



**PROUD TO BE  
A PART OF IT**

**S<sup>ASIA</sup>  
Siyaka**  
COMMODITIES P.L.C.



**ANNUAL REPORT 2016/17**





*The year 2017 marks 150 years of Ceylon Tea, a momentous milestone of the country's most important agricultural crop. Since its humble beginnings in 1867, the unique aroma and taste of Ceylon Tea has made it the world's favorite tea and the country's most iconic brand. This year, industry stakeholders join hands to commemorate this occasion with a year-round calendar of events. These include educational fairs across the country, the Global Ceylon Tea Party, a Grand Charity Auction and the grand finale, the International Tea Convention in August 2017 which is expected to be attended by over 300 local and international delegates. Come join us as we celebrate 150 years of Ceylon Tea!*



# Contents

ABOUT THIS REPORT...**04**

PRIMARY CONCEPTS...**04**

ABOUT ASIA SIYAKA COMMODITIES PLC...**05**

GROUP STRUCTURE...**06**

PERFORMANCE HIGHLIGHTS...**07**

OUR EXCELLENCE...**10**

## OUR LEADERSHIP

CHAIRMAN'S MESSAGE...**12**

MANAGING DIRECTOR'S REVIEW...**14**

BOARD OF DIRECTORS...**16**

MANAGEMENT TEAM...**18**

## STRATEGIC REPORT

VALUE CREATION MODEL...**20**

STAKEHOLDER ENGAGEMENT...**21**

DETERMINING MATERIALITY...**24**

OUR STRATEGY...**25**

COMMITMENT TO THE SUSTAINABLE  
DEVELOPMENT GOALS...**26**

CORPORATE GOVERNANCE...**28**

RISK MANAGEMENT...**39**

## PERFORMANCE AGAINST OUR CAPITALS

ECONOMIC AND INDUSTRY OVERVIEW...**46**

BUSINESS LINE PERFORMANCE...**49**

FINANCIAL CAPITAL...**50**

MANUFACTURED CAPITAL...**53**

HUMAN CAPITAL...**54**

SOCIAL AND RELATIONSHIP CAPITAL...**57**

NATURAL CAPITAL...**61**

ANNUAL REPORT OF THE BOARD OF DIRECTORS  
ON THE AFFAIRS OF THE COMPANY...**63**

STATEMENT OF DIRECTORS' RESPONSIBILITIES...**67**

RELATED PARTY TRANSACTIONS REVIEW  
COMMITTEE REPORT...**68**

THE REPORT OF THE AUDIT COMMITTEE ...**69**

REPORT OF THE REMUNERATION COMMITTEE...**70**

## FINANCIAL INFORMATION

FINANCIAL CALENDAR...**72**

INDEPENDENT AUDITORS' REPORT...**73**

STATEMENT OF FINANCIAL POSITION...**74**

STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME...**76**

STATEMENT OF CHANGES IN EQUITY...**77**

STATEMENT OF CASH FLOWS...**78**

NOTES TO THE FINANCIAL STATEMENTS...**79**

## SUPPLEMENTARY INFORMATION

SHAREHOLDER INFORMATION...**114**

VALUE ADDED STATEMENT...**116**

GLOSSARY OF FINANCIAL TERMS...**117**

NOTICE OF MEETING...**118**

FORM OF PROXY...**119**

CORPORATE INFORMATION...**121**

# About this Report

This year marks an important milestone in our corporate reporting as we transition towards an Integrated Reporting <IR> framework. Through this Report, we hope to provide a balanced and concise assessment of the Group's financial, social and environmental performance as well as material information relating to strategy, governance and risk management. The Report has been prepared based on guidance provided by the Integrated Reporting Framework, published by the International Integrated Reporting Council (IIRC).

## Scope and boundary

This Report covers the operations of Asia Siyaka Commodities PLC ("ASC" or "the Company") and its subsidiaries Asia Siyaka Warehousing (Pvt) Ltd and Siyaka Produce Brokers (Pvt) Ltd for the period from 1st of April 2016 to 31st of March 2017. The content included in this Report has been determined and prioritised following a systematic materiality analysis which is detailed on page 24 of this Report. The material issues presented herein are

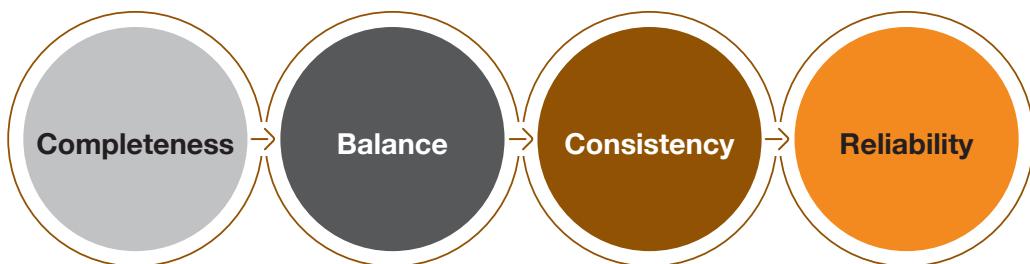
specific to our industry, value creation model and needs of our stakeholders.

## Reporting standards

The Financial Statements from page 74 to 111 have been prepared in accordance with the Sri Lanka Financial Reporting Standards and external assurance on the same has been provided by Messrs. Ernst and Young, Chartered Accountants. The Report also complies with the requirements of the Companies Act No. 7 of 2007, Listing Rules of the Colombo Stock Exchange and Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

## Key concepts

In transitioning towards an <IR> Framework we have given due consideration to the following principles which ensure the quality of the Report;



PRIMARY CONCEPTS		
Material issues	Six Capitals	Value Creation
In determining the information to be included in this Report, we have applied the principle of materiality; accordingly we have focused on the issues that can materially impact the Group's ability to create value in the short, medium and long-term. (refer page 24)	Our ability to deliver stakeholder value is dependent on the Group's six capital inputs and its value creating activities. In this Report, we have demonstrated how the six capitals are leveraged to create sustainable value to our stakeholders.	Value is created when the six capitals are input and altered during the Group's value creation process. This includes a series of wide-ranging activities, interactions and relationships.

## About Asia Siyaka Commodities PLC

We are one of Sri Lanka's leading tea brokers, with an established track record of nearly 2 decades. Over our illustrious history, we have pioneered several innovative and pragmatic value chain solutions, thereby transforming the country's tea auction logistics process which is now among the most sophisticated systems of its' kind in the world. We handle approximately 14.77% (or 41 million kilograms) of the country's

total traded tea volumes and committed to generating sustainable value along our supply chain, through creating value to factories, estates and mills, regional plantation companies as well as smallholders, traders and exporters.

The Group comprises of ASC, and its two fully-owned subsidiaries, Asia Siyaka Warehousing (Pvt) Ltd and Siyaka Produce Brokers (Pvt) Ltd. The Company

is listed on the Diri Savi Board of the Colombo Stock Exchange with a market capitalisation of Rs.520.0 mn as at end-March 2017.

The rubber broking license held by Siyaka Produce Brokers (Private) Limited, fully owned subsidiary of the Company, was transferred to the Company on 18th April 2017 and the Company commenced the rubber broking business as a strategic business unit of the Company.



## Group structure



## VISION

Being the safe, reliable, value enhancing, exchange facilitator in the commodity broking industry



## MISSION

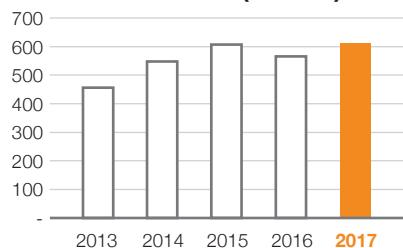
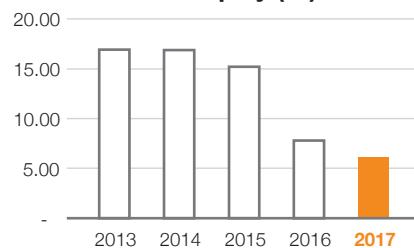
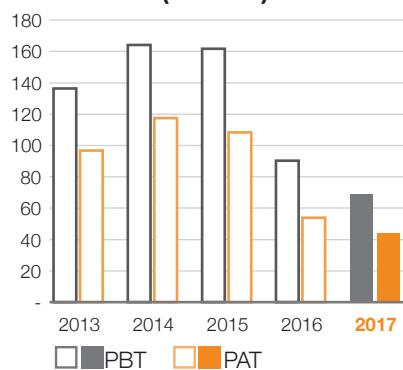
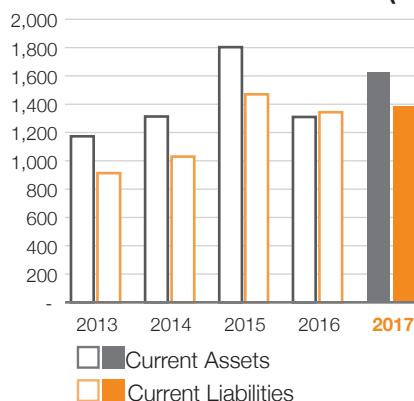
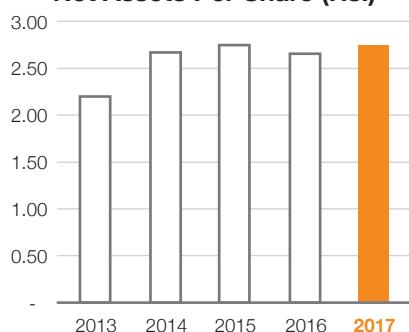
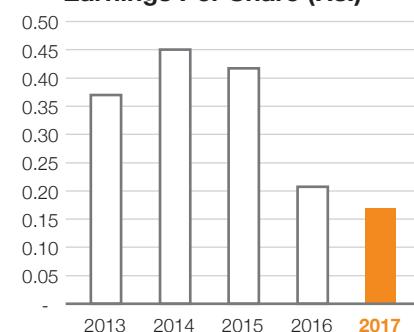
Driving commodity broking business with state of the art practices through continual value addition by setting competitive standards in the industry to delight our customers

# PERFORMANCE HIGHLIGHTS

	Metric	2016/17	2015/16	% Change	
<b>STRATEGIC PRIORITY: SUSTAINABLE GROWTH</b>					
Revenue	Rs. million	609.62	565.08	7.88	
Operating profit	Rs. million	197.11	161.41	22.11	
Profit before tax	Rs. million	69.09	90.25	(23.44)	
Profit after tax	Rs. million	44.17	53.86	(17.99)	
Total assets	Rs. million	2,577.57	2,096.64	22.94	
Total liabilities	Rs. million	1,861.86	1,406.72	32.35	
Shareholders' funds	Rs. million	715.70	689.92	3.74	
<b>Performance and balance sheet ratios</b>					
Return on equity	%	6.17	7.81	(20.94)	
Debt/Equity	Times	1.61	1.25	28.46	
<b>Shareholder information</b>					
Earnings per share	Rs	0.17	0.21	(17.99)	
Dividends per share	Rs	0.10	0.30	(66.67)	
Net asset value per share	Rs	2.75	2.65	3.74	
Closing price	Rs	2.00	2.20	(9.09)	
P/E ratio	Times	11.76	10.47	12.32	
Dividend payout	%	59	145	(59.31)	
Dividend yield	%	5.0	13.6	(63.33)	
<b>MANUFACTURED CAPITAL</b>	Property, plant and equipment	Rs. million	911.26	736.71	23.69
	Capital expenditure	Rs. million	751.66	372.22	101.94
	Capacity utilisation at warehouse	%	62	72	(13.88)
<b>STRATEGIC PRIORITY: BUILDING A HIGH-PERFORMING TEAM</b>					
Total employees	No.	110	100	10.00	
Payments to employees	Rs. million	193.24	174.27	10.88	
Employee retention rate	%	90	95	(5.26)	
Female representation	%	13	13	0.00	
Total training hours	Hours	1982	923	114.73	
Average training hours/employee	Hours	18.02	9.23	95.55	
<b>STRATEGIC PRIORITY: DEVELOPING OUR VALUE CHAIN</b>					
Financial support to customers	Rs. million	1,053.46	844.09	24.80	
No. of smallholder supporters	No.	74,000	72,000	2.77	
Investment in training and advisory	Rs. million	0.98	0.55	78.18	

**PERFORMANCE HIGHLIGHTS** (Contd.)

For the year ended 31 March	2011 Rs.	2012 Rs.	2013 Rs.	2014 Rs.	2015 Rs.	2016 Rs.	2017 Rs.
<b>Operations</b>							
Gross Revenue	377,316,524	395,315,510	456,801,373	548,157,667	607,396,061	565,077,557	609,619,157
Profit Before Taxation	81,650,036	76,197,827	136,437,471	164,147,555	161,703,246	90,248,494	69,090,323
Profit After Taxation	39,333,687	52,401,946	96,776,325	117,414,088	108,439,349	53,859,195	44,170,741
Return on Equity (%)	8.78	10.95	16.92	16.89	15.19	7.81	6.17
<b>Statement of Financial Position as at 31 March</b>							
Current Assets	717,680,738	792,941,762	1,173,605,728	1,313,401,208	1,803,985,289	1,310,708,249	1,623,431,769
Current Liabilities	604,240,165	645,938,587	913,487,622	1,030,146,340	1,471,606,225	1,342,386,992	1,384,162,648
Total Assets	1,113,957,096	1,184,893,272	1,542,715,056	1,793,022,620	2,249,734,516	2,096,644,354	2,577,567,855
Total Liabilities	665,731,427	706,156,283	970,616,957	1,098,927,240	1,535,668,181	1,406,722,998	1,861,860,464
Net Assets	448,225,669	478,736,989	572,098,099	694,987,505	714,066,335	689,921,356	715,707,391
<b>Per Share</b>							
Number of Shares 260,000,000							
Earnings (Rs.)	0.15	0.20	0.37	0.45	0.42	0.21	0.17
Net Assets (Rs.)	1.72	1.84	2.20	2.67	2.75	2.65	2.75

**Gross Revenue (Rs. Mn)****Return on Equity (%)****PBT/PAT (Rs. Mn.)****Current Assets/ Liabilities (Rs. Mn.)****Net Assets Per Share (Rs.)****Earnings Per Share (Rs.)**

# Our excellence

ASC's Annual Report for 2015/16 won the Silver Award for Service Organisations at the Annual Report Awards organized by the Institute of Chartered Accountants of Sri Lanka. This demonstrates our commitment to excellence in corporate reporting and is a commendable achievement given that it was the second time the Company had entered this competition.



# OUR LEADERSHIP

CHAIRMAN'S MESSAGE...**12**

MANAGING DIRECTOR'S  
REVIEW...**14**

BOARD OF DIRECTORS...**16**

MANAGEMENT TEAM...**18**

## CHAIRMAN'S MESSAGE



### Dear Shareholder,

I am pleased to report to our shareholders that Asia Siyaka Group delivered another year of strong performance, achieving revenue and operating profit growth of 8% and 22% respectively. The Board approved a final dividend of Rs. 0.10 per share, in addition to an interim dividend of Rs.0.10 per share. The external environment presented numerous challenges for the country's tea industry during the year and the Group's foresight in seeking avenues for diversification afforded it some resilience and has positioned it for sustained growth in earnings. .



#### The operating context

The Group's performance during the year is commendable given the multitude of challenges that prevailed in the operating environment. Although global economic activity gained some momentum during the second half of the year, 2016 remained a year of moderate growth with global GDP expanding by 3.1%. Advanced economies grew by 1.7% although uncertainty on the policy direction of the new administration in the US and potential impacts of Brexit remains as areas of concern. The Middle Eastern and CIS regions, two of the largest export destinations for Sri Lankan tea showed signs of recovery, following the strengthening of oil prices from the troughs of early 2016.

Meanwhile, Sri Lanka's GDP growth rate moderated to 4.4% during the year, as a result of global headwinds, fiscal consolidation measures and adverse weather patterns. Inclement weather

affected the production of all major crops and the country's Agriculture Sector contracted by 4.2% during the year. The Industry and Services sector grew by a respective 6.7% and 4.2% during the year. Interest rates increased sharply as the regulator adopted a tightening monetary policy stance to rein inflationary pressures and support the balance of payments. Accordingly, the AWPLR increased from 8.7% in March 2016 to 11.56% in March 2017 sharply impacting profitability of the corporates.

The country's total tea production declined by 11% to 292 kg million during the year as droughts followed by isolated flooding negatively impacted crops. The ban on weedicides could also substantially impact the long-term product quality and volumes of the industry and we urge the government to pursue evidence-based, balanced regulation to ensure the long-term sustainability of the industry. Tea export volumes also declined by

6%, although the impact on earnings was cushioned by a parallel increase in prices. Average prices at the Colombo Tea Auction increased by 8% during the year and surged by 25% during the first quarter of 2017, as a result of a global drop in supply.

#### Strategy and performance

The Group's foresight in pursuing earnings diversification served us well during the year, and has positioned the Group for a more stable and sustainable growth. We successfully commissioned our second warehousing facility which has doubled our storage capacity and will enable the Group to further its value proposition to our customers. The warehouse also obtained the LEED certification for environmentally friendly design, attesting to the strategic focus we place on sustainability considerations. Our relationship driven value proposition allowed us to strengthen our market share in broking, particularly in the corporate sector, supported by which

total revenue expanded by 8%. I wish to commend the team at Asia Siyaka, led by the Managing Director Mr.Anil Cooke, for consistently commanding premium pricing at the auction, a testament to our focus on quality. The warehousing facility was funded primarily through debt, resulting in the Group's borrowings increasing by 34% during the year. Consequently the rising interest rate scenario had a sharp impact on profitability, resulting in the Group's profit-after-tax declining by 18% to Rs.44.17 million during the year.

### **Proud partner of 150 years of Ceylon Tea**

In 2017, we commemorate 150 year of Ceylon Tea, Sri Lanka's most celebrated global brand. Since the first commercial crop in 1867, Ceylon Tea has redefined quality in the global market with its unique flavor, aroma and taste enabling it to emerge as the world's 'finest tea'. The industry is also deeply interwoven to the socio-economic fabric of the country, facilitating infrastructure development, employment generation, entrepreneurship and innovation. The Colombo Tea Trader's Association, together with the Sri Lanka Tea Board and the Ceylon Chamber of Commerce will hold an array of promotional and educational events including Global Ceylon Tea parties, a Grand Charity Auction in collaboration with Colombo Brokers Association, a

commemorative book launch, educational fairs across the island and a trade fair among others. The celebrations will culminate in the Colombo International Tea Convention to be held in August 2017, with the participation of over 600 local and international delegates. As a thought leader in the industry, ASC is proud to partner industry stakeholders in these celebrations.

### **Strengthening governance**

The Board composition changed during the year as we welcomed Mr.Jayampathi Narendra Dambawinna as a non-executive director to the Board; he brings with him over 35 years of extensive experience in the tea sector and has previously served as the Chairman of the Colombo Brokers Association. Meanwhile, Mr.S.T Gunathilake who served as an independent, non-executive director was re-designated as a non-executive director during the year. We also strengthened compliance mechanisms with the appointment of a dedicated compliance officer during the year. Governance frameworks were strengthened in our subsidiaries, with the appointment of an independent director to the Board of Asia Siyaka Warehousing (Pvt) Ltd.

### **Way Forward**

We will focus on further strengthening our core business through nurturing deeper relationships and expanding our

customer base as tea prices are expected to remain buoyant over the short-term. The new warehouse is expected to deliver higher levels of activity and capacity in 2017/18 and we look forward to the exciting opportunities presented by this new venture. We observe that the RPC's are also pursuing diversification of crops presenting your company with further options for diversification in the products sold. The global and domestic economic environments are expected to be more conducive for growth, although impacts of climate change remain a key concern for the country's agriculture sector.

### **Acknowledgements**

The results delivered by the team at Asia Siyaka, are testimony to their ability to navigate during difficult times, maintaining a long-term view and I commend the spirit and efforts of our team. I am also appreciative of the depth of discussions witnessed at Board meetings which has supported the performance discussed in this report. I extend my appreciation to Mr.M. Murath and Mr. S. Sirisena who resigned from the Board during the year, and thank them for their valuable counsel and guidance over the years. On behalf of the Board, I also wish to thank our shareholders, customers, suppliers and strategic partners who have supported us over the years.

**Dr. Anura Ekanayake - Chairman**

10 July 2017

# MANAGING DIRECTOR'S REVIEW



## Dear Shareholder,

Asia Siyaka Group delivered a resilient performance in challenging conditions, with revenue and operating profit expanding by 8% and 22% respectively during the year under review. Profit after tax recorded declined by 18% to Rs. 44.17 million dampened by the sharp increase in interest rates during the year. Despite numerous challenges, we maintained focus on our strategic priorities allowing the Group to strengthen its market position and build a strong foundation for growth. Hence, it is my pleasure to welcome you to the Annual General Meeting and present to you the Annual Report for the financial year ending 31st March 2017.



### Challenging operating environment

Sri Lanka's GDP growth rate moderated to 4.4% (2015: 4.8%) attributed to a weaker than expected agriculture sector, continued fiscal consolidation measures and a tighter monetary policy. Adverse weather patterns impacted growth of the agriculture sector which contracted by 4.2% with sharp drops in the production of tea, paddy and other crops. The tea industry faced unprecedented challenges during the year with a prolonged drought followed by flooding resulting in tea crops declining sharply by 11% to 292 million kilograms. Productivity in the tea sector was also impacted by withdrawal of the fertilizer subsidy and the resultant reduction in the application of fertilizer. Meanwhile, continued volatility in key markets has made trading increasingly complex in these markets, although the recovery in oil prices resulted in some buoyancy during the year. Tea prices strengthened, particularly during the first

quarter of 2017 which saw several tea producing nations including Kenya, Sri Lanka and India record reductions in crop.

### Delivering on our strategic goals

Despite the challenging industry landscape we maintained focus on our strategic agenda positioning the Group for sustained growth in earnings. As highlighted last year, increasing the diversity of our earnings profile remains a priority and during the year, we achieved a major milestone with the successful commissioning of our second warehouse. Sri Lanka's first tea logistics centre to obtain the prestigious LEED certification for sustainable design, the 'green warehouse' is powered partly by solar energy and features many energy saving characteristics. The facility has doubled our storage capacity and will enable the Group to further diversify its earnings sources. We also placed strategic emphasis on increasing market

penetration through the acquisition of new customers. During the year, we welcomed Mr. Deepal Jayamanne who joined the Asia Siyaka team, bringing with him extensive industry experience and insights, thereby allowing us to nurture deeper relationships with several significant corporate customers.

The Group's revenue grew by 8% to Rs. 609.62 million during the year, supported by the increase in tea prices, new customer acquisitions as well as higher contributions from the warehousing arm. Continued focus on operational efficiency and productivity enabled the Group to contain the increase in overhead costs to 2%, supported by which operating profit surged by 22% to Rs. 197.11 million during the year. Our income statement also reflects the challenges of the business environment, as finance costs surged by 81% due to a larger debt load and also higher interest rates. Resultantly, the Group's profit after tax declined by 18% to Rs.44.17 million during the year. In

April 2017, ASC absorbed the business of Siyaka Produce Brokers which was engaged in Rubber broking and will carry out its operations as a strategic business unit.

### **A sustainable value proposition**

Asia Siyaka's competitive edge is underpinned by a unique differentiation strategy which focuses on serving our customers beyond the role of a traditional market intermediary. We persistently seek ways to combine our industry expertise, innovation and research capabilities into better solutions for our customers and industry stakeholders. We have nurtured long-term relationships with our customers through offering a multi-faceted value proposition which includes providing research support and advisory on emerging market demands, modern warehousing services as well as continued financial support. These relationships, together with our deep industry insights

have enabled the Group to contribute significantly to industry dialogue and policy formulation aimed at further strengthening the Ceylon Tea brand in global markets. Our willingness to share knowledge with industry counterparts has allowed us to emerge as a thought leader in the industry and is a defining characteristic of who we are.

Our dynamic and agile teams of 110 employees are a critical factor behind our success. We consistently strive to enhance our employee value proposition, providing exciting opportunities for career and skill development in a rewarding work environment and investing in training and skill development. During the year, we provided total training hours of 1982 which translated to an average of 18.02 hours per employee.

### **Outlook**

We are optimistic regarding the short-to-medium term outlook of the industry, as relatively low stocks in the pipeline will

continue to sustain the buoyant prices at least over the shorter term. Climate change impacts, however, remain a key concern as erratic weather patterns have increasingly affected the country's agricultural output. We look forward to the exciting opportunities presented by our new warehouse, which is expected to emerge as a significant contributor to earnings over the medium term.

### **Acknowledgements**

I would like to take this opportunity to extend my gratitude to the Chairman, Dr. Anura Ekanayake and my colleagues on the Board for their continued counsel and valuable guidance during the year. I extend my appreciation to our dedicated team for delivering results and count on your support as we pursue our growth aspirations. My gratitude also goes out to all our customers, buyers, regulatory authorities, government and all other stakeholders for their continued support.



**Anil R. Cooke**

*Managing Director/ CEO*

10 July 2017

# BOARD OF DIRECTORS

## **Dr. S A B EKANAYAKE - Chairman**

Dr. Anura Ekanayake is a Past Chairman of the Ceylon Chamber of Commerce and of the Industrial Association of Sri Lanka.

He is currently the Chairman of Wealth Trust Securities Limited.

He serves on the Boards of several other companies. These businesses range from finance to agriculture, retail trade, industry and exports.

During a professional career spanning three and a half decades, he has held senior positions in both the public sector as well as the private sector. His positions in the public sector included those of Senior Economist of Mahaweli Authority, Director of Planning of Ministry of Plantation Industries and that of Director General Public Administration.

During his public sector tenure he also held the position of Chairman Plantation Housing and Social Welfare Trust and a number of other Board positions including those of the Sri Lanka State Plantations Corporation, Janatha Estates Development Board, 23 Regional Plantation Companies, The Tea Research Institute and the Post Graduate Institute of Agriculture of University of Peradeniya. He served as the Chairman of the International Natural Rubber Council, Kuala Lumpur, Malaysia for a two year period.

He holds a B.A. (Econ) Hons. and M.Sc. (Agric) degrees from the University of Peradeniya, Sri Lanka and Ph.D. (Econ) from Australian National University where he studied under a Colombo Plan scholarship. He is also a Fellow of the Institute of Certified Professional Managers, Sri Lanka.

## **Mr. A R COOKE - Managing Director**

Mr. Cooke has a wealth of experience counting 39 years as a Broker, Auctioneer, Tea Taster and Valuer, with nearly 20 years of his work experience gained at Forbes and Walker Limited. He is a member of the Chartered Institute of Marketing (UK) and has previously served on the Board of Directors of Forbes & Walker Limited, Forbes & Walker Tea Brokers (Pvt) Limited and Forbes Ceylon Limited.

He is a member of the Sri Lanka Tea Council and the Sri Lanka Tea Board, Promotion & Marketing Committee. He is also a committee member of the Colombo Tea Traders' Association.

Mr. Cooke is a Founder Director of Siyaka (Pvt) Limited and Founder Deputy Chief Executive Officer of

Asia Siyaka Commodities (Pvt) Ltd. He is currently the Managing Director/ Chief Executive Officer Asia Siyaka Commodities PLC and Asia Siyaka Warehousing (Pvt) Ltd.

## **Mr. D J WEDANDE - Executive Director**

Mr. Wedande is a founder Director of Siyaka (Pvt) Ltd and founder Senior Vice President of Asia Siyaka Commodities PLC. He has over 42 years of experience as an Auctioneer, Broker and Valuer in tea, rubber, coconut products and Spices, initially at Forbes and Walker Ltd. He was the Chief Executive Officer of Centreline Tea Brokers, Mombasa, Kenya, 2000/2002.

## **MR. Y KURUNERU - Executive Director**

Mr. Kuruneru who is a founder Director of Siyaka (Pvt) Ltd, a founder Vice President of Asia Siyaka Commodities (Pvt) Ltd, was appointed as a Senior Vice President in April 2011. He was in Tea Estate Management from 1988 till he joined Forbes & Walker Limited in 1993.

He counts over 29 years' experience (from 1988- 2017), 05 years estate management and 22 years in tea broking, Tea Tasting and Valuer. He specializes in Tea Manufacturing advices with regular technical advisory visits to Tea Estates and Factories. Currently he serves as a resource person to the National Institute of Plantation Management.

## **MR. S G AMARASURIYA - Executive Director**

Mr. Senaka Amarasuriya accounts for over 34 years of experience in the tea industry in multi-disciplinary roles and is also a Director of Lanka Commodity Brokers Ltd. His career in tea was from 1981, as a Tea Broker at Bartleet & Co. and thereafter at M. S. Hebtulabhoj & Co, Ltd, and Stassen Exports Ltd as a tea buyer and later joined Forbes & Walker Tea Brokers (Pvt) Ltd as a Director. He is also a Director of Asia Siyaka Warehousing (Pvt) Ltd and Siyaka Produce Brokers (Pvt) Ltd.

**MR. B A HULANGAMUWA***Independent Non - Executive Director*

Mr. Bhandula Hulangamuwa holds a Masters Degree in Business Administration from the University of Colombo, a Certified Fraud Examiner (USA) and is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka. He is also a Non-Executive Non-Independent Director of Sunshine Holdings PLC and Watawala Plantations PLC.

**MR. S T GUNATILLEKE***Non - Executive Director*

Mr. Tissa Gunathilake was appointed to the Board of Directors of Asia Siyaka Commodities PLC in May 2013. He served on the Boards of Hayleys Plantation Services (Pvt) Limited, Talawakalle Tea Estates PLC, DPL Plantations (Pvt) Limited, Kelani Valley Plantations PLC and Mabroc Teas (Pvt) Limited.

A senior planter with 45 years of experience in plantation management, has held the position of Regional Director of Sri Lanka State Plantations Corporation and served as a Consultant to United Nations Industrial Development Organization (UNIDO) on Tea Plantation Management.

**DR. I A ISMAIL***Independent Non - Executive Director*

Dr. Ismail presently serves as Chairman of Amana Holdings and as a Director on the Board of Amana Takaful PLC.

He holds a BSc (Hons) Degree from the University of Ceylon and a PhD from the University of St Andrews UK. He has attended the Advanced Management Programme at the Harvard Business School, and has also participated in many senior functional and general management training courses, mainly in the United Kingdom and Europe.

He has served in various capacities in State Institutions; among them as a Director of the National Apprentice Board, and as a member of the advisory committee of the Ministry of Foreign Affairs, the research planning council of the CISIR, the Tertiary Vocation Education Commission and the Council of the Open University.

