelines if a transaction or a quoted price does not represent the fair value and if an adjustment is required, entity has the option to value its quoted equity investment based on a valuation, subject to the said valuation price not exceeding the closing market price of the investment as at 31st December 2019. However, due to subjectivity of such assessment and uncertainty of the timing of the full recovery, the Group has valued its listed equity investment portfolio based on the last market prices available as at 31st March 2020.

The fair value of the Group's unlisted investment portfolio is based on the valuation carried out by investment managers, Guardian Fund Management Limited.

(Amounts expressed in Sri Lankan Rs. '000)

**(b) Movement of Investment in Equity Securities - 2020**

Non Current Assets	Fair Value as at 01st April 2019	Additions	Disposals/ Write Off	Amortised interest	Change in Fair Value*	Effect on currency translation	Fair Value as at 31st March' 2020
Investment in Equity Securities - Quoted Shares - FVOCI	5,342,032	-	-	-	(534,203)	-	4,807,828
	5,342,032	-	-	-	(534,203)	-	4,807,828
Current Assets	Fair Value as at 01st April 2019	Additions	Disposals/ Write Off	Amortised interest	Change in Fair Value*	Effect on currency translation	Fair Value as at 31st March' 2020
Investment in Equity Securities - Quoted Shares - FVTPL	9,275,963	1,229,110	(1,125,632)	-	(1,882,615)	-	7,496,826
Investment in Equity Securities - Unquoted Shares - FVTPL	248,642	-	(8,511)	-	968	-	241,099
Investment in treasury bonds/ Debentures - FVTPL	207,101	398,465	(500,343)	(1,088)	(1,172)	-	102,963
	9,731,706	1,627,575	(1,634,486)	(1,088)	(1,882,819)	-	7,840,888

**Movement of Investment in Equity Securities - 2019**

Non Current Assets	Fair Value as at 01st April 2018	Additions	Disposals/ Write Off	Amortised interest	Change in Fair Value*	Effect on currency translation	Fair Value as at 31st March 2019
Investment in Equity Securities - Quoted Shares - FVOCI	15,022,408	-	(9,517,445)	-	(162,931)	-	5,342,032
Investment in Equity Securities - Unquoted Shares - FVOCI	217,557	-	(217,557)	-	-	-	-
Investment in Debenture/ Preference shares- Unquoted - FVOCI	5	-	(5)	-	-	-	-
	15,239,970	-	(9,735,007)	-	(162,931)	-	5,342,032
Current Assets	Fair Value as at 01st April 2018	Additions	Disposals/ Write Off	Amortised interest	Change in Fair Value*	Effect on currency translation	Fair Value as at 31st March 2019
Investment in Equity Securities - Quoted Shares - FVTPL	1,707,061	2,677,664	9,517,445	(2,095,738)	(2,579,126)	48,657	9,275,963
Investment in Equity Securities - Unquoted Shares - FVTPL	-	-	217,557	(2,447)	33,532	-	248,642
Investment in Debenture - FVTPL	-	-	5	(5)	-	-	-
Investment in treasury bonds - FVTPL	-	350,342	-	(149,110)	5,869	-	207,101
	1,707,061	3,028,006	9,735,007	(2,247,300)	(2,539,725)	48,657	9,731,706

**(c)** The fair value adjustment represents the net unrealised gains/(losses) on fair value adjustment of investment portfolios including any adjustment on impairment losses.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

<b>27 INVESTMENT IN EQUITY AND DEBT SECURITIES (Contd.)</b>				
<b>(c) Fair value through other comprehensive income (FVOIC)</b>				
As at 31st March	No of Shares 2020	Fair value 2020	No of Shares 2019	Fair value 2019
Investment in equity securities - Quoted				
Oil Palm				
Bukit Darah PLC	26,710,158	4,807,828	26,710,158	5,342,032
		4,807,828		5,342,032
Total Investment in equity securities -Quoted		4,807,828		5,342,032
Investment in Preference shares				
Bukit Darah PLC - 8% participative cumulative		1		1
(No of shares - 1)		1		1
Total Investment in FVOIC		4,807,829		5,342,033
<b>(d) Fair value through profit or loss</b>				
As at 31st March	No of Shares 2020	Fair value 2020	No of Shares 2019	Fair value 2019
<b>(i) Investment in equity securities - Quoted</b>				
Banks				
Commercial Bank of Ceylon PLC	7,298,503	438,640	6,705,724	661,855
Hatton National Bank PLC	3,985,482	418,874	3,881,272	684,399
Hatton National Bank PLC - Non Voting	3,338,896	334,891	3,178,165	467,190
National Development Bank PLC	297,114	19,669	299,546	28,217
Nations Trust Bank PLC	-	-	291,332	25,981
Sampath Bank PLC	3,721,604	442,872	3,532,244	641,130
Seylan Bank PLC	386,965	12,963	433,843	27,245
Union Bank of Colombo PLC	-	-	2,573,954	28,313
		1,667,909		2,564,330
Chemicals & Pharmaceuticals				
Union Chemicals Lanka PLC	200	80	200	80
		80		80
Capital goods				
Access Engineering PLC	-	-	7,399,228	96,190
Aitken Spence PLC	2,494,600	76,584	3,314,818	135,908
Hayleys PLC	-	-	30,000	5,609
Hemas Holdings PLC	9,965,193	560,044	7,345,409	553,111
John Keells Holdings PLC	814,825	94,031	170,122	26,820
		730,659		817,638
Consumer Durables & Apparel				
Hayleys Fabric PLC	10,702,423	93,111	17,482,934	149,093
		93,111		149,093
Consumer service				
Aitken Spence Hotels Holdings PLC	5,653,438	85,367	5,838,038	138,970
Serendib Hotels PLC - Non Voting	-	-	730,308	9,202
		85,367		148,172

(Amounts expressed in Sri Lankan Rs. '000)

As at 31st March	No of Shares 2020	Fair value 2020	No of Shares 2019	Fair value 2019
<b>Diversified financials</b>				
Central Finance Company PLC	21,870,629	1,771,521	17,447,006	1,475,099
People's Leasing and Finance Company PLC	27,734,043	338,355	28,775,467	389,631
		2,109,876		1,864,730
<b>Energy</b>				
Lanka IOC PLC	20,000	316	540,800	9,410
		316		9,410
<b>Food beverage &amp; Tobacco</b>				
Cargills (Ceylon) PLC	4,520,606	768,503	6,459,754	1,291,947
Ceylon Cold Stores PLC	880	576	880	506
Distilleries Company of Sri Lanka PLC	27,477,908	357,213	19,444,293	282,102
Melstacorp PLC	12,401,692	292,680	12,401,692	446,461
Sunshine Holdings PLC	1,300,000	49,270		
		1,468,242		2,021,016
<b>Health Care</b>				
The Lanka Hospitals Corporation PLC	616,169	16,945	743,000	32,469
		16,945		32,469
<b>Insurance</b>				
Ceylinco Insurance PLC	-	-	20,686	19,647
Ceylinco Insurance PLC - Non Voting	325,266	256,960	325,266	292,870
HNB Assurance PLC	2,288,869	276,954	2,343,869	271,186
Peoples Insurance PLC	4,343,154	74,268	5,770,794	113,685
Union Assurance PLC	199,000	59,700	199,000	59,620
		667,882		757,008
<b>Materials</b>				
Alumex PLC	1,352,489	9,738	1,522,489	15,819
Chevron Lanka Lubricants PLC	828,746	44,338	841,565	54,381
Swisstek (Ceylon) PLC	260,000	7,020	390,000	14,377
Tokyo Cement Company (Lanka) PLC	6,561,688	147,638	6,744,158	141,105
Tokyo Cement Company (Lanka) PLC - Non voting	3,155,872	63,117	2,046,480	37,860
		271,851		263,542
<b>Real Estate</b>				
Overseas Reality (Ceylon) PLC	500,000	6,000	700,000	11,480
		6,000		11,480
<b>Telecommunication</b>				
Dialog Axiata PLC	38,823,074	329,996	59,735,150	545,575
		329,996		545,575
<b>Transportation</b>				
Expolanka Holdings PLC	-	-	5,000	20
		-		20
<b>Utilities</b>				
LVL Energy Fund Limited	11,569,600	48,592	11,569,600	91,400
		48,592		91,400
<b>Total Investment in FVTPL</b>		<b>7,496,826</b>		<b>9,275,963</b>

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

<b>27 INVESTMENT IN EQUITY AND DEBT SECURITIES (Contd.)</b>							
<b>(d) Measurement of Equity and debt securities - Group (Contd.)</b>							
As at 31st March	No of Shares 2020	FVTPL		Fair value 2019			
		Fair value 2020	No of Shares 2019				
<b>(ii) Investments in equity securities - Unquoted</b>							
ACW Insurance (Private) Limited	449,999	-	449,999	-			
Asia Pacific Golf Course Limited	10	-	10	-			
Sea Food Exporters Consortium (Private) Limited	402,000	-	402,000	-			
Ceybank Asset Management Ltd	360,001	66,013	360,001	65,045			
Equity Investment Lanka (Private) Limited	22,500	2	22,500	2			
Kandy Private Hospitals Limited	1,200	18	1,200	18			
Lanka Communication Services Limited	1,428,496	35,416	1,428,496	33,816			
Produce Transport Limited	1	-	1	-			
Riverside Resorts (Pvt) Ltd	2,600,020	-	2,600,020	-			
Serendib Agro Products Limited	2,500	-	2,500	-			
Total Investment in equity securities - Unquoted		101,449		98,881			
<b>(iii) Investment in equity securities - Private equity (unlisted)</b>							
Findmyfare (Pvt) Ltd	302,791	33,179	276,074	69,761			
hSenid Business Solutions (Pvt) Ltd.	163,419	106,471	163,419	80,000			
Swiss Institute For Service Industry Development (Private) Limited - Ordinary shares	847	-	847	-			
Kashmi Singapore PTE. LTD	417	-	417	-			
Total investment in private Equity		139,650		149,761			
Total investment equity securities		7,737,925		9,524,605			
	No of Debentures	Fair value 2020	No of Debentures	Fair value 2019			
As at 31st March	2020	2020	2019	2019			
<b>(iv) Investment in debt securities</b>							
<b>a) Investment in debenture</b>							
SAMP - BD - 18/11/20 -C 2328 -9 -9	1,000,000	102,963	-	-			
Total investments in debentures		102,963		-			
	Maturity Date	Interest Rate	Face Value	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>b) Investments in treasury bonds</b>							
LKB00827A151	15-Jan-2027	11.40%	100,000	-	-	103,551	103,551
LKB00827A151	15-Jan-2027	11.40%	50,000	-	-	51,775	51,775
LKB00827A151	15-Jan-2027	11.40%	50,000	-	-	51,775	51,775
Total			200,000	-	-	207,101	207,101
Total investment in debt securities					102,963		207,101

(Amounts expressed in Sri Lankan Rs. '000)

<b>(e) Movement of Investment in Equity and Debt Securities - Company</b>		2020	2019			
As at 31st March		Fair value	Fair value			
<b>Non Current Assets</b>						
Investment in Equity Securities- Quoted Shares						
- FVOCI		4,004,957	4,324,173			
Total Investments in equity securities						
- Non current assets		4,004,957	4,324,173			
<b>Current assets</b>						
Investment in Equity Securities - Quoted Shares						
- Fair value through profit or loss		18,118	24,003			
Investment in Equity Securities- Unquoted Shares						
- Fair value through profit or loss		66,013	65,045			
Total Investments in equity securities - Current assets		84,131	89,048			
<b>Movement of Investment in Equity Securities - 2020 - Company</b>						
	Fair Value as at 01st April 2019	Additions	Disposals/ Write Off	Transfers	Change in Fair Value	Fair Value as at 31st March 2020
<b>Non Current Assets</b>						
Investment in Equity Securities	4,324,173	-	-	-	(319,216)	4,004,957
- Quoted Shares - FVOCI						
	4,324,173	-	-	-	(319,216)	4,004,957
<b>Current Assets</b>						
Investment in Equity Securities	24,003	-	-	-	(5,885)	18,118
- Quoted Shares - FVTPL						
Investment in Equity Securities	65,045	-	-	-	968	66,013
- Unquoted Shares - FVTPL						
	89,048	-	-	-	(4,917)	84,131

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

<b>27 INVESTMENT IN EQUITY AND DEBT SECURITIES (Contd.)</b>						
<b>Movement of Investment in Equity Securities - 2019 - Company</b>						
	Fair Value as at 01st April 2018	Additions	Disposals/ Write Off	Transfers	Change in Fair Value	Fair Value as at 31st March 2019
<b>Non Current Assets</b>						
Investment in Equity Securities - Quoted Shares - FVOCI	1,292,640	281,283	-	2,647,740	102,510	4,324,173
Investment in Equity Securities - Unquoted Shares - FVOCI	67,028	-	-	(67,028)	-	-
	1,359,668	281,283	-	2,580,712	102,510	4,324,173
<b>Current Assets</b>						
Investment in Equity Securities - Quoted Shares - FVTPL	30,068	-	-	-	(6,065)	24,003
Investment in Equity Securities - Unquoted Shares - FVTPL	-	336	-	67,028	(2,319)	65,045
	30,068	336	-	67,028	(8,384)	89,048

### (f) Measurement of investment in equity securities - Company

	FVTPL				FVOCI			
	No of Shares	Fair value						
	2020	2020	2019	2019	2020	2020	2019	2019

#### (i) Investment in equity securities - Quoted

<b>Capital goods</b>								
Hemas Holdings PLC	113,026	6,352	113,026	8,477	-	-	-	-
John Keels Holdings PLC	93,538	10,794	93,538	14,592	-	-	-	-
<b>Chemicals &amp; Pharmaceuticals</b>								
Union Chemicals Lanka PLC	200	80	200	80	-	-	-	-
<b>Diversified Financials</b>								
Guardian Capital Partners PLC*	-	-	-	-	582,225	10,887	582,225	11,819
<b>Energy</b>								
Lanka IOC PLC	20,000	316	20,000	348	-	-	-	-
<b>Food beverage &amp; Tobacco</b>								
Bukit Darah PLC*	-	-	-	-	6,271,908	1,128,943	6,271,908	1,254,382
Ceylon Cold Stores PLC	880	576	880	506	-	-	-	-
Lion Brewery (Ceylon) PLC*	-	-	-	-	5,509,860	2,865,127	5,509,860	3,057,972
Total Investment in equity securities - Quoted		18,118		24,003		4,004,957		4,324,173

#### (ii) Investment in equity securities - Private equity (unlisted)

Ceybank Asset Management Ltd	360,001	66,013	360,001	65,045	-	-	-	-
Total		84,131		89,048		4,004,957		4,324,173

\* The Company has elected to classify these investment securities as FVOCI due to the Group's intention to hold these equity instruments to meet various requirements including long term appreciation and ability to liquidate etc. During the year, the Company recognised dividend income of Rs.31.5 Mn. from its investment securities at FVOCI.

