

**DISTILLING
THE SPIRIT
OF SUCCESS
FOR OVER A
CENTURY**



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Since its inception in 1913 DCSL has continued to forge ahead with the spirit of entrepreneurship, a commitment to excellence and a dedication to integrity and quality.

The legacy of DCSL spans 104 years and during this period we have imbibed the lessons of history and made the "DCSL" brand one of the country's most respected. Our products reflect the ethos of the Company with their quality, refinement and excellence.

Today, inspired by the many victories of the past and with our sights set firmly on the future, DCSL remains more committed than ever, to a vision of accomplishment, diversity and excellence.





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HIGHLIGHTS OF THE YEAR

SEP 2016

Fitch Rating has placed DCSL a National Long-Term Rating of AAA(Ika) on Rating Watch Negative (RWN)



NOV 2016

DCSL was ranked No. 07 in the Business Today 'Top Thirty'. This was the 18th consecutive year DCSL was listed among corporate heavy weights in the rankings.

DEC 2016

Consequent to the restructure arrangement under Part 'X' of the Companies Act No. 07 of 2007, DCSL PLC became a fully owned subsidiary of Melstacorp.



FEB 2017

DCSL celebrated 25 years of excellence after privatization.



FINANCIAL HIGHLIGHTS

		2017	2016
SUMMARY OF RESULTS			
Gross Turnover	Rs. Mn	90,273	72,114
Excise Duty	Rs. Mn	63,254	50,573
Net Turnover	Rs. Mn	27,019	21,541
Profit After Tax	Rs. Mn	4,975	5,302
Shareholders Funds	Rs. Mn	2,235	53,056
Working Capital	Rs. Mn	(6,826)	(3,271)
Total Assets	Rs. Mn	22,852	69,416
Staff Cost	Rs. Mn	1,552	1,298
No. of Employees		1,121	1,136
PER SHARE			
Basic Earnings	Rs.	(233.42)	17.67
Net Assets	Rs.	7.45	176.85
Dividends	Rs.	-	3.35
Market Price	High	Rs. 294.00	320.00
	Low	Rs. 208.00	205.00
	Year End	Rs. -	206.20
RATIOS			
Price Earnings	times	-	12
Return on Shareholders Funds	%	222.61	9.99
Current Ratio	times	0.65	0.79
Interest Cover	times	6.0	23.0
Stock Turnover (Finished Goods)	days	17	13
Debt to Equity	%	328.40	9.80
Debt to Total Assets	%	32.12	7.48
Dividend Payout	%	-	18.96
Dividend Yield	%	-	1.62





**“WE MUST
THINK BIG TO
BECOME BIG”**



CELEBRATING 25 YEARS OF EXCELLENCE



“WE HAVE PAID 4.6 BILLION US DOLLARS AS TAXES AND 91 MILLION US DOLLARS AS DIVIDENDS, THEREFORE, THE STAKEHOLDERS, THE GOVERNMENT, THE CONSUMERS AND EVERYONE ELSE HAVE BEEN GIVEN A FAIR CHANCE AND FAIR DEAL”



“WE HAD TO THINK OF WAYS AND MEANS ON HOW WE SHOULD GO FORWARD AND MAKE SURE THAT WE MANUFACTURE GENUINE PRODUCTS TO THE PUBLIC AND OUR CONSUMERS.”



“THE MOST SUCCESSFUL PRIVATIZATION VENTURE IN SRI LANKA”



Argenté

**THE CULMINATION OF
104 YEARS OF HISTORY
COUPLED WITH 25 YEARS
OF EXCELLENCE AFTER
PRIVATISATION**

The ultimate expression of distinguished taste.

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

HISTORICAL PERSPECTIVE

“OVER THE YEARS, WE HAVE NOT ONLY GROWN TO BECOME SRI LANKA’S LARGEST DISTILLER, BUT HAVE ALSO BEEN RECOGNISED AS A LEADING CORPORATION WITH THE HIGHEST QUALITY STANDARDS. DESPITE THESE ACHIEVEMENTS AND OUR STRONG POSITION OF BUSINESS LEADERSHIP, WE CONTINUE TO LOOK FOR WAYS TO IMPROVE AND GROW”.

Touching lives for over a century

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

Thus, DCSL has the distinction of being the pioneer distiller in Sri Lanka. In 1989, under a government policy decision, the State Distilleries Corporation was converted into a limited liability company. This transfer of ownership took place at the Colombo Stock Exchange (CSE) in 1992, making it the largest transaction in the history of the CSE at that time.

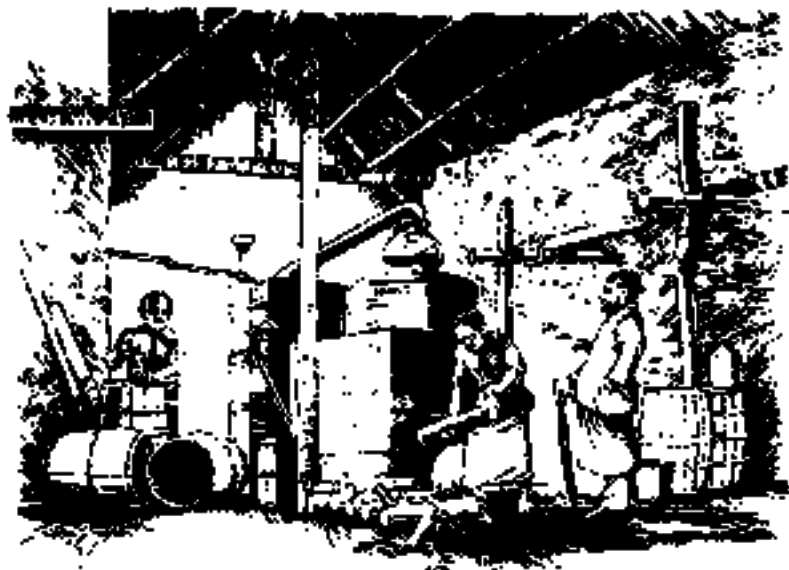
Under new private management, the company entered an era of modernization that encompassed the upgrading of machinery and equipment, the introduction of modern management, systems & processes and the continuous refinement of product quality. Plants and machinery were upgraded to modern international standards and

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

These improvements contributed towards higher production efficiencies across the supply chain. Employees are regularly trained in the best international practices, in locations famed for high

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

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





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

THE STORY OF ARRACK

SRI LANKA HAS PERFECTED THE TECHNIQUE OF MAKING COCONUT ARRACK THROUGH THE YEARS. TODAY, IT HAS ACQUIRED THE PERFECT BALANCE FOR THE DISCERNING PALATE AND COCONUT ARRACK REIGNS AS THE ALCOHOLIC BEVERAGE OF CHOICE IN THE COUNTRY.



The Sri Lankan flavour that lingers on...

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

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

The initial step in the process of making coconut arrack is toddy tapping, an age-old vocation which is culturally renowned and passed down from father to son. Toddy tapping is as much an intricate art as it is a science. Toddy tappers manually extract the toddy from coconut trees, which are coupled and girdled by skillfully rappelling from tree

to tree. Coconut sap or toddy is obtained by tapping the unopened coconut flower for its nectar. Thereafter the toddy is collected in earthenware pots. This toddy when fresh contains much sugar, but yeasts, microscopic vegetable organisms soon find their way into it, act on the sugar present and produce alcohol. This process of converting the sugar into alcohol is called fermentation. After a minute filtration process, this liquor is poured into massive casks made of Halmilla wood and carefully transported to our factories for distillation.

The process of distillation involves two stages; continuous distillation (patent still distillation) and pot distillation. This distillation process is usually completed within 24 hours. The purified spirit comes out with the distinctive flavor of arrack, ready to be savoured. The contents of the wooden vats are mixed diligently every fortnight for better aeration and to increase contact with the wood. Herbs and spices from ancient recipes are also added at particular stages, to enhance flavor and mellow the liquor during the crucial maturation process. The maturation process is completed after

flavor enhancing and smoothening, while ageing in the wooden vats.

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



What's behind our continuing success?

TRADITION SERVED WITH PRIDE



OLD ARRACK

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



COCONUT ARRACK

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



DOUBLE DISTILLED ARRACK

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



VERY SPECIAL OLD ARRACK

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



EXTRA SPECIAL ARRACK

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



SRI LANKA ARRACK

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



NARIKELE

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



WHITE LABEL ARRACK

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



SPECIAL ARRACK

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



BLUE LABEL ARRACK

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

What's behind our continuing success?

**WORLD CLASS BLENDS,
DISTINCTLY SRI LANKAN**



WHITE RUM

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

TILL SIDER WHISKY

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

BLACK OPAL ARRACK

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

HOUSE OF TILBURY WHISKY

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

PETROFF VODKA

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



**PERICEYL APPLE
ARRAK**

Flavour of apple with fine imported spirits which provides a rich apple aroma with a smooth apple flavour on the palate



GALERIE BRANDY

Aged fine French brandy blended with fine spirits matured in vats to enhance the smooth characters of a superior brandy



FRANKLIN BRANDY

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



FLINTON LEMON GIN

Fine spirits blended with a rich recipe flavoured with lemon



**PERICEYL MANGO
ARRAK**

Flavour of mango with fine imported spirits that combines tempting aromas and flavours of rich mango

What's behind our continuing success?

PREMIUM BRANDS FROM AROUND THE WORLD



GRAND CHAIS DE FRANCE

Founded in 1979, our family company "Les Grand Chais de France" has built its reputation upon the simple motto... "Des Hommes, des terriors, une passion" As the owners of over 30 domains and chateaux in some of the greatest French appellations, as well as being an influential player in the Bordeaux market for Grand Crus Classe, we hope that our customers will benefit from our 20 years experience in wines and spirits

ALBERT BICHOT

"THE EPIC STORY" OF A GREAT HOUSE

From 1350, the Bichot family was established in Burgundy, with a deer as a symbol. It was only in the XIXth century that the family ventured into the wine business, when Bernard Bichot found in 1831, a wine brokerage. The family heritage has been passed down from father to son until now. Since 1996, Albéric Bichot has represented the 6th generation to run the House.

PASSION POP

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

SOMERTON

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

BURONGA HILL

Buronga Hill Estate is the flagship brand of the Buronga Hill Winery. Located in the Sunraysia district of southern NSW, Buronga Hill Winery is one of the largest wineries in Australia, Using the latest technology, this batch processing large-scale winery renowned for its commitment to efficient and enviro - friendly winemaking.

VIEJO - MARCHANTE

Navarro López Bodegas was founded in 1904 as a modest family winery by Don Juan Sánchez Megía. The original winery still stands today in the town of Valdepeñas. In 1988, after many successive family generations, the current president - Navarro Doroteo Donado - acquired the winery which now focuses on quality aged wines, from single grape varieties.

WINCARNIS - TONIC WINE

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



CAPE DREAMS

“OUR STORY”

The name Cape Dreams reflects our personal aspiration to build an internationally recognized brand whilst making a difference. Our objective is to develop and grow Cape Dreams into a brand synonymous with wines of superb quality, offering an enhanced palate experience aimed at both emerging and established wine markets. Like the Rainbow, Cape Dreams is for the world to share.

MUD HOUSE

Our founders set sail to travel the world; only to fall in love with New Zealand. After planting vines they used the local earth to build their home. Two decades on, we continue to celebrate the spirit of striking out and breaking boundaries. Wherever you are in the world look out for our distinctive wines and celebrate your taste for adventure.

TERRA ANDINA - BY SUR ANDINA

From the magnificence of the Andes to the cool waters of the Pacific, Terra Andina use modern and innovative winemaking skills to craft premium wines. Terra Andina is an innovator within the Chilean wine industry. Blending grapes from different valleys with different climates and soil conditions, for its full advantage of richness and diversity of Chile's different wine growing regions. Fresh and innovative winery free of taboos, Terra Andina is focused on making quality wines to capture full potential of Chilean viticulture.

DOÑA PAULA - LOS CARDOS

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

What's behind our continuing success?

PREMIUM BRANDS FROM AROUND THE WORLD



ELIT & STOLICHNAYA VODKA

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

OLD PULTENEY

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

WHISKIES

Crafted by the sea Old Pulteney is the embodiment of history, people and place. Our collection of fine single malt Scotch whiskies range from the definitive and multi-award winning Old Pulteney 12 Years Old to a collection of critically acclaimed Vintage and Limited Edition expressions, each of which are bursting with the power and precision of the sea.

SPEYBURN

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

AGAVITA - TEQUILA

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

Latest addition to our range

HANKEY BANNISTER

BLENDED SCOTCH WHISKY

TWO HEADS, ONE AMBITION

Heritage & Origin

Original Blend (Regular Scotch Whisky)

Mrs. Hankey and Bannister present their original blend of fine and rare Scotch Whiskies. Hand selected for quality and crafted with care, to create a smooth, light and perfectly balanced blend, renowned in society for over 250 years.

12 Year Old Regency (Premium)

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



B Hankey
BEAUMONT HANKEY

H Bannister
HUGH BANNISTER





CHAIRMAN'S STATEMENT

I am pleased to share with you, our valued shareholders, the company's annual report and audited financial statements for the year ended 31st March, 2017. During this period, your company continued its pursuit of growth and expansion. In the face of persisting unfair practices favoring a few unscrupulous elements, we continue to operate in an industry which has not offered a level playing field in years.

This year we witnessed the Twenty Fifth Year Anniversary of the privatisation of our Company, which I assure you was the most successful privatisation venture in Sri Lanka. Despite the difficulties we had to encounter during this period, from ineffective regulators, tax-unpaid products from competitors and politicians with vested interests who attempted to suppress our forward march, we pressed on. The most difficult problem we faced were the illegal operators, who imitated and duplicated our products. After privatisation, we have obtained expert advice and adopted best practices, while modernising our distillery, having trained all our chemists and production staff; thereby upgrading their knowledge to provide a better product for the consumers. These efforts have resulted in the streamlined, sophisticated production facilities the company now has, which ensures our customers enjoy products of the highest standard. I wholeheartedly thank all of

the stakeholders who supported us and kept faith and trust in us, during this quarter century.

Group Restructure

During the financial year under consideration, DCSL Group ventured into a restructure arrangement under Part 'X' of the Companies Act No. 07 of 2007, seeking approval to carry out a share swap that would result in the shareholders of DCSL PLC becoming shareholders of Melstacorp Limited. On 03 August 2016, the Commercial High Court of Colombo made an Order approving the holding of an Extraordinary General Meeting of the shareholders of the Company; to place before the shareholders a Special Resolution seeking approval for the 'Arrangement' for which approval was granted by the shareholders. The share swap was completed during the fourth quarter of 2016. As a result of the share swap DCSL PLC became a fully owned subsidiary of Melstacorp. As of now DCSL PLC is a standalone liquor company without any substantial holdings in companies in other sectors. The Company is in the process of finalising the last stage of this restructure. This will see the Melstacorp PLC shareholders given a special allocation of shares in DCSL PLC, and will restore the public float of the Company, making it compliant with

**GROSS TURNOVER
RS. 90 BN**

**TAXES
RS. 66 BN**

**TOTAL ASSETS
RS. 22 BN**

the public float requirements as per the Colombo Stock Exchange.

Company's Performance

Turnover of the company was Rs. 90 Bn, while the Profit after Tax for the year was Rs. 5 Bn. The Company contributed a staggering Rs. 66 Bn in taxes.

Continuous Challenges Faced

Compared with last year we have observed a remarkable drop in the illegal production of liquor. However, toddy makers release large quantities of artificial toddy to manufacturers while the Department of Excise turns a Nelsonian eye. The damaging effect and colossal impact to the final product makes such products injurious to health. The so called 'old arrack' in the market is made of artificial toddy and the consumer is not aware of this. Toddy made artificially is

Chairman's Statement

transported to the South to make spirits with the blessings of the enforcement authorities; the consumer unfortunately is unaware of the real situation.

During the year the import duty on spirit was increased twofold and at the same time Value Added Tax (VAT) was re-introduced to the alcohol industry. VAT was previously consolidated to excise duty and it could have been adjusted accordingly in excise duty before the VAT is re-introduced. This resulted in an unprecedented increase in price of the products. Now some of the products have been placed beyond the reach of consumers.

The industry as a whole is highly regulated and as an entity that chooses to comply with all existing regulations, DCSL complies with all the rules and regulations laid down in the National Authority on Tobacco and Alcohol, (NATA) Act. The act mandates that companies will not advertise or promote their products in any form and in any medium; that they will not directly or indirectly lure young people into alcoholism; and never, under any circumstance, target children. However, most of the players in the industry openly flout the NATA Act by indulging in various barely disguised advertising and promotional activities, while authorities repeatedly turn a blind eye and deaf ear to such illegal practices.

A unique and traditional Sri Lankan industry which has been passed down from generation to generation over the centuries is gradually becoming an endangered industry. This sorry state of affairs is the direct result of the proliferation of illegal, artificial toddy manufacturers, who fuel the illegal alcoholic beverage business by producing cheap artificial toddy, unfit for human consumption. As a result, traditional toddy suppliers, who are unable to compete with such low cost artificial toddy, are finding that their rich legacy is becoming unsustainable. Amidst the barren wasteland of illegal practices and disregard for tradition, we believe that the DCSL PLC is the only company that produces 100% natural coconut arrack, using 100% pure coconut toddy. The toddy is distilled at our own distilleries, thereby providing consumers with a 100% natural product. We have also strengthened procedures by appointing qualified personnel to inspect every barrel of toddy, in order to detect any form of adulteration and extraneous matter it may contain. We are singlehandedly nurturing the traditional toddy tapping custom, although only a handful of such genuine tappers remain in existence. Even though the country lacks trained toddy tappers, the Department of Excise is unfortunately not focusing on this issue to help the

industry and to ensure the production of genuine coconut toddy.

The Excise Ordinance which came into operation on 1st January 1913 is now 104 years old. It is high time that legislators introduce a practical, new ordinance in place of antiquated laws, to suit modern day requirements and make it easier for manufacturers and consumers to carry out their day to day operations. Duplicated, adulterated products, are frequently available in the hill country and the North and East where stringent policing does not take place. As a result, the State is losing significant revenue; as the required standard of checking is either not carried out, or not supervised at all by the regulators. In the North and East products are delivered to licensees almost 20% cheaper and it is obvious that these products are non-invoiced and tax unpaid.

Cogent evidence has surfaced that some unscrupulous liquor traders are offering staggering prices to purchase retail licenses with the sole intention of channeling their non-invoiced, tax unpaid liquor and thereby evading a colossal amount of tax revenue to State Coffers. This issue has reached unprecedented heights, whereby 6 traders are currently controlling over 200 licenses out of approximately 1000 licenses in the name of their kith & kin, thereby defrauding

the State of billions of Rupees whilst the regulators turn a deaf ear and blind eye. This is about 1/5 th of the total licenses. The fact that these unscrupulous traders are paying such exorbitant amounts to licensees itself is a proof of the existence of such illegal trade and indicates how rampant corruption has spread like a disease in the industry. Unfortunately, such businesses are carried out with the connivance of the enforcement authorities who are supporting these traders.

Appreciation

I take this opportunity to thank the Board of Directors for their unstinted support and the management and staff for their single-minded pursuit of profitability for the Company, against all odds.

I would also like to thank our valued shareholders for placing their confidence in Our Company's strength which lies in the loyalty shown by our customer base and other stakeholders, who continue to inspire us to retain our position as one of the most valuable and respected corporate entities in the country.



D. H. S. Jayawardena

Chairman / Managing Director

21 August 2017

BOARD OF DIRECTORS



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

2 Mr. C. R. Jansz
Executive Director

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

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

5 Dr. Naomal Balasuriya
Independent Non-Executive Director



- 6 Mr. Ranjeevan Seevaratnam**
Independent Non-Executive Director
- 7 Mr. D. Hasitha S. Jayawardena**
Non-Independent Non-Executive Director
- 8 Ms. V. J. Senaratne**
Company Secretary and Chief Legal Officer
- 9 Mr. Amitha Gooneratne**
Alternate Director to N. de S. Deva Aditya

Board of Directors

Mr. D. H. S. Jayawardena

Chairman / Managing Director

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

He is the Chairman of Aitken Spence PLC., Aitken Spence Hotel Holding PLC., Lanka Milk Foods (CWE) PLC., Madulsima Plantations PLC., Milford Exports (Ceylon) (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., Ambewela Products (Pvt) Ltd., Ambewela Livestock Co. Ltd., Danish Dairy Products Lanka (Pvt) Ltd., Lanka Dairies (Pvt) Ltd., Melstacorp PLC and its subsidiaries; Balangoda Plantations PLC., Browns Beach Hotels PLC., Lanka Bell Ltd., Periceyl (Pvt) Ltd., Bogo Power (Pvt) Ltd. and Texpro Industries Ltd.

He is a former Director of Hatton National Bank PLC., the largest listed bank in Sri Lanka and former Chairman of Ceylon Petroleum Corporation and Sri Lankan Airlines.