He was Vice Chairman of Unilever Ceylon, Principal of Zahira College, Colombo, Chairman of the Board of the Sri Lanka Business Development Centre, Council Member of the Employers' Federation, Chairman of the Board of Governors' of the Symphony

Orchestra, Chairman of the Colombo District Scouts Association, President of the Royal Colombo Golf Club and Patron of the Photographic Society of Sri Lanka. He has travelled widely

**MR. H R V CALDERA** - *Non - Executive Director*

Mr. Vernon Caldera counts over 50 years in the Tea Industry, having joined the trade in 1964. He has since held many senior positions including that of Director Tea at John Keells Ltd., Managing Director of Mercantile Brokers Ltd and Consultant at Forbes & Walker Tea Brokers (Pvt) Ltd. He was also a Non-Executive Director of Horana Plantations PLC. He served as a Consultant at Lanka Commodity Brokers Ltd for the past six years.

**MR. J N DAMBAWINNE***Non Executive Director*

Mr. Dambawinne counts over 37 years in the Tea Trade of which 12 years was at Somerville & Co Ltd and relinquished duties as Director and joined Mercantile Brokers Limited as Director - Tea in 1992. He served with Mercantile Produce Brokers (Pvt) Ltd for 23 years, of which the last 14 years as its Managing Director.

He has an excellent knowledge of Tea Grading, Tasting, Auctioning and Marketing of tea. He has been a past Convener of the Tea Sub-Committee in 1988/89, 2002/03 and also the Broker Representative on the Committee of the CTIA in 1989 and 2007/2008. He has been a Surveyor for export of tea, appointed by the Ceylon Chamber of Commerce.

He was appointed as a Member of the Tea Council by the Hon. Minister of Plantation Industries in 1996 and was appointed Deputy Chairman, Colombo Brokers Association for 2004/2005 and 2005/2006. He was the Chairman, Colombo Brokers Association for 2007/2008, Chairman, Tea Association of Sri Lanka for 2007/2008.

Mr. Dambawinne also served as Director, Sri Lanka Tea Board for 2007/2008 and has also been a member of the Committee of The Ceylon Chamber of Commerce 2004/2005, 2007/2008, 2011/2012, 2012/2013, 2015/2016 & 2016/2017.

He currently serves on the Committee related to the Plantations Sector appointed by The Minister of Public Enterprise Development.

# MANAGEMENT TEAM

## Corporate Management Team

Anil Cooke	- Director / Chief Executive Officer
Dhammadie Wedande	- Director / Senior Vice President
Yashojith Kurunuru	- Director / Senior Vice President
Vernon Caldera	- Director / Consultant

---

## Marketing and Consultancy

Sohan Samaranayake	- Senior Vice President
Deepal Jayamanne	- Consultant - Tea
Kirk Wijesekera	- Manager - Marketing High & Medium
Shanaka Yasaratne	- Manager - Marketing Low Grow
Eashan Perera	- Manager - Marketing High & Medium
Shihan Peiris	- Assistant Manager - Tea Marketing
Praween Weerasinghe	- Assistant Manager - Tea Marketing

---

## Manufacturing Advisory Service

Charmara Dissanayake	- Senior Vice President
Avantha Nishshanka	- Assistant Manager - Technical Low Grow

---

## Corporate and Client Finance

Roshantha Munasinghe	- Vice President - Finance
Champika Withanage	- Chief Accountant
Shanika Dias	- Management Accountant
Shamila Cooray	- Manager - Client Finance
Pramitha Perera	- Assistant Manager - Client Finance
Jagath Wijerathne	- Assistant Manager - Client Finance
Lalani Alahakoon	- Assistant Manager - Rubber Brokers

---

## Administration and Human Resources

Ganga Udeni	- Deputy Manager - HR
Vajira Nandathilake	- Deputy Manager - Administration

---

## Warehousing / IT Services

Emil Diaz	- Vice President - Warehousing
Sisila Kariyapperuma	- IT - System Administrator

---

## Other Commodities

Lakshan Kodytuakku	- Consultant - Other Commodities
Lalith Perera	- Director - Rubber Brokers

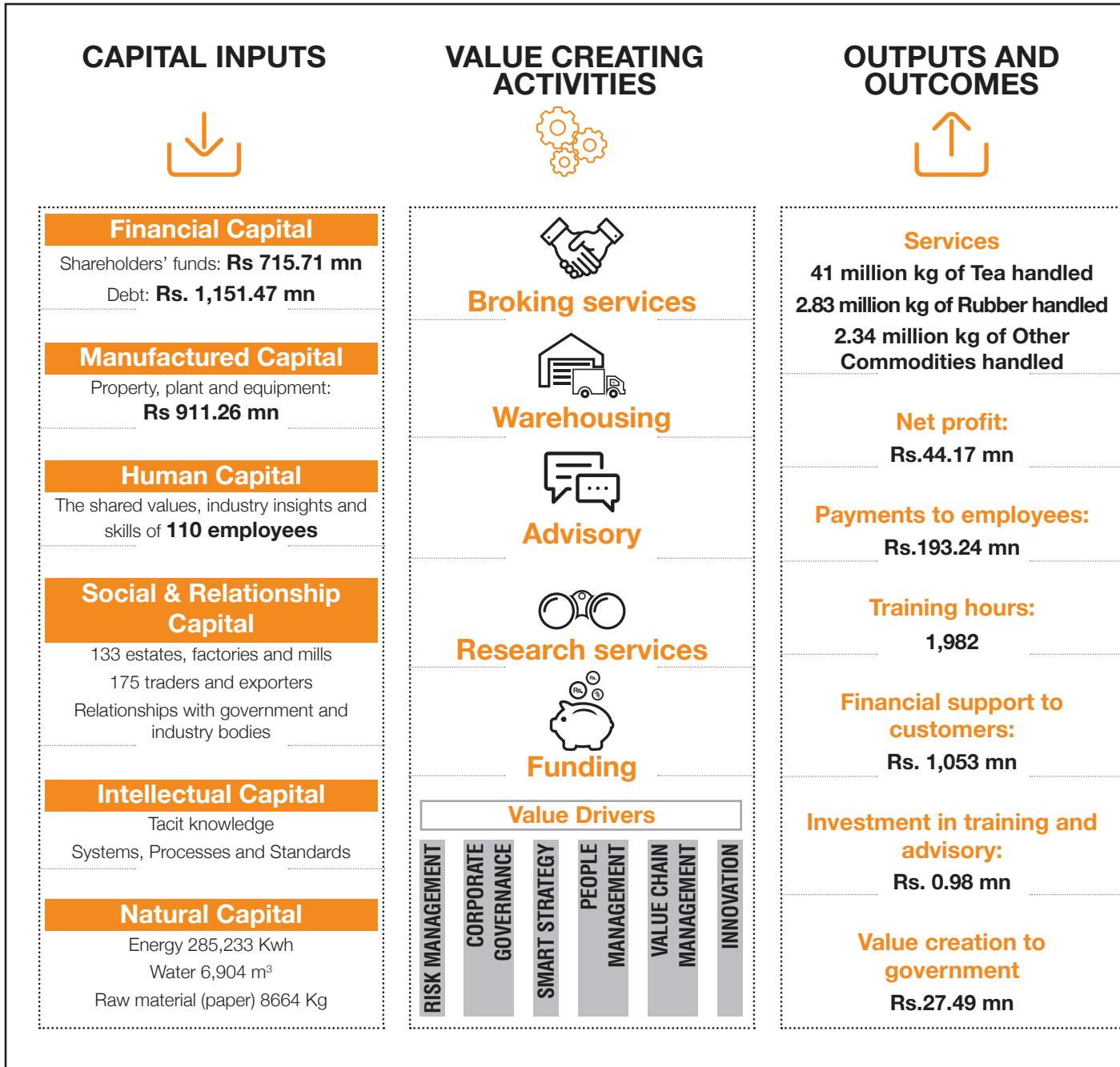
---

# STRATEGIC REPORT

VALUE CREATION MODEL...	<b>20</b>
STAKEHOLDER ENGAGEMENT...	<b>21</b>
DETERMINING MATERIALITY...	<b>24</b>
OUR STRATEGY...	<b>25</b>
COMMITMENT TO THE SUSTAINABLE DEVELOPMENT GOALS...	<b>26</b>
CORPORATE GOVERNANCE...	<b>28</b>
RISK MANAGEMENT...	<b>39</b>

# VALUE CREATION MODEL

Our integrated value creation model depicted below, graphically illustrates the capitals and relationships we depend on and the activities we engage in to create sustainable value to our stakeholders.



## VALUE SHARED



### Shareholders:

The profits we generate create value through dividends and increases in share price ([page 22](#))

### Customers:

We create value to our customers through a unique and multi-faceted value proposition ([page 22](#))

### Employees:

Our employee value proposition comprises of engaging, developing and rewarding employees ([page 22](#))

### Supply chain partners:

Our innovative and pragmatic solutions have enabled the creation of mutual value across our supply chain  
([refer page 22](#))

### Communities:

We engage in needs-based CSR activities ([page 23](#))

## STAKEHOLDER ENGAGEMENT

We maintain proactive and effective engagement with our stakeholders, facilitated by numerous formal and informal platforms. This enables us to clearly identify issues which matter most to our stakeholders and formulate our strategy to address these needs. Feedback obtained and concerns raised through this engagement forms the foundation for identifying material aspects which are a vital input in our strategy formulation, planning, operations and sustainability reporting.



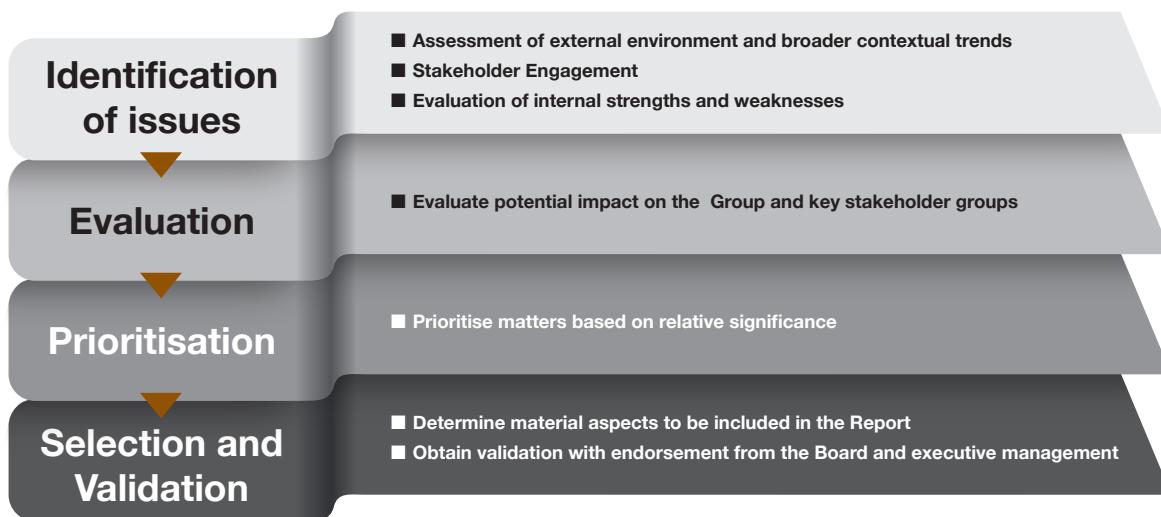
The key stakeholder groups we engage with and the key aspects of the engagement during the year are listed below.

<b>Stakeholder Group</b>	<b>Engagement</b>	<b>Stakeholder Needs</b>
Shareholders	The Group publishes its annual report, quarterly financial statements and other announcements on material developments on a consistent basis. The Annual General Meeting is also used as an effective platform to engage with shareholders.	Adequate financial returns commensurate with the risk undertaken as well as long-term sustainability and growth of the Group.
Employees	An open door policy is maintained with all employees, supported by clearly defined HR policies and processes, performance appraisals, staff meetings and multiple work-life balance initiatives.	Employee key concerns range from fair remuneration, opportunities for career and skill development to dignity of labour among others.
Clients- Commodity producers, warehousing clients and buyers of estate supplies	Client relationships are managed through a multi-dimensional approach to value creation including weekly and quarterly performance reviews, research reports analysing industry and country trends, technical advisory on estate and factory management and site visits.	Consistent demand and obtaining a fair price for their produce is paramount to our clients. Suppliers seek to clearly identify buyer requirements and changing market conditions in order to produce output that is in demand. The needs of our warehousing clients include quality retention, ease of transaction and system efficiencies.
Buyers	The Group manages its buyer relationships through a holistic engagement framework including continuous weekly engagement at the auction, face to face meetings at multiple levels, industry and country specific research reports, site visits and written communications.	The primary objectives of our buyers include obtaining high quality produce, transparent and fair pricing, ease of conducting transactions and efficient logistics.
Industry Bodies/ Associations	Our team represents and/or hold leadership positions in several industry bodies and associations including the Colombo Brokers Association, Colombo Tea Traders Association, Sri Lanka Tea Board, Ceylon Chamber of Commerce, Spices & Allied Products Producers' & Traders' Association among others. We play an active role in these industry bodies through participating in regular meetings, engaging in industry forums and other initiatives including promotional campaigns.	Engaging with all stakeholders in ensuring the long-term sustainability of the respective industries including contributions to policy making, planning and operational aspects of the respective sectors.

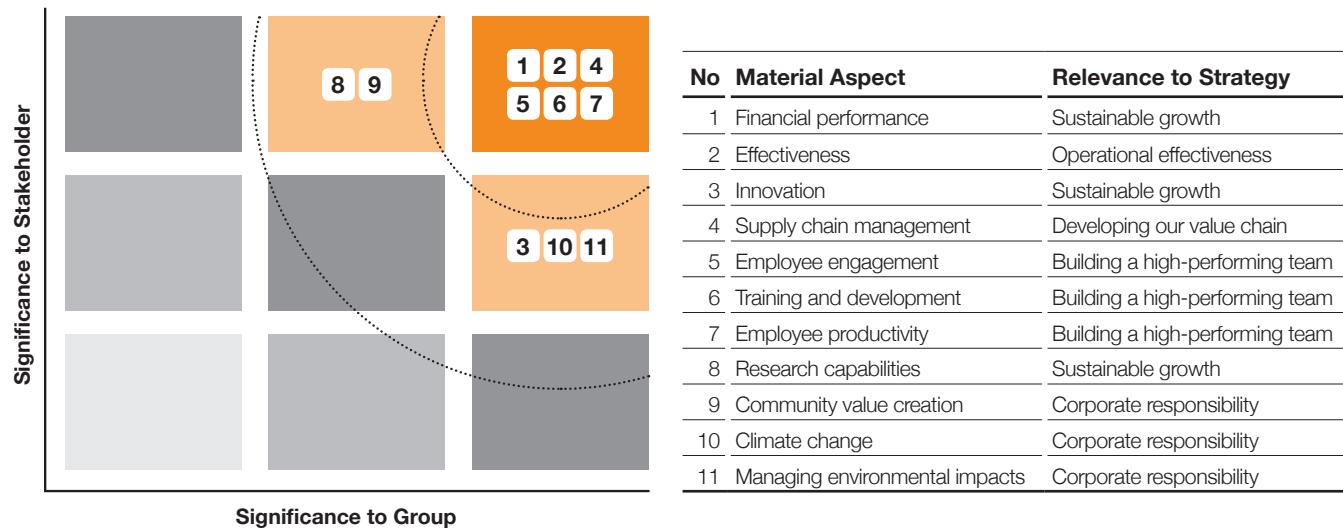
<b>Stakeholder Group</b>	<b>Engagement</b>	<b>Stakeholder Needs</b>
Community	<p>Internship and other training opportunities are provided to students pursuing degrees in agriculture as part of our community engagement initiatives. We engage with tea small holders through conducting seminars, site visits and multi-level discussions.</p> <p>Furthermore, donations and other forms of support are provided to schools in tea growing communities.</p>	The main concerns of the planting communities are centred on their socio economic progress. Students engaged in our internship programmes, seek opportunities for skill development, training and increased employability.
Government/ Regulators	Requirements of the regulator are met through quarterly performance reviews and other announcements. We engage with the Government through our representation in industry associations, participation in economic and industry forums and contributions to policy making among others.	Compliance to legal and statutory regulations and timely payment of dues such as income tax, PAYE tax etc. Actively participate in initiatives to mobilise stakeholders and ensure sustainability of employees.

# DETERMINING MATERIALITY

A key enhancement we have made to this Annual Report is the adoption of the concept of materiality, which comprises of the selection and prioritization of the issues that are most material to our stakeholders. These issues can potentially impact our ability to create value over the long-term. The process we adopt in determining our material issues is illustrated below;



The matrix reflecting the significance of issues to the Group's strategy as well as its key stakeholders for the reviewed period is given below;



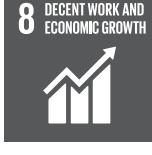
## OUR STRATEGY

*The Group's operations continue to be driven by an integrated strategy which takes into consideration the issues which are most material to its stakeholders. The graphical representation depicted below demonstrates the contextual trends which can potentially impact our value creation process in the periphery while the center reflects our core strategic priorities.*



# COMMITMENT TO THE SUSTAINABLE DEVELOPMENT GOALS

In September 2015, 193 nations around the world committed to the achievement of the Sustainable Development Goals, galvanizing global efforts to end poverty, promote prosperity and protect the environment. Governments, the private sector and communities will collectively play a vital role in the achievement of these goals and as a Group we're exploring how we can contribute most effectively ourselves. The infographic below lists out the goals which are of greatest relevance to us and how we are currently contributing towards these targets.

SDG	Facts around the world	Our commitment
<b>1 NO POVERTY</b> 	<ul style="list-style-type: none"> <li>■ 836 million people live in poverty</li> <li>■ In developing regions 1 in 5 persons live on less than \$1.25 a day</li> <li>■ Manifestations of poverty include malnutrition, hunger, limited access to education etc.</li> </ul>	We provide a multi-faceted value proposition to tea smallholders, to ensure the creation of sustainable value and contribute directly to their socio economic empowerment.
<b>3 GOOD HEALTH AND WELL-BEING</b> 	<ul style="list-style-type: none"> <li>■ More than six million children still die before their fifth birthday each year</li> <li>■ Four out of every five deaths of children under age five occur in the sub-Saharan Africa and Southern Asia</li> </ul>	As a leading tea broker, we facilitate the increased consumption of clean tea globally, which is widely considered to be a healthy beverage choice.
<b>5 GENDER EQUALITY</b> 	<ul style="list-style-type: none"> <li>■ About two thirds of countries in the developing regions have achieved gender parity in primary education</li> <li>■ In Southern Asia, only 74 girls were enrolled in primary school for every 100 boys in 1990. By 2012, the enrolment ratios were the same for girls as for boys</li> </ul>	We are an equal opportunity employer and do not practice gender based discrimination in any aspect of our operations.
<b>7 AFFORDABLE AND CLEAN ENERGY</b> 	<ul style="list-style-type: none"> <li>■ One in five people still lacks access to modern electricity</li> <li>■ Energy is the dominant contributor to climate change, accounting for around 60 percent of total global greenhouse gas emissions</li> </ul>	We strive to reduce dependence on fossil fuels by increasing the use of renewable energy, particularly in our warehouses which are powered by LED lighting and battery operated machinery.
<b>8 DECENT WORK AND ECONOMIC GROWTH</b> 	<ul style="list-style-type: none"> <li>■ Global unemployment increased from 170 million in 2007 to nearly 202 million in 2012</li> <li>■ Nearly 2.2 billion people live below the US\$2 poverty line</li> </ul>	We provide a dynamic and rewarding work environment to our team of 110 employees.

**13** CLIMATE ACTION



**17** PARTNERSHIPS FOR THE GOALS



- From 1880 to 2012, average global temperature increased by 0.85°
- Given current conditions it is likely that by the end of this century, the increase in global temperature will exceed 1.5°C compared to 1850 to 1900 for all but one scenario
- Global emissions of carbon dioxide (CO<sub>2</sub>) have increased by almost 50 percent since 1990

Multiple initiatives to drive energy efficiency and reduce dependence on fossil fuels (through renewable energy sources) is aimed towards minimising our carbon footprint.

- Official development assistance stood at \$135.2 billion in 2014, the highest level ever recorded

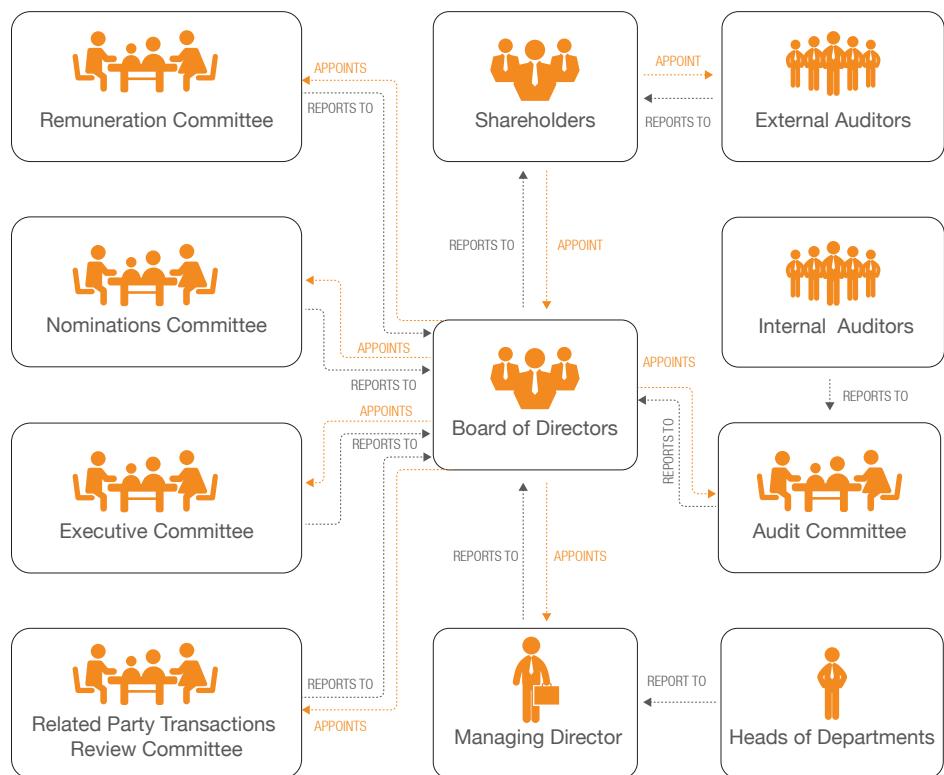
We continue to engage with the Government and industry stakeholders, in ensuring the long-term sustainability of Ceylon Tea.

# CORPORATE GOVERNANCE

**Sound corporate governance practices are crucial to an organisation's long-term sustainability and we remain committed to maintaining the highest standards of governance, accountability and transparency. The Group's governance frameworks comply with all relevant statutory and regulatory requirements and well-defined governance structures and comprehensive policy frameworks ensure that power is appropriately balanced within the Organisation whilst balancing the needs of all stakeholders.**

## Governance framework and structure

The Company's Corporate Governance framework complies with the requirements of the Companies Act No.7 of 2007 and the requirements of the Colombo Stock Exchange. The Company has also voluntarily adopted the Code of Best Practice on Corporate Governance 2013 issued jointly by the Institute of Chartered Accountant of Sri Lanka (CA Sri Lanka) and Securities & Exchange Commission of Sri Lanka.



## An effective board

The apex governing body is the Board of Directors who is collectively responsible for determining the Group's strategic direction and formulating strategic plans for achieving the Group's short, medium and long-term goals. ASC's Board comprises of 10 directors, consisting of 6 non-executive directors and 4 executive directors. Of the 6 non-executive directors, 3 are deemed independent as per the criteria specified by the Listing Rules of the Colombo Stock Exchange. Annual declarations of independence or non-independence are obtained from all Directors. Directors combine a wide range of industry expertise and skills,

contributing towards enhancing the depth and quality of Board discussions.

The key responsibilities of the Board of Directors include,

- The Board is responsible for formulating the overall strategies of the Company, reviewing/ monitoring the risk management mechanisms and ensuring the adequacy and effectiveness of internal systems and controls.
- Identification of risks and ensuring that the risk management framework in place is adequate in dealing with these risks

- Identification of authority and key responsibilities of the Board and those of the Senior Management.
- Provide oversight of affairs of the Company to assess the effectiveness of the Company's governance practices.
- Review of policy and progress towards corporate objectives.
- Ensure adherence to regulatory requirements

The Board is supported by several sub-committees in the discharge of its duties and hold responsibility for specific areas of insight. The sub-committees and their primary responsibilities are as follows;

<b>Sub-committee</b>	<b>Mandate</b>	<b>Composition</b>
Audit Committee	Ensure that effective systems are in place to secure the integrity of information and internal controls	Mr. B A Hulangamuwa ( <i>Chairman, Non-Executive, Independent Director</i> ) Mr. S T Gunatileke ( <i>Non-Executive Director</i> ) Dr. I A Ismail ( <i>Non-Executive, Independent Director</i> )
Nominations Committee	To implement procedures to select / appoint new Directors, CEO, Key Management Personnel	Dr. S A B Ekanayake ( <i>Chairman, Non-Executive, Independent Director</i> ) Mr. S T Gunatileke ( <i>Non-Executive Director</i> ) Mr. B A Hulangamuwa ( <i>Non-Executive, Independent Director</i> ) Dr. I A Ismail ( <i>Non-Executive, Independent Director</i> )
Remuneration Committee	Make recommendations to the Board on the Company's framework of Executive Directors' remuneration, regularly review the Company's remuneration policy	Dr. S A B. Ekanayake ( <i>Chairman, Non-Executive, Independent Director</i> ) Mr. S T Gunatileke ( <i>Non-Executive Director</i> ) Dr. I A Ismail ( <i>Non-Executive, Independent Director</i> )
Related Party Transactions Review Committee	Development of a related party transactions policy, updating the Board on any relevant related party transactions and ensuring that appropriate disclosures are made on relevant related party transactions	Dr. I A Ismail ( <i>Chairman, Non-Executive, Independent Director</i> ) Mr. B A Hulangamuwa ( <i>Non-Executive, Independent Director</i> ) Mr. H R V Caldera ( <i>Non-Executive Director</i> )

The Board members have access to P W Corporate Secretarial (Pvt) Ltd., who serve as the Secretaries to the Board and their expertise in matters regarding corporate governance. Appointment and removal of the Company Secretary is a matter that is taken up by the Board as a whole. Directors exercise independent

judgement on matters set before the Board and also have the ability to request for expert opinion on matters of importance for which the costs will be borne by the company.

Board Meetings are scheduled to be held once every quarter and whenever necessary. The Board met four times

during the financial year. Attendance at the scheduled Board meetings is set out below. Agendas and relevant Board papers are circulated at least one week in advance under normal circumstances to give sufficient time for directors to go through the information provided on matters set before the Board.

Name of Director	Office Held	Attendance at Board Meetings
1 Dr. S A B Ekanayake	Chairman / Independent Non-Executive Director	4/4
2 Mr. A R Cooke	Managing Director	4/4
3 Mr. D J Wedande	Executive Director	4/4
4 Mr. S G Amarasuriya	Executive Director	3/4
5 Mr. Y Kurunuru	Executive Director	4/4
6 Mr. M Murath *	Non-Executive Director	1/4
7 Mr. S Sirisena **	Non-Executive Director	3/4
8 Mr. S T Gunatilleke	Non-Executive Director	4/4
9 Mr. B A Hulangamuwa	Independent Non-Executive Director	3/4
10 Dr. I A Ismail	Independent Non-Executive Director	4/4
11 Mr. V Caldera	Non-Executive Director	4/4
12 Mr. J.N. Dambawinne ***	Non-Executive Director	1/4

\* Resigned w.e.f. 04/08/2016

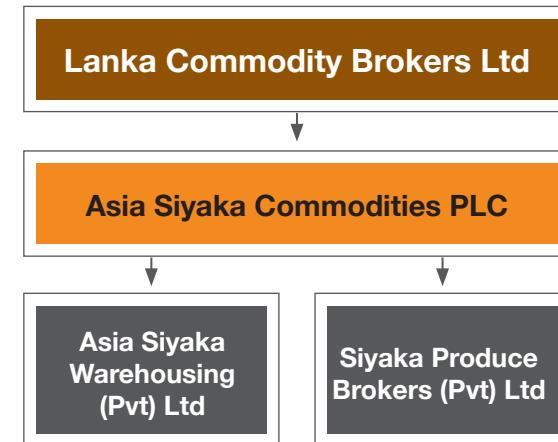
\*\* Resigned w.e.f. 31/12/2016

\*\*\* Appointed w.e.f. 09/01/2017

## RELATIONS WITH SHAREHOLDERS

The Group maintains a high level of engagement with institutional and retail shareholders through multiple engagement mechanisms. Shareholders appoint directors, receive annual reports and appoint auditors on a regular basis in accordance with the Companies Act. The Annual General Meeting is the primary platform facilitating stakeholder engagement and several directors including the Chairman of the Audit Committee participate in the AGM and are available to respond to any points raised by shareholders. Shareholders are kept informed about the performance of the Company through press releases, quarterly financial statements and notices to the Colombo Stock Exchange in accordance with the continued listing rules. Shareholders are also given the opportunity to direct their suggestions, feedback and comments to the Company Secretary.

The Group structure is set out below.



## ACCOUNTABILITY AND AUDIT

The Group's financial statements are prepared in accordance with the Sri Lanka Financial Reporting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Companies Act. The Annual Report presents a balanced review of the Group's performance during the year and includes specialised information such as The Statement of Director's Responsibility, and Independent Auditor's Report etc.

### The Board Audit Committee

The Audit Committee has oversight responsibility for ensuring that there is a sufficiently robust system of internal

controls in place to facilitate financial reporting and regulatory compliance. The Audit Committee is chaired by an independent non-executive director and comprises solely of non-executive directors. During the year under review, the Audit Committee convened five times. The meetings are attended by the Managing Director/Chief Executive Officer, Chief Financial Officer by invitation & other Directors and Executives when required.

