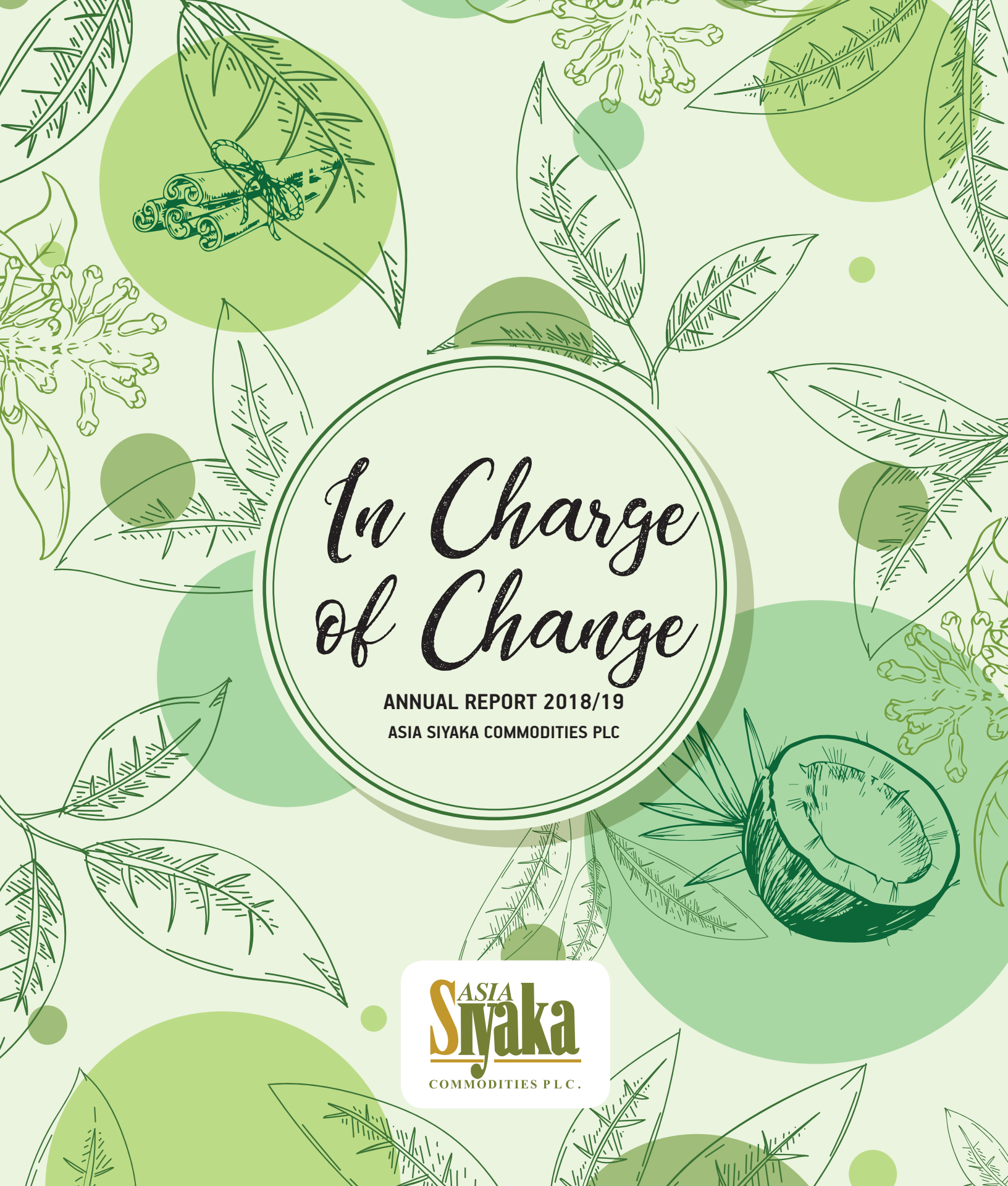




# *In Charge of Change*

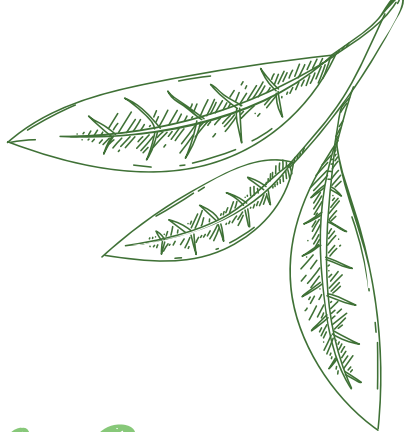
ANNUAL REPORT 2018/19

ASIA SIYAKA COMMODITIES PLC

ASIA  
**Siyaka**

COMMODITIES P L C .