(Amounts expressed in Sri Lankan Rs. '000)

## 28 INVESTMENT IN UNIT TRUST

As at 31st March	Group			
	FVTPL			
	No. of Units 2020	Fair Value 2020	No. of Units 2019	Fair Value 2019
<b>Current Assets</b>				
Guardian Acuity Equity fund	620,159	7,690	620,159	9,095
Guardian Acuity Money Market Fund	30,620,525	595,000	14,994,137	260,996
<b>Total investment in unit trust - Current assets</b>		<b>602,690</b>		<b>270,091</b>

Valuation of unit trust is based on the unit price published by the Unit Trust Managers, Guardian Acuity Asset Management Limited as at 31st March.

## 29 INVENTORIES

As at 31st March	Group	
	2020	2019
Raw materials	3,152,837	3,241,089
Work-in-progress	2,471,104	1,370,446
Goods in Transit	164,793	140,583
Finished goods	2,536,440	2,228,564
	8,325,174	6,980,682
Impairment provision for inventory	(134,439)	(94,276)
	<b>8,190,735</b>	<b>6,886,406</b>

### Assets pledged as security

The Group has pledged inventories amounting to approximately Rs. 4,340 Mn or equivalent to US\$ 22,855,000 (2019: Rs. 3,551 Mn or equivalent to US\$ 20,166,000) as security for bank borrowings.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

30 TRADE AND OTHER FINANCIAL RECEIVABLES AND OTHER NON - FINANCIAL RECEIVABLES	Group		Company	
	2020	2019	2020	2019
As at 31st March				
<b>Non Current</b>				
Other financial receivables				
Land compensation receivable (Note c)	24,759	24,759	-	-
	24,759	24,759	-	-
<b>Other non financial receivables</b>				
Plasma receivables (Note e)	4,142,981	3,011,539	-	-
Income tax receivable	2,790,281	1,769,206	-	-
Other receivables	1,738,250	948,288	-	-
	8,671,512	5,729,033	-	-
<b>Current</b>				
<b>Trade receivables</b>				
Trade receivables (net of provisions)	3,970,640	3,648,705	-	-
Amount due from related companies (Note d)	-	-	215,781	78,642
	3,970,640	3,648,705	215,781	78,642
<b>Other financial receivables</b>				
Other receivables	1,598,249	1,258,409	-	-
Loans given to employees	10,540	14,397	-	-
	1,608,789	1,272,806	-	-
<b>Other non financial receivables</b>				
Plasma receivables (Note e)	2,248,784	2,336,973	-	-
Advances made on projects	1,251	596	-	-
Taxes receivable	3,539,087	3,159,095	-	-
Prepayments	2,022,915	1,725,086	5,500	4,290
	7,812,037	7,221,750	5,500	4,290
<b>Total financial &amp; non financial receivable - Non Current</b>	<b>8,696,271</b>	<b>5,753,792</b>	<b>-</b>	<b>-</b>
<b>Total financial &amp; non financial receivable - Current</b>	<b>13,391,466</b>	<b>12,143,261</b>	<b>221,281</b>	<b>82,932</b>
<b>Financial assets carried at amortised cost</b>				
Trade receivables	3,970,640	3,648,705	215,781	78,642
Other financial receivables - Current	1,608,789	1,272,806	-	-
Other financial receivables - Non current	24,759	24,759	-	-
Cash and Bank balances (Note 32)	22,386,248	14,797,784	305,724	63,708
	27,990,436	19,744,054	521,505	142,350

### (a) Assets pledged as security

The Group has pledged receivables amounting to approximately Rs. 4,878 Mn or equivalent to US\$ 25,687,000 (2019: Rs 3,552 Mn or equivalent to US\$ 20,174,000) as security for bank borrowings.

### (b) Trade receivables denominated in foreign currency as follows:

As at 31st March	Group	
	2020	2019
US Dollar	4,558	1,609,287
Malaysian Ringgit	2,457,625	252,337
Indonesian Rupiah	961,894	648,187
	3,424,077	2,509,811

(Amounts expressed in Sri Lankan Rs. '000)

**(c) Land compensation receivable**

**Pegasus Hotels of Ceylon PLC (PRH)**

The Government of Sri Lanka acquired approximately 1,605 perches of land owned by the subsidiary Pegasus Hotels of Ceylon PLC under section 38 provision (a) of the Land Acquisition Act, No.28 of 1964 by Gazette notification dated 14th May 2008 for the public purpose of building a fisheries harbor.

Accordingly, in the financial year 2008/09, PRH submitted a claim of compensation amounting to Rs. 563 mn for 1,251 perches of the acquired land with the expectation that the balance 353.89 perches of land, which consists largely of mangrove land, will be divested back to PRH as per Supreme Court order in November 2008 as discussed below. The said claim of Rs. 563 mn was made taking into account the market value of the property, potential economic value lost for hotel expansion and a value for nuisance that will be created for hotel operation by the said project. PRH recorded the carrying value of Rs. 189.5 mn as the compensation receivable at the time of acquisition, in the financial statements for the said 1,251 land extent based on the market value of the said land supported by a professional valuation conducted by Mr. K. Arthur Perera, A.M.I.V. (Sri Lanka), Valuer and Consultant, on prudence.

On the 353.89 perches of land which was supposed to be divested back to the PRH as per the Supreme Court order in November 2008, the PRH filed a Motion in the Supreme Court to obtain an order for the divestiture of title on 30.09.2016 on the basis that the harbor project is now completed. However, at the hearing of this Motion on 18th October 2016, the Supreme Court decided that no further orders can be made by the Supreme Court. Subsequently, on our inquiry from the Divisional Secretary, we were informed that the said 353.89 perches of land also will be used for the fisheries harbour project and called for a further claim of compensation for the said land too. Accordingly, on 26.10.2017 PRH submitted a further claim for the said 353.89 perches of land amounting to Rs.159.3 mn on the same claim basis as per the 1,251 perches of land. However, as a matter of prudence, PRH accounted only Rs. 43,310/- as the compensation receivable in the financial statements based on the historical purchase cost. Accordingly, the carrying value of said 353.89 perches of land amounting to Rs. 105,900,000/- has also been removed from the property, plant and equipment during the financial year 2017/18.

Subsequent to the Balance Sheet date, PRH received an official notification pertaining to our claim of compensation in respect of land extent of 353.89 perches, awarding a compensation of Rs. 5,459,500/- relating to the claim of Rs. 159.3 mn. The compensation claim for the balance land of 1,251 perches is yet to be announced until the conclusion of the ongoing land case in the District Court of Negombo which is still under hearing stage. However, as a matter of prudence PRH made a provision for the compensation receivable applicable for 1,251 perches of land also based on the criteria of compensation awarded for the aforesaid 353.89 perches. Accordingly, Rs. 145.2 mn provision was made on the compensation receivable for the year ended 31st March 2019. However, since the substantial component of 1,251 perches of land was not entirely mangrove land, hence could expect a better compensation than the amount awarded for the said 353.89 perches of mangrove land. PRH is taking steps to appeal against the said award of compensation (Rs. 5,459,500/-) to the Land Acquisition Board of Review.

Further, as at the reporting date, PRH has not received any confirmation from the Divisional Secretary on the value determination of the said claim made on 1,251 perches of land, pending the final determination of the court case described in note 44 (ii) (b) In the opinion of the lawyers' the said court case, may take further 1 year or more to reach a finality. If a ruling is made at District Court within such time estimation and the ruling is accepted by the losing party then the value determination of the claim would take place henceforth. However, further two appeal options are available for both parties at Provincial Civil Appellate Court and to the Supreme Court, if either party decided to contest the verdict of the District Court. Under these circumstances, even if a valuation is determined by the Government, such value will not be disclosed till the court cases have come to a finality.

The full compensation claim for the total land acquired of 1,605 perches stood Rs. 722 mn as of the reporting date, whilst the carrying value of the compensation receivable stood at Rs. 24.7 mn subsequent to the provisioning mentioned above.

**(d) Amounts due from related companies**

As at 31st March	Company	
	2020	2019
Current		
Carsons Management Services (Private) Limited	198,828	78,642
Equity Hotels Ltd	16,953	-
	215,781	78,642

Current amounts due from wholly owned group subsidiaries are unsecured, non-interest-bearing and are repayable on demand. These balances are expected to be settled in cash.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 30 TRADE AND OTHER FINANCIAL RECEIVABLES AND OTHER NON - FINANCIAL RECEIVABLES (Contd.)

#### (e) Plasma receivables

In accordance with the Indonesian government's policy, oil palm plantation companies are required to develop new plantations for the local communities within and around the company. A cooperative establishment is formed to take care of the landholder's rights and obligations and this form of assistance to local communities is generally known as the "Plasma Programme".

Plasma advances represent costs incurred for plasma plantation development and advances to Plasma farmers for working capital purposes during the early maturity stage. These include bearer plants and their infrastructures, covering costs incurred for land clearing, planting, upkeep, fertilisation, mature plantation management, harvesting and other indirect expenses. The advances will be subsequently recovered through revenue generated from the Plasma plantations.

Land rights of the Plasma plantation are mortgaged and pledged as security for obtaining bank loans from commercial banks in Indonesia. These land rights will be handed over to the Group upon the repayment of loan. In accordance with management agreements signed with the Plasma Corporative, which represent the Plasma members and the Group's subsidiary companies, these land titles can be retained by the Group as security until advances provided are paid in full through Plasma revenue.

#### (f) Expected credit losses

There are no material movement in allowance for expected credit losses of trade receivables based on lifetime ECL recorded by the Group during the financial year ended 31 March 2020 and 2019.

### 31 DERIVATIVE FINANCIAL INSTRUMENT

	Contract/ Notional amount	Asset	Liability	Contract/ Notional amount	Asset	Liability
As at 31st March	2020	2020	2020	2019	2019	2019
Non - current						
Embedded derivatives						
RCPS derivative	-	-	1,227,608	-	-	-
	-	-	1,227,608	-	-	-
Current						
Derivatives not designated as hedging instruments						
Foreign exchange forward contracts	8,253,679	14,446	-	8,466,583	59,156	-
Commodity swap contracts	314,681	-	3,418	-	-	-
Derivatives designated as hedging instruments						
Commodity swap contracts	1,101,668	-	45,970	-	-	-
Energy swap contracts	557,766	-	72,166	-	-	-
	10,227,794	14,446	121,554	8,466,583	59,156	-

The Group is exposed to certain risks relating to its ongoing business operations. The primary risks managed using derivative instruments are commodity price risk and foreign exchange risk. The Group's risk management strategy and how it is applied to manage risks is explained in Note 42.

#### Derivatives not designated as hedging instruments

##### Foreign currency risk

The Group entered into foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchase. These contracts are not designated in hedge relationships and are measured at fair value through profit and loss. No unrealised fair value changes (2019: US\$nil) in respect of these contracts were recognised in the statement of other comprehensive income since the Group has not adopted hedge accounting as of 31st March 2020.

(Amounts expressed in Sri Lankan Rs. '000)

### Commodity price risk

The Group's sells palm-based products as its main source of revenue a significant part of which is contributed by Crude Palm Oil (CPO) produced in its oil palm plantation business segment which is priced with reference to international market prices. CPO is subject to fluctuation in prices due to varying market forces. Management has entered into commodity swap contracts to hedge against the fluctuation in prices of its highly probable forecasted sales of CPO.

The Group also consumes diesel fuel as part of its operations for which the market prices also fluctuates. Management has entered into energy swap contracts to hedge against the price risk of its forecasted diesel consumption.

There are economic relationships between the hedged items and the hedging instruments as the terms of the commodity swap contracts as well as energy swap contracts match the terms of the expected highly probable forecast transactions and forecasted consumption of diesel respectively. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the commodity swap contracts and energy swap contracts are identical to the hedged risk components.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

The impact of the hedging instruments on the Group's balance sheet is as follows:

As at 31 March 2020	Notional amount	Carrying amount	Line item in balance sheet	Changes in fair value used for measuring ineffectiveness for the period
Commodity swap contracts	1,101,668	(45,958)	Derivative financial instruments	28,866
Energy swap contracts	557,766	(72,166)	Derivative financial instruments	

The impact of hedged items on the Group's balance sheet is as follows:

As at 31 March 2020	Changes in fair value used for measuring ineffectiveness for the period	Cash flow hedge reserve
Highly probable forecast sales of CPO	28,866	132,747
Forecasted diesel consumption	-	72,166

The effect of the cash flow hedge in the statement of profit or loss and other comprehensive income is as follows:

As at 31 March 2020	Total hedging gain recognised in OCI	Ineffectiveness recognised in profit or loss	Line item in the statement of profit or loss
Commodity swap contracts	128,696	27,238	Other operating expenses
Energy swap contracts	68,096	-	Other operating expenses
	196,792		

### Embedded derivative

Along with the Senior Secured Non-Amortizing Term Loan Facility disclosed in Note 37 the GAHL also issued Redeemable Convertible Preference Shares (RCPS) to the Lender under this facility. The RCPS holder has the option to convert to the preference shares to ordinary shares of the GAHL at any time during the term i.e. 6-years from issuance date of 3rd October 2019. The RCPS holder is entitled to dividends paid to ordinary shareholders of the GAHL from time to time. The RCPS also is redeemable at the end of the term for a pre-determined amount of cash if not converted to ordinary shares of the GAHL. The GAHL has accounted for the equity conversion option of the RCPS as a derivative liability.

The RCPS derivative has been separated and carried at fair value through profit or loss. The carrying value as at 31 March 2020 amounted to Rs.1,227 mn. ( US\$6,464,000)

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

32 CASH AND CASH EQUIVALENTS	Group		Company	
	2020	2019	2020	2019
As at 31st March				
Deposits				
F.C.B.U. deposits	12,877	14,552	-	-
Call deposits	623,434	128,818	-	-
Fixed deposits and Savings	10,303,964	11,981,754	50	50
Short - term deposits	10,940,275	12,125,124	50	50
Cash in hand and at bank	11,445,973	2,672,660	305,674	63,658
	22,386,248	14,797,784	305,724	63,708

**(a) Cash and cash equivalents denominated in foreign currencies as at 31st March are as follows:**

As at 31st March	Group	
	2020	2019
US Dollars (USD)	3,799,339	355,350
Indonesian Rupiah (IDR)	505,730	823,749
Malaysian Ringgit (MYR)	668,483	380,354
Indian Rupee (INR)	18,231	76,247
	4,991,783	1,635,700

Certain bank accounts of the Group have been pledged as security for bank borrowings. As at 31st March 2020, these accounts have a total amount of Rs. 161 Mn or equivalent to US\$ 849,000 (2019: Rs.422 Mn or equivalent to US\$ 2,398,000). There are no legal and contractual restrictions on the use of the pledged bank accounts.