Primary responsibilities of the Audit Committee are,

- Review of risk management reports and risk dashboards
- Review of internal audit plan and internal audit reports

- Ensure that regulatory reporting and filing of returns is carried out accurately and in a timely manner
- Review of quarterly financial statements and recommending to the Board prior to publication
- Review of annual report including the financial statements, management discussion and analysis, and recommending to Board prior to publication
- Meet with external auditors and review audit plans, management letters and discuss any issues arising from the external audit
- Recommend appointment of external auditors

## Levels of Compliance with the CSE's Listing Rules – Section 7.10. Rules on Corporate Governance.

Reference	Principle / Rule	Compliance Status	Applicable Section in the Annual Report
<b>7.10 Compliance</b>			
(a) – (c)	Compliance with Corporate Governance Rules  The Company is compliant with the Corporate Governance Rules and any deviations are explained where applicable	Compliant	Corporate Governance
<b>7.10.1 Non – Executive Director (NED)</b>			
(a) – (c)	At least 02 members or 1/3 of the Board, whichever is higher should be NEDs	Compliant	As at the conclusion of the last AGM there were 6 Non-Executive Directors
<b>7.10.2 Independent Directors (ID)</b>			
(a)	Two or 1/3 of NEDs whichever is higher should be Independent	Compliant	Of the 6 Non – Executive Directors, 3 are independent
(b)	Each NED to submit a signed and dated declaration of his/her independence or non-independence in the prescribed format	Compliant	Please refer page 29 of the Corporate Governance Report

<b>Reference</b>	<b>Principle / Rule</b>	<b>Compliance Status</b>	<b>Applicable Section in the Annual Report</b>
<b>7.10.3 Disclosures relating to Directors</b>			
(a)	The Board shall annually make a determination as to the independence or otherwise of the NEDs and names of Independent Directors should be disclosed in the Annual Report	Compliant	Please refer page 29 of the Corporate Governance Report
(b)	The basis of the Board to determine a Director is Independent, if criteria specified for independence is not met	Not Applicable	No such determination was required as Independent Directors met the criteria
(c)	A brief resume of each Director should be included in the Annual Report and should include in the areas of expertise	Compliant	Please refer page 16
(d)	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the exchange	Compliant	Not applicable
<b>7.10.4 Criteria for Defining Independence</b>			
(a) – (h)	Requirements for meeting criteria to be an Independent Director	Compliant	Independent Directors met the criteria
<b>7.10.5 Remuneration Committee – Listed Company shall have a Remuneration Committee</b>			
(a)	Composition of the Remuneration Committee shall comprise of Non- Executive Directors a majority of whom will be independent	Compliant	Please refer page 29 of the Corporate Governance Report
(b)	Functions of Remuneration Committee – The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and other Directors	Compliant	Please refer to the Remuneration Committee Report on page70
(c)	Disclosures in the Annual Report relating to the Remuneration Committee on Remuneration Policy, Names of the Directors of the Committee and aggregated remuneration paid to Executive and Non-Executive directors	Compliant	Please refer Remuneration Committee Report on page70 and Financial Report Note no. 30 on page 108
<b>7.10.6 Audit Committee – The Company shall have an Audit Committee.</b>			
(a)	<b>Composition of Audit Committee –</b>		
	I Shall comprise of Non- Executive Directors a majority of whom should be independent	Compliant	Please refer page 29 of the Corporate Governance Report
	II A Non-Executive Director shall be the Chairman of the Committee	Compliant	Chairman of the Audit Committee is a Non- Executive Director
	III Chairman of the Audit Committee or one member should be a member of a Professional Body	Compliant	Chairman of the Audit Committee is a Fellow member of the Institute of Chartered Accountants of Sri Lanka

<b>Reference</b>	<b>Principle / Rule</b>	<b>Compliance Status</b>	<b>Applicable Section in the Annual Report</b>
	IV CEO and CFO shall attend the Committee Meetings	Compliant	CEO & CFO attended Audit Committee meetings by invitation
(b)	<b>Audit Committee Functions,</b> Functions shall include:		
	I Overseeing the preparation, presentation and disclosures in the Financial Statements are in accordance with the Sri Lanka Accounting Standards	Compliant	
	II Overseeing the compliance of the reporting requirements, information requirements of the Company's Act and other relevant financial reporting related regulations and requirements	Compliant	
	III Overseeing the process to ensure that the internal control and risk management are adequate to meet the requirements of Sri Lanka Auditing Standards	Compliant	Please refer the Audit Committee Report on page 69
	IV Assessment of the independence and the performance of the External Auditors	Compliant	
	V Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors and approve the remuneration and terms of the engagement of the External Auditors	Compliant	
(c)	<b>Disclosures in the Annual Report relating to Audit Committee.</b>		
	I Names of Directors comprising the Audit Committee	Compliant	
	II The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis of such determination	Compliant	Please refer to the Audit Committee Report on page 69
	III The Annual Report shall contain a report of the Audit Committee setting of the manner of compliance with their functions	Compliant	

**Compliance to the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka**

Reference	Principle	Adoption Status	Section in Annual Report
-----------	-----------	-----------------	--------------------------

## A DIRECTORS

### A.1 THE BOARD

A.1	Effective Board	Adopted	Corporate Governance
A.1.1	Regular Meetings at least once in every quarter	Adopted	Corporate Governance
A.1.2	<p>Ensure the formulation and implementation of sound business strategy</p> <p>Ensure that the Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy</p> <p>Ensure effective CEO and senior management succession strategy</p> <p>Ensure effective systems to secure integrity of information, internal controls and risk management</p> <p>Ensure compliance with laws, regulations and ethical standards</p> <p>Ensure all stakeholder interests are considered in corporate decisions</p> <p>Ensure that the company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations</p> <p>Fulfill such other Board functions as are vital, given the scale, nature and complexity of the business concerned</p>	Adopted	Corporate Governance & Statement of Directors Responsibility
A.1.3	Act in accordance with laws relevant to the organization and procedure for Directors to obtain independent professional advice	Adopted	Corporate Governance
A.1.4	Access to advise and services of Company Secretary	Adopted	Corporate Governance
A.1.5	Independent judgement	Adopted	Corporate Governance
A.1.6	Dedicate adequate time and effort to matters of the Board and the Company	Adopted	Corporate Governance
A.1.7	Board induction and training	Adopted	Corporate Governance

### A.2 CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)

A.2	Separating the activities of the Board from the executive responsibilities of the Company	Adopted	Corporate Governance
-----	-------------------------------------------------------------------------------------------	---------	----------------------

### A.3 CHAIRMAN'S ROLE

A.3	Chairman's role in preserving good corporate governance. Conduct Board meetings in a proper manner	Adopted	Corporate Governance
-----	----------------------------------------------------------------------------------------------------	---------	----------------------

### A.4 FINANCIAL ACUMEN

A.4	Availability of financial acumen and knowledge to offer guidance on matters of finance	Adopted	Corporate Governance
-----	----------------------------------------------------------------------------------------	---------	----------------------

Reference	Principle	Adoption Status	Section in Annual Report
<b>A.5 BOARD BALANCE</b>			
A.5.1 and A.5.2	Non-Executive Directors of sufficient caliber and number	Adopted	Corporate Governance
A.5.3	Independence of Non-Executive Directors	Adopted	Corporate Governance
A.5.4	Annual declarations of independence from Directors	Adopted	Corporate Governance
A.5.5	Annual evaluation of independence	Adopted	Corporate Governance
A.5.6	Appointment of an alternate Director	N/A	N/A
A.5.7	Senior Independent Director (SID)	N/A	N/A
A.5.8	SID to meet with other Directors	N/A	N/A
A.5.9	Chairman to hold meetings with Non-Executive Directors, without Executive Directors being present	Adopted	Corporate Governance
A.5.10	Recording of Directors' concerns in Board Minutes	Adopted	N/A
<b>A.6 SUPPLY OF RELEVANT INFORMATION</b>			
A.6.1	Provision of appropriate and timely information and the Chairman to ensure all Directors are properly briefed on issues arising at Board meetings	Adopted	Corporate Governance
A.6.2	Board papers and agenda to be circulated 7 days prior to meetings	Adopted	Corporate Governance
<b>A.7 APPOINTMENTS TO THE BOARD</b>			
A.7.1	Formal and transparent procedure for new appointments through an established Nominations Committee	Adopted	Corporate Governance
A.7.2	Annually assess Board composition	Adopted	Corporate Governance
A.7.3	Disclosure of information to shareholders upon appointment of new directors	Adopted	Corporate Governance / Notice of Meeting
<b>A.8 RE-ELECTION</b>			
A.8.1 and A.8.2	All Directors should submit themselves for re-election at regular intervals Non-Executive Directors are appointed for specified terms subject to re-election All directors including Chairman to be subject to re-election at first opportunity after appointment and re-election at least every 3 years thereafter	Adopted	Corporate Governance / Notice of Meeting
<b>A.9 APPRAISAL OF BOARD PERFORMANCE</b>			
A.9.1	Appraisal of Board Performance	In Progress	Corporate Governance
A.9.2	Appraisal of Board Sub-Committees	Adopted	Corporate Governance
A.9.3	Disclosure of Board and Sub-Committee method of appraisal	Adopted	Corporate Governance
<b>A.10 DISCLOSURE OF INFORMATION IN RESPECT TO DIRECTORS</b>			
A.10.1	Annual Report to disclose specified information regarding directors	Adopted	Board of Directors / Corporate Governance
<b>A.11 APPRAISAL OF CHIEF EXECUTIVE OFFICER/MANAGING DIRECTOR</b>			
A.11.1	Set reasonable financial and non-financial targets to be met by the CEO	Adopted	Corporate Governance
A.11.2	Evaluate performance of the CEO with reference to targets	Adopted	Corporate Governance

Reference	Principle	Adoption Status	Section in Annual Report
-----------	-----------	-----------------	--------------------------

## B. DIRECTOR'S REMUNERATION

### B.1 REMUNERATION PROCEDURE

B.1.1	Appointment of a Remuneration Committee	Adopted	Corporate Governance
B.1.2 and B.1.3	Remuneration Committee to comprise exclusively of Non-Executive Directors	Adopted	Corporate Governance
B.1.4	Remuneration for Non- Executive Directors	Adopted	Corporate Governance
B.1.5	Remuneration of Executive Directors	Adopted	Corporate Governance

### B.2 LEVEL AND MAKE UP OF REMUNERATION

B.2.1 and B.2.2	Remuneration for Executive Directors should attract, retain and motivate	Adopted	Corporate Governance
B.2.3	Positioning company remuneration levels relative to other companies	Adopted	Corporate Governance
B.2.4	Performance related elements of remuneration for Executive Directors	Adopted	Corporate Governance
B.2.5	Share option schemes	N/A	N/A
B.2.6	Designing schemes of performance related remuneration	Adopted	Corporate Governance
B.2.7	Compensation commitments in the event of early termination	Adopted	Corporate Governance
B.2.8	Dealing with early termination	Adopted	Corporate Governance
B.2.9	Levels of remuneration for Non-Executive Directors	Adopted	Corporate Governance

### B.3 DISCLOSURE OF REMUNERATION

B.3.1	Composition of Remuneration Committee, Remuneration Policy and disclosure of aggregate remuneration paid to directors	Adopted	Remuneration Committee Report / Financial Statements – Note no. 30
-------	-----------------------------------------------------------------------------------------------------------------------	---------	--------------------------------------------------------------------

## C. RELATIONS WITH SHAREHOLDERS

### C.1 CONSTRUCTIVE USE AND CONDUCT OF ANNUAL GENERAL MEETING

C.1.1	Count of all proxy votes lodged	Adopted	Notice of Meeting
C.1.2	Separate resolutions for each substantially separate issue	Adopted	Notice of Meeting
C.1.3	Availability of Board Sub-Committee Chairmen at AGM	Adopted	Notice of Meeting
C.1.4	Circulation of notice of AGM and related documents to shareholders	Adopted	Notice of Meeting
C.1.5	Summary of procedures governing voting at the AGM	Adopted	Notice of Meeting

### C.2 COMMUNICATION WITH SHAREHOLDERS

C.2.1 - C.2.7	Channel to reach all shareholders  Policy and methodology for communication with shareholders  Contact person for shareholder matters  Process to make all Directors aware of major issues and concerns of shareholders  Process of responding to shareholder matters	Adopted	Corporate Governance
------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------	----------------------

Reference	Principle	Adoption Status	Section in Annual Report
<b>C.3 MAJOR AND MATERIAL TRANSACTIONS</b>			
C.3.1	Disclosure of major transactions	Adopted	Notes to Financial Statements
<b>D. ACCOUNTABILITY &amp; AUDIT</b>			
<b>D.1 FINANCIAL REPORTING</b>			
D.1.1	Present a balanced and understandable assessment of the Company's financial position, performance and prospects  Interim reports, price-sensitive public reports, regulatory reports and statutory information requirements	Adopted	Chairman's / MD's Review / Financial Statements / Corporate Governance / Risk Management
D.1.2	Declaration in Directors' Report	Adopted	Directors' Report / Financial Statements / Corporate Governance / Risk Management
D.1.3	Responsibilities of the Board for the preparation and presentation of financial statements and statement by the Auditors about their reporting responsibilities	Adopted	Statement of Directors' Responsibility / Auditors' Report
D.1.4	Include a Management Discussion & Analysis	Adopted	Management Discussion & Analysis
D.1.5	Declaration of the Directors that the business is a going concern	Adopted	Notes to the Financial Statements
D.1.6	Notify shareholders in case net assets of the company fall below 50% of the value of the Company's shareholders funds	N/A	N/A
D.1.7	Related Party Transactions	Adopted	Notes to the Financial Statements
<b>D.2 INTERNAL CONTROL</b>			
D.2.1	Maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets	Adopted	Report of the Audit Committee
D.2.2	Review need for Internal Audit Function	Adopted	Corporate Governance
D.2.3 and D.2.4	Continuity of Internal Control	Adopted	Corporate Governance
<b>D.3 AUDIT COMMITTEE</b>			
D.3.1	Establish arrangements for selection and application of accounting policies, financial reporting and internal control principles  Composition and Terms of Reference for Audit Committee	Adopted	Corporate Governance / Report of the Audit Committee
D.3.2	Review of external audit function and relationship with External Auditors	Adopted	Corporate Governance / Report of the Audit Committee

Reference	Principle	Adoption Status	Section in Annual Report
D.3.3	Terms of Reference	Adopted	Corporate Governance
D.3.4	Disclosures regarding Audit Committee	Adopted	Corporate Governance / Report of the Audit Committee

#### **D.4 CODE OF BUSINESS CONDUCT AND ETHICS**

D.4.1	Code of Business Conduct and Ethics	Adopted	Corporate Governance
D.4.2	Affirmative declaration by Chairman of compliance with Code of Business Conduct and Ethics	Adopted	Chairman's Report

#### **D.5 CORPORATE GOVERNANCE DISCLOSURES**

D.5.1	Corporate Governance Report	Adopted	Corporate Governance
-------	-----------------------------	---------	----------------------

### **E. SHAREHOLDERS**

#### **E.1 INSTITUTIONAL INVESTORS**

E.1.1	Encourage voting at AGM Regular structured dialogues with institutional investors	Adopted	Corporate Governance
-------	--------------------------------------------------------------------------------------	---------	----------------------

#### **E.2 EVALUATION OF GOVERNANCE DISCLOSURES**

E.2	Encourage institutional investors to give due weight to relevant governance arrangements	Adopted	Corporate Governance
-----	------------------------------------------------------------------------------------------	---------	----------------------

#### **F. SHAREHOLDER RELATIONS-INDIVIDUAL SHAREHOLDERS**

F.1	Individual shareholders are encouraged to do their own analysis or seek independent advice	Adopted	Corporate Governance
F.2	Encourage shareholders to participate and vote at the AGM	Adopted	Corporate Governance

#### **G. SUSTAINABILITY REPORTING**

G.1 – G.1.7	Sustainability Reporting	Adopted	Management Discussion Analysis
-------------	--------------------------	---------	--------------------------------

## RISK MANAGEMENT



*Proactive and effective risk management underpins an organisation's ability to deliver sustainable stakeholder value over the long-term. The Group's operations are exposed to an array of global and domestic ecological, political and socio-economic factors and we are committed towards continually refining and enhancing our risk management framework to reflect the rapidly changing nature of our operating landscape. Identified risks and their potential impact for a key input in strategy formulation, ensuring that the Group effectively mitigates the risks that could limit the achievement of its strategic objectives.*



### Risk governance

The Board of Directors holds apex responsibility for determining the nature and extent of the significant risks the Company is willing to take and ensuring that these risks are managed effectively. The Board is supported by the Audit Committee in discharging its risk management related functions and the Audit Committee reviews the effectiveness of the Company's risk management and internal control systems on an annual basis.

The organisation's risk management structure is depicted here;

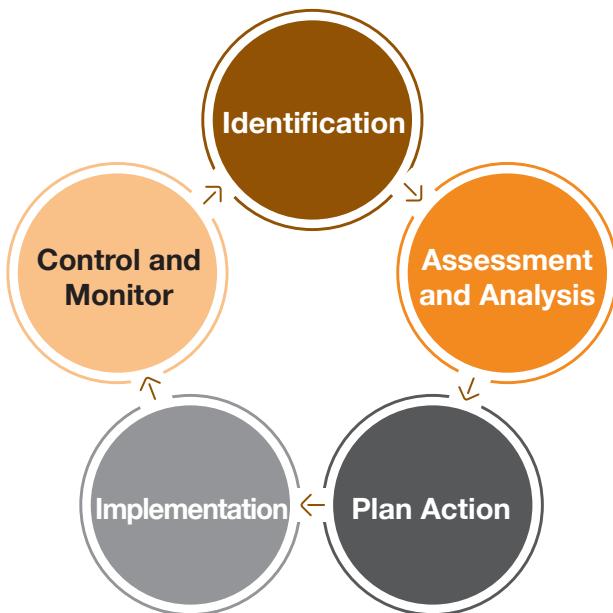


A documented risk management framework ensures that all risk exposures are identified and managed on a holistic and proactive manner. The framework includes procedures for the identification, analysis, evaluation, treatment, management and communication of the material risks associated the Group's operations. Regular risk reporting to the Board ensures that risks are monitored on an ongoing basis.

### Risk appetite

The level of risk the Board is willing to accept in the achievement of its strategic objectives are defined in the Group's risk appetite statement. This provides oversight and consistency in the level of risk taken by the Group as a whole and ensures that risk return dynamics are appropriately managed at all times.

## Approach to risk management



### 1. Risk Identification

Risks are initially identified through discussion between the Chief Executive Officer (CEO) and Key Management Personnel. These exposures are critically analyzed by the Senior Management Team and reviewed by the Audit Committee. Risk identification is based on the Group's strategic agenda, stakeholder concerns and material issues.

### 2. Assessment and Analysis

Identified risk exposures are mapped and rated based on the likelihood and potential level of impact as depicted here. During the year, the Group further strengthened its risk assessment and analysis mechanisms by assigning weighted scores to each.

### 3. Plan Action and Implementation

Based on the derived risk scores, strategies are formulated to curtail and mitigate the risk exposures.

			RISK MANAGEMENT ACTIONS		
			Considerable management attention required <b>B E</b>	Management attention required <b>K</b>	Extensive management attention essential <b>A D</b>
PROBABILITY OF IMPACT	Significant				
	Moderate	Risk may be worth accepting with monitoring <b>I</b>	Management effort worthwhile <b>C J</b>	Management effort required	
	Minor	Accept risk <b>F G H</b>	Accept, but monitor risk	Manage & Monitor risk	
			Low	Medium	High
LIKELIHOOD					
<span style="background-color: #C8512E; color: white; padding: 2px 5px;">High Risk</span>			<span style="background-color: #5F6D7D; color: white; padding: 2px 5px;">Moderate Risk</span>		
<span style="background-color: #FFFACD; color: #C8512E; padding: 2px 5px;">Low Risk</span>					

A. Fluctuations in commodity prices  
 B. Competition and potential loss of clients  
 C. Interest Rate Risk  
 D. Geopolitical Risk  
 E. Credit Risk  
 F. People related risk  
 G. Data integrity and IT related risks  
 H. Fraud risk  
 I. Compliance related risks  
 J. Risks of Climate Change  
 K. Natural and man-made disasters

High Risk      Moderate Risk      Low Risk

Responsibility for managing each identified risk lies with the respective risk owners. The Group will ensure there is sufficient flexibility to respond

to risks and adequate resources to mitigate risks. It is recognized that risks can be most effectively managed if a risk culture is nurtured within the

Group. The internal controls for risk management will be scrutinized by internal and external audit functions but these can only be minimized the consequences of occurrence based on impact and likelihood but the risk itself will not be eliminated.

Group Policies will ensure that fundamental risks in their department are identified, assessed and monitored and incorporated in the Risk Register. Emerging risks will be added as required, and actions and controls put in place to mitigate them and provide

assurance to the Board.

#### **4. Control and Monitor**

Monitoring of all risk exposures are the collective responsibility of the respective risk owners and the senior management team. The Internal Audit function is responsible for aspects of the annual review of the effectiveness of the internal control system within the organization while the external audit function provides feedback to the Audit Committee on the operation of the adequacy and effectiveness of the internal control system within

the organisation. Assurance on the effectiveness of the Group's overall risk management framework and internal controls is provided by the Statement of Internal Controls.

#### **5. Risk Reporting**

Well defined reporting structures and monitoring mechanisms are in place to continuously track the Group's risk exposures and ensure that risk management strategies and internal controls are adequate in design and implementation.

### **Risk universe**

The Group's key risk exposures can be categorised as follows, and the subsequent table provides a summary of the potential impacts, mitigation mechanisms and risk scorings for the year under review.



<b>Type of Risk and Impact</b>	<b>Risk Mitigation</b>	<b>Net Risk Assessment</b>		
		<b>2016/17</b>	<b>2015/16</b>	
<b>Market Risks</b>				
<b>Fluctuations in commodity prices</b>				
Changes in global tea, rubber and commodity prices have a direct impact on the Group's earnings.	<ul style="list-style-type: none"> <li>■ Consistently monitoring industry and market trends</li> <li>■ Achieving differentiation through quality focus</li> </ul>	High	Moderate	
<b>Competition and potential loss of clients</b>				
Increasing competitive pressures can affect our market share and impact cash flow and earnings	<ul style="list-style-type: none"> <li>■ Long Term Investment in business diversification</li> <li>■ Develop long-term relationships with stakeholders based on sustainable value creation</li> <li>■ Developing a broad based client portfolio</li> <li>■ Close monitoring of competitor behavior and the trend of moving from one broker to another</li> <li>■ Continuous engagement with the CBA to ensure all Brokers adhere to By-Laws</li> </ul>	Moderate	Low	
<b>Political and Economic Risks</b>				
<b>Interest Rate Risk</b>				
Increasing interest rates can have an impact on profitability through rising funding costs	<ul style="list-style-type: none"> <li>■ Lending rates reviewed on a timely basis and proactive negotiations with financial institutions</li> <li>■ Strong treasury management to ensure borrowing costs are minimized</li> <li>■ Adherence to CBA regulations on avoidance of rate based competition on lending.</li> <li>■ Exploring opportunities of new financing through offshore borrowings</li> </ul>	Moderate	Moderate	
<b>Geopolitical Risk</b>				
Domestic and global political and economic conditions have a direct impact on the demand for tea	<ul style="list-style-type: none"> <li>■ Continuous review of global and national government policy changes to provide marketing and product advice to clients enabling them to respond to the world market.</li> <li>■ Professionals and specialists are consulted to provide guidance and direction to ensure compliance in various transactions entered in to</li> </ul>	High	High	

<b>Type of Risk and Impact</b>	<b>Risk Mitigation</b>	<b>Net Risk Assessment</b>	
		<b>2016/17</b>	<b>2015/16</b>
<b>Credit Risk</b>			
Potential loss of earnings and cash flow arising from the inability of clients to fulfill their financial obligations to the Group	<ul style="list-style-type: none"> <li>■ Act within a legal frame work to ensure assurance of recoverability of client advance portfolio</li> <li>■ Close monitoring through credit committee and automated processes for evaluation</li> <li>■ Maintaining close relationships with clients with continual inspection and monitoring.</li> <li>■ Communication channel through CBA to improve unity among all brokers to prevent defaulting by borrowers</li> </ul>	Moderate	Moderate
<b>Operational Risk</b>			
<b>People related risk</b>			
Risks arising from inability to retain staff, shortage of skilled labor and inadequate standards of performance	<ul style="list-style-type: none"> <li>■ Continued investment in training and development initiatives to equip employees with the required skills to responds to dynamics in the environment</li> <li>■ Competitive remuneration schemes</li> <li>■ Structured and comprehensive HR policies and frameworks</li> </ul>	Low	Low
<b>Data integrity and IT related risks</b>			
Data Access / Modification by unauthorized persons and Loss of data	<ul style="list-style-type: none"> <li>■ Robust data security and back-up systems in place</li> <li>■ In order to ensure high level of competence in a dynamic environment has outsourced key IT functions to specialist</li> <li>■ Introduction of multiple platforms for delivering of data to clients</li> <li>■ The company conducts periodic Information system audits by engaging professionals in the industry.</li> </ul>	Low	Low
<b>Fraud risk</b>			
Potential financial and reputational losses arising from frauds within the Organisation.	<ul style="list-style-type: none"> <li>■ Implementation of a procedure manual with all the internal controls over quantitative and qualitative measurements, introducing delegation authorities, segregation of duties and access levels etc</li> </ul>	Low	Low

<b>Type of Risk and Impact</b>	<b>Risk Mitigation</b>	<b>Net Risk Assessment</b>	
		<b>2016/17</b>	<b>2015/16</b>
<b>Compliance related risks</b>			
Regulatory and reputational risks arising from non-compliance to regulatory requirements	<ul style="list-style-type: none"> <li>■ Periodic reviews over compliance through internal audit and implementation of ISO Audit</li> <li>■ Appointing Compliance officer to maintain independent supervisory functions</li> <li>■ Continuous engagement with Sri Lanka Tea Board (SLTB) ensuring compliance with other regulatory Bodies' requirements</li> <li>■ including the CTTA and CBA and ensuring the clientele are operating within the legal environment</li> </ul>	Low	Low
<b>Other Risks</b>			
<b>Risks of Climate Change</b>			
Rising temperatures, erratic weather patterns and soil degradation have a long-term impact on the productivity of land and quality and quantity of tea produce	<ul style="list-style-type: none"> <li>■ Advisory services provided to RPCs and smallholders on sustainable agricultural practices</li> <li>■ Maintaining a clientele representing all three elevations to reduce the risk of low production</li> </ul>	Moderate	Moderate
<b>Natural and man-made disasters</b>			
Disasters due to human error / negligence and natural disasters like floods, landslides etc.	<ul style="list-style-type: none"> <li>■ Comprehensive insurance cover extending to weekly evaluation of tea stock</li> <li>■ Action plans and instructions in place for potential environmental changes</li> <li>■ Security systems, Fire Drills, Fire detectors to avoid man-made disasters</li> <li>■ HACCP</li> </ul>	High	Moderate

# PERFORMANCE AGAINST OUR CAPITALS

ECONOMIC AND INDUSTRY OVERVIEW...	<b>46</b>
BUSINESS LINE PERFORMANCE...	<b>49</b>
FINANCIAL CAPITAL...	<b>50</b>
MANUFACTURED CAPITAL...	<b>53</b>
HUMAN CAPITAL...	<b>54</b>
SOCIAL AND RELATIONSHIP CAPITAL...	<b>57</b>
NATURAL CAPITAL...	<b>61</b>

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY...	<b>63</b>
STATEMENT OF DIRECTORS' RESPONSIBILITIES...	<b>67</b>
RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT...	<b>68</b>
THE REPORT OF THE AUDIT COMMITTEE ...	<b>69</b>
REPORT OF THE REMUNERATION COMMITTEE...	<b>70</b>

# ECONOMIC AND INDUSTRY OVERVIEW

**The Group's performance is impacted by an array of global and domestic socio-economic, political and climatic factors. The review of the operating environment presented below provides information that is relevant to the operations of the Group and excludes various developments which do not have a material impact on the operations of the Group.**

## Global economy

Despite global economic activity gaining some momentum during the second half of the year, 2016 remained a year of moderate global growth. Global GDP grew by 3.1% during the year, with advanced and emerging economies expanding by a respective 1.7% and 4.1%. Growth in advanced economies were driven by the normalization of conditions in the United States and several Euro

zone economies, although uncertainty regarding potential changes in the policy stance of the United States under its new administration and the potential impacts of Brexit remain as areas of concern. Emerging markets continued to demonstrate mixed performance reflecting country-specific factors; China grew by 6.7% in 2016 due to the continued policy support by the government, while growth in India continued to be healthy at 6.8% despite the effects of a currency

exchange initiative. Oil prices recovered from the lows of early 2016 in response to OPEC supply restrictions and the resultant increase in commodity prices provided some buoyancy to the Middle Eastern region and Common Wealth of Independent States (CIS). The CIS region thus recorded a growth of 0.3% compared to a contraction of 2.2% the previous year while output in the Middle Eastern and North African region increased to 3.8% (2015: 2.6%)

## Global Economic Growth

	2015	2016	2017 (Projection)	2018 (Projection)
	%	%	%	%
<b>World Output</b>	3.2	3.1	3.4	3.6
<b>Advanced Economies</b>	2.1	1.6	1.9	2.0
United States	2.6	1.6	2.3	2.5
Euro Area	2.0	1.7	1.6	1.6
Japan	1.2	0.9	0.8	0.5
United Kingdom	2.2	2.0	1.5	1.4
<b>Emerging markets and developing economies</b>	4.1	4.1	4.5	4.8
Common Wealth of Independent States (CIS)	-2.2	0.3	1.7	2.1
Middle East and North Africa	2.7	3.9	2.6	3.4
Emerging and developing Asia	6.7	6.3	6.4	6.3
China	6.9	6.7	6.5	6.0
India	7.6	6.6	7.2	7.7
ASEAN 6	4.8	4.8	4.9	5.2

## Commodity prices

An agreement between OPEC countries to restrict supply of oil for the first time since 2008, contained the downward spiral in oil prices during the last few months of 2016. Resultantly, The International Monetary Fund's Primary Commodities Price Index increased by 15% during August 2016 and February 2017.

Meanwhile the Agriculture Index, which represents food, beverages and agricultural raw materials, increased by 4.3% during the same period with relatively strong price increases in palm oil, tea and rubber.



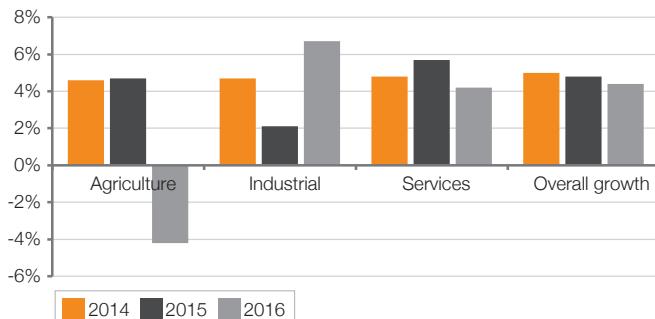
Source: World Economic Outlook, IMF

## Sri Lankan economy

Sri Lanka's economic growth was moderate at 4.4% in 2016 (2015: 4.8%) attributed to a weaker than expected agriculture sector, continued fiscal consolidation measures and revisions to tax structures which resulted in increased inflationary pressures.

