



UNCOMPROMISING  
**QUALITY**  
UNWAVERING  
**TRUST**





# UNCOMPROMISING **QUALITY** UNWAVERING **TRUST**

For over 100 years the uncompromising quality of DCSL products have created unwavering trust in the minds of consumers. As Sri Lanka's largest and most successful distillery, the ethos of uncompromising quality is ingrained. Based on the principles of good corporate governance sound management, and ethical business practices, we continue to focus on the quality of our products.

Today, in troubled times, we stand with our nation and people to ensure that the Sri Lankan spirit prevails.







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# Argente

## 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, Argente 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.



# Financial Highlights

## SUMMARY OF RESULTS

		2022	2021
Gross Turnover	Rs. Mn	107,057	92,830
Excise Duty	Rs. Mn	73,989	63,592
Net Turnover	Rs. Mn	33,068	29,238
Profit After Tax	Rs. Mn	7,986	7,268
Shareholders' Fund	Rs. Mn	6,372	9,081
Working Capital	Rs. Mn	1,405	3,621
Total Assets	Rs. Mn	25,160	23,072
Staff Cost	Rs. Mn	2,396	1,690
No. of Employees		945	953

## PER SHARE

Basic Earnings	Rs.	1.74	1.58
Net Assets	Rs.	1.39	1.97
Dividends	Rs.	1.56	1.12
Market Price	High	Rs. 21.90	24.60
	Low	Rs. 13.40	19.20
	Year End	Rs. 19.30	19.90

## RATIOS

Price Earnings	times	11.09	12.6
Return on Shareholders' Funds	%	125.18	80.0
Current Ratio	times	1.09	1.3
Interest Cover	times	51.55	32.6
Stock Turnover (Finished Goods)	days	8	17
Debt to Equity	%	0.16	0.14
Debt to Total Assets	%	0.04	0.06
Dividend Payout	%	89.66	70.89
Dividend Yield	%	8.08	5.63







# A Historical Perspective

Present in Sri Lanka for over a century, The Distilleries Company of Sri Lanka PLC (DCSL), is one of the most profitable and well respected corporate entities in the country. Its proud tradition, rich 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 realigned its operations as a 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 modernisation that witnessed upgrading of machinery and equipment.





# Story of Arrack

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

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

Distilled to perfection.  
Enjoyed without reservation.

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#### COCONUT ARRACK

With Coconut Arrack you get a lesson in tradition and a masterclass in blending. By using only the purest spirits, we have produced a drink that doesn't need a special occasion for imbibing, though opening a bottle will make any occasion a very special one.

#### VERY SPECIAL OLD ARRACK

Arrack is not just another beverage, it is a tradition, an institution, a pastime. Want to know what makes this arrack so 'very special'? The proof is in the tasting. Enjoy it straight, mixed, with chasers, or in your favourite cocktail. Here is a drink that will put sunshine in your heart and a smile on your face.

#### OLD ARRACK

An arrack that has inspired generations and has remained a local favourite through the ages. Smooth, swanky and with plenty of attitude. Mixes well with good company, but it might be even better when enjoying the sweet bliss of solitude.

#### EXTRA SPECIAL ARRACK

A legend among blended arracks, Extra Special lives up to its name, with a unique and distinctive taste. If you are looking for a spirited beverage, known for its authentic intensity, your search ends here.

#### DOUBLE DISTILLED ARRACK

A time-tested romance between the science of distilling and the art of blending. Distilled twice for extra purity and smoothness, this is the drink for those who know the difference. However, for the committed connoisseur who demands a beverage with real character, nothing else will do.





### PURE COCONUT SRI LANKA ARRACK

A bold and adventurous blend of pure coconut spirits. The perfect drink for those warm tropical days or heady nights. Mixes perfectly with soda, water and a generous helping of ice. Sri Lankan Arrack is the ideal accomplice to a good time.

### SPECIAL ARRACK

Celebrate the spirit of the moment with this brilliant blend. Here's an arrack that is traditionally taken straight or enjoyed with soda or water.

### WHITE LABEL ARRACK

A crystal-clear arrack that offers a clean, smooth, uplifting taste, this is the perfect drink for anytime or place. Offering a hint of lime, White Label really comes into its own when mixed in a tropical cocktail, but it can also be enjoyed with just ice.

### BLUE LABEL ARRACK

Share a moment, catch up with friends, or enjoy one of life's simple pleasures with this unique blend of spirits that's perfectly balanced. Every bottle is an expression of tradition, passion, and good taste.

### NARIKELA

The Spirit of Sri Lanka. A pure Coconut Liqueur, with a subtle taste and aroma of desiccated coconut and embodying a delicate sweetness. Narikela encapsulates the spirit of our Island and its people- joyful, carefree, hospitable and versatile. It can be served straight, on the rocks, with a chaser or mixed into a cocktail.

## The definitive collection of international bestsellers.

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### GRAND CHAIS DE FRANCE

Founded in 1979, the owners of over 30 domains and chateaux with 20 years of experience in wines and spirits.

### 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.

### WINCARNIS - TONIC WINE

First produced in 1887, Wincarnis Tonic Wine is a natural tonic, incorporating a unique infusion of herbs and spices rich in energy-giving vitamins.

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

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

### PASSION POP

There is nothing serious about this little number!

Passion Pop is low in alcohol and loaded with soft, approachable passion fruit sweetness.





#### CAPE DREAMS

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

#### MUD HOUSE

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

#### 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.

#### VIEJO - MARCHANTE

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

#### TERRA ANDINA - BY SUR ANDINA

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

## The definitive collection of international bestsellers.



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### **CAMINOS - BY SURANDINA**

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

### **SOMERTON**

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

### **OLD PULTENEY**

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

### **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.

### **ECHO FALLS - PINOT GRIGIO**

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





### ELIT & STOLICHNAYA VODKA

Since the dawn of the 20th Century. Produced to the same traditions and highest quality standards for more than 80 years.

### 12-YEAR-OLD REGENCY (PREMIUM)

Left to mature in American ex-bourbon casks for 12 long years, it is then expertly combined to create this spicy, sweet and distinctively balanced, blended Scotch Whisky.

### TAITTINGER - CHAMPAGNE

This high proportion of Chardonnay, unique among fine non-vintage champagnes, is aged for three years in cellars, where it reaches the peak of aromatic maturity. Known for its consistently excellent quality all over the world.

### 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 colourless, it gives a slight taste of mint and pepper.

A flavour for every occasion.  
A toast to the spirit of celebration.

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#### WHITE/RED RUM

A combination of spirits that deliver an authentic tasting rum, which stays true to its Caribbean roots. Balmora mixes well with any occasion and is the perfect addition for creating those magical moments.

#### TILL SIDER WHISKY

A refined blend of Islay malts and scotch whiskey with fine grain spirits. Every bottle tells a story of fiery passion, rugged coast, and windswept highlands. Best enjoyed liberally, whether on the rocks, mixed, or in your favourite whisky cocktails.

#### HOUSE OF TILBURY WHISKY

A combination of Islay malts from the southernmost island chain of Scotland and fine-grained spirits, combined to create a blend of whisky which is rich and smooth on the palate. A taste that deserves to be shared.

#### BLACK OPAL ARRACK

With a rich and smooth mouthfeel, this is an arrack that offers a distinctively well-rounded taste, combined with a clean, upbeat rush. An absolute joy to drink, whether you like them on the rocks or mixed.

#### PETROFF VODKA

For those days or nights when you want to feel like a Russian czar. Petroff Vodka goes well with just about anything. Crystal clear, with a subtle taste you're sure to enjoy, this is vodka for casual enthusiasts and aficionados alike.

#### TRIPLE BLUE

The pursuit of happiness and pleasure requires a certain passion and dedication, which reveals itself in this brave and intense blend. Offering a rich final product, Triple Blue is a definitive statement in quality.





#### FLINTON DRY GIN/ LEMON GIN

Carefully combining high-quality original gin spirits and fine grain spirits, produce a gin with a classic taste, which is as versatile as it is vivacious. The distinctively refreshing taste of Lemon Gin for gin lovers, with its subtle natural flavour and bouquet.

#### GALERIE BRANDY

A blend of renowned French brandy and premium quality spirits, matured in the finest barrels. This gives Galerie its distinctively smooth finish, for a brandy with plenty of style and a distinguished character.

#### FRANKLIN BRANDY

An exquisite blend of the best French brandy with select spirits, offering a taste that's refreshingly contemporary. One of the finest blended brandies with a smooth, full-bodied, and artfully blended finish.

#### PERICEYL MANGO ARRAK

This trendsetter is a favourite among the coolest bars and clubs, where Mango Arrak works brilliantly with a wide selection of cocktails and mixed drinks. Ideal if you enjoy the subtle hints of fresh ripe mangoes, with a clean taste, fun and vivacious attitude.

#### PERICEYL APPLE ARRAK

As cool and crisp as an evening sea breeze, this is a drink that is refreshingly fun. It's also absolutely essential for creative cocktails and mixed drinks that are sure to be the life of your party.

Marketed by Periceyl (Pvt) Ltd., a member of Melstacorp Group



# Taittinger

## The commitment to a name

The Taittinger family has managed the Champagne House for nearly a century. Its aim has always been the pursuit of excellence. "Having our family name on a bottle places demands and responsibilities on every minute. The name on the bottle conveys both the skills and knowledge of the past and a commitment to the future". Pierre Emmanuel Taittinger has embodied this commitment for 40 years, and today he shares it with his son, Clovis and his daughter, Vitalie who both work beside him in the day to day running of the Champagne House. Together, they create a very close-knit and complementary family trio.



CHAMPAGNE  
**TAITTINGER**  
*Reims*





EST 1897

# SPEYBURN

SPEYSIDE SINGLE MALT  
SCOTCH WHISKY

## SPEYSIDE, BY SPEYBURN.

SPEYBURN IS A LIGHT, NATURAL, SWEET,  
CLASSIC SPEYSIDE WHISKY. IT IS SPEYSIDE.  
NOTHING MORE. NOTHING LESS.

AWARDS



## RISE WITH THE TIDE

Old Pulteney's story is inseparable from the sea.  
It's in our DNA.  
It's in everything we do.

AWARDS

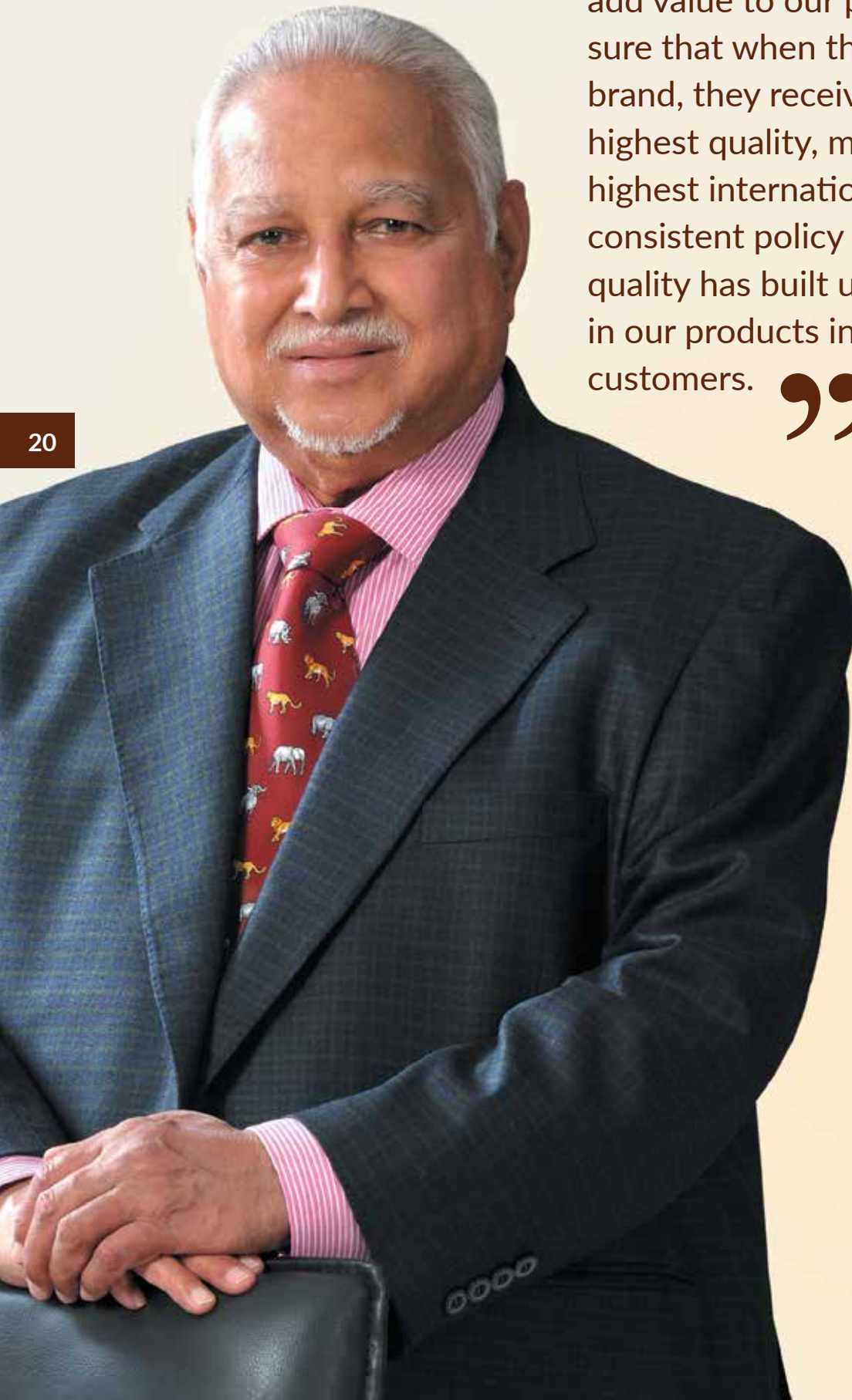


EST. 1824 1824  
**OLD PULTENEY**  
SINGLE MALT SCOTCH WHISKY



## Chairman's Statement

“Customers are our priority and we continue to research, innovate and add value to our products, making sure that when they buy the DCSL brand, they receive products of the highest quality, manufactured to the highest international standards. Our consistent policy of uncompromising quality has built unwavering trust in our products in the minds of our customers.”





GROSS TURNOVER  
**Rs. 107 BN**

TAXES  
**Rs. 79 BN**

PROFIT AFTER-TAX  
**Rs. 8 BN**

### Dear Shareholder,

I am pleased to share with you, the Company's annual report and the audited financial statements for the year ended 31st March 2022.

Sri Lanka is battling a severe economic crisis, with food and fuel scarcity affecting a large number of people. The economy has been in a free-fall since the onset of the COVID-19 pandemic, leading to the crash of the tourism sector. The country is also facing a foreign exchange shortage, which has affected its capacity to import food and fuel. Regular interruptions to the power supply are affecting small-business owners' ability to conduct business with many completely shutting down operations. Shortages in gas and kerosene oil for cooking, rise in commodity prices and supply shortages are changing people's consumption

patterns forcing many to reduce their consumption and non-consumption expenditure. The interruption to the power supply and shortage of fuel also curtailed the output of local ethanol which affected the company. This, in addition to the complete ban on importation of ethanol at times, resulted in a hand-to-mouth situation and left us unable to meet demand. There had been many occasions where production was halted and distribution affected due to disruption of supply of fuel and electricity exacerbated by the social unrest in the country. Despite these challenges, I am pleased to announce that the company managed to perform well.

Admirably, DCSL was able to retain its National Long-Term Rating of "AAA" (Ika) with Stable Outlook from Fitch Ratings during the year despite the ongoing economic turbulence in the country.

### Company's Performance

During the year under review, the company recorded a turnover of Rs. 107 billion, with the profit after tax rising to Rs. 8 billion compared to Rs. 7.3 billion the previous year, an increase of 9%. During the year, the Company contributed a staggering Rs.79 billion as taxes to State coffers, an increase of 16% over last year.

It is disheartening that despite our many warnings, the illegal toddy industry continues to thrive and flourish. Artificial toddy is produced from various toxic substances making it unfit for human consumption, in many cases resulting in blindness and other serious complications, sometimes even death. People consume toddy due to the major price difference, although they are not aware of the detrimental effects to their health. This illicit industry is overseen

by a few unscrupulous individuals and is prevalent throughout the Island. Over the years, we have done our best to alert the authorities to this unethically prepared, duplicated, and adulterated concoction, but unfortunately, artificial toddy is on the rise. Our efforts have proved ineffective as when one operation is shut down, it continues under another name. The damaging effect of adulterated toddy will cause harm to innocent consumers and pose a greater burden to the healthcare system of the country. Unfortunately, authorities continue to turn a blind eye and deaf ear to such illegal practices.

The current economic crisis has weakened the purchasing power of consumers. At the same time, we have noted a drastic increase in the price of locally produced ethanol subsequent to the total ban on importation. This is in addition to the prevailing excessive taxes & levies on legal alcohol products. These trends continue to result in shrinking sales of legally produced tax-paid alcohol products which are now a luxury to most consumers. As a result, sales of traditionally popular 750 ml bottles have fallen to record low levels and sales of smaller 180 ml bottles have

increased significantly. Further, we have observed that illegal liquor usage is growing in the country. Illicit alcohol poses substantial health, economic and social cost to society in general and in particular to users. Moreover, it causes loss of State revenue. We strongly urge the relevant authorities to make the general public aware of the health, social and economic consequences of consuming illicit alcohol. Policymakers should reassess the taxes and levies on legal alcohol and implement a program that achieves a gradual reduction of illicit liquor consumption.

Today a handful of people own more than 75% of the total FL4 retail licenses in the country and the remaining licenses are also being snapped up by some unscrupulous elements offering staggering prices with the intention of selling both legal and tax unpaid illegal products, defrauding much-needed tax revenue to the State. As we have highlighted on many previous occasions, we reiterate that the inconsistency in the existing retail licensing system be stopped forthwith for the benefit of the industry. The legal toddy industry has not progressed as it should, and certain stakeholders use their own toddy to sell

to illegal manufacturers at higher prices to make more adulterated beverages. On many occasions, the company has advanced funds ahead of time to the Government/relevant authorities. The alcohol industry is highly regulated and we at DCSL have always been socially responsible and continue to observe every regulation, pay all taxes and levies and conduct our business in a very transparent manner. All taxes, excise duty and other levies are always paid on the due date, despite many constraints we have had to face.

Customers are our priority and we continue to research, innovate and add value to our products, making sure that when they buy the DCSL brand, they receive products of the highest quality, manufactured to the highest international standards. Our consistent policy of uncompromising quality has built unwavering trust in our products in the minds of our customers.

I would like to reiterate that it is surely time to replace an ordinance which is almost 110 years old with a practical, new ordinance designed to better suit current requirements which will benefit all stakeholders.



## Chairman's Statement

### Dividend

In line with our dividend policy, I am pleased to announce that your Board of Directors declared two interim dividends totalling Rs. 1.56 per share for the year 2021/22 almost 40% over last year.

### Compliance

The Company has complied with all relevant provisions of the Code of Best Practice of Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka. We are committed to upholding the best Corporate Governance principles and practices. The measures taken in this regard are set out in the Corporate Governance Report.

### Appreciation

I wish to thank the Board of Directors for their unstinted support, the management and our employees for their continued best effort under trying conditions. I would also like to thank our valued shareholders and other stakeholders for their continued confidence. Last but not least, my thanks go out to our loyal consumers for placing their longstanding trust in our products.



**D. H. S. Jayawardena**

Chairman/Managing Director

25th August 2022

# Board of Directors



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



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



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



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





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



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



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



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



**Ms. V. J. Senaratne**  
Alternate Director to Capt. K. J. Kahanda/  
Company Secretary and Chief Legal Officer

## 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 Lanka Milk Foods (CWE) PLC., Milford Exports (Ceylon) (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., Ambewela Products (Pvt) Ltd., Ambewela Livestock Co. Ltd., Danish Dairy Products Lanka (Pvt) Ltd., Lanka Dairies (Pvt) Ltd., Melstacorp PLC and its subsidiaries, Aitken Spence PLC., Aitken Spence Hotel Holding PLC., Balangoda Plantations PLC., Madulsima Plantations PLC., Browns Beach Hotels PLC., Lanka Bell Ltd., Periceyl (Pvt) Ltd., Bogoda Power (Pvt) Ltd., Texpro Industries Ltd., Melsta Health (Private) Ltd and Melsta GAMA (Pvt) 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 SriLankan Airlines.