Short-term deposits earn interest at floating rates based on daily bank deposit rates and are made for varying periods from one day to a week, depending on the immediate cash requirements of the Group. For the financial year ended 31 March 2020, Re Purchase Agreements (REPO's) placed in Sri Lanka earned interest of 7.30% to 8.90% per annum (2019: 7.8% to 9.5%) and nil ((2019: nil) per annum for USD short-term deposits (2019: 1.1% to 1.5% per annum). No interest was earned for Malaysian Ringgit ("MYR") and IDR shortterm deposits (2019: nil) as no funds were placed in these short-term deposits.

Certain deposits that are kept with banks are used as lien against the bank guarantees. The maturity of these deposits ranged from a period of a week to three months. For MYR deposits, interest earned ranged from 3.15% to 3.53% per annum (2019: 2.9% to 3.4% per annum). Any excess cash is further utilised to reduce the overdraft interest incurred.

**(b) For the purpose of the consolidated cash flow statement, cash equivalent comprise the following:**

As at 31st March	Group		Company	
	2020	2019	2020	2019
Short - term deposits	10,940,275	12,125,124	50	50
Cash-in-hand and at bank	11,445,973	2,672,660	305,674	63,658
	22,386,248	14,797,784	305,724	63,708
Short - term borrowings	(28,306,713)	(18,450,274)	(2,259,392)	(1,601,413)
	(5,920,465)	(3,652,490)	(1,953,668)	(1,537,705)

(Amounts expressed in Sri Lankan Rs. '000)

### 33 ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE AND DISCONTINUED OPERATION

#### i. Assets Held for Sale

As at 31st March 2020, non current assets of Arani Agro Oil Industries (Pvt) Ltd (AAOIL) is classified as held for sale as the management intends to recover the carrying amount principally through a sale transaction rather than through continuing use.

#### (a) Movement of assets held for sale

	2020	2019
Opening balance as at 1st April	702,927	660,825
Effect of movements in exchange rates	(12,395)	42,102
Closing Balance as at 31st March	690,532	702,927

#### (b) The information relating to assets that were classified as held for sale are stated below;

As at 31st March	2020	2019
Assets		
Property, plant & equipment	690,532	702,927
	690,532	702,927

#### (c) Assets pledged

Assets from discontinued operations that have been pledged as security for loans and borrowings include property plant and equipment amounting to Rs 566 Mn or equivalent to US\$2,980,000 (2019Rs 1,196 Mn or equivalent to US\$6,792,000).

#### (ii) Discontinued operations

Following the classification of assets of Arani Agro Oil Industries (Pvt) Ltd as held for sale and the liquidation of Sri Lanka Fund, the operational results of both companies have been classified and reported as Discontinued Operations. Further, the Agro Harapan Lastari Sdn Bhd has been liquidated during the year and there were no assets & liabilities or operational results for the current year.

#### (a) Result for the year from discontinued operations

	AAOIL	SLF	PF Sdn. Bhd.	Total	AAOIL
For the year ended 31st March	2020	2020	2020	2020	2019
Revenue	-	(12,824)	105,212	92,388	-
Direct operating expenses	-	-	(79,831)	(79,831)	-
	-	(12,824)	25,381	12,557	-
<b>Other items of income</b>					
Other income	7,836	-	18,253	26,089	7,080
<b>Other items of expenses</b>					
Distribution cost	-	-	(12,694)	(12,694)	-
Administrative expenses	(47,490)	(16,428)	(33,709)	(97,627)	-
Foreign exchange gain/(losses)	-	1,494	(1,632)	(138)	(54,841)
Loss from operations	(39,654)	(27,758)	(4,401)	(71,813)	(47,761)
Net finance cost	(105,669)	485	(8,103)	(113,287)	(112,404)
Loss before Income tax expenses	(145,323)	(27,273)	(12,504)	(185,100)	(160,165)
<b>Income tax expenses</b>					
Current taxation	-	-	(1,852)	(1,852)	-
Deferred taxation	-	-	-	-	-
Loss from discontinued operations, net of tax	(145,323)	(27,273)	(14,356)	(186,952)	(160,165)
Net impact from discontinued operations, net of tax	(145,323)	(27,273)	(14,356)	(186,952)	(160,165)

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 33 ASSETS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE AND DISCONTINUED OPERATION (Contd.)

(b) The information relating to assets and liabilities of the PFSB related to deemed disposal as at the date of dilution are stated below: (Note 24 (d))

30th Nov. 2019

Assets	
Property, plant and equipment	288,100
Inventories	57,539
Trade and other receivables	28,411
Cash and cash equivalents	122,814
	496,864
Liabilities	
Deferred tax liability	69,871
Trade and other payables	37,511
	107,382
Net assets directly associated with deemed disposal	389,482
Investment in associate recognised at fair value	556,136
Net assets directly associated with deemed disposal	(389,482)
Carrying amount of the non-controlling interest as at disposal date	181,772
Realization of currency translation reserve with deemed disposal	33,786
Gain on deemed disposal of a subsidiary	382,212

### (c) Net cash flows from discontinued operations

As at 31st March	Group	
	2020	2019
Net cash (outflows)/inflows from operating activities	(60,421)	38,423
Net cash outflows from investing activities	-	(6,235)
Net cash (outflows)/inflows	(60,421)	32,187

(Amounts expressed in Sri Lankan Rs. '000)

### 34 STATED CAPITAL

As at 31st March	Group/Company			
	No of shares		Stated capital	
	2020	2019	2020	2019
At the beginning/end of the year	196,386,914	196,386,914	1,114,652	1,114,652
	196,386,914	196,386,914	1,114,652	1,114,652

- (a)** The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder meetings of the Company. All ordinary shares rank equally with regard to the right to the Company's net assets at the point of distribution.

### 35 CAPITAL RESERVE

As at 31st March	Group		Company	
	2020	2019	2020	2019
Represented by				
Capital accretion reserve	287,552	287,552	287,552	287,552
Revaluation reserve (Note a)	988,164	1,027,723	-	-
Other capital reserves (Note b)	1,471,176	1,471,176	-	-
	2,746,892	2,786,451	287,552	287,552

**(a) Revaluation reserve**

This relates to the revaluation of property plant and equipment immediately before its reclassification as investment property.

**(b) Other capital reserves**

Represents the amounts set aside by the Directors for future expansion and to meet any contingencies.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

As at 31st March		Group		Company			
		2020	2019	2020	2019		
<b>36 REVENUE RESERVES</b>							
Represented by							
Currency translation reserve (Note a)		(7,407,863)	(3,703,407)	-	-		
Revenue reserve		327,131	326,755	-	-		
FVOCI Reserve (Note b)		3,234,801	3,595,320	2,777,430	3,096,646		
Cash flow hedging Reserve (Note c)		(104,949)	-	-	-		
Retained earning		27,053,835	28,188,649	7,303,319	7,543,835		
		23,102,955	28,407,317	10,080,749	10,640,481		
<b>(a) Currency translation reserve</b>							
Foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.							
<b>(b) FVOCI Reserve</b>							
This consists of net unrealised gain/(loss) arising from change in the fair value of available for sale financial assets and excluding cumulative impairments losses incurred as at the reporting date.							
<b>(c) Cash flow hedging Reserve</b>							
This represent the cumulative fair value changes, net of the derivative contracts designated as cash flow hedges							
<b>37 INTEREST BEARING BORROWINGS</b>							
As at 31st March		Note	Maturity	Group		Company	
				2020	2019	2020	2019
Current Liabilities							
Secured							
Long term borrowings							
- amount due within one year		A	2021	4,553,246	9,368,227	-	-
Revolving/short							
- term loan facilities		B	2021	8,545,950	3,944,416	-	-
working capital facilities		B	2021	4,934,541	6,866,684	-	-
Lease liabilities		C	2021	305,302	173,449	-	-
				18,339,039	20,352,776	-	-
Unsecured							
Long term borrowings							
- amount due within one year			2021	1,217,748	1,581,220	-	-
working capital facilities			2021	16,070,258	8,511,161	2,267,786	1,609,594
Lease liabilities			2021	50,514	-	-	-
				17,338,520	10,092,381	2,267,786	1,609,594
Total loan payable within the year				35,677,559	30,445,157	2,267,786	1,609,594

(Amounts expressed in Sri Lankan Rs. '000)

<b>37 INTEREST BEARING BORROWINGS (Contd.)</b>						
As at 31st March	Note	Maturity	Group		Company	
			2020	2019	2020	2019
Non - Current Liabilities						
Secured						
Long term borrowings	A	2025 - 2026	48,831,855	39,158,769	-	-
Redeemable Convertible						
Preference Shares (RCPS)	A	2026 - 2026	2,044,539	-	-	-
Lease liabilities	C	2021 - 2023	237,600	150,190	-	-
			51,113,994	39,308,959	-	-
Unsecured						
Long term borrowings			2,190,557	3,383,583	-	-
Lease liabilities			278,626		-	-
			2,469,183	3,383,583	-	-
Total Long term bank borrowings - amount due after one year			53,583,177	42,692,542	-	-
Total loans and Borrowings			89,260,736	73,137,699	2,267,786	1,609,594
As at 31st March					Group 2020	2019
<b>(iii) Long term Bank Borrowings</b>						
Movement in Long - Term Borrowings						
Balance as at the beginning of the year				53,491,799	51,492,203	
Cash Movement						
Obtained during the year				46,280,793	4,061,262	
Re - payments during the year				(45,977,536)	(7,563,712)	
Non cash Movement						
Interest accrued during the year				245,089	-	
Impact on exchange rate changes on conversion				3,632,857	5,619,842	
Unamortized transaction cost				(879,596)	(117,796)	
				56,793,406	53,491,799	
Amounts falling due within one year				(5,770,994)	(10,949,447)	
Amounts falling due after one year				51,022,412	42,542,352	
<b>Term Loan denominated in foreign currencies as at 31st March are as follows:</b>						
As at 31st March				Group 2020	2019	
Malaysian Ringgit (MYR)				4,429,427	5,118,056	
US Dollar (USD)				64,480,704	51,078,955	
Indian Rupee (INR)				-	2,719,181	
				68,910,131	58,916,192	

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 37 INTEREST BEARING BORROWINGS (Contd.)

#### A LONG-TERM LOANS (GOODHOPE ASIA HOLDINGS LTD (GAHL) AND ITS SUBSIDIARIES)

Group's long-term loans are secured by pledge over GAHL's certain properties, plant and equipment and certain bank accounts together with the Corporate Guarantee from the GAHL and certain subsidiaries.

##### (a) Senior Secured Amortizing Term Loan Facility

In September 2019, GAHL secured a USD 170 million, 5-year Senior Secured Amortizing Term Loan Facility from a consortium of banks to partly refinance the then existing senior long-term loan at the Group's Oil Palm Plantations segment. This facility is fully drawn as at 31st March 2020. Repayments commence from March 2020 on a bi-annual basis over the term.

##### (b) Senior Secured Non-Amortizing Term Loan Facility

In September 2019, GAHL together with its subsidiary plantation companies secured a USD 105 million, 6-year Senior Secured Non-Amortizing Term Loan Facility, from a private credit arm of a global investment and private equity firm, to refinance part of the existing senior debt at and to support the development plans of the Group's Oil Palm Plantation segment and for other general corporate purpose. This facility is fully drawn as at 31st March 2020.

- (c) GAHL issued Redeemable Convertible Preference Shares (RCPS) to the Lender under this facility. RCPS holder has the option to convert to Ordinary Shares of the GAHL at any time during the term i.e. 6-years from issuance date of 3rd October 2019. RCPS has to be redeemed at the end of the term at a pre-determined amount if not converted to ordinary shares of the GAHL already. It is a zero-coupon instrument. However RCPS holder is entitled to dividends paid to ordinary shareholders of GAHL from time to time. Details on derivative instrument of RCPS is disclosed under Note 31.

#### B SHORT TERM LOAN FACILITIES (GOODHOPE ASIA HOLDINGS LTD (GAHL) AND ITS SUBSIDIARIES)

##### (a) Working Capital Facilities

These facilities are secured by certain stocks and trade receivables of certain GAHL subsidiaries together with Corporate Guarantee from GAHL.

##### (b) Revolving/Short-term Loan Facilities

Some of these facilities are secured by a Corporate Guarantee from the GAHL.

#### C LEASES

Lease obligations are secured by a charge over the leased assets.

##### Effective interest rates

The effective interest rates per annum of the GAHL Group's USDollar loans and borrowings as at the balance sheet date are as follows:

As at 31st March	2020	2019
Lease liabilities	4.52% - 11.79%	9.85% - 11.79%
Short-term loans	6.25%	6.27%
Long-term bank loans	7.32%	5.78%

(Amounts expressed in Sri Lankan Rs. '000)

The Group adopted SLFRS 16, 'Leases', with effect from 1 April 2019, using modified retrospective method from 1 April 2019, without restating comparatives for the 2018/19 reporting period, as permitted under the specific transitional provisions in the standard.

The Group has lease contracts for various items of Land & buildings, warehouse, equipment, machinery and vehicles used in its operations. Leases of buildings generally have lease terms between 1 and 6 years, while equipment, machinery and vehicles generally have lease terms between 1 and 5 years. The land where the Equity Hotels Limited is located, in Polonnaruwa, is on a 30 year lease from 01st January 1997 to 31st December 2026 with the option for renewal. During the lease period, the Equity Hotel has the right to use the land to construct and operate a tourist hotel, approved and categorised by the Sri Lanka Tourist Board.

The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios.

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

**a) Right of use assets**

Set out below, are the carrying amounts of the Group's right of use assets and the movements for the period ended 31st March 2020.

	Land/Building/ Warehouse	Motor vehicles	Heavy equipment	Total
As at 1st April 2019	-	184,366	238,602	442,969
Origination from initial application of SLFRS - 16	445,211	-	-	445,211
	445,211	184,366	238,602	868,180
Additions	81,028	263,018	210,128	554,174
Depreciation expense	(136,812)	(71,716)	(47,691)	(256,219)
Disposal	-	-	(13,985)	(13,985)
Effect of movements in exchange rates	6,594	(19,464)	(22,887)	(35,758)
Reclassified from operating assets	-	18,108	29,583	47,691
Transfer	-	-	7,530	7,530
As at 31st March 2020	396,021	374,313	401,280	1,171,613

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

<b>b) Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year:</b>		Lease Liabilities
As at 1st April 2019		306,925
Origination from initial application of SLFRS 16		448,781
		755,706
Additions		479,948
Accretion of interest		100,232
Payments		(465,357)
Reclassified as operating liabilities		17,033
Effect of movements in exchange rates		(15,520)
As at 31st March 2020		872,042
Current		355,816
Non-current		516,226
		872,042
<b>c) Following are the amounts recognised in profit or loss for the year ended 31st March 2020</b>		
Depreciation expense of right-of-use assets		256,219
Interest expense on leases liabilities		100,232
Total amount recognised in profit or loss		356,451

**d)** The Group had total cash outflows for leases of Rs. 348.3 mn during the year. The Group also had non-cash additions to right-of-use assets and lease liabilities of Rs 451 mn during the year.