Mr. Jayawardena is the Honorary Consul for Denmark and was the only Sri Lankan honoured with the prestigious "Knight's Cross of Dannebrog" by Her Majesty, Queen Margrethe II of Denmark, for his significant contribution to the Danish arts, sciences and business life.

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

Mr. C. R. Jansz

Executive Director

Mr. Jansz is the Chairman of DFCC Bank PLC. and is a Director of Melstacorp PLC and other Companies in the Melstacorp Group. He is a Director of Lanka Milk Foods (CWE) PLC., Lanka Dairies (Pvt) Ltd. and other Companies in the Lanka Milk Foods Group.

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

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

Mr. N. de S. Deva Aditya

DL, FRSA

Independent Non-Executive Director

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

He was the Co Leader of the Parliamentary Delegation to the UN World Summit and General Assembly 2006, Chairman Working Group A of Development Committee overseeing Asia, Central Asia and Far East; - Co-ordinator Assembly of 79 Parliaments

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

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

Capt. K. J. Kahanda (Retd.)

Executive Director

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

Dr. Naomal Balasuriya

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

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

Mr. D. Hasitha S. Jayawardena

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

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

Mr. Jayawardena joined the Stassen Group in February 2013. He is a Director of Stassen Exports (Pvt) Ltd., Milford Exports (Ceylon) (Pvt) Ltd., Stassen International (Pvt) Ltd., Stassen Natural Foods (Pvt) Ltd., Ceylon Garden Coir (Pvt). Ltd., Milford Developers (Pvt) Ltd., Stassen Foods (Pvt) Ltd., C. B. D. Exports (Pvt) Ltd., Lanka Milk Foods (CWE) PLC., Lanka Dairies (Pvt) Ltd., Ambewela Livestock Company Ltd., Pattipola Livestock Company Ltd., Ambewela Products (Pvt) Ltd., Zahra Exports (Pvt) Ltd., and Mcsen Range (Private) Ltd. He was appointed to the Board of Melstacorp Ltd., in January 2015 and Periceyl (Pvt) Ltd., in April 2015. Mr. Jayawardena has also worked as an Intern at the Clinton Global

Initiative programme (CGI) in New York in 2007.

Mr. Ranjeevan Seevaratnam

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

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

Ms. V. J. Senaratne

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

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

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

Mr. Amitha Gooneratne

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

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

On his retirement, Mr. Gooneratne, assumed duties as Managing Director of Melstacorp PLC. He is the Chairman of Melsta Regal Finance Limited, Melsta Logistics (Pvt) Limited and Bellvantage (Pvt) Limited., Board Member of Periceyl (Pvt) Limited, Balangoda Plantation PLC, Lanka Bell Limited, Telecom Frontier (Pvt) Limited, Bell Solutions (Pvt) Limited, Timpex (Pvt) Limited, Texpro Industries Limited, Boggo Power Limited., Continental Insurance Limited and Browns Beach Hotel PLC., which are subsidiary companies of Melstacorp PLC.

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

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

DCSL MANAGEMENT





1 Ms. V. J. Senaratne
Company Secretary & Chief Legal Officer

2 Nimal Nagahawatte
Head of Finance

3 S. Rajanathan
Head of Procurement

4 Capt. Ranjith Wettewa SLN (Retd.)
Head of Uva Region

5 Ms. Gayathri Chakravarthy
Head of Human Resources

6 Premasiri Liyanaarachchi
Chief Internal Auditor

7 Maj. Roshan Cabraal (Retd.)
Head of Northern Region

8 Col. Ranjith Rupasinghe (Retd.)
Head of Extra Special Heritage Arena

9 Brig. Aruna Wijewickrama (Retd.)
Head of Southern Region

10 Capt. Chula Ranasinghe (Retd.)
Head of Central Region

11 Maj. Gen. Mano Perera (Retd.)
Head of Operations

12 Roshanth Kumar Perera
Head of Transport & Logistics

13 Lalith Ratnayake
Head of Inventory Management

MANAGEMENT DISCUSSION AND ANALYSIS

The DCSL PLC is the dominant market leader in producing and distributing alcohol beverages in Sri Lanka.

The Company is synonymous with dynamism and professionalism, and has carved a unique niche for itself in the sector in which it operates. Having long established its credentials as a respected corporate entity over a period of a century, DCSL embodies state-of-the-art systems and processes led by an inspired and distinguished senior management board and a professional team of employees dedicated to deliver maximum value to valued stakeholders.

In order to offer superior products, DCSL has invested in a state-of-the-art fully automated blending and bottling plant to enhance efficiency and quality. DCSL remains committed and strongly believes that such high value investments will ensure the sustainability of its operations.

Performance

The challenges faced in the preceding year persisted despite aggressive lobbying efforts on our part to ensure a level playing field. During the year import duty on spirit was increased twofold and at the same time Value Added Tax (VAT) was re-introduced to alcohol industry. VAT was previously consolidated to excise duty and it could have been adjusted accordingly in excise duty before the VAT is re-introduced. This resulted in unprecedented increase in price of the products. Now some of the products have become beyond the reach of consumers.

The fact that DCSL continues to maintain market leader status despite operating in such a challenging eco system in the legal alcohol industry is a reflection of the loyal customer base and brand loyalty it has succeeded in generating. Despite the infusion of cheaper priced alcohol to the market, consumers uphold their

trust in our brands. Considering that the tax component is over 70% of the price, it is impossible for legal producers to retain competitiveness in such markets. However, we observed some of the local manufacturers distributing finished products, mainly Arrack, at a lower price. Such products were supplied to retailers at a lesser cost and these same products were offered by the manufacturers with a larger margin to retailers, which encouraged the retailers to sell the products over our products. Artificial toddy being supplied at a cheaper price has also created a difficult situation for genuine liquor manufacturers. Our company DCSL uses 100% genuine coconut toddy to produce coconut spirits to make 100% Coconut Arrack. Further, a high tax regime and escalating cost of living serve to render consumers no choice but to opt for cheaper products, despite their dubious quality. It must be duly noted that we adhere strictly to the NATA Act which prohibits advertising and promoting alcoholic brands

During the current financial year company continued to maintain profitability despite the challenges posed to the legal alcohol business in the country as a result of a skewed playing field. Gross turnover of the Company was recorded at Rs. 90Bn and recorded a profit after tax of Rs. 5 Bn. The Company contributed a staggering Rs. 66 Bn to the State by way of taxes.

Future Outlook

Despite the challenges in the sector, we remain optimistic about the prospects for the beverage industry to further secure even greater market share in the future.

Our beverage sector is reputed for its innovation and our R & D team perseveres in innovating new products to ensure that our products evolve and change with the times. DCSL remains in constant pursuit of new and emerging

opportunities emanating from the country's leisure and tourism sectors. In conclusion, we remain hopeful that the relevant authorities will exert greater control to curb the illegal liquor industry for the benefit of the consumer.



**TOTAL
ASSETS**
Rs. 22,852 Mn.

**SHARE
HOLDERS'
VALUE**
Rs. 2,235 Mn.





DCSL Children's Christmas Party 2016



DCSL Children's Christmas Party 2016



DCSL Christmas Party 2016

FUN AND GAMES, DCSL STYLE!

THE TEAM THAT PLAYS TOGETHER, STAYS TOGETHER. OUR SENSE OF FELLOWSHIP AND COMRADERY GOES BEYOND THE WORKPLACE AND CELEBRATING OUR SHARED ACCOMPLISHMENTS, ALSO STRENGTHENS OUR LOYALTY, DEVOTION AND ENTHUSIASM.



DCSL Cricket Champions 2017 - Dakshina Soorayo



DCSL Quiz 2017 Winners - Dakshina Soorayo



DCSL Sports Indoor Games 2016



DCSL Sports Indoor Games 2016



DCSL Sports Outdoor Games 2016



DCSL Sports Outdoor Games 2016

CORPORATE GOVERNANCE

Enterprise Governance

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

The principles of governance are applied effectively by the Board of Directors and are seen in the consistent growth performance of the Company, while also improving the long term return to stakeholders. Beyond the Board, the application of governance methodologies and the integration of governance into other organisational functions, we strongly believe that it has significantly benefited the long term performance of DCSL.

To further augment our effective governance strategies, we have implemented the following:

- Strive to achieve corporate objectives of managing strategy, risk and compliance to ensure long term returns to shareholders and other stakeholders.
- Oversee business objectives including management of IT, sustainability, finance and project portfolio management to ensure sustainable consistent results.
- Board of Directors remain emphatic on due diligence to ensure

accountability, transparency and sincerity of action.

- Implemented an environment of responsible and balanced corporate governance that enhances Integrity and respect for the Company and ensures the Company's stewardship and stability in the industry and market.
- Introduced a culture in which the entire organisation takes ownership for risk, compliance and performance.

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

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

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

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

The Board of Directors Role of the Board of Directors

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

The key responsibilities of the Board are;

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

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

*In person or by alternate

Composition of the Board and Independence

The Board of Directors of DCSL comprises the Chairman / Managing Director, two Executive Directors, one Non-Independent Non-Executive Director and Three Independent Non-Executive Directors as given in the table above. Brief profiles of the Directors are given on pages 28 to 29.

The Board considers that three Non-Executive Directors are independent in accordance with the criteria detailed within the Listing Rules of the CSE and have submitted signed confirmations in this regard.

The Board constructed that N. de S. Deva Aditya who has served on the Board continuously for a period exceeding nine (9) years, is determined as an Independent Director after taking into consideration all the relevant circumstances, including the fact that he resides overseas and he is not directly or indirectly get involved in the day-to-day management of the Company or in any of its Subsidiaries, and the Board believes the independence of N. de S. Deva Aditya is not compromised by virtue of him being a Director of Aitken Spence PLC, an Associate of the Company.

Meetings and Attendance

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

Board Committees

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

Audit Committee

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

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

The detailed report of the Audit Committee is on pages 52 to 53.

Remuneration Committee

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

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

The report of the Remuneration Committee is given on page 54.

Related Party Transactions Review Committee

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

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

The report of the Related Party Transactions Review Committee is given on the page 55.

Investor Relations

One of the prime fundamentals that are prevalent and identified with the Company's sustained success and growth has been the close rapport in investor relations. Given that we are mandated to safeguard and create shareholder wealth and are duty bound to share all Company information with our shareholders at all times in order to nurture sustainable relationships with our stakeholders, we foster effective dialogue and engagement with the relevant stakeholders and the financial community. We strongly believe that it is our strategic management responsibility to maintain an open line of communication with shareholders and address any concerns or issues that may require discussion or resolution. The designated investor relations

officers regularly meet shareholders and fund managers to fuel these long term relationship, providing information and answering any queries.

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

Internal Controls

The Board instills and maintains a strong set of internal controls to safeguard shareholder wealth. The responsibility of the Board has been clearly stated as one where it is in charge of the Company's internal control systems and will regularly review if they are adequately safeguarding Company and shareholder assets while supplying precise and timely information for informed decision making. The responsibility of the Board covers financial, operational and compliance related activities and risk management. The Audit Committee reviews and monitors the activities and the findings of the internal audit divisions at regular intervals.

Going Concern

After an extensive review of the Group's corporate plan, budgets, capital expenditure requirements and future cash flows, the Board has taken a decision to apply the Going Concern principle in the preparation of the Financial Statements for 2016/17. Further, the Board is satisfied that the Company possesses the necessary funds for adequate liquidity and to sustain its operations for the foreseeable future.

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

Corporate Governance

The Company's compliance with the CSE Listing Rules

Section	Applicable Rule	Compliance Status	Details
7.10.1	Non-Executive Directors At least one third of the total number of Directors should be Non-Executive Directors.	Complied	Four out of seven Directors are Non-Executive Directors
7.10.2(a)	Independent Directors Two or one third of Non-Executive Directors, whichever is higher, should be Independent.	Complied	Three out of Four Non-Executive Directors are Independent
7.10.2(b)	Independent Director's Declaration each Non-Executive Director should submit a declaration of independence/ non-independence in the prescribed format.	Complied	
7.10.3(a)	Disclosure relating to Directors The Board shall annually make a determination as to the independence or otherwise of the Non-Executive Directors and names of Independent Directors should be disclosed in the Annual Report.	Complied	Please refer page 37
7.10.3(b)	Disclosure relating to Directors The basis for the Board to determine a Director is Independent, if criteria specified for Independence is not met.	Complied	Please refer page 37
7.10.3(c)	Disclosure relating to Directors A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise.	Complied	Please refer pages 28 to 29
7.10.3(d)	Disclosure relating to Directors Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the Exchange.	N/A	No new Directors appointed during the year.
7.10.4	Criteria for Defining 'Independence' Selection criteria of Independent Directors of a listed company	Complied	
7.10.5	Remuneration Committee A listed Company shall have a Remuneration Committee.	Complied	Please refer page 54
7.10.5(a)	Composition of Remuneration Committee Shall comprise of Non-Executive Directors a majority of whom will be Independent.	Complied	Two out of Three Non-Executive Directors are Independent
7.10.5(b)	Functions of Remuneration Committee The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors.	Complied	Please refer page 54

Section	Applicable Rule	Compliance Status	Details
7.10.5(c)	<p>Disclosure in the Annual Report</p> <p>The Annual Report should set out;</p> <p>i. Names of the Directors comprising the Remuneration Committee.</p> <p>ii. Statement of Remuneration Policy.</p> <p>iii. Aggregated remuneration paid to Executive and Non-Executive Directors.</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p>	<p>Please refer page 37</p> <p>Please refer page 54</p> <p>Please refer note 8 to the financial statements</p>
7.10.6	<p>Audit Committee</p> <p>The Company shall have an Audit Committee.</p>		Please refer Audit Committee report on page 52 to 53
7.10.6(a)	<p>Composition</p> <p>i. Shall comprise of Non-Executive Directors a majority of whom will be Independent.</p> <p>ii. One Non-Executive Director shall be appointed as Chairman of the committee.</p> <p>iii. Chief Executive Officer and Chief Financial Officer shall attend Committee meetings.</p> <p>iv. The Chairman or one member of the Committee should be a member of a professional accounting body.</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p>	<p>Please refer page 52</p> <p>Please refer page 52</p> <p>Please refer page 52</p> <p>Please refer page 52</p>
7.10.6(b)	<p>Functions</p> <p>i. Overseeing the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards.</p> <p>ii. Overseeing the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.</p> <p>iii. Overseeing the process to ensure that the Entity's internal controls and risk management, are adequate to meet the requirements of the Sri Lanka Accounting Standards / IFRS migration.</p> <p>iv. Assessment of the independence and performance of the entity's external auditors.</p> <p>v. Make recommendations to the Board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p>	<p>Please refer Audit Committee report on pages 52 to 53</p>

Corporate Governance

Section	Applicable Rule	Compliance Status	Details
7.10.6(c)	Disclosure in Annual Report	Complied	Please refer Corporate Governance Report on page 36 and Audit Committee report on pages 52 to 53
	i. The names of the Directors comprising the Audit Committee.	Complied	
	ii. Basis of the determination of the Independence of the Auditors.	Complied	
	iii. Report by the Audit Committee setting out the manner of compliance by the Company.	Complied	
9.2.1 & 9.2.3	Related Party Transactions Review Committee.	Complied	The functions of the Committee are stated in Related Party Transactions Review Committee report in page 55.
9.2.2	Composition of the Related Party Transactions Review Committee.	Complied	Please refer the Related Party Transactions Review Committee Report on page 55.
9.2.4	Related Party Transactions Review Committee Meetings.	Complied	
9.3.1	Immediate disclosures.	Complied	Company's non-recurrent related party transactions which occurred due to the "Restructure Arrangement" were disclosed to the Colombo Stock Exchange immediately.
9.3.2(a)	Disclosure - Non-Recurrent Related Party Transactions.	Complied	Please refer note 27.6 to the Financial Statements.
9.3.2(b)	Disclosure - Recurrent Related Party Transactions.	Complied	DCSL PLC carries out transactions with its related Companies and expected to extend over a period which are carried out on continues basis and are of time in the ordinary course of the business of the Company. However, the aggregate values of these transactions were below 10% of gross revenue of the 2016/17 Financial Statements.
9.3.2(c)	Report by the Related Party Transactions Review Committee.	Complied	Report by the Related Party Transactions Review Committee on page 55.
9.3.2 (d)	A declaration by the Board of Directors.	Complied	Refer the Annual Report of Board of Directors for an affirmative statement of compliance of the Board on page 57.

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

Ruling Index	Description of the Ruling	Compliance Status	Details
A.1	The Board.		
A.1	Company to be headed by an effective Board of Directors and control the Company.	✓	Board consists of members who are qualified and experienced in various fields. Please refer Corporate Governance Report on page 36.
A.1.1	Regular Board meetings and supply of information.	✓	Please refer Corporate Governance Report on page 36.
A.1.2	Board should be responsible for matters including implementation of business strategy, skills and succession of the management team, integrity of information, internal controls and risk management, compliance with laws and ethical standards, stakeholder interests, adopting appropriate accounting policies and fostering compliance with financial regulations and fulfilling other board functions.	✓	Please refer Corporate Governance Report, Report of the Board of Directors and Report of Audit Committee for the details.
A.1.3	Act in accordance with the laws of the country and obtain professional advice as and when required.	✓	Please refer Report of the Board of Directors on page 56.
A.1.4	Access to advice and services of the Company Secretary.	✓	The Company Secretary position is headed by a professionally qualified Company Secretary.
A.1.5	Bring Independent judgment on various business issues and standards of business conduct.	✓	All the Board members actively participate in the Board meetings by bringing up their own Independent judgment.
A.1.6	Dedication of adequate time and effort.	✓	The Directors dedicate sufficient time before a meeting to review Board Papers and call for additional information and clarification if necessary, and follow up issues consequent to the meeting.
A.1.7	Board induction & training.	✓	The Directors are provided with training as and when it is required.

Corporate Governance

Ruling Index	Description of the Ruling	Compliance Status	Details
A. 2	Chairman and Chief Executive officer.		
A.2.1	Justification for combining the roles of the Chairman and CEO.	✓	The positions of Chairman and CEO are separated.
A.3	Chairman's role.		
A.3.1	The Chairman should ensure Board proceedings are conducted in a proper manner. - effective participation of both Executive and Non-Executive Directors. - balance of power between Executive and Non-Executive Directors.	✓	Please refer Corporate Governance Report on page 36 for the following details.
A.4	Financial Acumen		
A.4	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	✓	Please refer the Audit Committee report on page 52.
A.5	Board Balance.		
A.5.1	In the event the Chairman and CEO is the same person, Non-Executive Directors should comprise a majority of the Board.	N/A	N/A
A.5.2	Where the constitution of the Board of Directors includes only two Non-Executive Directors, both such Non-Executive Directors should be 'Independent'.	✓	Board of Directors consists of four Non-Executive Directors, out of which three are independent. Report on page 37
A.5.3	Definition of Independent Directors	✓	Please refer Corporate Governance Report on page 37
A.5.4	Declaration of Independent Directors	✓	Please refer Corporate Governance Report on page 37
A.5.5	Board determinations on independence or non-independence of Non-Executive Directors.	✓	Please refer Corporate Governance Report on page 37
A.5.6	If an Alternate Director is appointed by a Non-Executive Director such Alternate Director should not be an executive of the Company.	N/A	N/A
A.5.7	In the event the Chairman and CEO is the same person, the Board should appoint one of the independent Non-Executive Director to be the 'Senior Independent Director' (SID).	N/A	N/A

Ruling Index	Description of the Ruling	Compliance Status	Details
A.5.8	The Senior Independent Director should make himself available for confidential discussions with other Directors who may have concerns.	N/A	N/A
A.5.9	The Chairman should hold meetings with the Non-Executive Directors only, without the Executive Directors being present.	✓	
A.5.10	Where Directors have concerns about the matters of the Company which cannot be unanimously resolved, they should ensure their concerns are recorded in the Board minutes.	✓	
A.6	Supply of information		
A.6.1	Board should be provided with timely information to enable it to discharge its duties.	✓	
A.6.2	Timely submission of the minutes, agenda and papers required for the Board Meeting.	✓	
A.7	Appointments to the Board		
A.7	Formal and transparent procedure for Board appointments.	✓	Activities of the Nomination Committee are currently handled by the Board of Directors.
A.7.1	Nomination Committee to make recommendations on new Board appointments.	✓	Activities of the Nomination Committee are currently handled by the Board of Directors.
A.7.2	Assessment of the capability of Board to meet strategic demands of the Company.	✓	Activities of the Nomination Committee are currently handled by the Board of Directors.
A.7.3	Disclosure of new Board member profile and Interests.	✓	No Directors appointed during the year.
A.8	Re-election		
A.8/ A.8.1/ A.8.2	Re-election at regular intervals and should be subject to election and re-election by shareholders.	✓	Please refer Annual Report of the Directors on page 57.
A.9	Appraisal of Board performance.		
A.9.1	The Board should annually appraise itself on its performance in the discharge of its key responsibilities.	✓	
A.9.2	The Board should also undertake an annual self-evaluation of its own performance and that of its committees.	✓	

Corporate Governance

Ruling Index	Description of the Ruling	Compliance Status	Details
A.9.3	The Board should state how such performance evaluations have been conducted.	✓	
A.10	Disclosure of information in respect of Directors.		
A.10.1	Profiles of the Board of Directors and Board meeting Attendance.	✓	Please refer pages 28 to 29 and Corporate Governance Report on page 36.
A.11	Appraisal of the Chief Executive Officer		
A.11.1/ A.11.2	Appraisal of the CEO against the set strategic targets	✓	The CEO's performance is reviewed annually.
B.	Directors Remuneration		
B.1	Remuneration Procedure		
B.1.1	The Board of Directors should set up a Remuneration Committee.	✓	Please refer Remuneration Committee Report on 54.
B.1.2	Remuneration Committee should consist exclusively of Non-Executive Directors.	✓	
B.1.3	The Chairman and members of the Remuneration Committee should be listed in the Annual Report each year.	✓	
B.1.4	Determination of the remuneration of Non-Executive Directors.	✓	
B.1.5	The Remuneration Committee should consult the Chairman and/or CEO about its proposals relating to the remuneration of other Executive Directors.	✓	
B.2	The Level and Makeup of Remuneration.		
B.2.1 to B.2.4	Performance related elements in pay structure and alignment to industry practices.	✓	
B.2.5	Executive share options should not be offered at a discount.	N/A	N/A
B.2.6	Designing schemes of performance-related remuneration	✓	
B.2.7/ B.2.8	Compensation commitments in the event of early termination of the Directors.	✓	
B.2.9	Level of remuneration of Non-Executive Directors.	✓	
B.3	Disclosure of Remuneration		
B.3/B.3.1	Disclosure of remuneration policy and aggregate remuneration.	✓	Please refer Remuneration Committee Report on 54 and note 8 of the financial statements.