The agriculture sector contracted by 4.2% due to erratic weather conditions which included prolonged drought coupled with severe floods in May 2016. Production of paddy, tea, rubber and coconut all declined due to inclement weather conditions. Productivity in the tea sector was also affected by withdrawal of the fertilizer subsidy and the resultant reduction in the application of fertilizer. Several initiatives were implemented under the three year programme of the government "A Wholesome Agriculture – A Healthy Populace – A toxin-free Nation" which had both positive and negative impacts on the agriculture sector, with increased regulation in some aspects and liberalization of others.

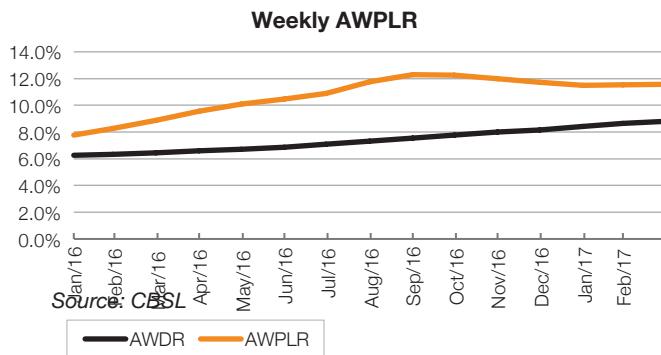
Growth in the Industrial sector was relatively robust at 6.7%, driven by the recovery of the construction sector (+14.9%) with the recommencement of several large infrastructure projects. Meanwhile, the services sector expanded by 4.2% supported by strong growth in financial services and the transportation of goods and services including the warehousing sector.



Source: CBSL

## Interest rates

Interest rates increased sharply during the year as Central Bank adopted a tightening monetary policy stance and increased the Statutory Reserve Ratio by 1.50% in January 2016 to 8.5%, following this up with increases in the Standing Deposit Facility Rate and the Standing Lending Facility Rate by 50 basis points in February and a further 50 bps in July 2016. These measures were directed towards containing inflationary pressures and supporting the Balance of Payments. The AWPLR thus increased to 11.56% by end-March 2016 compared to 7.76% in January 2016.



## External Sector and Exchange rates

Global headwinds including slow global economic recovery, increasing geopolitical tensions and still weak commodity prices affected recovery of export markets and Sri Lanka's exports declined for the second consecutive year. Agricultural exports declined by 6.3% during the year, reflecting lower exports in several categories of agricultural products. However, export showed signs of recovery in 2017 supported by stronger prices in agricultural commodities. Meanwhile, the Sri Lankan Rupee weakened by 3.8% against the US Dollar in 2016.

## The tea industry

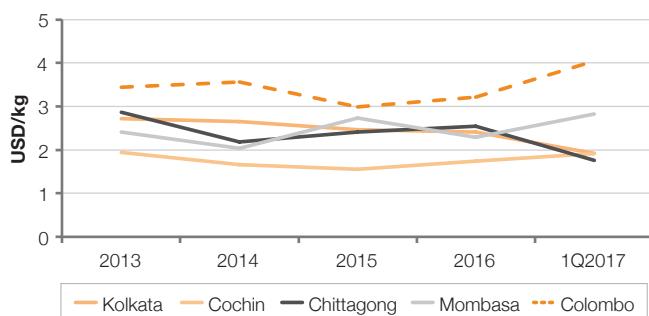
Global tea production increased by 3.4% to 5.46 million MT during 2016, led by higher production levels in Kenya and North India. Adverse weather conditions however impacted the Southern hemisphere with Sri Lanka and South India recording sharp declines in production of 11% and 7% respectively. Unfavorable weather, driven by El Nino episodes had a sharper impact on tea producing countries during the first quarter of 2017 with global tea production contracting by 18.18%. Sri Lanka, Kenya as well as North and South India recorded lower production levels compared to the corresponding period in 2016.

	Increase/decrease in production in 2016 (%)	Increase/decrease in production during 1Q 2017 (%)
Kenya	+19	-35
North India	+4.0	-18
South India	-7	-12
China	+5	-*
Sri Lanka	-11	-5
Global output	+3.4	-18.18

\* Data not available

The decline in global supply during the first quarter of 2017 resulted in stronger prices across all key auctions. On average, prices increased by 16% in the first 3 months of the year, with the sharpest escalation of prices seen at the Colombo Tea Auction, which recorded a 41% increase in the period compared to the previous year. The CTA maintained its position as the premium price commander across global tea auctions.

### Global tea price movements



Source: Sri Lanka Tea Board

The Sri Lankan tea industry faced unprecedented challenges in 2016, characterised by droughts and subsequent floods resulted in the country's total tea production recording a steep decline of 11% to 292.6 million kgs in 2016. During the first half of the year, tea prices were subdued, reflecting economic and geopolitical tensions in buying markets. However, supply constraints during the second half of the year resulted in average tea prices (F.O.B) increasing by 8% during the year. Earnings from tea exports declined by 5.3% reaching its lowest level since 2009, as export volumes declined.

Production level fell further by 5% in the first 3 months of 2017 as with sharp drops in the high and medium grown segments. The sharp increases in prices however, cushioned the drop in production to a certain extent with earnings from tea exports increasing by 17.1% during the period.

## Outlook

The ban on weedicides could substantially impact the quality and volumes of Sri Lankan tea production and requires an evidence-based, inclusive solution to ensure the sustainability of the industry. The buoyancy in prices during the first quarter of 2017 has offset the declines in production and a normalization of prices could have a substantial impact on the industry if crop levels remain at their current lows.

## BUSINESS LINE PERFORMANCE

Business line	Industry overview	Strategic priorities and developments	Performance in 2016/17
Tea broking	<ul style="list-style-type: none"> <li>■ Tea production volumes declined in view of adverse weather conditions.</li> <li>■ Tea prices strengthened, particularly during the 1st quarter of 2017 which saw prices increasing by around 25% due to a global shortfall in supply</li> </ul>	<ul style="list-style-type: none"> <li>■ Brought in new talent, which enabled customer acquisition in the corporate sector</li> <li>■ Continued focus on providing a multi-faceted value proposition to customers</li> <li>■ Ongoing focus on quality of tea</li> </ul>	<ul style="list-style-type: none"> <li>■ Revenue from tea broking increased by 16.83% to Rs. 227.8 million during the year.</li> <li>■ Commanded premium pricing at the Tea Auction</li> <li>■ Maintained strong market position as one of the top 3 tea brokers in the industry</li> </ul>
Other commodities broking	<ul style="list-style-type: none"> <li>■ Rubber prices strengthened following the recovery of global crude oil prices.</li> <li>■ Production volumes however, declined due to adverse weather</li> </ul>	<ul style="list-style-type: none"> <li>■ Improved market penetration in the corporate sector</li> </ul>	<ul style="list-style-type: none"> <li>■ Revenue from rubber broking increased by 30.28% to Rs. 6.51 million</li> <li>■ Revenue from spices declined by 32.4% to Rs. 7.62 million</li> </ul>
Warehousing	<ul style="list-style-type: none"> <li>■ Relatively low stocks in the pipeline affected the warehousing business during the year under review</li> </ul>	<ul style="list-style-type: none"> <li>■ Successfully commissioned the Group's new warehousing facility which has resulted in a doubling of storage capacity</li> <li>■ Building on Group synergies to increase capacity utilisation levels</li> </ul>	<ul style="list-style-type: none"> <li>■ Revenue contributions from the new warehousing facility resulted in the revenue from warehousing increasing by 22% to Rs. 162.56million during the year.</li> <li>■ Capacity utilisation levels were below expectations during the financial year, although strengthening post-FY given improvements in production volumes.</li> </ul>

# FINANCIAL CAPITAL

*The Group demonstrated strong resilience in challenging market conditions to achieve revenue and operating profit growth of 8% and 22% respectively. Overall profitability, was, however somewhat impacted by increased borrowing costs given the high interest rate scenario that prevailed for most part of the year.*

## Relevance of our Financial Capital

Financial Capital is reinvested in other capital inputs and forms a vital component of our value creation process. Obtaining and adequately managing our Financial Capital is essential for ensuring sustainable growth and fulfilling our growth aspirations

## Highlights of 2016/17

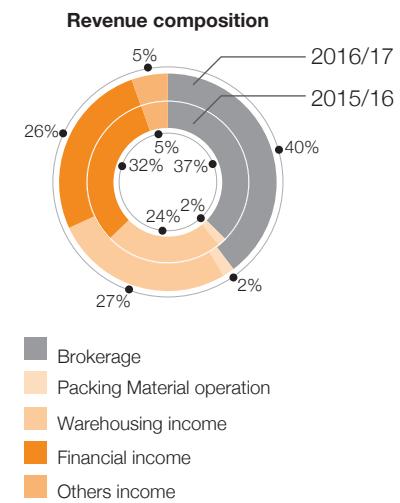
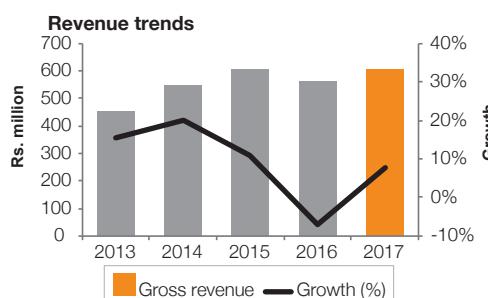
Inputs (Rs. million)	Activities during the year	Outputs (Rs.million)
Shareholders' funds	715.71	Capital investments of Rs. 375 million
Borrowings	1151.48	Proactive investment management Optimum use of financial resources
		Profit after tax
		EPS (Rs)
		Dividend per share (Rs)
		Share price (end-March 2017)

## Financial Performance

### Revenue

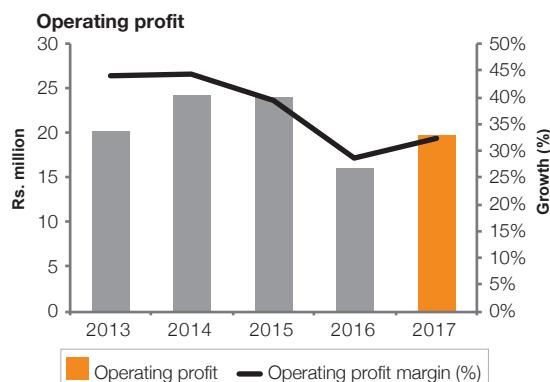
The Group's gross revenue increased by 8% to Rs. 609.62 million during the year, supported by the increase in tea prices, as well as higher contributions from the warehousing arm. Brokerage income is the Group's main revenue source, accounting for 40% of total revenue, followed by warehousing income (27%), financing income (26%) and others (7%). Revenue from warehousing increased by 22% during the year, following increased utilisation levels in the Group's new warehousing facility, while brokerage

income grew by 15%. The Group's reliance on broking income has been trimmed as strategic emphasis has been placed on increasing diversity of its income sources.



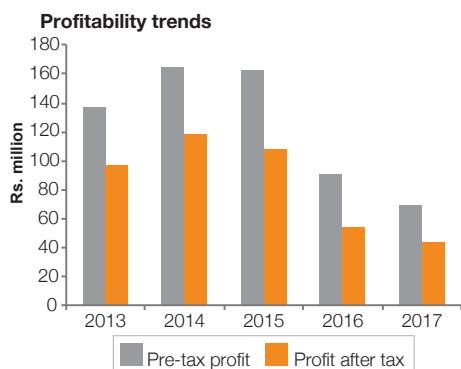
## Operating performance

Strategic emphasis was placed on achieving operational efficiency and enhancing productivity, which enabled the Group to contain the rise in overhead expenses to a marginal 2% during the year. Administrative expenses comprising primarily of salaries, other staff costs and maintenance costs accounted for almost 85% of the Group's total overhead costs and grew by 2% while selling and distribution expenses were relatively unchanged at Rs. 58.83 million. The commendable top line growth, coupled with cost efficiencies resulted in the Group's operating profit surging 22% to Rs. 197.11 million while the operating profit margin widened to 32% from 29% the year before.



## Pre and post-tax profits

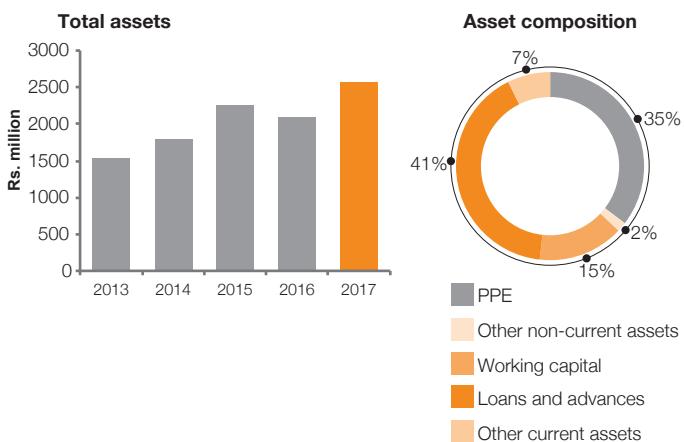
The Group's overall profit for the year was affected by higher borrowing costs, due to the increase in interest rates as well as higher borrowings obtained to fund the construction of the warehouse. Accordingly, net finance cost for the year surged by 80% to Rs. 128.01 million. Resultantly pre-tax profit for the year amounted to Rs. 69.09 million, compared to Rs. 90.25 million the year before, while profit for the year declined by 18% to Rs. 44.17 million.



## Financial position

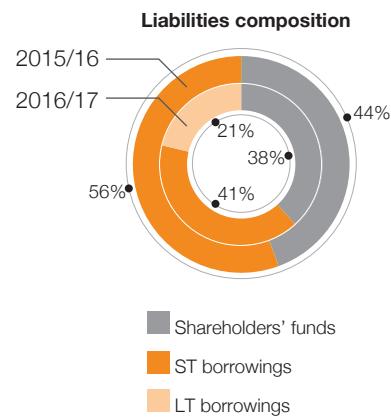
### Assets

The Group's financial position remained healthy, with total assets increasing by 23% to Rs. 2.58 billion as at end-March 2017 supported by increased capital expenditure related to the new warehouse as well as an increase in short-term loans to customers. The Group's property, plant and equipment (PPE) thus increased to Rs. 911.26 million, from Rs. 736.72 million the year before. The asset composition remained relatively unchanged during the year with non-current assets accounting for 37% of total assets.



### Liabilities

Shareholders' funds for the year amounted to Rs. 715.71 million, accounting for 38% of the Group's total funding. During the year, total borrowings increased by 33% to Rs. 1.15 billion as the Group obtained long-term borrowings to fund its capital expenditure in the new warehousing facility. Resultantly the debt to equity ratio increased to 1.6 times from 1.3 times the year before.



## Cash flow and debt protection

Despite the stronger operational performance, the Group's operating cash flow weakened slightly due to higher working capital investments. Net cash outflow from operating activities amounted to Rs. 124.98 million, compared to an inflow of Rs. 361.52 million the year before. Cash outflows from investing activities amounted to Rs 226.76 million reflecting the final tranche of capital expenditure on the new warehousing facility while cash flow from financing activities increased due to a long-term loan facility of Rs. 450.0 million. Despite the increase in borrowings the Group's debt protection metrics remained relatively unchanged, with the operating profit to debt cover clocking in at 0.17 times, compared to 0.19 times the year before.

## Shareholder returns

We continued to generate sustainable returns to our shareholders during the year, with the earnings per share amounting to Rs. 0.17 while dividend per share clocked in at Rs.0.10. The performance of the share price mirrored the broad based decline in the Colombo Stock Exchange, with the ASC share price ending the year at Rs.2.00, compared to Rs.2.20 the year before.

<b>Rs.</b>	<b>2016/17</b>	<b>2015/16</b>	<b>2014/15</b>
Earnings per share	0.17	0.21	0.42
Dividend per share	0.10	0.30	0.38
P/E ratio	11.76	10.47	7.38
Share Price	2.00	2.20	3.10
Market Capitalization	520 million	572 million	806 million

# MANUFACTURED CAPITAL

*The Group marked an important milestone during the year, with the commissioning of its new state-of-the-art warehousing facility. The warehouse was conceptualized embracing the principles of sustainable construction and operations and is the first-of-its-kind ‘green’ tea logistics centre in the country.*

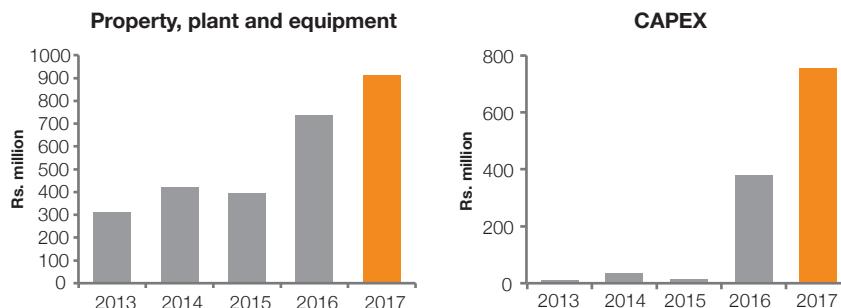
## Highlights of 2016/17

Inputs (Rs. million)	⇒ Activities during the year ⇒	Outputs (Rs.million)
Property, plant and equipment	Capital expenditure amounting to Rs. 751.66 million	Property, plant and equipment 911.26
		Warehousing: pre -tax profit 31.95

The Group invested approximately Rs.542.06 million in the Group's second warehousing facility which completed construction and was commissioned during the year. With a total storage space of 86,000 squarefeet, the new warehouse has doubled the Group's storage capacity and facilitated further diversification of its earnings profile.

The warehouse also obtained the prestigious Leadership in Energy and Environmental Design

(LEED) Certification (Silver) from the United States Green Building Council, which evaluates the environmental performance of buildings to encourage sustainable design. Our warehouse is the first tea logistics centre in Sri Lanka and among very few in the world to obtain the LEED certification. It has been designed to ensure optimum energy efficiency, aimed at reducing overall energy consumption and dependence on fossil fuels (please refer page 61 for further information)



### Relevance of our Manufactured Capital

The Group's Manufactured Capital consists primarily of its warehousing facilities which are an essential element of our value chain and also a source of additional income.

# HUMAN CAPITAL

*Our dynamic and skilled workforce of 110 employees, are critical in nurturing customer relationships and sustaining our competitive edge. We in turn, provide our employees exciting opportunities for skill and career development in a conducive work environment supported by a high level of employee engagement and support.*

## Highlights of 2016/17

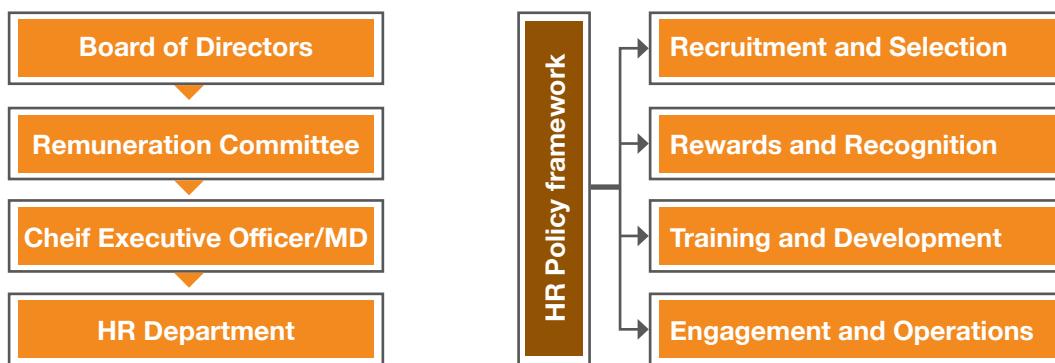
Inputs (Rs. million)	⇒ Activities during the year ⇒	Outputs (Rs.million)
Headcount 110	■ Invested Rs. 0.43 in 1,982 training hours ■ Ongoing employee engagement initiatives	Rewards and benefits 193.24 Staff retention rate (%) 90% Net profit per employee 0.40mn
Industry insights, skills and attitudes		

## Our approach to people management

Our approach towards managing our human capital is reflected by our unique organisational culture, which strives to build a dynamic and empowered team. The human resource framework in the Group is guided by formal policy frameworks and clearly defined governance structures, which facilitate performance while nurturing effective team dynamics.

## Human Capital governance

All human resource related aspects within the Group are governed by formal policy frameworks which ensure consistent treatment to all employees. The apex responsibility for effective management of human capital lies with the Company's Human Resource Department.



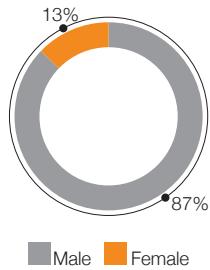
## Relevance of our Human Capital

The skills, values and industry insights of our team are a key source of competitive advantage. Our human capital is also essential in building client relationships and driving our strategic agenda.

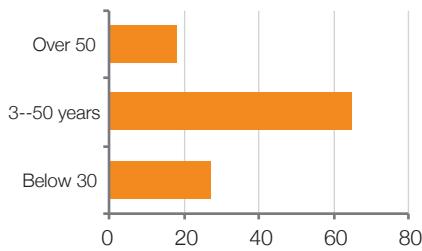
## Team profile

Our team comprises of 110 motivated and high-performing employees who drive our strategic ambitions. A unique value proposition, a team culture and opportunities for skill and career development have enabled us to attract and retain the industry's top talent. During the year, we recruited 20 new employees to our team.

**Gender representation**



**Age breakdown**



## Employee value proposition

We offer a unique value proposition to our employees which is characterised by four main pillars as illustrated graphically below.

### Employee value proposition

Engagement

Rewards and recognition

Training and development

Growth opportunities

## Talent attraction

Our recruitment policy is aimed at attracting skilled and dynamic professionals who are committed to our vision and values. We are an equal opportunity employer and do not discriminate based on age, gender or ethnicity. We do not engage employees below the age of 18 and do not tolerate any form of forced or compulsory labour. Recruitment and selection is conducted on an open competitive basis depending on manpower requirements. During the year under review, we recruited 20 new staff and provided internship opportunities for 05 University graduates pursuing degrees in agriculture and related fields.

## Employee engagement

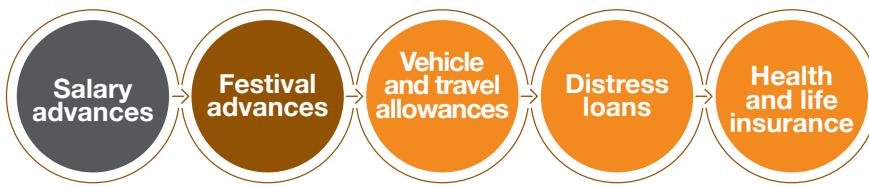
We maintain a high level of engagement with our employees through regular staff meetings, annual performance appraisals, and year-round work life balance initiatives. In addition all senior management members maintain an open door policy to encourage employee feedback and suggestions. Many non-work related activities were conducted during the year, encouraging fellowship and camaraderie;



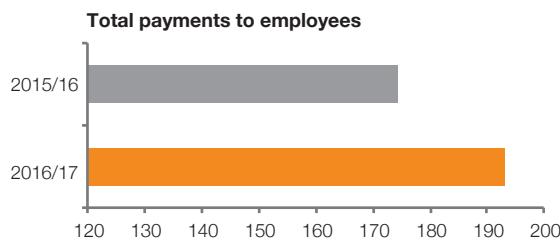
Siyaka Family Day 2016

## Rewards and recognition

The Group offers competitive reward schemes which are aimed towards nurturing a performance driven culture, while motivating and retaining employees. In addition to the basic salary, employees are also entitled to the following benefits. The Group also contributes 12% of gross emoluments to Employees' Provident Fund, Estate Suppliers Provident Society or Ceylon Planters' Provident Society and 3% of gross emoluments to the Employees' Trust Fund.



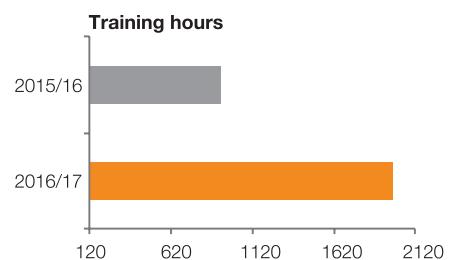
All employees undergo performance appraisals at least on an annual basis. The performance reviews encourage feedback and is used as an effective platform to identify skill gaps, assess training needs and evaluate areas for further improvement. Remuneration is competitive and linked to performance. Total salaries, wages and other benefits to employees amounted to Rs. 193.24 million, an increase of 11% in comparison to the previous year.



## Training and development

We offer multiple opportunities for training and skill development, which is a key element of our employee value proposition. Our training proposition is aimed at equipping our employees with the required skills, knowledge and attitudes required to achieve our strategic objectives. Training needs are identified primarily through the annual performance appraisals. Training initiatives include orientation for new staff, in-house training, professional education as well as participation in related seminars/conferences among others. During the year we invested Rs. 0.43 million in training and development, providing total training hours of 1,982.

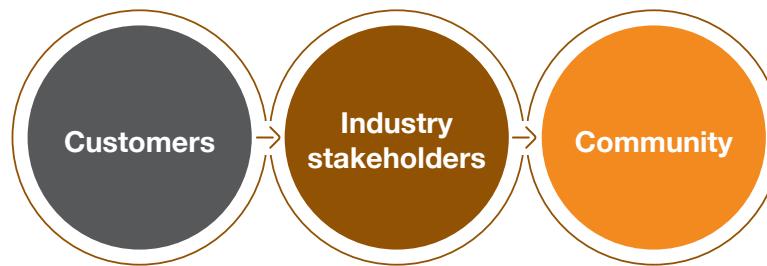
Category	Training Hours
Corporate Managers	56
Managers	96
Executives	44
Non Executives/Associates	328
Trainees	1,458
Total	1,982



## SOCIAL AND RELATIONSHIP CAPITAL

*As a service-based organisation, our competitive strength lies on our ability to nurture long-term relationships with our customers. These relationships, together with our deep industry insights, have enabled ASC to emerge as a thought leader in the country's tea industry and our willingness to share knowledge with industry counterparts is a defining characteristic of who we are.*

The key relationships covered in this discussed are,



### Highlights of 2016/17

Inputs	⇒ Activities during the year ⇒	Impacts (Rs.million)
Collaborative and meaningful relationships with our customers, business partners, communities, industry stakeholders and the Government	<ul style="list-style-type: none"> <li>■ Ongoing engagement and multi-faceted value proposition to customers</li> <li>■ Industry thought leadership</li> <li>■ Community engagement initiatives</li> </ul>	Investment in advisory services 0.55 Investment in CSR 0.35 CSR beneficiaries 220

#### Relevance of Social and Relationship Capital

Relationships we have nurtured with our customers and other industry stakeholders are fundamental in ensuring the sustainability of our operations and maintaining our social license to operate.

## Customers

### Customer profile

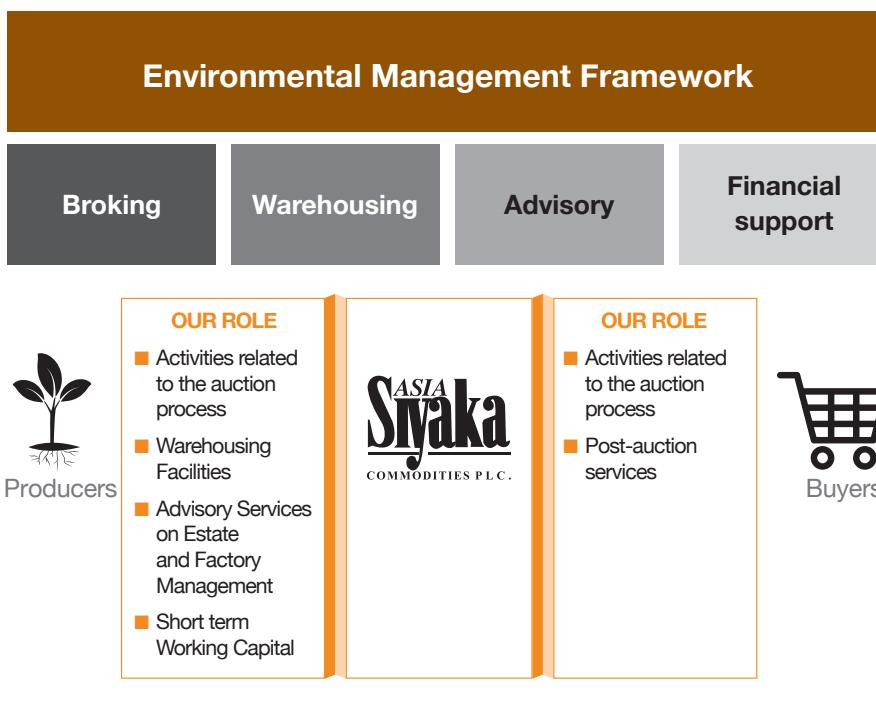
Our customers are primarily regional plantation companies and private tea factories that process teas purchased from small holders. During the year, our customer composition tilted more towards corporate customers (regional plantation companies) supported by new customer acquisition. We served 12 RPCs, 87 private tea factories and indirectly supported more than 74,000 smallholders.



### Value proposition

The Group's success is attributed to the long-term relationships it has nurtured with its customers, which is underpinned by a unique differentiation strategy which focuses on serving our customers beyond the traditional role of a market intermediary. The Group has successfully redefined the role of the traditional broker in the country's tea industry, contributing towards enhancing the overall value proposition offered by brokers.

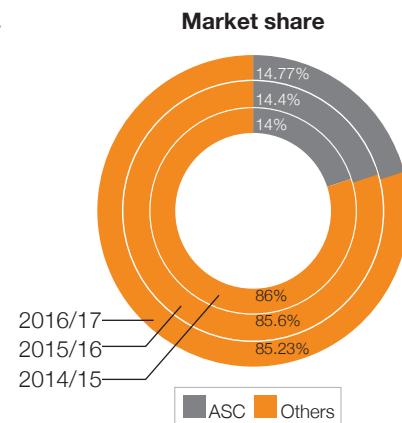
Our multi-faceted customer value proposition is as follows;

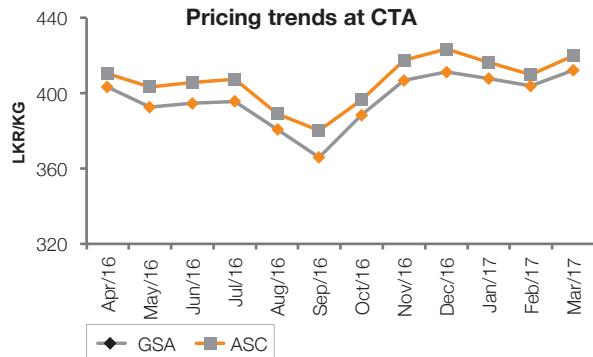


### Broking

The Group acts as a market intermediary for tea, rubber and non-traditional commodities of which the former is the most significant contributor to income. As part of our facilitating role in the CTA we perform multiple functions related to the auction process, including sampling, tasting, cataloging, distributing samples and collection and remittance of proceeds.