(Amounts expressed in Sri Lankan Rs. '000)

38 TRADE AND OTHER FINANCIAL PAYABLES AND OTHER NON-FINANCIAL LIABILITIES	Group		Company	
	As at 31st March	2020	2019	2020
<b>Non Current</b>				
<b>Other financial payables</b>				
Rental and telephone deposits [Note 38 a]	73,163	87,368	-	-
	73,163	87,368	-	-
<b>Other non financial liabilities</b>				
Employee benefits (Note 39)	1,165,496	1,310,188	-	-
Plasma payable	-	32,869	-	-
Total other non financial liabilities	1,165,496	1,343,057	-	-
<b>Current</b>				
<b>Trade payables</b>				
Trade payables	5,761,875	3,941,910	-	-
	5,761,875	3,941,910	-	-
<b>Other financial payables</b>				
Customer deposits (Note 38 b)	1,715,620	1,456,224	-	-
Taxes payable	370,337	2,208,093	-	-
Accrued expenses	4,005,149	2,826,357	152,430	141,474
Other creditors	4,360,341	3,365,141	27,290	84,783
Total other financial payables	10,451,447	9,855,815	179,720	226,257
Total trade and other financial payables	16,286,485	13,885,093	179,720	226,257
Total trade and other payable - Non Current	1,238,659	1,430,425	-	-
Total trade and other payable - Current	16,213,322	13,797,725	179,720	226,257
<b>Financial liabilities carried at amortised cost</b>				
Trade and other financial - current payables	16,213,322	13,797,725	179,720	226,257
Other financial payables - non-current	73,163	87,368	-	-
Loans and borrowings	89,260,736	73,137,699	2,267,786	1,609,594
Debenture	-	2,078,285	-	-
Total financial liabilities carried at amortised cost	105,547,221	89,101,077	2,447,506	1,835,851

Term and condition of the above current Financial liabilities:

- Trade payables are non - interest bearing and are normally settled in 60 to 90 day terms.
- Other payables are non - interest bearing and have an average term of six months.

#### (a) Rental Deposits

As at 31st March	Group	
	2020	2019
Balance as at the beginning of the year	87,368	87,695
Receipts during the year	4,019	11,788
Transferred to deferred revenue	(4,826)	(15,906)
Refunds during the year	(21,463)	(5,034)
Unwinding of interest on refundable deposits	8,065	8,825
Balance as at the end of the year	73,163	87,368

The above rental and telephone deposits are re-payable on termination of the tenancy agreements in the real estate sector.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

<b>38 TRADE AND OTHER FINANCIAL PAYABLES AND OTHER NON-FINANCIAL LIABILITIES (Contd.)</b>		
<b>(b) Customer Deposits</b>		
As at 31st March	2020	Group 2019
Balance as at the beginning of the year	1,456,224	1,164,261
Receipts during the year	259,396	298,961
Refunds made during the year	-	(6,998)
Balance as at the end of the year	1,715,620	1,456,224
Customer deposits are taken as security against the containers with the agents in the beverage sector.		
<b>(c) Trade payable denominated in foreign currencies are as follows</b>		
As at 31st March	2020	Group 2019
Currency		
US Dollar (USD)	250,871	113,754
Malaysian Ringgit (MYR)	552,828	617,195
Indonesian Rupiah (IDR)	3,960,383	2,566,688
	4,764,082	3,297,637
<b>(d)</b> An order has been made for the enforcement of an ex-parte judgment (in default of appearance) issued against the Company by an overseas Court for a sum of Sterling Pounds 271,323.38 plus costs, in an action filed by a former consultant of the Company. The Company appealed against the said enforcement order in the High Court of Civil Appeals and the said court delivered judgment against the Company. The Company filed a leave to appeal application in the Supreme Court and the case is still pending in the Supreme Court. The potential liability is fully provided for under accrued expenses.		
<b>39 EMPLOYEE BENEFITS</b>		
As at 31st March	2020	Group 2019
The amounts recognized in the profit or loss are as follows:		
Current service cost	170,786	199,195
Interest cost	111,451	113,443
Past service costs	7,026	(4,641)
Immediate recognition on new entrants	9,574	15,533
Curtailed gain	(21,255)	(48,546)
Adjustment on the previous year	2,427	11,163
Total employee benefit expense	280,009	286,147
The details of employee benefit liability as at 31st March 2020 and 2019 are as follows:		
Present value of unfunded obligations	1,165,496	1,310,188
	1,165,496	1,310,188

(Amounts expressed in Sri Lankan Rs. '000)

### 39 EMPLOYEE BENEFITS (Contd.)

As at 31st March	Group	
	2020	2019
The movement in the liabilities recognized in the Statement of Financial Position is as follows:		
Balance as at the beginning of the year	1,310,188	1,462,835
Provision for the year	280,009	286,147
Payments made during the year	(140,417)	(151,394)
Gain on employee benefits recognized in other comprehensive income	(223,135)	(400,463)
Termination Cost	-	(7,132)
Effect of movements in exchange rates	(61,149)	120,195
Balance as at the end of the year	1,165,496	1,310,188

#### (a) Accounting judgements, estimates and assumptions

##### Employee benefit liability

The employee benefit liability of the Group is based on the actuarial valuations carried out by Independent actuarial specialists. The actuarial valuations involve making assumptions about discount rates and future salary increases. The complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The actuarial valuation was made using the following assumption:

	Sri Lanka	Indonesia
Discount rate	10% - 12% per annum	8.67% per annum
Future salary increment rate	8% - 10% per annum	4% per annum
Mortality rate	A 1967/70 Mortality Table, issued by the Institute of Actuaries, London was used.	Indonesian Table of Mortality year 2019
Disability rate		10% of mortality rate
Retirement age	55 years	55 years

#### (b) Sensitivity analysis on the key assumptions used in actuarial valuation is as follows:

2020	Discount Rate		Future Salary Increments	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Consolidated Financial Statements				
Employee benefit liability				
Sri lankan Subsidiaries	(32,616)	137	1,411	(34,019)
Overseas Subsidiaries	(63,810)	73,305	80,332	(70,647)
2019	Discount Rate		Future Salary Increments	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Consolidated Financial Statements				
Employee benefit liability				
Sri lankan Subsidiaries	(14,131)	16,014	17,216	(15,641)
Overseas Subsidiaries	(83,467)	96,850	103,365	(90,158)

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

40 NET ASSETS PER SHARE	As at 31st March	Group		Company	
		2020	2019	2020	2019
	Total Equity	55,185,963	63,893,865	11,482,953	12,042,685
	Less				
	Non -controlling interest	(28,221,465)	(31,585,445)	-	-
	Total equity attributable to owners of the Company	26,964,498	32,308,420	11,482,953	12,042,685
	Number of ordinary shares used as the denominator				
	Ordinary shares in issue (Nos.)	196,386,914	196,386,914	196,386,914	196,386,914
	Net Assets per Share (Rs.)	137.30	164.51	58.47	61.32
<b>41 FAIR VALUE OF FINANCIAL INSTRUMENTS</b>					
<b>(a)</b>	According to accounting classification and fair value, classes of financial instruments that are not carried at fair value and of which carrying amounts are a reasonable approximation of fair value are current portion of trade and other receivables (Note 30), cash and cash equivalents (Note 32), trade and other payables (Note 38) and loans and borrowings (Note 37). The carrying amounts of these financial assets and liabilities are a reasonable approximation of fair values, either due to their short term nature or that they are floating rate instruments that are repriced to market interest rates on or near the reporting date.				
<b>(b)</b>	Fair value of assets and liabilities that are carried at fair value - Group				
	The following table shows an analysis of assets and liabilities carried at fair value by level of fair value hierarchy:				
	As at 31st March	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	2020				
	Assets measured at fair value				
	Financial assets:				
	Investment in equity and debt securities - Non current	4,807,828	-	-	4,807,828
	Investment in equity and debt securities - Current	7,496,826	-	344,062	7,840,888
	Investment in Unit trust	-	-	602,690	602,690
	Derivative financial instrument	-	14,446	-	14,446
	As at 31st March 2020	12,304,654	14,446	946,752	13,265,852
	Non-financial assets:				
	Biological assets	-	-	1,557,026	1,557,026
	Assets held for sale	-	-	690,532	690,532
	Investment properties	-	-	4,396,967	4,396,967
	Freehold Land & Buildings	-	-	8,614,657	8,614,657
	As at 31st March 2020	-	-	15,259,182	15,259,182
	Liabilities measured at fair value				
	Financial liabilities				
	Derivative financial instrument	-	121,554	1,227,608	1,349,162
	As at 31st March 2020	-	121,554	1,227,608	1,349,162

(Amounts expressed in Sri Lankan Rs. '000)

41 FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd.)					
As at 31st March	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	
2019					
Assets measured at fair value					
Financial assets:					
Investment in equity and debt securities - Non current	5,342,032	-	-	5,342,032	
Investment in equity and debt securities - Current	9,275,963	-	455,743	9,731,706	
Investment in Unit trust	-	-	270,091	270,091	
Derivative financial instrument	-	59,156	-	59,156	
As at 31st March 2019	14,617,995	59,156	725,834	15,402,985	
Non-financial assets:					
Biological assets			1,497,067	1,497,067	
Assets held for sale	-	-	702,927	702,927	
Investment properties	-	-	3,878,996	3,878,996	
Freehold Land & Buildings	-	-	8,038,199	8,038,199	
As at 31st March 2019	-	-	14,117,189	14,117,189	
Liabilities measured at fair value					
Financial liabilities	-	-	-	-	
Derivative financial instrument	-	-	-	-	
As at 31st March 2019	-	-	-	-	

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### (c) Fair value of financial and non financial assets and liabilities

#### Fair value hierarchy

The table below analyses financial and non financial assets and liabilities carried at fair value, by the levels in the fair value hierarchy. The different levels have been defined as follows.

Level 1 : Availability of quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 : Use of inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : Use of inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### Methods and assumptions used to determine fair values

The methods and assumptions used by the management to determine the fair values of financial and non financial assets and liabilities other than those carrying amounts reasonably approximate to their fair values as mentioned in Note 41(b), are as follows:

Financial & non financial assets/Liability category	Fair Value Basis , Valuation techniques	Fair Value Hierarchy
Quoted equity instruments	fair value is determined directly by reference to last market price as at the balance sheet date	Level 1
Investment in Unit Trusts	Use of inputs for the assets or liability that are not based on observable market data.	Level 3
Biological Assets	Fair value of biological assets has been determined based on the market price and the estimated yield of FFB, net of maintenance and harvesting costs, overhead costs and estimated cost to sell. Please refer to Note 21 for more details	Level 3
RCPS derivative	Fair value of RCPS derivative has been determined by using the valuation technique of binominal lattice model. Unobservable inputs are Equity value range of 2,380 IDR and Annual Volatility of stock returns range 29.9%	Level 3
Investment properties	The fair value of investment property is based on current and estimated future rental income generated from comparable properties	Level 3
Freehold Land & Buildings	Market approach/Existing use	Level 3

### Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used:

Company	Valuation Technique	Assumptions/ Unobservable inputs	Values/Percentages	Inter-relationship between significant Unobservable inputs and fair value measurement
Findmyfare (Pvt) Ltd*	Enterprise Value(EV) to Gross Booking Value(GBV) Multiple	GBV Growth rate	CAGR - 16-17%	The estimated fair value would increase / (decrease) if: - the growth rate was higher / (lower)
		Discount Rate	22%	- the discount rate was lower / (higher)
hSenid Business Solutions (Pvt) Ltd	Free cash flow valuation using Adjusted Present Value Method (APV)	Discount Rate	20%	The estimated fair value would increase / (decrease) if: - the discount rate was lower / (higher)
		Revenue growth	CAGR 13-14%	- the growth rates of products were higher / (lower)
		Operating Margin	Range - 14%-19%, average - 17%	- the operating margin was higher / (lower)

(Amounts expressed in Sri Lankan Rs. '000)

#### 41 FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd.)

##### (d) Movements in Level 3 assets and liabilities measured at fair value:

Fair value of financial instruments by classes that are not carried at fair value and of which carrying amounts are reasonable approximation of fair value are, Current trade and other financial receivables and payables, current and non-current loans and borrowings at floating rate, other bank deposits and cash and bank balances. The carrying amounts of these financial assets and liabilities are a reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

As at 31st March	Investment in equity securities unquoted	Biological assets	Private Equity	Total
As at 1st April 2018	102,553	1,724,203	115,009	1,941,765
Total loss recognised in the income statement				
Net gain arising from changes in fair value of assets	-	(392,859)	-	(392,859)
Total loss recognised in the other comprehensive income				
Foreign currency translation	-	165,723	-	165,723
Change in fair value	(1,220)	-	34,752	33,532
Written off	(2,447)	-	-	(2,447)
Movements in assets	(5)	-	-	(5)
As at 31st March 2019	98,881	1,497,067	149,761	1,745,709
Total loss recognised in the income statement				
Net gain arising from changes in fair value of assets	-	158,646	-	158,646
Total loss recognised in the other comprehensive income				
Foreign currency translation	-	(98,687)	-	(98,687)
Change in fair value	2,568	-	-	2,568
Written off	-	-	-	-
Movements in assets	102,963	-	(10,111)	92,852
As at 31st March 2020	204,412	1,557,026	139,650	1,901,088

There have been no transfers from level 1, level 2 or level 3 for the financial years ended 31st March 2020 and 31st March 2019.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 42 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

#### Financial assets and liabilities by categories in accordance with SLFRS 9 - Group

As at 31st March	Financial assets at fair value through OCI	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial liabilities measured at amortised cost	Total carrying amount
<b>Financial assets</b>					
Investment in equity securities	4,807,828	7,840,888	-	-	12,648,716
Investment in unit trust	-	602,690	-	-	602,690
Trade and other financial receivables	-	-	5,604,188	-	5,604,188
Derivative financial instruments	-	14,446	-	-	14,446
Cash and cash equivalents	-	-	22,386,248	-	22,386,248
	4,807,828	8,458,024	27,990,436	-	41,256,288
<b>Financial liabilities</b>					
Long term borrowings	-	-	-	56,793,406	56,793,406
Redeemable Convertible Preference Shares (RCPS)	-	-	-	2,044,539	2,044,539
Finance lease liabilities	-	-	-	872,042	872,042
Trade and other financial payables	-	-	-	16,286,485	16,286,485
Derivative financial instrument	-	1,349,163	-	-	1,349,163
Short term borrowings	-	-	-	29,550,749	29,550,749
	-	1,349,163	-	105,547,221	106,896,384
<b>As at 31st March 2019</b>					
<b>Financial assets</b>					
Investment in equity securities	5,342,032	9,731,706	-	-	15,073,738
Investment in unit trust/Debentures	-	270,091	-	-	270,091
Trade and other financial receivables	-	-	4,946,270	-	4,946,270
Derivative financial instruments	-	59,156	-	-	59,156
Cash and cash equivalents	-	-	14,797,784	-	14,797,784
	5,342,032	10,060,953	19,744,054	-	35,147,039
<b>Financial liabilities</b>					
Long term borrowings	-	-	-	53,491,799	53,491,799
Debentures	-	-	-	2,078,285	2,078,285
Finance lease liabilities	-	-	-	323,639	323,639
Trade and other financial payables	-	-	-	13,885,093	13,885,093
Short term borrowings	-	-	-	19,322,261	19,322,261
	-	-	-	89,101,077	89,101,077

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its credit, liquidity, interest rate, foreign currency, commodity price and market price risk. The Group's overall risk management strategy seeks to minimize adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group uses relevant financial instruments to hedge the risks of commercial exposure. Such financial instruments are not held for trade or speculative purposes. These market risk management activities are governed by the risk management framework and systems. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks for the financial years ended 31st March 2020 and 31st March 2019. Mechanisms adopted by the Group in managing eventual impact of such risks are given overleaf.