# In Charge of Change



It was a testing time for the industry and many were impacted negatively, which was a call to action in turning challenge into opportunity. Apart from enduring the challenges that a difficult year threw our way, we were also proactive in establishing a national strategy for tea that will ensure its sustainability down the line. And as we strive hard to maintain the excellence that is expected of us, we worked harder to affect the triple bottom line positively and to consider more avenues in which we can grow.

**At Asia Siyaka we're creating our own change.**



## ABOUT THIS REPORT

|                                 |    |
|---------------------------------|----|
| About this Report               | 6  |
| Performance Highlights 2018 /19 | 7  |
| Who We are                      | 10 |

## OUR LEADERSHIP

|                            |    |
|----------------------------|----|
| Chairman's Message         | 12 |
| Managing Director's Review | 14 |
| Board of Directors         | 17 |
| Management Team            | 20 |

## STRATEGIC REPORT

|                            |    |
|----------------------------|----|
| Value Creation Model       | 22 |
| Engaging Our stakeholders  | 24 |
| Opportunities and Risks    | 26 |
| Our Strategy 2018/19       | 28 |
| Corporate Governance       | 29 |
| Enterprise Risk Management | 42 |



# Our Vision

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

# Our Mission

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

# Core Values

- ♦ Ethical
- ♦ Integrity
- ♦ Good Governance



**PERFORMANCE AGAINST OUR CAPITALS**

|                                                                       |    |
|-----------------------------------------------------------------------|----|
| Performance Review                                                    | 52 |
| Capital Management                                                    | 55 |
| Financial Capital                                                     | 56 |
| Manufactured Capital                                                  | 59 |
| Intellectual Capital                                                  | 61 |
| Human Capital                                                         | 63 |
| Social & Relationship Capital                                         | 67 |
| Natural Capital                                                       | 71 |
| Independent Assurance Report                                          | 73 |
| GRI Context Index                                                     | 75 |
| Annual Report of the Board of Directors on the Affairs of the Company | 78 |
| Statement of Directors' Responsibilities                              | 82 |
| Related Party Transactions Review Committee Report                    | 83 |
| The Report of the Audit Committee of Asia Siyaka Commodities PLC      | 84 |
| Report of the Remuneration Committee                                  | 85 |

**FINANCIAL INFORMATION**

|                                                            |    |
|------------------------------------------------------------|----|
| Financial Calendar                                         | 87 |
| Independent Auditors' Report                               | 88 |
| Statement of Financial Position                            | 91 |
| Statement of Profit or Loss and Other Comprehensive Income | 93 |
| Statement of Changes in Equity                             | 94 |
| Statement of Cash Flows                                    | 95 |
| Notes to the Financial Statements                          | 96 |

**SUPPLEMENTARY INFORMATION**

|                             |                  |
|-----------------------------|------------------|
| Shareholder Information     | 136              |
| Value Added Statement       | 138              |
| Glossary of Financial Terms | 139              |
| Notice of Meeting           | 140              |
| Notes                       | 141              |
| Form of Proxy               | 143              |
| Corporate Information       | Inner Back Cover |

# Group Structure




**Asia Siyaka Commodities PLC**  
Tea and Non-Traditional Produce Broker  
Contributes 66% to Group Revenue and 72% to PBT

**Asia Siyaka Warehousing (Pvt) Ltd (100%)**  
Operates State-of-the-art warehouses  
Contributes 34% to Group Revenue and 28% to PBT

**Siyaka Produce Brokers (Pvt) Ltd (100%)**  
The Company did not engage in any business activities during the year.



Charity Auction for Colombo  
Rubber Traders Association  
Centenary.