Mr. Jayawardena is the Honorary Consul for Denmark and was 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 a Director of the Stassen Group, Melstacorp Group, and Lanka Milk Foods Group. He is the Chairman of Melsta Hospitals Ragama (Pvt) Ltd. and Melsta Hospitals Colombo North (Pvt) Ltd.

He has been the Chairman of DFCC Bank PLC. and the Sri Lanka Shippers Council.

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

Mr. Jansz specialises in the movement and finance of international trade and has many years practical experience in these fields.

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

#### DL, FRSA

#### Independent Non-Executive Director

He was the first Post War Asian born Conservative Member of the British House of Commons and served in Government as the Parliamentary Private Secretary to the Scottish Office after which he was elected as the first Asian born British Member of the European Parliament, representing over 8 million people, British people in Berkshire, Hampshire, Buckinghamshire, Oxfordshire, Surrey, Sussex and Kent for 20 years.

He was the Vice President of the International Development Committee for 15 years, overseeing the Euro 25 billion European Aid Budget. He was the Chairman of the EU Korean Peninsula Delegation working towards a lasting Peace with North Korea, Chairman of the EU China, EU Bangladesh, EU

Indonesia, EU Myanmar and EU India Friendship Groups in the EU Parliament and was nominated by his political group ECR to be the President of the European Parliament and was the Chairman of the EU Delegation to the UN General Assembly.

Currently, he is the Publisher of the global media platform the only Commonwealth-wide media outlet reaching out to 2.4 billion people in the Commonwealth.

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

For his Tsunami Relief work he was made a Chevalier of the Catholic Church and Vishwa Keerthi Sri Lanka Abhimani by the Buddhist Clergy of Sri Lanka.

### 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 reorganisation of the operations of the Central Region since privatisation. He specialises in logistics, distribution and security matters, and is also a Director of Melstacorp PLC, G4S Security Services (Pvt) Ltd., Pelwatte Sugar Distilleries (Pvt) Ltd., and Melsta GAMA (Private) Ltd.

### Dr. Naomal Balasuriya

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

Dr. Naomal Balasuriya, a medical doctor turned-entrepreneur, is internationally sought after as a life-changing motivational speaker. His professional expertise ranges from medicine, military, management, marketing, mentoring to motivational speaking. He holds both the Master of Business Administration (MBA) and CIM (UK)



## Board of Directors

qualifications. Having worked in the Government sector, private sector and the Sri Lanka Air Force as a medical doctor, he now leads his entrepreneurial training company, Success Factory. He is also a Director of Melstacorp PLC.

### **Mr. D. Hasitha S. Jayawardena** **BBA (Hons) (UK)**

#### **Non-Independent Non-Executive Director**

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

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

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

### **Mr. Ranjeevan Seevaratnam**

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

Mr. Ranjeevan Seevaratnam was appointed to the Board as an Independent Non Executive Director from September 2015. He is a Graduate of the 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 Capt. K. J. Kahanda / Company Secretary and Chief Legal Officer**

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

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

### **Mr. Amitha Gooneratne**

#### **FCA (SL), FCA (Eng. & Wales) Alternate**

#### **Director to Mr. 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, UK 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 (Private) Limited. He was also nominated to the Board of Sri Lankan Airlines during 2002– 2004 by the Government of Sri Lanka.

On his retirement, Mr. Gooneratne assumed duties as Managing Director of Melstacorp PLC, He is the Chairman of Melsta Logistics (Private) Limited and Bellvantage (Private) Limited and is a Board Member of several subsidiary companies within the Melstacorp Group some of which are Public Listed Companies (PLC) and an Alternate Director on the Board of Distilleries Company of Sri Lanka.

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

# DCSL Management



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



**Nimal Nagahawatte**  
Head of Finance



**S. Rajanathan**  
Head of Procurement



**Ms. Gayathri Chakravarthy**  
Head of Human Resources



**Premasiri Liyanaarachchi**  
Chief Internal Auditor



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





**SDIG Police (Retd.) M.R. Latiff**  
Director - Corporate Risk Management & Compliance



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



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



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



**Lt. Col. Susantha Marapana (Retd.)**  
Head of Southern Region



**Roshanth Kumar Perera**  
Head of Transport & Logistics



**Lalith Ratnayake**  
Head of Inventory Control

# Corporate Governance

## Enterprise Governance

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

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

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

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

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

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

DCSL has a strong and sound foundation of sustainability principles that remain the overarching fundamentals in instituting and maintaining uncompromising governance practices and principles. The section of the report details the governance structure and the practices and guidelines DCSL has adopted in ensuring that we remain within the parameters of the numerous regulatory and authorised bodies that govern the industry and the Company. We stringently adhere to and comply with the mandates of the Colombo Stock Exchange and Securities & Exchange

Commission of Sri Lanka, NATA, Excise Department, Central Bank of Sri Lanka and the Government Treasury, Institute of Chartered Accountants of Sri Lanka Central Environmental Authority, relevant Ministry and departmental authorisations and regulations and numerous Codes introduced by Professional Associations and the Chamber of Commerce from time to time.

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

## The Board of Directors

### Role of the Board of Directors

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

The key responsibilities of the Board are;

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

### Composition of the Board and Independence

The Board of Directors of DCSL comprises the Chairman / Managing Director, two Executive Directors, one Non-Independent Non-Executive Director and Three Independent Non-Executive Directors as given in the table above. Brief profiles of the Directors are given on pages 26 to 27.

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.

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

\*In person or by alternate



Mr. N. de S. Deva Aditya has been serving as a non-executive independent director over ten (10) years. He is also a member of the audit committee and remuneration committee. The Board has determined Mr. N. de S. Deva Aditya as an independent director and that Section 7.10.4 (e) of the CSE Rule does not apply to Mr. N. de S. Deva Aditya after taking into consideration all the relevant circumstances, including the fact that he resides overseas and he is not directly or indirectly involved in the day-to-day management of the Company.

Dr. A. N. Balasuriya has been serving as a non-executive independent director over ten (10) years. He is also the chairman of the remuneration committee, a member of the audit committee and related party transaction review committee. The Board has determined Dr. A. N. Balasuriya as an independent director and that Section 7.10.4 (e) of the CSE Rule does not apply to Dr. A. N. Balasuriya after taking into consideration all the relevant circumstances, including the fact that he is not directly or indirectly involved in the day-to-day management of the Company.

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

### Meetings and Attendance

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

### Board Committees

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

### Audit Committee

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

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

The detailed report of the Audit Committee is on pages 46 to 47.

### 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 48.

### 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 page 49.

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

### Going Concern

After an extensive review of the Company's corporate plan, budgets, capital expenditure requirements and future cash flows, the Board has taken a decision to apply the Going Concern principle in the preparation of the Financial Statements for 2021/22. 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.

Ruling Index	Description of the Ruling	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 30 & 31
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 30 & 31
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 26 to 27.
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 48.
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 48.



Ruling Index	Description of the Ruling	Compliance Status	Details
7.10.5(c)	Disclosure in the Annual Report The Annual Report should set out;		
	i. Names of the Directors comprising the Remuneration Committee.	Complied	Please refer page 31.
	ii. Statement of Remuneration Policy.	Complied	Please refer page 48.
	iii. Aggregated remuneration paid to Executive and Non-Executive Directors.	Complied	Please refer note 8 to the financial statements.
7.10.6	Audit Committee The Company shall have an Audit Committee.		Please refer Audit Committee report on page 46 to 47
7.10.6(a)	Composition		
	i. Shall comprise of Non-Executive Directors a majority of whom will be Independent.	Complied	Please refer page 46.
	ii. One Non-Executive Director shall be appointed as Chairman of the committee.	Complied	Please refer page 46.
	iii. Chief Executive Officer and Chief Financial Officer shall attend Committee meetings.	Complied	Please refer page 46.
	iv. The Chairman or one member of the Committee should be a member of a professional accounting body.	Complied	Please refer page 46.
7.10.6(b)	Functions		
	i. Overseeing the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards.	Complied	Please refer Audit Committee report on pages 46 to 47.
	ii. Overseeing the compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.	Complied	
	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.	Complied	
	iv. Assessment of the independence and performance of the entity's external auditors.	Complied	
	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.	Complied	

## Corporate Governance

Ruling Index	Description of the Ruling	Compliance Status	Details
7.10.6(c)	Disclosure in Annual Report		
	i. The names of the Directors comprising the Audit Committee.	Complied	Please refer Corporate Governance Report on page 30 & 31 and Audit Committee Report on pages 46 to 47.
	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.		Please refer the Related Party Transactions Review Committee Report in page 49.
9.2.2	Composition of the Related Party Transactions Review Committee.		Please refer the Related Party Transactions Review Committee Report on page 49.
9.2.4	Related Party Transactions Review Committee Meetings.		
9.3.1	Immediate disclosures.		
9.3.2(a)	Disclosure - Non-Recurrent Related Party Transactions.		
9.3.2(b)	Disclosure - Recurrent Related Party Transactions.		
9.3.2(c)	Report by the Related Party Transactions Review Committee.		Report by the Related Party Transactions Review Committee on page 49.
9.3.2 (d)	A declaration by the Board of Directors.		Refer to the Annual Report of the Board of Directors for an affirmative statement of compliance of the Board on page 50.

## Corporate Governance

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 30 & 31.
A.1.1	Regular Board meetings and supply of information.	✓	Please refer Corporate Governance Report on page 30 & 31.
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
A.1.4	Access to advice and services of the Company Secretary.	✓	Directors on pages 50-52.
A.1.5	Bring Independent judgment on various business issues and standards of business conduct.	✓	The Company Secretary position is headed by a professionally qualified Company Secretary.
A.1.6	Dedication of adequate time and effort.	✓	All the Board members actively participate in the Board meetings by bringing up their own Independent judgment.
A.1.7	Board induction & training.	✓	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.



Ruling Index	Description of the Ruling	Compliance Status	Details
A. 2	Chairman and Chief Executive officer.		The Directors are provided with training as and when it is required.
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. <ul style="list-style-type: none"> <li>• effective participation of both Executive and Non-Executive Directors.</li> <li>• balance of power between Executive and Non-Executive Directors.</li> </ul>	✓	Please refer Corporate Governance Report on page 30 & 31 for the following details.
A.4	Financial Acumen		
A.4	The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	✓	Please refer the Audit Committee report on pages 46-47.
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'.	✓	The Board of Directors consists of four Non-Executive Directors, out of which three are independent. Report on page 30 & 31.
A.5.3	Definition of Independent Directors	✓	Please refer Corporate Governance Report on page 30 & 31.
A.5.4	Declaration of Independent Directors	✓	Please refer Corporate Governance Report on page 30 & 31.
A.5.5	Board determinations on independence or non- independence of Non-Executive Directors.	✓	Please refer Corporate Governance Report on page 30 & 31.
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

## Corporate Governance

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 the 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 were 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 50.
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.	✓	

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 26 to 27 and Corporate Governance Report on page 30 & 31.
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>B.</b>	<b>Directors Remuneration</b>		
B.1	Remuneration Procedure		
B.1.1	The Board of Directors should set up a Remuneration Committee.	✓	Please refer Remuneration Committee Report on 48.
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 48 and note 8 of the financial statements.



## Corporate Governance

Ruling Index	Description of the Ruling	Compliance Status	Details
<b>C.</b>	<b>Relations with Shareholders</b>		
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 105 & 106 of the Annual Report for the notice of the meeting.
C.1.5	Summary of procedures governing voting at general meetings to be informed	✓	
C.2	Communication with Shareholders		
C.2.1	Channel to reach all shareholders to disseminate timely information	✓	
C.2.2/ C.2.7	Policy and methodology of communication with shareholders and implementation	✓	
C.3	Major and material transactions including major related party transactions	✓	Please refer note 28 to the Financial Statements.
C.3.1	Disclosure of all material facts involving all material transactions including related party transactions	✓	
<b>D.</b>	<b>Accountability and Audit</b>		
D.1	Financial Reporting		
D.1.1	Disclosure of interim and other price-sensitive and statutorily mandated reports to Regulators.	✓	The Board presents a balanced and understandable assessment extends to interim and other price-sensitive public reports and reports to regulators, as well as to information required to be presented by statutory requirements complying with regulatory deadlines.
D.1.2	Declaration by the Directors that the company has not engaged in any activities, which contravene laws and regulations, declaration of all material interests in contracts, equitable treatment of shareholders and going concern with supporting assumptions or qualifications as necessary	✓	Please refer Annual Report of the Directors on pages 50-52.

Ruling Index	Description of the Ruling	Compliance Status	Details
D.1.3	Statement of Directors Responsibility	✓	Please refer to the Statement of Directors Responsibility on Page 54.
D.1.4	Management Discussion and Analysis	✓	Please refer Chairman's Statement on page 20.
D.1.5	The Directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary	✓	Please refer Annual Report of the Board of Directors on pages 50-52.
D.1.6	Remedial action at EGM if net assets fall below 50% of value of shareholders' funds	N/A	
D.1.7	Disclosure of Related Party Transactions	✓	Please refer Note 28 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 46 and Annual Report of the Board of Directors on pages 50-52.
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 46.
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	✓	

## Corporate Governance

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 30 to 41.
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 30 to 41.
<b>E.</b>	<b>Institutional Investors</b>		
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 pages 30 to 41.
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 pages 30 to 41.
<b>F.</b>	<b>Other Investors</b>		
F. 1	Investing/Divesting Decision		
F. 1	Individual shareholders, investing directly in shares of the 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	✓	
<b>G</b>	<b>Sustainability Reporting</b>		
G.1/ G.1.7	Disclosure of adherence to sustainability principles	✓	Please refer Annual Report of the Board of Directors on pages 50-52.



# 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 a 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 is subject to change and not all of the factors listed, are within

# Enterprise Risk Management

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

Credit Risk & Implication	Mitigation Strategies
This risk ensues when a DCSL customer is unable to meet his financial obligations.	<ul style="list-style-type: none"> <li>• Measure, monitor and manage credit risk for each borrower through clear credit approval procedures</li> <li>• Regularly review customer credit ratings and constantly update records to ensure complete awareness of 'borrower credit status'</li> </ul> <p>Please refer financial risk management note on pages 93 to 97.</p>
Legal and Regulatory Risk & Implication	Mitigation Strategies
Risks arising from nonconformance 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.	<ul style="list-style-type: none"> <li>• Established a dedicated unit to keep abreast of all policy changes, to manage risk and ensure adherence to all regulations</li> <li>• Recruitment of ex-regulators to senior positions within the Company with an objective to enhance regulatory awareness and increase compliance</li> </ul>
Investment Risk & Implication	Mitigation Strategies
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.	<ul style="list-style-type: none"> <li>• The Chairman / Managing Director is tasked with tracking returns on investments with the assistance of the Head of Finance and Group Financial Controller</li> <li>• The Board develops policies and procedures to ensure that new investments and initiatives are subjected to mandatory compliance procedures.</li> <li>• Regular reviews by Audit Committee and Internal Audit Division</li> </ul>
Human Risk & Implication	Mitigation Strategies
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.	<ul style="list-style-type: none"> <li>• Maintaining above industry remuneration schemes</li> <li>• Skills upgrading</li> <li>• Professional growth avenues</li> <li>• Performance-based reward systems</li> <li>• Best practices being introduced and upgraded continually</li> <li>• Measures are taken to retain and minimise casual / temporary labour turnover.</li> </ul>

# Enterprise Risk Management

## Risk & Implication

### Operational Risk & Implication

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The nature of our business renders us vulnerable to several common operational risks including fraud, human error, natural disasters, loss of data and unrequited disclosure of sensitive information.

### Mitigation Strategies

- A structured internal control framework implemented works through a state of the art MIS system, internal audit mechanism and insurance policies
- A comprehensive system established to ensure that any loss is communicated to all related parties and across the company to prevent similar incidences
- Regular meetings are conducted to assess these risks
- Contingency plans are in place to minimise work-stop situations
- Regular reviews of contingencies and disaster recovery plans
- Financial risk arising from operation is covered in financial risk management on pages 93 to 97.

### Socio-Economic Risk & Implication

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.

### Mitigation Strategies

- A committed Investigations Unit established to monitor and report illegal activities that challenge our business

### Socio-Political Risk & Implication

Socio-Political risk is the possibility of instability in a country or the world which would cascade to negatively impacting markets. Unrest of any kind could affect investor attitudes towards the markets in general, leading to disruption of business. Continuity of a cohesive policy towards local business is a key element here.

### Mitigation Strategies

### Technology Risk & Implication

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.

### Mitigation Strategies

- Implementation of stringent barriers including password protection and restricted access, stringent user guidelines, contingency plans and physical security measures closely monitored by the Central IT Unit.
- Comprehensive backup and recovery systems in place
- A robust ERP system is deployed in the Company. Phased implementation of same across the divisions of DCSL.



# Enterprise Risk Management

## Risk & Implication

Product Risk & Implication	Mitigation Strategies
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.	<ul style="list-style-type: none"> <li>• Employing established operating procedures to review and approve all raw material prior to use, to ensure maintenance of quality control</li> <li>• Remain emphatic on safety, health and environmental hazards that may ensue due to possible negative publicity</li> <li>• Equipping our R &amp; D Team with ample knowledge to field any technical questions about our products</li> <li>• Marketing and distribution procedures have complete control of the supply chain</li> </ul>
Foreign Exchange Risk & Implication	Mitigation Strategies
A depreciated Sri Lankan Rupee could impact the importation of rectified spirits and foreign brands in our distilleries portfolio.	<ul style="list-style-type: none"> <li>• Remaining acutely attuned to the frequent changes seen in foreign currency rates with our bankers</li> <li>• Monitoring local and international events and news related to economics which can impact to exchange rates</li> </ul> <p>Please refer financial risk management note on pages 93-97.</p>
Cheaper Product, Counterfeiting and Unethical Competition Risk & Implication	Mitigation Strategies
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.	<ul style="list-style-type: none"> <li>• Ensuring our products are competitively priced and continue to retain the highest standards of quality in order to drive a loyal consumer base who disregard cheaper options</li> <li>• Our Investigations unit maintains close scrutiny on any counterfeit DCSL products in the market</li> <li>• Communicate and demonstrate to our consumers on measures and processes in identifying DCSL brands, authorised dealers and retailers</li> <li>• Continuing to improve manufacturing process which includes tamper proof bottles</li> <li>• Make every effort to sustain and enhance brand equity, ensuring that consumers are not cheated in any manner due to third party action</li> <li>• Co-operate with law enforcement bodies to curb illegal distillation</li> </ul>

# Board Audit Committee Report

## Composition

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

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

A brief profile of each member is given on pages 26 to 27. Ms. N. C. Gunawardena 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 certain 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 3/4
- Mr. N. de S. Deva Aditya 1/4

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 the Company.
- Assess the Company's ability to continue as a going concern in the foreseen future.

## Internal Audit

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

## External Audit

The Audit Committee met with the External Auditors to discuss the scope and the audit strategy. The Committee also reviewed the Report of the Auditors & Management Letters issued by them on separate occasions to ensure that no limitations were placed on their independence of work and conduct of the audit. The Committee carried out an annual evaluation of the External Auditors to establish their independence and objectivity and also obtained a written declaration from the Auditors in this regard. The Committee stipulated that the Lead Audit Partner is rotated every seven years. The Audit Committee recommended to the Board of Directors that Messrs. KPMG be reappointed as Auditors for the financial year ending 31st March 2023.

## Board Audit Committee Report

### 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

25th August 2022



# Remuneration Committee Report

## Committee

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

Brief profiles of these Directors are given on pages 26 to 27  
Ms. N.C. Gunawardena, functions as the Secretary to this Committee.

## Terms of Reference

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. The annual assessment is carried out and increments and incentives are awarded based on the rating/ranking of each individuals.

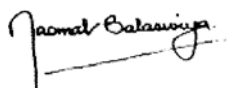
## Meetings

The Board Remuneration Committee met three (3) times during the year. Mr. N. de S. Deva Aditya could not attend certain meetings during the year, due to his engagements abroad. Nevertheless, Mr. Deva Aditya was kept informed of the proceedings of the Remuneration Committee and his opinion was sought on important matters.