Ruling Index	Description of the Ruling	Compliance Status	Details
C.	Relations with Shareholders		
C.1	Constructive use of the Annual General Meeting (AGM) and conduct of general meetings	✓	The Company holds the AGM within the appropriate regulatory time intervals and effectively uses it for communication with shareholders.
C.1.1	Counting of proxy votes	✓	
C.1.2	Separate resolution to be proposed for each item	✓	
C.1.3	Heads of Board sub-committees to be available to answer queries	✓	
C.1.4	Notice of Annual General Meeting to be sent to shareholders with other papers as per statute	✓	Please refer the page 108 of the Annual Report for the notice of the meeting.
C.1.5	Summary of procedures governing voting at general meetings to be informed	✓	
C.2	Communication with Shareholders		
C.2.1	Channel to reach all shareholders to disseminate timely information	✓	
C.2.2/ C.2.7	Policy and methodology of communication with shareholders and implementation	✓	
C.3	Major and material transactions including major related party transactions	✓	
C.3.1	Disclosure of all material facts involving all material transactions including related party transactions	✓	Please refer note 27 to the Financial Statements.
D.	Accountability and Audit		
D.1	Financial Reporting		
D.1.1	Disclosure of interim and other price-sensitive and statutorily mandated reports to Regulators.	✓	The Board presents a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements complying with regulatory deadlines.
D.1.2	Declaration by the Directors that the company has not engaged in any activities, which contravene laws and regulations, declaration of all material interests in contracts, equitable treatment of shareholders and going concern with supporting assumptions or qualifications as necessary	✓	Please refer Annual Report of the Directors on page 56.

Corporate Governance

Ruling Index	Description of the Ruling	Compliance Status	Details
D.1.3	Statement of Directors Responsibility	✓	Please refer the Statement of Directors Responsibility on Page 60.
D.1.4	Management Discussion and Analysis	✓	Please refer Management Discussion and Analysis from page 32.
D.1.5	The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary	✓	Please refer Annual Report of the Board of Directors on page 56.
D.1.6	Remedial action at EGM if net assets fall below 50% of value of shareholders' funds	✓	Adequate disclosures and consequences of the situation were published on time
D.1.7	Disclosure of Related Party Transactions	✓	Please refer Note 27 to the Financial Statements.
D.2	Internal Control		
D.2.1	Annual review of effectiveness of system of Internal Control and report to shareholders as required	✓	Please refer Audit Committee Report on page 52 and Annual Report of the Board of Directors on page 56.
D.2.2	Internal Audit Function	✓	
D.2.3/ D.2.4	Maintaining a sound system of internal control	✓	
D.3	Audit Committee		
D.3.1	The Audit Committee should be comprised of a minimum of two Independent Non-Executive Directors or exclusively by Non-Executive Directors, a majority of whom should be independent, whichever is higher. The Chairman of the Committee should be a Non-Executive Director, appointed by the Board	✓	Please refer Audit Committee Report on page 52.
D.3.2	Terms of reference, duties and responsibilities	✓	
D.3.3	The Audit Committee to have written terms of reference covering the salient aspects as stipulated in the section	✓	
D.3.4	Disclosure of Audit Committee membership	✓	

Ruling Index	Description of the Ruling	Compliance Status	Details
D. 4	Code of Business Conduct and Ethics		
D.4.1	Availability of a Code of Business Conduct & Ethics and an affirmative declaration that the Board of Directors abide by such Code	✓	Please refer Corporate Governance Report from pages 36 to 47
D.4.2	The Chairman must certify that he/she is not aware of any violation of any of the provisions of this Code	✓	
D.5	Corporate Governance Disclosures		
D.5.1	The Directors should include in the Company's Annual Report a Corporate Governance Report	✓	Please refer Corporate Governance Report from pages 36 to 47
E.	Institutional Investors		
E.1	Shareholder Voting		
E.1.1	Conducting regular and structured dialogue with shareholders based on a mutual understanding of objectives	✓	Please refer Corporate Governance Report from page 36
E.2	Evaluation of Governance Disclosures		
E.2.	When evaluating Company's governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention	✓	Please refer Corporate Governance Report from page 36
F.	Other Investors		
F. 1	Investing / Divesting Decision		
F. 1	Individual shareholders, investing directly in shares of Company should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions	✓	
F. 2	Shareholder Voting		
F. 2	Individual shareholders should be encouraged to participate in General Meetings of Company and exercise their voting rights	✓	
G	Sustainability Reporting		
G.1/ G.1.7	Disclosure on adherence to sustainability principles	✓	Please refer Annual Report of the Board of Directors on page 56.

ENTERPRISE RISK MANAGEMENT

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

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

The process of risk management at DCSL involves analysing exposure to risks, by identifying vulnerabilities and their probability of occurrence, which determines the way we handle

such exposure. This would therefore involve the implementation of numerous policies, procedures and practices that work in conjunction to identifying, analysing, evaluating, monitoring and prioritising risks, which will follow the application of coordinated and economical solutions that minimise the probability and impact of identified vulnerabilities. Once identified, elimination, reduction, transfer and retention are the broad risk management strategies employed across DCSL.

Changes in Risk Profile

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

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

Strategic Action Plan

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

The Board remains acutely aware that to generate business value it must manage and oversee all possible risks that the business or external factors could impose on the profitability of the Company, while in tandem, protecting and enhancing shareholder wealth. The DCSL Board is committed to deploying the highest standards of

risk management to support a strong governance framework, ensuring that shareholder wealth is safeguarded from all the possible risk elements.

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

Risk Management Framework

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

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

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

Risk & Implication

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

Enterprise Risk Management

Risk & Implication

<p>Operational Risk & Implication</p>	<p>Mitigation Strategies</p>
<p>Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The nature of our business renders us vulnerable to several common operational risks including fraud, human error, natural disasters, loss of data and unrequited disclosure of sensitive information.</p>	<ul style="list-style-type: none"> ● A structured internal control framework implemented works through a state of the art MIS system, internal audit mechanism and insurance policies ● A comprehensive system established to ensure that any loss is communicated to all related parties and across the company to prevent similar incidences ● Regular meetings are conducted to assess these risks ● Contingency plans are in place to minimise work-stop situations ● Regular reviews of contingencies and disaster recovery plans ● Financial risk arising from operation is covered in financial risk management on pages 93 to 97.
<p>Socio-Economic Risk & Implication</p>	<p>Mitigation Strategies</p>
<p>Given the government dictate in stifling and repressing the consumption of alcohol and tobacco, there is a very real threat being imposed on the Company's profitability and the perception of our business. In this milieu also exists a thriving of spurious liquor manufacturers, which naturally erodes our profitability base. A resurgent economy however should boost licit alcohol consumption.</p>	<ul style="list-style-type: none"> ● A committed Investigations Unit established to monitor and report illegal activities that challenge our business
<p>Socio-Political Risk & Implication</p>	<p>Mitigation Strategies</p>
<p>Socio-Political risk is the possibility of instability in a country or the world which would cascade to negatively impacting markets. Unrest of any kind could affect investor attitudes towards the markets in general, leading to disruption of business. Continuity of a cohesive policy towards local business is a key element here.</p>	
<p>Technology Risk & Implication</p>	<p>Mitigation Strategies</p>
<p>Stemming from the failure of the Company's ICT systems where hardware, software and communications systems may have breakdowns, halts and herald lack of recovery, as a business that leverages strategically on ICT systems, we are very much aware of the potentiality of risk and the cascading negativities that could result to both business and profitability due to Technology Risk. The Group has identified system failures and theft of information as factors that can cause significant levels of operational, reputational and financial loss to the Company.</p>	<ul style="list-style-type: none"> ● Implementation of stringent barriers including password protection and restricted access, stringent user guidelines, contingency plans and physical security measures closely monitored by the Central IT Unit. ● Comprehensive backup and recovery systems in place ● A robust ERP system is deployed in the Company. Phased implementation of same across the divisions of DCSL.

Risk & Implication

<p>Product Risk & Implication</p>	<p>Mitigation Strategies</p>
<p>Product risk implies any negative impact or perceived impact of our products on stakeholders in general which could decrease our market share. There were no reported incidents of intoxication or health hazards arising from our range of liquor products.</p>	<ul style="list-style-type: none"> ● Employing established operating procedures to review and approve all raw material prior to use, to ensure maintenance of quality control ● Remain emphatic on safety, health and environmental hazards that may ensue due to possible negative publicity ● Equipping our R & D Team with ample knowledge to field any technical questions about our products ● Marketing and distribution procedures have complete control of the supply chain
<p>Foreign Exchange Risk & Implication</p>	<p>Mitigation Strategies</p>
<p>A depreciated Sri Lankan Rupee could impact the importation of rectified spirits and foreign brands in our distilleries portfolio.</p>	<ul style="list-style-type: none"> ● Remaining acutely attuned to the frequent changes seen in foreign currency rates with our bankers ● Monitoring local and international events and news related to economics which can impact to exchange rates <p>Please refer financial risk management note on pages 93 to 97.</p>
<p>Cheaper Product, Counterfeiting and Unethical Competition Risk & Implication</p>	<p>Mitigation Strategies</p>
<p>An increase in the import and in some cases smuggling and counterfeit of cheaper products that compete directly with our product portfolio could create an impact on our locally manufactured products, leading our products to be out priced in the market. This also endangers a reputational risk. The nature of the liquor business increases incidences of counterfeiting and smuggling of low quality or sub-quality liquor. The success of our brands also fuels a lucrative breeding ground for counterfeiters to indulge in illegal activity.</p>	<ul style="list-style-type: none"> ● Ensuring our products are competitively priced and continue to retain the highest standards of quality in order to drive a loyal consumer base who disregard cheaper options ● Our Investigations unit maintains close scrutiny on any counterfeit DC SL products in the market ● Communicate and demonstrate to our consumers on measures and processes in identifying DC SL brands, authorised dealers and retailers ● Continuing to improve manufacturing process which includes tamper proof bottles ● Make every effort to sustain and enhance brand equity, ensuring that consumers are not cheated in any manner due to third party action ● Co-operate with law enforcement bodies to curb illegal distillation

Board Audit Committee Report

Composition

The Board Audit Committee appointed by and responsible to the Board of Directors is made up of three Independent Non-Executive Directors.

The Chairman of the Audit Committee is Mr. R. Seevaratnam is a fellow member of the Chartered Accountants of England & Wales. The other members of the Audit Committee comprise Dr. A. N. Balasuriya, Independent Non-Executive Director, Mr. N. de S. Deva Aditya Independent Non Executive Director, and Mr. D. Hasitha S. Jayawardena, Non-Independent Non-Executive Director.

A brief profile of each member is given on pages 28 to 29.

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

Meetings

The Board Audit Committee met four (4) times during the year. Mr. N. de S. Deva Aditya could not attend any meetings during the year, due to his engagements abroad. Nevertheless, Mr. Deva Aditya was represented at all meeting by his alternate and was kept informed of all the proceedings of the Audit Committee and his opinion was sought on important matters through his alternate on the Board. The attendance of the other members at these meetings is as follows:

Mr. R. Seevaratnam 4/4

Dr. A. N. Balasuriya 4/4

Mr. D. Hasitha S. Jayawardena 4/4

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

Terms of Reference

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

Role of the Board Audit Committee

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

- Ensuring the integrity of the statements of the Company and that good financial reporting systems are in place and is managed in order to give accurate, appropriate and timely information to the management, regulatory authorities and shareholders in accordance with the financial reporting standards of the Institute of Chartered Accountants of Sri Lanka, Companies Act No: 07 of 2007, the Sri Lanka Accounting and Auditing Standards and the Continuing Listing Rules of the Colombo Stock Exchange.
- Assessing the independence and monitoring the performance of external auditors.
- Ensuring the Company's internal control and risk management process operates efficiently and effectively.
- Ensure compliance with applicable laws, regulations and policies of Company.
- Assess the Company's ability to continue as a going concern in the foreseen future.

Internal Audit

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

External Audit

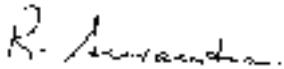
The Audit Committee met with the External Auditors to discuss the scope and the audit strategy. The Committee also reviewed the Report of the Auditors & Management Letters issued by them with and without the Management on separate occasions to ensure that no limitations were placed on their independence of work and conduct of the audit. The Committee carried out an annual evaluation of the External Auditors to establish their independence and objectivity and also obtained a written declaration from the Auditors in this regard. The Committee stipulated that the Lead Audit Partner is rotated every seven years. The Audit Committee recommended to the Board of Directors that Messrs. KPMG be reappointed as Auditors for the financial year ending 31 March 2018.

Compliance with Laws and Regulations

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

Conclusion

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



R. Seevaratnam

Chairman

Audit Committee

21 August 2017

Remuneration Committee Report

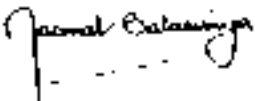
The Remuneration Committee of Distilleries Company of Sri Lanka PLC is appointed and responsible to its Board of Directors. It comprises of two Independent, Non-Executive Directors, namely Mr. N. de S. Deva Aditya, and Dr. Naomal Balasuriya who chairs the Committee and one Non-Independent Non-Executive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

Brief profiles of these Directors are given on pages 28 to 29. Ms. Vijayanthi Senaratne, Company Secretary, functions as the Secretary to this Committee.

The Remuneration Committee is governed by the Remuneration Committee Charter, which has been approved and adopted by the Board of Directors. It is responsible for determining the remuneration policy of the Key Management Personnel of the Company.

Remuneration policy of the Company is based on evaluation of personnel on eight criteria. Annual assessment is carried out and increments and incentives are awarded based on the rating/ranking of each individuals.

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



Dr. Naomal Balasuriya
Chairman
Remuneration Committee

21 August 2017

Board Related Party Transactions Review Committee

Composition

The Related Party Transactions Review Committee is responsible to the Board of Directors comprises of two Independent Non-Executive Directors and one Non-Independent Non-Executive Director. The Chairman of the Related Party Review Committee is Mr. R. Seevaratnam, a Fellow of the Institute of Chartered Accountants of England & Wales. The other members of the Committee comprise of Dr. A. N. Balasuriya, Independent Non Executive Director, Mr. D. Hasitha S. Jayawardena, Non-Independent Non-Executive Director. A brief profile of each member is given on pages 28 to 29. The Group Financial Controller and Head of Finance also attended these meetings by invitation when needed.

Purpose of the Committee

The purpose of the Committee as set out in Appendix 9A of the CSE Listing Rules is to review all Related Party Transactions except for transactions set out in Rule 9.5, either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such review, prior to completion of the transaction.

Meetings

The Committee has reviewed the transactions in respect of the financial year 2016/17 as required by the applicable rules / regulations and process has been set in place to facilitate compliance in future.

Disclosures

As per the existing practice, related party transactions are disclosed to the stakeholders through the Company's Financial Statements and in order to comply with the rules set out in Appendix 9A of the CSE Listing Rules. The Committee will establish its functions with a view of further strengthening the internal procedures and policies with the requirements thereof and relevant disclosures will be made in a timely and detailed manner.

Related party transactions entered into without pre-approval of the Committee, shall not be deemed to violate the Policy, or be invalid or unenforceable, so long as the transaction is brought to the notice of the committee as promptly as reasonably practical, after it is entered into or after it becomes reasonably evident that the transaction is covered by the Policy.



R. Seevaratnam

Chairman

Related Party Transactions Review Committee

21 August 2017

Annual Report of the Board of Directors

Board of Directors of Distilleries Company of Sri Lanka PLC has pleasure in presenting the 27th Annual Report and the Audited Financial Statements of the Company for the financial year ended 31 March 2017. The details set out herein provide the pertinent information requested under Section 168 of the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing Rules and the recommended best practices on Corporate Governance.

Principal Activities

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

Business Review

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

Group Restructure

The Company made an application to the District Court of Colombo on 01 August 2016, to restructure the group under the provisions of Chapter 'X' of the Companies Act No. 07 of 2007 seeking approval to carry out a share swap that would result in the shareholders of DCSL PLC to become shareholders of Melstacorp. On 03 August 2016, the Court made an Order approving the holding of an Extraordinary General Meeting of the shareholders of the Company to place before the shareholders a Special Resolution seeking approval for the "Arrangement" for which approval was granted by the shareholders. The Share swap was completed during the fourth quarter of 2016.

As a result of the share swap DCSL PLC became a fully owned subsidiary of Melstacorp. As of now DCSL PLC is a standalone liquor company without any substantial holdings in companies in other sectors. The Company is in the process of finalising the last stage of the restructure. This will see the Melstacorp shareholders given a special allocation of shares in DCSL PLC, and will restore the public float of the Company making it compliant with the public float requirements as per the Colombo Stock Exchange.

Results and Appropriations

The gross turnover of the Company in the year under review amounted to Rs 90,273 Mn (2015/16 – Rs. 72,114 Mn). The profit after tax was Rs. 4,975 Mn (2015/16 – Rs. 5,302 Mn).

The Board of Directors do not recommended a dividend for the year ending 31 March 2017. (2015/16 - Rs. 3.35 per share). As a result of restructure arrangement the Company lost the control in its former subsidiary, Melstacorp and therefore investment in Melstacorp amounting to Rs. 74,999 Mn was impaired during the year.

Financial Statements

The Financial Statements of the Company for the year ended 31 March 2017 was approved by the Board of Directors on 21 August 2017 are given on pages 62 to 102.

Audit Report

The Auditor's Report on the Financial Statements of the Company is given on page 61.

Accounting Policies

The Financial Statements have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs). The accounting policies adopted in the preparation and presentation of the Financial Statements are given on pages 66 to 73. There were no changes in the accounting policies adopted by the Company during the year under review.

Investments

Total investments of the Company amounted to Rs. 4,223 Mn (2015/16 - Rs. 50,776 Mn). The details of the investments are given in Notes 14, 15 and 16 to the Financial Statements.

Property, Plant and Equipment

The net book value of property, plant and equipment of the Company as at 31 March 2017 was Rs. 6,214 Mn (2015/16 – Rs. 6,657 Mn).

Total capital expenditure during the year for acquisition of property, plant and equipment by the Company amounted to Rs. 135 Mn (2015/16 – Rs. 519 Mn) .

The details of property, plant and equipment are given in Note 12 to the Financial Statements.

Stated Capital and Reserves

The Stated Capital of the Company as at 31 March 2017 was Rs. 20,300 Mn consisting of Rs. 300 Mn Ordinary Shares. The total Company Reserves as at 31 March 2017 amounted to Rs. 11,726 Mn (2015 /16 – Rs. 11,519 Mn) comprising of Capital Reserves of Rs. 1,805 Mn (2015/16 – Rs. 1,805 Mn) and Revenue Reserves & Retained Earnings of (Rs. 19,870 Mn) (2015 /16 - Rs. 50,951 Mn) the movement of which is disclosed in the Statement of Changes in Equity.