We frequently rank among the top performers at the Colombo Tea Auction, both in terms of volumes and prices commanded. During the year, we ASC on average commanded a market share of approximately 15.88% in the sale of Low-grown teas and 12.86% in the High and Medium elevations, which collectively translated to a market share of over 14.77%, making us one of the top 03 brokers in the industry. Our customer advisory services which are based on market research is designed to assist manufacturers in producing varieties and qualities of tea that are in high demand; this has enabled us to consistently command premium pricing over the national average.





## Warehousing

ASC commissioned its second warehousing facility during the year, a state-of-the-art logistics facility which will double the Group's warehousing capacity and add diversity to its earnings profile. A 'green' warehouse, the facility is the first of its kind in Sri Lanka to obtain the prestigious LEED certification for sustainable building design and has been designed to ensure optimum energy efficiency, aimed at reducing overall energy consumption and dependence on fossil fuels.

Both the Group's warehousing facilities feature innovative tracking systems which enable quality to be retained while achieving substantial reductions in the tea to cash cycle. Our facilities have refined industry standards, setting the benchmark for warehouses that were subsequently constructed by other brokers. Furthermore by significantly improving the tea to cash cycle as well as reduce the finance cost associated with storage, the Group has successfully created value at both ends, both to its customers as well as the buyers.

## Advisory

We strive to create long-term value to our customers, by equipping them with the skills and knowledge required to produce high-quality teas. We offer advisory services to its customers, ranging from market intelligence to guidance on factory and estate management. Our ongoing engagement with exporters and other buyers allows us to clearly identify emerging trends in consumer demand, which are in turn communicated to our customers.

Knowledge is shared through weekly/ monthly reports and research reports on a timely and accurate basis. ASC's team of skilled industry veterans engage with customers through site visits, discussions and written communication on optimal estate and factory management techniques. During the year under review we invested Rs.0.55 million in such advisory efforts.

Advisory topics covered during the year included,

**Manufacturing and Produce Quality**

**Worker Skills Development**

**Machinery Layout and Automation**

## Financial support

We bridge the short-term working capital needs of our customers through providing ongoing financial support. During the year under review total support granted to our customers exceeded Rs.1,053 million.

## Industry thought leadership

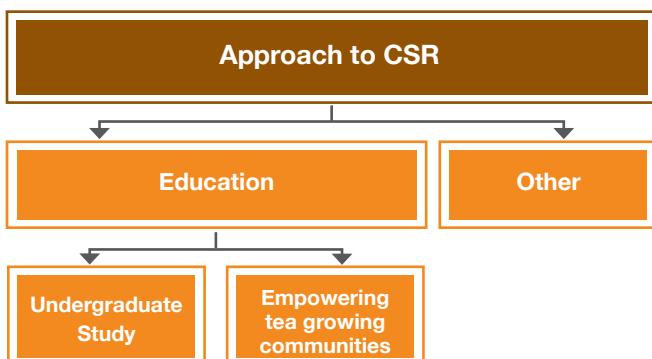
ASC has been at the forefront of the industry's thought leadership in enhancing the market position of Ceylon Tea in the global market. Our leadership team and employees persistently engage with industry stakeholders and proactively contribute towards the dialogue of strengthening Sri Lanka's position in the global tea industry. Our willingness to share domain knowledge for the betterment of the overall industry is a defining characteristic of who we are and our employees are encouraged to actively contribute to industry associations and forums. This enables us to directly contribute towards ensuring the growth and long-term sustainability of our industry through addressing challenges faced by the respective industries, promoting best practices, and lobbying Government for the implementation of regulatory and legal structures among others. The Group and its employees currently hold membership in the following industry bodies;

- Colombo Brokers Association
- Colombo Tea Traders Association
- Sri Lanka Tea Board
- Ceylon Chamber of Commerce
- Spices and Allied Products Producers and Traders Association

ASC's Managing Director and several members of our senior management team have played a key role in the conceptualization and promotion of the 150 year Anniversary of Ceylon Tea in 2017. The celebrations involve an year-round activity calendar aimed at further enhancing the Ceylon Tea brand in the global market (refer to page 13 for further information)

## Community engagement

We adopt a strategic approach towards Corporate Social Responsibility (CSR) as illustrated. The Group's community engagement initiatives are focused towards uplifting the standard and quality of education of two groups; school children in estate communities and undergraduate students pursuing degrees in agriculture and related fields of study.



### Internship opportunities for undergraduate study

Through providing practical, on the job training to students pursuing related fields of study, we strive to propagate our industry knowledge and insights to develop the industry's overall skill base.

- Degree in Tea technology and Value addition conducted by the Faculty of Animal Science and Export Agriculture of University of Uva Wellassa
- Department of Crop Science, Faculty of Agriculture, University of Peradeniya.
- Department of Food Science & Technology, Faculty of Agriculture, University of Peradeniya.
- In Plant Training for Plantation Management Specialization at the Faculty of Agriculture and Plantation Management, Wayamba University.
- Programs of National Institute of Plantation Management (NIPM).

Students from the above universities and institutes are given the opportunity to obtain comprehensive on-the-job training and opportunities for skill development through our internship programs. The training programs enable the students to obtain a well-rounded, pragmatic and diverse exposure to multiple aspects of our trade and are designed to employ them with skills to improve employability. Meanwhile, the Group provides internship opportunities for undergraduates pursuing industrial training attachments during the third year of study. In addition to providing technical skills and industry expertise, we also strive to develop the soft skills often sought by potential employers, including communication, leadership and presentation skills.

### Supporting educational needs of tea growing communities

As an ongoing program, we strive to empower impoverished families in tea growing communities through supporting the educational needs of school students. This year, we contributed musical instruments to the Kosnigoda Junior School in Morawaka, expected to benefit over 200 rural students.

### Others

- Flood Relief: During the severe floods in May 2017, ASC partnered a leading media organisation in the country to facilitate the effective and efficient distribution of aid among those affected. Our deep rooted presence in estate communities, relationships and understanding of the ground situation ensured that aid was distributed to those who required it the most, with minimal wastage.
- Contributions to Trail SL for the proposed construction of a Cancer Hospital

# NATURAL CAPITAL

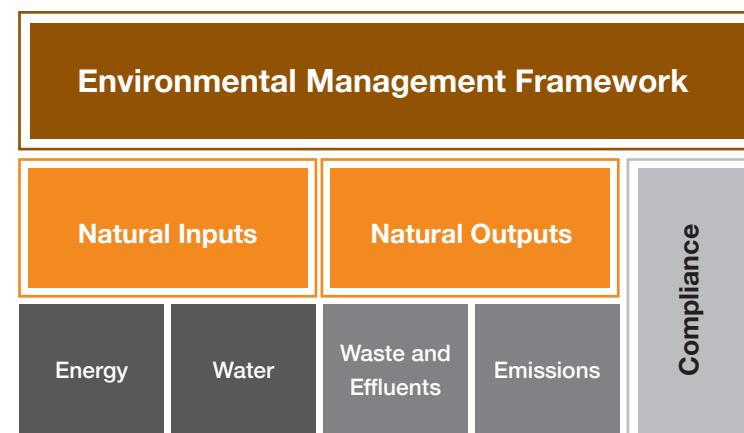
*As a Group engaging primarily in market intermediation, the environmental footprint of our operations are relatively limited. That said we are committed to minimizing the environmental inputs and outputs of our operations, primarily in the head office and warehousing operations.*

## Highlights of 2016/17

Inputs	Activities during the year	Impacts
Energy(kwh)	285,233	Day to day operations which consumes natural resources
Water (m <sup>3</sup> )	6,904	Waste
Raw materials (paper-Kg)	8,664	Emissions

### Our approach to environmental management

Our environmental management framework strives to optimise the use of natural resources in our value creation process while minimising adverse environmental impacts and ensuring compliance to the relevant environmental regulations. Our approach can be graphically illustrated here;



### Energy

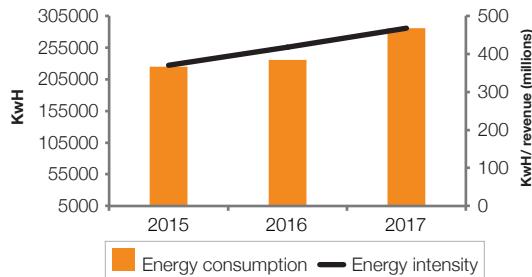
The Group's energy requirements are fulfilled through the national grid as well as renewable energy generation. The new warehouse is powered partly through solar power, thereby limiting the Group's dependence on fossil fuels and minimising emissions. Meanwhile, design aspects of the new warehousing facility ensure that energy consumption is optimized through maximizing the usage of natural

lighting and air flows. All machinery within the warehouse is also battery operated. In addition, the following measures are in place to optimise the Group's energy consumption;

- Energy tracking and monitoring systems were implemented to identify opportunities for reducing energy inputs.
- Engaging employees in energy conservation awareness programs

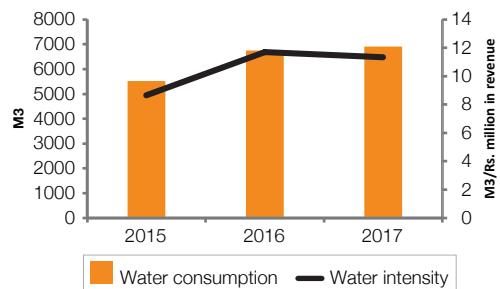
■ Priority was given to improve natural lighting flows and natural air flows for cooling purpose to reduce energy inputs.

During the year under review, energy consumption from the national grid amounted to 285,233 Kwh.



## Water

The Group's water consumption is limited to that used by its employees in the day to day running of our operations. We continue to engage our employees in the conservation of water and during the year under review water consumption at the head office amounted to 6,904 m<sup>3</sup> while water intensity clocked in at 11.3 m<sup>3</sup>/ Rs. millions of revenue.



## Compliance

Compliance to all relevant environmental regulations such (including CEA and local council regulations) is ensured through the Group's risk management frameworks and internal controls. During the year under review, there were no incidences of non-compliance, penalties or fines imposed on us pertaining to any applicable environmental regulations and laws.

## Impacts of climate change

The impacts of climate change are being increasingly felt across the global plantations landscape, as erratic weather patterns, rising temperatures and changes in monsoon patterns affect yields, crop quality and quantity. Rising temperatures are also likely to result in increased pest and disease problems. These issues underscore the critical importance of engaging in sustainable production methods including investments in replanting, efficient irrigation systems and flexible planting and harvesting periods among others.

# ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors of Asia Siyaka Commodities PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiaries for the year ended 31st March 2017

## General

Asia Siyaka Commodities PLC is a public limited liability company which was incorporated under the Companies Act No. 17 of 1982 as a private limited company on 16th February 1998 and re-registered under the Companies Act. No. 07 of 2007 on 30th April 2008 under Company Registration No. PV 3562 PB/PQ and was subsequently converted to a public limited liability company on 28th March 2012 and listed on the Colombo Stock Exchange on 12th September 2012.

## Principal activities of the Company and review of performance during the year

The principal activity and the nature of operations of the Company is to carry on the business of Tea Brokers, Produce Brokers, Auctioneers, Appraisers, Valuers, Commission Agents and General Agents.

The rubber broking license held by Siyaka Produce Brokers (Private) Limited, a fully owned subsidiary of the Company, was transferred to the Company on 18th April 2017 and the Company commenced the rubber broking business as a strategic business unit of the Company.

A review of the business of the Company and its performance during the year with comments on financial results, future strategies and prospects are contained in the Managing Director's Report on pages 14 and 15 which form an integral part of this Report.

This Report together with the Financial Statements, reflect the state of affairs of the Company and its subsidiary Companies.

## Financial Statements

The Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiaries, duly signed by two Directors on behalf of the Board and the Auditors are given on pages 74 to 111.

## Auditors' Report

The Report of the Auditors on the Financial Statements of the Company is given on page 73.

## Accounting Policies

The Financial Statements of the Company and the Consolidated Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards comprising SLFRS and LKAS and the policies adopted thereof are given on pages 79 to 82 Figures pertaining to the previous periods have been re-stated where necessary to conform to the current year's presentation.

## Directors

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 16 to 17.

## Name of Director

### Executive Directors

Mr. A R Cooke - *Managing Director*  
Mr. D J Wedande - *Director*  
Mr. S G Amarasuriya - *Director*  
Mr. Y Kurunaru - *Director*

### Non-Executive Directors

Dr. S A B Ekanayake\* - *Chairman*  
Mr. B A Hulangamuwa\* - *Director*  
Mr. S T Gunatilleke - *Director*  
Dr. I A Ismail\* - *Director*  
Mr. H R V Caldera - *Director*  
Mr. J N Dambawinne - *Director*

\* Independent Non-Executive Directors as per the Listing Rules of the Colombo Stock Exchange.

Messrs. M Murath and S Sirisena resigned from the Board of the Company on 04th August 2016 and 31st December 2016, respectively.

Mr. S. T Gunatilleke retires by rotation at the conclusion of the Annual General Meeting in terms of Article 87(i) of the Articles of Association and being eligible is recommended by the Directors for re-election.

The Directors have recommended the appointment of Dr I A Ismail who is 80 years of age, as a Director of the Company; and accordingly a resolution will be placed before the shareholders in terms of Section 211 of the Companies Act in regard to the appointment of Dr. I A Ismail.

The Directors have recommended the appointment of Mr. H R V Caldera who is 72 years of age, as a Director of the Company; and accordingly a resolution will be placed before the shareholders in terms of Section 211 of the Companies Act in regard to the appointment of Mr. Vernon Caldera.

Mr. J N Dambawinne who was appointed to the Board on 09th January 2017 shall retire in terms of Article 94 of the Articles of Association of the Company and being eligible are recommended by the Directors for re-election

## Directors of subsidiary companies

### **Asia Siyaka Warehousing (Private) Limited**

Mr. A R Cooke

Mr. D J Wedande

Mr. S G Amarasuriya

Mr. Y Kurunuru

Dr. I A Ismail

### **Siyaka Produce Brokers (Private) Limited**

Mr. D J Wedande

Mr. A R Cooke

Mr. S G Amarasuriya

Mr. V L T Perera

## Composition of the Board

The Board of Asia Siyaka Commodities PLC comprises ten members of whom six are Non -Executive Directors. Four members of the Board serve as Executive Directors.

Based on the declarations submitted by the Directors, the Board has determined that three Non-Executive Directors – Dr. S A B Ekanayake, Dr. I A Ismail and Mr. B A Hulangamuwa are ‘Independent’ as per the criteria set out in the Listing Rules of the Colombo Stock Exchange.

## Interest Register

The Company maintains an interests register in terms of the Companies Act, No. 07 of 2007, which is deemed to form part and parcel of this annual report and available for inspection upon request.

The relevant interests of Directors in the shares of the Company as at 31st March 2017 as recorded in the interests register are given in this report under Directors' shareholding.

## Related Parties' Transactions with the Company

All related party transactions which encompasses the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period are recorded in the interests register in due compliance with the applicable rules and regulations of the relevant regulatory authorities.

Transactions of related parties (as defined in LKAS 24 - Related Parties Disclosure) with the Company are set out in Note 30 to the financial statements.

The Related Party Transactions Review Committee has reviewed all related party transactions that require their review for the year ended 31st March 2017 in compliance with the relevant listing rules.

## Directors' Remuneration

The Directors' remuneration is disclosed under Key Management Personnel compensation in Note 30 to the Financial Statements on page 108.

## Directors' responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 67.

## Auditors

Messrs Ernst & Young, Chartered Accountants served as the Auditors during the year under review and also provided non audit/ consultancy services. They do not have any interest in the Company other than that of Auditor and provider of tax related services.

A total amount of Rs. 639,599/- is

payable by the Company to the Auditors for the year under review comprising Rs. 386,578/- as audit fees and Rs. 253,021/- for non-audit services.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 29 May 2017 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

## Stated Capital

The Stated Capital of the Company as at 31st March 2017 was Rs.100,000,000/- represented by 260,000,000 ordinary shares. There were no changes in the Stated Capital of the Company during the year.

## Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2017 and 31st March 2016 are as follows.

	Shareholding as at 31/03/2017	Shareholding as at 31/03/2016
Dr. S A B Ekanayake	-	-
Mr. A R Cooke	9,747,143	9,747,143
Mr. D J Wedande	8,353,067	8,353,067
Mr. S G Amarasuriya**	-	-
Mr. Y Kurunuru	2,499,063	2,499,063
Mr. B A Hulangamuwa	-	-
Mr. S T Gunatilleke*	-	-
Dr. I A Ismail	-	-
Mr. H R V Caldera	-	-
Mr. J N Dambawinne**	-	-

\*Mr. S T Gunatilleke is the Chairman of Lanka Commodity Brokers Limited, which holds 149,148,464 shares constituting 57.365% of the issued shares of the Company.

\*\*Messrs. J N Dambawinne and S G Amarasuriya serve as Directors of Lanka Commodity Brokers Limited.

## Shareholders

There were 1,377 shareholders registered as at 31st March 2017. The details of distribution are given on page 114 of this Report.

## Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on pages 114 to 115 under Share Information.

## Reserves

The reserves of the Company with the movements during the year are given on page 77.

## Land holdings

The Company does not own any freehold land or buildings.

## Property, Plant & Equipment

Details and movements of property, plant and equipment are given under Note 03 to the Financial Statements on page 90 to 93.

## Investments

Details of the Company's unquoted investments as at 31st March 2017 are given under Note 06 to the Financial Statements on page 95.

## Donations

The Company made donations amounting to Rs. 355,453/- in total, during the year under review.

## Dividends

The Company paid an interim dividend of Cents 10 and a final dividend of Cents 10 on 30th August 2016 and 06th July 2017, respectively.

## Risk Management

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Audit Committee.

Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management on pages 39 to 44.

There were no material issues pertaining to employees and industrial relations of the Company during the year.

## Statutory Payments

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of, and in respect of employees of the Company and all other known statutory dues as were due and payable by the Company as at the Statement of Financial Position date have been paid or, where relevant provided for, except for certain assessments where appeals have been lodged.

## Contingent Liabilities

Except as disclosed in Note 27 to the Financial Statements on page 107 there were no material Contingent Liabilities as at the Statement of Financial Position date.

## Events occurring after the Reporting Period

Except for the matters disclosed in Note 29 to the Financial Statements on page 108 there were no material events as at the date of the Financial Statements which require adjustment to, or disclosure in the Financial Statements.

## Corporate Governance

The Board of Directors confirm that the Company is compliant with section 7.10 of the Listing Rules of the CSE.

An Audit Committee, Remuneration Committee, Nominations Committee and Related Party Transactions Review Committee function as Board sub committees, with Directors who possess the requisite qualifications and experience.

The composition of the said committees are as follows.

### Audit Committee

**Mr. B A Hulangamuwa - Chairman**

**Mr. S T Gunatileke**

**Dr. I A Ismail** (appointed w.e.f. 07th November 2016)

**Mr. M Murath** (resigned w.e.f. 04th August 2016)

### Remuneration Committee

**Dr. S A B Ekanayake - Chairman**

**Mr. S T Gunatileke**

**Dr. I A Ismail**

**Mr. S Sirisena** (resigned w.e.f. 31st December 2016)

**Mr. B A Hulangamuwa**

(resigned from the committee w.e.f. 25th May 2017)

### Nominations Committee

**Dr. S A B Ekanayake - Chairman**

**Mr. S T Gunatileke**

**Mr. B A Hulangamuwa**

**Dr. I A Ismail**

**Mr. S Sirisena** (resigned w.e.f. 31st December 2016)

## Related Party Transaction Review Committee

**Dr. I A Ismail - Chairman**

**Mr. B A Hulangamuwa**

**Mr. H R V Caldera**

The corporate governance of the Company is reflected in its strong belief in protecting and enhancing stakeholder value in a sustainable manner, supported by a sound system of policies and practices. Prudent internal controls ensure professionalism, integrity and commitment of the Board of Directors, Management and employees.

The Corporate Governance Statement on pages 28 to 38 explains the measures adopted by the Company during the year.

## Annual General Meeting

The Notice of the Annual General Meeting appears on page 118.

This Annual Report is signed for and on behalf of the Board of Directors by

  
**Dr. S A B Ekanayake**  
Chairman

  
**Mr. A R Cooke**  
Managing Director

  
**P W Corporate Secretarial (Pvt) Ltd**  
Secretaries  
10 July 2017

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the Consolidated Financial Statements in accordance with the Companies Act, No.7 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and are required to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Company and its subsidiaries as at the reporting date and the income and expenditure of the Company for the accounting year ending on that reporting date.

The Directors are also responsible in ensuring that the Financial Statements comply with any regulations made under the Companies Act, which specifies the form and content of Financial Statements and any other requirements which apply to the Company's Financial Statements under any other law.

The Directors have ensured that the Financial Statements presented in this Annual Report have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments' and estimates and in compliance with the Sri Lanka Financial Reporting Standards, Companies Act, No.7 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No.15 of 1995.

The Directors are responsible for keeping sufficient accounting records, which disclose with reasonable accuracy the financial position of the Company and its subsidiaries, which will enable them to have the Financial Statements prepared and presented as aforesaid.

They are also responsible for taking measures to safeguard the assets of

the Company and its subsidiaries and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

The Directors are also confident that the Company and the group have adequate resources to continue in operation and have applied the going concern basis in preparing the financial statements.

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

By Order of the Board

ASIA SIYAKA COMMODITIES PLC

**P W Corporate Secretarial (Pvt) Ltd**  
Secretaries

10 July 2017

# RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

## ADOPTION OF THE CODE OF BEST PRACTICES ON RELATED PARTY TRANSACTIONS

The Board of Directors of Asia Siyaka Commodities PLC (ASC) adopted the Code of Best Practices on related party transactions issued by the Securities and Exchange Commission of Sri Lanka (SEC) and established the Related Party Transactions Review Committee (RPTRC) in November 2015.

## PURPOSE OF THE COMMITTEE

The purpose of the RPTRC of ASC is to conduct an independent review approval and oversight of all related party transactions of ASC and to ensure that the Company complies with the rules set out in the Code. The primary objectives of the said rules are to ensure that the interests of the shareholders as a whole are taken into account when entering into related party transactions, and to prevent Directors, key management personnel or substantial shareholders from taking advantage of their positions. To exercise this purpose the Committee has adopted the related party transaction Policy which contains the company's Policy governing the review, approval and oversight of related party transactions.

## COMPOSITION OF THE COMMITTEE

As at the date of this report, the Committee of ASC consists of three (03) Directors. The members of the Committee during the year were:

- Dr. I A Ismail - Chairman  
(Independent Non-Executive Director)
- Mr. B H Hulangamuwa - Member  
(Independent Non- Executive Director)
- Mr. H R V Caldera - Member  
(Non- Executive Director)

PW Corporate Secretarial (Pvt) Ltd, the Company Secretaries of the Company functions as the Secretary to the Committee.

The Managing Director and the Vice President Finance attend meetings by invitation.

## MEETINGS

The Committee held one meeting for the year under review.

## CHARTER OF THE RELATED PARTY TRANSACTION REVIEW COMMITTEE

The Charter of the Related Party Transaction Review Committee clearly sets out the purpose, membership, authority and the duties and responsibilities of the Committee. In order to discharge the duties and responsibilities effectively and efficiently, the Committee has been authorised to:

- a) Receive regular reports from the management, and be provided with any information it requests relating to its responsibilities
- b) Establish policies and procedures that provide general pre-approvals to certain classes or types of related party transactions
- c) Review and evaluate the terms, conditions, and the advisability of, any related party transaction

- d) Determine whether the relevant related party transaction is fair, and in the best interest of the Company and its shareholders as a whole
- e) Recommend to the Board what action, if any, should be taken by the Board with respect to any related party transaction
- f) Obtain advice and assistance from legal, technical, financial and other advisors from within or outside the Company as deemed necessary by the Committee in order to carry out its duties

## REVIEW OF RELATED PARTY TRANSACTIONS

The Committee reviewed all related party transactions of the Company for the financial year 2016/17. It was observed that all related party transactions entered during the year were of a recurrent, trading nature and were necessary for the day-to-day operations of the Company.

In the opinion of the Committee, the terms of these transactions were not more favourable to the related parties than those generally available to the public. The details of related party transactions entered into during the year are given in Note 30 to the Financial Statements, on pages 108 to 109 of this Annual Report.

## DECLARATION

A declaration by the Board of Directors on compliance with the rules pertaining to related party transactions appears on the report of the Board of Directors on page 67 of this Annual Report.

**Dr. I A Ismail**

Chairman - Related Party Transactions Review Committee

10 July 2017

## THE REPORT OF THE AUDIT COMMITTEE

Asia Siyaka Commodities PLC management is responsible for its internal control and financial reporting including the preparation of consolidated financial statements. Independent Accountants are responsible for auditing annual consolidated financial statements in accordance with generally accepted auditing standards and ensuring that the financial statements truly and fairly present the results of operations and the financial position of the company. The independent auditors are also responsible for issuing a report on those financial statements. The Audit Committee monitors and oversees these processes. The Audit Committee annually recommends to the Board, for its approval on, an independent accounting firm to be appointed as the Company's independent auditors.

To fulfill its obligations the Audit Committee carried out the following activities.

- Reviewed and discussed with the Company's management and the independent auditors, the consolidated financial statements for the accounting year ended 31st March 2017. Reviewed the management's

representations to ensure that the consolidated financial statements are prepared in accordance with generally accepted accounting principles and truly and fairly present the results of operations and financial position of the Company.

- Recommended that the Board select ERNST & YOUNG , Chartered Accountants as independent auditors to audit and report on the annual consolidated financial statements of the Company and to forward copies of the Annual Report to the Colombo Stock Exchange prior to the Annual General Meeting.
- Reviewed the procedures for identifying business risk and the management of its impact on the Group. Reviewed the policies, procedures and internal controls for detecting and preventing fraud.
- Reviewed the operational effectiveness and internal controls of the policies, systems and procedures.
- Reviewed and discussed with the Management, the annual and the quarterly financial statement prior

to their release, including the extent of compliance with the Sri Lanka Accounting Standards and the Companies Act, No.7 of 2007.

- Reviewed the procedures established by Management for compliance with the requirements of regulatory bodies.

### **Conclusion**

The Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded and the financial position of the company is well monitored. The Audit Committee concurs that the adoption of the going concern premise in the preparation of the Financial Statement is appropriate. The Audit Committee recommends to the Board of Directors that the financial statements as submitted be approved.

Audit Committee wishes to express its appreciation of the services rendered by Group Auditors, Messrs. ERNST & YOUNG, Chartered Accountants who have assisted the Audit Committee in discharging its duties and responsibilities.

On behalf of the Audit Committee;

**Mr. B.A.Hulangamuwa**

Chairman - Audit Committee

**Dr. I.A. Ismail**

Member - Audit Committee

10 July 2017

# REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee is responsible to the Board for recommending remuneration of the Executive Directors including the Managing Director/Chief Executive Officer, and setting the broad parameters of remuneration for Senior Management across the Group.

## Composition

The Committee consists of three Non-Executive Directors namely

**Dr. S. A. B. Ekanayake - Chairman**

**Mr. S. T. Gunatilleke**

**Dr. I. A. Ismail**

P W Corporate Secretarial (Pvt) Ltd acts as the Secretaries to the Remuneration Committee.

## Remuneration Policy

The remuneration policy aims to attract and retain management with the appropriate professional, managerial and operational expertise necessary to achieve the Group's objectives and create value for our shareholders. A significant portion of executives' total potential remuneration is performance related in order to drive the right behavior to optimize Group performance. The remuneration packages which are linked to individual performances are aligned with the Group's short-term and long-term strategy. Remuneration levels are reviewed annually by the Remuneration Committee through a process that considers individual, business unit and overall performance of the Group and market practices. The Committee

continues to provide analysis and advice to ensure key management personnel remuneration is competitive in the market place. The Committee has the authority to seek external independent professional advice on matters within its purview.

## Non-executive Directors' Fees

Non-executive Directors receive fees for services on Board and Board Committees. Non-executive directors do not receive short term incentives and do not participate in any long-term incentive schemes.

The fees for the Non-executive Directors are recommended by the remuneration committee to the Board for their approval.

The Directors emoluments are disclosed on Note 30 to the Financial Statements.

On behalf of the Remuneration Committee;

**Dr. S. A. B. Ekanayake**

*Chairman – Remuneration Committee*

10 July 2017

# **FINANCIAL INFORMATION**

FINANCIAL CALENDAR...	<b>72</b>
INDEPENDENT AUDITORS' REPORT...	<b>73</b>
STATEMENT OF FINANCIAL POSITION...	<b>74</b>
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME...	<b>76</b>
STATEMENT OF CHANGES IN EQUITY...	<b>77</b>
STATEMENT OF CASH FLOWS...	<b>78</b>
NOTES TO THE FINANCIAL STATEMENTS...	<b>79</b>

## Financial Calendar

	2016/17	2015/16
<b>1st Quarter</b>	- 8th August 2016	13th August 2015
<b>2nd Quarter</b>	- 7th November 2016	06th November 2015
<b>3rd Quarter</b>	- 9th February 2017	01st February 2016
<b>4th Quarter</b>	- 30th May 2017	30th May 2016

### Annual General Meetings

2012 / 13 – Annual Report Published on 14th August 2013 and  
01st Annual General Meeting held on 23rd September 2013

2013 / 14 – Annual Report Published on 19th August 2014 and  
02nd Annual General Meeting held on 15th September 2014

2014 / 15 – Annual Report Published on 22nd July 2015 and 03rd  
Annual General Meeting held on 24th August 2015

2015 / 16 – Annual Report Published on 28th June 2016 and  
04th Annual General Meeting held on 28th July 2016



Ernst & Young  
Chartered Accountants  
201 De Saram Place  
P.O. Box 101  
Colombo 10  
Sri Lanka

Tel : +94 11 2463500  
Fax Gen : +94 11 2697369  
Tax : +94 11 5578180  
eysl@lk.ey.com  
ey.com

## TO THE SHAREHOLDERS OF ASIA SIYAKA COMMODITIES PLC

### Report on the Financial Statements

We have audited the accompanying financial statements of Asia Siyaka Commodities PLC ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31 March 2017, 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 a summary of significant accounting policies and other explanatory information.