The attendance of the other members at these meetings is as follows:

- Dr. A. N. Balasuriya 3/3
- Mr. D. Hasitha S. Jayawardena 3/3
- Mr. N. de S. Deva Aditya 1/3

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



**Dr. Naomal Balasuriya**  
Chairman  
Remuneration Committee

25th August 2022

# Board Related Party Transactions Review Committee

## Composition

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

A brief profile of each member is given on pages 26 to 27  
Ms. N. C. Gunawardena functions as the secretary to this committee.

## Purpose of the Committee

The Committee's key focus is to review all proposed Related Party Transactions prior to entering into or completion of the transaction according to the procedures laid down by Section 9 of the Listing Rules of the Colombo Stock Exchange. The Committee evaluates any proposed related party transactions

on a quarterly basis and recommends to the management and Board, the appropriate course of action to be taken in order to adhere to the compliance regulations of the Listing Rules and the Code of Best Practices on related party transactions.

## Meetings

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

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

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

## Disclosures

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



**R. Seevaratnam**

Chairman

Related Party Transactions Review Committee

25th August 2022

# Annual Report of the Board of Directors

Board of Directors of Distilleries Company of Sri Lanka PLC has the pleasure of presenting the Annual Report and the Audited Financial Statements of the Company for the financial year ended 31st March 2022. The details set out herein provide the pertinent information requested under Section 168 of the Companies Act No. 07 of 2007, the Colombo Stock Exchange Listing Rules and the recommended best practices on Corporate Governance.

## Principal Activities

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

## Business Review

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

## Results and Appropriations

The gross turnover of the Company for the year under review amounted to Rs. 107,057 Mn (2020/21 – Rs. 92,830 Mn). The profit after tax was Rs. 7,986 Mn (2020/21 – Rs. 7,268 Mn). The Board of Directors declared two interim dividends totaling Rs.1.56 per share for the year ending 31st March 2022. (2020/21 - Rs.1.12 per share).

## Financial Statements

The Financial Statements of the Company for the year ended 31st March 2022 approved by the Board of Directors on 25th August 2022 are given on pages 58 to 99.

## Audit Report

The Auditor's Report on the Financial Statements of the Company is given on page 55 to 57.

## 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 62 to 71. There were no changes to the accounting policies in the Financial Statements adopted by the Company during the year under review.

## Investments

Total investments of the Company amounted to Rs. 1,633 Mn (2020/21 – Rs. 1,934 Mn). The details of the investments are given in Note 16 to the Financial Statements.

## Property, Plant and Equipment

The net book value of property, plant and equipment of the Company as at 31st March 2022 was Rs. 4,839 Mn (2020/21 – Rs. 5,249 Mn). Total capital expenditure during the year for acquisition of property, plant and equipment by the Company amounted to Rs. 77 Mn (2020/21 – Rs. 63 Mn). The details of property, plant and equipment are given in Note 11 to the Financial Statements.

## Market Value of Freehold Lands and Buildings

All freehold lands and buildings of the company were revalued by a professionally qualified independent valuer as at 31st March 2019 and brought into the Financial Statements. The directors are of the opinion that the re-valued amounts are not significantly different from the market values as at 31st March 2022.

## Stated Capital and Reserves

The Stated Capital of the Company as at 31st March 2022 was Rs. 3,000 Mn consisting of 4,600 Mn Ordinary Shares. The total Company Reserves as at 31 March 2022 amounted to Rs. 3,372 Mn (2020/21 – Rs. 6,082 Mn) comprising of Capital Reserves of Rs. 1,863 Mn (2020/21 – Rs. 1,863 Mn) and Revenue Reserves & Retained Earnings of Rs. 1,510 Mn (2020/21 – Rs. 4,219 Mn) the movement of which is disclosed in the Statement of Changes in Equity.

## Internal Controls and Risk Management

The Directors acknowledge their responsibility for the Companies system of internal control. The systems are designed to provide reasonable assurance that the assets of the Company are safeguarded and to ensure that proper accounting records are maintained. The Board, having reviewed the system of internal control is satisfied with the systems and measures in effect at the date of signing this report.

## Capital and Other Commitments

Contingent liabilities and capital commitments are disclosed in Note 29 to 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 32 to the Financial Statements.

## Employees

The number of persons employed by the Company as at 31st March 2022 was 945 (2020/21 – 953).

# Annual Report of the Board of Directors

## Board of Directors

The Board of Directors of the Company as at 31st March 2022 and their brief profiles are given on pages 26 and 27.

**Directors Standing for Re-election**  
To re-elect Capt. K.J. Kahanda (Retd) who retires by rotation at the Annual General Meeting in terms of Article 30 of the Articles of Association, as a Director of the company.

To re-elect Mr. D.H.S. Jayawardena who is over 70 years as a Director by passing the following resolution. "That the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. D.H.S. Jayawardena who has attained the age of 80 and that he be re-elected a Director of the company.

To re-elect Mr. R. Seevaratnam who is over 70 years as a Director by passing the following resolution. "That the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. R. Seevaratnam who has attained the age of 79 and that he be re-elected a Director of the company."

To re-elect Mr. N. de S. Deva Aditya who retires by rotation at the Annual General Meeting in terms of Article 30 of the Articles of Association, as a Director of the company and be over 70 years by passing the following resolution. "That the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. N. de S. Deva Aditya who has attained the age of 74 and that he be re-elected a Director of the company.

## Interest Register

The Company maintains an Interest Register in compliance with the Companies Act No. 07 of 2007. This Annual Report also contains particulars of entries made in the Interest Register. Directors' Interests in Contracts are disclosed in the Related Party Transactions under Note 28 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.

## 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 101 of the Annual Report.

## Directors' Shareholdings

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

As at 31st	March 2022	March 2021
D. H. S. Jayawardena	Nil	Nil
C. R. Jansz	Nil	Nil
N. de S. Deva Aditya	Nil	Nil
Capt. K. J. Kahanda	Nil	Nil
Dr. A. N. Balasuriya	Nil	Nil
D. Hasitha S. Jayawardena	2,231,505	2,231,505
R. Seevaratnam	Nil	Nil

## Corporate Governance

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

## Board Committees

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

## Related Party Transactions

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



# Annual Report of the Board of Directors

## Sustainability Principles

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

## Statutory Payments

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

## Going Concern

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

## 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 for the year ending 31st March 2023. A resolution to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting. Total audit fees paid to Messrs. KPMG are disclosed in Note 08 to the Financial Statements. The Auditors of the Company have confirmed that they do not have any relationship with the Company (other than that of Auditor) that would have an impact on their independence.

## Annual General Meeting

The Annual General Meeting of the Company will be held as a virtual meeting at the "Mini Auditorium" Distilleries Company of Sri Lanka PLC No 110, Norris Canal Road, Colombo 10, Sri Lanka on 22nd September 2022 at 10.00 a.m. The Notice of Meeting appears on page 105 & 106 of the Annual Report.

For and on behalf of the Board of Directors,



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



**C. R. Jansz**  
Director



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

25th August 2022  
Colombo

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# Statement of Directors Responsibility

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

The Board accepts the responsibility for the integrity and the 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 the 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 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 the belief that all statutory payments in relation to regulatory and statutory authorities that were due in respect of the Company as at the reporting date have been paid or where relevant, provided for.

By Order of the Board,



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

25th August 2022

# Independent Auditor's Report



KPMG  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
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## TO THE SHAREHOLDERS OF DISTILLERIES COMPANY OF SRI LANKA PLC

### Report on the Audit of the Financial Statements Opinion

We have audited the financial statements of Distilleries Company of Sri Lanka PLC ("the Company"), which comprise the statement of financial position as at 31st March 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 58 to 99 in the annual report.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Recognition of Revenue

Refer to the significant accounting policies in Note 3.11 and explanatory Note 5 to the financial statements.

### Basis for Opinion

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

### Key Audit Matters

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

### Risk Description

The Company has recognized a revenue of Rs. 107,057.4 Mn for the year ended 31st March 2022.

Revenue is a key performance indicator used to evaluate the performance of the Company. Given the significance of the total value, the number of transactions, geographical locations and the dependence on IT systems over recognition of revenue, the recognition of revenue was considered as a key audit matter for the year ended 31st March 2022.

### Our response

Our audit procedures included;

- Testing the design and operating effectiveness of key IT application and manual controls over revenue, in addition to evaluating the integrity of the general IT control environment.
- Comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with the underlying goods delivery notes and/or invoices to assess whether the related revenue had been recognised in the correct financial period.
- Developing expectations over current revenue amount based on trend analysis considering historical sales patterns.

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

P.Y.S. Perera FCA  
W.J.C. Perera FCA  
W.K.D.C. Abeyrathne FCA  
R.M.D.B. Rajapakse FCA  
M.N.M. Shameel FCA  
Ms. P.M.K. Sumanasekara FCA

C.P. Jayatilake FCA  
Ms. S. Joseph FCA  
S.T.D.L. Perera FCA  
Ms. B.K.D.T.N. Rodrigo FCA  
Ms. C.T.K.N. Perera ACA

T.J.S. Rajakarier FCA  
Ms. S.M.B. Jayasekara FCA  
G.A.U. Karunaratne FCA  
R.H. Rajan FCA  
A.M.R.P. Alahakoon ACA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, W.A.A. Weerasekara CFA, ACMA, MRICS



# Independent Auditor's Report



## Other Information

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

## Independent Auditor's Report



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

### Report on Other Legal and Regulatory Requirements

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

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

**Chartered Accountants**  
Colombo

26th August 2022

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March,

	Note	2022 Rs. '000	2021 Rs. '000
<b>Revenue</b>	5	107,057,378	92,830,169
Direct Taxes		(73,988,728)	(63,592,108)
Cost of Sales		(17,718,123)	(15,576,807)
<b>Gross Profit</b>		15,350,527	13,661,254
Other Operating Income	6	239,508	240,300
Distribution Expenses		(902,608)	(579,936)
Administrative Expenses		(1,626,886)	(1,146,509)
<b>Results from Operating Activities</b>		13,060,541	12,175,109
Finance Income	7.1	385,156	137,466
Finance Costs	7.2	(260,824)	(378,290)
<b>Net Finance Income/(Costs)</b>		124,332	(240,824)
<b>Profit before Income Tax Expense</b>	8	13,184,873	11,934,285
Taxation	9	(5,199,123)	(4,666,129)
<b>Profit for the Year</b>		7,985,750	7,268,156

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## Other Comprehensive Income

### Items that will never be Reclassified to Profit or Loss

Actuarial Gain/(Loss) on Retirement Benefit Obligations	23	76,808	(40,591)
Deferred tax on Actuarial (Gain)/Loss	17.1	(30,724)	16,237
		46,084	(24,354)

### Items that are or may be Reclassified to Profit or Loss

Net Change in Fair Value of Financial Assets Measured at FVOCI	16.1	(344,649)	(596,331)
		(344,649)	(596,331)
<b>Total Other Comprehensive Expense for the Year</b>		(298,565)	(620,685)
<b>Total Comprehensive income for the year</b>		7,687,185	6,647,471
<b>Basic Earnings per Share</b>	10.1	1.74	1.58

The notes from pages 62 to 99 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

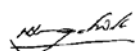
# Statement of Financial Position

As at 31st March,

	Note	2022 Rs. '000	2021 Rs. '000
<b>ASSETS</b>			
<b>Non Current Assets</b>			
Property, Plant and Equipment	11	4,839,134	5,249,120
Right-of-use Assets	12	1,398,847	1,470,983
Net Investment in Sub Lease	13	35,848	50,310
Intangible Assets	14	-	-
Investment in Subsidiaries	15	-	-
Other Non Current Financial Investments	16	1,611,699	1,873,786
		<b>7,885,528</b>	<b>8,644,199</b>
<b>Current Assets</b>			
Inventories	18	3,381,008	4,640,802
Trade and Other Receivables	19	6,233,669	7,107,165
Net Investment in Sub Lease	13	14,462	12,553
Amounts Due From Related Companies	28.1.1	596,101	672,538
Other Current Financial Investments	16	21,214	60,844
Cash and Cash Equivalents	20	7,027,682	1,933,826
		<b>17,274,136</b>	<b>14,427,728</b>
<b>Total Assets</b>		<b>25,159,664</b>	<b>23,071,927</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Stated Capital	21	3,000,000	3,000,000
Reserves	22	2,046,591	2,409,735
Retained Earnings		1,325,870	3,671,541
<b>Total Equity</b>		<b>6,372,461</b>	<b>9,081,276</b>
<b>Non Current Liabilities</b>			
Deferred Tax Liabilities	17	1,523,150	1,583,060
Retirement Benefit Obligation	23	175,007	259,297
Lease Liability	24	1,220,026	1,341,357
		<b>2,918,183</b>	<b>3,183,714</b>
<b>Current Liabilities</b>			
Trade and Other Payables	25	7,545,611	3,494,101
Amount due to Related Companies	28.1.2	24,021	57,402
Lease Liability	24	422,880	323,731
Taxes Payable	26	7,669,040	6,918,644
Interest Bearing Loans and Borrowings	27	10,000	13,000
Bank Overdrafts	20	197,468	59
		<b>15,869,020</b>	<b>10,806,937</b>
<b>Total Liabilities</b>		<b>18,787,203</b>	<b>13,990,651</b>
<b>Total Equity and Liabilities</b>		<b>25,159,664</b>	<b>23,071,927</b>
<b>Net Assets Per Share (Rs.)</b>		<b>1.39</b>	<b>1.97</b>

The notes from pages 62 to 99 form an integral part of these Financial Statements.

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



**N. N. Nagahawatte**  
Head of Finance

The Board of directors is responsible for the preparation and presentation of these Financial Statements.  
Approved for and on behalf of the Board of Directors



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

Colombo,  
25th August 2022



**C. R. Jansz**  
Director



# Statement of Changes in Equity

	Stated Capital Rs. '000	Revaluation Reserve Rs. '000	Capital Reserve Rs. '000	General Reserve Rs. '000	FVOCI Reserve Rs. '000	Retained Earnings Rs. '000	Total Rs. '000
Balance as at 1st April 2020	3,000,000	1,754,636	107,882	10,000	1,133,548	889,739	6,895,805
<b>Total comprehensive income for the year</b>							
Profit for the year	-	-	-	-	-	7,268,156	7,268,156
<b>Other comprehensive income</b>							
Net change in fair value of instruments measured at FVOCI	-	-	-	-	(596,331)	-	(596,331)
Actuarial loss on retirement benefit obligations	-	-	-	-	-	(40,591)	(40,591)
Deferred tax on actuarial loss	-	-	-	-	-	16,237	16,237
<b>Total other comprehensive expense for the year</b>	-	-	-	-	(596,331)	(24,354)	(620,685)
<b>Total comprehensive income/(expense) for the year</b>	-	-	-	-	(596,331)	7,243,802	6,647,471
<b>Transactions with Owners directly recorded in the Equity</b>							
Dividends paid during the year (Note 10.3)	-	-	-	-	-	(4,462,000)	(4,462,000)
<b>Total contributions by and distributions to owners</b>	-	-	-	-	-	(4,462,000)	(4,462,000)
<b>Balance as at 31st March 2021</b>	<b>3,000,000</b>	<b>1,754,636</b>	<b>107,882</b>	<b>10,000</b>	<b>537,217</b>	<b>3,671,541</b>	<b>9,081,276</b>
Balance as at 1st April 2021	3,000,000	1,754,636	107,882	10,000	537,217	3,671,541	9,081,276
<b>Total comprehensive income for the year</b>							
Profit for the year	-	-	-	-	-	7,985,750	7,985,750
<b>Other comprehensive income</b>							
Net change in fair value of instruments measured at FVOCI	-	-	-	-	(344,649)	-	(344,649)
Realization of gain from financial assets measured at FVOCI	-	-	-	-	(18,495)	18,495	-
Actuarial Gain on retirement benefit obligations	-	-	-	-	-	76,808	76,808
Deferred tax on actuarial gain	-	-	-	-	-	(30,724)	(30,724)
<b>Total other comprehensive income for the year</b>	-	-	-	-	(363,144)	64,579	(298,565)
<b>Total comprehensive income/(expense) for the year</b>	-	-	-	-	(363,144)	8,050,329	7,687,185
<b>Transactions with Owners directly recorded in the Equity</b>							
Dividends paid during the year (Note 10.3)	-	-	-	-	-	(10,396,000)	(10,396,000)
<b>Total contributions by and distributions to owners</b>	-	-	-	-	-	(10,396,000)	(10,396,000)
<b>Balance as at 31st March 2022</b>	<b>3,000,000</b>	<b>1,754,636</b>	<b>107,882</b>	<b>10,000</b>	<b>174,073</b>	<b>1,325,870</b>	<b>6,372,461</b>

The notes from pages 62 to 99 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# Statement of Cash Flows

For the year ended 31st March,

	Note	2022 Rs. '000	2021 Rs. '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit Before Tax		13,184,873	11,934,285
Adjustments for:			
Gain on Sale of Property, Plant and Equipment	6	-	(7,805)
Depreciation of Property, Plant and Equipment	11	484,159	484,949
Write-off of Capital Work in Progress	11	2,982	-
Amortization of right-of-use assets	12	412,703	421,384
Provision for Retirement Benefit Obligations	23	3,354	44,201
Gain on Change in Fair Value of Financial Assets Measured at FVTPL	6	(35,385)	(4,326)
Interest Income	7.1	(385,156)	(137,466)
Profit on Sale of Quoted and Non-Quoted Shares	6	(22,523)	(2,439)
Dividend Income	6	(83,891)	(100,783)
Interest Expenses	7.2	260,824	378,290
<b>Operating Profit Before Working Capital Changes</b>		<b>13,821,940</b>	<b>13,010,290</b>
<b>Working Capital Changes</b>			
(Increase)/Decrease in Trade and Other Receivables		873,496	(2,078,422)
Decrease in Inventories		1,259,794	92,803
Decrease in Due from Related Companies		76,437	120,818
Increase in Trade and Other Payables		2,072,850	4,268,915
Increase/(Decrease) in Due to Related Companies		(33,381)	31,291
<b>Cash Generated from Operations</b>		<b>18,071,136</b>	<b>15,445,695</b>
Income Tax Paid		(5,786,529)	(3,459,466)
Retiring Gratuity Paid	23	(10,836)	(37,229)
<b>Net Cash Flows Generated from Operating Activities</b>		<b>12,273,771</b>	<b>11,949,000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of Property, Plant and Equipment	11	(77,155)	(63,466)
Proceeds from the Sale of Property, Plant and Equipment		-	7,805
Proceeds on Sale of Investments		119,098	17,886
Sub lease rental income	13	20,701	20,701
Net (acquisitions) of Other Financial Investments		(104,122)	(42,141)
Interest Received		377,008	127,663
Dividend Received		83,891	44,161
<b>Net Cash Flows Generated from Investing Activities</b>		<b>419,421</b>	<b>112,609</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Finance cost paid		(3,454)	(119,809)
Lease rent paid	24	(620,119)	(626,113)
Loans obtained during the year	27	4,235,000	27,565,000
Loans paid during the year	27	(4,238,000)	(32,727,090)
Dividend paid		(7,170,172)	(4,462,000)
<b>Net Cash Flows Used in Financing Activities</b>		<b>(7,796,745)</b>	<b>(10,370,012)</b>
Net Increase in Cash and Cash Equivalents during the Year		4,896,447	1,691,597
Cash and Cash Equivalents at the beginning of the year		1,933,767	242,170
Cash and Cash Equivalents at the end of the Year		6,830,214	1,933,767
<b>Analysis of Cash and Cash Equivalents at the End of the Year</b>			
Cash in Hand	20	9,770	7,677
Cash in Bank	20	6,968,467	1,833,505
Cash in Transit	20	49,445	92,644
Bank Overdraft	20	(197,468)	(59)
		6,830,214	1,933,767

The notes from pages 62 to 99 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# Notes to the Financial Statements

## 1. Reporting Entity

### 1.1 Domicile & Legal Form

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

### 1.2 Principal Activities and Nature of Operation

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

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

### 1.3 Parent Enterprise and Ultimate Parent Enterprise

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

## 2. Basis of Preparation

### 2.1 Statement of Compliance

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

### 2.2 Basis of Measurement

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

Property, Plant and Equipment- Land and Buildings	Fair value	Note 11
Retirement Benefit Obligation	Actuarially valued and recognized at present value of the defined benefit obligation	Note 23
Financial Assets Measured at Fair Value Through Other Comprehensive Income	Fair value	Note 16.1
Financial Assets Measured at Fair Value Through Profit or Loss	Fair value	Note 16.2

### 2.3. Functional and Presentation Currency

The functional currency is the currency of the primary economic environment in which the entities of the Company operates. These Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Company's functional currency and the presentation currency. All financial information has been rounded to the nearest thousand unless stated otherwise.