(Amounts expressed in Sri Lankan Rs. '000)

## 1 Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should an external default occur on its obligations. The carrying amount of trade and other receivables, amounts due from related companies and bank balances represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

Credit risk with respect to accounts receivable is limited due to the creditworthiness of the Group's customer base. Management regularly monitors the creditworthiness of its customers and believes that it has adequately provided for any exposure to potential credit losses.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all third-party customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset whether there has been a significant increase in credit risk on an on-going basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, when they fall due, which are derived based on the Group's historical information and forward-looking factors.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward looking information which includes the following indicators:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations.
- Actual or expected significant changes in the operating results of the counterparty
- Significant changes in the expected performance and behaviour of the counterparty including changes in the payment status of the borrowers in the Group and changes in the operating results of the counterparty

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the counterparty
- A breach of contract, such as default or past due event
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

The Group computes expected credit loss for the Group of financial assets using the probability of default approach. In calculating the expected credit loss rates, the Group considers implied probability of default from external rating agencies where available and historical loss rates for each category of counterparty, and adjusts for forward looking factors.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 42 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (Contd.)

A summary of the Group's internal grading category in the computation of the Group's expected credit loss model for the debt instruments and loans is as follows:

Category	Definition of category	Basis for recognition of expected credit loss provision (ECL)
Grade I	Customers have a low risk of default and have a strong capacity to meet contractual cashflows.	12-month ECL
Grade II	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.	Amount is written-off

#### Trade receivables

The Group provides for lifetime expected credit losses for trade receivables using a provision matrix. The provision rates are determined based on Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The loss allowance provision as at 31 March 2020 and 2019 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions of the industries.

#### Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular region.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

#### Exposure to credit risk

As the Group do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

#### Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables and other financial receivable at the end of the reporting period is as follows:

As at 31st March	2020	2020	2019	2019
		% of total		% of total
Investment Holding/Portfolio and Asset Management	14,470	0%	42,299	1%
Oil Palm Plantations	1,976,520	35%	1,357,433	28%
Oils & Fats	2,679,706	48%	2,028,352	42%
Beverage	828,789	15%	1,399,301	28%
Real Estate	35,762	1%	24,558	0%
Leisure	43,680	1%	69,390	1%
Management Services	502	0%	178	0%
	5,579,429	100%	4,921,511	100%

(Amounts expressed in Sri Lankan Rs. '000)

The credit risk for the trade and other receivable at the end of the reporting period by geographical segment is as follows:

As at 31st March	2020	2020	2019	2019
		% of total		% of total
Sri Lanka	935,711	17%	1,538,965	31%
Malaysia	2,544,373	45%	1,889,533	38%
Indonesia	1,556,568	28%	1,354,278	28%
India	140,168	3%	138,703	3%
Singapore	402,609	7%	32	0%
	5,579,429	100%	4,921,511	100%

### Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with credit worthy debtors with good payment record with the Group. Cash at bank and short-term deposits that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings with no history of default.

## 2 Liquidity Risk

Both at Company and Group level short term liquidity constraints are indicated by the current ratio etc. However, such indications have not affected the day to day activities of the Company or the Group due to prudent operational discipline and mitigating circumstances that are expected to manifest with the economic and operational recovery. The Group actively manages its operating and financing cash flows to ensure all refinancing, repayment and investment needs are satisfied. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. In addition, the Group strives to maintain unutilised banking facilities of a reasonable level compared to its overall debt. The Group raises committed funding from both capital markets and financial institutions and prudently balance its debt maturity profile with a mix of short and longer term funding to achieve overall cost effectiveness. In the event of acute liability restrictions Group has resorted to liquidating non-strategic, least yielding investments and fixed assets in the past to meet urgent current liabilities which cannot be re-scheduled. Liquidity restrictions of subsidiary levels will and can affect their dividend payment policies which in turn will affect the cashflows of the parent entity.

At Company level, such cascading events and possible need for equity capital infusions will impact the liquidity of the parent Company. Restricted capital expenditure, internalized cost management, disposal of non-strategic investments and revising own dividend payment policies would be the mitigating steps taken at the parent company level.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the segment treasury. The Treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above mentioned forecasts.

As at 31st March	Group		Company	
	2020	2019	2020	2019
Total cash and bank balances	22,386,248	14,797,784	305,724	63,708
Less: Fixed deposits pledged for bank facilities	(161,234)	(422,264)	-	-
Less: Other deposits with more than 3 months maturity	(10,779,041)	(11,702,860)	-	-
Less: Bank overdrafts and short term loans	(29,550,749)	(19,322,261)	(2,267,786)	(1,609,594)
Cash and cash equivalents	(18,104,776)	(16,649,601)	(1,962,062)	(1,545,886)
Net cash flows generated from operating activities	5,312,077	7,334,846	(211,180)	(46,057)
Net cash flows used in investing activities	(7,959,373)	(5,123,036)	-	(281,671)
Net cash flows generated from financing activities	379,321	(5,166,862)	(204,783)	(240,536)
Net cash movement	(2,267,975)	(2,955,052)	(415,963)	(568,264)

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 42 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (Contd.)

Major application of funds in FY2020 was as follows

Rs 7.6 Bn was used to fund our capital expenditure for plantations development, property, plant and equipment (2019: Rs. 6 Bn). Major additions of property, plant and equipment during the year included Oil Mill, Indonesia.

Group	One year or less	One to five years	Total
<b>2020</b>			
<b>Financial assets</b>			
Investment in equity securities - Non current	-	4,807,828	4,807,828
Investment in equity securities - current	7,496,826	-	7,496,826
Trade and other financial receivables	5,579,429	24,759	5,604,188
Derivative financial instruments	14,446	-	14,446
Cash and cash equivalents	22,386,248	-	22,386,248
Total undiscounted financial assets	35,476,949	4,832,587	40,309,536
<b>Financial liabilities</b>			
Trade and other financial payables	16,213,322	73,163	16,286,485
Loans and borrowings	35,677,559	53,583,177	89,260,736
Derivative financial instruments	121,554	1,227,608	1,349,162
Total undiscounted financial liabilities	52,012,435	54,883,948	106,896,383
Total net undiscounted financial liabilities	(16,535,486)	(50,051,361)	(66,586,847)
<b>2019</b>			
<b>Financial assets</b>			
Investment in equity securities - Non current	-	5,342,032	5,342,032
Investment in equity securities - current	9,275,963	-	9,275,963
Trade and other financial receivables	4,921,511	24,759	4,946,270
Derivative financial instruments	59,156	-	59,156
Cash and cash equivalents	14,797,784	-	14,797,784
Total undiscounted financial assets	29,054,414	5,366,791	34,421,205
<b>Financial liabilities</b>			
Trade and other financial payable	13,797,725	87,368	13,885,093
Loans and borrowings	30,445,157	42,692,542	73,137,699
Debentures	2,078,285	-	2,078,285
Total undiscounted financial liabilities	46,321,167	42,779,910	89,101,077
Total net undiscounted financial liabilities	(17,266,753)	(37,413,119)	(54,679,872)

(Amounts expressed in Sri Lankan Rs. '000)

The table below shows the contractual expiry by maturity of the Group's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called in.

As at 31st March	Group	
	2020	2019
Financial guarantees		
One year or less	12,756,635	18,789,860
One to five years	33,417,703	39,591,019
Over five years	19,940,550	51,066
	66,114,888	58,431,945

### 3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity price and equity prices, will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

#### (a) Commodity price risk (GAHL Group)

The GAHL Group's primary source of cash inflows are from the sale of palm based products. The GAHL Group prices its CPO and PK produced in the oil palm plantation business segment with reference to the international market prices. These commodities are subject to fluctuation in prices, due to varying market forces.

The Group manages the impact of such price volatility on its cash flows, by hedging its sales by entering into forward sale contract or by hedging its sales through CPO futures where required. The GAHL Group has not adopted hedge accounting as at 31 March 2020.

As at 31st March 2020 had the prices of CPO and PK been 5 % higher/lower with all other variables held constant, profit before tax would have increased/decreased by US\$ 10,335,000 (2019: US\$ 9,022,000).

CPO, PK and PKO are also key raw materials in GAHL Group's edible oils and fats business segment. These are as stated above freely traded market commodities and are subject to varying market forces that determine its prices.

In the edible oils and fats business segment, the GAHL Group manages the impact of such price volatility on its cash flows, by hedging its purchases either by entering into forward purchase contract or through a back-to-back purchase arrangement for the respective sales or taking hedging positions in Bursa Malaysia Derivatives ("BMD").

#### (b) Equity price risk (Guardian (CGIT) Group)

The CGIT Group operate as an investment house, where the principle activity of each of the Companies within the Group being to act as specialized investment vehicle to undertake, among others; listed and private equity investments, the CGIT Group is categorically exposed to equity price risk. Having a substantial portion of 98% (2019- 98%) of its investment portfolio designated as listed investments in the Colombo Stock Exchange and private equity investments, market volatilities bring in substantial volatility to the CGIT Groups earnings and value of its asset base at the reporting date.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 42 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (Contd.)

#### Management of market price risk

##### Listed equity

Management of the CGIT Group monitors the mix of debt and equity securities in its investment portfolio based on market indices, where decisions concerned with the timing of buy/sell decisions are well supported with structured in-house research recommendations. Transactions of a major magnitude within the portfolio are subject to review and approval by the Investment Committee.

##### Private equity investments

Due evaluations are carried out before-hand, extending to both financial and operational feasibility of the private equity projects that the CGIT Group ventures into, with a view to ascertain the respective company's investment decision and the risks involved. Continuous monitoring of the operations against the budgets and the industry standards ensure that the projects meet the desired outcome, and thereby the returns. Further, the CGIT Group generally carries investment agreements with the parties concerned, which carry specific 'exit clauses' to private equity projects - typically an 'Initial Public Offering' or a 'Buy-out' at a specified price formula, which provides cover to a certain extent against movements in market conditions.

#### Investment in equity securities - Quoted shares at fair value through profit or loss

As at 31st March	Group			
	2020	% of total	2019	% of total
Banks	1,667,909	22%	2,564,330	28%
Chemicals & Pharmaceuticals	80	0%	80	0%
Capital goods	730,659	10%	817,638	9%
Consumer Durables & Apparel	93,111	1%	149,093	2%
Consumer service	85,367	1%	148,172	2%
Diversified financials	2,109,876	28%	1,864,730	20%
Energy	316	0%	9,410	0%
Food beverage & Tobacco	1,468,242	20%	2,021,016	22%
Health Care	16,945	0%	32,469	0%
Insurance	667,882	9%	757,008	8%
Materials	271,851	4%	263,542	3%
Real Estate	6,000	0%	11,480	0%
Telecommunication	329,996	4%	545,575	6%
Transportation	-		20	0%
Utilities	48,592	1%	91,400	1%
	7,496,826		9,275,963	

(Amounts expressed in Sri Lankan Rs. '000)

### (c) Foreign currency risk (GAHL Group)

The GAHL Group has currency exposures arising from loans and borrowings of Indonesian entities denominated in a currency other than the functional currency, the IDR. The foreign currency in which these loans and borrowings are denominated is USD.

A significant portion of the raw material purchases in the edible oils and fats business segment in Malaysia is also denominated in USD, resulting in a currency exposure against the functional currencies of MYR.

The GAHL Group's currency exposure arising from sales and purchases (excluding above), as well as all other assets, liabilities and operational expenses is limited as these are primarily denominated in the respective functional currencies of GAHL Group entities, primarily IDR and MYR.

The GAHL Group manages the impact of such exchange movements on its cash flows, by hedging its currency exposure through forward booking arrangements on a selective basis. The Group does not have any other foreign currency hedge arrangements as at balance sheet date.

#### Foreign exchange - Sensitivity analysis

The following Table demonstrates the sensitivity of the Group's profit/loss before taxation to a reasonably possible change in MYR and IDR exchange rate against the USD, with all other variables held constant:

Increase/(decrease) in profit before tax:	2020	2019
MYR strengthened by 5%	(85,164)	(139,872)
MYR weakened by 5%	85,164	139,872
IDR strengthened by 5%	(974,092)	(958,879)
IDR weakened by 5%	974,092	958,879

### (d) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in the market interest rates arises primarily from the group's long-term debt obligation with floating exchange rates.

The Group will pursue derivative mechanisms such as interest swaps, where necessary, to manage its interest risk arising from the group's sources of finance. The Group does not actively pursue derivative mechanisms at the moment.

Interest expense had been capitalised to bearer plants to the extent that the borrowing is used to fund the qualifying assets (bearer plants) until the point of maturity. The remaining interest expenses were charge to the income statement.

At the balance sheet date, if US Dollar interest rate had been 500 basis points higher/lower with all other variables held constant, the Group's profit or loss would have decreased/increased by US\$ 1,312,000 (2019: US\$ 1,390,000).

At the end of the reporting period the profile of the Group's interest-bearing financial instruments were as follows.

As at 31st March	2020	2019
<b>Financial Assets</b>		
Short term deposits	10,940,275	12,125,124
	10,940,275	12,125,124
<b>Financial liabilities</b>		
Loans term borrowings	56,793,406	53,491,799
Debenture	-	2,078,285
Finance lease liabilities	872,042	323,639
Short term borrowings	29,550,749	19,322,261
Redeemable Convertible Preference Shares (RCPS)	2,044,539	-
	89,260,736	75,215,984

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 43 CAPITAL MANAGEMENT

Group consist of companies operating in different business sectors spanning across several geographical domains. Due to the different industry/market specific business sensitivities across industries, Group does not push down a "one size fits all" policy in capital management to its subsidiaries.