### Board's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of

the financial position of the Group as at 31 March 2017, and of its performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on Other Legal and Regulatory Requirements

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

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



**Ernst & Young**  
Chartered Accountants

10 July 2017 - Colombo

Partners: W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA  
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA

Principal: T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

# STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

Rs.	Note	Group		Company		
		2017	2016	2017	2016	
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
Property, Plant and Equipment	3	911,259,258	736,718,909	9,265,361	9,445,446	
Intangible Assets	4	2,746,265	5,170,863	2,746,265	5,170,863	
Lease Rentals Paid in Advance	5	29,375,000	30,315,000	-	-	
Investments	6	-	-	197,387,635	197,387,635	
Investment Property	7	755,727	6,000,000	755,727	6,000,000	
Deferred Tax Asset	23	9,999,836	7,731,333	9,428,286	7,234,721	
		<b>954,136,086</b>	<b>785,936,105</b>	<b>219,583,274</b>	<b>225,238,665</b>	
<b>Current Assets</b>						
Inventory	8	2,273,443	2,210,110	2,273,443	2,210,110	
Trade Receivables	9	378,361,550	366,503,069	433,975,232	501,275,210	
Loans and Advances	10	1,053,467,313	844,095,050	968,120,561	748,746,831	
Other Receivables, Prepayments and Advances		38,798,699	42,564,342	8,012,962	9,510,672	
Lease Rentals Paid in Advance	5	940,000	940,000	-	-	
Income Tax Receivable		1,919,892	1,548,830	1,514,444	3,662,081	
Short Term Investments		21,534,192	-	21,534,192	-	
Cash and Cash Equivalents	12	120,892,407	52,846,848	114,415,843	50,282,295	
		<b>1,618,187,496</b>	<b>1,310,708,249</b>	<b>1,549,846,677</b>	<b>1,315,687,199</b>	
Asset Held for Sale	11	5,244,273	-	5,244,273	-	
		<b>1,623,431,769</b>	<b>1,310,708,249</b>	<b>1,555,090,950</b>	<b>1,315,687,199</b>	
<b>Total Assets</b>		<b>2,577,567,855</b>	<b>2,096,644,354</b>	<b>1,774,674,224</b>	<b>1,540,925,864</b>	
<b>EQUITY AND LIABILITIES</b>						
<b>Capital and Reserves</b>						
Stated Capital	13	100,000,000	100,000,000	100,000,000	100,000,000	
Revaluation Reserves		321,078,223	310,911,652	-	-	
Revenue Reserves		294,629,168	279,009,704	166,313,779	149,157,492	
<b>Total Equity</b>		<b>715,707,391</b>	<b>689,921,356</b>	<b>266,313,779</b>	<b>249,157,492</b>	
<b>Non Current Liabilities</b>						
Retirement Benefit Obligation	14	38,609,616	30,528,398	33,411,934	25,838,288	
Deferred Tax Liability	23	42,659,629	33,807,608	1,315,498	1,276,829	
Long Term Interest Bearing Borrowings	15	396,428,571	-	-	-	
		<b>477,697,816</b>	<b>64,336,006</b>	<b>34,727,432</b>	<b>27,115,117</b>	

Rs.	Note	Group		Company	
		2017	2016	2017	2016
<b>Current Liabilities</b>					
Interest Bearing Borrowings	15	53,571,429	-	-	-
Trade Payables	16	609,578,656	400,645,829	755,149,100	380,616,829
Income Tax Payable		625,795	-	-	-
Interest Bearing Borrowings on Client Financing	17	692,237,629	850,605,064	692,237,629	850,605,064
Sundry Creditors including Accrued Expenses		18,905,014	77,671,896	18,905,014	26,004,055
Bank Overdrafts	12	9,244,125	13,464,203	7,341,270	7,427,307
		<b>1,384,162,648</b>	<b>1,342,386,992</b>	<b>1,473,633,013</b>	<b>1,264,653,255</b>
<b>Total Liabilities</b>		<b>1,861,860,464</b>	<b>1,406,722,998</b>	<b>1,508,360,445</b>	<b>1,291,768,372</b>
<b>Total Equity and Liabilities</b>		<b>2,577,567,855</b>	<b>2,096,644,354</b>	<b>1,774,674,224</b>	<b>1,540,925,864</b>

These financial statements are in compliance with the requirements of the Companies Act No.07 of 2007.

**Vice President - Finance**

The Board of Directors is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the Board by;

**Director**

**Director**

The accounting policies and notes on pages 79 through 111 form an integral part of these financial statements.

10 July 2017  
Colombo

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2017

Rs.	Note	Group		Company	
		2017	2016	2017	2016
<b>Gross Revenue</b>	18	<b>609,619,157</b>	565,077,557	<b>412,935,392</b>	403,510,068
Cost of Sales		(9,316,109)	(9,056,610)	(9,316,109)	(9,056,610)
<b>Net Revenue</b>		<b>600,303,048</b>	<b>556,020,947</b>	403,619,283	<b>394,453,458</b>
Other Income and Gains	19	<b>2,324,331</b>	4,161,827	<b>24,340,691</b>	39,602,149
Distribution Expenses		(58,826,389)	(58,456,971)	(53,995,175)	(53,276,540)
Administrative Expenses		(346,695,804)	(340,313,577)	(222,755,354)	(225,866,998)
<b>Operating Profit</b>		<b>197,105,186</b>	<b>161,412,226</b>	<b>151,209,445</b>	<b>154,912,069</b>
Finance Cost	20	(131,683,830)	(72,707,804)	(110,926,069)	(81,085,253)
Finance Income	21	3,668,967	1,544,072	14,334,606	7,912,377
Net Finance Cost		(128,014,863)	(71,163,732)	(96,591,463)	(73,172,876)
<b>Profit Before Tax</b>	22	<b>69,090,323</b>	<b>90,248,494</b>	<b>54,617,982</b>	<b>81,739,193</b>
Income Tax Expense	23	(24,919,582)	(36,389,299)	(8,913,659)	(23,671,310)
<b>Profit for the year</b>		<b>44,170,741</b>	<b>53,859,195</b>	<b>45,704,323</b>	<b>58,067,883</b>
<b>Other Comprehensive Income for the year, net of tax</b>					
<b>Items that will not be Reclassified Subsequently to Statement of Profit or Loss</b>					
Actuarial Gain/(Loss) for the year	14	(3,542,927)	2,386,085	(3,538,939)	1,941,763
Tax Effect on Actuarial Gain		991,650	(588,559)	990,903	(543,694)
		<b>(2,551,277)</b>	<b>1,797,526</b>	<b>(2,548,036)</b>	<b>1,398,069</b>
Revaluation Surplus		11,296,190	-	-	-
Income Tax Effect		(1,129,619)	-	-	-
		<b>10,166,571</b>	-	-	-
<b>Items that may be Reclassified Subsequently to Statement of Profit or Loss</b>					
Available for Sale Financial Assets – Reclassified to Profit or Loss		-	(1,801,700)	-	(1,801,700)
<b>Other Comprehensive Income for the year, net of tax</b>		<b>7,615,294</b>	<b>(4,174)</b>	<b>(2,548,036)</b>	<b>(403,631)</b>
<b>Total Comprehensive Income for the year, net of tax</b>		<b>51,786,035</b>	<b>53,855,021</b>	<b>43,156,287</b>	<b>57,664,252</b>
Basic/Diluted Earnings Per Share	24	0.17	0.21	0.18	0.22
Dividend Per Share	25	0.10	0.30	0.10	0.30

The accounting policies and notes on pages 79 through 111 form an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2017

Rs.	Stated Capital	Revaluation Reserve	Available for Sale Reserve	Revenue Reserves	Total
<b>Group</b>					
<b>As at 1 April 2015</b>	100,000,000	310,911,652	1,801,700	301,352,983	<b>714,066,335</b>
Net Profit for the Year	-	-	-	53,859,195	<b>53,859,195</b>
Other Comprehensive Income	-	-	(1,801,700)	1,797,526	<b>(4,174)</b>
Total Comprehensive Income	-	-	(1,801,700)	55,656,721	<b>53,855,021</b>
Dividend Paid	-	-	-	(78,000,000)	<b>(78,000,000)</b>
<b>As at 31 March 2016</b>	100,000,000	310,911,652	-	279,009,704	<b>689,921,356</b>
Net Profit for the Year	-	-	-	44,170,741	<b>44,170,741</b>
Other Comprehensive Income	-	10,166,571	-	(2,551,277)	<b>7,615,294</b>
Total Comprehensive Income	-	10,166,571	-	41,619,464	<b>51,786,035</b>
Dividend Paid	-	-	-	(26,000,000)	<b>(26,000,000)</b>
<b>As at 31 March 2017</b>	<b>100,000,000</b>	<b>321,078,223</b>	-	<b>294,629,168</b>	<b>715,707,391</b>

Rs.	Stated Capital	Revaluation Reserve	Available for Sale Reserve	Revenue Reserves	Total
<b>Company</b>					
<b>As at 1 April 2015</b>	100,000,000	-	1,801,700	167,691,540	<b>269,493,240</b>
Net Profit for the Year	-	-	-	58,067,883	<b>58,067,883</b>
Other Comprehensive Income	-	-	(1,801,700)	1,398,069	<b>(403,631)</b>
Total Comprehensive Income	-	-	(1,801,700)	59,465,952	<b>57,664,252</b>
Dividend Paid	-	-	-	(78,000,000)	<b>(78,000,000)</b>
<b>As at 31 March 2016</b>	100,000,000	-	-	149,157,492	<b>249,157,492</b>
Net Profit for the Year	-	-	-	45,704,323	<b>45,704,323</b>
Other Comprehensive Income	-	-	-	(2,548,036)	<b>(2,548,036)</b>
Total Comprehensive Income	-	-	-	43,156,287	<b>43,156,287</b>
Dividend Paid	-	-	-	(26,000,000)	<b>(26,000,000)</b>
<b>As at 31 March 2017</b>	<b>100,000,000</b>	-	-	<b>166,313,779</b>	<b>266,313,779</b>

The accounting policies and notes on pages 79 through 111 form an integral part of these financial statements.

# STATEMENT OF CASH FLOWS

Year ended 31 March 2017

Rs.	Note	Group		Company	
		2017	2016	2017	2016
<b>Cash Flows From / (Used in) Operating Activities</b>					
Profit before Income Tax Expense		69,090,323	90,248,494	54,617,982	81,739,193
Adjustment for					
Depreciation and Amortization	3.3 & 3.12	46,937,688	33,926,442	6,827,239	6,767,157
Finance Cost	20	131,683,830	72,707,804	110,926,069	81,085,253
Finance Income	21	(3,668,967)	(1,544,072)	(14,334,606)	(7,912,377)
Gratuity Charge	14.1	6,247,911	4,983,968	5,147,669	4,090,827
Loss /(Gain) on sale of Property, Plant and Equipment		1,134,806	(872,072)	(215,569)	(25,676)
Loss /(Gain) on sale of Short Term Investment		-	(794,392)	-	(794,392)
Provision for Impairment of Loans and Advances		33,435,213	37,084,082	33,435,213	37,084,082
Provision/(Reversal) for Impairment of Trade Receivables		4,043,502	(10,607,695)	4,019,317	(10,650,108)
Amortization of Lease Rentals Paid in Advance	5.2	940,000	940,000	-	-
Operating Profit before Working Capital Changes		289,844,306	226,072,559	200,423,314	191,383,959
(Increase) / Decrease in Inventories		(63,333)	3,129,282	(63,333)	3,129,282
(Increase) / Decrease in Trade and Other Receivables		(12,136,340)	125,925,983	64,778,371	41,467,431
(Increase) / Decrease in Loans and Advances		(242,807,476)	259,811,939	(252,808,943)	287,229,239
Increase / (Decrease) in Trade and Other Payables		150,165,949	(322,751,055)	367,433,230	(504,088,412)
Increase / (Decrease) in Interest Bearing Borrowings on Client Financing		(158,367,435)	198,658,504	(158,367,435)	198,658,504
		26,635,671	490,847,212	221,395,204	217,780,003
Income Tax Paid		(18,219,300)	(56,181,894)	(7,930,015)	(42,299,301)
Defined Benefit Plan Costs paid	14.1	(1,709,620)	(433,054)	(1,112,962)	(357,359)
Finance Cost Paid	20	(131,683,830)	(72,707,804)	(110,926,069)	(81,085,253)
Net cash flow From Operating Activities		(124,977,079)	361,524,460	101,426,158	94,038,090
<b>Cash Flows From / (Used in) Investing Activities</b>					
Acquisition of Property, Plant and Equipment and Intangible Assets	3.5, 3.14 & 4.1	(212,373,904)	(374,499,666)	(6,097,528)	(2,549,850)
Sales Proceeds from Fixed Asset Disposals		3,481,845	872,072	2,090,541	25,676
Purchase of New Shares in Subsidiary		-	-	-	(98,250,000)
Investment in Short Term Investments		(21,534,192)	-	(21,534,192)	-
Finance Income Received	21	3,668,967	1,544,072	14,334,606	7,912,377
Net Cash Flows Used in Investing Activities		(226,757,284)	(372,083,522)	(11,206,573)	(92,861,797)
<b>Cash Flows From / (Used in) Financing Activities</b>					
Dividend Paid		(26,000,000)	(78,000,000)	(26,000,000)	(78,000,000)
Sales Proceeds from Short Term Investment		-	7,498,392	-	7,498,392
New Loan Obtained		450,000,000	-	-	-
Net Cash Flows Used in Financing Activities		424,000,000	(70,501,608)	(26,000,000)	(70,501,608)
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>		72,265,637	(81,060,670)	64,219,585	(69,325,315)
Cash and Cash Equivalents at the Beginning of the Year	12	39,382,645	120,443,315	42,854,988	112,180,303
<b>Cash and Cash Equivalents at the End of the Year</b>	12	111,648,282	39,382,645	107,074,573	42,854,988

The accounting policies and notes on pages 79 through 111 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

## NOTE 01 CORPORATE INFORMATION

### 1.1 Reporting Entity

Asia Siyaka Commodities PLC is a public limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office and the principal place of business is situated at 1st Floor, ‘Deutsche House’, No. 320, T. B. Jayah Mawatha, Colombo 10.

### 1.2 Consolidated Financial Statements

The financial statements for the year ended 31 March 2017, comprise “the Company” referring to Asia Siyaka Commodities PLC as the holding company and “the Group” referring to the

companies whose accounts have been consolidated herein.

### 1.3 Principal Activities and Nature of Operations

#### *Holding company*

The principal activities and the nature of operations are to carry on business of Tea Brokers, Produce Brokers, Auctioneers, Appraisers, Valuers, Commission Agents and General Agents.

#### *Subsidiaries*

The companies within the Group and its business activities are disclosed in Note 2.3.

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

### 1.4 Parent Entity and Ultimate Parent Entity

The Company's parent entity and the ultimate parent entity is Lanka Commodity Brokers Ltd, incorporated in Sri Lanka.

### 1.5 Date of Authorization for Issue

The financial statements of Asia Siyaka Commodities PLC for the year ended 31 March 2017 were authorized for issue in accordance with a resolution of the Board of Directors on 10 July 2017.

## NOTE 02 GENERAL ACCOUNTING POLICIES

### 2.1 Statement of Compliance

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS (hereafter “SLFRS”), as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirements of the Companies Act No. 07 of 2007.

### 2.2 Basis of Preparation

The financial statements of the Company have been prepared on a historical cost basis, except for available-for-sale financial assets, buildings on leasehold lands and storage system that have been measured at fair value.

The financial statements are presented in Sri Lankan Rupees (Rs).

### 2.3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

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

- The contractual arrangement with the other voting holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

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

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Year ended 31 March 2017

### GENERAL ACCOUNTING POLICIES (Contd.)

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.

The financial statements of the subsidiaries are prepared for the same reporting year using uniform Accounting Policies for transactions, in similar circumstances and are applied consistently.

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, liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

### Subsidiaries

The details of Subsidiaries are as follows:

Company Name	Asia Siyaka Warehousing (Pvt) Ltd	Siyaka Produce Brokers (Pvt) Ltd
Nature of Operations	The principal activities and the nature of operations are to carry on business of providing warehousing facilities for clients of parent and other selected third parties.	The principal activities and the nature of operations are to carry on business of Rubber Brokers, Auctioneers, Appraisers, Valuers, Commission Agents and General Agents.
Year of Ownership/ Incorporation	18.01.1999	15.02.2008
Ownership Percentage	100%	100%

### 2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements of the Group require the management to make judgments, estimates and assumptions, which may affect the amounts of income, expenditure, assets , liabilities and the disclosure of contingent liabilities, at the end of the reporting period. In the process of applying the Group's accounting policies, the key assumptions made relating to the future and the sources of estimation at the reporting date together with the related judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (i) Revaluation of Property, Plant and Equipment

The Group measures buildings in leasehold lands and storage system at revalued amounts where changes in fair value being recognised in the statement of other comprehensive income. The Group engages independent, qualified valuation specialists to determine fair value. Such valuer uses assumptions and valuation techniques to determine the fair value. Please refer Note 3 for Revaluation of Property, Plant and Equipment.

#### (ii) Impairment of Non- Financial Assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its Value In Use (VIU). The fair value less costs to sell calculation is based on available data from an active market, in an arm's length transaction, of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected

future cash inflows and the growth rate used for extrapolation purposes.

### **(iii) Retirement Benefit Obligation**

The employee benefit liability of the Group is based on the actuarial valuation carried out by independent actuarial specialist. The actuarial valuations involve making assumptions about discount rates, salary increment rate, staff turnover rate, mortality rate and, retirement age. The complexity of the valuation, the underlying assumptions and its long term nature, the retirement benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Details of the key assumptions used in the estimates are contained in Note 14.4

## **2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.5.1 Changes in Accounting Policies**

The accounting policies adopted are consistent with those of the previous financial year.

### **2.5.2 Comparative Information**

The accounting policies have been consistently applied by the group and, are consistent with those used in the previous year. Previous year's figures and phrases have been re-arranged whenever necessary to conform to current presentation.

### **2.5.3 Foreign Currency Translation**

The financial statements are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency. Transactions in foreign currencies are

initially recorded at the functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising from settlement or translation of monetary items are taken to statement of profit or loss and other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### **2.5.4 Taxation**

#### **(a) Income Tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the

provisions of the Inland Revenue Act.

#### **(b) Deferred Tax**

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

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- Where the deferred income tax liability arises from initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from initial recognition of an asset or liability in a transaction that is not a business combination and, at the

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Year ended 31 March 2017

### GENERAL ACCOUNTING POLICIES (Contd.)

time of transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or subsequently enacted as at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relates to the same taxable entity and the same taxation authority.

### 2.5.5 Borrowing Cost

Borrowing costs are recognised as an expense in the period in which they are incurred except to the extent where

borrowing cost that are directly attributable to acquisition, construction or production of assets that takes a substantial period of time to get ready for its intended use or sale. Such borrowing costs are capitalized as part of those assets.

### 2.5.6 Inventories

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

### 2.5.7 Current versus Non-Current Classification

The Group presents assets and liabilities in statement of financial position based on current or non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

The Group classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle

- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### 2.5.8 Fair Value Measurement

The Group measures financial instruments such as quoted investments under available-for-sale financial assets, and non-financial assets such as buildings on leasehold land and storage systems, at fair value. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarized in the following notes:

Disclosures for valuation methods, significant estimates and assumptions in Note 3.10

Quantitative disclosures of fair value measurement hierarchy in Note 3.10

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the

asset or liability. The principal or the most advantageous market must be accessible by the company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

**Level 1** — Quoted (un-adjusted) market prices in active markets for identical assets or liabilities

**Level 2** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

**Level 3** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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 reassessing 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. The Group determines the policies and procedures for both recurring fair value measurement, such as buildings on lease hold lands, storage systems and available for sale financial assets, and for non-recurring measurement. External valuers are involved for valuation of significant assets, such as buildings on lease hold lands, storage systems and investment properties. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained.

### 2.5.9 Property, Plant and Equipment

#### (a) Initial Recognition

All items of property, plant and equipment are initially recorded at cost. The cost of property, plant and equipment is the cost of acquisition or construction together with any expenses incurred in bringing the asset to its working condition for its intended use and capitalised borrowing cost. Subsequent to the initial recognition as an asset at cost, revalued assets are carried at revalued amounts less any subsequent depreciation and impairment losses thereon. All other property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Accumulated depreciation is provided for, on the bases specified in (c) below.

Where an item of property, plant

and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

#### (b) Subsequent Expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from the originally assessed standard of performance, is recognised as an expense when incurred.

#### (c) Depreciation

Depreciation is calculated by using a straight-line basis on all property, plant and equipment over the estimated economic life of such assets.

The estimated useful life of assets is as follows:

<b>Assets</b>	<b>Years</b>
Buildings on Leasehold Land	Lower of 10 - 30 years or Lease Term
Furniture and Fittings	6.67
Storage System	15
Office Equipment	4-6.67
Computer Equipment	5
Motor Vehicle	4

The residual values, useful lives and depreciation method are reviewed at each reporting date and adjust prospectively when appropriate.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Year ended 31 March 2017

### GENERAL ACCOUNTING POLICIES (Contd.)

#### (d) Revaluation

Buildings on leasehold land and storage systems are measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of profit or loss, in which case the increase is recognised in the statement of profit or loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve.

Cost of repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the period in which they are incurred.

#### (e) De-recognition

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

#### 2.5.10 Operating Leases

Operating lease payments are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight line basis over the lease term.

#### 2.5.11 Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to the initial recognition investment properties are stated at cost less accumulated impairment losses, if any.

#### 2.5.12 Intangible Assets

##### 2.5.12.1 Basis of Recognition

An intangible asset is recognised if it is probable that the future economic benefits associated with the asset will flow to the company and the cost of the asset can be reliably measured.

##### 2.5.12.2 Basis of Measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is charged against statement of profit or loss and other comprehensive income in the year in which the expenditure is incurred.

##### 2.5.12.3 Useful Economic Lives, Amortization and Impairment

The useful lives of intangible assets are assessed as either finite or

indefinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end and such changes are treated as accounting estimate changes. The amortisation expense on intangible assets with finite lives are recognised in the statement of profit or loss and other comprehensive income. Intangible assets with indefinite useful lives are not amortized but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The estimated useful life of assets is as follows:

Assets	Years
Software	2

##### 2.5.12.4 Disposal Gains and Losses

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss and other comprehensive Income

when the asset is derecognised.

#### **2.5.12.5 Business Combination and Goodwill**

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting. The Group measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognized amount of any non-controlling interests in the acquiree, less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognized immediately in the statement of profit or loss and other comprehensive income.

#### **2.5.13 Financial Instruments – Initial Recognition and Subsequent Measurement**

##### **Financial Assets**

###### **(a) Initial Recognition and Measurement**

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular

way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include investments in equity securities, trade and other receivables, loans & advances, available for sale instrument and cash and bank balances.

###### **(b) Subsequent Measurement**

The subsequent measurement of financial assets depends on their classification as described below.

###### **(i) Loans and Receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate ("EIR"), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR method. The amortisation is included in finance income in the statement of profit or loss and other comprehensive income.

###### **(ii) Available-For-Sale Financial Investments**

Available-for-sale financial investments include equity securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are valued at cost.

###### **(c) De-recognition**

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

###### **(d) Impairment of Financial Assets**

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

###### **(i) Financial Assets Carried at Amortized Cost**

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Year ended 31 March 2017

### GENERAL ACCOUNTING POLICIES (Contd.)

future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of profit or loss and other comprehensive income.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss and other comprehensive income.

#### (ii) Available-For-Sale Financial Investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is

evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss and other comprehensive income is removed from other comprehensive income and recognised in the statement of profit and loss. Impairment losses on equity investments are not reversed through the statement of profit and loss; increases in their fair value after impairments are recognised directly in other comprehensive income.

### Financial Liabilities

#### (e) Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

#### (f) Subsequent Measurement

The measurement of financial liabilities depends on their classification as described below:

### Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss and other comprehensive income.

#### (g) De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

#### (h) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts and

- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

### **2.5.14 Trade and Other Receivables**

Trade debtors, including amounts owing by subsidiaries, deposits and other debtors (excluding non-financial assets classified under deposits and other receivables which are measured at cost) classified and accounted for as loans and receivables. Based on the nature, the relevant accounting policies for this category of financial assets are stated in Note 2.5.13 above.

### **2.5.15 Cash and Cash Equivalents**

Cash and cash equivalents are cash at bank and in hand, demand deposits and short term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of statement of cash flows, cash and cash equivalents consist of cash in hand, cash at bank, deposits in banks net of outstanding bank overdrafts. Investments with short maturities (i.e. three months or less from date of acquisition) are also treated as cash equivalents.

### **2.5.16 Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as

a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, 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, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

### **2.5.17 Retirement Benefit Obligations**

#### **(a) Defined Benefit Plan – Gratuity**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – “Employee benefits”. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions about discount rate, staff turnover rate, future salary increment rate and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant

uncertainty. All assumptions are reviewed at each reporting date.

Accordingly, the employee benefit liability is based on the actuarial valuation as of 31 March 2017, carried out by Messrs. Actuarial and Management Consultants (Private) Limited, actuaries.

#### **Funding Arrangements**

The Gratuity liability is not externally funded.

#### **(b) Defined Contribution Plans-**

Employees are eligible for Provident Fund Contributions and Trust Fund Contributions in line with respective statutes and regulations. These are recognized as an expense in the statement of profit or loss and other comprehensive income as incurred.

The Group contributes 12% of gross emoluments of the employees to either Employees' Provident Fund, Estate Supplier's Provident Society or Ceylon Planters' Provident Society and 3% of gross emoluments of the employees to Employees' Trust Fund.

### **2.5.18 Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts, value added taxes, and other sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

#### **(a) Brokerage Income**

Brokerage income is recognised on accrual basis.

## NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Year ended 31 March 2017

### GENERAL ACCOUNTING POLICIES (Contd.)

#### (b) Sale of Goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, on dispatch of the goods.

#### (c) Interest Income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit or loss and other comprehensive income.

#### (d) Others

Other income is recognised on accrual basis.

### 2.5.19 Segment Information

#### 2.5.19.1 Reporting segments

The group's internal organisation and management is structured based on individual products and services which are similar in nature and process and where the risk and return are similar. The primary segments represent this business structure. Since the individual segments are located close to each other and operate in the same industry environment, catering to clientele from the same geographical location, the need for geographical segmentation does not arise.

#### 2.5.19.2 Segment information

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the group. An individual segment manager is determined for each operating segment and the results are regularly reviewed by the Board of Directors. The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the operating segments information, is measured differently from operating profit or loss in the consolidated financial statements.

### 2.6 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new accounting standards and amendments / improvements to existing standards have been published, that are not mandatory for 31 March 2016 reporting periods. None of those have been early adopted by the Company.

#### SLFRS 9 Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

#### SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

#### SLFRS 16 Leases

SLFRS 16 provides a single lessee accounting model, requiring leases to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes: LKAS 17 Leases, IFRIC 4 determining whether an arrangement contains a Lease, SIC 15 Operating Leases- Incentives; and SIC 27 evaluating the substance of Transactions Invoicing the Legal form of a Lease. Earlier application is permitted for entities that apply SLFRS 15 Revenue from Contracts with customers.

SLFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

Pending the completion of the detailed impact analysis, possible impact from SLFRS 9 and SLFRS 15 are not reasonably estimable as of the reporting date.

### **LKAS 7 Disclosure Initiative – Amendments to LKAS 7**

The amendments to LKAS 7 Statement of Cash Flows are part of the ICASL's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Company.

### **LKAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to LKAS 12**

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the

change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact on the Company.

Pending the completion of the detailed impact analysis, possible impact from the above new standards/ amendments is not reasonably estimable as of the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

Year ended 31 March 2017

**NOTE 03 PROPERTY, PLANT AND EQUIPMENT****Group**

<b>Rs.</b>	<b>Balance As at 01.04.2016</b>	<b>Additions</b>	<b>Revaluation</b>	<b>Disposals/ Transfers</b>	<b>Balance As at 31.03.2017</b>
<b>3.1 Gross Carrying Amounts</b>					
<b>At Cost /Valuation</b>					
Buildings	336,944,600	375,854,190	(32,690,403)	(6,854,197)	673,254,190
Furniture and Fittings	15,284,752	25,897,194	-	(480,580)	40,701,366
Office Equipment	86,567,011	70,515,786	-	(3,104,806)	153,977,991
Storage System	14,686,759	81,585,766	9,313,241	-	105,585,766
Computer and Accessories	14,854,530	3,456,308	-	(5,304,276)	13,006,562
Motor Vehicle	24,005,898	1,212,100	-	(912,793)	24,305,205
	<b>492,343,550</b>	<b>558,521,344</b>	<b>(23,377,162)</b>	<b>(16,656,652)</b>	<b>1,010,831,080</b>
<b>Assets on Finance Leases</b>					
Land Development Cost	24,954,081	-	-	-	24,954,081
	<b>24,954,081</b>				<b>24,954,081</b>
<b>Total Value of Depreciable Assets</b>	<b>517,297,631</b>	<b>558,521,344</b>	<b>(23,377,162)</b>	<b>(16,656,652)</b>	<b>1,035,785,161</b>
<b>3.2 In the Course of Construction</b>					
Capital Work In Progress	367,264,300	193,138,455	-	(542,062,305)	18,340,450
	<b>367,264,300</b>	<b>193,138,455</b>		<b>(542,062,305)</b>	<b>18,340,450</b>
<b>Rs.</b>	<b>Balance As at 01.04.2016</b>	<b>Charge for the year</b>	<b>Revaluation</b>	<b>Disposals/ Transfers</b>	<b>Balance As at 31.03.2017</b>
<b>3.3 Depreciation</b>					
<b>At Cost /Valuation</b>					
Buildings	22,462,974	19,818,560	(29,581,942)	(4,112,518)	8,587,074
Furniture and Fittings	9,960,128	3,131,453	-	(327,557)	12,764,024
Office Equipment	75,188,948	11,126,675	-	(3,072,530)	83,243,093
Storage System	4,406,032	4,764,671	(5,091,410)	-	4,079,293
Computer and Accessories	12,224,317	1,175,574	-	(5,293,915)	8,105,976
Motor Vehicle	18,890,827	2,745,530	-	(923,150)	20,713,207
	<b>143,133,226</b>	<b>42,762,463</b>	<b>(34,673,352)</b>	<b>(13,729,670)</b>	<b>137,492,667</b>
<b>Assets on Finance Leases</b>					
Land Development Cost	4,709,796	663,890	-	-	5,373,686
	<b>4,709,796</b>	<b>663,890</b>			<b>5,373,686</b>
	<b>147,843,022</b>	<b>43,426,353</b>	<b>(34,673,352)</b>	<b>(13,729,670)</b>	<b>142,866,353</b>

Rs.	2017	2016
<b>3.4 Net Book Values</b>		
<b>At Cost /Valuation</b>		
Buildings	664,667,116	314,481,626
Furniture and Fittings	27,937,342	5,324,624
Office Equipment	70,734,898	11,378,063
Storage System	101,506,473	10,280,727
Computer and Accessories	4,900,586	2,630,213
Motor Vehicle	3,591,998	5,115,071
	<b>873,338,413</b>	<b>349,210,324</b>
<b>Assets on Finance Leases</b>		
Land Development Cost	19,580,395	20,244,285
	<b>19,580,395</b>	<b>20,244,285</b>
<b>In the Course of Construction</b>		
Capital Work In Progress	18,340,450	367,264,300
	18,340,450	367,264,300
<b>Total Carrying Amount of Property, Plant and Equipment</b>	<b>911,259,258</b>	<b>736,718,909</b>

**3.5** During the financial period, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 751,659,799/- (2016 - Rs. 372,222,724/-) cash payment amounting to Rs. 209,597,494/- (2016 - Rs. 372,222,724/-).