# ABOUT THIS REPORT

## ABOUT THIS REPORT

GRI 2016 102-1, 102-10, 102-12, 102-45, 102-46, 102-48, 102-50, 102-51, 102-52, 102-53, 102-54, 102-56



### Reporting Principles

#### Financial Statements

Sri Lanka Financial Reporting Standards

Companies Act No. 7 of 2007

#### Narrative Report

Integrated Reporting Framework of the International Integrated Reporting Council

#### Sustainability Reporting

GRI Standards-In Accordance (Core)

#### Corporate Governance

Listing Requirements of the Colombo Stock Exchange

Code of Best Practice on Corporate Governance issued by the CA Sri Lanka (2017)

### Navigating Icons



Financial Capital



Manufactured Capital



Human Capital



Social and Relationship Capital



Intellectual Capital



Natural Capital

This year we progress further along our Integrated Reporting journey with the publication of our 3<sup>rd</sup> Integrated Report. Through this Report, we hope to provide information which would be of interest to our stakeholders in evaluating the Group's financial, social and environmental performance. As our primary publication to shareholders the Report mainly addresses the information needs of investors, although it also contains information that is relevant to other stakeholders. The report includes information relating to our strategy, performance, governance and operating environment among others.

### Scope and Boundary

The Report covers the operations of Asia Siyaka Commodities PLC ("ASC" or "the Company") and its subsidiaries Asia Siyaka Warehousing (Pvt) Ltd and Siyaka Produce Brokers (Pvt) Ltd (collectively referred to as "the Group") for the period from 1<sup>st</sup> of April 2018 to 31<sup>st</sup> of March 2019. We adopt an annual reporting cycle. The financial information presented on pages 87 to 134 of this Report takes a consolidated view and is referred to as Group in the narrative reporting, while non-financial information presented throughout the Report represents that of the Company. There were no significant changes to the Group's size, structure, shareholding or supply chain during the year under review and no significant restatements of previously reported economic, social or environmental information. The most recent previous report covers the 12 months ending March 2018 and is available for download at CSE Website.

### External Assurance

External assurance on the financial statements have been provided by Messrs.

Ernst and Young. This year, we have also sought external assurance on our GRI Reporting through the engagement of Messrs. Ernst and Young, Chartered Accountants. The assurance reports on financial and non-financial reporting is presented on pages 88 to 90 and 73 to 74 respectively.

### Report Content

In selecting and prioritising the content to be included in this Integrated Report, we have adopted the principle of materiality. Material matters are defined as those issues which could potentially impact the Group's ability to create value over the short, medium and long-term. The process for determining material issues along with the material topics are detailed on page 26.

### Feedback

We understand Integrated Reporting is an evolving principle and a continuous journey of improvement. We welcome your comments, suggestions and queries on this Report; please direct your feedback to,

### Senior Vice President - Finance

Asia Siyaka Commodities PLC  
roshantha@siyaka.lk

### Reporting Improvements

- ◆ Adoption of the GRI Standards for Sustainability Reporting
- ◆ External Assurance on GRI Reporting
- ◆ Demonstration of the linkages and trade-offs between capital inputs
- ◆ Enhanced the scope of non-financial reporting