Individual companies, through their respective Boards of directors determine the capital structure best suited for their business needs subject to regulatory framework, cash-flow capacity potential, availability or otherwise of cheaper external funding, future expansion plans and share holder sentiments.

Whilst allowing the flexibility to determine the optimum capital structure for its subsidiaries, group monitors capital through the relevant ratios (i.e. gearing ratio, debt to equity ratio, etc) which each sector has to present to their respective Boards and the Board of the parent company at each quarterly performance review. Further, each public quoted company of the group has to submit an internally verified solvency report to their respective Board on quarterly basis along with the submission of interim reports irrespective of whether a distribution is proposed or not.

#### (a) Analysis of Group Changes in Net Debt

The group defines capital as the total equity of the group. The group's objective for managing capital is to deliver competitive, secure and sustainable returns to maximize long term shareholder value.

Net debt is current and non current finance debt less cash equivalents. The net debt ratio is the ratio of net debt to total equity. The net debt ratio enables investors to see how significant net debt is relative to equity from shareholders.

As at 31st March	2020	2019
Gross Debt	89,260,736	75,215,984
Cash and Cash Equivalents	(22,386,248)	(14,797,784)
Net Debt	66,874,488	60,418,200
Equity	55,185,963	63,893,865
Net Debt Ratio	121%	95%

#### (b) Adjusted net gearing ratio

Adjusted net gearing ratio is adjusted net debt to equity, which equals adjusted net debt divided by total capital. The Group includes within adjusted net debt, net debt less liquid working capital. Liquid working capital includes inventories (excluding consumables) and trade receivables, less current liabilities (excluding loans and borrowings). Capital includes equity funds.

As at 31st March	2020	2019
Total equity	55,185,963	63,893,865
Liquid working capital:		
Inventories (excluding consumables)	8,190,735	6,886,406
Trade receivables	5,579,429	4,921,511
Assets held for sales	690,532	702,927
Less: Current liabilities (excluding loans and borrowings)	(16,487,219)	(14,891,116)
Total liquid working capital	(2,026,523)	(2,380,272)
Adjusted net debt	68,901,011	62,798,471
Adjusted net gearing ratio (%)	125%	98%

(Amounts expressed in Sri Lankan Rs. '000)

#### 44 COMMITMENTS

##### (a) Capital commitments

Capital expenditure contracted for as at the date of the reporting period but not recognised in the financial statements are as follows:

As at 31st March	Group	
	2020	2019
Oil Palm plantation and Oil and Fats		
Approved and contracted for	3,032,103	571,764
Leisure		
Approved and contracted for	-	89,424
Total capital commitments	3,032,103	661,188

##### (b) Finance commitment

Document credits established for foreign purchases of the Group as at 31st March 2020 amounts to Rs. 335.2 Mn (2019 - Rs. 359.4 Mn)

##### (c) Commitments for purchase contracts

The Group has the following committed purchases contracts entered into for the use of the Group. The contractual or underlying amounts of the committed contracts with fixed pricing terms that were outstanding as at period end are as follows:

As at 31st March	Group	
	2020	2019
Oil Palm plantation and Oil and Fats		
Purchases	3,768,890	5,137,164
Sales	6,201,878	6,176,258
	9,970,768	11,313,422

##### (d) Contingent liabilities

###### (i) Corporate guarantees

- (a) The Goodhope Asia Holdings Group has provided a corporate guarantee to a bank for a loan taken under the Plasma programme. Loan value is equivalent to Rs. 468 Mn (2019 - Rs. 572 Mn).

The Goodhope Asia Holdings Ltd (GAHL) has provided the following guarantees at the end of the reporting period:

GAHL has provided corporate guarantees to financial institutions for the financing facilities obtained by its subsidiaries, amounting to Rs. 65 Bn or equivalent US\$ 342,360,000 (2019 - Rs. 57 Bn or equivalent US\$ 328,580,000). It has undertaken to provide continuing financial support to certain subsidiaries to enable them to meet their liabilities as and when they fall due.

- (b) Contingent liabilities as at 31st March 2020 in Lion Brewery (Ceylon) PLC (LBCPLC) amounts to Rs. 240 Mn (2019 - Rs. 167 Mn), being bank guarantees given to Government bodies and foreign suppliers for operational purposes.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 44 COMMITMENTS (Contd.)

#### (ii) Material litigation

- (a) In 2008 the Customs Department instituted a prosecution in the Fort Magistrate's Court (MC) in Case No. S/65898/07/B against the Ceylon Beverage Holdings PLC (CBH) and its Directors for the recovery of Rs. 48,121,634/29 comprising of Rs.23,062,080/43 being the amount of Excise (Special Provision) Duty (the 'duty') purportedly in arrears during the period 1998/IVq to 2001/IIIq and Rs.25,059,553/86 as its penalty. The CBH and the Directors filed an application for Writ in the Court of Appeal (CA) to quash the Certificate of Excise Duty in Default issued by the Director General of Customs and Excise Duty and obtained a Stay Order in respect of the proceedings of the Fort MC Case. A sum of Rs. 23,062,080/43 being the duty amount in dispute was paid to Sri Lanka Customs by the Company as required before submitting its appeal. Subsequently the CA Application was dismissed and the CBH appealed against the Order to the Supreme Court and was granted Special Leave to Appeal by the Court. The Court also ordered the staying of all further proceedings in the MC Case until final hearing and determination of the Appeal. No provision has been made for the payment of penalty amounting to Rs.25,059,553/86, pending the Judgment from the Supreme Court in the said Leave to Appeal matter. Currently this matter is in the Arguments stage and will be heard in the Supreme Court.
- (b) A case has been filed against the Pegasus Hotels of Ceylon PLC by an individual in the District Court of Negombo seeking a declaratory title from court stating that he is co-owner of 127.5 perches of the land that belonged to the Company. The outcome of the court process is still pending. However, the Pegasus Hotels of Ceylon PLC is confident that it can establish title to the said land. In any case, the claimed land extent falls within the 1,251 perches of land acquired by the Government for the fisheries harbour project and detailed under note 30 (c ). Since the crystallization of the contingent liability is subject to the ruling of the District Court case followed by the available appeal process thereafter and the subsequent value determination of the claim by the Government valuer, said contingent liability cannot be quantified.

There were no contingent liabilities other than those disclosed above as at the reporting date.

### 45 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Subsequent to the reporting period, no circumstances have arisen which would require adjustments to or disclosures in the financial statements.

(Amounts expressed in Sri Lankan Rs. '000)

## 46 RELATED PARTY DISCLOSURES

The Company carried out transactions in the ordinary course of its business on an arm's length with the parties who are defined as related parties in Sri Lanka Accounting standard (LKAS - 24 "Related party disclosures", the details of which are reported below.

### Parent and ultimate controlling party

In the opinion of Directors, Bukit Darah PLC is the ultimate parent and controlling entity of Carson Cumberbatch PLC.

### Terms and conditions of transactions with related parties

The Group and Company carried out transactions in the ordinary course of business with the following related entities. The list of Directors at each of the subsidiaries, joint venture have been disclosed in the Group Directorate under the Supplementary Information section of the Annual Report.

Transactions with related parties are carried out in the ordinary course of business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

### Non-recurrent related party transactions

There were no non-recurrent related party transactions during the year which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2019 audited financial statements, which required additional disclosures in the 2019/20 Annual Report under Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

### Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2019 audited financial Statements, which required additional disclosures in the 2019/20 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

#### (a) Recurrent Transaction

As at 31st March	Group		Company	
	2020	2019	2020	2019
Amounts due from Subsidiaries				
Carsons Management Services (Private) Limited	-	-	198,828	78,642
Equity Hotels Ltd	-	-	16,953	-
	-	-	215,781	78,642

Current amounts due from subsidiaries which 100% group owned are unsecured, non-interest-bearing and are repayable on demand. These balances are expected to be settled in cash.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

<b>46 RELATED PARTY DISCLOSURES (Contd.)</b>		Group		Company	
<b>(a) Recurrent Transaction</b>	For the year ended 31st March	2020	2019	2020	2019
<b>Transaction with Subsidiaries</b>					
	Dividend Income received	-	-	-	226,010
	Amounts paid for services obtained (Note i)	-	-	13,044	13,044
	Advanced granted (Note ii)	-	-	137,139	43,541
<b>(i) Carsons Management Services (Private) Limited</b>					
	Support service fees	-	-	12,000	12,000
	Secretarial fees paid	-	-	444	444
	Computer Fees paid	-	-	600	600
		-	-	13,044	13,044
<b>(ii) Carsons Management Services (Private) Limited</b>					
	Equity Hotels Ltd	-	-	120,186	43,541
		-	-	16,953	-
		-	-	137,139	43,541
<b>(iii) Transaction with Joint Venture</b>					
	Secretarial fees received	251	251	-	-
<p>Support service fees and other expenses charged are based on the respective services provided by Carsons Management Services (Private) Limited (CMSL) as per the service agreements signed between the companies on an arm's length basis.</p>					
<b>Transaction with Other related entities</b>					
<p>(i) Carson Cumberbatch PLC has provided letters of comfort to Carsons Management Services (Private) Limited. confirming its intention to continue to provide financial and other support and meet liabilities to enable the wholly owned subsidiary to continue as a going concern for audit purposes.</p>					
<b>Transaction with Key Management Personnel (KMP)</b>					
<p>According to LKAS 24 "Related Party Disclosures", Key Management Personnel are those having authority and responsibility for planning and controlling the activities of the entity. Accordingly, the Directors of the Company/Group (including Executive and Non Executive Directors) and their immediate family members have been classified as KMP of the Company/Group.</p>					
<p>Compensation paid to the key Management Personnel of the Company and the Group comprise as follows:</p>					
	For the year ended 31st March	Group		Company	
		2020	2019	2020	2019
	Short term employee benefits	1,186,101	978,088	23,140	22,995
	Post employment benefits	4,947	3,398	-	-
	Termination benefits	-	-	-	-
	Non-cash benefits	6,140	5,341	-	-
		1,197,188	986,827	23,140	22,995
<b>(b) Non Recurrent Transaction</b>					
<p>There were no non-recurrent related party transaction during the period.</p>					

(Amounts expressed in Sri Lankan Rs. '000)

**47** As at March 31, 2020, certain plantation and oil and fats companies of the Group (PT Sariwana Adi Perksa, PT Sinar Sawit Andalan, PT Sumber Hasil Prima, Sawit makmur Sejahtera, PT Batumas Sejahtera, PT Agro Wana Lestari, PT Nabire Baru, PT Agrajaya Baktitama and Premium Oils & fats Sdn. Bhd have incurred accumulated loss and net liability positions. Furthermore, the above subsidiaries' current liabilities exceeded its current assets as at March 31, 2020. Goodhope Asia Holdings Ltd, the immediate parent entity of the said subsidiaries, confirmed its intention to financially support the said subsidiaries to enable them to meet their financial obligations as they fall due.

#### **48 EXCHANGE RATE**

The exchange rates applicable during the period were as follows:

For the year ended 31st March	Balance Sheet		Income Statement	
	Closing rate		Average Rate	
	2020	2019	2020	2019
	Rs.	Rs.	Rs.	Rs.
Malaysian Ringgit	43.69	43.16	43.08	41.37
US Dollar	189.91	176.09	179.29	168.52
Indonesian Rupiah (Rp)	0.0126	0.0124	0.0127	0.0117
Indian Rupee (INR)	2.50	2.55	2.53	2.41

#### **49 BOARD OF DIRECTORS RESPONSIBILITY FOR FINANCIAL REPORTING**

The Board of Directors is responsible for the preparation and presentation of the financial statements in accordance with Sri Lanka Accounting Standards.

#### **50. IMPACT FROM CORONAVIRUS (COVID-19) PANDEMIC**

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these Consolidated Financial Statements. The estimation uncertainty is associated with the extent and duration of the disruption to business arising from the actions by governments, businesses and consumers to contain the spread of the virus;

- the extent and duration of the expected economic downturn (and forecasts for key economic factors including GDP and employment).
- This includes the disruption to capital markets, deteriorating credit, liquidity concerns, increasing unemployment, declines in consumer discretionary spending, reductions in production because of decreased demand, and other restructuring activities; and the effectiveness of government and central bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn.

The Group has developed various accounting estimates in these Consolidated Financial Statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31st March 2020 about future events that the Directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group.

Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to recoverable amount assessments of non-financial assets, investments in subsidiaries, recoverable value of property plant and equipment net realizable value of inventory and Allowance for expected credit losses.

The impact of the COVID-19 pandemic on each of these accounting estimates is discussed further. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

## Notes to the Financial Statements

(Amounts expressed in Sri Lankan Rs. '000)

### 50. IMPACT FROM CORONAVIRUS (COVID-19) PANDEMIC (Contd.)

However, Due to the nature of the Plantation Group's business, as at the date of the financial statements, COVID- 19 has no material financial impact on the accounts for the financial year ended 31st March 2020. The Group has also considered the impact of COVID-19 in preparing the financial statements. Some of the key areas where significant considerations were made is described below.

#### Non-Financial Assets

Recoverable value of property plant and equipment and net realizable value of inventory

Recoverable value of property plant and equipment and net realizable value of inventory at 31st March 2020, the Group assessed the property plant and equipment and net realizable value of inventory balances. Based on the revised sales forecasts and resultant production capacity utilization no reduction was observed in the recoverable values of property plant and equipment and of inventory.

Under prevailing circumstances, it is premature to ascertain the full impact COVID-19 would have on the real estate market as the pandemic is still evolving. However, all the available information in the market have been taken into account in determining the fair value of the properties as at the reporting date by the property valuer.

#### Recoverable value of Bearer Plants and biological assets

Given the impact of COVID-19, the Group's bearer plants and biological assets as at 31st March 2020 was subject to impairment testing which concluded that no material impairment was required.

#### Investment in subsidiaries, joint venture and associates

At 31st March 2020, the Group assessed the recoverable value of its subsidiaries in light of the COVID impact on its operations and fair value of assets and have concluded that the investment value is retained.

The management performed multiple stress tested scenarios considering cost management practices, cash reserves, ability to secure additional funding to finance the adverse effect to the cash flow, ability to secure supplies, expected revenue streams, credit and collection management practices and ability to defer non essential capital expenditure.

Further, some of the Company's subsidiaries, associate and joint venture are located in Malaysia and Indonesia, accordingly, impairment assessment was performed with consideration of COVID-19's impact in those countries. When value in use calculations are undertaken, management has included the estimated impact of COVID-19 in the forecast cash flows from the asset or cash-generating unit. There were no circumstances as a result of COVID-19 that would affect the existing conclusion for its subsidiaries, associate and joint venture.