### 2.4. Materiality and Aggregation

As per LKAS – 1 "Presentation of Financial Statements", each material class of similar items are presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

### 2.5. Use of Judgments and Estimates

The preparation of the financial statements in conformity with SLFRSs/LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments, estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes to these Financial Statements.

Critical accounting estimate/judgment	Disclosure reference
Recognition of deferred tax assets/liabilities	Note 17
Provisions for impairment	Note 19.1

## Notes to the Financial Statements

Measurement of retirement benefit obligations; key actuarial assumptions.	Note 23.2
Recognition and measurement of provisions for contingencies; key assumptions about the likelihood and magnitude of an outflow of resources.	Note 29
Measurement of fair values of right of use asset of lands	Note 12
Impact of current economic conditions	Note 34

### 2.6. Approval of Financial Statements

The Financial Statements of the Company for the year ended 31st March 2022 were approved and authorised for issue by the Board of Directors in accordance with Resolution of the Directors on 25th August 2022.

### 2.7. Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

### 2.8. Going Concern

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has resources to continue in business for the foreseeable future. Furthermore, the Management is not aware 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.

### 2.9. Directors' Responsibility for the Financial Statements

The Board of Directors of the Company is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards and as per the provisions of the Companies Act No. 07 of 2007. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Board of Directors acknowledges their responsibility as set out in the "Annual Report of the Board of Directors on the Affairs of the Company" and "Director's Responsibility for Financial Reporting".

These Financial Statements include

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

### 2.10. Events after the Reporting Date

Events after the Reporting Date are those events, favorable and unfavorable, that occur between the Reporting date and the date when the Financial Statements are authorised for issue. In this regard, all material and important events that occurred after the reporting period are considered and appropriate disclosures are made where necessary.

## 3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements unless otherwise indicated.

### 3.1. Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currency (Sri Lanka Rupees-LKR) at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items are the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Foreign currency differences arising on retranslation are recognized in Statement of Profit or Loss.

### 3.2. Financial Instruments

#### 3.2.1 Recognition and initial measurement

The Company initially recognises receivables and deposits on the date they originated. All other financial assets are recognised initially on the trade date at which the



## Notes to the Financial Statements

Company becomes party to the contractual provision of the instrument.

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

### 3.2.2 Classification and subsequent measurement

#### 3.2.2.1 Financial Assets

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

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

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

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

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

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

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

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

#### a) Business Model Assessment

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

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

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

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

#### b) Assessment whether contractual cash flows are solely payment of principal and interest

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

In assessing whether the contractual cash flows are solely payment of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the group considers;

- Contingent events that would change the amount or timing of cash flows

## Notes to the Financial Statements

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

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

### c) Subsequent measurement and gains and losses

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

### 3.2.2.2 Financial Liabilities

#### i) Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or

it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

### 3.2.3 Derecognition

#### 3.2.3.1 Financial Assets

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

#### 3.2.3.2 Financial Liabilities

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

#### 3.2.4 Offsetting

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

### 3.3 Property, Plant & Equipment

#### 3.3.1 Freehold Assets

##### 3.3.1.1 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 measured.

## Notes to the Financial Statements

### 3.3.1.2 Measurement

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

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

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

### 3.3.1.3 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.

### 3.3.1.4 De-recognition

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

### 3.3.1.5 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 and buildings, 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.

### 3.3.1.6 Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated values using straight-line basis over the estimated useful lives,

and is generally 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 and Casks	10 years
Oil Storage Tanks	10 years
Computers	03 years
Motor Vehicles	04 years
Empty Drums	02 years

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

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

### 3.3.1.7 Capital Work-in-progress

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

## 3.4 Leases

### 3.4.1 Company acting as a lessee

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

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

## Notes to the Financial Statements

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the company uses its \*incremental borrowing rate as the discount rate.

The company determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of the lease asset.

- Lease payments included in the measurement of lease liability includes
- Fixed payments
- Variable lease payments that depend on an index or rate
- Amount expected to be payable under residual value guarantee
- The exercise price under a purchase option that the Company is reasonably certain to exercise

Lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable or if there is a fixed in substance lease payment.

When the lease liability is remeasured as such, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the profit or loss if the carrying amount of the right of-use asset has been reduced to zero.

The Company presents the right-of-use asset and the lease liability as separate line items in the Statement of Financial Position.

### Short term leases and leases of low value assets

The Company elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on the straight-line basis.

### 3.4.2 The Company acting as a lessor

When the Company acts as the lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Company makes and overall assessment of whether the lease transfers substantially all of risks and rewards incidental to ownership of the underlying asset. If this is the case, lease is a finance lease; if not it is an operating lease.

When the Company is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the underlying asset.

The Company applies derecognition and impairment requirements in SLFRS 9 to the net investment in the lease.

## 3.5 Intangible Asset

### 3.5.1 Recognition and Measurement

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.

### 3.5.2 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.

### 3.5.3 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

### 3.5.4 Derecognition

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and subsequent disposal.

## 3.6 Inventories

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



## Notes to the Financial Statements

### 3.7 Impairment

#### 3.7.1 Financial assets

##### Non-derivative financial assets

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

- Financial assets measured at amortized cost;

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

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

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

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

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

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

##### Measurement of ECLs

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

##### Credit-impaired financial assets

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

##### Write-off

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

#### 3.7.2 Non-Financial Assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

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

### 3.8 Liabilities and provisions

All material liabilities as at the reporting date have been included in the statement of financial position and adequate provisions have been made for liabilities which are known to exist but the amount of which cannot be determined accurately.

Liabilities classified as current liabilities in the statement of financial position are those which will fall due for payment on demand or within one year from the reporting date. Items classified as non-current liabilities will be due for payment after one year from the reporting date.

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

## Notes to the Financial Statements

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, were appropriate, the risk specific to the liability.

### 3.9 Employee Benefits

#### 3.9.1 Defined Contribution Plans

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

##### 3.9.1.1 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.

##### 3.9.1.2 Employees' Trust Fund (ETF)

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

#### 3.9.2 Defined Benefit Plans

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

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

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

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is

recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### 3.9.3 Short-term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

#### 3.10 Provisions, Contingent Assets and Contingent Liabilities

Provisions are made for all obligations (legal or constructive) existing as at the reporting date when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date.

All contingent liabilities are disclosed as a note to the Financial Statements unless the outflow of resources is remote. Contingent assets are disclosed, where inflow of economic benefit is probable.

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

#### 3.11 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

##### 3.11.1 Sale of Goods

Revenue from the sale of goods is recognized when the identified performance obligations are satisfied i.e. the Company transfers control over a good or service to a contract. Revenue is measured based on the consideration specified in a contract with a customer.

##### Disaggregation of revenue

SLFRS 15 requires an entity to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The Company's revenue represent amount received and receivable for goods supplied to the customers and no disaggregation is required.

##### 3.11.1.1 Other Income

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

## Notes to the Financial Statements

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

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

### 3.11.2 Expenditure recognition

Expenses, including cost of sales, distribution expenses, administrative expenses, finance costs and foreign exchange losses on transactions, are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen and can be measured reliably.

An expense is recognized immediately in profit or loss when an expenditure produces no future economic benefits, or when, and to the extent that, future economic benefits do not qualify or cease to qualify for recognition in the statement of financial position as an asset, such as in the case of asset impairments.

#### 3.11.2.1 Finance Income and Expenses

Finance income comprises interest income on debenture investment, interest on loans and receivables and interest on lease receivables. Interest income is recognized as it accrues in the profit or loss, using the effective interest method. Finance cost comprise interest expenses on borrowings and overdrafts and interest expenses on lease liabilities. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest rate method.

#### 3.11.2.2 Taxation

Income tax expense comprises current, deferred tax and other statutory taxes. Income tax expense and deferred tax expense is recognized in statement of profit or loss except to the extent that it relates to items recognized directly in equity or in statement of other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

##### a) Current Income Tax

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income

taxes. Current tax payable also includes any tax liability arising from the tax on dividend income.

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

##### b) Deferred Tax

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

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

Temporary differences in relation to a right-of-use asset and a lease liability for a specific lease are regarded as a net package (the lease) for the purpose of recognising deferred tax.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

### 3.12 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.

Cash and cash equivalents comprise of cash in hand and cash at banks and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments with original maturities of less than three months which are subject to insignificant risk of changes in their fair value.

### 3.13 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.

## Notes to the Financial Statements

### 3.14 Earnings Per Share

The Company presents basic earnings per share data for its ordinary shares. Basic earnings per share 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 year.

### 3.15 Comparative Information

The comparative information is re-classified wherever necessary to conform with the current year's presentation in order to provide a better presentation.

### 3.16 Commitments and contingent liabilities

Contingent Liabilities are possible obligations whose existence will be confirmed only by occurrence or non-occurrence of uncertain future events not wholly within the control of the Company or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured. Capital Commitment and Contingent Liabilities of the Company are disclosed in the respective notes to the Financial Statements.

### 3.17 Fair Value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Company measures the fair value of an investment using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e., the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any observable inputs are judged to be measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, the difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

## 4. NEW/AMENDMENTS TO ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued following amendments to Sri Lanka Accounting Standards (SLFRSs/LKASs) which will become applicable for financial periods beginning after 1st April 2022. Accordingly, the Company has not applied these amendments in preparing these Financial Statements.

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

### 4.1 Onerous contracts – Cost of fulfilling contracts (amendments to LKAS 37)

Companies currently applying the 'incremental cost' approach will need to recognize bigger and potentially more provisions for onerous contracts.

### 4.2 Property, Plant and Equipment: Proceeds before intended use (amendments to LKAS 16)

Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognised in profit or loss, together with the costs of producing those items.

Companies will therefore need to distinguish between:

- costs associated with producing and selling items before the item of PPE is available for use; and
- costs associated with making the item of PPE available for its intended use.

### 4.3 Classification of liabilities as current or non-current (amendments to LKAS 1)

Under existing LKAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, IASB has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

### 4.4 Annual improvements to SLFRS Standards 2018-2020

### 4.5 Deferred tax related to assets and liabilities arising from a single transaction (Amendment to LKAS 12)

### 4.6 Disclosure of Accounting Policies (Amendments to LKAS 1)

### 4.7 Definition of Accounting Estimates (Amendments to LKAS 8)



## Notes to the Financial Statements

### 5. Revenue

For the year ended 31st March,

	Note	2022 Rs. '000	2021 Rs. '000
<b>5.1 Revenue Streams</b>			
<b>Revenue from contracts with customers</b>			
Sales of goods		107,057,378	92,830,169
<b>Total Gross Revenue (Note 5.2)</b>		<b>107,057,378</b>	<b>92,830,169</b>
<b>5.2 Major Products</b>			
Liquor bottles		107,057,378	92,830,169
<b>Total Gross Revenue</b>		<b>107,057,378</b>	<b>92,830,169</b>
<b>Region</b>			
Domestic sales		107,057,378	92,830,169
<b>Total Gross Revenue</b>		<b>107,057,378</b>	<b>92,830,169</b>
<b>Timing of revenue recognition</b>			
Products and services transferred at a point in time		107,057,378	92,830,169
<b>Total Gross Revenue</b>		<b>107,057,378</b>	<b>92,830,169</b>

### 6. Other Operating Income

For the year ended 31st March,

	Note	2022 Rs. '000	2021 Rs. '000
Gain on sale of Property, Plant and Equipment		-	7,805
Profit on Sales of Shares		22,523	2,439
Rent Income		8,302	7,622
Other Sundry Income		89,407	117,325
Dividend Income		83,891	100,783
Change in Fair Value of Financial Assets Measured at Fair Value Through Profit or Loss	16.2	35,385	4,326
		<b>239,508</b>	<b>240,300</b>

### 7. Finance Income and Finance Costs

For the year ended 31st March,

	Note	2022 Rs. '000	2021 Rs. '000
<b>7.1 Finance Income</b>			
Interest Income on Debentures		25,500	25,500
Interest Income on Lease Receivables	13	8,148	9,803
Interest income on investments measured at amortized cost		351,508	102,163
		<b>385,156</b>	<b>137,466</b>

## Notes to the Financial Statements

For the year ended 31st March,	Note	2022 Rs. '000	2021 Rs. '000
<b>7.2 Finance Costs</b>			
Interest Expense on Bank Loans and Overdrafts		(3,454)	(107,121)
Interest Expense on Lease Liabilities	24.3	(257,370)	(271,169)
		(260,824)	(378,290)
<b>Net Finance Income/(Costs)</b>		<b>124,332</b>	<b>(240,824)</b>

### 8. Profit before Income Tax Expense

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

For the year ended 31st March,	Note	2022 Rs. '000	2021 Rs. '000
Remuneration to Directors		60,708	58,243
Auditor's Remuneration – Audit		6,750	6,150
– Non-audit		3,598	4,102
Personnel Costs	8.1	2,395,636	1,689,746
Depreciation and Amortization			
Depreciation of Property, Plant and Equipment	11	484,159	484,949
Amortization of Right-of-use Assets	12	412,703	421,384
Donations		5,675	328
Legal Expenses		8,438	4,935

For the year ended 31st March,	Note	2022 Rs. '000	2021 Rs. '000
<b>8.1 Personnel Costs</b>			
Salaries, Wages and Other Benefits		2,261,480	1,526,403
Defined Contribution Plans - EPF and ETF		130,802	119,142
Defined Benefit Plans	23	3,354	44,201
		2,395,636	1,689,746

### 9. Income Tax Expense

For the year ended 31st March,	Note	2022 Rs. '000	2021 Rs. '000
Current Tax Expense	9.1	5,289,757	4,852,011
Deferred Tax Reversal	17.1	(90,634)	(185,882)
		5,199,123	4,666,129

## Notes to the Financial Statements

### 9.1 Reconciliation of Accounting Profits to Income Tax Expense

For the year ended 31st March,		2022 Rs. '000	2021 Rs. '000
<b>Profit Before Income Tax Expense</b>		<b>13,184,873</b>	<b>11,934,285</b>
(-) Other Income/ Exempt Income		(624,663)	(377,767)
(+) Disallowable Expenses		1,164,119	1,222,047
(-) Allowable Expenses		(850,682)	(873,823)
<b>Taxable Business Profit</b>		<b>12,873,647</b>	<b>11,904,742</b>
Profit from Trade or Business		12,873,647	11,904,742
Taxable Other Income		633,282	448,452
<b>Taxable Income</b>		<b>13,506,929</b>	<b>12,353,194</b>
Income Tax at,	40%	5,149,459	4,761,897
	24%	123,932	65,595
	14%	16,366	24,519
<b>Total Current Tax Charge</b>		<b>5,289,757</b>	<b>4,852,011</b>
<b>Effective Tax Rate (%)</b>		<b>39.16%</b>	<b>39.28%</b>

As per the Inland Revenue Amendment Act No. 10 of 2021, the Company is liable for the income tax at the rate of 40% (2021:40%) on its Business income 24% (2021:24%) on other income and 14% (2021:14%) on investment income.

### 10. Earnings Per Share

#### 10.1 Basic Earnings Per Share

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

For the year ended 31st March,	2022	2021
Profit for the year (Rs.'000)	7,985,750	7,268,156
Weighted Average Numbers of Ordinary Shares (000)	4,600,000	4,600,000
Basic Earnings per Share (Rs.)	1.74	1.58

#### 10.2 Diluted Earnings per Share

There was no dilution of ordinary shares outstanding at any time during the year. Therefore, diluted earnings per share is same as basic earnings per share.

#### 10.3 Dividend per Share

Dividend on ordinary shares declared and paid during the year

For the year ended 31st March,	2022		2021	
	Per Share Rs.	Total Rs. '000	Per Share Rs.	Total Rs. '000
Dividend Paid	2.26	10,396,000	0.97	4,462,000
	2.26	10,396,000	0.97	4,462,000

## Notes to the Financial Statements

### 11. Property, Plant and Equipment

		At the Beginning of the Year Rs. '000	Additions During the Year Rs. '000	Disposals / Write Offs / Transfers 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 31st March 2022 Rs. '000	As at 31st March 2021 Rs. '000
Land	11.1	2,000,317	-	-	2,000,317	-	-	-	-	2,000,317	2,000,317
Buildings	11.1	2,023,737	-	-	2,023,737	238,101	120,260	-	358,361	1,665,376	1,785,636
Buildings Constructed on Leasehold Land		115,932	-	-	115,932	13,640	6,819	-	20,459	95,473	102,292
Plant, Machinery & Other Equipment		3,840,249	-	-	3,840,249	2,568,213	319,698	-	2,887,911	952,338	1,272,036
Motor Vehicles		405,178	74,093	-	479,271	336,157	31,942	-	368,099	111,172	69,021
Furniture, Fittings & Office Equipment		69,763	211	-	69,974	58,541	2,700	-	61,241	8,733	11,222
Computer Equipment		61,820	338	-	62,158	57,568	2,250	-	59,818	2,340	4,252
Fire Fighting Equipment		4,883	-	-	4,883	4,537	123	-	4,660	223	346
Oil Storage Tanks		315	-	-	315	315	-	-	315	-	-
Vats & Casks		70,405	2,513	-	72,918	69,389	367	-	69,756	3,162	1,016
Drums		80	-	-	80	80	-	-	80	-	-
Total Freehold Property, Plant & Equipment		8,592,679	77,155	-	8,669,834	3,346,541	484,159	-	3,830,700	4,839,134	5,246,138
Capital Work in Progress	11.5	2,982	-	(2,982)	-	-	-	-	-	-	2,982
Total Property, Plant & Equipment		8,595,661	77,155	(2,982)	8,669,834	3,346,541	484,159	-	3,830,700	4,839,134	5,249,120



## Notes to the Financial Statements

### 11.1 Land and Buildings

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

A Valuation of freehold Land and Buildings of Distilleries Company of Sri Lanka PLC was carried out by incorporated valuer Mr. S. Sivaskantha as at 31st March 2019 using "Comparable market value" method and incorporated in the financial statements of the company. The surplus on revaluation of Land and Buildings has been credited to the revaluation reserve while loss has been charged to Profit and Loss. The directors of the Company are of the view that carrying amounts of there lands and buildings have not changed significantly compared to the fair values as at 31st March 2019.

Location	Land Extent	Building Area Sq. Ft.	Number of Buildings	Revalued Amount	
				Lands	Buildings
				Rs. '000	Rs. '000
No.18, Sri Saddatissa Road, Kalutara North, Kalutara	1A – 0R – 23P	–	–	37,500	–
No.375/1 -2, Dutugamunu Mawatha, Mawilmada, Kandy	2A – 0R – 0P	–	–	52,910	34,916
No.35/12, Bandarawaththa Road, Seeduwa.	15A – 2R – 17P	184,377	15	1,379,646	1,706,954
No.65/84, Distillery Road, Seeduwa.	5A – 2R – 15.10P	101,611	22	494,582	226,564
No.35/13, Distillery Road, Seeduwa.	0A – 0R – 16.7P	–	–	10,855	–
No.35/13B, Distillery Road, Seeduwa.	0A – 0R – 16.7P	–	–	10,020	–
No.37/8A, Distillery Road, Seeduwa.	0A – 0R – 13.25P	–	–	9,604	–
No.37/20A, Distillery Road, Seeduwa.	0A – 0R – 8P	–	–	5,200	–
Hatton - Norwood Road, Dickoya	–	18,286	4	–	115,935
1st Lane, New Nuge Road, Peliyagoda.	–	15,406	4	–	55,300
				2,000,317	2,139,669

#### 11.1.2 Measurement of Fair Values

##### (i) Fair value hierarchy

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

The fair value measurement for all land and buildings have been categorised as level 3 fair value based on the inputs to the valuation techniques used.