Internal Controls and Risk Management

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

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

Capital and Other Commitments

Contingent liabilities and capital commitments are disclosed in Note 29 & 30 to the Financial Statements of the Company.

Events after the Reporting Period

There were no material events or circumstances that have arisen since the reporting date that would require adjustment, other than the information disclosed in Note 33 to the Financial Statements.

Employees

The number of persons employed by the Company as at 31 March 2017 was 1,121 (2015/16 1,136).

Board of Directors

The Board of Directors of the Company as at 31 March 2017 and their brief profiles are given on pages 28 and 29.

Directors Standing for Re-election

In terms of Article 92 of the Articles of Association of the Company, Dr. A. N. Balasuriya and Capt. K. J. Kahanda retire by rotation and being eligible are being recommended by the Board for re-election.

Further, to re-elect as a Director, Mr. D. H. S. Jayawardena, who is over 70 years, as a Director by passing a resolution; that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. D. H. S. Jayawardena who has attained the age of 75 and that he be re-elected a Director of the Company. Also, to re elect as a Director, Mr. R. Seevaratnam, who is over 70 years, as a Director by passing a resolution; that the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. R. Seevaratnam who has attained the age of 73 and that he be re-elected as a Director of the Company.

Interest Register

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

Register. Directors' Interests in Contracts are disclosed in the Related Party Transactions under Note 27 to the Financial Statements. A Code of Business Conduct and Ethics along with other controls are in place to ensure that related party transactions involving directors, senior managers or their connected parties are conducted on an arm's length basis. The Directors to the best of their knowledge and belief hereby confirm compliance with this code.

Directors' Shareholdings

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

As at 31	March 2017	March 2016
D. H. S. Jayawardena	Nil	Nil
C. R. Jansz	Nil	Nil
N. de S. Deva Aditya	Nil	Nil
Capt. K. J. Kahanda	Nil	Nil
Dr. A. N. Balasuriya	Nil	Nil
D. Hasitha S. Jayawardena	Nil	1,882,833
R. Seevaratnam	Nil	Nil

Share Information

Information relating to Earnings, Dividends, Net Assets and Market Value per Share is given on page 5. The shareholding details of the Company are given on page 104 of the Annual Report.

Corporate Governance

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

Board Committees

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

Related Party Transactions

The Board of Directors has given the following statements in respect of the related party transactions. The related party transactions of the Company during the financial year have been reviewed by the Related Party Transactions Review

Annual Report of the Board of Directors

Committee and are in compliance with the Section 09 of the CSE Listing Rule.

Sustainability Principles

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

Statutory Payments

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

Going Concern

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

Auditors

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

Annual General Meeting

The 27th Annual General Meeting of the Company will be held at the Board Room of Distilleries Company of Sri Lanka PLC on 22 September 2017 at 3.00 p.m. The Notice of Meeting appears on page 108 of the Annual Report.

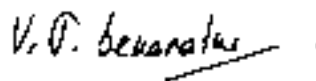
For and on behalf of the Board of Directors,



D. H. S. Jayawardena
Chairman / Managing Director



C. R. Jansz
Director



V. J. Senaratne
Company Secretary

21 August 2017
Colombo

Financial Information

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Statement of Directors Responsibility

The Directors are responsible under the Companies Act No. 07 of 2007, to ensure compliance of the requirements set out therein to prepare Financial Statements for each financial year giving a true and fair view of the state of the affairs of the as at the Reporting date and the profit of the Company and its Subsidiaries for the financial year. The Directors are also responsible for ensuring that proper accounting records are kept to disclose, with reasonable accuracy, the financial position and enable preparation of the Financial Statements.

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

Further, the Directors confirm that the Financial Statements have been prepared on a going concern basis and are of the view that sufficient funds and other resources are available within the Company to continue its operations and to facilitate planned future expansions and capital commitments. The Directors have taken adequate measures to safeguard the assets of the Company and in this regard have established appropriate systems of internal control with a view to preventing and detecting fraud and other irregularities. The External Auditors were provided with all information and explanations necessary to enable them to form their opinion on the Financial Statements.

Compliance Report

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

By Order of the Board,



V. J. Senaratne
Company Secretary

21 August 2017

Independent Auditors' Report



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

Tel : +94 - 11 542 6426
 Fax : +94 - 11 244 6872
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 Internet : www.kpmg.com/lk

TO THE SHAREHOLDERS OF DISTILLERIES COMPANY OF SRI LANKA PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Distilleries Company of Sri Lanka PLC, ("the Company"), 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 flow for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 62 to 102 of the annual report.

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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Report on Other Legal and Regulatory Requirements

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

- a) The basis of opinion and scope and limitations of the audit are as stated above.
- b) In our opinion we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company and the financial statements of the Company, comply with the requirements of section 151 of the Companies Act.

CHARTERED ACCOUNTANTS

Colombo.

21 August 2017

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

M.S. Uthair FCA
 T.J.S. Rajapaksa FCA
 M. S.M. Jayasinghe ACA
 G.A.U. Ranjitha FCA
 R.H. Rajan ACA
 P.Y.S. Perera FCA
 W.W.J.C. Perera FCA
 W.K.D.C. Abeyaratne FCA
 S.M.D.B. Rajapaksa FCA
 C.P. Jayasinghe FCA
 Ms. S. Joseph FCA
 S.T.D.L. Perera FCA
 Ms. S.K.D.T.H. Rodrigo FCA
 Privately - S.R.L. Perera FCA(AC), LL.B., Attorney-at-Law, N.S. Gunawardena ACA
 Ms. C.T.R.N. Perera ACA

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March,

	Note	2017 Rs.'000	2016 Rs.'000
Gross Revenue	5	90,273,469	72,113,727
Net Revenue		27,019,445	21,540,884
Cost of Sales		(15,986,452)	(12,314,596)
Gross Profit		11,032,993	9,226,288
Other Operating Income	6	234,460	1,036,667
Distribution Expenses		(547,428)	(467,255)
Administrative Expenses		(1,373,995)	(1,364,727)
Results from Operating Activities		9,346,030	8,430,973
Finance Income	7.1.1	360,934	158,483
Finance Cost	7.1.2	(1,643,281)	(366,826)
Net Finance Income		(1,282,347)	(208,343)
Profit before Income Tax Expense	8	8,063,683	8,222,630
Taxation	9	(3,088,682)	(2,920,455)
Profit after Tax before Loss on Restructuring		4,975,001	5,302,175
Loss on Restructuring (Net of Tax)	14.1	(74,999,935)	-
Profit/(Loss) for the Year		(70,024,934)	5,302,175
Other Comprehensive Income			
Items that will never be Reclassified to Profit or Loss			
Actuarial Gain/(Losses) on Employee Benefits	24.1	4,046	11,936
Revaluation of Property, Plant and Equipment		-	540,330
Tax on Other Comprehensive Income	17.2	(1,619)	(143,566)
		2,427	408,700
Items that are or may be Reclassified to Profit or Loss			
Net Change in Fair Value of Available for Sale Financial Assets	7.3	206,713	(224,350)
		206,713	(224,350)
Total Other Comprehensive Income for the Year		209,140	184,350
Total Comprehensive Income for the Year		(69,815,794)	5,486,525
Basic Earnings/(Loss) per Share	10.1	(233.42)	17.67
Diluted Earnings/(Loss) per Share	10.2	(233.42)	17.67

The Notes from pages 66 to 102 form an integral part of these financial statements.
Figures in brackets indicate deductions.

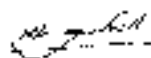
Statement of Financial Position

As at 31 March,	Note	2017 Rs.'000	2016 Rs.'000
ASSETS			
Non Current Assets			
Property, Plant and Equipment	12	6,214,121	6,657,068
Intangible Assets	13	7,211	15,091
Investments in Subsidiaries	14	-	48,320,750
Investment in Equity Accounted Investees	15	-	28,704
Other Non Current Financial Investments	16	4,176,692	2,368,254
Deferred Tax Asset	17.1	48,893	49,884
		10,446,917	57,439,751
Current Assets			
Inventories	18	4,488,626	3,489,835
Trade and Other Receivables	19	6,943,758	6,287,601
Amounts Due from Related Companies	27.1.1	667,264	1,909,573
Other Current Financial Investments	16	46,432	58,409
Cash and Cash Equivalents	20	259,481	231,146
		12,405,561	11,976,564
Total Assets		22,852,478	69,416,315
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Stated Capital	21	300,000	300,000
Pending Allotment	22	20,000,000	-
Reserves	23	11,725,604	11,518,891
Retained Earnings / (Accumulated Losses)		(29,790,745)	41,236,762
Total Equity		2,234,859	53,055,653
Non Current Liabilities			
Deferred Tax Liability	17.1	1,263,734	988,000
Employee Benefits	24	122,230	124,708
		1,385,964	1,112,708
Current Liabilities			
Trade and Other Payables	25	8,067,670	7,468,735
Amount due to Related Companies	27.1.2	2,949,577	1,709,280
Current Tax Payables		875,226	872,498
Interest Bearing Loans and Borrowings	26	6,821,594	4,780,000
Bank Overdraft	20	517,588	417,441
		19,231,655	15,247,954
Total Liabilities		20,617,619	16,360,662
Total Equity and Liabilities		22,852,478	69,416,315
Net Assets Per Share		7.45	176.85

The notes from pages 66 to 102 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

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

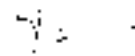


N.N. Nagahawatte

Head of Finance

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

Approved and Signed for and on behalf of the Board of Directors;



D.H.S. Jayawardena

Chairman/Managing Director
Colombo, 21 August 2017



C.R. Jansz
Director

Statement of Changes in Equity

	Stated Capital	Pending Allotment	Revaluation Reserve	Capital Reserve	General Reserve	Available for Sale Reserve	Retained Earnings/ (Accumulated Losses)	Total Equity
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 April 2015	300,000	-	1,295,154	107,882	8,210,000	1,728,667	36,902,425	48,544,128
Total Comprehensive Income for the Year								
Profit for the Year	-	-	-	-	-	-	5,302,175	5,302,175
Other Comprehensive Income								
Net Change in Fair Value of Available for Sale Financial Assets	-	-	-	-	-	(224,350)	-	(224,350)
Actuarial Gain/(Losses) on Employee Benefits	-	-	-	-	-	-	11,936	11,936
Revaluation of Property, Plant and Equipment	-	-	540,330	-	-	-	-	540,330
Tax on Other Comprehensive Income	-	-	(138,792)	-	-	-	(4,774)	(143,566)
Total Other Comprehensive Income for the Year			401,538	-	-	(224,350)	7,162	184,350
Total Comprehensive Income for the Year			401,538	-	-	(224,350)	5,309,337	5,486,525
Transactions with Owners Directly Recorded in the Equity								
Contributions by and Distributions to Owners								
Dividend Paid During the Year	-	-	-	-	-	-	(975,000)	(975,000)
Total Contributions by and Distributions to Owners							(975,000)	(975,000)
Balance as at 31 March 2016	300,000	-	1,696,692	107,882	8,210,000	1,504,317	41,236,762	53,055,653
Balance as at 01 April 2016	300,000	-	1,696,692	107,882	8,210,000	1,504,317	41,236,762	53,055,653
Total Comprehensive Income for the Year								
Loss for the Year	-	-	-	-	-	-	(70,024,934)	(70,024,934)
Other Comprehensive Income								
Net Change in Fair Value of Available for Sale Financial Assets	-	-	-	-	-	206,713	-	206,713
Actuarial Gain/(Losses) on Employee Benefits	-	-	-	-	-	-	4,046	4,046
Tax on Other Comprehensive Income	-	-	-	-	-	-	(1,619)	(1,619)
Total Other Comprehensive Income for the Year						206,713	2,427	209,140
Total Comprehensive Income for the Year						206,713	(70,022,507)	(69,815,794)
Transactions with Owners Directly Recorded in the Equity								
Contributions by and Distributions to Owners								
Pending Allotment	-	20,000,000	-	-	-	-	-	20,000,000
Dividend Paid During the Year	-	-	-	-	-	-	(1,005,000)	(1,005,000)
Total Contributions by and Distributions to Owners		20,000,000					(1,005,000)	18,995,000
Balance as at 31 March 2017	300,000	20,000,000	1,696,692	107,882	8,210,000	1,711,030	(29,790,745)	2,234,859

The Notes from pages 66 to 102 form an integral part of these financial statements. Figures in brackets indicate deductions.

Statement of Cash Flow

For the year ended 31 March,	Note	2017 Rs.'000	2016 Rs.'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit Before Tax		8,063,683	8,222,630
Adjustment for:			
(Gain)/Loss on Sale of Property, Plant and Equipment		(19,967)	(33,706)
Depreciation and Amortization of PPE, Intangible Assets		551,247	512,169
Provision for Employee Benefits		25,104	24,971
(Gain)/Loss on Change in Fair Value of Financial Assets at Fair Value through Profit or Loss		969	16,349
Interest Income		(360,934)	(158,483)
(Profit)/Loss on Sale of Quoted and Non-Quoted Shares		439	11,743
Dividend Income		(82,992)	(879,632)
Interest Expenses		1,642,312	350,477
Provision for Bad Debts		(893)	19,326
Operating Profit Before Working Capital Changes		9,818,968	8,085,844
Working Capital Changes			
(Increase)/Decrease in Trade and Other Receivables		(124,559)	(3,555,464)
(Increase)/Decrease in Inventories		(998,791)	(693,347)
Increase/(Decrease) in Trade and Other Payables		1,275,605	1,839,864
Cash Generated from Operations		9,971,223	5,676,897
Finance Cost Paid		(177,100)	(350,477)
Income Tax and Economic Service Charge Paid		(2,852,743)	(3,730,915)
Retiring Gratuity Paid		(23,536)	(25,439)
Net Cash from/(Used in) Operating Activities		6,917,844	1,570,066
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in Subsidiary Companies		(26,679,250)	-
Acquisition of Property, Plant and Equipment		(135,075)	(437,739)
Proceeds from the Sale of Property, Plant and Equipment		19,169	33,831
Proceeds on Sale of Investments		10,569	91,362
Net (acquisitions) of Other Financial Investments		(1,321,792)	-
Interest Received		268,160	158,484
Dividend Received		17,958	879,632
Net Cash Flow from Investing Activities		(27,820,261)	725,570
Cash Received in Terms of Shares (Pending Allotment)		20,000,000	
Dividend Paid		(1,010,989)	(970,193)
Investment in Debentures		(200,000)	-
Net Cash Generated from Financing Activities		18,789,011	(970,193)
Net Increase/(Decrease) in Cash and Cash Equivalents During the Year		(2,113,406)	1,325,443
Cash and Cash Equivalents at the Beginning of the year		(4,966,295)	(6,291,738)
Cash and Cash Equivalents at the End of the Year		(7,079,701)	(4,966,295)
Analysis of Cash and Cash Equivalents at the End of the Year			
Cash in Hand	20	10,467	9,904
Cash in Bank	20	152,202	137,135
Cash in Transit	20	96,812	84,107
Other Short Term Borrowings	26	(6,821,594)	(4,780,000)
Bank Overdraft	20	(517,588)	(417,441)
		(7,079,701)	(4,966,295)

The Notes from pages 66 to 102 form an integral part of these financial statements.
Figures in brackets indicate deductions.

Notes to the Financial Statements

1. Reporting Entity

1.1. Domicile & Legal Form

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

Trading of the shares of the Company has been suspended on 30 September 2016, as a result of the restructure of DCSL Group during the year as described in the note 34 to the financial statements.

1.2. Principal Activities and Nature of Operation

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

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

1.3. Parent Enterprise and Ultimate Parent Enterprise

The Company being the sole investor of Melstacorp PLC ("MC") and the subsidiaries held through MC has restructured its Group in a manner to place itself as a wholly owned subsidiary of MC. The details of the restructure is presented in the note 34.

Thereby with effect from 1 October 2016, MC became the immediate parent of the Company and ultimate parent entity is Milford Exports Ceylon (Pvt) Limited.

2. Basis of Preparation

2.1 Statement of Compliance

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

These Financial Statements include the following components:

- Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Company for the year under review.
- Statement of Financial Position providing the information on the financial position of the Company as at the year-end.

- Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Company.
- Statement of Cash Flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and utilization of those cash flows.
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

2.2 Directors Responsibility for Financial Statements

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

2.3 Approval of Financial statements

The Financial Statements of the Company for the year ended 31 March 2017 were approved and authorised for issue by the Board of Directors in accordance with Resolution of the Directors on 21 August 2017.

2.4 Basis of Measurement

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

Property, Plant and Equipment- Land and Building	Fair value
Defined benefit obligation	Actuarially valued and recognised at present value of the defined benefit obligation
Available for sale financial assets	Fair Value
Fair Value through profit or loss financial assets	Fair Value

2.5 Functional and Presentation Currency

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

2.6 Materiality and Aggregation

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

2.7 Use of Judgements and Estimates

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

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

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

Note 17 - Recognition of deferred tax assets.

Note 19 - Provisions for bad and doubtful debts.

Note 24 - Measurement of defined benefit plan; key actuarial assumptions.

Note 29, 30 & 31 - Recognition and measurement of provisions for contingencies; key assumptions about the likelihood and magnitude of an outflow of resources.

Going Concern

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

3. Significant Accounting Policies

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

3.1 Foreign Currency Transactions

Transactions in foreign currencies are translated into the respective functional currency of the Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at

fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

3.2 Statement of Financial Position

3.2.1 Property, Plant & Equipment

3.2.1.1 Freehold Assets

a. Recognition

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

b. Measurement

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

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

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

c. Subsequent Cost

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

d. 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

Notes to the Financial Statements

disposal. Any gain or loss arising on derecognising of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised.

e. Revaluation

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

f. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using straight-line basis over the estimated useful lives, and is generally recognised in profit or loss. Freehold land is not depreciated.

Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows.

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

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

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

g. Capital Work-in-progress

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

3.2.2 Leases

3.2.2.1 Operating Leases

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

3.2.3 Intangible Asset

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

a. Subsequent expenditure

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

b. Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using straight-line basis over the estimated useful lives from the date that they are available for use, and is generally recognised in profit or loss.

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

Computer Software - 3 years

3.2.4 Impairment

3.2.4.1 Non Financial Assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

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

3.2.5 Inventories

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

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

3.2.6 Financial Instruments

3.2.6.1 Non-derivative Financial Assets

The Company recognises a financial asset in its Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

The Company initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets are initially recognised on the trade date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the

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

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Company has following non derivative financial assets: Fair value through profit or loss, Loans and receivables, Held to Maturity and Available for sale.

a. Fair Value through Profit or Loss

A financial asset is classified as fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as fair value through profit or loss if the Company manages such investments and makes purchase and sales decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, including any interests or dividend income, are recognised in profit or loss.

Fair value through profit or loss comprise trading portfolio of the Company which includes investment in quoted shares.

b. Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

Loans and receivables comprise trade receivables, amounts due for related parties, trust certificates, short term deposits and cash and cash equivalents.

Notes to the Financial Statements

Cash and Cash Equivalents

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

Investments with short maturities, i.e. three months or less from the date of acquisition are also treated as cash equivalents.

c. Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When these assets are derecognised, the gain or loss accumulated in available for sale reserve is reclassified to profit or loss.

Available-for-sale financial assets comprise of investment in unquoted shares, debentures, treasury bonds, unit trust and quoted shares purchased for long term investment purpose.

3.2.6.2 Non- derivative Financial Liabilities

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Financial liabilities comprise of interest bearing loans, trade and other payables and bank overdrafts. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the statement of cash flows.

a. De-recognition

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

3.2.7 Impairment

3.2.7.1 Financial Assets

A financial asset not classified as fair value through profit or loss including and interest in equity accounted investee are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

Financial Assets measured at Amortised Cost

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

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

Available-for-Sale Financial Assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI.

3.2.8 Stated Capital

Ordinary Capital

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

3.2.9 Employee Benefits

Defined Contribution Plans

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

Employees' Provident Fund (EPF):

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

Employees' Trust Fund (ETF)

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

Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

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

Short Term Benefits

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

3.2.10 Provisions, Contingent Assets and Contingent Liabilities

Provisions are recognised, if as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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

3.2.11 Commitments

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

3.3 Statement of Profit or Loss and Other Comprehensive Income

3.3.1 Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable,

Notes to the Financial Statements

the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

3.3.2 Other Income

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

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

Gains and losses on the disposal of investments held by the Company have been accounted for in the Statement of profit or loss.

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

3.3.3 Finance Income and Expenses

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

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

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

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

3.3.4 Taxation

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

a. Income Tax

Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the

provisions of the Inland Revenue Act, No.10 of 2006 and amendments made thereto.

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

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

b. Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

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

3.4 Subsequent Events

All material post reporting events have been considered and where appropriate adjustments or

disclosures have been made in the respective notes to the Financial Statements.