Based on currently available information, the management is satisfied that having taken into consideration factors that could impact the revenue, supply chain, cash flows, accessibility to funds & costs, the Group would continue as a going concern.

The Board of Directors are satisfied that the Group have adequate resources to continue as a going concern for the foreseeable future.

The management will continue to monitor new developments and events in the present market dynamics and take appropriate and timely actions as and when required.

The Board of Directors is satisfied the Group has adequate liquidity and business plans to continue to operate the business and mitigate the risks for the next 12 months from the date approval of these financial statements.

In preparing the Annual Financial Statements, the Group has considered the "Guidance Notes on Accounting Considerations of the COVID-19 Outbreak (updated on 11th May 2020)" issued by The Institute of Chartered Accountants of Sri Lanka.

(Amounts expressed in Sri Lankan Rs. '000)

### **Allowance for expected credit losses**

The Group measures the allowance for expected credit losses (ECL) using an expected credit loss impairment model as required by SLFRS 9 Financial Instruments. The Group's accounting policy for the recognition and measurement of the allowance for expected credit losses is described at Note 30 Annual Financial Statements for the year ended 31st March 2020.

The outbreak of COVID-19 may have a significant impact on the economic scenarios used for estimating the expected credit losses ("ECL"). The Group undertook a review of the trades and other receivables exposures and ECL for each by considering the macroeconomic outlook and customer credit quality. Based on the forward-looking information and scenarios, the COVID-19 pandemic has no material impact on the expected credit loss provisions as at 31st March 2020.

### **Intangible Assets**

At 31st March 2020, the impairment assessment of the Group's Brands that are classified as intangible assets (MBL brands) were carried out. The Group performed a cashflow projection to assess if the carrying value of the assets were impaired.

The Cashflow calculations are sensitive to a number of key assumptions, including discount rates, long term sales growth rates and future profitability. Changes in key assumptions could have a positive or adverse impact on the recoverable amount of the asset. The method of calculation is given in note 23. The management has considered the impact from COVID 19 to the best extent possible when arriving in the calculation. However, the actual impact of COVID-19 on the valuation of MBL brands is uncertain. Significant management judgment is required to determine the assumptions underpinning the Cashflow projections.

Further, Group's Intangible assets also comprises of goodwill and other intangible assets with both finite and indefinite lives. Consistent with the Group's accounting policies, the Group has assessed the carrying value of its intangible assets at the reporting date for indicators of impairment and have incorporated a consideration of COVID-19.

### **Hedge accounting**

An assessment was conducted as to the impact of COVID-19 with respect to whether the hedged forecasted cash flows in cash flow hedge relationships remain highly probable at the balance date. Based on the information available as at balance sheet date, the modelling of the hedged future cash flows was determined to remain highly probable and hence hedge accounting has continued to be applied. Given the dynamic and evolving nature of COVID-19, limited recent experience of the economic and financial impacts of such a pandemic, and the short duration between the declaration of the pandemic and the preparation of these financial statements, changes to the estimates and outcomes that have been applied in the measurement of the Group's assets and liabilities may arise in the future.

Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods. As the situation continues to evolve with significant level of uncertainty, the Group is unable to reasonably estimate the full financial impact of the COVID-19 outbreak. The Group is monitoring the situation closely and to mitigate the financial impact, it is conscientiously managing its cost by adopting an operating cost reduction strategy and conserving liquidity by working with major creditors to align repayment obligations with receivable collections.

# Group Real Estate Portfolio

The values of land & buildings owned and leased by companies within the Group and which have been revalued by valuers are indicated below together with the last date of valuation:

As at 31st March 2020

Company	Location	Extent (Hectares)	Land & Building		Date of last Valuation
			Market Value Rs. '000	Book Value Rs. '000	
Equity One PLC.	Colombo 7	0.238	1,488,322	1,488,322	31-Mar-20
Equity One PLC	Colombo 2	0.455	934,020	934,020	31-Mar-20
Equity Two PLC	Colombo 1	0.072	561,511	561,511	31-Mar-20
Equity Two PLC	Colombo 1	0.146	948,173	948,173	31-Mar-20
Equity Three (Private) Limited	Colombo 13	0.208	530,924	530,924	31-Mar-20
		1.119	4,462,950	4,462,950	
PT Agro Indomas	Indonesia	26,988	7,731,029	3,449,850	31-Mar-16
PT Agro Bukit	Indonesia	13,991	7,288,245	3,363,002	31-Mar-16
PT Karya Makmur Sejahtera	Indonesia	10,872	1,408,414	1,801,447	31-Mar-16
PT Agro Wana Lastari	Indonesia	15,273	4,373,270	4,347,395	31-Mar-16
PT Agro Jaya Baktitama	Indonesia	3,933	750,195	503,405	31-Mar-16
PT Rim Capital	Indonesia	7,028	932,791	911,164	31-Mar-18
PT Nabire Baru	Indonesia	11,611	1,867,693	3,165,170	31-Mar-18
PT Batu Mas Sejahtera	Indonesia	3,146	555,315	501,996	31-Mar-18
PT Sawith Makmur Sejahtera	Indonesia	7,721	2,624,639	607,289	31-Mar-18
PT Sumber Hasil Prima	Indonesia	5,038	1,296,578	584,104	31-Mar-18
PT Sinar Sawit Andalan	Indonesia	3,281	976,720	297,787	31-Mar-18
PT Sariwana Adi Perkasa	Indonesia	5,096	270,941	301,416	31-Mar-18
PT Agro Bina Lestari*	Indonesia	8,500	191,987	191,987	
PT Agro Surya Mandiri*	Indonesia	6,500	191,973	191,973	
		128,978	30,459,790	20,217,985	
Premium Vegetable Oil Sdn. Bhd.	Malaysia	4.627	2,103,543	1,473,335	31-Dec-19
Arani Agro Oil Industries Limited	India	0.931	483,192	128,682	27-Mar-20
		5.558	2,586,735	1,602,017	
Ceylon Brewery PLC	Nuwara-Eliya/ Trincomalee	1.60	486,870	486,870	31-Mar-20
Lion Brewery (Ceylon) PLC	Biyagama	15.54	5,222,151	5,222,151	31-Mar-20
Millers Brewery PLC	Padukka	9.19	1,402,182	1,402,182	31-Mar-20
		26.33	7,111,203	7,111,203	
Pegasus Hotels of Ceylon Ltd.	Wattala	5.450	1,597,447	1,597,447	31-Mar-17
Equity Hotels Ltd.	Giritale	6.030	203,350	203,350	31-Mar-17
		11.480	1,800,797	1,800,797	
<b>Total value</b>		<b>129,023</b>	<b>46,421,475</b>	<b>35,194,952</b>	

\* Indonesian Plantation Companies - Book Value reflects Carrying Value as at 31 March 2020 where as independent

Market value reflects the value as at the date of last valuation as indicated. Also converted to LKR at the closing exchange rate as at 31 March 2020. As per the Company policy, next market valuation to be carried out in FY20/21.

\*\* Indonesian plantation Companies - Land Hectareage extent reflects the most updated status as at 31 March 2020 based on the land certification by Indonesian authorities.

\*\* Please note that the market value of Land and Building of PT Agro Bina Lestari and PT Agro Surya Mandiri reflects carrying value as at 31 March 2020.

# Income Statement - USD

For the year ended 31st March	Group	
	2020	2019
<b>Continuing operations</b>		
Revenue	591,063,578	576,427,356
Direct operating expenses	(448,024,714)	(414,773,623)
Gross profit	143,038,864	161,653,733
Change in fair value of investment properties	844,624	2,510,948
Change in fair value of biological assets	884,849	(2,331,231)
Change in fair value of fair value through profit or loss financial assets	(10,294,650)	(15,086,221)
Other income	7,139,066	5,732,779
Distribution expenses	(35,883,614)	(38,373,095)
Administrative expenses	(51,445,397)	(47,558,788)
Other operating expenses	(5,065,231)	(2,558,539)
Impairment of business assets	(4,129,110)	(861,660)
Foreign exchange losses	(10,576,944)	(4,105,252)
Profit before finance cost	34,512,457	59,022,674
Net finance cost	(37,221,217)	(29,031,680)
Share of profit of equity accounted investee, (net of tax)	63,310	41,001
Profit before tax	(2,645,450)	30,031,996
Income tax expenses		
Current taxation	(12,689,191)	(16,074,964)
Deferred taxation	523,465	(7,616,953)
	(12,165,726)	(23,691,917)
Profit from continuing operations	(14,811,176)	6,340,079
<b>Discontinued operations</b>		
Profit/(Loss) from discontinued operations, (net of tax)	(1,042,726)	(950,421)
Gain on disposal of subsidiary	2,131,789	
Net impact from discontinued operations, (net of tax)	1,089,063	(950,421)
Profit for the year	(13,722,113)	5,389,658
Profit/(loss) Attributable to:		
Owners of the Company		
Profit from continuing operations, net of tax	(10,109,763)	1,064,372
Profit/(loss) from discontinued operations, net of tax	1,588,405	(506,860)
	(8,521,358)	557,512
Non controlling interest		
Profit from continuing operations, net of tax	(4,701,415)	5,275,708
Profit/(loss) from discontinued operations, net of tax	(499,342)	(443,562)
	(5,200,757)	4,832,144
Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)	93,322,082	111,597,187
Exchange rate	179.29	168.52

## Statement of Financial Position - USD

As at 31st March	Group	
	2020	2019
<b>ASSETS</b>		
<b>Non - Current Assets</b>		
Property, plant & equipment	295,997,952	313,864,666
Bearer Plants	159,101,822	194,311,858
Investment properties	23,152,899	22,028,485
Intangible assets	52,039,857	61,398,631
Investments in equity accounted investee	3,333,708	273,284
Investment in equity and debt securities	25,316,355	30,336,947
Deferred tax assets	17,190,980	23,339,582
Other financial receivables	130,372	140,604
Other non financial receivables	45,661,166	32,534,687
<b>Total non - current assets</b>	<b>621,925,111</b>	<b>678,228,744</b>
<b>Current Assets</b>		
Inventories	43,129,561	39,107,309
Trade receivables	20,908,009	20,720,683
Other financial receivables	8,471,323	7,228,156
Other non financial receivables	41,135,469	41,011,699
Current tax recoverable	546,813	849,673
Investment in equity and debt securities	41,287,389	55,265,523
Investment in Unit trusts	3,173,556	1,533,824
Derivative financial instruments	76,068	335,942
Biological assets	8,198,757	8,501,715
Cash and cash equivalents	117,878,195	84,035,346
	284,805,140	258,589,870
Assets held for sale	3,636,101	3,991,862
<b>Total current assets</b>	<b>288,441,241</b>	<b>262,581,732</b>
<b>Total assets</b>	<b>910,366,352</b>	<b>940,810,476</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Stated capital	10,103,695	10,103,695
Revenue reserves	131,881,972	173,373,048
Equity attributable to owners of the Company	141,985,667	183,476,743
Non-controlling interest	148,604,416	179,371,032
<b>Total equity</b>	<b>290,590,083</b>	<b>362,847,775</b>
<b>LIABILITIES</b>		
<b>Non-Current Liabilities</b>		
Loans and borrowings	282,150,371	242,447,283
Other financial payables	385,251	496,155
Other non financial liabilities	6,137,097	7,627,105
Derivative financial instrument	6,464,158	-
Deferred tax liabilities	49,957,809	58,128,957
<b>Total non - current liabilities</b>	<b>345,094,686</b>	<b>308,699,500</b>
<b>Current Liabilities</b>		
Trade payables	30,340,034	22,385,769
Other financial payables	55,033,684	55,970,328
Current tax liabilities	802,185	6,209,268
Derivative financial instrument	640,063	-
Loans and borrowings	187,865,617	172,895,434
Debentures	-	11,802,402
<b>Total current liabilities</b>	<b>274,681,583</b>	<b>269,263,201</b>
<b>Total liabilities</b>	<b>619,776,269</b>	<b>577,962,701</b>
<b>Total equity and liabilities</b>	<b>910,366,352</b>	<b>940,810,476</b>
Exchange rate	189.91	176.09

# Glossary

## ACTUARIAL GAINS AND LOSSES

Gain or loss arising from the difference between estimates and actual experience in a company's pension plan.

## AVAILABLE FOR SALE FINANCIAL ASSETS

Non derivative financial asset that are designated as available for sale or any other instruments that are not classified as loans and receivable, held to maturity investment or financial assets at fair value through profit and loss.

## ASSETS HELD FOR SALE

The carrying amount of the asset value which will be recovered through a sale transaction rather than through continuing use.

## AWDR

The Average Weighted Deposit Rate is calculated by the Central Bank monthly and half yearly based on the weighted average of all outstanding interest bearing deposits of commercial banks and the corresponding interest rates.

## AWPLR

The Average Weighted Prime Lending Rate is calculated by the Central Bank weekly, monthly and half yearly based on commercial bank's lending rates offered to their prime customers.

## AMORTISATION

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

## BIOLOGICAL ASSET

A living plant or animal used in the business.

## CAPITAL EXPENDITURE

The total of additions to property, plant & equipment, Biological assets, intangible assets, prepaid lease

payments for lands and investment property.

## CARRYING AMOUNT

The amount at which an asset is recognised in the statement of Financial Position.

## CREDIT RISK

Risk that the counterparty to a transaction fails to meet its contractual obligations in accordance to the agreed terms and conditions.

## CASH & CASH EQUIVALENTS

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant can't risk of changes in value.

## CONTINGENT LIABILITIES

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

## CURRENT RATIO

Current Assets over Current Liabilities. A measure of liquidity.

## CAPITAL EMPLOYED

Shareholders' funds plus non-controlling interests and long term and short term borrowings.

## CURRENCY SWAP

An agreement between two parties to exchange two currencies at a certain exchange rate at a certain time in the future.

## CURRENT SERVICE COST

Is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

## DEBENTURE

A long-term debt instrument issued by a corporate.

## DERIVATIVES

Financial contracts whose values are derived from the values of underlying assets.

## DIVIDENDS

Distribution of profits to ordinary shareholders of equity investments.

## DIVIDEND COVER

Profit after tax divided by gross dividends. This ratio measures the number of times dividend is covered by the current year's distributable profits.

## DIVIDEND YIELD

Dividend earned per share as a percentage of its market value.

## DIVIDENDS PER SHARE (DPS)

Dividends paid and proposed, divided by the number of issued shares, which ranked for those dividends.

## DEBT/EQUITY RATIO

Debt as a percentage of Shareholders Funds.

## DIVIDEND PAYOUT RATIO

Total Dividend interest and Tax as percentage of Capital Employed.

## EBIT

Earnings before Interest and tax expenses.

## EBITDA

Earnings before interest, tax, depreciation and amortization.

## EFFECTIVE RATE OF INTEREST

Total long-term and short-term interest divided by average long-term and short-term liabilities at the beginning and end of the year.