## PERFORMANCE HIGHLIGHTS 2018 /19

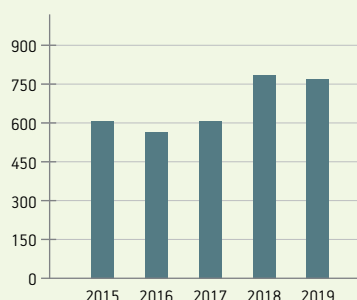
GRI 2016 102-7

| Performance for the Year ended 31 <sup>st</sup> March                          |            | 2019     | 2018     | Change % |
|--------------------------------------------------------------------------------|------------|----------|----------|----------|
| Revenue                                                                        | Rs.million | 770.68   | 784.69   | (1.79)   |
| Gross profit                                                                   | Rs.million | 766.88   | 780.78   | (1.78)   |
| Operating profit                                                               | Rs.million | 296.20   | 302.33   | (2.03)   |
| Net Finance Cost                                                               | Rs.million | 133.25   | 166.73   | 20.08    |
| Profit Before Tax                                                              | Rs.million | 162.96   | 135.61   | 20.17    |
| Income Tax Expense                                                             | Rs.million | 49.91    | 38.05    | (31.17)  |
| Profit for the Period                                                          | Rs.million | 113.05   | 97.56    | 15.88    |
| Gross Margin                                                                   | %          | 99.51    | 99.50    | 0.01     |
| Operating Margin                                                               | %          | 38.43    | 38.53    | (0.25)   |
| Net Profit Margin                                                              | %          | 14.67    | 12.43    | 17.99    |
| Return on Total Assets                                                         | %          | 4.03     | 4.01     | 0.68     |
| <b>Position as at the Year ended 31<sup>st</sup> March</b>                     |            |          |          |          |
| Total Assets                                                                   | Rs.million | 2,806.65 | 2,432.29 | 15.39    |
| Long-term-interest-bearing borrowings                                          | Rs.million | 267.86   | 332.14   | (19.35)  |
| Total Equity                                                                   | Rs.million | 733.05   | 682.00   | 7.49     |
| Debt/(Debt+Equity)                                                             | Times      | 0.63     | 0.59     | 6.92     |
| Debt/Total Assets                                                              | Times      | 0.44     | 0.40     | 10       |
| Current Ratio                                                                  | Times      | 1.18     | 1.20     | 1.31     |
| Quick Asset Ratio                                                              | Times      | 1.18     | 1.20     | 1.30     |
| <b>Market / Shareholder Information as at year ended 31<sup>st</sup> March</b> |            |          |          |          |
| Earnings per share                                                             | Rs.        | 0.43     | 0.38     | 15.88    |
| Net Asset value per share                                                      | Rs.        | 2.82     | 2.62     | 7.49     |
| Market Price per Share                                                         | Rs.        | 1.90     | 2.20     | (13.64)  |
| Market Capitalization                                                          | Rs.million | 494      | 572      | (13.64)  |
| Price Earnings Ratio                                                           | Times      | 4.42     | 5.86     | 24.52    |
| Dividend Payout                                                                | %          | 57       | 67       | (13.71)  |
| Dividend Yield                                                                 | %          | 13       | 11       | 15.79    |
| <b>Value Added</b>                                                             |            |          |          |          |
| To Government                                                                  | Rs.million | 63.47    | 47.97    | 32.33    |
| To Employees                                                                   | Rs.million | 238.67   | 222.92   | 7.07     |
| To Providers of Capital                                                        | Rs.million | 65.00    | 65.00    | -        |
| Retained for reinvestment and future growth                                    | Rs.million | 102.11   | 78.09    | 30.77    |
| Total Value Added                                                              | Rs.million | 598.46   | 573.89   | 4.28     |

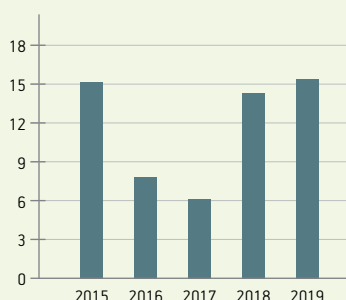
## PERFORMANCE HIGHLIGHTS 2018 /19 CONTD.