3.5 Earnings Per Share

The Company presents Basic and Diluted Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.6 Statement of Cash Flows

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

3.7 Comparative Figures

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the financial statements in order to enhance the understanding of the current period's financial statements and to enhance the inter-period comparability.

Where necessary comparative figures have been reclassified to conform to the current year's presentation in order to provide a better presentation. The company has ceased consolidation of Melsta Corp and sub subsidiaries with effect from 30 September 2016 as a result of the restructure of DCSL Group. The summarised performance consolidated financial statements presented in the note.

4 New Accounting Standards Issued but not Effective

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standard which will become applicable for financial periods beginning on or after 1 January 2018. Accordingly, the Company has not applied the following new standards in preparing these financial statements.

SLFRS 9-Financial Instruments

SLFRS 9 - "Financial Instruments" 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 including a new expected credit loss model for calculating impairment on financial assets.

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

SLFRS 15 - Revenue Recognition from Customer Contracts

SLFRS 15 - "Revenue from Contracts with Customers" establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance LKAS 18- "Revenue", LKAS 11- "Construction Contracts".

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

The Company is assessing the potential impact on its Financial Statements resulting from the application of above standards. Given the nature of the Company's operations, this standard is expected to have a pervasive impact on the Company's financial statements.

Notes to the Financial Statements

For the year ended 31 March,

	2017 Rs.'000	2016 Rs.'000
5 Revenue		
Gross Revenue	90,273,469	72,113,727
Direct Turnover Related Taxes	(63,254,024)	(50,572,843)
Net Revenue	27,019,445	21,540,884
6 Other Operating Income		
Gain on sale of Property, Plant and Equipment	19,967	33,706
Rent Income	43,988	34,047
Other Sundry Income	83,792	101,025
Dividend Income from Subsidiary Companies	-	796,350
Dividend Income from Equity Accounted Investees	-	373
Dividend Income on Available-For-Sale Financial Assets	708	80,279
Dividend Income from Fair Value Through Profit and Loss Investments	82,284	2,630
Profit on Sale of Treasury Bonds	4,160	-
Gain/ (Loss) on Disposal of Fair Value Through Profit and Loss Investments	(439)	(11,743)
	234,460	1,036,667
7 Finance Income and Finance Costs		
7.1 Recognized in Profit and Loss		
7.1.1 Finance Income		
Interest Income on Available-For-Sale Financial Assets	171,826	31,997
Interest Income on Loans and Receivables	189,108	126,486
	360,934	158,483
7.1.2 Finance Cost		
Interest Expense on Financial Liabilities Measured at Amortized Cost	(1,642,312)	(350,477)
Loss on Change in Fair Value of Financial Assets at Fair Value Through Profit or Loss	(969)	(16,349)
	(1,643,281)	(366,826)
Net Finance Costs Recognized in Profit or Loss	(1,282,347)	(208,343)

7.2 The above finance income and finance costs include the following interest income and expense in respect of assets (liabilities) not at fair value through profit or loss:

For the year ended 31 March,

	2017 Rs.'000	2016 Rs.'000
Total Interest Income on Financial Assets	360,934	158,483
Total Interest Expense on Financial Liabilities	(1,642,312)	(350,477)

7.3 Recognized in Other Comprehensive Income

For the year ended 31 March,	2017 Rs.'000	2016 Rs.'000
Net Change in Fair Value of Available-for-Sale Financial Assets	206,713	(224,350)
	206,713	(224,350)

8 Profit before Income Tax Expense

Profit before income tax expense is stated after charging all expenses including the following;

For the year ended 31 March,	Note	2017 Rs.'000	2016 Rs.'000
Remuneration to Directors		38,160	30,814
Auditor's Remuneration			
Audit - KPMG		5,460	5,360
Non-audit		13,041	4,374
Personnel Costs	8.1	1,551,632	1,297,570
Depreciation and Amortization			
Depreciation of Property, Plant and Equipment	12	543,367	504,289
Amortization of Intangible Assets	13	7,880	7,880
Provision/ (Reversal) for Bad & Doubtful Debts		(893)	19,326
Donations		4,344	3,172

8.1 Personnel Costs

For the year ended 31 March,	Note	2017 Rs.'000	2016 Rs.'000
Salaries, Wages and Other Benefits		1,428,840	1,191,503
Employee Benefits			
Defined Contribution Plans - EPF and ETF		97,688	81,096
Defined Benefit Plans	24.1.1	25,104	24,971
Total		1,551,632	1,297,570

8.1.1 Number of Employees

As at 31 March,	2017	2016
	1,121	1,136

9 Income Tax Expense

For the year ended 31 March,	Note	2017 Rs.'000	2016 Rs.'000
Current Tax Expense	9.1	2,813,576	2,603,224
Deferred Tax Charged/(Credited)	17.2	275,106	317,231
		3,088,682	2,920,455

Notes to the Financial Statements

9.1 Current Tax Expense

For the year ended 31 March,	Note	2017 Rs.'000	2016 Rs.'000
Current Tax Charge	9.1.1	2,828,750	2,603,224
(Over)/ Under Provision of Current Tax of Previous Years		(15,174)	-
		2,813,576	2,603,224

9.1.1 Numerical Reconciliation of Accounting Profits to Income Tax Expense

Profit Before Income Tax Expense		8,063,683	8,222,630
(-) Other Income/ Exempt Income		(594,425)	(1,178,802)
(+) Disallowable Expenses		581,454	600,821
(-) Allowable Expenses		(1,292,073)	(1,319,759)
Taxable Business Profit		6,758,639	6,324,890
Profit from Trade or Business		6,758,639	6,324,890
Taxable Other Income		447,473	261,672
Taxable Income		7,206,112	6,586,562
Income Tax at,	40%	2,703,456	2,529,956
	28%	125,294	73,268
Total Current Tax Charge		2,828,750	2,603,224
Average Statutory Income Tax Rate (%)		39.25%	39.52%

9.1.2 Effective Tax Rate

For the year ended 31 March,	Note	2017 %	2016 %
	9.1.2.1	34.89%	31.66%

9.1.2.1 Reconciliation of Effective Tax Rate

For the year ended 31 March,	2017		2016	
	Rs.000	%	Rs.000	%
Accounting Profit/(Loss) Chargeable to Income Tax	8,063,683	-	8,222,630	-
Income Tax Expense at the Average Statutory Income Tax Rate	3,165,386	39.25%	3,249,852	39.52%
Income Not Subject to Tax	(57,686)	(2.89%)	(362,480)	(4.41%)
Disallowable Expenses	228,249	2.83%	237,464	2.89%
Allowable Expenses	(507,201)	(6.29%)	(521,612)	(6.34%)
(Over) Under Provision of Current Tax of Previous Years	(15,174)	(0.19%)	-	-
Current Tax Expense	2,813,576	34.89%	2,603,224	31.66%

10 Earnings/(Loss) Per Share

10.1 Basic Earnings/(Loss) Per Share

The calculation of basic Earnings/(Loss) per share is based on the profit attributable to Ordinary shareholders and the weighted average number of shares outstanding during the year.

For the year ended 31 March,	2017	2016
Profit/(Loss) Attributable to Equity Holders of the Company (Rs.'000)	(70,024,934)	5,302,175
Weighted Average Numbers of Ordinary Shares (000)	300,000	300,000
Basic Earnings/(Loss) per Share (Rs.)	(233.42)	17.67

10.2 Diluted Earnings/(Loss) per Share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, diluted earnings/(loss) per share is same as Basic Earnings/(Loss) per share shown above.

11 Dividend per Share

Equity dividend on ordinary shares declared and paid during the year

For the year ended 31 March,	2017		2016	
	Per Share Rs.	Total Rs.000	Per Share Rs.	Total Rs.000
Dividend Paid	-	-	3.35	1,005.000
	-	-	3.35	1,005.000

Notes to the Financial Statements

12. Property, Plant and Equipment

Freehold	Cost or Valuation			Accumulated Depreciation			Carrying Value			
	At the Beginning of the Year Rs.000	Additions During the Year Rs.000	Disposals/ Write Offs Rs.000	At the End of the Year Rs.000	At the Beginning of the Year Rs.000	Charge for the Year Rs.000	Disposals/ Write Offs Rs.000	At the End of the Year Rs.000	As at 31 March 2017 Rs.000	As at 31 March 2016 Rs.000
Lands	1,587,161	-	-	1,587,161	-	-	-	-	1,587,161	1,587,161
Buildings	1,822,961	-	-	1,822,961	76,630	91,148	-	167,778	1,655,183	1,746,331
Buildings Constructed on Leasehold Lands	133,132	-	-	133,132	36	6,657	-	6,693	126,439	133,096
Plant, Machinery & Other Equipment	3,817,831	19,695	(3,950)	3,833,576	846,679	364,856	(3,950)	1,207,585	2,625,991	2,971,152
Motor Vehicles	545,553	110,309	(37,894)	617,968	404,634	67,248	(37,894)	433,988	183,980	140,919
Furniture, Fittings & Office Equipment	68,830	2,912	(6,216)	65,526	49,485	3,167	(6,216)	46,436	19,090	19,345
Computer Equipment	71,179	2,159	(27,355)	45,983	58,544	7,503	(27,355)	38,692	7,291	12,635
Fire Fighting Equipment	4,883	-	-	4,883	3,762	185	-	3,947	936	1,121
Oil Storage Tanks	315	-	-	315	315	-	-	315	-	-
Vats & Casks	69,575	-	-	69,575	59,022	2,603	-	61,625	7,950	10,553
Drums	80	-	-	80	80	-	-	80	-	-
Total Freehold Property, Plant & Equipment	8,121,500	135,075	(75,415)	8,181,160	1,499,187	543,367	(75,415)	1,967,139	6,214,021	6,622,313
Capital Work in Progress	34,755	100	(34,755)	100	-	-	-	-	100	34,755
Total Property, Plant & Equipment	8,156,255	135,175	(110,170)	8,181,260	1,499,187	543,367	(75,415)	1,967,139	6,214,121	6,657,068

12.1 The carrying amount of revalued land and buildings if they were carried at cost less depreciation would be as follows;

	2017		2016	
	Lands Rs.000	Buildings Rs.000	Lands Rs.000	Buildings Rs.000
Cost	51,047	46,248	51,047	46,248
Accumulated Depreciation	-	(46,248)	-	(46,248)
Carrying Value	51,047	-	51,047	-

12.2 Gross Carrying Value of Fully Depreciated Assets

The cost of the fully depreciated assets of the Company amounting to Rs. 587 Mn (2016 - Rs. 647 Mn) as at reporting date.

12.3 Impairment of Property, Plant & Equipment

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

12.4 Property, Plant & Equipment that have been Pledged

There were no items of Property, Plant & Equipment pledged as security as at 31 March 2017.

13 Intangible Assets

	2017		2016
	Software Cost and Implementation Rs.000	Total Rs.000	Total Rs.000
Cost			
Balance at the Beginning of the Year	23,640	23,640	23,640
Additions	-	-	-
Balance at the End of the Year	23,640	23,640	23,640
Accumulated amortization			
Balance at the Beginning of the Year	8,549	8,549	669
Amortized during the year	7,880	7,880	7,880
Balance at the End of the Year	16,429	16,429	8,549
Carrying Value			
As at Beginning of the Year	15,091	15,091	22,971
As at End of the Year	7,211	7,211	15,091

Notes to the Financial Statements

As at 31 March,	2017			2016		
	Number of Shares	Effective Holding %	Cost Rs.000	Number of Shares	Effective Holding %	Cost Rs.000
14 Investment in Subsidiaries						
Melstacorp PLC (Note 14.1)	-	-	-	265,450,000	100%	48,320,750
AION SG Residencies (Pvt) Ltd	-	100%	25,000	-	100%	25,000
Provision for Impairment of Investments			(25,000)			(25,000)
			-			48,320,750

14.1 Investment in Melstacorp Limited

During the year the Company invested Rs. 26,679,250,080/- in 148,218,056 Melstacorp Limited's ordinary voting shares which together with the existing shares of 265, 450,000 in MC increased total number of shares to 413,668,056 and investment increased from Rs. 48,320,750/- to Rs.75,000,000,000/-.

As part of the restructuring procedures, total voting shares of 413,668,056 that represented 99.99% ownership interest in MC was consolidated to 1000 non-voting shares which diluted the DCSL ownership interest in MC to 0.0002%.

Accordingly, the cost of the investment of Rs. 75 Bn is recognized as restructuring loss in the profit or loss which has no tax impact.

15 Investment in Equity Accounted Investees

As at 31 March,	2017			2016		
	Number of Shares	Effective Holding	Cost Rs.000	Number of Shares	Effective Holding	Cost Rs.000
Aitken Spence PLC	-	-	-	186,500	0.001%	28,704
						28,704

This investment has been transferred to available for sale investments due to restructure of DCSL Group.

As at 31 March,	Note	2017	2016
		Rs.000	Rs.000
16 Other Financial Investments			
Non Current Investments			
Available for Sale Financial Investments - (AFS)	16.1	4,176,692	2,368,254
		4,176,692	2,368,254
Current Investments			
Fair Value through Profit or Loss (FVTPL) Financial Investments	16.2	46,432	58,409
		46,432	58,409
16.1 Available for Sale Financial Investments - (AFS)			
Non Current Investments			
Quoted Equity Securities	16.1.1	2,303,797	2,028,606
Unquoted Equity Securities	16.1.2	125,233	113,771
Investments in Unit Trusts	16.1.3	3,000	3,000
Investment in Debentures	16.1.4	422,877	222,877
Investment in Government Securities	16.1.5	1,321,785	-
		4,176,692	2,368,254

16.1.1 Quoted Equity Securities

As at 31 March,	No. of shares/ Units	2017 Cost Rs.000	Fair value Rs.000	No. of shares/ Units	2016 Cost Rs.000	Fair value Rs.000
Bank, Finance & insurance						
Hatton National Bank PLC	10,178,656	526,497	2,293,252	10,178,656	526,497	2,028,606
		526,497	2,293,252		526,497	2,028,606
Diversified Investments						
Melstacorp PLC - Non Voting	1,000	64	64	-	-	-
Aitken Spence PLC	186,500	28,704	10,481	-	-	-
		28,768	10,545		-	-
Total Quoted Equity Securities - AFS		555,265	2,303,797		526,497	2,028,606
16.1.2 Unquoted Equity Securities						
Amethyst Leisure Limited	58,266,167	125,226	125,226	43,266,167	113,764	113,764
International Distilleries Lanka Limited	100	3	3	100	3	3
W.M.Mendis & Co., Limited	200	4	4	200	4	4
		125,233	125,233		113,771	113,771
16.1.3 Investments in Unit Trusts						
Unit Trust Mgt Co., Ltd	300,000	3,000	3,000	300,000	3,000	3,000
		3,000	3,000		3,000	3,000
16.1.4 Investment in Debentures						
LB Finance PLC	2,206,700	220,670	222,877	2,206,700	220,670	222,877
DFCC Bank PLC	2,000,000	200,000	200,000	-	-	-
		420,670	422,877		220,670	222,877

As at 31 March,	Note	2017 Rs.000	2016 Rs.000
16.1.5 Investment in Government Securities			
Treasury Bonds		1,321,785	-
		1,321,785	-
16.2 Fair Value through Profit or Loss (FVTPL) Financial Investments			
Quoted Equity Securities	16.2.1	46,432	58,409
		46,432	58,409

Notes to the Financial Statements

As at 31 March,	2017		2016	
	No. of Shares	Fair Value Rs.000	No. of Shares	Fair Value Rs.000
16.2.1 Quoted Equity Securities				
Beverage, Food & Tobacco				
Renuka Agri Foods PLC	4,918,560	13,771	4,918,560	15,248
Nestle Lanka PLC	1,194	2,495	2,625	5,324
		16,266		20,572
Hotel and Travels				
The Kingsbury Hotel PLC	618,600	9,588	618,600	9,279
John Keells Hotels PLC	388,850	3,889	388,850	4,666
		13,477		13,945
Diversified Investments				
Softlogic Holdings PLC	380,000	4,522	380,000	5,054
Browns Capital PLC	2,850,850	4,276	2,850,850	3,421
		8,798		8,475
Hospitals				
Ceylon Hospitals PLC - Non Voting			95,869	7,056
		-		7,056
Chemicals and Pharmaceuticals				
Heycarb PLC	52,255	7,891	52,255	8,361
		7,891		8,361
Total Quoted Equity Securities -FVTPL		46,432		58,409

17 Deferred Tax Asset and Liabilities

17.1 Recognized Deferred Tax Assets and Liabilities

Deferred tax (assets) and liabilities are attributable to the following:

As at 31 March,	2017			2016		
	Assets Rs.000	Liabilities Rs.000	Net Rs.000	Asset Rs.000	Liabilities Rs.000	Net Rs.000
Property, Plant and Equipment	-	1,263,734	1,263,734	-	988,000	988,000
Employee Benefits	(48,893)	-	(48,893)	(49,884)	-	(49,884)
	(48,893)	1,263,734	1,214,841	(49,884)	988,000	938,116

17.2 Movement in Recognized Deferred Tax Assets and Liabilities

For the year ended 31 March,	2017				2016			
	Balance as at 1 April 2016	Profit or Loss	Other Comprehensive Income	Balance as at 31 March 2017	Balance as at 1 April 2015	Profit or Loss	Other Comprehensive Income	Balance as at 31 March 2016
Property, Plant and Equipment	988,000	275,734	-	1,263,734	532,164	317,044	138,792	988,000
Employee Benefits	(49,884)	(628)	1,619	(48,893)	(54,845)	187	4,774	(49,884)
	938,116	275,106	1,619	1,214,841	477,319	317,231	143,566	938,116

As at 31 March,

	2017 Rs.000	2016 Rs.000
18 Inventories		
Raw Materials	1,986,494	1,395,739
Packing Material	719,030	815,603
Work in Progress	611,978	378,593
Finished Goods	851,904	607,078
Input Materials, Consumables and Spares	324,663	298,265
	4,494,069	3,495,278
Provision for Slow Moving and Obsolete Inventories	(5,443)	(5,443)
	4,488,626	3,489,835
19 Trade and Other Receivables		
Financial Assets		
Trade Receivables	4,249,241	3,024,758
Other Financial Receivables	162,295	170,003
Refundable Deposits	4,566	3,908
	4,416,102	3,198,669
Provision for Impairment Loss on Financial Assets	(180,059)	(180,951)
	4,236,043	3,017,718
Non Financial Assets		
Prepayments and Advances	2,339,407	3,203,786
Accrued Income	65,223	33,099
Other Non Financial Receivables	303,085	32,998
	2,707,715	3,269,883
Provision for Bad and Doubtful Debts	-	-
	2,707,715	3,269,883
	6,943,758	6,287,601
20 Cash and Cash Equivalents		
Favorable Balances Classified under Current Assets		
Cash at Bank	152,202	137,135
Cash in Hand	10,467	9,904
Cash in Transit	96,812	84,107
Total	259,481	231,146
Unfavorable Balances Classified Under Current Liabilities		
Bank Overdraft	517,588	417,441
Total	517,588	417,441
	(258,107)	(186,295)

Notes to the Financial Statements

For the year ended 31 March,

	2017		2016	
	No. of Shares	Value of Shares Rs.000	No. of Shares	Value of Shares Rs.000
21 Stated Capital				
Balance at the Beginning of the Year	300,000,000	300,000	300,000,000	300,000
Issue of Shares	-	-	-	-
Balance at the End of the Year	300,000,000	300,000	300,000,000	300,000

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

	Note	2017	2016
		Rs.000	Rs.000
22 Pending Allotment			
Pending Allotment	22.1	20,000,000	-
		20,000,000	-

22.1 Issuing Shares (Pending Allotment) to Melstacorp PLC & settlement of Short Term Loan

On 01 of January 2017, DCSL has received Rs.20Bn from the holder of 99.95% of its shares Melstacorp for allotment of Shares. DCSL has utilized the funds to settle the sums payable to Melstacorp PLC on Short Term Loan. The Company is awaiting approval of the Securities and Exchange Commission to effect a private placement of shares with Melstacorp PLC.