##### (ii) Valuation technique and significant unobservable inputs used

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

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

Company	Total Lands sensitivity on per perch value			Total Buildings sensitivity on per square feet		
	+5%	Value as stands	-5%	+5%	Value as stands	-5%
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Distilleries Company of Sri Lanka PLC	2,100,333	2,000,317	1,900,301	2,246,652	2,139,669	2,032,686

## Notes to the Financial Statements

Location	Method of Valuation	Effective date of Valuation	Significant unobservable inputs		Sensitivity of fair value to unobservable inputs
			Lands	Buildings	
No.18, Sri Saddatissa Road, Kalutara North, Kalutara.	Market value method	31st March 2019	Estimated price per perch Rs. 204,918	-	Positively correlated sensitivity
No.375/1-2, Dutugamunu Mawatha, Mawilmada, Kandy.	Market value method	31st March 2019	Estimated price per perch Rs. 165,343	-	Positively correlated sensitivity
No.35/12, Bandarawaththa Road, Seeduwa.	Market value method	31st March 2019	Estimated price per perch Rs. 552,521	Estimated price per square feet Rs. 9,258	Positively correlated sensitivity
No.65/84, Distillery Road, Seeduwa.	Market value method	31st March 2019	Estimated price per perch Rs. 552,544	Estimated price per square feet Rs. 2,229	Positively correlated sensitivity
No.35/13, Distillery Road, Seeduwa.	Market value method	31st March 2019	Estimated price per perch Rs. 650,000	-	Positively correlated sensitivity
No.35/13B, Distillery Road, Seeduwa.	Market value method	31st March 2019	Estimated price per perch Rs. 600,000	-	Positively correlated sensitivity
No.37/8A, Distillery Road, Seeduwa.	Market value method	31st March 2019	Estimated price per perch Rs. 724,830	-	Positively correlated sensitivity
No.37/20A, Distillery Road, Seeduwa.	Market value method	31st March 2019	Estimated price per perch Rs. 650,000	-	Positively correlated sensitivity
Hatton - Norwood Road, Dickoya.	Market value method	31st March 2019	-	Estimated price per square feet Rs. 6,340	Positively correlated sensitivity
1st Lane, New Nuge Road, Peliyagoda.	Market value method	31st March 2019	-	Estimated price per square feet Rs. 3,589	Positively correlated sensitivity

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

	2022		2021	
	Land Rs. '000	Buildings Rs. '000	Land Rs. '000	Buildings Rs. '000
Cost	164,956	46,248	164,956	46,248
Accumulated Depreciation	-	(46,248)	-	(46,248)
<b>Carrying Value</b>	<b>164,956</b>	<b>-</b>	<b>164,956</b>	<b>-</b>

### 11.3 Gross Carrying Value of Fully Depreciated Assets

The cost of the fully depreciated assets of the Company is Rs. 1,125 Mn (2021 - Rs. 1,104 Mn) as at reporting date.

### 11.4 Property, Plant & Equipment that have been Pledged

There were no items of Property, Plant & Equipment pledged as security as at 31st March 2022 (2021 - None).

## Notes to the Financial Statements

### 12. Right of use assets

	2022			2021
	Land and Building Rs. '000	Motor Vehicles Rs. '000	Total Rs. '000	Total Rs. '000
<b>Cost</b>				
Balance as at 1st April	1,115,725	1,200,063	2,315,788	2,315,788
Remeasurement during the year	340,567	-	340,567	-
Balance at 31st March	1,456,292	1,200,063	2,656,355	2,315,788
<b>Accumulated Amortization</b>				
Balance as at 1st April	444,785	400,020	844,805	423,421
Charge for the year	212,691	200,012	412,703	421,384
Balance at 31st March	657,476	600,032	1,257,508	844,805
<b>Net Carrying Value</b>	<b>798,816</b>	<b>600,031</b>	<b>1,398,847</b>	<b>1,470,983</b>

#### Land and Buildings

The Company has presented the right of use assets arising from lands and buildings together as the lease term related to both assets are same.

### 13. Net Investment in Sub Lease

	2022 Rs. '000	2021 Rs. '000
Balance as at 1st April	62,863	73,761
Interest Income on net lease receivables	8,148	9,803
Settlement during the year	(20,701)	(20,701)
<b>Balance as at 31st March</b>	<b>50,310</b>	<b>62,863</b>

#### 13.1 Lease receivables

Non Current Assets	35,848	50,310
Current Assets	14,462	12,553
	<b>50,310</b>	<b>62,863</b>

The Company has sub leased a warehouse building that it obtained on lease for a term of 6 years. This sub lease is classified as a finance lease because the sub lease is for the entire term of the head lease.

#### 13.2 The following table set out a maturity analysis for the undiscounted lease payments to be received after the reporting period.

	2022 Rs. '000	2021 Rs. '000
Less than 1 year	20,701	20,701
1 to 2 years	20,701	20,701
2 to 3 years	20,701	20,701
3 to 4 years	-	20,701
4 to 5 years	-	-
Total undiscounted lease payments receivables	62,103	82,804
Unearned finance income	(11,793)	(19,941)
<b>Net investment in the lease</b>	<b>50,310</b>	<b>62,863</b>

## Notes to the Financial Statements

### 14. Intangible Assets

As at 31st March,

	2022		2021
	Software Cost and Implementation Rs. '000	Total Rs. '000	Total Rs. '000
<b>Cost</b>			
Balance at the Beginning of the Year	23,640	23,640	23,640
Additions during the year	-	-	-
<b>Balance at the End of the Year</b>	<b>23,640</b>	<b>23,640</b>	<b>23,640</b>
<b>Accumulated Amortization</b>			
Balance at the Beginning of the Year	23,640	23,640	23,640
Amortization during the year	-	-	-
<b>Balance at the End of the Year</b>	<b>23,640</b>	<b>23,640</b>	<b>23,640</b>
<b>Carrying Value</b>			
As at Beginning of the Year	-	-	-
<b>As at End of the Year</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 15. Investments in Subsidiary

As at 31st March,

	2022			2021		
	Number of Shares	Effective Holding %	Cost Rs. '000	Number of Shares	Effective Holding %	Cost Rs. '000
AION SG Residencies (Private) Limited	2,500,000	100%	25,000	2,500,000	100%	25,000
Provision for Impairment			(25,000)			(25,000)
			-			-

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

### 16. Other Financial Investments

As at 31st March,

	Note	2022 Rs. '000	2021 Rs. '000
<b>Non Current Investments</b>			
Financial assets measured at Fair Value Through Other Comprehensive Income	16.1	1,611,699	1,873,786
		<b>1,611,699</b>	<b>1,873,786</b>
<b>Current Investments</b>			
Financial assets measured at Fair Value Through Profit or Loss	16.2	21,214	60,844
		<b>21,214</b>	<b>60,844</b>

## Notes to the Financial Statements

### 16.1 Financial Assets measured at Fair Value Through Other Comprehensive Income

The Company designated the investments shown below as Financial Assets measured at Fair Value Through Other Comprehensive Income because these investments represent instruments that the Company intends to hold for the long term for strategic purposes.

	Note	2022 Rs. '000	2021 Rs. '000
Quoted Equity Securities	16.1.1	1,409,971	1,585,483
Unquoted Equity Securities	16.1.2	2,680	67,208
Investments in Unit Trusts	16.1.3	-	21,495
Investment in Debentures	16.1.4	199,048	199,600
		<b>1,611,699</b>	<b>1,873,786</b>

The Company has disposed investments in unit trusts during the period and recognised a transfer of Rs. 18.5 Mn. as cumulative gains within equity relating to these investments.

#### 16.1.1 Quoted Equity Securities

As at 31st March,	2022			2021		
	Number of Shares/Units	Cost Rs. '000	Fair Value Rs. '000	Number of Shares/Units	Cost Rs. '000	Fair Value Rs. '000
<b>Bank, Finance &amp; Insurance</b>						
Hatton National Bank PLC	12,905,917	3,007,241	1,409,971	12,582,692	3,007,241	1,585,419
		<b>3,007,241</b>	<b>1,409,971</b>		<b>3,007,241</b>	<b>1,585,419</b>
<b>Diversified Investments</b>						
Melstacorp PLC - Non Voting	-	-	-	1,000	64	64
		-	-		64	64
<b>Total Quoted Equity Securities</b>		<b>3,007,241</b>	<b>1,409,971</b>		<b>3,007,305</b>	<b>1,585,483</b>

The fair value of quoted investments are calculated based on the market prices as at 31st March 2022.

#### 16.1.2 Unquoted Equity Securities

As at 31st March,	2022			2021		
	Number of Shares/Units	Cost Rs. '000	Fair Value Rs. '000	Number of Shares/Units	Cost Rs. '000	Fair Value Rs. '000
<b>Unquoted Equity Securities</b>						
Amethyst Leisure Limited	214,080,600	271,489	2,673	109,956,904	167,367	67,201
International Distilleries Lanka Limited	100	3	3	100	3	3
W.M.Mendis & Co., Limited	200	4	4	200	4	4
		<b>271,496</b>	<b>2,680</b>		<b>167,374</b>	<b>67,208</b>

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

##### (a) Fair value hierarchy

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

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

Following table shows the valuation techniques used in measuring Level 3 fair value of equity securities as well as the significant unobservable inputs used for the valuation as at 31st March 2022.



## Notes to the Financial Statements

Type	Valuation Technique used	Significant Unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<b>Unquoted Equity Securities</b>			
Amethyst Leisure Limited	Net asset basis	Book values of net assets per share ranging from Rs. 0.05/- to Rs. 0.1	Positively correlated sensitivity
International Distilleries Lanka Limited	Net asset basis	Book values of net assets	Positively correlated sensitivity
W.M. Mendis & Co., Limited	Net asset basis	Book values of net assets	Positively correlated sensitivity

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

### 16.1.3 Investments in Unit Trust

As at 31st March,	2022			2021		
	Number of Shares/Units	Cost Rs. '000	Fair Value Rs. '000	Number of Shares/Units	Cost Rs. '000	Fair Value Rs. '000
Unit Trust Mgt. Co., Ltd	-	-	-	300,000	3,000	21,495
		-	-		3,000	21,495

### 16.1.4 Investment in Debentures

As at 31st March,	2022			2021		
	Number of Shares/Units	Cost Rs. '000	Fair Value Rs. '000	Number of Shares/Units	Cost Rs. '000	Fair Value Rs. '000
DFCC Bank PLC	2,000,000	200,000	199,048	2,000,000	200,000	199,600
		200,000	199,048		200,000	199,600

The Company has invested on a debenture with a maturity period of 7 years on 10th November 2016 at 12.75% amounting to Rs.200,000,000 (face value) at maturity value of amounting Rs.221,797,260/- in DFCC Bank PLC.

### 16.2 Financial Assets measured at fair value through profit or loss (FVTPL)

As at 31st March,	Note	2022 Rs. '000	2021 Rs. '000
Quoted Equity Securities	16.2.1	21,214	60,844
		21,214	60,844

## Notes to the Financial Statements

### 16.2.1 Quoted Equity Securities

As at 31st March,	2022		2021	
	No. of Shares	Fair Value Rs. '000	No. of Shares	Fair Value Rs. '000
<b>Beverage, Food &amp; Tobacco</b>				
Renuka Agri Foods PLC	-	-	3,966,794	13,884
<b>Hotel and Travels</b>				
The Kingsbury Hotel PLC	1,237,200	9,897	1,237,200	7,423
John Keells Hotels PLC	388,850	4,549	388,850	3,694
<b>Diversified Investments</b>				
Softlogic Holdings PLC	180,000	6,768	380,000	4,484
Browns Investments PLC	-	-	5,701,700	31,359
<b>Total Quoted Equity Securities – Fair Value Through Profit or Loss</b>		<b>21,214</b>		<b>60,844</b>

The fair value of quoted investments are calculated based on the market prices as at 31st March 2022.

### 17. Net Deferred Tax Liabilities

As at 31st March,	2022 Rs. '000	2021 Rs. '000
Balance as at 1st April	1,583,060	1,785,179
Reversal during the year	(59,910)	(202,119)
Balance as at 31st March	1,523,150	1,583,060

### 17.1 Movement in Recognized Deferred Tax Assets and Liabilities

For the year ended 31st March	2022				2021			
	Balance as at 1st April 2021 Rs.'000	Recognised in Profit or Loss Rs.'000	Recognised in Other Comprehensive Income Rs.'000	Balance as at 31st March 2022 Rs.'000	Balance as at 1st April 2020 Rs.'000	Recognised in Profit or Loss Rs.'000	Recognised in Other Comprehensive Income Rs.'000	Balance as at 31st March 2021 Rs.'000
On Property, Plant and Equipment	914,790	(68,625)	-	846,165	1,119,419	(204,629)	-	914,790
On Retirement Benefit Obligations	(103,719)	2,992	30,724	(70,003)	(84,694)	(2,788)	(16,237)	(103,719)
On Revaluation Surplus on Lands	824,487	-	-	824,487	824,487	-	-	824,487
On Net Lease Liability	(77,643)	(19,980)	-	(97,623)	(103,537)	25,894	-	(77,643)
On net investment in Sublease	25,145	(5,021)	-	20,124	29,504	(4,359)	-	25,145
	1,583,060	(90,634)	30,724	1,523,150	1,785,179	(185,882)	(16,237)	1,583,060

## Notes to the Financial Statements

### 17.2 The recognized deferred tax (assets)/liabilities of the company is attributable to the following

As at 31st March,	2022 Taxable/(Deductible)		2021 Taxable/(Deductible)	
	Temporary Difference Rs. '000	Tax effect Rs. '000	Temporary Difference Rs. '000	Tax effect Rs. '000
On Property Plant and Equipment	2,115,412	846,165	2,286,974	914,790
On Revaluation Surplus on Lands	2,061,218	824,487	2,061,218	824,487
On Retirement Benefit Obligation	(175,007)	(70,003)	(259,297)	(103,719)
On ROU net Liability	(244,059)	(97,623)	(194,105)	(77,643)
On net investment in Sublease	50,310	20,124	62,863	25,145
	<b>3,807,874</b>	<b>1,523,150</b>	<b>3,957,653</b>	<b>1,583,060</b>

Deferred Tax of the Company is calculated at the normal business tax rate of 40% (2021:40%).

### 18. Inventories

As at 31st March,	Note	2022 Rs. '000	2021 Rs. '000
Raw Materials		1,684,202	2,184,734
Packing Materials		529,809	802,986
Work in Progress		294,241	549,748
Finished Goods		376,382	705,444
Input Materials, Consumables and Spares		499,819	403,333
		<b>3,386,451</b>	<b>4,646,245</b>
Less: Provision for Slow Moving and Obsolete Inventories	18.1	(5,443)	(5,443)
		<b>3,381,008</b>	<b>4,640,802</b>

#### 18.1 Provision for slow moving inventories

Balance as at 1st April	5,443	5,443
Provision made during the year	-	-
Balance as at 31st March	<b>5,443</b>	<b>5,443</b>

### 19. Trade and Other Receivables

As at 31st March,	2022 Rs. '000	2021 Rs. '000
Trade Receivables	4,127,823	3,646,095
Other Financial Receivables	173,900	671,542
Refundable Deposits	6,678	6,228
Prepayments and Advances	1,919,243	2,863,118
Accrued Income	94,533	56,930
Other Non Financial Receivables	48,621	381
	<b>6,370,798</b>	<b>7,244,294</b>
Less: Provision for impairment	19.1	(137,129)
	<b>6,233,669</b>	<b>7,107,165</b>

#### 19.1 Provision for impairment of Other Receivables

Balance as at 1st April	137,129	180,059
Provision write off during the year	-	(42,930)
Balance as at 31st March	<b>137,129</b>	<b>137,129</b>

## Notes to the Financial Statements

### 20. Cash and Cash Equivalents

As at 31st March,	2022 Rs. '000	2021 Rs. '000
<b>Favourable Balances</b>		
Cash at Bank	6,968,467	1,833,505
Cash in Hand	9,770	7,677
Cash in Transit	49,445	92,644
	<b>7,027,682</b>	<b>1,933,826</b>
<b>Unfavourable Balances</b>		
Bank Overdraft	197,468	59
	<b>197,468</b>	<b>59</b>
Cash and Cash Equivalents for Cash Flows purpose	<b>6,830,214</b>	<b>1,933,767</b>

### 21. Stated Capital

	2022		2021	
As at 31st March,	No. of Shares	Value of Shares Rs. '000	No. of Shares	Value of Shares Rs. '000
Balance as at 1st April	4,600,000,000	3,000,000	4,600,000,000	3,000,000
Balance as at 31st March	4,600,000,000	3,000,000	4,600,000,000	3,000,000

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

### 22. Reserves

As at 31st March,	Note	2022 Rs. '000	2021 Rs. '000
<b>Capital Reserves</b>			
Capital Reserves	22.1	107,882	107,882
Revaluation Reserve	22.2	1,754,636	1,754,636
<b>Total Capital Reserves</b>		<b>1,862,518</b>	<b>1,862,518</b>
<b>Revenue Reserves</b>			
General Reserve	22.3	10,000	10,000
FVOCI Reserve	22.4	174,073	537,217
<b>Total Revenue Reserves</b>		<b>184,073</b>	<b>547,217</b>
<b>Total Reserves</b>		<b>2,046,591</b>	<b>2,409,735</b>

#### 22.1 Capital Reserves

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

#### 22.2 Revaluation Reserve

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

#### 22.3 General Reserve

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

## Notes to the Financial Statements

### 22.4 FVOCI Reserve

This represents the cumulative net change in the fair value of Financial Assets Measured at FVOCI until the investments are derecognized.

### 23. Retirement Benefit Obligations

As at 31st March,	Note	2022 Rs. '000	2021 Rs. '000
Balance as at 1st April		259,297	211,734
Expense Recognized in the Statement of Profit or Loss	23.1	3,354	44,201
Actuarial Loss Recognized in Other Comprehensive Income		(76,808)	40,591
Benefits Paid by the Plan		(10,836)	(37,229)
<b>Balance as at 31st March</b>		<b>175,007</b>	<b>259,297</b>

### 23.1 Expense Recognized in the Income Statement

Current Service Costs	15,539	23,028
Past Service Cost	(30,595)	-
Interest Costs	18,410	21,173
	<b>3,354</b>	<b>44,201</b>

LKAS 19 – Employee Benefit requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit as per Projected Unit Credit Method by using an internally generated model in order to determine the present value of the retirement benefit obligation as at the reporting date. The following key assumptions were made in computing the retirement gratuity obligation as at the reporting date. The Company has made payments in accordance with Gratuity Act No.12 of 1983.

During 2021/22, the pension arrangements was adjusted to reflect new legal requirements as per Minimum Retirement age of workers Act No. 28 of 2021 regarding the retirement age. As a result of the plan amendment, the defined benefit obligation has decreased by Rs. 30,595. A corresponding past service credit was recognised in profit or loss during 2021/22.

### 23.2 Actuarial Assumptions

As at 31st March,	2022 Rs. '000	2021 Rs. '000
Principal actuarial assumptions at the reporting date		
Discount Rate (%)	15.50%	7.10%
Future Salary Increases (%)	6%	6%
Retirement Age (years)	60-75 years	55-75 years
Staff Turnover Rate	6.83%	10.26%
Weighted Average Duration of Defined Benefit Obligation	8.89 years	6.43 years

### 23.3 Sensitivity of Assumptions Used

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

#### Effect on Define Benefit Obligation Liability

	2022		2021	
	Discount Rate Rs. '000	Salary Increment Rs. '000	Discount Rate Rs. '000	Salary Increment Rs. '000
Increase by 1%	(7,392)	8,788	(11,537)	12,653
Decrease by 1%	8,054	(8,155)	12,603	(11,784)



## Notes to the Financial Statements

### Effect on Comprehensive Income

	2022		2021	
	Discount Rate Rs. '000	Salary Increment Rs. '000	Discount Rate Rs. '000	Salary Increment Rs. '000
Increase by 1%	7,392	(8,788)	11,537	(12,653)
Decrease by 1%	(8,054)	8,155	(12,603)	11,734

### 23.4 The following payments are expected from the Retirement Benefit Obligation in future years.

As at 31st March,	2022 Rs. '000	2021 Rs. '000
Within the next 12 months	26,373	26,480
Between 1–5 years	92,883	162,942
Between 5–10 years	38,536	45,758
Beyond 10 years	17,215	24,117
<b>Total</b>	<b>175,007</b>	<b>259,297</b>

### 24. Lease Liability

	2022			2021
	Land and Building Rs. '000	Motor Vehicles Rs. '000	Total Rs. '000	Total Rs. '000
Balance as at 1st April	739,373	925,715	1,665,088	2,020,032
Remeasurement of Right of use assets	340,567	–	340,567	–
Interest expense for the year	133,063	124,307	257,370	271,169
Repayment during the year	(312,477)	(307,642)	(620,119)	(626,113)
Balance as at 31st March	900,526	742,380	1,642,906	1,665,088

### 24.1 Analysis by maturity

Non current liabilities	1,220,026	1,341,357
Current liabilities	422,880	323,731
	<b>1,642,906</b>	<b>1,665,088</b>

### 24.2 The Company leases lands, building and motor vehicles for its operational purposes. Lease of lands and buildings typically run for a period ranging from 5 to 7 years. Motor vehicles leases are extended for 5 years.