| For the year ended 31 March                           | 2015<br>Rs.   | 2016<br>Rs.   | 2017<br>Rs.   | 2018<br>Rs.   | 2019<br>Rs.   |
|-------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Operations</b>                                     |               |               |               |               |               |
| Gross Revenue                                         | 607,396,061   | 565,077,557   | 609,619,157   | 784,688,643   | 770,678,872   |
| Profit Before Taxation                                | 161,703,246   | 90,248,494    | 69,090,323    | 135,605,046   | 162,959,003   |
| Profit After Taxation                                 | 108,439,349   | 53,859,195    | 44,170,741    | 97,558,051    | 113,052,101   |
| Return on Equity (%)                                  | 15.19         | 7.81          | 6.17          | 14.30         | 15.41         |
| <b>Statement of Financial Position as at 31 March</b> |               |               |               |               |               |
| Current Assets                                        | 1,803,985,289 | 1,310,708,249 | 1,710,627,514 | 1,483,918,207 | 1,898,087,295 |
| Current Liabilities                                   | 1,471,606,225 | 1,342,386,992 | 1,471,358,393 | 1,237,050,328 | 1,603,357,985 |
| Total Assets                                          | 2,249,734,516 | 2,096,644,354 | 2,664,763,600 | 2,432,292,344 | 2,806,651,907 |
| Total Liabilities                                     | 1,535,668,181 | 1,406,722,998 | 1,949,056,209 | 1,750,297,229 | 2,073,609,566 |
| Net Assets                                            | 714,066,335   | 689,921,356   | 715,707,391   | 681,995,114   | 733,047,341   |
| <b>Per Share</b>                                      |               |               |               |               |               |
| Number of Shares 260,000,000                          |               |               |               |               |               |
| Earnings (Rs.)                                        | 0.42          | 0.21          | 0.17          | 0.38          | 0.43          |
| Net Assets (Rs.)                                      | 2.75          | 2.65          | 2.75          | 2.62          | 2.82          |

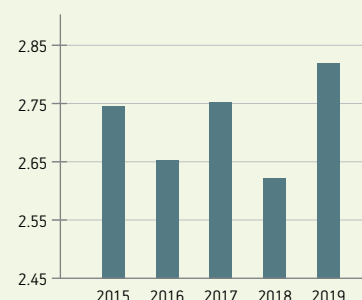
**Gross Revenue (Rs. Mn)**



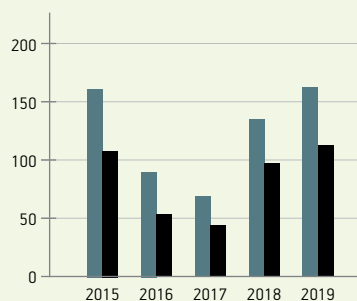
**Return on Equity (%)**



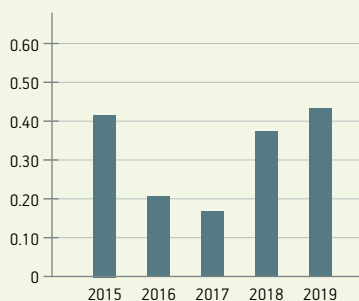
**Net Assets Per Share (Rs.)**



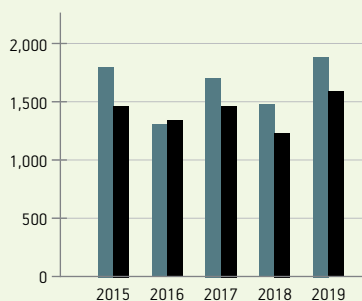
**PBT/PAT (Rs. Mn.)**



**Earnings Per Share (Rs.)**



**Current Assets/ Liabilities (Rs. Mn.)**



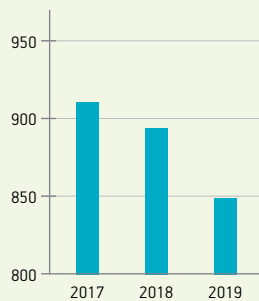
■ Profit Before Taxation  
■ Profit After Taxation

■ Current Assets  
■ Current Liabilities



### MANUFACTURED CAPITAL

#### Property, Plant and Equipment



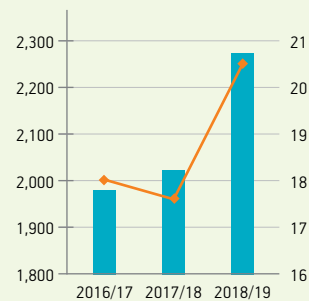
**CAPEX**  
2019  
**Rs.13.37 Mn**

**CAPACITY UTILISATION  
AT WAREHOUSE**  
**93.5%**



### HUMAN CAPITAL

#### Employee Training



■ Total Training Hours (LHS)  
◆ Average Training Hours (RHS)