	Note	2017	2016
		Rs.000	Rs.000
23 Reserves			
Capital Reserves			
Capital Reserves	23.1	107,882	107,882
Revaluation Reserve	23.2	1,696,692	1,696,692
Total Capital Reserves		1,804,574	1,804,574
Revenue Reserves			
General Reserve	23.3	8,210,000	8,210,000
AFS Reserve	23.4	1,711,030	1,504,317
Total Revenue Reserves		9,921,030	9,714,317
Total Reserves		11,725,604	11,518,891

23.1 Capital Reserves

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

23.2 Revaluation Reserve

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

23.3 General Reserve

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

23.4 AFS Reserve

This represents the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

As at 31 March		2017	2016
		Rs.000	Rs.000
24	Employee Benefits		
	Present Value of Unfunded Obligations	122,230	124,708
	Present Value of Funded Obligations	-	-
	Total Present Value of Obligations	122,230	124,708
	Fair Value of Planed Assets	-	-
	Provision for Retirement Benefit Obligations	122,230	124,708
24.1	Movement in Present Value of Defined Benefit Obligations		
	Balance as at Beginning of the Year	124,708	137,112
	Benefits Paid by the Plan	(23,536)	(25,439)
	Expense Recognized in the Income Statement	25,104	24,971
	Actuarial (Gain) / Loss Recognized in Other Comprehensive Income	(4,046)	(11,936)
	Balance as at the End of the Year	122,230	124,708
24.1.1	Expense Recognized in the Income Statement		
	Current Service Costs	12,633	12,631
	Interest Costs	12,471	12,340
		25,104	24,971

As at 31 March,		2017	2016
24.2	Actuarial Assumptions		
	Principal actuarial assumptions at the reporting date		
	Discount Rate (%)	11.50%	10%
	Future Salary Increases (%)	5%	4%
	Retirement Age (years)	55-65 years	55-65 years

24.3 Sensitivity of Assumptions Used

If one presentage change in the assumptions, would have the following effects,
Effect on Define Benefit Obligation Liability,

	2017		2016	
	Discount Rate Rs.000	Salary Increment Rs.000	Discount Rate Rs.000	Salary Increment Rs.000
Increase by 1 %	(4,576)	5,108	(3,797)	4,567
Decrease by 1 %	4,927	(4,811)	4,068	(4,321)

Effect on Comprehensive Income

	2017		2016	
	Discount Rate Rs.000	Salary Increment Rs.000	Discount Rate Rs.000	Salary Increment Rs.000
Increase by 1 %	(4,576)	5,108	3,797	(4,567)
Decrease by 1 %	4,927	(4,811)	(4,068)	4,321

Notes to the Financial Statements

As at 31 March,		2017	2016
	Note	Rs.000	R.000
25	Trade and Other Payables		
	Financial Liabilities		
	Trade Payables	170,455	155,327
	Other Financial Liabilities	500,686	501,999
		671,141	657,326
	Non Financial Liabilities		
	Direct and Indirect Taxes Payable	25.1 4,422,512	4,002,197
	Unclaimed Dividends	152,960	146,413
	Other Non Financial Liabilities	2,821,057	2,662,799
		7,396,529	6,811,409
		8,067,670	7,468,735
25.1	Direct and Indirect Taxes Payable		
	Excise Duty Payable	3,359,449	3,987,651
	Value Added Tax (VAT) Payable	1,061,340	12,318
	Nation Building Tax (NBT) Payable	1,723	2,228
		4,422,512	4,002,197
26	Interest Bearing Loans and Borrowings		
	Other Short Term Borrowings	5,621,594	4,780,000
	Repo Borrowings	1,200,000	-
		6,821,594	4,780,000

27 Related party Disclosures

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

Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash except the balances arisen from restructure.

27.1 Balances with Related Parties

27.1.1 Amounts Due from Related Companies

As at 31 March,	Note	2017 Rs.000	2016 Rs.000
Aion SG Residencies (Pvt) Ltd		11,920	11,920
Continental Insurance Lanka Limited		1,116	5,198
Lanka Bell Limited	27.1.3	64,933	64,390
Periceyl (Pvt) Ltd		590,055	-
Melsta Regal Finance Ltd		-	330
Melstacorp PLC		-	1,816,080
Milford Exports (Pvt) Ltd		84	845
Ambewela Livestock Co.Ltd		9,725	19,694
Pattipola Livestock Co.Ltd		1,037	889
Lanka Milk Foods (CWE) PLC		314	24
Stassen Exports (Pvt) Limited		-	2,123
		679,184	1,921,493
Provision for Impairment		(11,920)	(11,920)
		667,264	1,909,573

27.1.2 Amounts Due to Related Companies

Bellvantage (Pvt) Ltd		1,902	424
Melstacorp PLC		1,768,091	-
Melsta Logistics (Pvt) Ltd		1,006,565	774,009
Periceyl (Pvt) Ltd		-	821,945
Splendor Media (Pvt) Ltd		24,970	24,855
Texpro Industries Ltd		1,128	1,128
Melsta Properties (Pvt) Ltd		131,999	79,074
Melsta Regal Finance Limited		95	-
Stassen Exports Limited		10,135	-
Lanka Dairies (Pvt) Limited		7	-
Melsta Technologies (Pvt) Ltd		4,685	7,845
		2,949,577	1,709,280

27.1.3 This represents the remaining balance of loan granted for Rs.200 Mn to Lanka Bell Limited at the rate of AWPLR plus 1% adjusted on quarterly basis.

Notes to the Financial Statements

27.2 Transactions with Related Companies

No.	Name of the Company	Names of Directors	Nature of Interest	Nature of Transaction	Transaction Value Rs.	Balance due (to)/from as at 31-03-2017 (Rs.)
1	Milford Exports (Ceylon) (Pvt) Limited	Mr. D.H.S. Jayawardena	Ultimate Parent Co.	Dividend Paid	416,976,175	83,582
		Mr.D.Hasitha S. Jayawardena				
2	Periceyl (Pvt) Limited	Mr. D.H.S. Jayawardena	Affiliate Co.	Debtor Collections	9,072,883,622	590,055,239
		Mr. C.R. Jansz		Fund Transfers	10,100,000,000	
		Mr.D.Hasitha S. Jayawardena		Supply of Goods & Services	368,354,318	
				Goods Received	174,142	
				Interest of Current Account(Received)	12,112,349	
				Interest of Current Account(Payable)	36,190,139	
3	Balangoda Plantations PLC	Mr. D.H.S. Jayawardena	Affiliate Co.	Rent Paid	255,719	-
		Mr. C.R. Jansz		Purchase of Tea	176,606	
4	Splendor Media (Pvt) Ltd.		Affiliate Co.	Loan Interest	2,934,673	(24,970,098)
				Supply of Goods & Services	148,641	
				Services Received	1,272,393	
5	Texpro Industries Limited	Mr. D.H.S. Jayawardena	Affiliate Co.	Supply of Materials	1,096,320	(1,128,138)
6	Continental Insurance Lanka Ltd		Affiliate Co.	Insurance Premium	61,205,125	1,115,779
				Insurance Claim Received	1,973,595	
				Supply of Goods & Services	29,850	
7	Melsta Logistics (Pvt) Ltd		Affiliate Co.	Vehicle Hiring charges	326,082,183	(1,006,564,763)
				Repair Charges & Other Services	3,948,945	
				Rent	4,187,499	
				Interest of Current Account	103,199,734	
				Supply of Goods & Services	52,427,185	
8	Melstacorp PLC	Mr. D.H.S. Jayawardena	Parent Co.	Dividend Paid	28,979,952	(1,768,091,359)
		Mr. C.R. Jansz		Rent Expenses	222,075,613	
		Mr. N.de S. Deva Aditya		Supply of Goods & Services	76,595,248	
		Capt. K.J. Kahanda		Promissary Note issued (Subsequently converted to the short term loan)	24,863,170,680	
		Dr. N. Balasuriya		Share purchased	26,679,250,080	
		Mr.D.Hasitha S. Jayawardena		Interest on Short Term Loan	1,217,044,396	
		Mr.R. Seevaratnam		Pending Allotment	20,000,000,000	
				Interest paid in Short Term Loan	136,829,320	
				Funds Transferred	1,534,161,519	
				Rent Paid	141,852,904	
				Funds received Goods	817,232	
				Funds Received	2,237,400,000	
				Interest Received	80,390,315	
				Settlement of Short Term Loan	24,863,170,680	
				Interest of Current Account	74,451,489	
				Dividend Received	1,000	
				Current Account Interest Paid	14,062,982	
				Purchase of Inventory	77,718	

No.	Name of the Company	Names of Directors	Nature of Interest	Nature of Transaction	Transaction Value Rs.	Balance due (to)/from as at 31-03-2017 (Rs.)
9	Lanka Bell Ltd	Mr. D.H.S. Jayawardena	Affiliate Co.	Loan Interest Received	7,174,748	64,932,722
		Mr. C.R. Jansz		Telephone Bills Paid & Services Rendered	11,837,174	
				Supply of Goods & Services	17,000	
10	Bellvantage (Pvt) Ltd		Affiliate Co.	Maintenance Charges	12,082,162	(1,902,141)
				Supply of Goods & Services	7,400	
11	Bell Solutions (Pvt) Ltd.	Mr. D.H.S. Jayawardena	Affiliate Co.	Maintenance Charges	1,650,945	
12	Melsta Regal Finance (Pvt) Ltd		Affiliate Co.	Supply of Goods & Services	100,670	(94,892)
13	Stassen Exports (Pvt) Limited	Mr. D.H.S. Jayawardena	Affiliate Co.	Dividend Paid	7,082,570	(10,135,128)
		Mr.D.Hasitha S. Jayawardena		Purchases , Repairs & Maintenance & Transport Charges	51,330,049	
				Supply of Goods & Services	570,524	
				Rent Income	24,010,408	
14	Lanka Dairies (Pvt) Ltd.	Mr. D.H.S. Jayawardena	Affiliate Co.	Purchase of Milk Foods	400,254	(6,914)
		Mr. C.R. Jansz				
15	Lanka Milk Foods (CWE) PLC	Mr. D.H.S. Jayawardena	Affiliate Co.	Dividend Paid	127,171,025	314,196
		Mr. C.R. Jansz		Purchase of Milk Foods	13,039,650	
				Supply of Goods & Services	4,873,385	
16	Aitken Spence Hotel Holding PLC	Mr. D.H.S. Jayawardena	Affiliate Co.	Sales	7,077,823	-
17	Melsta Properties (Pvt) Ltd	Capt. K.J. Kahanda	Affiliate Co.	Rent Expense	77,568,571	(131,999,289)
				Supply of Goods & Services	160,309	
				Current Account Interest	12,732,656	
18	Ambewela Live Products	Mr. D.H.S. Jayawardena	Affiliate Co.	Purchase of Milk Foods	42,177	9,725,488
		Mr. C.R. Jansz		Supply of Goods & Services	37,890,658	
19	Pattipola Live Products	Mr. D.H.S. Jayawardena	Affiliate Co.	Supply of Goods & Services	3,740,258	1,037,414
		Mr. C.R. Jansz				
20	Melsta Technology (Pvt) Ltd		Affiliate Co.	Software Maintenance Fee	62,694,458	(4,684,657)
				Supply of Goods & Services	76,644	
21	Aitken Spence PLC	Mr. D.H.S. Jayawardena	Affiliate Co.	Dividend Received	512,875	
		Mr. N.de S. Deva Aditya				

27.3 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard (LKAS 24) "Related Party Disclosures", Key management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive Directors) and their immediate family member have been classified as Key Management Personnel of the Company.

Notes to the Financial Statements

27.3.1 Compensations to Key management Personnel

For the year ended 31 March,	2017 Rs.000	2016 Rs.000
Short term Employee Benefits	38,160	30,814
Post Employment Benefits	-	-
Other Long Term Benefits	-	-
Share Base Payments	-	-

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

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

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

There were no transactions with CFM during the year.

27.5 Loans to Directors

There were no loans given to Directors during the year.

27.6 Non-Recurrent Transactions

Related party transactions exceeding 10% of the equity or 5% of the total assets of the entity as per audited financial statements, whichever is lower (CSE Ruling)

Name of the Related Party	Relationship	Value of the Related Party Transactions Entered into during the Financial Year	Value of the Related Party Transactions as a % of Equity	Value of the Related Party Transactions as a % of Total Assets	Terms & Conditions of the Related Party Transactions	The rationale for entering into the transactions
Melstacorp PLC	Parent Co.	24,863,170,680	1,112.52%	108.80%	Restructuring programme	Issue of promissory note (Subsequently converted to a short term loan on 02 Aug 2016)
		26,679,250,080	1,193.78%	116.75%		Investment in Shares
		20,000,000,000	894.91%	87.52%		Issue of Shares (Pending Allotment)
		24,863,170,680	1,112.52%	108.80%		Settlement of short term loan

27.7 Recurrent Transactions

Related party transactions exceeding 10% of gross revenue of the entity as per audited financial statements (CSE Ruling)

Name of the Related Party	Relationship	Nature of the Transaction	Aggregate Value of Related Party Transactions entered into during the financial year	Aggregate Value of Related Party Transactions as a % of Net Revenue / Income	Terms & Conditions of the Related Party Transactions
Periceyl (Pvt) Limited	Affiliate Co.	Debtor Collections	9,072,883,622	34%	Commercial Transaction
		Fund Transfers	10,100,000,000	37%	

28 Financial Instruments

28.1 Accounting Classification of Financial Instruments

28.1.1 Accounting Classification of Financial Assets

	Note	Loans and Receivables (L&R)		Assets at Fair Value through Profit and Loss (FVTPL)		Held to Maturity Investments (HTM)		Available for Sale Financial Assets (AFS)		Total	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
		Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
As at 31 March,											
Non Current Assets											
Other Non Current Financial Investments	16.1	-	-	-	-	-	-	4,176,692	2,368,254	4,176,692	2,368,254
Current Assets											
Trade and Other Receivables	19	4,236,043	3,017,718	-	-	-	-	-	-	4,236,043	3,017,718
Amounts Due From Related Companies	27.1.1	667,264	1,909,573	-	-	-	-	-	-	667,264	1,909,573
Other Current Financial Investments	16.2	-	-	46,432	58,409	-	-	-	-	46,432	58,409
Cash and Cash Equivalents	20	259,481	231,146	-	-	-	-	-	-	259,481	231,146
Total		5,162,788	5,158,437	46,432	58,409	-	-	4,176,692	2,368,254	9,385,912	7,585,100

28.1.2 Accounting Classification of Financial Liabilities

	Note	Financial liabilities at fair value through profit or loss		Financial liabilities measured at amortized cost		Total	
		2017	2016	2017	2016	2017	2016
		Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
As at 31 March,							
Current Liabilities							
Trade and Other Payables	25	-	-	671,141	657,326	671,141	657,326
Amount Due to Related Companies	27.1.2	-	-	2,949,577	1,709,280	2,949,577	1,709,280
Interest Bearing Loans and Borrowings	26	-	-	6,821,594	4,780,000	6,821,594	4,780,000
Bank Overdrafts	20	-	-	517,588	417,441	517,588	417,441
Total		-	-	10,959,900	7,564,047	10,959,900	7,564,047

Notes to the Financial Statements

28.2 Fair Value Hierarchy of Financial Instruments

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group/company is the closing market price in Colombo Stock Exchange. These instruments are included in Level 1. Instruments included in Level 1 comprise equity investments classified as fair value through profit and loss securities or available for sale.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: Inputs for the asset or liability that are not based on observable market data (Unobservable inputs).

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

As at 31 March,	Note	Level 1		Level 2		Level 3		Total	
		2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000	2017 Rs.000	2016 Rs.000
Non Current Assets									
Other Non Current Financial Investments									
Available for Sale Financial Investments - (AFS)									
Quoted Equity Securities	16.1.1	2,303,797	2,028,606	-	-	-	-	2,303,797	2,028,606
Unquoted Equity Securities	16.1.2	-	-	-	-	125,233	113,771	125,233	113,771
Investments In Unit Trusts	16.1.3	-	-	3,000	3,000	-	-	3,000	3,000
Investment in Debentures	16.1.4	422,877	222,877	-	-	-	-	422,877	222,877
Investment in Government Securities	16.1.5	1,321,785	-	-	-	-	-	1,321,785	-
Current Assets									
Other Current Financial Investments									
Fair Value Through Profit or Loss (FVTPL)									
Financial Investments									
Quoted Equity Securities	16.2.1	46,432	58,409	-	-	-	-	46,432	58,409
		4,094,891	2,309,892	3,000	3,000	125,233	113,771	4,223,124	2,426,663

29 Contingent Liabilities

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

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

30 Capital Commitments

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

31 Litigations and Claims

The Company confirms that there are no cases filed against the Company which is not disclosed which would have a material impact on the Statement of Financial Position of the Company other than disclosed below.

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

32 Assets Pledged

Following assets have been pledged as securities for liabilities,

Nature of Liability	Security		Value of the Assets Pledged (Rs.)2017
	Description	Asset Type	
Repo Borrowings	Investments in Treasury Bonds	Other Long Term Investments	1. 2 Bn

33 Subsequent Events

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

34 Restructure of DCSL Group

The DCSL being the sole investor of Melstacorp Limited ("MC") has restructured the DCSL Group with effective from 30 September 2016 as described in the announcement made to CSE on 1 August 2016. The restructuring of the Group has been dully approved by the shareholders of the DCSL and the Courts under the part X of the Companies Act No. 07 of 2007.

Consequent to the restructuring arrangement, the shareholders of DCSL have been allotted with shares in MC in the proportion of Four (4) MC shares in exchange of every One (1) share held in DCSL. Accordingly, DCSL became the wholly own subsidiary of MC with effect from 30 September 2016 and the shareholders of DCSL became the shareholders of MC and through MC all the subsidiaries in the Group. As a result of the restructuring arrangement, the DCSL's ownership interest in MC was diluted from 99.95% (voting shares) to 0.0002% (non-voting) shares and the resultant loss on dilution of Rs, 75Bn is recognized in the profit or loss.

The Company is at the final phase of the restructuring process and as proposed in the restructuring plan circulated to the shareholders on 10 August 2016, the Company has initiated steps to increase its capital by way of issuing of shares subject to necessary internal and external approvals. Upon such issue of shares, DCSL would fulfill the minimum public float requirement of SEC circular dated 17 November 2016.

35 Financial Risk Management

The Company has adopted practices to mitigate risks arising from adverse market conditions (prices, rates and volatile markets) by hedging (or not) using financial instruments.

Financial risk derives from economic uncertainty. The inability to forecast with certainty would either erode profitability (e.g. adverse exchange rate) or could jeopardize the ability of the company to raise finance from markets (e.g. volatile interest rates). Company core business of beverage is essentially a cash business hence has a short cash cycle. This results in low financial risk adding to greater degree of control of finance.

Financial Instruments

Company financial instruments consist of ASSETS - its portfolio of equity investments, deposits in banks Government securities debentures and accounts receivable. LIABILITIES - Loan obligations, accounts payable and accrued liabilities such excise duty, taxes, payroll and pension account.

Notes to the Financial Statements

35.1 Financial Risk Management Objectives and Policies

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

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

The Company has exposure to the following risks from financial instruments

35.1.1 Credit Risk

This is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to financial loss. Company's credit risk arises primarily from credit exposure to customers, including outstanding receivable from select retail chains.

The Company assesses the credit quality of its counter-parties, taking into account their financial position, past experience and seasonal factors.

The Company trades only with recognized, credit worthy third parties. It is a Company policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

Maximum Credit Exposure

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

	Note	2017 Rs.000	% from Total Exposure	2016 Rs.000	% from Total Exposure
Trade And Other Receivables	35.1.1.1	4,236,044	62%	3,017,718	57%
Amounts due from Related Companies	35.1.1.2	667,264	10%	1,909,572	36%
Corporate Debt Securities	35.1.1.3	422,877	6%	222,877	4%
Government Securities	35.1.1.4	1,321,785	19%	-	0%
Cash at Bank	35.1.1.5	152,202	3%	137,135	3%
		6,800,172	100%	5,287,302	100%

35.1.1.1 Trade and Other Receivables

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

35.1.1.2 Amounts Due from Related Companies

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

35.1.1.3 Corporate Debt Securities

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

An Analysis of credit ratings of the issuers of debenture are as follows,

Credit Rating	2017		2016	
	Amount	% from Total Exposure	Amount	% from Total Exposure
	Rs.'000		Rs.'000	
AA-	200,000	47%	-	-
A-	222,877	53%	222,877	100%
	422,877	100%	222,877	100%

35.1.1.4 Government Securities

Government securities are referred to as risk free instruments in its nature.

35.1.1.5 Cash at bank

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

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

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

35.1.2 Liquidity Risk

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

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

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

Maturity analysis

The table below summarises the maturity profile of the Company's financial liabilities as at 31 March 2017 and 31 March 2016.