Below note shows the contractual undiscounted future cash flows of lease liabilities.

	2022 Rs. '000	2021 Rs. '000
Less than one year	624,877	545,567
One to five years	1,436,254	1,665,635
<b>Total undiscounted lease liabilities as at 31st March</b>	<b>2,061,131</b>	<b>2,211,202</b>

## Notes to the Financial Statements

### 24.3 Amount recognised in the Statement of Profit or Loss

	2022 Rs. '000	2021 Rs. '000
<b>Lease under SLFRS 16</b>		
Interest on lease liabilities	257,370	271,169
Amortisation of Right-of-use asset	412,703	421,384
Expenses relating to leases of low value assets	443	443
	<b>670,516</b>	<b>692,996</b>

### 25. Trade and Other Payables

As at 31st March,	2022 Rs. '000	2021 Rs. '000
Trade Payables	249,595	201,326
Other Financial Liabilities	195,329	194,502
Unclaimed Dividends	3,386,826	160,998
Other Non Financial Liabilities	3,713,861	2,937,275
	<b>7,545,611</b>	<b>3,494,101</b>

### 26. Taxes Payables

	2022 Rs. '000	2021 Rs. '000
Income Tax Payable	1,504,282	2,001,054
Excise Duty Payable	5,079,418	4,099,930
Value Added Tax (VAT) Payable	1,085,246	817,589
Stamp Duty Payable	94	71
	<b>7,669,040</b>	<b>6,918,644</b>

### 27. Interest Bearing Loans and Borrowings

	2022 Rs. '000	2021 Rs. '000
Balance as at 1st April	13,000	5,187,778
Loans obtained during the year	4,235,000	27,565,000
Interest for the year	851	107,055
Repayments during the year	(4,238,000)	(32,727,090)
Interest payments during the year	(851)	(119,743)
Balance as at 31st March	<b>10,000</b>	<b>13,000</b>

#### 27.1 Sources of finance

Medical Scheme Loan	10,000	13,000
	<b>10,000</b>	<b>13,000</b>

### 28. 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.

## Notes to the Financial Statements

### 28.1 Balances with Related Parties

#### 28.1.1 Amounts Due from Related Companies

As at 31st March,	2022 Rs. '000	2021 Rs. '000
Aion SG Residencies (Private) Limited	11,920	11,920
Continental Insurance Lanka Limited	1,374	1,460
Melstacorp PLC	390,793	363,488
Periceyl (Private) Limited	147,774	255,183
Madulsima Plantations PLC	52,668	45,506
Splendor Media (Private) Limited	-	59
Balangoda Plantations PLC	-	518
Melsta Laboratories (Private) Limited	197	177
Ambewela Products (Private) Limited	3,271	6,147
Lanka Milk Foods (CWE) PLC	24	-
	<b>608,021</b>	<b>684,458</b>
Provision for Impairment	(11,920)	(11,920)
	<b>596,101</b>	<b>672,538</b>

#### 28.1.2 Amounts Due to Related Companies

As at 31st March,	2022 Rs. '000	2021 Rs. '000
Bellvantage (Private) Limited	-	4,681
Melsta Logistics (Private) Limited	14,482	24,710
Lanka Bell Limited	99	534
Splendor Media (Private) Limited	5	-
Melsta Properties (Private) Limited	1,515	12,034
Stassen Exports Limited	724	503
Lanka Milk Foods (CWE) PLC	-	8,315
Melsta Technologies (Private) Limited	7,196	6,625
	<b>24,021</b>	<b>57,402</b>

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

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

## Notes to the Financial Statements

### 28.2 Transactions with Related Companies

No.	Name of Company	Name of Directors	Nature of Interest	Nature of Transaction	Transaction Value (Rs.'000)	Balance (due to)/ due from as at 31.03.2022 (Rs. '000)
1.	Ambewela Products (Private) Limited.	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Mr. D. Hasitha S. Jayawardena	Related Co.	<ul style="list-style-type: none"> <li>Supply of Goods &amp; Services</li> <li>Purchase of Milk Products &amp; Others</li> <li>Payment for Purchase of Milk Products &amp; Others</li> <li>Receipt for Supply of Goods &amp; Services</li> </ul>	23,407 17 17 23,879	3,271
2.	Balangoda Plantations PLC	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Mr. D. Hasitha S. Jayawardena	Related Co.	<ul style="list-style-type: none"> <li>Supply of Goods &amp; Services</li> <li>Payment Received for Supply of Goods &amp; Services</li> </ul>	2,063 2,582	-
3.	Continental Insurance Lanka Limited		Related Co.	<ul style="list-style-type: none"> <li>Supply of Goods &amp; Services</li> <li>Insurance Claim</li> <li>Insurance Premium</li> <li>Goods &amp; Services Received</li> <li>Payment for Goods &amp; Services Received</li> <li>Payment for Insurance Premium</li> <li>Insurance Claim Received</li> </ul>	20 4,477 45,751 554 309 45,888 4,477	1,374
4.	Lanka Bell Limited	Mr. D. H. S. Jayawardena Mr. C. R. Jansz	Related Co.	<ul style="list-style-type: none"> <li>Telephone Bill Expenses</li> <li>Settlement of Telephone Bill Expenses</li> </ul>	10,880 11,315	(99)
5.	Bellvantage (Private) Limited.		Related Co.	<ul style="list-style-type: none"> <li>Software Maintenance Charges</li> <li>Payment for Software Maintenance Charges</li> </ul>	13,346 18,027	-
6.	Madulsima Plantations PLC	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Mr. D. Hasitha S. Jayawardena	Related Co.	<ul style="list-style-type: none"> <li>Supply of Goods &amp; Services</li> <li>Receipt for Supply of Goods &amp; Services</li> <li>RPT Current A/C Interest</li> </ul>	3,663 16 3,515	52,668
7.	Melstacorp PLC	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Mr. N. de S. Deva Aditya Capt. K. J. Kahanda Dr. N. Balasuriya Mr. D. Hasitha S. Jayawardena Mr. R. Seevaratnam	Related Co.	<ul style="list-style-type: none"> <li>RPT Current A/C Interest</li> <li>Supply of Goods &amp; Services</li> <li>Rent Expense</li> <li>Payment of Rent</li> <li>RPT Current A/C Interest Received</li> <li>Payment Received for Supply of Goods &amp; Services</li> </ul>	28,183 8,013 237,925 237,537 2,046 6,455	390,793
8.	Splendor Media (Private) Limited		Related Co.	<ul style="list-style-type: none"> <li>Services Received</li> <li>Receipt for Supply of Goods &amp; Services</li> <li>Payment for Services Received</li> </ul>	1,025 74 1,035	(5)
9.	Stassen Exports (Private) Limited	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Mr. D. Hasitha S. Jayawardena	Related Co.	<ul style="list-style-type: none"> <li>Rent Income</li> <li>Supply of Goods &amp; Services</li> <li>Rent Expense</li> <li>Purchase of Goods &amp; Transport Services</li> <li>Payment for Purchase of Goods &amp; Transport Services</li> <li>Payment of Rent Expense</li> <li>Receipt of Rent Income</li> <li>Receipt for Supply of Goods &amp; Services</li> </ul>	22,357 1,152 3,542 67,069 67,149 2,997 22,385 879	(724)
10.	Texpro Industries Limited	Mr. D. H. S. Jayawardena	Related Co.	<ul style="list-style-type: none"> <li>Purchase of Materials</li> <li>Payment for Materials</li> </ul>	1,605 1,605	-
11.	Lanka Daires (Private) Limited	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Mr. D. Hasitha S. Jayawardena	Related Co.	<ul style="list-style-type: none"> <li>Purchase of Milk Products</li> <li>Payment for Purchase of Milk Products</li> </ul>	37 37	-

## Notes to the Financial Statements

No.	Name of Company	Name of Directors	Nature of Interest	Nature of Transaction	Transaction Value (Rs.'000)	Balance (due to)/ due from as at 31.03.2022 (Rs. '000)
12.	Lanka Milk Foods (CWE) PLC	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Mr. D. Hasitha S. Jayawardena	Related Co.	<ul style="list-style-type: none"> <li>• Purchase of Milk Products</li> <li>• Payment for Purchase of Milk Products</li> <li>• Supply of Goods &amp; Services</li> <li>• Receipt for Supply of Goods &amp; Services</li> </ul>	9,439 17,754 919 895	24
13.	Melsta Laboratories (Private) Limited		Related Co.	<ul style="list-style-type: none"> <li>• Supply of Goods &amp; Services</li> <li>• Receipt for Supply of Goods &amp; Services</li> </ul>	598 578	197
14.	Melsta Health (Private) Limited	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Mr. D. Hasitha S. Jayawardena	Related Co.	<ul style="list-style-type: none"> <li>• Supply of Goods &amp; Services</li> <li>• Receipt for Supply of Goods &amp; Services</li> </ul>	12 12	-
15.	Periceyl (Private) Limited	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Mr. D. Hasitha S. Jayawardena	Related Co.	<ul style="list-style-type: none"> <li>• Supply of Goods &amp; Services</li> <li>• Supply of Spirit</li> <li>• Debtor Collections</li> <li>• Payment for Materials</li> <li>• Handling Charges for Foreign Liquor</li> <li>• Profit Share</li> <li>• Purchase of Materials</li> <li>• Transfer of Funds</li> <li>• Payment for Handling Charges</li> <li>• Payment of Profit Share</li> <li>• Receipt for Supply of Goods &amp; Services</li> <li>• Receipt for Supply of Spirit</li> </ul>	241,536 46,218 5,452,909 738 2,898 1,531 738 5,338,424 2,898 1,531 234,460 46,218	147,774
16.	Melsta Technologies (Private) Limited		Related Co.	<ul style="list-style-type: none"> <li>• Supply of Goods &amp; Services</li> <li>• Receipt for Supply of Goods &amp; Services</li> <li>• Software Maintenance Fee</li> <li>• Payment for Software Maintenance Fee</li> </ul>	142 141 107,061 106,488	(7,196)
17.	Melsta Properties (Private) Limited	Capt. K. J. Kahanda	Related Co.	<ul style="list-style-type: none"> <li>• Supply of Goods &amp; Services</li> <li>• Rent Expense</li> <li>• Payment of Rent</li> <li>• Receipt for Supply of Goods &amp; Services</li> </ul>	14,454 68,339 75,387 10,983	(1,515)
18.	Ambewela Live Stock Co. Ltd.	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Mr. D. Hasitha S. Jayawardena	Related Co.	<ul style="list-style-type: none"> <li>• Payment for Purchase of Milk Products</li> </ul>	2,404	-
19.	Melsta Logistics (Private) Limited		Related Co.	<ul style="list-style-type: none"> <li>• Vehicle Hiring Charges</li> <li>• Repair Charges &amp; Other Services</li> <li>• Rent Income</li> <li>• Supply of Good &amp; Services</li> <li>• Payment of Vehicle Hiring Charges</li> <li>• Payment for Repair Charges &amp; Other Services</li> <li>• Receipt of Rent Income</li> <li>• Receipt for Supply of Good &amp; Services</li> </ul>	373,354 1,273 3,240 66,244 370,453 1,344 3,240 53,186	(14,482)
20.	Melsta Hospitals Ragama (Pvt) Ltd.	Mr. C. R. Jansz Mr. D. Hasitha S. Jayawardena	Related Co.	<ul style="list-style-type: none"> <li>• Supply of Goods &amp; Services</li> <li>• Receipt for Supply of Goods &amp; Services</li> </ul>	75 75	-



## Notes to the Financial Statements

### 28.3 Transactions with Key Management Personnel

#### 28.3.1 Key Management Personnel

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

#### 28.3.2 Compensations to Key management Personnel

For the year ended 31st March	2022 Rs. '000	2021 Rs. '000
Short Term Employee Benefits	60,708	58,243

### 28.4 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.

### 28.5 Loans to Directors

There were no loans given to Directors during the year.

### 28.6 Recurrent Transactions

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

Name of Related Party	Relationship	Nature of Transaction	Aggregate Value of Related Party Transactions entered into during the financial year (Rs.'000)	Aggregate Value of Related Party Transactions as a percentage of Net Revenue Income	Terms and Conditions of the Related Party Transactions
Periceyl (Private) Limited	Related Company	Debtor Collections	5,452,909	16%	Commercial
		Fund Transfers	5,338,424	16%	Transaction

### 29. Contingent Liabilities

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

#### Income Tax Assessment

The Company has received an income tax assessment dated 9th August 2022 from the Commissioner General of Inland Revenue imposing an additional income tax liability of Rs. 4,078 million and a penalty of Rs. 2,039 million against the Company for the year of assessment 2016/17 in relation to the Group's restructuring transactions. The Company is in the process of appealing against the said assessment. Having considered the preliminary/procedural and substantive grounds against the assessment raised and on receiving external professional advice the Board of Directors are of the view that it is not likely to result in any tax liability to the Company.

### 30. Capital Commitments

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

### 31. Assets Pledged

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

## Notes to the Financial Statements

### 32. Events After the Reporting Date

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

#### 32.1 Surcharge Tax Act

The Surcharge Tax Act No 14 of 2022 (Act) was certified by the Speaker and published as a Supplement to Part II of the Gazette of the Democratic Socialist Republic of Sri Lanka on 8th April 2022. As per the said Act, a company or each company of a Group (The holding company and subsidiaries) which meet the chargeability threshold when the aggregate taxable income of the company or all subsidiaries and holding company (excluding the companies with nil taxable income due to losses or unrelieved losses) exceed Rs 2,000 Mn. for year of assessment commencing from 1st April 2020 will be liable for Surcharge tax at a rate of 25% on the taxable income of the Company or the Group excluding gains and profits from dividends received from subsidiaries.

As the law imposing the surcharge tax was enacted after the reporting period end, the financial statements for the year ended 31st March 2022 do not reflect the tax liability that would arise. However, the Company has paid surcharge tax amounting to Rs. 1,538.6 Mn and Rs. 1,538.6 Mn respectively on 20th April 2022 and 20th July 2022.

Surcharge Tax liability will be deemed as an expenditure in the financial statements relating to the year of assessment commenced on 1st April 2020. Accordingly, the above liability will be adjusted in the Reserves in Statement of Changes in Equity during the next reporting period.

#### 32.2 First Interim Dividend

The Board of Directors of the Company has approved an interim dividend of Rs. 0.5 per voting share on 12th August 2022 amounting to Rs. 2,300 Mn.

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### 33. Impact From Rapid Changes in Macro Economic Factors

#### The Macro Economic Environment of Sri Lanka

Sri Lanka is currently in an economic, fiscal and monetary turmoil which has resulted in an economic recession. This has been further fueled by the rating downgrade to "Default Imminent (C)" when the Government of Sri Lanka announced that it will withhold payments to bonds and foreign debts on 12th April 2022.

In light of the decreasing foreign reserves, Central Bank of Sri Lanka made several policy decisions such as floating the rupee on 10th March 2022, which led to a rapid rupee depreciation against major foreign currencies. The severe shortage of foreign currency has left the Government of Sri Lanka unable to pay for essential imports, including fuel, foods, gas, and medicine. At the same time, Sri Lanka's annual inflation scaled to 66.7 percent in July of 2022 from 3.9 percent in April 2021. The Banks have restricted and imposed controls on the foreign currency payments made to outside of Sri Lanka, which has disrupted the economy of the country which is mainly based on imports and consumption.

#### Impact on Internal Operations & Business Continuity of the Company

The Company evaluates its resilience of its businesses considering the factors such as cash reserves, potential sources of financing, foreign currency receipts and profitability; if required and possibility of differing of non-essential capital expenditure. The Company is currently operating with a sound credit control system to safeguard possible credit risks that might arise with the possibility of default risk from the customers. Further, the Company did not extend the credit terms other than the normal business terms. In addition, the Company has not determined any impairment on property, plant and equipment as at the reporting date due to negative impact of the change in macro-economic condition. Business operations are carrying forward under the business continuity plan, allowing operations to function through alternative working arrangements while encoring the cost saving mechanisms. Therefore, the Management of the Company is on the view that the Company does not have significant impact on the business operations due to the rapid changes in macroeconomic conditions of the country.

#### Company's responses on the impact on the future operations and the financial condition of the Company

The Management will continue to monitor the situation and take required mitigating actions to minimise the impact of these macro-economic factors while ensuring that the business operations are carried out without disruption while ensuring the health and safety of the employees and satisfaction of the customers of the Company.

## Notes to the Financial Statements

### 34. Financial Risk Management

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

#### Financial Instruments

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

#### 34.1 Financial Risk Management Objectives and Policies

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

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

The company has exposure to following financial instruments.

##### 34.1.1 Credit Risk

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

#### Maximum Credit Exposure

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

	Note	2022 Rs.'000	% from Total Exposure	2021 Rs.'000	% from Total Exposure
Trade and Other Receivables	19	4,402,934	36%	4,380,795	62%
Amounts Due From Related Companies	28.1.1	596,101	5%	672,536	9%
Corporate Debt Securities	16.1.4	199,048	2%	199,600	3%
Cash at Bank	20	6,968,467	57%	1,833,505	26%
		12,166,550	100%	7,086,436	100%

##### 34.1.1.1 Trade and Other Receivables

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

##### 34.1.1.2 Amounts Due From Related Companies

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

## Notes to the Financial Statements

### 34.1.1.3 Corporate Debt Securities

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

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

Credit Rating	2022		2021	
	Amount Rs. '000	% from Total Exposure	Amount Rs. '000	% from Total Exposure
A+	-	-	-	-
AA-	199,048	100%	199,600	100%
BBB+	-	-	-	-
	199,048	100%	199,600	100%

### 34.1.1.4 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.

### 34.1.2 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 31st March 2022 and 31st March 2021.

	Carrying amount Rs. '000	Contractual cashflow Rs. '000	Within 1 year Rs. '000	Between 1-3 years Rs. '000	Between 3-5 years Rs. '000	More than 5 years Rs. '000	Total Rs. '000
<b>31st March 2022</b>							
Lease Liabilities	1,642,906	2,061,131	624,877	1,271,868	164,386	-	2,061,131
Interest Bearing Loans and Borrowings	10,000	10,000	10,000	-	-	-	10,000
Trade and Other Payables	3,831,750	3,831,750	3,831,750	-	-	-	3,831,750
Amounts due to Related Companies	24,021	24,021	24,021	-	-	-	24,021
Bank Overdraft	197,468	197,468	197,468	-	-	-	197,468
	5,706,145	6,124,370	4,688,116	1,271,868	164,386	-	6,124,370
<b>31st March 2021</b>							
Lease Liabilities	1,665,088	2,211,202	545,567	1,105,504	560,131	-	2,211,202
Interest Bearing Loans and Borrowings	13,000	13,000	13,000	-	-	-	13,000
Trade and Other Payables	556,826	556,826	556,826	-	-	-	556,826
Amounts due to Related Companies	57,402	57,402	57,402	-	-	-	57,402
Bank Overdraft	59	59	59	-	-	-	59
	2,292,375	2,838,489	1,172,854	1,105,504	560,131	-	2,838,489

## Notes to the Financial Statements

### 34.1.3 Market Risk

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

#### Equity Price Risk

Company has its major equity investment portfolios held on a long term basis; hence immune to daily fluctuations. Those are classified as FVOCI. Further, a small trading portfolio is managed by a Unit Trust company licensed by the SEC and individual companies manage their own short term portfolio as well. These investments are held by complying with company's investment policies.