**3.6** Property, Plant and Equipment includes fully depreciated assets still in use having a gross carrying amount of Rs. 88,962,327/- (2016 - Rs. 63,555,464/-).

### 3.7 Capitalized Borrowing Costs

Asia Siyaka Warehousing (Pvt) Ltd commenced construction of the new warehouse facility in May 2015. The project has completed in June 2016. The Work-In-Progress capitalized as at 31 March 2017 amounted to Rs. 542,062,305/- (2016 - Rs. 367,264,300/-). The interest bearing loan has been financed by

Asia Siyaka Commodities PLC and Commercial Bank.

The amount of borrowing cost capitalized during the year ended 31 March 2017 was Rs. 5,789,180/- (2016 - 1,305,883/-) and the rate used to determine the amount of borrowing costs eligible for capitalization was 11%, which was the weighted average borrowing rate of the Group.

### 3.8 Non-Financial Assets Fair Value Hierarchy

As at 31 March	Valuation Date	Level 3		
		2017	2016	2015
<b>Assets Measured at Fair Value</b>				
Buildings on Leasehold Land	31/3/2017	297,400,000	-	-
Storage System	31/3/2017	24,000,000	-	-

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

Year ended 31 March 2017

**PROPERTY, PLANT AND EQUIPMENT (Contd.)**

**3.9** In determining the fair value, highest and best use of the property has been considered including the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also the valuers have made reference to market

evidence of the transaction prices for similar properties, with appropriate adjustments for the size and location.

The fair value of the Company's Buildings on Leasehold Land and Storage System were determined by means of a revaluation during the financial year by

Mr. A.R. Ajith Fernando, an independent valuer based on depreciated replacement cost. The results of such revaluation were incorporated in these Financial Statements. The surplus arising from the revaluation was transferred to a revaluation reserve.

**3.10 Details of Group's Building on Leasehold Lands and Storage System stated at Valuation are indicated below;**

Non Financial Assets	Valuation Technique	Property Valuer	Significant Unobservable Inputs	Estimates for Unobservable Inputs	Level of Fair Value Hierarchy	Sensitivity of Fair Value to Unobservable Inputs
Buildings on Leasehold Land	Depreciated Replacement Cost	A.R. Ajith Fernando MRICS Chartered Surveyor	Price per Sq.ft	Rs. 2,700/- to Rs. 3,800/- per Sq.ft @ Dep. Rate of 3.33%	Level - 03	Positively Correlated Sensitivity
Storage System	Depreciated Replacement Cost	A.R. Ajith Fernando MRICS Chartered Surveyor	Pallet Locations	Rs. 1,750/- per Pallet Location @ Dep. Rate of 6.67%	Level - 03	Positively Correlated Sensitivity

**3.11 The carrying amount of revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation is as follows:**

Class of Asset	Cost	Cumulative Depreciation if Assets were carried at cost	Net Carrying amount 2017	Net Carrying amount 2016
Buildings on Leasehold Land	482,538,044	60,872,807	421,665,237	55,254,248
Storage System	103,687,661	25,727,929	77,959,732	-
	<b>586,225,705</b>	<b>86,600,736</b>	<b>499,624,969</b>	<b>55,254,248</b>

<b>Company</b>	<b>Rs.</b>	<b>Balance As at 01.04.2016</b>	<b>Additions</b>	<b>Disposals/ Transfers</b>	<b>Balance As at 31.03.2017</b>
<b>3.12 Gross Carrying Amounts</b>					
<b>At Cost</b>					
Furniture and Fittings		14,209,580	1,487,198	(480,580)	15,216,198
Office Equipment		10,328,417	64,000	(753,525)	9,638,892
Computer and Accessories		14,476,224	557,820	(5,619,506)	9,414,538
Motor Vehicle		1,483,251	1,212,100	(912,793)	1,782,558
<b>Total Value of Depreciable Assets</b>		<b>40,497,472</b>	<b>3,321,118</b>	<b>(7,766,404)</b>	<b>36,052,186</b>
 <b>Rs.</b>					
<b>3.13 Depreciation</b>					
<b>At Cost</b>					
Furniture and Fittings		9,125,169	1,302,776	(327,557)	10,100,388
Office Equipment		8,192,231	1,019,471	(721,249)	8,490,453
Computer and Accessories		12,362,765	755,146	(5,619,506)	7,498,405
Motor Vehicle		1,371,861	238,511	(912,793)	697,579
<b>Total Depreciation</b>		<b>31,052,026</b>	<b>3,315,904</b>	<b>(7,581,105)</b>	<b>26,786,825</b>
 <b>Rs.</b>					
<b>3.14 Net Book Values</b>					
<b>At Cost</b>					
Furniture and Fittings				<b>5,115,810</b>	5,084,411
Office Equipment				<b>1,148,439</b>	2,136,186
Computer and Accessories				<b>1,916,133</b>	2,113,459
Motor Vehicle				<b>1,084,979</b>	111,390
<b>Total Carrying Amount of Property, Plant and Equipment</b>				<b>9,265,361</b>	<b>9,445,446</b>

**3.15** During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 3,321,118/- (2016 - Rs. 272,908/-) cash payment amounting to Rs. 3,321,118/- (2016 - Rs. 272,908/-) were made during the period for purchase of Property, Plant and Equipment.

**3.16** Property, Plant and Equipment includes fully depreciated assets having a gross carrying amount of Rs. 12,670,702/- (2016 - Rs. 20,665,726/-) of which Property, Plant and Equipment having a gross carrying amount of Rs. 12,670,702/- is still in use.

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

Year ended 31 March 2017

**NOTE 04 INTANGIBLE ASSETS**

Rs.	Group / Company 2017		
	Computer Software	Capital Advance	Total
<b>Cost</b>			
Balance as at the Beginning of the year	8,549,685	2,811,673	11,361,358
Additions/Transfer	2,776,410	(1,689,673)	1,086,737
Balance as at the End of the year	11,326,095	1,122,000	12,448,095
<b>Amortization</b>			
Balance as at the Beginning of the year	6,190,495	-	6,190,495
Charge for the year	3,511,335	-	3,511,335
Balance as at the End of the year	9,701,830	-	9,701,830
<b>Carrying Value</b>	<b>1,624,265</b>	<b>1,122,000</b>	<b>2,746,265</b>

**4.1** During the financial year, the Company acquired Intangible Assets to the aggregate value of Rs. 2,776,410/- (2016 - Rs. 2,276,942/-), cash payment amounting to Rs. 2,218,480/- (2016 - Rs. 2,276,942/-) were made during the period for purchase of Intangible Assets.

**4.2** Capital advances include the advance payments to acquire Software Applications.

**NOTE 05 LEASE RENTALS PAID IN ADVANCE**

Group	2017	2016
Rs.		
Lease Rentals paid in Advance	47,000,000	47,000,000
Accumulated Amortization	(16,685,000)	(15,745,000)
<b>Lease Rentals paid in Advance net of Amortization</b>	<b>30,315,000</b>	<b>31,255,000</b>

**5.1 Summary**

At the Beginning of the year	31,255,000	32,195,000
Amortization for the year	(940,000)	(940,000)
<b>At the End of the year</b>	<b>30,315,000</b>	<b>31,255,000</b>

Rs.	2017	2016
<b>5.2 Amortization of Lease Rentals Paid in Advance</b>		
<b>Total Current</b>		
To be Amortized within One year	<b>(940,000)</b>	(940,000)
<b>Total Non - Current</b>		
To be Amortized from Two to Five years	(3,760,000)	(3,760,000)
To be Amortized after Five years	(25,615,000)	(26,555,000)
	<b>(29,375,000)</b>	<b>(30,315,000)</b>

**5.3** Asia Siyaka Warehousing (Pvt) Ltd has entered into a 50 year Lease Agreement commencing from 22 June 1999 with the Sri Lanka Land Reclamation and Development Corporation to lease a land in Muthurajawela for a total lease rent of Rs.47,000,000/-.

## NOTE **06** INVESTMENTS

Rs.	Group		Company	
	2017	2016	2017	2016
Investment in Subsidiaries (6.1)	-	-	197,387,635	197,387,635
	-	-	<b>197,387,635</b>	<b>197,387,635</b>

### 6.1 Non-Current Investments

Investment in Subsidiaries	2017	2016
Asia Siyaka Warehousing (Pvt) Ltd	-	190,250,000
Siyaka Produce Brokers (Pvt) Ltd	-	7,137,635
	<b>197,387,635</b>	197,387,635

	Holding %	
	2017	2016
Asia Siyaka Warehousing (Pvt) Ltd	100%	100%
Siyaka Produce Brokers (Pvt) Ltd	100%	100%

**6.2** The Company currently holds 100% ownership of Siyaka Produce Brokers (Private) Limited, which has transferred its Rubber Broking License to Asia Siyaka Commodities PLC on 18 April 2017. Due to such transfer the company will loose the revenue generation from rubber broking which is presently the main revenue source of the company. However no provision for impairment is made since the company has positive net assets of Rs. 10,501,407/- as of the reporting date and the company expects continued cash flows from business ventures which are being evaluated at present.

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

Year ended 31 March 2017

**NOTE 07 INVESTMENT PROPERTY**

	Acre. of Land		Group / Company	
	2017	2016	2017	2016
	Acre.	Acre.	Rs.	Rs.
<b>Deniyaya Land</b>	<b>5.542</b>	<b>44.000</b>	<b>755,727</b>	<b>6,000,000</b>

- 7.1** In October 2011, Ministry of Land and Land Development has issued an Extra Ordinary Gazette Notification No 1518/7 -2007, acknowledging that the part of the land classified as Investment Property will be acquired by the Government for public use.

- 7.2** During the year, the Kolonna Divisional Secretariat and Valuation

Department have written to the Company stating that a land extent of 38.458 acres will be acquired at a consideration of Rs. 17,650,000/- . Accordingly, the Company has reclassified the property that is to be acquired by the state as "Assets held for sale" in Note 11. The portion of land which will remain with the Company of 5.542 acres has been

reflected at the proportionate cost as Investment Property.

- 7.2** The fair value of Investment Property is deemed to be Rs. 2,543,458/- , which is based on the price determined by Kolonna Divisional Secretariat and Valuation Department for acquisition of the adjoining property reflected in Note 11.

**NOTE 08 INVENTORY**

Rs.	Group		Company	
	2017	2016	2017	2016
Packing Material	1,934,874	1,960,320	1,934,874	1,960,320
Stationery	117,879	144,300	117,879	144,300
Other Consumables	220,690	105,490	220,690	105,490
	<b>2,273,443</b>	<b>2,210,110</b>	<b>2,273,443</b>	<b>2,210,110</b>

**NOTE 09 TRADE RECEIVABLES**

Rs.	Group		Company	
	2017	2016	2017	2016
Trade Receivables - Others	383,503,642	367,601,659	361,501,134	333,295,505
Less: Provision for Impairment of Trade Receivables - Others (9.2)	(5,142,092)	(1,098,590)	(4,929,708)	(910,391)
	<b>378,361,550</b>	<b>366,503,069</b>	<b>356,571,426</b>	<b>332,385,114</b>
Trade Receivables - Related Parties (9.1)	-	-	77,403,806	168,890,096
	<b>378,361,550</b>	<b>366,503,069</b>	<b>433,975,232</b>	<b>501,275,210</b>

Rs.		Relationship	Company	
			2017	2016
<b>9.1 Trade Receivables - Related Parties</b>				
	Siyaka Produce Brokers (Pvt) Ltd	Subsidiary	77,403,806	86,593,370
	Asia Siyaka Warehousing (Pvt) Ltd	Subsidiary	-	82,296,726
			<b>77,403,806</b>	168,890,096

## 9.2 Provision for Impairment of Trade Receivables

As at 31 March 2017, Trade Receivables of an initial value of Rs. 4,929,708/- (2016 - Rs. 910,391/-) were impaired in Company and Rs. 5,142,092/- (2016 - Rs. 1,098,590/-) were impaired in Group and fully provided for. The movement of the Provision for Impairment of Trade Receivables is given below.

Rs.		Group	Company
		2017	2017
	Balance at the Beginning of the year	(1,098,590)	(910,391)
	Amount Charged During the year	(4,043,502)	(4,019,317)
	<b>Balance at the End of the year</b>	<b>(5,142,092)</b>	<b>(4,929,708)</b>

**9.3** Trade Receivables are Non-Interest bearing and on 7 days credit terms. As at 31 March, the Ageing analysis of Trade Receivables is as follows:

Rs.	2017			2016		
	Neither past due nor Impaired		Past due but not Impaired	Neither past due nor Impaired		Past due but not Impaired
	Total	Impaired	8-120 days	Total	Impaired	8-120 days
<b>Company</b>						
Trade Receivables - Others	356,571,426	344,715,280	11,856,146	332,385,114	322,272,925	10,112,189
Trade Receivables - Related Parties	77,403,806	77,403,806	-	168,890,096	168,890,096	-
	<b>433,975,232</b>	<b>422,119,086</b>	<b>11,856,146</b>	<b>501,275,210</b>	<b>491,163,021</b>	<b>10,112,189</b>
<b>Group</b>						
Trade Receivables - Others	378,361,550	362,506,416	15,855,134	366,503,069	346,526,429	19,976,640
	<b>378,361,550</b>	<b>362,506,416</b>	<b>15,855,134</b>	<b>366,503,069</b>	<b>346,526,429</b>	<b>19,976,640</b>

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

Year ended 31 March 2017

**NOTE 10 LOANS AND ADVANCES**

Rs.	Group		Company	
	2017	2016	2017	2016
Short Term Loans to Clients	273,695,769	112,412,317	273,695,769	112,412,317
Advances to Clients	854,898,169	773,374,145	769,551,417	678,025,926
Less : Provision for Impairment of Loans and Advances ( 10.1)	(75,126,625)	(41,691,412)	(75,126,625)	(41,691,412)
	<b>1,053,467,313</b>	<b>844,095,050</b>	<b>968,120,561</b>	<b>748,746,831</b>

**10.1 Provision for Impairment of Loans and Advances**

As at 31 March 2017, Loans and Advances of an initial value of Rs. 75,126,625/- (2016 - Rs. 41,691,412/-) were impaired and fully provided for. The movement of the Provision for Impairment of Loans and Advances is given below.

Rs.	Group/Company	
	2017	
Balance at the Beginning of the year		(41,691,412)
Impairment Provision for the year		(33,435,213)
<b>Balance at the End of the year</b>		<b>(75,126,625)</b>

**10.2** As at 31 March, the Ageing analysis of Loans and Advances is as follows:

Rs	2017			2016		
	Total	Neither past due nor Impaired	Past due but not Impaired	Total	Neither past due nor Impaired	Past due but not Impaired
	Company	Impaired	22 to 90 days	Impaired	22 to 90 days	
Loans and Advances	968,120,561	395,684,005	572,436,556	748,746,831	198,389,051	550,357,780
	<b>968,120,561</b>	<b>395,684,005</b>	<b>572,436,556</b>	<b>748,746,831</b>	<b>198,389,051</b>	<b>550,357,780</b>
<b>Group</b>						
Loans and Advances	1,053,467,313	406,668,811	646,798,502	844,095,050	211,093,394	633,001,656
	<b>1,053,467,313</b>	<b>406,668,811</b>	<b>646,798,502</b>	<b>844,095,050</b>	<b>211,093,394</b>	<b>633,001,656</b>

**NOTE 11 ASSET HELD FOR SALE**

Rs.	Group / Company	
	2017	2016
Deniyaya Land	5,244,273	-

**11.1** As reflected in Note 07, a portion of land previously classified by the Company as Investment Property is to be acquired by the Government for public use. The land which has an extent of 38.458 acres has been reclassified as "Assets held for sale" during the year. Correspondence received from Kolonna Divisional Secretariat indicate that the said property will be acquired for a consideration of Rs. 17,650,000/-.

## NOTE 12 CASH AND CASH EQUIVALENTS

Rs.	Group		Company	
	2017	2016	2017	2016
<b>Components of Cash and Cash Equivalents</b>				
<b>Favorable Cash and Cash Equivalent balance</b>				
Cash and Bank balances	120,892,407	52,846,848	114,415,843	50,282,295
	120,892,407	52,846,848	114,415,843	50,282,295
<b>Unfavorable Cash and Cash Equivalent balance</b>				
Bank Overdrafts	(9,244,125)	(13,464,203)	(7,341,270)	(7,427,307)
<b>Total Cash and Cash Equivalent balance for the purpose of Statement of Cash Flows</b>	111,648,282	39,382,645	107,074,573	42,854,988

## NOTE 13 STATED CAPITAL

	2017		2016	
	Number	Rs.	Number	Rs.
Fully Paid Ordinary Shares	260,000,000	100,000,000	260,000,000	100,000,000

## NOTE 14 RETIREMENT BENEFIT OBLIGATION

Rs.	Group		Company	
	2017	2016	2017	2016
<b>14.1 Retirement Benefits Obligation-Gratuity</b>				
At the Beginning of the Year	30,528,398	28,363,569	25,838,288	24,046,583
Charge for the Year	6,247,911	4,983,968	5,147,669	4,090,827
Actuarial (Gain)/Loss for the year	3,542,927	(2,386,085)	3,538,939	(1,941,763)
Benefits Paid	(1,709,620)	(433,054)	(1,112,962)	(357,359)
<b>At the End of the Year</b>	<b>38,609,616</b>	<b>30,528,398</b>	<b>33,411,934</b>	<b>25,838,288</b>

## 14.2 Retirement Benefit Obligation costs recognized under Administrative Expenses in the Statement of Profit or Loss

Rs.	Group		Company	
	2017	2016	2017	2016
Current Service Cost	2,678,327	2,120,581	2,047,075	1,686,169
Interest Cost	3,569,584	2,863,387	3,100,594	2,404,658
	6,247,911	4,983,968	5,147,669	4,090,827

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

Year ended 31 March 2017

**RETIREMENT BENEFIT OBLIGATION (Contd.)**

**14.3** Messrs. Actuarial & Management Consultants (Private) Limited Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity using the Projected Unit Credit (PUC) method as at 31 March 2017 and 2016. Appropriate and compatible assumptions were used in determining the cost of Retirement Benefits Obligation.

**14.4 The Principal Assumptions used are as follows:**

	Group		Company	
	2017	2016	2017	2016
Discount Rate per annum	12%	12%	12%	12%
Salary Increment Rate per annum	5% - 8%	5% - 8%	5% - 8%	5% - 8%
Staff Turnover Rate per annum	6% - 14%	5%	14%	5%
Expected Remaining Service Life years	4.94 - 8.56	8.44 - 8.76	4.94	8.76
Retirement Age years	55 - 60	55 - 60	55 - 60	55 - 60

**14.5 Sensitivity of Assumptions employed in Actuarial Valuation**

The following table demonstrate the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the Retirement Benefit Obligation measurement.

The effect of per unit changes in Discount Rate and Salary Increment Rate on Statement of Other Comprehensive Income and Statement of Financial Position -Retirement Benefit Obligation is as follows.

Increase/(Decrease) in Discount Rate	Increase/(Decrease) in Salary Increment Rate	Group		Company	
		Effect on Change to Statement of Other Comprehensive Income	Effect on Retirement Benefit Obligation	Effect on Change to Statement of Other Comprehensive Income	Effect on Retirement Benefit Obligation
		Rs.	Rs.	Rs.	Rs.
1%	*	(1,327,112)	(1,327,112)	(1,068,038)	(1,068,038)
-1%	*	1,484,143	1,484,143	1,198,617	1,198,617
**	1%	1,634,108	1,634,108	1,310,704	1,310,704
**	-1%	(1,532,103)	(1,532,103)	(1,234,906)	(1,234,906)

\* Salary Increment Rate 5% - 8% for the Company and Group

\*\* Discount Rate 12% for Group and Company

**NOTE 15 INTEREST BEARING BORROWINGS**

Bank	Amount	Interest Rate	Maturity	2017 Rs.	2016 Rs.
Commercial Bank	Rs. 450 Mn	AWPLR + 1.5% p.a	March 2024	450,000,000	-

Rs.	Amount repayable within 1 year	Amount repayable after 1 year	Total
<b>As at 31 March 2017</b>			
Bank loans- Commercial Bank	53,571,429	396,428,571	450,000,000
	<b>53,571,429</b>	<b>396,428,571</b>	<b>450,000,000</b>

**As at 31 March 2016**

Bank loans- Commercial Bank	-	-	-
	-	-	-

Rs.	As at 01.04.2016	Loans obtained	Repayment	As at 31.03.2017
<b>Bank loans</b>				
Commercial Bank	-	450,000,000	-	450,000,000
	-	<b>450,000,000</b>	-	<b>450,000,000</b>

**NOTE 16 TRADE PAYABLES**

Rs.	Group		Company	
	2017	2016	2017	2016
Trade Payables - Others	609,488,926	400,645,829	572,900,968	380,569,006
Trade Payables - Related Parties (16.1)	89,730	-	182,248,132	47,823
	<b>609,578,656</b>	<b>400,645,829</b>	<b>755,149,100</b>	<b>380,616,829</b>

Rs.	Group		Company		
	Relationship	2017	2016	2017	2016
<b>16.1 Amount payable to Related Parties</b>					
Asia Siyaka Warehousing (Pvt) Ltd	Subsidiary	-	-	182,158,402	-
Lanka Commodity Brokers Ltd	Parent	89,730	-	89,730	47,823
		<b>89,730</b>	-	<b>182,248,132</b>	<b>47,823</b>

The amount due to Asia Siyaka Warehousing (Pvt) Ltd is subject to interest charge at 12.5% (2016: 10%)

**NOTE 17 INTEREST BEARING BORROWINGS ON CLIENT FINANCING**

Rs.	Group / Company	
	2017	2016
Short Term Loans and Overdrafts Obtained for Client Financing	692,237,629	850,605,064
	<b>692,237,629</b>	<b>850,605,064</b>

The Group has pledged its assets as security for the Interest Bearing Loans and Borrowings obtained as stated in Note 27

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

Year ended 31 March 2017

**NOTE 18 GROSS REVENUE**

Rs.	Group		Company	
	2017	2016	2017	2016
Brokerage Income	241,965,733	211,299,309	235,458,943	206,300,449
Packing Material Operations	10,761,075	9,848,743	10,761,075	9,848,743
Warehousing Income	162,558,593	133,561,516	-	-
Interest on Loans and Client Advances	161,427,616	180,272,519	146,982,425	169,303,594
Others	32,906,140	30,095,470	19,732,949	18,057,282
	<b>609,619,157</b>	<b>565,077,557</b>	<b>412,935,392</b>	<b>403,510,068</b>

**NOTE 19 OTHER INCOME AND GAINS**

Rs.	Group		Company	
	2017	2016	2017	2016
Dividend Income	-	209,500	20,717,998	35,849,496
Profit / (Loss) on Sale of Property Plant and Equipment	(1,134,806)	872,072	215,569	25,676
Security Insurance	1,801,444	2,171,878	1,801,444	2,171,878
Commission Income	536,027	-	536,027	684,898
Creditors Write Back	1,069,653	75,809	1,069,653	75,809
Profit from Sale of Investment	-	794,392	-	794,392
Others	52,013	38,176	-	-
	<b>2,324,331</b>	<b>4,161,827</b>	<b>24,340,691</b>	<b>39,602,149</b>

**NOTE 20 FINANCE COST**

Rs.	Group		Company	
	2017	2016	2017	2016
Bank Charges	5,845,064	3,867,497	4,767,045	3,745,809
Interest on Short Term Financing	125,838,766	68,840,307	85,216,113	70,109,194
Interest on Intercompany Advances	-	-	20,942,911	7,230,250
	<b>131,683,830</b>	<b>72,707,804</b>	<b>110,926,069</b>	<b>81,085,253</b>

**NOTE 21 FINANCE INCOME**

Rs.	Group		Company	
	2017	2016	2017	2016
Interest on Savings Accounts	2,153,162	248,667	2,038,875	248,667
Interest Income on Penalties	1,391,515	1,132,706	1,391,515	1,132,706
Interest Income on Intercompany Receivables	-	-	10,818,217	6,378,006
Other Interest	124,290	162,699	85,999	152,998
	<b>3,668,967</b>	<b>1,544,072</b>	<b>14,334,606</b>	<b>7,912,377</b>

**NOTE 22 PROFIT BEFORE TAX**

Rs.	Group		Company	
	2017	2016	2017	2016
<b>Stated after Charging</b>				
Employee Benefits including the following	86,408,460	67,699,786	64,138,097	62,464,894
Defined Contribution Plan Costs	12,592,077	11,450,775	9,830,756	9,399,527
Retirement Benefit Obligation - Gratuity	6,247,911	4,983,968	5,147,669	4,090,828
Depreciation	47,877,689	33,262,551	6,827,239	6,767,157
External Audit Fees	537,631	560,187	386,578	316,930
Internal Audit Fees	527,850	533,925	316,710	291,960

**NOTE 23 INCOME TAX EXPENSE**

Rs.	Group		Company	
	2017	2016	2017	2016
<b>Current Income Tax</b>				
Current Income Tax Charge	18,465,628	39,888,938	10,077,652	25,749,626
Over Provision of Tax Expense in respect of Prior years	8,405	(466,650)	-	(597,337)
	<b>18,474,033</b>	<b>39,422,288</b>	<b>10,077,652</b>	<b>25,152,289</b>
<b>Deferred Income Tax</b>				
Reversal / (Charge) of Deferred Tax (Note 21.3)	6,445,549	(3,032,989)	(1,163,993)	(1,480,979)
	<b>24,919,582</b>	<b>36,389,299</b>	<b>8,913,659</b>	<b>23,671,310</b>

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

Year ended 31 March 2017

**INCOME TAX EXPENSE (Contd.)****23.1 Reconciliation between Accounting Profit and Taxable Income**

Rs.	Group		Company	
	2017	2016	2017	2016
Accounting Profit (Profit before Taxation)	69,090,323	90,248,494	54,617,982	81,739,193
Non-Deductible Items	78,319,951	64,529,252	28,479,516	51,547,034
Deductible Items	(145,460,507)	(54,552,634)	(47,105,882)	(41,323,278)
Taxable Income	1,949,767	100,225,112	35,991,616	91,962,949
Income Tax on Profit at 10%	-	8,198,962	-	-
Income Tax on Profit at 28%	18,474,033	31,689,976	10,077,652	25,749,626
<b>Current Income Tax Charge</b>	<b>18,474,033</b>	<b>39,888,938</b>	<b>10,077,652</b>	<b>25,749,626</b>

**23.2 Effective Tax Rate**

27% 44% 18% 32%

Rs.	Statement of Financial Position		Profit or Loss		Other Comprehensive Income	
	2017	2016	2017	2016	2017	2016
<b>23.3 Deferred Tax - Group</b>						
<b>Deferred Tax Liability</b>						
Accelerated depreciation for Tax Purposes	42,659,629	33,807,608	7,722,402	(1,890,779)	1,129,619	-
<b>Deferred Tax Assets</b>						
Defined Benefit Plans	(9,999,836)	(7,731,333)	(1,276,853)	(1,142,210)	(991,650)	588,559
Deferred Income Tax Charge			6,445,549	(3,032,989)	137,969	588,559
Net Deferred Tax Liability	<b>32,659,793</b>	<b>26,076,275</b>				
<b>Deferred Tax - Company</b>						
<b>Deferred Tax Liability</b>						
Accelerated depreciation for Tax Purposes	1,315,498	1,276,829	38,669	435,608	-	-
<b>Deferred Tax Assets</b>						
Defined Benefit Plans	(9,428,286)	(7,234,721)	(1,202,662)	(1,045,371)	(990,903)	543,694
Deferred Income Tax Charge			(1,163,993)	(609,763)	(990,903)	543,694
Net Deferred Tax Liability	<b>(8,112,788)</b>	<b>(5,957,892)</b>				

**NOTE 24 EARNINGS PER SHARE**

**24.1** Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders of the company, by the weighted average number of ordinary shares outstanding during the year.