**EMPLOYEES**  
2019: 111  
2018: 115

**TRAINING INVESTMENT**  
2019  
**Rs.1.08 Mn**

**RETENTION RATE**  
**87%**



### SOCIAL AND RELATIONSHIP CAPITAL

**OUR BUSINESS PARTNERS**  
**10** Regional Plantation  
Companies  
**80** Private Tea Factories  
**87,000** Smallholders

**FINANCIAL SUPPORT TO  
CUSTOMERS**  
2019  
**Rs.1.32 Bn**

**INVESTMENT IN CSR**  
**Rs.0.23 Mn**

**MARKET SHARE**  
**14.56%**



### NATURAL CAPITAL

**Energy Consumption**  
**14,600 kWh**  
Energy generated through Solar power



### INTELLECTUAL CAPITAL

**LEED Certification for  
Warehouse**

## WHO WE ARE

GRI 2016 102-3, 102-4

Asia Siyaka is one of Sri Lanka's leading tea brokers, handling approximately 14.56% (43 million kilograms) of the country's total traded tea volumes. Over an established track record spanning over 2 decades, the Company has played a pivotal role in transforming the country's tea auction logistics process, pioneering several innovative and pragmatic value chain solutions. Sri Lanka's tea auction process is one of the most sophisticated in the world, and the role of the broker has evolved from that of a traditional market intermediary to a provider of multi-faceted services including warehousing, finance and advisory among others. We are committed to generating sustainable value along our supply chain through, creating value to factories, estates and mills, regional plantation companies as well as smallholders, traders and exporters.

The Company is powered by a team of 111 professionals who combine deep industry insights and domain specific knowledge which has enabled it to sustain its competitive position. The Group comprises of ASC, and its two fully owned subsidiaries, Asia Siyaka Warehousing (Pvt) Ltd and Siyaka Produce Brokers (Pvt) Ltd. The Group is head quartered in Colombo and its operations are limited to Sri Lanka .

### Navigating Icons

**21**  
Years track  
record

**43Mn**  
Kgs of Tea  
handled

**111**  
Employees

**Rs. 2.8Bn**  
Assets

**Rs. 113Mn**  
Profit after tax

**93.5%**  
Warehousing  
capacity

### Competitive Edge

Over 2  
decades  
of industry  
insights

Deep relationships  
across the tea  
value chain

Innovation

Capable and  
committed team

Among  
top 02 tea  
brokers

### Economic Impact



Rs. 238.67 million  
payments to  
employees



Rs. 63.47 million  
tax contribution



Rs. 1.32 billion financial  
support across the value  
chain



Rs. 598.45  
million total  
value added



43 million  
Kgs of tea  
handled



# OUR LEADERSHIP

"The year under review was also an extremely challenging one for the tea industry. Total production declined by 1% to 303.8 million Kgs reflecting non-conducive weather conditions in cultivation areas and wage related trade union action."

Dear Shareholder,

Asia Siyaka Commodities PLC delivered a resilient performance in a year of numerous challenges to record a profit growth of 16%. The Board has approved a final dividend of Rs. 0.15 per share, in addition to an interim dividend of Rs. 0.15 per share. Despite unfavourable industry conditions characterised by adverse weather, subdued demand and weaker prices, the Group's foresight in diversification and decisive management interventions enabled us to generate sustainable financial returns while playing a meaningful role in the country's tea logistics process. It is therefore my pleasure to welcome you to the Annual General Meeting and present to you the Annual Report for the financial year ending 31<sup>st</sup> March 2019.

### Operating Environment

The Group's performance should be set out against the operating landscape that prevailed during the year. Global economic growth moderated to 3.6% in 2018 reflecting escalating trade tensions between USA and its key trading partners, a slowdown in China and an overall weakening of investor and consumer sentiments in the European region. Growth in the middle eastern and CIS regions, two of Sri Lanka's largest tea export destinations was also muted given weakening oil prices, geopolitical tensions and US sanctions on Iran.