## Glossary

### EFFECTIVE TAX RATE

Income tax expense divided by profit before tax.

### EMISSIONS

The release of greenhouse gases and/or their precursors into the atmosphere over a specified area and period of time.

### EQUITY INSTRUMENTS

A contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

### ENTERPRISE VALUE (EV)

The total sum value of market capitalization, equity attributable to non-controlling shareholders and net debt.

### EARNINGS PER SHARE (EPS)

Profit attributable to ordinary shareholders, divided by the number of ordinary shares in issue.

### FAIR VALUE

Fair value is the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

### FAIR VALUE THROUGH PROFIT AND LOSS

A financial asset/liability acquired/incurred principally for the purpose of selling or repurchasing it in the near term.

### FORWARD EXCHANGE CONTRACT

Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

### FINANCIAL ASSET

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

### FINANCIAL INSTRUMENT

Any contract that gives rise to a financial asset of one entity and a financial liability or equity to another entity.

### FINANCIAL LIABILITY

Any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

### FINANCE LEASE

A contract whereby a lessor conveys to the lessee the right to use an asset for rent over an agreed period of time which is sufficient to amortise the capital outlay of the lessor. The lessor retains ownership of the asset but transfers substantially all the risks and rewards of ownership to the lessee.

### GROSS DIVIDENDS

The portion of profit inclusive of tax withheld distributed to shareholders.

### GROUP

A group is a parent and all its subsidiaries, associates and joint ventures.

### GAIN ON BARGAIN PURCHASE

The amount of the identifiable assets acquired and liabilities assumed exceeds the aggregate consideration transferred.

### GEARING

Proportion of total interest bearing borrowings to capital employed.

### GOODWILL ON CONSOLIDATION

The excess of the cost of acquisition over the fair value of the share of net assets acquired when purchasing an interest in a company.

### GUARANTEES

A contractual obligation made by a third party (Guarantor), who is not a party to a contract between two others, that the guarantor will be liable if the guarantee

fails to fulfill the contractual obligations under that said contract.

### HELD-TO-MATURITY

A financial asset with fixed and determinable payments and fixed maturity, other than loan and receivables, for which there is a positive intention and ability to hold to maturity.

### IMPAIRMENT

This occurs when recoverable amount of an asset is less than its carrying amount.

### INTEREST COVER

Profit before tax and net finance cost divided by net finance cost. Measure of an entity's debt service ability.

### INTEREST RATE SWAP

An arrangement whereby two parties swap interest rate commitments with each other to reduce interest rate risks on fixed or floating rate loans.

### INTERNAL RATE OF RETURN (IRR)

Rate of return used in capital budgeting to measure and compare the profitability of investments.

### INTANGIBLE ASSET

An identifiable non-monetary asset without physical substance held for use in the production / supply of goods / services or for rental to others or for administrative purposes.

### KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

### LIBOR

The London Inter-Bank Offer Rate is an interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market.

**LIQUIDITY RISK**

The risk of an entity having constraints to settle its financial liabilities.

**LOANS AND RECEIVABLES**

A financial asset with fixed and determinable payments that are not quoted in an active market and do not qualify as trading assets.

**LIQUID ASSETS**

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, bills of exchange and treasury bills.

**MARKET CAPITALISATION**

Number of Shares in issue at the end of the period multiplied by the Market price at end of period

**MARKET RISK**

Possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

**NON-CONTROLLING INTEREST (NCI)**

Equity in subsidiary not attributable, directly or indirectly, to a parent.

**NET ASSET VALUE PER SHARE**

Shareholders' funds divided by the number of ordinary shares in issue.

**OTHER COMPREHENSIVE INCOME**

An entry that is generally found in the shareholders' equity section of the balance sheet.

**PRICE EARNINGS RATIO (P/E RATIO)**

Market price of an ordinary share divided by earnings per share (EPS).

**PRICE TO BOOK VALUE RATIO (PBV)**

Market price per share divided by net assets per share.

**PUBLIC HOLDING**

Percentage of shares held by the public calculated as per the Colombo Stock Exchange Listing Rules as at the date of the Report.

**QUICK ASSET RATIO**

Total current assets less inventories divided by total current liabilities.

**RELATED PARTIES**

A person or entity that is related to the entity that is preparing its Financial Statements.

**RETURN ON AVERAGE ASSETS (ROA)**

Net income expressed as a percentage of average total assets, used along with ROE, as a measure of profit and as a basis of intra-industry performance comparison.

**RETIREMENT BENEFITS**

Present value of a defined benefit obligation is the present value of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

**RETURN ON EQUITY**

Profit attributable to equity holders of the company divided by average equity less non-controlling interest at the beginning and end of the year.

**RETURN ON CAPITAL EMPLOYED**

Earnings before interest and tax as percentage of Capital Employed.

**RELATED PARTIES**

Parties where one party has the ability to control the other party or exercise significant influence over the other

party in making financial and operating decisions, directly or indirectly.

**REVALUATION SURPLUS**

Surplus amount due to revaluing assets in accordance with its fair value.

**SHAREHOLDERS' FUNDS**

Shareholders' funds consist of stated capital plus capital and revenue reserves.

**SEGMENTS**

Constituent business units grouped in terms of similarity of operations and location.

**TOTAL VALUE ADDED**

The difference between revenue (including other income) and expenses, cost of materials and services purchased from external sources.

**TOTAL ASSETS**

Fixed Assets plus Investments plus Non-Current Assets plus Current Assets.

**VALUE ADDED**

Value added is the wealth created by providing products and services less the cost of providing such services. The value added is allocated among the employees, the providers of capital, to government by way of taxes and retained for expansion and growth.

**WEIGHTED AVERAGE COST OF CAPITAL (WACC)**

The rate that a company is expected to pay on average to all its equity and debt holders.

**WORKING CAPITAL**

Capital required to finance day-to-day operations, computed as the excess of current assets over current liabilities.

# Notice of Meeting

NOTICE IS HEREBY GIVEN that the One Hundred and Seventh Annual General Meeting of Carson Cumberbatch PLC will be held on Friday, the 18th day of September 2020 at 9.30 a.m. at the 8th Floor, No.65C, Dharmapala Mawatha, Colombo 7, Sri Lanka by means of audio or audio and visual technology for the following purposes:

1. To consider the Annual Report of the Board of Directors including the financial statements of the Company for the financial year ended 31st March 2020 together with the Report of the Auditors thereon.
2. To re-elect Mr. D. C. R. Gunawardena who retires by rotation in terms of Articles 72, 73 & 74 of the Articles of Association of the Company.
3. To re-elect Mr. W. M. R. S. Dias who retires by rotation in terms of Articles 72, 73 & 74 of the Articles of Association of the Company.
4. To re-appoint Mr. V. P. Malalasekera as a Director of the Company who is over Seventy years of age and to consider and if deemed fit to pass the following resolution:  

“IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 7 of 2007 shall not be applicable to Mr. V. P. Malalasekera who is 75 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year.”
5. To re-appoint Mr. Tilak de Zoysa as a Director of the Company who is over Seventy years of age and to consider and if deemed fit to pass the following resolution:  

“IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 7 of 2007 shall not be applicable to Mr. Tilak de Zoysa who is 73 years of age

and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year.”

6. To re-appoint Mr. F. Mohideen as a Director of the Company who is over Seventy years of age and to consider and if deemed fit to pass the following resolution:

“IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 7 of 2007 shall not be applicable to Mr. F. Mohideen who is 73 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year.”

7. To re-appoint Mr. M. Selvanathan as a Director of the Company who is over Seventy years of age and to consider and if deemed fit to pass the following resolution:

“IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 7 of 2007 shall not be applicable to Mr. M. Selvanathan who is 73 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year.”

8. To re-appoint Mr. H. Selvanathan as a Director of the Company who is over Seventy years of age and to consider and if deemed fit to pass the following resolution:

“IT IS HEREBY RESOLVED that the age limit stipulated in Section 210 of the Companies Act, No. 7 of 2007 shall not be applicable to Mr. H. Selvanathan who is 71 years of age and that he be re-appointed as a Director of the Company from the conclusion of the Annual General Meeting for a further period of one year.”

9. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154(1) of the Companies Act, No. 07 of 2007 and to authorize the Directors to determine their remuneration.

By Order of the Board

(Sgd.)  
**K. D. De Silva (Mrs.)**  
 Director  
**CARSONS MANAGEMENT SERVICES (PRIVATE) LIMITED**  
 Secretaries

Colombo  
 14th August 2020

**Notes:**

1. THIS NOTICE SHOULD BE READ IN CONJUNCTION with the attached document titled “Procedure to be followed at the 107th Annual General Meeting of the Company scheduled for 18th September 2020” which is enclosed with this Notice convening the AGM.
2. A member is entitled to appoint a proxy to attend and vote instead of him/herself. A proxy need not be a member of the Company. A Form of Proxy accompanies this Notice.
3. The completed Form of Proxy should be submitted to the Company not later than 4.45 p.m. on 16th September 2020 via email to CARSAGM2020@carcumb.com or by fax to +94 (0)11-2337671 or by post to or handed over to the Registered Office of the Company, No. 61, Janadhipathi Mawatha, Colombo 1.
4. A person representing a Corporation is required to submit a certified copy of the resolution authorizing him/her to act as the representative of the Corporation. A representative need not be a member.
5. The transfer books of the Company will remain open.

# Form of Proxy

\*I/We.....  
of.....  
being \*a Shareholder/Shareholders of CARSON CUMBERBATCH PLC hereby appoint .....  
.....of.....  
.....bearing NIC No./ Passport No ..... or failing him/her\*

Tilak de Zoysa	or failing him,
Hariharan Selvanathan	or failing him,
Manoharan Selvanathan	or failing him,
Don Chandima Rajakaruna Gunawardena	or failing him,
Suresh Kumar Shah	or failing him,
Vijaya Prasanna Malalasekera	or failing him,
Faiz Mohideen	or failing him,
Rajendra Theagarajah	or failing him,
Wadugamudalige Marius Ravindra Srilal Dias	or failing him,
Amitha Saktha Amaratunga	or failing him,
Sharada Selvanathan (Ms.)	

as \*my/our proxy to attend at the 107th Annual General Meeting of the Company to be held on Friday the 18th day of September 2020 at 9.30 a.m at the 8th Floor, No.65C, Dharmapala Mawatha, Colombo 07, Sri Lanka by means of audio or audio and visual technology and any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To re-elect Mr. D. C. R. Gunawardena who retires by rotation in terms of Articles 72, 73 & 74 of the Articles of Association of the Company.	<input type="radio"/>	<input type="radio"/>
2. To re-elect Mr. W. M. R. S. Dias who retires by rotation in terms of Articles 72, 73 & 74 of the Articles of Association of the Company.	<input type="radio"/>	<input type="radio"/>
3. To re-appoint Mr. V.P. Malalasekera who is over Seventy years of age as a Director of the Company.	<input type="radio"/>	<input type="radio"/>
4. To re-appoint Mr. Tilak de Zoysa who is over Seventy years of age as a Director of the Company.	<input type="radio"/>	<input type="radio"/>
5. To re-appoint Mr. F.Mohideen who is over Seventy years of age as a Director of the Company.	<input type="radio"/>	<input type="radio"/>
6. To re-appoint Mr. M. Selvanathan who is over Seventy years of age as a Director of the Company.	<input type="radio"/>	<input type="radio"/>
7. To re-appoint Mr. H. Selvanathan who is over Seventy years of age as a Director of the Company.	<input type="radio"/>	<input type="radio"/>
8. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company as set out in Section 154 (1) of the Companies Act. No. 07 of 2007 and to authorize the Directors to determine their remuneration.	<input type="radio"/>	<input type="radio"/>

Signed this .....day of ..... Two Thousand and Twenty.

.....  
Signature /s

**Note:**

- (a) \*Please delete the inappropriate words.
- (b) A shareholder entitled to attend and vote at a General Meeting of the company, is entitled to appoint a proxy to attend and vote instead of him/ her and the proxy need not be a shareholder of the company. A proxy so appointed shall have the right to vote on a show of hands or on a poll and to speak at the General Meeting of the shareholders.
- (c) A shareholder is not entitled to appoint more than one proxy to attend on the same occasion.
- (d) Instructions are noted on the reverse hereof.

## Form of Proxy

### INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy by filling in legibly your full name and address and sign in the space provided. Please fill in the date of signature.
2. If you wish to appoint a person other than the Directors as your proxy, please insert the relevant details in the space provided overleaf.
3. In terms of Article 54 of the Articles of Association of the Company:
  - 1) Any Shareholder entitled to attend and vote at a meeting shall be entitled to appoint another person (whether a shareholder or not) as his proxy to attend and vote instead of him. A proxy so appointed shall have the same right as the Shareholder to vote on a show of hands or on a poll and to speak at the meeting.
  - 2) An instrument appointing a proxy shall be in writing and:
    - (a) in the case of an individual shall be signed by the appointor or by his attorney; and
    - (b) in the case of a corporation shall be either under the common seal, or signed by its attorney, or by an authorized officer on behalf of the corporation.
  - 3) An instrument appointing a proxy or the power of attorney or other authority, if any, must be left or received at the Office or such other place (if any) as is specified for the purpose in the notice convening the meeting not less than forty eight (48) hours before the time appointed for the holding of the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which it is to be used and in default shall not be treated as valid unless the Directors otherwise determine.
4. Where there are joint registered holders of any Share, any one (01) of such persons may vote and be reckoned in a quorum at any meeting either personally or by proxy as if he were solely entitled thereto and if more than one (01) of such joint holders be so present at any meeting, one (01) of such persons so present whose name stands first in the Register in respect of such Share, shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Shareholder in whose name any Share stands shall for the purpose of this Article be deemed joint holders thereof.
5. To be valid the completed Form of Proxy should be submitted to the Company not later than 4.45 p.m. on 16th September 2020 or via email to CARSAGM2020@carcumb.com or by fax to 2337671 or by post to or handed over to the Registered Office of the Company, No. 61, Janadhipathi Mawatha, Colombo 1. .

Please fill in the following details

Name : .....

Address : .....

Jointly with : .....

Share Folio No. : .....

# Corporate Information

## **NAME OF THE COMPANY**

Carson Cumberbatch PLC

## **COMPANY REGISTRATION NO.**

PQ 41

## **LEGAL FORM**

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

## **BOARD OF DIRECTORS**

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

## **Alternate Director**

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

## **AUDIT COMMITTEE**

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

## **REMUNERATION COMMITTEE**

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

## **RELATED PARTY TRANSACTIONS REVIEW COMMITTEE**

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

## **NOMINATION COMMITTEE**

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

## **BANKERS**

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

## **AUDITORS**

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

## **SECRETARIES**

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

## **REGISTERED OFFICE**

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

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

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

## **PARENT COMPANY**

Bukit Darah PLC



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