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 financial investments are analysed bellow.

As at 31st March	2022		2021	
	Rs. '000	%	Rs. '000	%
<b>Financial Assets Measured at FVOCI</b>				
Beverage Food and Tobacco	7	0%	7	0%
Diversified Investments	-	0%	64	0%
Bank, Finance and Insurance	1,409,971	100%	1,585,419	96%
Hotel and Travels	2,673	0%	67,201	4%
	<b>1,412,651</b>	<b>100%</b>	<b>1,652,691</b>	<b>100%</b>
<b>Financial Assets Measured at FVTPL</b>				
Beverage Food and Tobacco	-	-	13,884	23%
Diversified Investments	6,768	32%	35,843	59%
Hotel and Travels	14,446	68%	11,117	18%
	<b>21,214</b>	<b>100%</b>	<b>60,844</b>	<b>100%</b>

The sensitivity analysis of the share investments portfolio at the shock level of 10% as at 31st March 2022 and 2021 are as follows.

As at 31st March		2022		2021	
	Shock level	Impact on Income Statement due to fall in market value Rs.'000	Portfolio Amount Rs.'000	Impact on Income Statement due to fall in market value Rs.'000	Portfolio Amount Rs.'000
Financial Assets Measured at FVOCI					
Beverage Food and Tobacco	-10%	(1)	6	(1)	6
Diversified Investments	-10%	-	-	(6)	58
Bank, Finance and Insurance	-10%	(140,997)	1,268,974	(158,542)	1,426,877
Hotel and Travels	-10%	(267)	2,406	(6,720)	60,481
		(141,265)	1,271,386	(165,269)	1,487,422
Financial Assets Measured at FVTPL					
Beverage Food and Tobacco	-10%	-	-	(1,388)	12,496
Diversified Investments	-10%	(677)	6,091	(3,584)	32,259
Hotel and Travels	-10%	(1,445)	13,001	(1,112)	10,005
		(2,122)	19,092	(6,084)	54,760



## Notes to the Financial Statements

As at 31st March	Shock level	2022		2021	
		Impact on Income Statement due to rise in market value Rs.'000	Portfolio Amount Rs.'000	Impact on Income Statement due to rise in market value Rs.'000	Portfolio Amount Rs.'000
Financial Assets Measured at FVOCI					
Beverage Food and Tobacco	10%	1	8	1	8
Diversified Investments	10%	-	-	6	70
Bank, Finance and Insurance	10%	140,997	1,550,968	158,542	1,743,961
Hotel and Travels	10%	267	2,940	6,720	73,921
		(141,265)	1,271,386	(165,269)	1,487,422
Financial Assets Measured at FVTPL					
Beverage Food and Tobacco	10%	-	-	1,388	15,272
Diversified Investments	10%	677	7,445	3,584	39,427
Hotel and Travels	10%	1,445	15,891	1,112	12,229
		2,122	23,336	6,084	66,928

### 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.

The Monetary Board of the Central Bank of Sri Lanka (CBSL) has decided to increase the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) and this may impact the future profits of the Company.

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

As at 31st March,	2022 Rs. '000	2021 Rs. '000
<b>Financial Assets</b>		
<b>Fixed rate instruments</b>		
Investment in Debentures	199,048	199,600
Cash at Bank	6,968,467	1,833,505
	7,167,515	2,033,105
<b>Variable rate instruments</b>		
Amount Due From Related Company	390,793	363,488
	390,793	363,488
<b>Financial Liabilities</b>		
<b>Variable rate instruments</b>		
Interest Bearing Loans and Borrowings	10,000	13,000
Bank Overdraft	197,468	59
	207,468	13,059

## Notes to the Financial Statements

### Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 800 basis points in interest rates as at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

As at 31st March,	Basis points	3/31/2022 Rs. '000	3/31/2021 Rs. '000
Increase	800	311,874	280,392
Decrease	800	(311,874)	(280,392)

### Foreign Currency Risk

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

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

### Finance Risk

The Company has a very strong Financial Position and is 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. Fair values of financial instruments

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

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

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

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

## Notes to the Financial Statements

### Fair values versus the Carrying amounts

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

As at 31st March	2022		2021	
	Carrying Value Rs. '000	Fair Value Rs. '000	Carrying Value Rs. '000	Fair Value Rs. '000
<b>Non Current Assets</b>				
<b>Financial Assets Measured at Fair Value through Other Comprehensive Income</b>				
Quoted Equity Securities	1,409,971	1,409,971	1,585,483	1,585,483
Unquoted Equity Securities	2,680	2,680	67,208	67,208
Investments in Unit Trusts	-	-	21,495	21,495
Investment in Debentures	199,048	199,048	199,600	199,600
	<b>1,611,699</b>	<b>1,611,699</b>	<b>1,873,786</b>	<b>1,873,786</b>
<b>Financial Assets Measured at Fair Value through Profit or Loss</b>				
Quoted Equity Securities	21,214	21,214	60,844	60,844
	<b>21,214</b>	<b>21,214</b>	<b>60,844</b>	<b>60,844</b>
<b>Assets Carried at Amortized Cost</b>				
Trade and other receivables	4,402,934	4,402,934	4,380,795	4,380,795
Amount due from related Companies	596,101	596,101	672,538	672,538
Cash and cash equivalents	7,027,682	7,027,682	1,933,826	1,933,826
	<b>12,026,717</b>	<b>12,026,717</b>	<b>6,987,159</b>	<b>6,987,159</b>
<b>Current Liabilities</b>				
<b>Liabilities Carried at Amortized Cost</b>				
Trade and Other Payables	3,831,750	3,831,750	556,826	556,826
Amount Due to Related Companies	24,021	24,021	57,402	57,402
Interest Bearing Borrowings	10,000	10,000	13,000	13,000
Bank Overdrafts	197,468	197,468	59	59
	<b>4,063,239</b>	<b>4,063,239</b>	<b>627,287</b>	<b>627,287</b>

## Notes to the Financial Statements

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

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

As at 31st March

As at 31st March	2022			
	Level I Rs. '000	Level II Rs. '000	Level III Rs. '000	Total Rs. '000
Non Current Assets				
Financial Assets Measured at Fair Value through Other Comprehensive Income				
Quoted Equity Securities	1,409,971	-	-	1,409,971
Unquoted Equity Securities	-	-	2,680	2,680
Investment in Debentures	199,048	-	-	199,048
	1,609,019	-	2,680	1,611,699
Financial Assets Measured at Fair Value through Profit or Loss				
Quoted Equity Securities	21,214	-	-	21,214
	21,214	-	-	21,214
Assets Carried at Amortized Cost				
Trade and other receivables	-	-	4,402,934	4,402,934
Amount due from related Companies	-	-	596,101	596,101
Cash and cash equivalents	-	7,027,682	-	7,027,682
	-	7,027,682	4,999,035	12,026,717
Liabilities Carried at Amortized Cost				
Trade and Other Payables	-	-	3,831,750	3,831,750
Amount Due to Related Company	-	-	24,021	24,021
Interest Bearing Borrowings	-	-	10,000	10,000
Bank Overdrafts	-	197,468	-	197,468
	-	197,468	3,865,771	4,063,239
As at 31st March				
	2021			Total Rs. '000
	Level I Rs. '000	Level II Rs. '000	Level III Rs. '000	
Non Current Assets				
Financial Assets Measured at Fair Value through Other Comprehensive Income				
Quoted Equity Securities	1,585,483	-	-	1,585,483
Unquoted Equity Securities	-	-	67,208	67,208
Investments in Unit Trusts	-	-	21,495	21,495
Investment in Debentures	199,600	-	-	199,600
	1,785,083	-	88,703	1,873,786
Financial Assets Measured at Fair Value through Profit or Loss				
Quoted Equity Securities	60,844	-	-	60,844
	60,844	-	-	60,844
Assets Carried at Amortized Cost				
Trade and other receivables	-	-	4,380,795	4,380,795
Amount due from related Companies	-	-	672,538	672,538
Cash and cash equivalents	-	1,933,826	-	1,933,826
	-	1,933,826	5,053,333	6,987,159
Liabilities Carried at Amortized Cost				
Trade and Other Payables	-	-	556,826	556,826
Amount Due to Related Companies	-	-	57,402	57,402
Interest Bearing Borrowings	-	-	13,000	13,000
Bank Overdrafts	-	59	-	59
	-	59	627,228	627,287

# Statement of Value Added

## Value Added

For the year ended 31st March,

	2022 Rs. '000	2021 Rs. '000
Gross Turnover	107,057,378	92,830,169
Other Operating Income	239,508	240,300
Finance Income	385,155	137,466
	107,682,041	93,207,935

## Value Distributed

For the year ended 31st March,

	2022 Rs. '000	As a % of Total
To the State as Taxes	79,278,484	73.45%
Operating Expenses	19,201,551	15.98%
To the Employees	2,395,636	2.22%
To Providers of Debt Capital	260,824	0.24%
To the Shareholders as Dividends	10,396,000	9.65%
<b>Retained with the Business</b>		
As Depreciation	896,861	0.83%
As Retained Earnings	(4,747,315)	-4.41%
	107,682,041	

For the year ended 31st March,

	2021 Rs. '000	As a % of Total
To the State as Taxes	68,444,119	70.37%
Operating Expenses	15,128,557	19.37%
To the Employees	1,689,746	2.15%
To Providers of Debt Capital	378,290	0.74%
To the Shareholders as Dividends	4,462,000	8.13%
<b>Retained with the Business</b>		
As Depreciation	484,949	0.64%
As Retained Earnings	2,620,275	-1.40%
	93,207,936	

## Details of Real Estate 2021/2022

Location		Land Extent			Buildings		Land Value Cost/ Revaluation Rs. '000	Building Value Cost/ Revaluation Rs. '000	Total Rs. '000
		A	R	P	No of Units	Extent in (Sq. Ft.)			
Seeduwa	Seeduwa No: 03, New Bottling Plant Complex & Housing Complex	15	2	17.09	15	184,377.00	1,379,646	1,706,954	3,086,600
Seeduwa	Seeduwa New & Old	5	2	15.10	22	101,610.50	494,582	226,564	721,146
Seeduwa	35/13B, Distilleries Rd	-	-	16.70	-	-	10,020	-	10,020
Seeduwa	35/13, Distilleries Rd	-	-	16.70	-	-	10,855	-	10,855
Seeduwa	37/20A, Distilleries Rd	-	-	8.00	-	-	5,200	-	5,200
Seeduwa	37/8A, Distilleries Rd	-	-	13.25	-	-	9,604	-	9,604
Kandy	375/1-2, Dutugemunu Mw, Mawilmada	2	-	-	-	-	52,910	34,916	87,826
Kalutara	Bare Land	1	-	23.00	-	-	37,500	-	37,500
Dickoya	Dickoya	-	-	-	4	18,286.00	-	115,935	115,935
Peliyagoda	Peliyagoda	-	-	-	4	15,406.25	-	55,300	55,300
							2,000,317	2,139,669	4,139,986



# 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	31st March 2022	31st March 2021
Last Trade	19.30	19.90
Highest	21.90	24.60
Lowest	13.40	19.20

## 3. Distribution of Shareholding

As at Holding	31st March 2022			31st March 2021		
	No. of Shareholders	Total Holdings	% of Holding	No. of Shareholders	Total Holdings	% of Holding
1 to 1,000	8,609	2,339,106	0.05%	8,321	2,219,979	0.05%
1,001 to 10,000	3,175	9,108,592	0.20%	2,727	7,300,067	0.16%
10,001 to 100,000	648	19,038,710	0.41%	441	12,535,118	0.27%
100,001 to 1,000,000	87	27,418,783	0.60%	69	24,166,767	0.53%
1,000,001 & Over	25	4,542,094,809	98.74%	23	4,553,778,069	99.00%
	12,544	4,600,000,000	100.00%	11,581	4,600,000,000	100.00%

## 4. Analysis of Shareholding

	No. of Shareholders	Total Holdings	% of Holding	No. of Shareholders	Total Holdings	% of Holding
Individuals	12,262	58,998,930	1.28%	11,336	71,055,979	1.54%
Institutions	282	4,541,001,070	98.72%	245	4,528,944,021	98.46%
	12,544	4,600,000,000	100.00%	11,581	4,600,000,000	100.00%
Resident	12,453	4,594,580,190	99.88%	11,485	4,569,922,912	99.35%
Non-Resident	91	5,419,810	0.12%	96	30,077,088	0.65%
	12,544	4,600,000,000	100.00%	11,581	4,600,000,000	100.00%

## 5. Top 30 Shareholders - 31st March 2022

Rank	Name	2022		2021	
		Shareholding	%	Shareholding	%
1	Melstacorp PLC	4,252,262,664	92.44%	4,252,262,664	92.44%
2	Milford Exports (Ceylon) (Pvt) Limited	147,520,592	3.21%	147,520,592	3.21%
3	Lanka Milk Foods (CWE) Limited	44,991,407	0.98%	44,991,407	0.98%
4	Rubber Investment Trust Ltd A/C No. 01	19,681,665	0.43%	15,653,921	0.34%
5	Commercial Bank of Ceylon PLC/L. E. M. Yaseen	15,466,666	0.34%	15,466,666	0.34%
6	Ceylon Investment PLC A/C # 02	7,046,227	0.15%	5,939,727	0.13%
7	Ceylon Guardian Investment Trust PLC A/C # 02	6,991,460	0.15%	5,884,960	0.13%
8	Mrs. L.E.M. Yaseen	5,978,334	0.13%	5,978,334	0.13%
9	Commercial Bank of Ceylon PLC/M. A. Yaseen	4,740,740	0.10%	4,740,740	0.10%
10	J. B. Cocoshell (Pvt) Ltd	4,383,699	0.10%	4,409,201	0.10%
11	AIA Insurance Lanka Limited A/C No. 07	3,775,165	0.08%	3,354,165	0.07%
12	Mrs. S.M. Chrysostom	3,374,814	0.07%	3,374,814	0.07%
13	Metrocorp (Pvt) Ltd	3,225,271	0.07%	861,831	0.02%
14	Mr. M.H. Raouf	2,750,000	0.06%	2,510,000	0.05%
15	Stassen Exports (Pvt) Limited	2,505,718	0.05%	2,505,718	0.05%
16	Hatton National Bank PLC A/C No. 4 (HNB Retirement Pension Fund)	2,388,053	0.05%	2,388,053	0.05%
17	Mr. D. Hasitha S. Jayawardena	2,231,505	0.05%	2,231,505	0.05%
18	Askold (Private) Limited	2,050,000	0.04%	2,050,000	0.04%
19	People's Leasing & Finance PLC/L. P. Hapangama	2,032,428	0.04%	857,850	0.02%
20	People's Bank	1,700,000	0.04%	-	0.00%
21	Mr. M. A. Yaseen	1,641,406	0.04%	25,924,620	0.56%
22	Mcsen Range Private Limited	1,617,737	0.04%	1,617,737	0.04%
23	Mr. A. M. Weerasinghe	1,500,000	0.03%	1,500,000	0.03%
24	AIA Insurance Lanka Limited A/C No. 06	1,162,500	0.03%	1,142,500	0.02%
25	Mr. D.C.D.L.S.D. Perera	1,076,758	0.02%	1,076,758	0.02%
26	Jafferjee Brothers (Exports) Limited	1,000,000	0.02%	1,000,000	0.02%
27	JB Capital (Private) Limited	1,000,000	0.02%	1,000,000	0.02%
28	Mr. S. S. Fonseka	1,000,000	0.02%	-	0.00%
29	Mr. A. N. Esufally	896,698	0.02%	600,000	0.01%
30	Goodhope Pte. Ltd.	838,445	0.02%	838,445	0.02%
	Sub Total	4,546,829,952	98.84%	4,557,682,208	99.08%
	Other Shareholders	53,170,048	1.16%	42,317,792	0.92%
	Total	4,600,000,000	100.00%	4,600,000,000	100.00%
	Percentage of Shares held by the public:	3.27%		3.27%	
	Total No. of shareholders who hold the public holding:*	12,536		11,573	

\* The public holding of the company as at 31st March 2022 was 3.27% comprising of 12,536 Shareholders and a float adjusted market Capitalisation as at 31st March 2022 was Rs.2,046,337,600.00. The Company is not compliant with Rule 7.13.1.(a) of the Listing Rules of the Colombo Stock Exchange on minimum public holding.

# Ten-Year Summary

In Rs. Million - Company	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>RESULTS</b>										
Gross Turnover	107,057.4	92,830.1	81,648.0	81,672.9	90,387.0	90,273.4	72,113.7	51,800.1	47,755.5	51,548.9
Excise Duty	73,988.7	63,592.1	53,752.0	53,957.3	61,204.1	63,254.0	50,572.8	34,883.6	31,057.4	34,087.5
<b>NET TURNOVER</b>	<b>33,068.7</b>	<b>29,238.0</b>	<b>27,895.0</b>	<b>27,715.6</b>	<b>29,182.8</b>	<b>27,019.4</b>	<b>21,540.9</b>	<b>16,916.5</b>	<b>16,698.1</b>	<b>17,461.4</b>
Profit/(Loss) Before Tax	13,184.9	11,934.3	9,492.0	8,968.8	7,324.8	8,063.7	8,222.6	13,070.3	8,136.6	9,275.9
Income Tax	5,199.1	4,666.2	3,731.0	3,574.2	2,975.4	3,088.7	2,920.5	2,785.6	2,778.7	2,403.2
<b>Profit/(Loss) After Tax</b>	<b>7,985.8</b>	<b>7,268.1</b>	<b>5,761.0</b>	<b>5,394.6</b>	<b>4,349.5</b>	<b>4,975.0</b>	<b>5,302.1</b>	<b>10,284.7</b>	<b>5,357.9</b>	<b>6,872.7</b>
<b>FUNDS EMPLOYED</b>										
Stated Capital	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	300.0	300.0	300.0	300.0	300.0
Capital Reserves	1,862.5	1,862.5	1,862.5	1,862.5	1,209.2	1,804.6	1,804.6	1,403.0	2,079.7	2,160.1
Revenue Reserves & Retained Earnings	1,509.9	4,218.8	2,033.3	2,959.9	1,503.7	130.2	50,951.1	48,580.3	41,459.0	36,695.0
<b>SHAREHOLDERS FUNDS</b>	<b>6,372.5</b>	<b>9,081.3</b>	<b>6,895.8</b>	<b>7,822.4</b>	<b>5,712.9</b>	<b>2,234.9</b>	<b>53,055.7</b>	<b>50,283.3</b>	<b>43,838.7</b>	<b>39,155.1</b>
Total Borrowings	10.0	13.0	5,187.8	5,187.4	5,300.0	7,339.2	5,197.4	6,476.4	10,025.8	8,576.0
Non current Liabilities Net of Borrowings	2,918.2	3,183.7	3,662.0	2,201.4	1,903.3	1,386.0	1,112.7	669.3	171.1	159.6
Current Liabilities Net of Borrowings	15,859.0	10,793.9	5,132.3	10,573.8	11,170.8	11,892.5	10,050.5	7,599.2	7,154.0	8,095.6
	25,159.7	23,071.9	20,877.9	25,785.0	24,120.6	22,852.6	69,416.3	65,028.2	61,189.6	55,986.3
<b>ASSET EMPLOYED</b>										
Non-current Assets	7,885.5	8,644.2	10,053.8	8,855.2	9,110.7	10,447.0	57,439.7	57,208.1	48,459.1	45,578.4
Current Assets	17,274.2	14,427.7	10,824.1	16,929.8	15,009.9	12,405.6	11,976.6	7,820.1	12,730.5	10,407.9
	25,159.7	23,071.9	20,877.9	25,785.0	24,120.6	22,852.6	69,416.3	65,028.2	61,189.6	55,986.3
<b>CASH FLOW</b>										
Net cash flow from Operating Activities	12,273.8	11,949.0	6,386.9	3,773.9	2,245.6	6,918.0	1,570.0	4,079.8	671.2	3,148.9
Net cash flow from Investing Activities	419.4	112.6	341.0	437.0	1,208.3	(27,820.0)	725.6	209.2	(1,569.3)	(689.3)
Net cash flow from Financing Activities	(7,796.8)	(10,370.0)	(6,943.7)	(2,998.0)	(2,751.1)	18,789.0	(970.2)	(975.0)	(2,167.9)	(1,535.6)
Net Increase/(Decrease) in Cash & Cash Equivalents	4,896.4	1,691.6	(215.8)	1,212.9	702.8	(2,113.0)	1,325.4	3,314.0	(3,065.9)	924.0
<b>KEY INDICATORS</b>										
Earnings per share (Rs)	1.74	1.58	1.25	1.17	5.64	(233.42)	17.67	15.48	17.86	10.68
Net assets per share (Rs)	1.39	1.97	1.50	1.70	1.24	7.45	176.85	167.61	146.13	130.52
Market Value per share (Rs)										
Year End	19.30	19.90	13.00	14.50	-	-	206.20	240.50	203.00	166.50
Return on Shareholder's Funds	125%	80%	84%	69%	77%	223%	10%	9%	12%	8%
Dividends per share (Rs)	1.56	1.12	1.20	0.80	0.67	1.75	3.35	3.25	3.25	3.00
Dividend payout	90%	71%	96%	68%	71%	-1%	19%	21%	18%	28%
Dividend Yield	8.08%	5.6%	9.2%	5.5%	-	-	1.6%	1%	2%	2%