Cascading effects of global dynamics coupled with fiscal consolidation measures and subdued consumer sentiments resulted in Sri Lanka's GDP growth moderating to 3.2% during the year. The Agriculture sector posted recovery supported by more

conductive weather conditions in paddy cultivation areas, while Industrial sector growth slowed to 0.9% reflecting a subdued construction sector. Meanwhile interest rates remained high for most part of the year given the tight liquidity conditions that prevailed in the market. The exchange rate recorded sharp depreciation in 2018, falling by 18% in 2018 to end the year at Rs.180.1. The depreciation reflects broad-based strengthening of the US Dollar against regional currencies, resulting from several rate hikes in the USA and capital outflows from Sri Lanka towards the latter part of the year.

The year under review was also an extremely challenging one for the tea industry. Total production declined by 1% to 303.8 million kgs reflecting non-conductive weather conditions in cultivation areas and wage related trade union action. Meanwhile the average export price of tea fell by around 4% during the year, due to an expansion in global supply, trade restrictions imposed on several key buying partners and muted demand from the CIS and Middle Eastern region. Meanwhile the ban on Glyphosate by the Government of Sri Lanka compelled manufacturers to use alternative weed control products, which led to technical issues in shipments to Japan. Resultantly, Sri Lanka's export earnings from tea fell by 7% to USD 1.4 billion during the year.

#### **Delivering on Our Strategic Goals**

The challenging conditions which prevailed during the year necessitated a timely strategy which called for co-ordinating thinking. The Group actively pursued operational efficiencies during the year through investing in technology

and automating key processes. We also sought to optimise our warehousing capacity by broadening the customer base and diversifying the services offered. In addressing the difficulties faced by the Group in recovering dues from tea manufacturers, we sought to proactively monitor and manage client advances. Our strategy for the year and the progress we made against our strategic objectives are discussed in detail in the Managing Director's Review on page 14 of this Report. As a result of the Asia Siyaka team's relentless focus on these priorities, the Group recorded a profit after tax growth of 16% to Rs.113.05 million despite a decline in its revenue given the fall in volumes and pricing at the Colombo Tea Auction.

#### **Commitment to Good Governance**

We strongly believe that good governance and responsible leadership is a prerequisite for sustainable value creation. The Group's board composition changed during the year, as we welcomed Mr. Chamara Dissanayake and Mr. Sohan Samaranayake to the Board as Executive Directors, both of whom bring deep industry insights and expertise to the Board. Meanwhile, Mr. Thirunavukkarasu Someswaran was appointed as an Independent Non-Executive Director during the year under review. The Board continued to provide leadership and strategic direction to the Group and key areas of focus during the year included strengthening risk management practices, investing in technology and formulating strategy.

#### **Outlook**

We are cautiously optimistic regarding the industry outlook for the next financial year as weather conditions are expected

to improve and tensions in buying markets subside. Over the longer-term however, we remain concerned about the sustainability of Sri Lanka's tea industry as the country continues to grapple with low labour productivity, increasing implications of climate change and declining yields. As a Group we will continue to focus on strengthening our core business while pursuing further avenues for earnings diversification. The anticipated improvement in Sri Lanka's tea production volumes in 2019 is expected to support top line expansion, through both the broking and warehousing business lines.

#### **Acknowledgements**

The Managing Director, Mr. Anil Cooke continues to provide exceptional leadership to deliver on the Group's strategic aspirations and the Board joins me in congratulating him and the entire team on the performance delivered in a challenging year. I also wish to extend my appreciation to my colleagues on the Board for their valuable contributions and insights. On behalf of the Board, I also wish to thank our shareholders, customers, suppliers, industry stakeholders and strategic partners who have supported us over the years.



**Dr. S A B Ekanayake**  
Chairman

07<sup>th</sup> August 2019

"Following the commissioning of our second warehousing facility two years ago, the Group has successfully doubled its storage capacity and positioned itself as a dominant force in this industry space."

Dear Shareholder,

Asia Siyaka Commodities PLC maintained focus on a strategy that was timely and relevant in addressing the many challenges presented by the operating landscape during the financial year ending 31<sup>st</sup> March 2019, leveraging on its expertise and deep industry insights to demonstrate resilience in an extremely difficult year. The Group delivered a revenue of Rs.771 million while profit for the year increased by 16% to Rs.113 million. Total assets increased by 15% to Rs.2.81 billion as we continued to deliver on our customer commitments through providing access to financial support.