	2017				
	Within 1 year	Between 1-3 years	Between 3-5 years	More than 5 years	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Interest Bearing Loans and Borrowings	6,821,594	-	-	-	6,821,594
Trade and Other Payables	8,067,670	-	-	-	8,067,670
Amount Due to Related Companies	2,949,577	-	-	-	2,949,577
Bank Overdrafts	517,588	-	-	-	517,588
	18,356,429	-	-	-	18,356,429

Notes to the Financial Statements

	2016					Total
	Within 1	Between 1-3	Between 3-5	More than	years	
	year	years	years	5		
Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	
Interest Bearing Loans and Borrowings	4,780,000	-	-	-	-	4,780,000
Trade and Other Payables	7,468,735	-	-	-	-	7,468,735
Amount Due to Related Companies	1,709,280	-	-	-	-	1,709,280
Bank Overdrafts	417,441	-	-	-	-	417,441
	14,375,456	-	-	-	-	14,375,456

35.1.3 Market Risk

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

Equity Price Risk

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

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

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

As at 31 March,	2017		2016	
	Rs'000	%	Rs'000	%
Beverage Food and Tobacco	16,266	35%	20,572	35%
Chemicals and Pharmaceuticals	7,891	17%	8,361	14%
Diversified Investments	8,798	19%	8,475	15%
Hospitals	-	-	7,056	12%
Hotel and Travels	13,477	29%	13,945	24%
	46,432	100%	58,409	100%

35.1.3 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 Company has short and long-term debt facilities. Interest rate risk exists as Company earns market rates of interest on its deposits in cash management pools. An active risk management program does not exist, as management believes that changes in interest rates would not have a material impact on Company's financial position over the long term.

Foreign currency risk

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

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

35.1.4 Financing Risk

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

35.2 Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company's may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt/total capital. Net debt is calculated as total borrowings (including current and non-current interest bearing borrowing as shown in the Statement of Financial Position plus bank overdrafts) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the Statement of Financial Position plus net debt. Gearing ratios at 31 March 2017 and 2016 are as follows.

As at 31 March,	2017 Rs'000	2016 Rs'000
Total Interest Bearing Loans and Borrowing	6,821,594	4,780,000
Bank Overdrafts	517,588	417,441
Less: Cash & Cash Equivalents	(259,481)	(231,146)
Net Debt	7,079,701	4,966,295
Total Equity	2,234,860	53,055,653
Total Capital	9,314,561	58,021,948
Gearing Ratio	76%	9%

36 Presentation of Pro Forma Consolidated Financial Statements

Consequent of the restructuring of the Group as stated in note 34, MC became the ultimate holding company of the Group and DCSL became a wholly owned subsidiary of MC. Thus, DCSL ceased to control MC (and its sub subsidiaries) and therefor discontinued consolidation of MC with effect from 30 September 2016.

The unaudited pro forma consolidated financial statements of the DCSL and its subsidiaries have been presented for the period ended 30 September 2016 that reflect the Group's results for six months and the Financial Position as at 30 September 2016.

Notes to the Financial Statements

36.1 Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the period/year ended	Note	6 months ended 30 September 2016 Rs. '000 Unaudited	Year ended 31 March 2016 Rs. '000 Restated
Gross Revenue		45,005,723	72,113,727
Net Revenue		13,062,827	21,540,884
Cost of Sales, Net Benefits Paid and Interest Expenses		(7,064,520)	(12,314,596)
Gross Profit		5,998,307	9,226,288
Other Operating Income		85,247	1,036,667
Distribution Expenses		(205,212)	(467,255)
Administrative Expenses		(503,981)	(1,364,727)
Other Operating Expenses		-	-
Profit from Operations		5,374,361	8,430,973
Finance Income		227,690	158,482
Finance Cost		(566,799)	(366,826)
Net Finance cost		(339,109)	(208,344)
Share of Profit of Equity-Accounted Investees (Net of Tax)		-	-
Profit from continuing operations		5,035,252	8,222,629
Discontinued operations			
Loss from Discontinued Operation, Net of Tax	36.4	(82,290,476)	367,405
Taxation		(1,804,892)	(2,920,455)
Profit/(Loss) for the Year		(79,060,116)	5,669,579
Other Comprehensive Income			
Items that will Never be Reclassified to Profit or Loss			
Actuarial Gain/(Losses) on Retirement Benefit Obligations		-	11,936
Revaluation of Property, Plant and Equipment		-	540,330
Share of Other Comprehensive Income of Equity-Accounted Investees (Net of Tax)		-	-
Income Tax on other Comprehensive Income		-	(143,566)
			408,700
Items that are or may be Reclassified to Profit or Loss			
Net Change in Fair Value of Available for Sale Financial Assets		259,556	(224,350)
Other Comprehensive Income from Continuing Operations		259,556	184,350
Other Comprehensive Income from Discontinued Operation, Net of Tax	36.4	1,639,643	(870,773)
Net Amount Transferred to P&L - AFS Reserve		(4,048,969)	-
Net Amount Transferred to P&L - Foreign Currency Reserve		(677,555)	-
Total Other Comprehensive Income		(2,827,325)	(686,423)
Total Comprehensive Income for the Year		(81,887,441)	4,983,156
Profit Attributable to:			
Equity Holders of the Parent		(78,820,724)	5,963,414
Non Controlling Interest		(239,391)	(293,834)
Profit/(Loss) for the Year		(79,060,115)	5,669,580
Total Comprehensive Income Attributable to:			
Equity Holders of the Parent		(81,648,088)	5,271,994
Non Controlling Interest		(239,352)	(288,837)
Total Comprehensive Income for the Year		(81,887,440)	4,983,157
Earnings per Share (Rs.)			
Basic Earnings per Share		(262.74)	19.88

Figures in brackets indicate deductions.

36.2 Consolidated Statement of Financial Position

As at,	30 September 2016	31 March 2016
	Rs. '000	Rs. '000
	Unaudited	Restated
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	6,431,259	22,283,214
Investment Property	-	1,195,695
Goodwill on Acquisition and Other Intangible Assets	11,140	2,472,672
Biological Assets	-	3,914,452
Investments in Subsidiaries	-	-
Investment in Equity Accounted Investees	28,704	26,293,943
Other Non Current Financial Investments	3,872,400	15,588,519
Deferred Tax Asset	49,884	702,452
Finance Lease, Hire Purchases and Operating Lease Receivables	-	1,634,071
Advances and Other Loans	-	433,724
	10,393,387	74,518,742
Currents Assets		
Inventories	2,884,255	6,014,160
Trade and Other Receivables	4,730,117	11,279,695
Finance Lease, Hire Purchases and Operating Lease Receivables	-	931,350
Advances and Other Loans	-	1,840,213
Amounts due from Related Companies	77,888	135,133
Other Current Financial Investments	52,913	2,998,528
Cash at Bank and Cash in Hand	384,833	1,588,014
	8,130,006	24,787,093
Total Assets	18,523,393	99,305,835
EQUITY AND LIABILITIES		
Equity		
Stated Capital	300,000	300,000
Reserve	11,778,447	22,475,352
Retained Earnings	(31,537,878)	40,428,243
Equity Attributable to Equity Holders of the parent	(19,459,431)	63,203,595
Non Controlling Interest	-	3,529,347
Total Equity	(19,459,431)	66,732,942
Non-Current Liabilities		
Interest Bearing Loans and Borrowings	25,300,081	2,831,914
Deferred Tax Liabilities	988,000	2,108,642
Employee Benefits	112,844	1,018,298
Other Deferred Liabilities	-	250,494
	26,400,925	6,209,348
Current Liabilities		
Trade and Other Payables	6,606,445	11,997,768
Deposit Liabilities	-	1,207,074
Other Deferred Liabilities	-	75,259
Amount due to Related Companies	2,921,217	294,030
Income Tax Payable	1,177,231	1,095,567
Interest Bearing Loans and Borrowings	-	9,485,110
Bank Overdrafts and Other Short Term Borrowings	877,006	2,208,737
Total Liabilities	11,581,899	26,363,545
Total Equity and Liabilities	18,523,393	99,305,835
Net Assets per Share (Rs.)	(64.86)	210.68

Notes to the Financial Statements

36.3 Consolidated Statement of Changes in Equity

	Attributable to Equity Holders of Parent										Total Equity Rs.'000	
	Stated Capital Rs.'000	Revaluation Reserve Rs.'000	Capital Reserve Rs.'000	Reserve Fund Rs.'000	General Reserve Rs.'000	Exchange Fluctuation Reserve Rs.'000	Timber Reserve Rs.'000	Available for Sale Reserve Rs.'000	Retained Earnings/ (Losses) Rs.'000	Total Rs.'000		Non Controlling Interest Rs.'000
Balance as at 01 April 2015	300,000	5,846,432	110,930	5,992	8,286,434	337,838	700,076	7,463,746	37,952,431	61,003,879	3,820,118	64,823,997
Super Gain Tax	-	-	-	-	-	-	-	-	(2,112,069)	(2,112,069)	(108)	(2,112,177)
Adjusted Balance as at 01 April 2015	300,000	5,846,432	110,930	5,992	8,286,434	337,838	700,076	7,463,746	35,840,362	58,891,810	3,820,010	62,711,820
Net Profit for the Year	-	-	-	-	-	-	-	-	5,963,414	5,963,414	(293,834)	5,669,580
Other Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-
Net Change in Fair Value of Available for Sale Financial Assets	-	-	-	-	-	-	-	(3,473,662)	-	(3,473,662)	(103)	(3,473,765)
Revaluation of Property, Plant and Equipment	-	2,842,321	-	-	-	-	-	-	-	2,842,321	-	2,842,321
Defined Benefit Plan Actuarial Gains (Losses) (Net of Tax)	-	-	-	-	-	-	-	-	26,474	26,474	6,150	32,624
Share of Other Comprehensive Income of Equity-Accounted Investees (Net of Tax)	-	-	-	-	-	258,015	-	8,543	32,217	298,775	-	298,775
Tax on Other Comprehensive Income	-	(381,688)	-	-	-	-	-	-	(3,640)	(385,328)	(1,050)	(386,378)
Total Other Comprehensive Income for the Year	-	2,460,633	-	-	-	258,015	-	(3,465,119)	55,051	(691,420)	4,997	(686,423)
Total Comprehensive Income for the Year	-	2,460,633	-	-	-	258,015	-	(3,465,119)	6,018,465	5,271,994	(288,837)	4,983,157
Transactions with Owners of the Company												
Directly recognized into Equity												
Dividend paid to Non Controlling Interest	-	-	-	-	-	-	-	-	-	-	(1,826)	(1,826)
Share of Net Assets of Equity-Accounted Investees (Net of Tax)	-	-	9,089	-	327,534	(3,209)	94,885	-	(413,508)	14,791	-	14,791
Dividend Paid	-	-	-	-	-	-	-	-	(975,000)	(975,000)	-	(975,000)
Transfer to/from Retained Earnings	-	-	-	3,343	-	-	38,733	-	(42,076)	-	-	-
Total Transactions with Owners of the Company	-	-	9,089	3,343	327,534	(3,209)	133,618	-	(1,430,584)	(960,209)	(1,826)	(962,035)
Balance as at 31 March 2016	300,000	8,307,065	120,019	9,335	8,613,968	592,644	833,694	3,998,627	40,428,243	63,203,595	3,529,347	66,732,942

	Attributable to Equity Holders of Parent										Total Equity Rs.'000	
	Stated Capital Rs.'000	Revaluation Reserve Rs.'000	Capital Reserve Rs.'000	Reserve Fund Rs.'000	General Reserve Rs.'000	Exchange Fluctuation Reserve Rs.'000	Timber Reserve Rs.'000	Available for Sale Reserve Rs.'000	Retained Earnings/ (Losses) Rs.'000	Total Rs.'000		Non Controlling Interest Rs.'000
Balance as at 01 April 2016	300,000	8,303,335	120,019	9,335	8,613,968	592,644	833,694	3,998,627	40,431,973	63,203,595	3,529,347	66,732,942
Net Profit for the Period	-	-	-	-	-	-	-	-	(78,820,724)	(78,820,724)	(239,391)	(79,060,115)
Other Comprehensive Income												
Net Change in Fair Value of Available for Sale Financial Assets	-	-	-	-	-	(677,555)	-	(2,207,861)	-	(2,885,416)	39	(2,885,377)
Share of Other Comprehensive Income of Equity-Accounted Investees (Net of Tax)	-	-	-	-	-	84,971	-	(26,893)	(26)	58,052	-	58,052
Total Other Comprehensive Income for the Period	-	-	-	-	-	(592,584)	-	(2,234,754)	(26)	(2,827,364)	39	(2,827,325)
Total Comprehensive Income for the Period	-	-	-	-	-	(592,584)	-	(2,234,754)	(78,820,750)	(81,648,088)	(239,352)	(81,887,440)
Transactions with Owners of the Company Directly Recognized into Equity												
Disposal of Subsidiary	-	(6,606,643)	(12,137)	(9,335)	(403,968)	-	(899,385)	-	7,931,468	-	(3,289,976)	(3,289,976)
Transfer to/from Retained Earnings	-	-	-	-	-	-	65,691	-	(65,691)	-	-	-
Dividend Paid	-	-	-	-	-	-	-	-	(1,005,000)	(1,005,000)	(19)	(1,005,019)
Effect of Acquisition of Non Controlling Interest of Equity Accounted Investees	-	-	-	-	-	(60)	-	-	(6,372)	(6,432)	-	(6,432)
Other Changes in Net Assets of Equity Accounted Investees	-	-	-	-	-	-	-	-	(3,506)	(3,506)	-	(3,506)
Total Transactions with Owners of the Company	-	(6,606,643)	(12,137)	(9,335)	(403,968)	(60)	(833,694)	-	6,850,899	(1,014,938)	(3,289,995)	(4,304,933)
Balance as at 30 September 2016	300,000	1,696,692	107,882	-	8,210,000	-	-	1,763,873	(31,537,878)	(19,459,431)	-	(19,459,431)

Notes to the Financial Statements

36.4 Result of Discontinued operations

As a result of the restructuring arrangement stated in note 34, MC and sub subsidiaries held via MC ceased to be a subsidiary of DCSL. Accordingly consolidation of MC is discontinued with effect from 30 September 2016. Therefore the businesses carried under MC (Beverages, Plantations, Telecommunication, Financial Services and others) are identified and presented as discontinued operations. The prior year income has been restated to reflect this effect.

For the period/year ended	6 months ended 30 September 2016 Rs. '000 Unaudited	Year ended 31 March 2016 Rs. '000 Restated
Gross Revenue	9,322,627	16,751,473
Net Revenue	6,514,670	12,299,213
Cost of Sales, Net Benefits Paid and Interest Expenses	(4,550,905)	(8,507,460)
Gross Profit	1,963,765	3,791,753
Other Operating Income	323,239	117,736
Distribution Expenses	(649,772)	(1,303,559)
Administrative Expenses	(1,344,375)	(2,240,085)
Other Operating Expenses	(28,827)	(350,489)
Profit from Operations	264,030	15,356
Finance Income	357,595	244,286
Finance Cost	-	(238,351)
Net Finance Income/(Cost)	357,595	5,935
Share of Profit of Equity-Accounted Investees (Net of Tax)	395,903	748,537
Profit before Taxation	1,017,528	769,828
Taxation	(377,310)	(402,423)
Profit from Discontinued Operations	640,217	367,405
Loss on Sale of Discontinued Operations (Note 36.5)	(87,657,217)	-
Net Amount Transferred from OCI - AFS Reserve	4,048,969	-
Net Amount Transferred from OCI - Foreign Currency Reserve	677,555	-
Profit (Loss) from Discontinued Operations, Net of Tax	(82,290,476)	367,405
Other Comprehensive Income		
Net Change in Fair Value of Available for Sale Financial Assets	1,581,591	(3,249,415)
Actuarial Gain/(Losses) on Retirement Benefit Obligations	-	20,688
Revaluation of Property, Plant and Equipment	-	2,301,991
Share of Other Comprehensive Income of Equity-Accounted Investees (Net of Tax)	58,052	298,775
Income Tax on Other Comprehensive Income	-	(242,812)
Total Other Comprehensive Income from Discontinued Operations	1,639,643	(870,773)
Total Comprehensive Income from Discontinued Operations	2,279,860	(503,368)

36.5 Disposal of Subsidiary

	6 Months Ended 30 September 2016 Rs. '000
Non Current Assets	69,137,521
Current Assets	15,558,194
Non Current Liabilities (Net of New Liability)	18,438,957
Current Liabilities	(12,187,479)
Net asset as at 30th September	90,947,192
Non Controlling Interest	3,289,975
Net Assets Owned by Equity Holders of the Company	87,657,217
Consideration Received	-
Loss on Disposal	(87,657,217)

Statement of Value Added

Value Added

For the year ended 31 March,

	2017	2016
	Rs.'000	Rs.'000
Gross Turnover	90,273,469	72,113,727
Other Operating Income	234,460	1,036,667
Finance Income	360,934	158,483
	90,868,863	73,308,877

Value Distributed

2017		
	Rs,000	As a % of Total
For the year ended 31 March,		
To the State as Taxes	66,342,706	73.01%
Operating Expenses	16,356,243	18.00%
To the Employees	1,551,632	1.71%
To Providers of Debt Capital	1,642,312	1.81%
To the Shareholders as Dividends	1,005,000	1.11%
Retained with the Business		
As Depreciation	551,247	0.60%
As Retained Earnings	3,419,723	3.76%
	90,868,863	100.00%

2016		
	Rs,000	As a % of Total
For the year ended 31 March,		
To the State as Taxes	53,493,298	72.97%
Operating Expenses	12,849,006	17.53%
To the Employees	1,297,570	1.77%
To Providers of Debt Capital	350,477	0.48%
To the Shareholders as Dividends	975,000	1.33%
Retained with the Business		
As Depreciation	512,171	0.70%
As Retained Earnings	3,831,355	5.22%
	73,308,877	100.00%

Details of Real Estate 2016/2017

Location	Land Extent			Buildings		Value Cost / Revaluation Rs. 000
	A	R	P	No of Units	Extent in (Sq. Ft.)	
Seeduwa Seeduwa No: 03,New Bottling Plant Complex & Housing Complex	15	2	17.09	27	274,546.50	2,575,981
Seeduwa Seeduwa New & Old	5	2	15.10	22	93,276.00	529,530
Seeduwa -	-	-	16.70	-	-	20,799
Seeduwa -	-	-	16.70	-	-	24,439
Kandy Mawilmada	2	-	-	-	-	39,372
Kalutara Bare Land	1	-	23.00	-	-	27,500
Dickoya Dickoya	-	-	-	4	14,800.00	133,132

Shareholder Information

1. Stock Exchange Listing

The Issued Ordinary Shares of the Company are listed with the Colombo Stock Exchange.

Ticker Symbol - DIST.N0000

Market Sector - Beverage, Food & Tobacco

2. Non Financial Information

Holding	31 March 2017	31 March 2016
Last Traded	N/A	206.20
Highest	294.00	320.00
Lowest	208.00	205.00

Market values of 31 March 2017 were not available since the Distilleries Company of Sri Lanka PLC's trading was suspended since 30 September 2016 due to non availability of public float.