With effect from year ended 31st 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 31st March 2015, 31st March 2013 and 31st 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, MBA, EDAMM(UOC)

**Consultant – Enactments & Regulations** J.R. de Cruz

### 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

**Assistant Manager – Procurement** M.K. Srinath Sanjeeva

### INTERNAL AUDIT DIVISION

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

### COMPANY SECRETARIAL & LEGAL DIVISION

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

**Legal Officer & Assistant Company Secretary** Ms. N.C. Goonawardena, Attorney-At-Law & N.P., Commissioner for Oaths, LLM (London), MBA (UK), ACCS (SL)

### HUMAN RESOURCES DIVISION

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

**Manager – HR Administration & Compliance** Sqn. Ldr. Lakshini Gunathilaka (Retd.) B.Sc. (DS) in Aero. Eng., ANDHRM

**Assistant Manager – Human Resources** Ms. Dhanushika Jayewardene MHRM, PQHRM (IPM)

### TRANSPORT DIVISION

**Head of Transport & Logistics** Roshanth Kumar Perera

### STOCK CONTROL DIVISION

**Head of Inventory Control** Lalith Ratnayake B.Sc. (B.Ad) Sp, MBA

### EXTRA SPECIAL HERITAGE ARENA

**Head of Extra Special Heritage Arena** Col. D.J.R. Rupasinghe (Retd.) RSP, IG

**Deputy Head of ESHA** Maj. Gen. B. V. D. Padmachula Abeynayaka (Retd.) USP, Advanced Dip (Defense & Strategic Studies)

**Manager - Logistics** Capt. K.G.N. S. Senanayake SLN (Retd.) psc, MSc (DS), B.Sc. (DS) in EE Eng.

**Senior Manager – Processing** Capt. P.A. Wijeratne SLN (Retd.) USP, B.Sc. (DS) EE Eng, PGD in EI (UOM), CEng (Ind), MIE (Ind), MIM (SL), MIET (UK), AMIE (SL)

**Manager – Production** Cdr. A.S. Galabaddage SLN (Retd.) psc, B.Sc. (DS) Mgt, M.Sc WS (Maritime), MISMM, CMILT

**Senior Engineer – Mechatronics** M.S. Munasinghe MBA (CMUUK), B.Eng. (Hons) in Mechatronics (UOW-UK), HND in Mechatronics Eng. (UK), AMIMEchE (UK), MIEE(UK)

**Engineer – Mechatronics** J. Vivegananthan B.Tech (Hons) in Eng. (OUSL)

**Manager – No.03 W/H** R.M.B. Lakshantha A.IChemC, Grad Chem

**Manager – Security & Fire** Maj. A.M.M. Abeysinghe (Retd.) RSP

**Manager – IT** R. Aravinth B.Sc.(Hons)

**Manager – Stores** Maj. Ranga Juwandarage (Retd.) RWP, RSP, PgD LRHRM (UOC)

**Civil Engineer** R.W.D.M.N. Senadhira NCT (Civil)

**Manager – Distribution** H.D.A.C. Herath BA (Hons)

**Chemist** H.A.Senanayake M.IChemC, Grad Chem.

### 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, MBA (Sri J)

**Senior Chemist** G. Chandana Kumara B.Sc. (Hons), Dip in HRM

**Chief Engineer** M.N. Perera

**Senior Manager – Production** Capt. K.A.P. Perera SLN (Retd.)RSP, psc,B.Sc. (DS)

**Manager – Transport** Lt. Col. Indaka Yakandawela (Retd.) B.Sc. (DS), MPM, MIM (SL)

**Assistant Manager – Production** H P T S Wijerathna BSc, PgD (Manufacturing Management)

**Assistant Manager – Operations** Capt. K.V.G.H. Harischandra (Retd.)

**Assistant Manager – Distillery** W P D Saranga, MSc (Analytical Chemistry), Grad Chem

**Zonal Manager – Peliyagoda (W)** F.H.D.M. Silva Nat Dip (Sales Management)

**Zonal Manager – Peliyagoda (S)** A.D. Mallikaarachchi Nat Dip (Sales Management)

**Zonal Manager – Rajakadalawa** K. P. Nishantha Degree of AA (USA)

**Zonal Manager – Negombo** P. H. R. Indika

**Zonal Manager – Kurunegala** Lt. Col. W. N. Somasiri (Retd.)

**Distillery** Seeduwa

## DCSL Management Team and Unit Management Team

<b>Warehouses</b>	New Warehouse, Old Warehouse
<b>Wholesale Outlets</b>	Peliyagoda (W), Peliyagoda (S), Rajakadalawa, Negombo, Kurunegala

### SOUTHERN REGION – KALUTARA

<b>Head of Southern Region</b>	Lt. Col. M.W. Susantha Marapana (Retd.) RSP
<b>Senior Manager – Administration</b>	Maj. W. Suranga De Silva (Retd.) PSC, Dip. in Military Studies
<b>Manager – Operations</b>	D.H.L. Nissanka B.Sc. (Micro), Ad Dip. (Manuf.)
<b>Asst. Engineer</b>	H.P.D.P. Mangala Gunasekara
<b>Zonal Manager – Kalutara</b>	A.D.C. Krishantha
<b>Zonal Manager – Ratmalana</b>	H. G. R. A. R. L. Ranasinghe
<b>Zonal Manager – Ambalantota</b>	M.A.C. Mandanayake
<b>Zonal Manager – Galle</b>	K.D. Nagahawatte
<b>Zonal Manager – Kuruwita</b>	P.S.H. Kumar
<b>Manager Warehouse – Production</b>	Gamini Ranadeera
<b>Manager Warehouse – Mirishena Warehouse (In addition, overseeing the functions at – No 02 Warehouse, Kalutara)</b>	W.A.V.L Asanka Deshapriya
<b>Manager Warehouse – Teak Stores Warehouse</b>	L. Madushan Dominic Silva
<b>Manager – Beruwala Distillery</b>	F.H. Manjula S. Silva
<b>Assistant Manager – Distillery</b>	H.A.D.I. Umayanga B.Sc. in Food Production & Technology Management, Dip. in Food Business & Marketing
<b>Assistant Manager Warehouse – Production</b>	K. Bhatiya Benthota Arachchi B.Sc.
<b>Distillery</b>	Beruwala
<b>Warehouses</b>	Kalutara No 02, Teak Stores, Mirishena
<b>Wholesale Outlets</b>	Kalutara, Ratmalana, Ambalantota, Galle, Kuruwita

### CENTRAL REGION – KANDY

<b>Head of Central Region</b>	Capt. Chula Ranasinghe SLN (Retd.) USP
<b>Deputy Head of Central Region</b>	V. Jeiyachandiran B.Sc. (Hons)
<b>Civil Engineer</b>	A.M.A.J.B. Abeykoon, NCT (Civil)
<b>Manager – Stores</b>	A.R.N. Atapattu
<b>Chemist</b>	Ms. R.M.I. Erandi Wijerathne B.Sc., Dip. in Information Technology with E-Commerce
<b>Manager – Engineering</b>	U.K.G.S.N. Ulpahakumbura B.Sc. (Applied Sciences), Advanced Technician Diploma in EE Engineering (City & Guilds)

<b>Territory Manager – Sales</b>	S.M.N. Manickam
<b>Assistant Manager – Administration</b>	M.R.I.K. Bandara B.Sc. (Hons)
<b>Asst. Accountant</b>	Ms. W.M.P. Perera
<b>Zonal Manager – Nawayalatenna</b>	Cdr. D.K.S.D. Perera SLN (Retd.) RSP & Bar, Dip. in Computer Studies
<b>Zonal Manager – Gampola</b>	Cdr. M.M. R.Y. Mapitigama SLN (Retd.) RSP
<b>Zonal Manager – Vavuniya</b>	N. Narenthiran B.Sc. in Computation & Management
<b>Zonal Manager – Batticaloa</b>	S Sureshkumar Dip. In Strategic Mgt. and Leadership
<b>Zonal Manager – Dickoya</b>	K.K. Gunaratne Dip. in Management, Passed finalist - AAT Sri Lanka
<b>Manager Wholesale Outlet – Trincomalee</b>	K.D.P. Pushpa Kumara
<b>Zonal Manager – Jaffna</b>	B. Sivasuthan B.Sc., Dip. in Computer programming, Dip. in Microsoft Office
<b>Zonal Manager – Anuradhapura</b>	Maj. K.A.C.T. Kalansooriya (Retd.)
<b>Zonal Manager – Badulla</b>	W. M. Dayananda
<b>Warehouse</b>	Nawayalatenna
<b>Wholesale Outlets</b>	Nawayalatenna, Gampola, Vavuniya, Batticaloa, Dickoya, Trincomalee, Jaffna, Anuradhapura, Badulla, KDY- 095 (M)

### GROUP MANAGEMENT DIVISION

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

### CORPORATE RISK MANAGEMENT & COMPLIANCE DIVISION

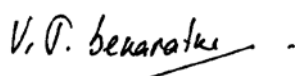
<b>Director – Corporate Risk Management &amp; Compliance</b>	Deshabandu M. R. Latiff Senior Deputy Inspector General of Police (Retd.), Masters in Human Rights, Masters in LR and HRM, Alumni of University of Colombo & NDU-USA
<b>Deputy Director Corporate Risk Management</b>	Deshabandu R.M.L.N. Bandara SSP (Retd.), MBA (Major) USA
<b>Deputy Director Compliance</b>	Upali Vithanage SSP (Retd.)

# Notice of Meeting

NOTICE IS HEREBY GIVEN that the THIRTY SECOND ANNUAL GENERAL MEETING OF DISTILLERIES COMPANY OF SRI LANKA PLC will be held as a virtual meeting at the "Mini Auditorium" Distilleries Company of Sri Lanka PLC, No. 110, Norris Canal Road, Colombo 10, Sri Lanka on 22nd September 2022 at 10.00 a.m. for the following purposes.

- a) To receive and consider the Annual Report of the Directors and the Financial Statements of the Company for the year ended 31st March 2022.
- b) To re-elect Capt. K.J. Kahanda who retires by rotation at the Annual General Meeting in terms of Article 30 of the Articles of Association, as a Director of the Company
- c) To re-elect as a Director, Mr. D.H.S. Jayawardene, who is over 70 years as a Director by passing the following resolution. "That the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. D.H.S. Jayawardena who has attained the age of 80 and that he be re-elected a Director of the Company."
- d) To re-elect as a Director, Mr. R. Seevaratnam who is over 70 years as a Director by passing the following resolution. "That the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. R. Seevaratnam who has attained the age of 79 and that he be re-elected a Director of the Company."
- e) To re-elect as a Director, Mr. N. de S. Deva Aditya who is over 70 years by passing the following resolution. "That the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr. N. de. Deva Aditya who has attained the age of 74 and that he be re-elected a Director of the Company."
- f) To authorise the Directors to determine contributions to charities.
- g) To authorise the Directors to determine the remuneration of the Auditors, Messrs. KPMG who are deemed to have been reappointed as Auditors for the year ended 31st March 2023 in terms of section 158 of the Companies Act No. 07 of 2007.

By Order of the Board,



Ms. V.J. Senaratne  
Company Secretary

25th August 2022  
Colombo.

## NOTES:

1. In the interest of protecting public health and facilitating compliance with the Health and Safety guidelines issued by the Government of Sri Lanka, the Thirty Second (32nd) Annual General Meeting of Distilleries Company of Sri Lanka PLC will be a virtual meeting held by participants joining in person or by proxy and through audio or audiovisual means in the manner specified below:

### I. Attendance of the Chairman and the board of Directors

The Chairman/Managing Director, Board of Directors, certain Key Management Personnel, the Company Secretary, and the External Auditors will participate in the meeting through audio and audiovisual means as a measure to maintain "social distancing" requirements to mitigate the dangers of spreading the virus.

### II. Shareholder Participation

- a. The shareholders are encouraged to appoint a Director of the Company as their proxy to represent them at the meeting.
- b. The shareholders may also appoint any other persons other than a Director of the Company as their proxy and the proxy so appointed shall participate in the meeting through audio or audiovisual means only
- c. The shareholders who wish to participate at the meeting will be able to join the meeting through audio or audiovisual means. To facilitate this process, the shareholders are required to furnish the details of the shareholder and proxy holder, if any, by perfecting Annexure II to the circular to shareholders and forward the same to vyjayanthi.corp@melsta.com or by facsimile on +94 11 2698718, to reach the Secretary not less than five (05) days before the date of the meeting so that the meeting login information could be forwarded to the e mail address as provided. The circular to the shareholders will be posted to all the shareholders along with the Notice of meeting and the Form of Proxy



## Notice of Meeting

- d. To facilitate the appointment of proxies, the Form of Proxy is attached hereto and the duly filled Form of Proxy should be sent to reach the Company Secretaries via e mail [vyjayanthi.corp@melsta.com](mailto:vyjayanthi.corp@melsta.com) or facsimile on +94 11 2698718 or by post to the registered address of the company No. 110, Norris Canal Road, Colombo 10. Sri Lanka, not less than twenty-four (24) hours before the time fixed for the meeting.

### III. Shareholder's queries

The shareholders are hereby advised that if they wish to raise any queries, such queries should be sent to reach the Company Secretary, via e-mail to [vyjayanthi.corp@melsta.com](mailto:vyjayanthi.corp@melsta.com) or facsimile on +94 11 2698718 or by post to the registered address of the company No 110, Norris Canal Road, Colombo 10. Sri Lanka not less than Five (5) days before the date of the meeting. This is in order to enable the Company Secretary to compile the queries and forward same to the attention of the Board of Directors so that same could be addressed at the meeting.

2. The Annual Report of the Company for the year 2021/22 will be available for perusal on the Company website [www.dcsigroup.com](http://www.dcsigroup.com) and the Colombo Stock Exchange website on [www.cse.lk](http://www.cse.lk).

# Form of Proxy

I/We .....

of ..... being a member/  
members of 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 Thirty Second (32nd) Annual General Meeting of the  
Company will be held as a "Virtual Meeting" on the 22nd day of September 2022, at the "Mini Auditorium" DCSL, 110, Norris Canal Road,  
Colombo 10, Sri Lanka, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

\* Please delete the inappropriate words.

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

Dated this .....day of .....2022.

.....  
Signature of Shareholder

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## Notes:

1. Proxy needs to be a member of the company.
2. In terms of Article 20 (III) of the Articles of Association of the Company  
A proxy shall be appointed by notice in writing signed
  - a) In the case of an individual, by the appointer or his attorney
  - b) In the case of a corporation, either under its common seal or by its attorney or by an officer on behalf of the corporation; and shall be addressed to the Chairman or the Secretary. The notice of appointment shall state whether the appointment is for a particular meeting, or for a specified term.
3. In terms of Article 20 (IV) of the Articles of Association of the Company  
No proxy is effective in relation to a meeting, unless a copy of the instrument which contained the notice of appointment together with the duly executed power of attorney (if any) is submitted to the secretary not less than twenty – four (24) hours before the start of the meeting.
4. In terms of Article 22 of the Articles of Association of the Company  
Where two (02) or more persons are registered as the holder of a share, the vote of the person named first in the share register and voting on a matter shall be accepted to the exclusion of the votes of the other joint holders. Where there are several executors or administrators of a deceased shareholder in whose sole name any shares are registered, any one of such executors or administrators may vote in respect of such shares unless any other of such executors or administrators is present at the meeting at which such a vote is tendered and objects to the vote. In such an event, a vote in relation to such shares on any matter shall not be accepted unless all such executors or administrators agree thereto.
5. Instructions as to completion are noted overleaf.

### Instructions as to Completion of Form of Proxy

1. Kindly perfect the Form of Proxy by filling in the mandatory details required above, sign in the space provided and fill in the date of signature.
2. If the Form of Proxy is signed by an Attorney, the relative power of attorney should also accompany the proxy form for registration, if such power of attorney has not already been registered with the Company.
3. In the case of a Company/Corporation, the Form of Proxy shall be executed in the manner specified in the Articles of Association.
4. In the absence of any specific instructions as to voting, the proxy may use his/her discretion in exercising the vote on behalf of his appointer.
5. Duly filled forms of proxy should be sent to reach the Company Secretary via e-mail to [vyjayanthi.corp@melsta.com](mailto:vyjayanthi.corp@melsta.com), or facsimile on +94 11 2698718 or by post to the registered address of the Company No: 110, Norris Canal Road, Colombo 10, Sri Lanka, not less than twenty-four (24) hours before the time appointed for the holding of the meeting

## Notes

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## Notes



## Notes

මෙම වාර්තාව සම්පූර්ණයෙන්ම පිළියෙල කර ඇත්තේ ඉංග්‍රීසි භාෂාවෙනි. ඔබට සහාපතිතුමාගේ පණිවුඩය, අධ්‍යක්ෂකවරුන්ගේ වාර්ෂික වාර්තාව සහ විගණක වාර්තාව සිංහල හෝ දෙමළ භාෂාවෙන් සකසන ලද පරිවර්තනයක් අවශ්‍ය නම්, ඒ බව සමාගම් ලේකම්, ඩිස්ටිලරිස් කොම්පැනි ඔෆ් ශ්‍රී ලංකා පීඑල්සී අංක 110, නොර්ස් කැනල් පාර, කොළඹ 10 යන ලිපිනයට 2022, 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, 2022 செப்டம்பர் மாதம் 15 திகதிக்கு முன் அறிவிக்கவும். கம்பனி செயலாளர், டிஸ்டிலரீஸ் கம்பனி ஒப் ஸ்ரீலங்கா பி.எல்.சி, இலக்கம் 110, நொரிஸ் கெனல் வீதி, கொழும்பு 10.

This report is entirely in English. If you require a translated copy of The Chairman's Message, Annual Report of the Board of Directors and The Auditor's Report in Sinhala or Tamil, please make a request by letter addressed to the Company Secretary, Distilleries Company of Sri Lanka PLC, No. 110, Norris Canal Road, Colombo 10, before 15th day of September 2022.

# 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) (Pvt) Ltd.

## Registered Office

110, Norris Canal Road,

Colombo 10,

Sri Lanka.

Tel: +94 5507000 / 2695295-7

Fax: +94 11 2696360

Web: [www.dcsigroup.com](http://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 Mr. 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

## Company Secretary

Ms. V. J. Senaratne

## Auditors

Messrs KPMG (Chartered Accountants)

32A,

Sir Mohamed Macan Marker Mawatha,

Colombo 03,

Sri Lanka.

## Registrars

Central Depository Systems (Pvt) Ltd.

Registrar Services and Corporate Actions Unit

No.341/5,

M & M Center,

Kotte Road, Rajagiriya,

Sri Lanka.

Tel: +94 11 2356456

Fax: +94 11 2440396

## Bankers

Bank of Ceylon

Commercial Bank of Ceylon PLC

DFCC Bank PLC

Hatton National Bank PLC

Hongkong & Shanghai Banking Corporation

Nation's Trust Bank PLC

People's Bank

Seylan Bank PLC

Standard Chartered Bank

## Credit Rating

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



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

**DISTILLERIES COMPANY OF SRI LANKA PLC**  
110, NORRIS CANAL ROAD, COLOMBO 10, SRI LANKA.  
TEL +94 11 5507000 FAX +94 11 2696360