**24.2** The following reflects the income and share data used in the Basic Earnings Per Share computation.

Rs.	Group		Company	
	2017	2016	2017	2016
<b>Amount Used as the Numerator:</b>				
Net Profit for the year	44,170,741	53,859,195	45,704,323	58,067,883
<b>Number of Ordinary Shares Used as the Denominator:</b>				
Weighted Average number of Ordinary Shares in issue applicable to Basic Earnings Per Share	260,000,000	260,000,000	260,000,000	260,000,000
Basic Earning Per Share	0.17	0.21	0.18	0.22

**24.3** There were no potentially Dilutive Ordinary Shares outstanding at any time during the year.

**NOTE 25 DIVIDEND PER SHARE**

Rs.	Group		Company	
	2017	2016	2017	2016
Total Gross Dividends	26,000,000	78,000,000	26,000,000	78,000,000
Number of Shares	260,000,000	260,000,000	260,000,000	260,000,000
Dividend Per Share	0.10	0.30	0.10	0.30
<b>25.1 Dividend Pay Out Ratio</b>	59%	145%	57%	134%

**Primary Reporting Format - Business Segments**

As at 31 March 2017, the qualifying segments under business segment reporting are as follows;

- Commodity Brokering
- Warehousing

The following tables present revenue and profit and certain asset and liability information regarding the Group's Business Segments:  
 Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

Rs.	Commodity Brokering		Warehousing		Elimination of Inter-Segment		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Revenue</b>								
Sales to External Customers	447,060,564	419,625,271	162,558,593	145,452,286	-	-	609,619,157	565,077,557
<b>Total Revenue</b>	<b>447,060,564</b>	<b>419,625,271</b>	<b>162,558,593</b>	<b>145,452,286</b>	<b>-</b>	<b>-</b>	<b>609,619,157</b>	<b>565,077,557</b>
<b>Results</b>								
Finance Costs	(120,931,916)	(86,175,870)	(42,513,042)	(140,189)	31,761,128	13,608,255	(131,683,830)	(72,707,804)
Finance Income	14,334,606	7,912,377	21,095,489	7,239,951	(31,761,128)	(13,608,256)	3,668,967	1,544,072
Depreciation & Amortization	(6,839,401)	(6,777,516)	(40,098,292)	(27,148,929)	-	-	(46,937,693)	(33,926,445)
Amortization of Leasehold Land	-	-	(940,000)	(940,000)	-	-	(940,000)	(940,000)
Gratuity Expense	(5,252,909)	(4,174,685)	(995,002)	(809,283)	-	-	(6,247,911)	(4,983,968)
Profit before Income Tax	57,861,205	87,044,688	31,947,116	38,843,799	(20,717,998)	(35,639,993)	69,090,323	90,248,494
<b>Assets and Liabilities</b>								
Segment Assets	1,873,715,209	1,661,438,164	1,160,802,494	803,597,171	(456,949,844)	(368,390,981)	2,577,567,859	2,096,644,354
Segment Liabilities	1,596,900,023	1,400,763,397	524,522,654	176,962,953	(259,562,209)	(171,003,352)	1,861,860,468	1,406,722,998

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

Year ended 31 March 2017

**NOTE 27 COMMITMENTS AND CONTINGENCIES**

Rs.	Group		Company	
	2017	2016	2017	2016
<b>27.1 Capital Commitments</b>				
Capital Commitments Approved for setting up a Warehouse but not provided for	-	193,000,000	-	-
	-	<b>193,000,000</b>	-	-
<b>27.2 Contingencies</b>				
Asia Siyaka Warehousing (Pvt) Ltd issue Corporate Guarantees to banks on behalf of the parent company, at the reporting date corporate guarantees issued were amounted to Rs. 1,275Mn (2016-Rs. 1,275Mn).				
There have been no other significant contingencies as at the end of the reporting period that require adjustments to or disclosure in the financial statements.				

**NOTE 28 ASSETS PLEDGED****28.1 Details of Assets Pledged together with the related banking facilities are as follows - Company**

Bank	Nature of Facility	Facility Limit	Interest	Security/Assets pledged
NDB Bank	Overdraft	Rs.75Mn	Variable	Mortgage over book debts of Rs.325Mn and Corporate Guarantee from Asia Siyaka Warehousing (Pvt) Ltd for Rs.325Mn.
	Short term loans	Rs.250Mn	Variable	
DFCC Vardhana Bank	Overdraft	Rs.150Mn	Variable	Mortgage over book debts for Rs.200Mn and Corporate Guarantee from Asia Siyaka Warehousing (Pvt) Ltd for Rs.200Mn and facility agreement for Rs.25Mn.
	Short term loans	Rs.50Mn	Variable	
Commercial Bank	Overdraft	Rs.25Mn	Variable	Mortgage over book debts for Rs.225Mn and Corporate Guarantee from Asia Siyaka Warehousing (Pvt) Ltd for Rs.225Mn and facility agreement for Rs.25 Mn.
	Short term loans	Rs.200Mn	Variable	
Hatton National Bank	Overdraft	Rs.25Mn	Variable	Corporate Guarantee for Rs.300Mn and for Rs.25Mn from Asia Siyaka Warehousing (Pvt ) Ltd.
	Short term loans	Rs.300Mn	Variable	
Sampath Bank	Overdraft	Rs.200Mn	Variable	Mortgage over book debts of Rs.200Mn and Corporate Guarantee for Rs.200Mn from Asia Siyaka Warehousing (Pvt) Ltd.

**28.2 Details of Assets Pledged together with the related banking facilities are as follows - Subsidiary**

Bank	Nature of Facility	Amount	Interest	Security/Assets pledged
Commercial Bank	Long Term Loan	Rs. 450 Mn	AWPLR + 1.5% p.a	Mortgage the leasehold rights of the Muthurajawela land

**NOTES TO THE FINANCIAL STATEMENTS (Contd.)**

Year ended 31 March 2017

**NOTE 29 EVENTS AFTER THE REPORTING PERIOD**

There have been no material events occurring after the reporting period that require adjustments to or disclosure in the financial statements.

**NOTE 30 RELATED PARTY DISCLOSURES****30.1 Details of significant related party disclosures are as follows;**

Rs.	Lanka Commodity Brokers Ltd	Asia Siyaka Warehousing (Pvt) Ltd	Siyaka Produce Brokers (Pvt) Ltd	Total
Nature of Relationship	Parent	Subsidiary	Subsidiary	
<b>Nature of Transaction</b>				
<b>As at 01 April 2016</b>				
Sale of Goods and Rendering of Services	(135,415)	(118,860,121)	9,984,037	(109,011,499)
Interest Income on Loans	-	834,180	-	834,180
Loans Obtained/ ( Settlements )	-	(82,296,726)	-	(82,296,726)
Funds Received/ (Transferred)	3,498,823	(106,860,558)	(26,936,388)	(130,298,123)
Purchase of New Shares in Subsidiary	-	-	-	-
Expenses incurred	(3,452,518)	(100,001)	-	(3,552,519)
Receipts / (Payments made)	47,203	23,910,100	5,962,787	29,920,089
Dividend Received / (Paid)	-	18,917,998	1,800,000	20,717,998
<b>As at 31 March 2017</b>	<b>(89,730)</b>	<b>(182,158,402)</b>	<b>77,403,806</b>	<b>(104,844,326)</b>

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and subject to interest of 12.5% per annum except

for balances from parent. The guarantees received from Asia Siyaka Warehousing (Private) Ltd is amounting to Rs. 1,275Mn (2016-Rs. 1,275Mn). For the year ended 31 March 2017, the Company has not recorded any impairment of receivables

relating to amounts owed by related parties (2016 - Nil ). This assessment is undertaken in each financial year by examining the financial position of the related party and the market in which the related party operates.

**30.2 Transactions with Key Management Personnel (KMP) of the Company**

Related parties include KMPs defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company and its Subsidiaries. Such KMPs include the Board of Directors, Chief Executive Officer and Other Senior Management Executives of the Group who meet the criteria described above.

Rs.	2017	2016
Salaries and Other Short Term Benefits	69,420,368	64,906,949
	<b>69,420,368</b>	<b>64,906,949</b>

### 30.3 Following Directors are also Directors of the Related Entities

- (i) Dr. S.A.B. Ekanayake who is the Chairman of the Company was also the Chairman of Lanka Commodity Brokers Ltd. upto 20/09/2016.
- (ii) Mr. S.T. Gunatilleke who is a Director of the Company was appointed as the Chairman of Lanka Commodity Brokers Ltd. w.e.f. 01/03/2017.
- (iii) Mr. A.C. Cooke and Mr. D.J. Wedande who are Directors of the Company are also Directors of Asia Siyaka Warehousing (Pvt) Ltd and Siyaka Produce Brokers (Pvt) Ltd. which are fully owned subsidiaries of the Company.
- (iv) Mr. Y. Kuruneru and Dr. I.A. Ismail who are Directors of the Company are also Directors of Asia Siyaka Warehousing (Pvt) Ltd. which is a fully owned subsidiary of the Company.
- (v) Mr. M Murath (resigned w.e.f. 04/08/2016) who was a Director of the Company was also a Director of Lanka Commodity Brokers Ltd. upto 31/08/2016
- (vi) Mr. S Sirisena (Resigned w.e.f. 31/12/2016) who was a Director of the Company is also a Director of Lanka Commodity Brokers Ltd.
- (vii) Mr. S.G. Amarasuriya and Mr. J.N. Dambawinne (Appointed w.e.f. 09/01/2017) who are Directors of the Company are also Directors of Lanka Commodity Brokers Ltd.
- (viii) Mr. M. Murath who was a Director of the Company was also a Director of Asia Siyaka Warehousing (Pvt) Ltd and Siyaka Produce Brokers (Pvt) Ltd. which are fully owned subsidiaries of the Company.
- (ix) Mr. S. G. Amarasuriya who is a Director of the Company is also a Director of Asia Siyaka Warehousing (Pvt) Ltd and Siyaka Produce Brokers (Pvt) Ltd. which are fully owned subsidiaries of the Company.
- (x) Mr. H. R. V. Caldera who is a Director of the Company is also the Proprietor of VC Associates which provides consultancy services to the company. During the year the Company paid Rs. 2,665,750 as consultancy fees to VC Associates.

### NOTE 31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise interest bearing loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk.

The senior management of the Group oversees the management of these risks. The senior management of the Group determine on financial risks and the appropriate financial risk governance

framework for the Group. The financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and risk appetite.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

#### Market risk

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes

in market interest rates relates primarily to the Group's long term debt and short term borrowings with floating interest rates. The Group manages its risk by striking a balance between long term and short term debts. The Group has easy access to funds at competitive interest rates.

#### Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of the long term and short term borrowings. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings as follows;

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2017

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd.)

	Group		Company	
	Change in Basis Points	Change in Profit before Tax Rs.	Change in Basis Points	Change in Profit before Tax Rs.
2017	100 (1%)	11,422,376	100 (1%)	6,922,376
2016	100 (1%)	6,537,033	100 (1%)	6,537,033

#### Equity Price risk

The Group's listed equity securities are susceptible to market price risk arising from uncertainties about the future values of the investments securities.

#### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for Trade receivables, Loans and advances) and from its financing activities, including deposits with banks.

#### Trade receivables

Customer credit risk is managed in accordance with the Group's established policy, procedures and control relating to customer credit risk management. Individual credit limits are defined in accordance with the prior experience with the customers. Outstanding customer receivables are regularly monitored. The requirement for an impairment is analyzed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actually incurred historical

data. Hence the Group evaluate the concentration of risk with respect to trade receivable as low.

The maximum exposure to credit risk at the reporting date is the carrying value of Trade and other receivables, Loans and advances and Cash and cash equivalents disclosed in Note 9, 10 and 12 respectively.

#### Liquidity risk

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Rs.	Group	2017			
		On demand	Less than 3 months	Payable Within 1 Year	Total
Bank loans- Commercial Bank		-	-	53,571,429	53,571,429
Interest-Bearing Loans and Borrowings on Client Financing - STL		-	675,000,000	-	675,000,000
Interest-Bearing Loans and Borrowings on Client Financing - Overdraft		-	17,237,629	-	17,237,629
Trade Payables		-	609,578,656	-	609,578,656
Bank Overdrafts		9,244,125	-	-	9,244,125
		<b>9,244,125</b>	<b>1,301,816,285</b>	<b>53,571,429</b>	<b>1,364,631,839</b>

Rs.		2016			
		On demand	Less than 3 months	Payable Within 1 Year	Total
Interest-Bearing Loans and Borrowings on Client Financing		430,605,064	420,000,000	-	850,605,064
Trade Payables		-	400,645,829	-	400,645,829
Bank Overdrafts		13,464,203	-	-	13,464,203
		<b>444,069,267</b>	<b>820,645,829</b>	<b>-</b>	<b>1,264,715,096</b>

Rs.	2017		
	On demand	Less than 3 months	Total
<b>Company</b>			
Interest-Bearing Loans and Borrowings on Client Financing - STL	-	675,000,000	675,000,000
Interest-Bearing Loans and Borrowings on Client Financing - Overdraft	-	17,237,629	17,237,629
Trade Payables	-	755,149,100	755,149,100
Bank Overdrafts	7,341,270	-	7,341,270
	<b>7,341,270</b>	<b>1,447,386,729</b>	<b>1,454,727,999</b>
 <b>2016</b>			
Rs.	On demand	Less than 3 months	Total
	430,605,064	420,000,000	850,605,064
Interest-Bearing Loans and Borrowings on Client Financing	-	380,616,829	380,616,829
Trade Payables	-	7,427,307	7,427,307
Bank Overdrafts	<b>438,032,371</b>	<b>800,616,829</b>	<b>1,238,649,200</b>

### Capital management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Group has long term debt in its capital structure amounting to Rs. 396 Mn.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2017 and 31 March 2016.



# **SUPPLEMENTARY INFORMATION**

SHAREHOLDER INFORMATION...**114**

VALUE ADDED STATEMENT...**116**

GLOSSARY OF FINANCIAL TERMS...**117**

NOTICE OF MEETING...**118**

FORM OF PROXY...**119**

CORPORATE INFORMATION...**121**

# SHAREHOLDER INFORMATION

## SHARE PRICES FOR THE YEAR

Market price per share	As at 31/03/2017	As at 31/03/2016
Highest during the year	Rs.2.90 (19/05/2016)	Rs.3.70 (24/08/2015)
Lowest during the year	Rs.1.90 (30/03/2017)	Rs.2.00 (10/03/2016)
As at end of the year	Rs.2.00	Rs. 2.20

## DIRECTORS' & CEO'S SHAREHOLDING AS AT 31ST MARCH 2017

	No. of Shares	%
Mr. A R Cooke	9,747,143	3.749
Mr. D J Wedande	8,353,067	3.213
Mr. Y Kurunuru	2,499,063	0.961
Dr. S A B Ekanayake	Nil	-
Mr. S T Gunatileke	Nil	-
Mr. S G Amarasuriya	Nil	-
Mr. B A Hulangamuwa	Nil	-
Dr. I A Ismail	Nil	-
Mr. H R V Caldera	Nil	-
Mr. J N Dambawinne (appointed w.e.f 09-01-2017)	Nil	-
Mr. M Murath (Resigned w.e.f 4-08-2016)	Nil	-
Mr. S Sirisena (Resigned w.e.f 31-12-2016)	Nil	-

## SHARE DISTRIBUTION

### SHAREHOLDING AS AT 31ST MARCH

From	To	2017			2016		
		No of Holders	No of Shares	%	No of Holders	No of Shares	%
1	1,000	536	160,281	0.06	518	167,689	0.06
1,001	10,000	436	2,027,938	0.78	445	2,050,429	0.78
10,001	100,000	301	10,679,338	4.11	325	12,241,921	4.71
100,001	1,000,000	85	26,273,394	10.10	97	29,561,678	11.37
Over 1,000,000		19	220,859,049	84.95	17	215,978,283	83.07
		1,377	260,000,000	100.00	1,402	260,000,000	100.00

## CATEGORIES OF SHAREHOLDERS

### SHAREHOLDING AS AT 31ST MARCH

	2017			2016		
	Shareholders	No. of Sharers	%	Shareholders	No. of Sharers	%
Local Individuals	1,324	77,935,715	29.98	1,344	85,039,940	32.71
Local Institutions	46	179,256,485	68.94	52	173,093,660	66.57
Foreign Individuals	07	2,807,800	1.08	06	1,866,400	0.72
Foreign Institutions	-	-	-	-	-	-
	1,377	260,000,000	100.00	1,402	260,000,000	100.00

## PUBLIC HOLDING

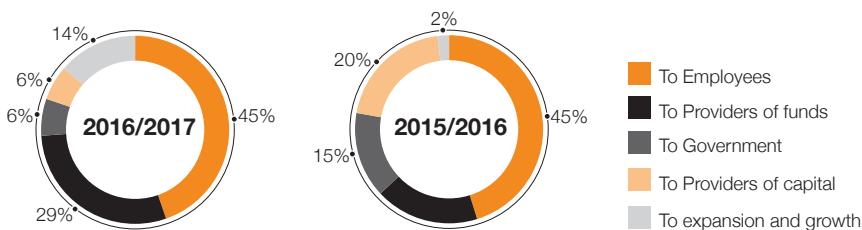
Public Holding percentage as at 31st March 2017 being 33.89% comprising of 1,371 shareholders

## MAJOR SHAREHOLDERS OF THE COMPANY

NO	NAME	31ST MARCH 2017		31ST MARCH 2016	
		NO OF SHARES	%	NO OF SHARES	%
1	PAN ASIA BANKING CORPORATION PLC / LANKA COMMODITY BROKERS LIMITED	149,148,464	57.365	149,148,464	57.365
2	RICHARD PEIRIS FINANCIAL SERVICES (PVT) LTD / M A A KARIM	10,055,766	3.868	9,341,921	3.593
3	CHADSTONE (PVT) LTD	10,000,000	3.846	7,709,963	2.965
4	MR A R COOKE	9,747,143	3.749	9,747,143	3.749
5	MR D J WEDANDE	8,353,067	3.213	8,353,067	3.213
6	SEYLAN BANK PLC / DR THIRUGNANASAMBANDAR SENTHILVERI	4,904,970	1.887	342,006	0.132
7	MR L ALAWATTEGAMA	4,414,098	1.698	9,747,143	3.749
8	MRS D N KEERTHISINGHE	2,760,966	1.062	3,500,000	1.346
9	MR Y KARUNERU	2,499,063	0.961	2,499,063	0.961
10	MR S D R ARUDPRAGASAM	2,428,300	0.934	2,428,300	0.934
11	MR K V HEWAVITARNE	2,400,000	0.923	1,000,000	0.385
12	MR F N HERFT	2,400,000	0.923	1,650,000	0.635
13	MR W M K S N D FERNANDO	2,125,656	0.818	2,125,656	0.818
14	MR M C M ZAROOK	2,120,000	0.815	2,420,000	0.931
15	MR D A EDUSSURIYA	1,900,000	0.731	1,649,898	0.635
16	MR R C DISSANAYAKE	1,879,808	0.723	1,879,808	0.723
17	MR M H M NAZEEER	1,500,000	0.577	1,000,000	0.385
18	MR U P JAYASINGHE	1,200,000	0.462	344,000	0.132
19	MR N PERERA AND MRS N S PERERA	1,021,748	0.393	1,021,748	0.393
20	MR B L S PEIRIS	1,000,000	0.385	1,000,000	0.385
21	PAN ASIA BANKING CORPORATION PLC / MR S GOBINATH	1,000,000	0.385	1,000,000	0.385
22	ADAMJEE LUKMANJEE & SONS (PVT) LTD	1,000,000	0.385	1,000,000	0.385
		<b>223,859,049</b>	<b>86.103</b>	<b>218,908,180</b>	<b>84.199</b>
Others		361,140,951	13.897	41,091,820	15.801
<b>Total</b>		<b>260,000,000</b>	<b>100.000</b>	<b>260,000,000</b>	<b>100.000</b>

# VALUE ADDED STATEMENT

Rs.	Group				Company			
	2016/2017	%	2015/2016	%	2016/2017	%	2015/2016	%
<b>Revenue</b>	<b>609,619,157</b>		565,077,557		412,935,392		403,510,068	
Other Income	2,324,331		4,161,827		24,340,693		39,602,149	
	611,943,488		569,239,384		437,276,085		443,112,217	
Cost of materials and services obtained	(179,766,479)		(183,508,140)		(118,792,160)		(117,521,404)	
<b>Value Addition</b>	<b>432,177,009</b>		385,731,244		318,483,925		325,590,813	
<b>Value Allocated to:</b>								
<b>To Employees</b>								
Salaries, wages and other benefits	193,243,027	45	174,272,012	45	153,418,177	48	144,736,269	44
<b>To Providers of funds</b>								
Interest to money lenders	125,838,766	29	68,840,304	18	106,159,024	33	77,339,443	24
<b>To Government</b>								
VAT/NTB on Financial Service	(5,630,235)		12,035,700		(5,630,235)		12,035,700	
VAT / NBT / Stamp Duty	7,771,114		7,999,451		4,250,729		4,449,030	
Rates & Taxes	431,875		501,830		5,000		5,000	
Income Tax	24,919,582		36,389,299		8,913,659		23,671,310	
	27,492,336	6	56,926,280	15	7,539,153	2	40,161,040	12
<b>To Providers of capital</b>								
Dividend paid to share holders	26,000,000	6	78,000,000	20	26,000,000	8	78,000,000	24
<b>To expansion and growth</b>								
Profit retained	18,170,741		(24,140,805)		19,704,325		(19,932,117)	
Depreciation and Amortization	47,877,688		34,866,442		6,827,239		6,767,157	
Deferred Taxation	(6,445,549)		(3,032,989)		(1,163,993)		(1,480,979)	
	59,602,880	14	7,692,648	2	25,367,571	8	(14,645,939)	(4)
	<b>432,177,009</b>	<b>100</b>	<b>385,731,244</b>	<b>100</b>	<b>318,483,925</b>	<b>100</b>	<b>325,590,813</b>	<b>100</b>
	<b>2016/2017</b>	<b>%</b>	<b>2015/2016</b>	<b>%</b>				
To Employees	193,243,027	45	174,272,012	45				
To Providers of funds	125,838,766	29	68,840,304	18				
To Government	27,492,336	6	56,926,280	15				
To Providers of capital	26,000,000	6	78,000,000	20				
To expansion and growth	59,602,880	14	7,692,648	2				
	<b>432,177,009</b>	<b>100</b>	<b>385,731,244</b>	<b>100</b>				



# GLOSSARY OF FINANCIAL TERMS

## **ACCOUNTING POLICIES**

The specific principals, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

## **ACCRUAL BASIS**

Recording revenue & expenses in the period in which they are earned or incurred regardless of whether cash received or disbursed in that period.

## **AMORTISATION**

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

## **BORROWINGS**

Bank loans, overdrafts, obligations and interest bearing liabilities.

## **CAPITAL EMPLOYED**

Shareholders' funds plus debt

## **CASH & CASH EQUIVALENT**

Liquid investments with original maturity periods of three months or less.

## **CONTINGENT LIABILITY**

A possible obligation that arises from past events 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 enterprise.

## **CURRENT RATIO**

Current assets divided by current liabilities.

## **DEBT/EQUITY RATIO**

Debt as a percentage of Shareholder funds

## **DEFERRED TAXATION**

Sum set aside for tax in the accounts of an entity that will become liable in a period other than that under review.

## **DIVIDEND PAYOUT RATIO**

Profit paid out to shareholders as dividends as a percentage of profits made during the year.

## **DIVIDENDS**

Distribution of profits to holders of equity investments.

## **EARNINGS PER SHARE**

Profit attributable to ordinary shareholders divided by the number of ordinary shares.

## **GSA**

The Gross Sales Average. This is the average sales price obtained (over a period of time, for a kilo of produce) before any deductions such as brokerage etc.

## **ISO**

International Standards Organization

## **LEED**

Leadership in Energy and Environmental Design

## **MARKET CAPITALISATION**

Number of shares in issue at the end of the period multiplied by the market price.

## **NET ASSETS**

Sum of fixed assets and current assets less total liabilities.

## **NET ASSETS PER SHARE**

Net assets at the end of the period divided by the number of ordinary shares in issue.

## **NET TURNOVER PER EMPLOYEE**

Net Turnover over average number of employees.

## **NSA**

The Net Sales Average.

## **PAT**

Profit After Taxation.

## **PBT**

Profit Before Taxation.

## **RELATED PARTIES**

Parties who could control or significantly influence the financial and operating policies of the company.

## **RETURN ON EQUITY**

Profit before tax divided by equity at the end of the period.

## **REVENUE RESERVE**

Reserves considered as being available for distributions and investments or the portion of a business' profits retained by the company for investment in future growth, and are not redistributed to the shareholders through regular or special dividends.

## **SHAREHOLDER FUNDS**

Total of issued and fully paid up capital and reserves.

## **STAFF TURNOVER RATIO**

The ratio of the number of employees that leave a company through attrition, dismissal or resignation during a period to the number of employees on payroll during the same period.

## **TOTAL VALUE ADDED**

The difference between revenue and expenses, cost of materials and services purchased from external sources.

## **VALUE ADDITION**

The quantum of wealth generated by the activities of the group and its application.

## **VALUE CREATION**

The performance of actions that increase the worth of goods, services or even a business.

## **WORKING CAPITAL**

Current Assets exclusive of liquid funds and interest bearing financial receivables less operating liabilities plus non-interest bearing provisions.

## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 05th Annual General Meeting of Asia Siyaka Commodities PLC will be held at the Auditorium of The Ceylon Chamber of Commerce No. 50, Navam Mawatha, Colombo 02 on 14th August 2017 at 9.30 a.m. for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31st March 2017 and the Report of the Auditors thereon.
2. To re-elect Mr. S T Gunatilleke who retires in terms of Article 87(i) of the Articles of Association, as a Director of the Company.
3. To pass the ordinary resolution set out below to appoint Dr. I A Ismail who is 80 years of age, as a Director of the Company;

"IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Dr. I A Ismail who is 80 years of age and that he be and is hereby appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007."

4. To pass the ordinary resolution set out below to appoint Mr. H R V Caldera who is 72 years of age, as a Director of the Company;

"IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. H R V Caldera who is 72 years of age and that he be and is hereby appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007."

5. To re-elect Mr. J N Dambawinne who retires in terms of Article 94 of the Articles of Association, as a Director of the Company.
6. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.
7. To authorise the Directors to determine donations for the year ending 31st March 2018 and up to the date of the next Annual General Meeting.

By Order of the Board  
ASIA SIYAKA COMMODITIES PLC

*Adwyesur*

P W Corporate Secretarial (Pvt) Ltd  
Director / Secretaries  
At Colombo  
10 July 2017

Notes:

- 1) A shareholder entitled to attend or attend and vote at the Meeting is entitled to appoint a Proxy who need not be a shareholder, to attend or attend and vote instead of him/her. A Proxy may vote on a poll (and join in demanding a poll) but not on a show of hands.
- 2) A Form of Proxy is enclosed in this Report.
- 3) The completed Form of Proxy should be deposited at the Office of the Secretaries of the Company, No. 3/17, Kynsey Road, Colombo 08 not later than 36 hours before the time appointed for the meeting.

## Form of Proxy

\*I/We.....holder of NIC No. ....

of..... being a \*Shareholder /Shareholders of Asia Siyaka Commodities PLC, do

hereby appoint ..... holder of NIC No.....of .....or failing him/her

Dr. S A B Ekanayake	or failing him
Mr. A R Cooke	or failing him
Mr. D J Wedande	or failing him
Mr. S T Gunatilleke	or failing him
Mr. B A Hulangamuwa	or failing him
Mr. S G Amarasuriya	or failing him
Mr. Y Kurunuru	or failing him
Dr. I A Ismail	or failing him
Mr. V Caldera	or failing him
Mr. J N Dambawinne	

as \*my/our proxy to represent me/us and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 14th August 2017 at the Auditorium of The Ceylon Chamber of Commerce, and any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1 To re-elect Mr. S T Gunatilleke as Director in terms of Article 87 (i) of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
2 To pass the ordinary resolution set out in the Notice of Meeting under item 3 for the appointment of Dr. I A Ismail	<input type="checkbox"/>	<input type="checkbox"/>
3 To pass the ordinary resolution set out in the Notice of Meeting under item 4 for the appointment of Mr. H R V Caldera	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. J N Dambawinne as Director in terms of Article 94 of the Articles of Association of the Company	<input type="checkbox"/>	<input type="checkbox"/>
5. To appoint Messrs. Ernst & Young Chartered Accountants as Auditors of the Company and to authorize the Directors to fix their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorize the Directors to determine donations for the year ending 31st March 2018 and up to the date of the next Annual General Meeting	<input type="checkbox"/>	<input type="checkbox"/>

Signed this..... day of ..... Two Thousand and Seventeen

.....  
Signature

- 1) \*Please delete the inappropriate words.
- 2) Instructions as to completion are noted on the reverse thereof.
- 3) If you wish your Proxy to speak at the meeting you should interpolate the words "and to speak" immediately after the words "to vote".

## INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after 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 Directors as your proxy, please insert the relevant details in the space provided overleaf.
3. In terms of Article 73 of the Articles of Association of the Company;
  - (i) in the case of an individual shall be signed by the appointor or by his attorney; and
  - (ii) in the case of a Corporation shall be signed as provided by its Articles of Association by person/s authorised to do so, on behalf of the Corporation. The Company may, but shall not be bound to require evidence of the authority of any person so signing
  - (iii) a proxy need not be a Shareholder of the Company.
4. In terms of Article 68 of the Articles of Association of the Company  

In the case of joint-holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint-holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.
5. To be valid the completed Form of Proxy shall be deposited at the Office of the Secretaries of the Company, No. 3/17, Kynsey Road, Colombo 08 not later than 36 hours before the time appointed for the meeting.

# CORPORATE INFORMATION

**NAME OF THE COMPANY** - ASIA SIYAKA COMMODITIES PLC

**COMPANY REGISTRATION NO** - PV3562/PB/PQ

**LEAGAL FORM** - A Public Quoted Company with Limited Liability

## Date of Incorporation

The Company was incorporated bearing Company Registration No. PV3562 on February 16, 1998 and was converted to a public limited liability company on March 28, 2014 under Company Registration No. PV3562/PB

The shares were listed in the Colombo Stock Exchange on September 12, 2012

## Nature of Business

To carry on the business of Tea Brokers, Rubber Brokers, Produce Brokers, Auctioneers, Appraisers, Valuers, Commission Agent and General Agents

## Head Office & Registered office

1st Floor, "DEUTSCHE HOUSE"

No. 320, T B Jayah Mawatha,  
Colombo 10

Telephone : +94 114 600700

Fax: +94 112 678145

E-mail: tea@siyaka.lk

Website: [www.asiasiyaka.com](http://www.asiasiyaka.com)

## Board of directors

Dr. S A B Ekanayake	<i>Chairman</i>
Mr. A R Cooke	<i>Managing Director</i>
Mr. D J Wedande	<i>Executive Director</i>
Mr. S G Amarasuriya	<i>Executive Director</i>
Mr. Y Kurunuru	<i>Executive Director</i>
Mr. B A Hulangamuwa	<i>Independent Non-Executive Director</i>
Mr. S T Gunathilake	<i>Non-Executive Director</i>
Dr. I A Ismail	<i>Independent Non-Executive Director</i>
Mr. V Caldera	<i>Non-Executive Director</i>
Mr. J N Dambawinne	<i>Non-Executive Director</i>

## Subsidiary Companies

Asia Siyaka Warehousing (Private) Limited

Siyaka Produce Brokers (Private) Limited

## Secretaries

P W Corporate Secretarial (Pvt) Ltd

3/17, Kynesey Road,  
Colombo 08.

Telephone : +94 114 640360-3  
Fax : +94 114 740588

## Lawyers

Shiranthi Gunawardena Associates  
Attorneys-at-Law & Notaries Public,  
22/1, Elliot Place, Colombo 08.

## External Auditors

Ernst & Young,  
Chartered Accountants,  
201, De Saram Place,  
P.O.Box 101,  
Colombo 10.

## Internal Auditors

SJMS Associates,  
Chartered Accountants  
# 11, Castle Lane,  
Colombo 4.

## Bankers

NDB Bank PLC  
Bank of Ceylon  
Commercial Bank of Ceylon PLC  
Sampath Bank PLC  
Peoples Bank  
Seylan Bank PLC  
DFCC Vardhana Bank PLC  
Hatton National Bank PLC



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