3. Distribution of Shareholding

As at Holding	31 March 2017			31 March 2016		
	No. of Share Holders	Total Holdings	% of Holding	No. of Share Holders	Total Holdings	% of Holding
1 to 1,000	54	16,362	0.01%	8,704	2,797,918	0.93%
1,001 to 10,000	14	52,452	0.02%	1,529	4,883,454	1.63%
10,001 to 100,000	2	93,350	0.03%	211	6,391,973	2.13%
100,001 to 1000,000	-	-	-	63	18,097,290	6.03%
1,000,001 & Over	1	299,837,836	99.94%	31	267,829,365	89.28%
	71	300,000,000	100.00%	10,538	300,000,000	100.00%

4. Analysis of Shareholding

Holding	No. of Share Holders	Holding	% of Holding
Individuals	70	162,164	0.05%
Institutions	1	299,837,836	99.95%
	71	300,000,000	100.00%
Resident	70	299,987,000	99.99%
Non-Resident	1	13,000	0.01%
	71	300,000,000	100.00%

3. Top 20 Shareholders - 31 March 2017

Rank	Name	2017		2016	
		Share Holding	%	Share Holding	%
1	Melstacorp PLC	299,837,836	99.946%	8,650,732	2.883%
2	R.Z. Wikramanayake (Deceased)	80,350	0.027%	80,350	0.027%
3	E. Van De Straete (Deceased)	13,000	0.004%	13,000	0.004%
4	Prof. S.B.P. Wickramasuriya (Deceased) & P.S. Wickremasuriya	10,000	0.003%	10,000	0.003%
5	S. Wickremasinghe (Deceased)	10,000	0.003%	10,000	0.003%
6	M. Suganthaseelan (Deceased)	10,000	0.003%	10,000	0.003%
7	N.S. Ellawala (Deceased)	4,000	0.001%	4,000	0.001%
8	W.D.C. Abeygoonawardena (Deceased)	2,500	0.001%	2,500	0.001%
9	D.F.K. Jayamaha (Deceased)	2,002	0.001%	2,002	0.001%
10	A.J.C.H.B. Fernando (Deceased)	2,000	0.001%	2,000	0.001%
11	M.P.D.C. Fernando (Deceased)	2,000	0.001%	2,000	0.001%
12	J. Sirisena (Deceased)	2,000	0.001%	2,000	0.001%
13	D.K. Withanage(Deceased)	2,000	0.001%	2,000	0.001%
14	M.A.U. Madanayaka (Deceased)	2,000	0.001%	2,000	0.001%
15	W.P. Davidsignho (Deceased)	1,500	0.001%	1,500	0.001%
16	A.T. Senanayake	1,250	0.000%	5,000	0.000%
17	S. Shanmugakumar(Deceased)	1,200	0.000%	1,200	0.000%
18	M.D.W. Gunawardena (Deceased)	1,000	0.000%	1,000	0.000%
19	B.S. Withanage (Deceased)	1,000	0.000%	1,000	0.000%
20	J.A.R. Felix(Deceased)	1,000	0.000%	1,000	0.000%
	Sub Total	299,986,638	99.996%	8,798,784	2.932%
	Other Shareholders	13,362	0.004%	291,201,216	97.062%
	Total	300,000,000	100%	300,000,000	100%

Percentage of Shares held by the public:

0.05%

42.34%

Total No. of share holders who hold the public holding : *

70

10,531

Ten Year Summary

In Rs Million - Company	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
RESULTS										
Gross Turnover	90,273.4	72,113.7	51,800.1	47,755.5	51,548.9	49,135.6	38,987.1	29,964.1	29,569.8	27,416.0
Excise Duty	63,254.0	50,572.8	34,883.6	31,057.4	34,087.5	33,859.7	25,464.4	18,979.0	18,339.2	16,458.0
Net Turnover	27,019.4	21,540.9	16,916.5	16,698.1	17,461.4	15,275.9	13,522.7	10,985.0	11,230.5	10,958.0
Profit/(Loss) Before Tax	8,063.7	8,222.6	13,070.3	8,136.6	9,275.9	6,905.4	9,972.0	4,004.5	3,977.9	3,014.9
Profit/(Loss) After Tax	4,975.0	5,302.1	10,284.7	5,357.9	6,872.7	4,297.2	7,768.7	2,815.0	2,682.4	1,981.6
FUNDS EMPLOYED										
Stated Capital	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Capital Reserves	1804.6	1,804.6	1,403.0	2,079.7	2,160.1	2,506.9	2,923.6	107.9	107.9	107.9
Revenue Reserves & Retained Earnings	130.2	50,951.1	48,580.3	41,459.0	36,695.0	29,790.3	21,718.0	14,849.3	12,709.3	10,551.8
Shareholders Funds	2,234.9	53,055.7	50,283.3	43,838.7	39,155.1	32,597.2	24,941.7	15,257.2	13,117.2	10,959.7
Total Borrowings	7,339.2	5,197.4	6,476.4	10,025.8	8,576.0	9,741.5	254.6	76.2	920.1	2,648.1
Non Current Liabilities Net of Borrowings	1,386.0	1,112.7	669.3	171.1	159.6	116.1	270.1	111.4	171.5	109.6
Current Liabilities Net of Borrowings	11,892.5	10,050.5	7,599.2	7,154.0	8,095.6	20,107.8	6,860.7	5,159.9	4,785.2	4,662.9
	22,852.6	69,416.3	65,028.2	61,189.6	55,986.3	62,562.6	32,327.1	20,604.7	18,994.0	18,380.1
ASSETS EMPLOYED										
Non-Current Assets	10,447.0	57,439.7	57,208.1	48,459.1	45,578.4	54,982.5	20,212.7	14,024.6	12,840.9	12,302.9
Current Assets	12,405.6	11,976.6	7,820.1	12,730.5	10,407.9	7,580.1	12,114.4	6,580.1	6,153.1	6,007.5
	22,852.6	69,416.3	65,028.2	61,189.6	55,986.3	62,562.6	32,327.1	20,604.7	18,994.0	18,310.4
CASHFLOW										
Net Cashflow from Operating Activities	6,918.0	1,570.0	4,079.8	671.2	3,148.9	1,954.9	4,275.1	2,692.7	1,881.7	2,509.3
Net Cashflow from Investing Activities	(27,820.0)	725.6	209.2	(1,569.3)	(689.3)	(16,037.3)	1,247.0	(661.2)	(35.6)	(3,041.8)
Net Cashflow from Financing Activities	18,789.0	(970.2)	(975.0)	(2,167.9)	(1,535.6)	1,147.0	(875.8)	(675.0)	(525.0)	(465.0)
Net Increase/(Decrease) in Cash & Cash Equivalents	(2,113.0)	1,325.4	3,314.0	(3,065.9)	924.0	(12,935.4)	4,646.3	1,356.5	1,321.1	(997.5)
KEY INDICATORS										
Earnings per Share (Rs.)	(233.42)	17.67	15.48*	17.86	10.68*	11.85*	15.08	9.38	8.90	6.60
Net Assets per Share (Rs.)	7.45	176.85	167.61	146.13	130.52	108.66	83.14	50.86	43.70	36.50
Market Value per Share (Rs) Year End	-	206.20	240.50	203.00	166.50	145.00	180.00	118.00	65.00	98.00
Return on Shareholders' Funds	222.61%	10%	9%*	12%	8%*	11%*	31%	18%	21%	18%
Dividends per Share (Rs.)	-	3.35	3.25	3.25	3.00	3.00	3.00	2.50	2.25	1.75
Dividend Payout	-	18.96%	21%*	18%	28%*	25%*	20%	27%	25%	27%
Dividend Yield	-	1.6	1%	2%	2%	2%	2%	2%	3%	2%

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

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

DCSL Management Team and Unit Management Team

Head Office

Operations Division

Head of Operations Maj. Gen. Mano Perera (Retd.) RWP, RSP, psc

Finance Division

Head of Finance Nimal Nagahawatte B.Sc.

Asst. Manager - Finance Suranjan Lakmanaratchi

Asst. Manager - Finance Justin Algama B.Sc., Dip. Acc

Manager - IT Ms. P. Gamagedara Dip. (NIBM), AACCS

Supplies Division

Head of Procurement S. Rajanathan

Internal Audit Division

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

Investigation Division

Director - Investigations Alfred Wijewardene DIG (Retd.)

Dy. Director - Investigations A. X. Clarence Motha ASP (Retd.)

Dy. Director - Investigations G. U. J. Vithanage SSP (Retd.)

Company Secretarial & Legal Division

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

Human Resources Division

Head of Human Resources Ms. Gayathri Chakravarthy LLB, Attorney-at-Law

Manager - Human Resources Ms. U. R. Edirisinghe MBA (Sri J), B.Sc. (HRM) Sp

Manager - HR Administration & Compliance Sqn. Ldr. Lakshini Gunathilaka (Retd.) B.Sc. (Defence Studies in Aeronautical Engineering)

Transport Division

Head of Transport & Logistics Roshanth Kumar Perera

Stock Control Division

Head of Inventory Management Laliath Ratnayake MBA (WUSL), B.Sc. (B.Ad) Sp

Consultant - Enactments and Regulations J. R. de Cruz (Retd. Dy. Commissioner of Excise)

Extra Special Heritage Arena

Head of Extra Special Heritage Arena Col. Ranjith Rupasinghe (Retd.) RSP, IG

Chief Engineer - Production D. S. P. Jayawardena M.Sc. (Building Services Engineering), AMCIBSE U.K., Eng. Tec. U.K., MASHRAE U.S.A., Mar.Eng. (DIP)

Senior Manager - Production Capt. K. G. N. S. Senanayake SLN (Retd.), MDS, B.Sc., psc

Manager - IT R. Aravinth B.Sc. (Hons)

Manager - Administration Maj. Mahinda Abeysinghe (Retd.) RSP

Manager - Distribution H. D. A. C. Herath BA (Sp) (Hons)

Manager - Stores Maj. Ranga Juwandarage (Retd.) RWP, RSP, Pg.D.LHRM (University of Colombo)

Manager - Security & Fire Maj. K.P.H. Dhammika De Silva (Retd.) RSP, Pg.D.HR (University of Colombo)

Asst. Engineer - Civil R. W. D. M. N. Senadheera NCT (Civil)

Regional Offices

Northern Region - Seeduwa

Head of Northern Region Maj. R. M. Cabraal (Retd.)

Deputy Head of Northern Region Col. A. M. B. Peiris (Retd.) RWP, MHRP, MBA (Sri J)

Group Security Manager Deshabandu R. M. L. N. Bandara MBA (USA), SSP (Retd.) Ex. Chief of Professional Standards & Discipline Office U. N. (East Timor)

Head of Analytical Division T. D. Ekmon B.Sc. (Hons), M.I.Chem C, Chartered Chemist

Consultant – Analytical Procedures K. Sivarajah B.Sc. (Cey), M.Sc. (UK), F. I Chem. C, Chartered Chemist, (Retd. Govt. Analyst)

Senior Chemist S. M. Sumanasekera B.Sc., M.Sc. (Food Science and Technology) I Chem

Chief Engineer M. N. Perera

Senior Manager - Production Capt. K.A.P. Perera SLN (Retd.) RSP, B.Sc. (Defence Studies), psc

Manager - Production S. G. Bandula Silva B.Sc.

Manager - Security & Investigations H.M.P. Herath ASP (Retd.)

Asst. Manager - Operations	Capt. K. V. G. H. Harischandra (Retd.)
Distillery	Seeduwa
Warehouses	New Warehouse, Old Warehouse
Wholesale Outlets	Peliyagoda (W), Peliyagoda (S), Rajakadalawa, Negombo, Kurunegala

Southern Region - Kalutara

Head of Southern Region	Brig. Aruna Wijewickrama (Retd.) USP, PQHRM (IPM)
Deputy Head of Southern Region	Lt. Col. M.W. Susantha Marapana (Retd.) RSP
Senior Manager - Production	A. D. Amaradewa
Chemist	W. A. Indunil Wickramasinghe A.I. Chem C, Grad Chem, Dip in POM (UK)
Asst. Engineer	H. P. D. P. Mangala Gunasekara
Manager (Beruwala Distillery)	C. E. Nanayakkara
Distillery	Beruwala
Warehouses	Kalutara No 01 & Kalutara No 02, Teak Stores, Mirishena
Wholesale Outlets	Kalutara, Ratmalana, Ambalantota, Galle, Kuruwita

Central Region - Kandy

Head of Central Region	Capt. Chula Ranasinghe USP - SLN (Retd.)
Deputy Head of Central Region	V. Jeiyachandiran B.Sc. (Hons)
Senior Manager - Production	N. Thiranagama B.Sc.
Consultant - Quality Control	W. W. M. S. U. Wijayarathna B.Sc. (Hons), M.Phil, Chartered Chemist
Civil Engineer	A. M. A. J. B. Abeykoon
Senior Executive-Operations/IT	M. R. I. K. Bandara B.Sc. (Hons)
Asst. Accountant	Ms. W. M. P. Perera
Warehouse	Nawayalatenna
Wholesale Outlets	Nawayalatenna, Gampola, Vavuniya, Batticaloa, Dickoya, Trincomalee, Jaffna, Anuradhapura

Uva Region - Badulla

Head of Uva Region	Capt. Ranjith Wettewa SLN (Retd.) RSP, P.S.N.
Warehouse	Badulla
Wholesale Outlet	Badulla

Group Management Division

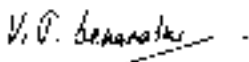
Group Financial Controller	Cleetus Mallawaarachchi FCA, FCMA, MBA
Group Chief Information Officer	Prasanna Karunanayake B.Sc (Eng), MBCS, ACMA, CGMA

Notice of Meeting

NOTICE IS HEREBY GIVEN that the TWENTY SEVENTH ANNUAL GENERAL MEETING OF DISTILLERIES COMPANY OF SRI LANKA PLC will be held on 22 September 2017 at 3.00 p.m. at the Board Room of the Company, No.110, Norris Canal Road, Colombo 10 for the following purposes.

1. To receive and consider the Annual Report of the Directors and the Financial Statements of the Company for the year ended 31 March 2017.
2. To re elect Capt. K. J. Kahanda who retires by rotation at the Annual General Meeting in terms of Article 92 of the Articles of Association, as a Director of the Company.
3. To re elect Dr. A. N. Balasuriya who retires by rotation at the Annual General Meeting in terms of Article 92 of the Articles of Association, as a Director of the Company.
4. To re elect as a Director, Mr. D. H. S. Jayawardena, who is over the age of 70 years as a Director by passing the following resolution:
"That the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. D. H. S. Jayawardena who has attained the age of 75 and that he be re-elected a Director of the Company."
5. To re elect as a Director, Mr. R. Seevaratnam, who is over the age of 70 years as a Director by passing the following resolution:
"That the age limit stipulated in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. R. Seevaratnam who has attained the age of 73 and that he be re-elected a Director of the Company."
6. To authorize the Directors to determine contributions to charities.
7. To authorize the Directors to determine the remuneration of the Auditors, Messrs. KPMG who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007.

By Order of the Board,



Ms.V.J.Senaratne
Company Secretary

21 August, 2017
Colombo.

Notes:

1. A member is entitled to attend and vote at the meeting or to appoint a proxy to attend and vote on behalf of him/her by completing the Form of Proxy enclosed herewith.
2. A Proxy need not be a member of the Company.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company at No.110, Norris Canal Road, Colombo 10, before 3.00 p.m. on 20 September 2017.

THE SHAREHOLDERS AND THE PROXY HOLDERS ATTENDING THE MEETING ARE KINDLY REQUESTED TO BE IN THEIR SEATS BY 2.45 P.M. THEY ARE ALSO REQUESTED TO BRING THIS ANNUAL REPORT, ALONG WITH AN ACCEPTABLE FORM OF IDENTITY.

Form of Proxy

Folio No.	
-----------	--

I/We

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

or

of

as my/our* Proxy to represent me/us* and vote for me/us* on my/our* behalf at the Twenty Seventh Annual General Meeting of the Company to be held on the 22 September 2017 and at any adjournment thereof and at every poll which may be taken in consequent thereof.

* Please delete the inappropriate words.

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

.....
Signature of Shareholder

Dated this day of 2017.

Notes:

1. Proxy need not be a member of the Company.
2. In terms of the Article 71 of the Article of Association of the Company.
The instrument appointing a Proxy shall be in writing under the hand of the appointor or his attorney duly authorized in writing, or where the appointor is a corporation, either under seal, or under the hand of an officer or attorney duly authorized. A Proxy need not be a member of the Company.
3. In terms of Article 72 of the Articles of Association of the Company.
The instrument appointing a Proxy and the Power of Attorney or other authority, if any, under which it is signed or notarially certified copy of that power of attorney shall be deposited at the registered office of the Company or at such other place within Sri Lanka as is specified for the purpose in the notice convening the meeting not later than 48 hours before the time of the holding of the meeting or adjourned meeting at which the person named in the instrument proposes to vote or in the case of the poll, not later than 24 hours before the time appointed for the taking of the poll and in default the instrument of Proxy shall not be treated as valid.
4. In terms of Article 66 of the Articles of Association of the Company.
In case of the Joint holders the votes of the senior who tenders a vote, whether in person or by Proxy, shall be accepted to the exclusion of the votes of the other joint-holders; and for this purpose seniority shall be determined by the order in which the names stand in the register of members.
The first joint-holder thereby has power to sign the Proxy without the consent of the other joint holder.
5. Instructions as to completion are noted overleaf.

Instructions as to completion

1. Kindly perfect the Form of Proxy, after filling in legibly your full name and address, by signing on the space provided and filling in the date of signature.
2. Kindly return the completed Form of Proxy to the Company after deleting one or other of the alternate words indicated by an asterisk.
3. To be valid the completed Form of Proxy should be deposited at the Registered Office of the Company at No.110, Norris Canal Road, Colombo-10, not later than 48 hours before the time appointed for the holding of the meeting.
4. Every alteration or addition to the Form of Proxy must be duly authenticated by the full signature of the shareholder signing the Form of Proxy. Such signature should as far as possible be placed in proximity to the alteration or addition intended to be authenticated.

Attendance Slip

Distilleries Company of Sri Lanka PLC

PQ 112

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

I / We hereby record my / our presence at the Twenty Seventh Annual General Meeting of the Distilleries Company of Sri Lanka PLC at the Board Room of the Company, No. 110, Norris Canal Road, Colombo 10, on 22 September 2017 at 3.00 p.m.

1. Full Name of Shareholder :
(In Capital Letters please)
2. Shareholder's NIC No./Passport No. :
3. Number of Shares held and Folio No. :
4. Name of Proxy Holder :
5. Proxy Holder's NIC No./Passport No. :
6. Signature of Attendee :

Notes

1. Shareholders / Proxy Holders are requested to bring this Attendance Slip with them when attending the meeting and hand it over at the entrance to the meeting hall after signing it.
2. Shareholders are also kindly requested to indicate any changes in their addresses / names by completing the following and forward same to the registered office 110, Norris Canal Road, Colombo 10, if not attending the meeting.

Name of the Shareholder :

Certificate No. :

Previous Address :

Present Address :

Any changes to the Name :

මෙම වාර්තාව සම්පූර්ණයෙන්ම පිළියෙල කර ඇත්තේ ඉංග්‍රීසි භාෂාවෙනි. ඔබට සභාපතිතුමාගේ පණිවුඩය, අධ්‍යක්ෂකවරුන්ගේ වාර්ෂික වාර්තාව සහ විගණක වාර්තාව සිංහල හෝ දෙමළ භාෂාවෙන් සකසන ලද පරිවර්තනයක් අවශ්‍ය නම්, ඒ බව ලේකම්, ඩිස්ටිලරීස් කොමිපැනි ඔෆ් ශ්‍රී ලංකා පීවිලිසි අංක 110, නොර්ස් කැනල් පාර, කොළඹ 10 යන ලිපිනයට 2017, සැප්තැම්බර් මස 15 වෙනි දිනට ප්‍රථම දන්වන්න.

இவ்வறிக்கை முழுமையாக ஆங்கிலத்தில் உள்ளது. தலைவரின் செய்தி, பணிப்பாளர் சபையின் வருடாந்த அறிக்கை, கணக்காய்வாளரின் அறிக்கை, ஆகியவற்றின் சிங்களம் அல்லது தமிழ் மொழிபெயர்ப்பு வேண்டுமாயின், தயவுசெய்து கடிதம் மூலம் பின்வரும் விலாசத்திற்கு, 2017, செப்டம்பர் மாதம் 15 திகதிக்கு முன் அறிவிக்கவும். செயலாளர், டிஸ்டிலரீஸ் கம்பனி ஒப் ஹீலங்கா பி.எல்.சி, இலக்கம் 110, நொரிஸ் கெனல் வீதி, கொழும்பு 10.

This report is entirely in English. If you require a translated copy of The Chairman's Message, Annual Report of the Board of Directors and The Auditor's Report in Sinhala or Tamil, please make a request by letter addressed to the Secretary, Distilleries Company of Sri Lanka PLC, No. 110, Norris Canal Road, Colombo 10 before 15th day of September 2017.

Corporate Information

Company Name

Distilleries Company of Sri Lanka PLC

Domicile and Legal Form of the Holding Company

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

Registration No.

PQ 112

Ultimate Parent Company

Milford Exports (Ceylon) Ltd.

Registered Office

110, Norris Canal Road, Colombo 10,
Sri Lanka

Tel : +94 11 5507000 / 2695295 -7

Fax : +94 11 2696360

Web : www.dcsigroup.com

Board of Directors

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

Mr. C. R. Jansz

Mr. N. de. S. Deva Aditya

Capt. K. J. Kahanda (Retd.)

Dr. A. N. Balasuriya

Mr. D. Hasitha S. Jayawardena

Mr. R. Seevaratnam

Mr. A. L. Gooneratne - (Alternate to N. de. S. Deva Aditya)

Ms. V. J. Senaratne - (Alternate to Capt. K. J. Kahanda)

Audit Committee

Mr. R. Seevaratnam - Chairman

Dr. A. N. Balasuriya

Mr. N. de. S. Deva Aditya

Mr. D. Hasitha S. Jayawardena

Remuneration Committee

Dr. A. N. Balasuriya - Chairman

Mr. N. de. S. Deva Aditya

Mr. D. Hasitha S. Jayawardena

Related Party Transactions Review Committee

Mr. R. Seevaratnam - Chairman

Dr. A. N. Balasuriya

Mr. D. Hasitha S. Jayawardena

Secretary

Ms. V. J. Senaratne

Auditors

Messrs KPMG (Chartered Accountants)

32A, Sir Mohamed Macan Marker Mawatha,
Colombo 03, Sri Lanka

Registrars

P. W. Corporate Secretarial (Pvt) Ltd.

3 / 17, Kynsey Road,
Colombo 08, Sri Lanka

Bankers

Bank of Ceylon

Commercial Bank of Ceylon

DFCC Bank PLC

Hatton National Bank

Hong Kong & Shanghai Banking Corporation

MCB Bank

Nations Trust Bank

People's Bank

Standard Chartered Bank

Seylan Bank PLC

Credit Rating

The Company has been assigned 'AAA (Ika)'
National Long Term Rating on Rating Watch Negative
by Fitch Ratings Lanka Limited.



www.dcsgroup.com

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