### Operating Landscape

The tea industry experienced another challenging year, with both demand and supply side factors adversely affecting production and pricing. Sri Lanka's total tea production declined marginally by 1% to Rs.303.8 million Kgs due to unfavourable weather conditions- particularly in low-grown areas. Wage related trade union action towards the latter part of 2018 also contributed towards the reduction in volumes. On the demand side, trade restrictions on Iran and Russia, geopolitical tensions in major buying markets and technical issues in Sri Lankan shipments to Japan affected export volumes and value. Global production levels were healthy, supported by good crops in Africa which led to a decline in global tea prices during the year. Resultantly, the average export price of Sri Lankan tea fell by 4% in 2018 while total export revenue also declined by 7%. The tea industry is one which is extremely vulnerable to a range of non-controllable factors including the vagaries of weather, global geopolitics and commodity prices; In Sri

Lanka the long-term survival of the industry is also threatened by low labour productivity, policy inconsistency and declining yields, underpinning the vital need for a holistic and national-level strategy to ensure the sustainability of this industry.

### Our Strategy

The operating conditions during the year compelled us to revisit and refine our strategy to effectively address the challenges presented by the environment. In recent years, we have sought to diversify our earnings streams in order to reduce exposure to relatively volatile broking business. Accordingly, we continued to focus on driving growth in our warehousing operations and during the year several initiatives were launched to optimise warehousing capacity including broadening our customer base and increasing market penetration through the acquisition of new customers. Resultantly, capacity utilisation at the warehouse increased to 93.5% and revenue generated accounted for 34% of consolidated revenue, compared to 28% the previous year.

Given the impacts on our top line strategic focus was also placed on driving cost efficiencies and productivity improvements, particularly through leveraging on our IT capabilities. Concerted efforts were also driven towards optimising energy usage, streamlining and automating key processes and directing training towards enhancing employee productivity. As a result of these efforts, the Group was able to maintain its operating profit margin at 38% despite the decline in tea prices during the year.

The non-conductive industry environment during the year had a direct impact on

the financial viability of tea smallholders and factories. In these conditions, the Group adopted a long-term approach to stakeholder value creation and continued to support our customers in these difficult times through providing ongoing financial support. Strategic focus was placed on proactively engaging with customers and offering flexible repayment plans and restructuring facilities enable them to tide over the current situation.

Continued focus was also placed on upskilling and developing our team and we offered numerous opportunities for training and development while maintaining a high level of engagement with our employees. This enabled the Group to record relatively high retention levels during the period under review.

### Performance of Our Business Lines

**Broking:** The decline in tea prices and export volumes had a direct impact on our broking business, with revenue declining by 12% to Rs.269 million. Accordingly, brokerage income accounted for 35% of total revenue, compared to 39% the year before. Despite the challenging conditions, the Group maintained focus on supporting its stakeholders through offering a holistic value proposition which included ongoing financial support and access to high quality market research.

**Warehousing:** Revenue generated from the Group's warehousing operation increased by 13% to Rs.247 million during the year supported by better utilisation levels as the Group sought to diversify its customer base. Following the commissioning of our second warehousing facility two years ago, the

Group has successfully doubled its storage capacity and positioned itself as a dominant force in this industry space. Our warehousing facility is the first in Sri Lanka to obtain the prestigious LEED certification for sustainable design.

**Client advances:** The total lending portfolio as at end-March 2019 amounted to Rs.1.32 billion an increase of 72% compared to the previous year and a 4% change in interest earned.

### Financial Performance

The Group's financial performance was commendable given the challenges that persisted for most part of the year. Total revenue recorded a decline of 2% to Rs.771 million during the year primarily due to a 7% decline in brokerage revenue. However, this was partially offset by the relatively strong performance of the Group's other business lines, bringing to fruition the efforts made in recent years to diversify our earnings streams. Consolidated operating profit contracted marginally by 2% to Rs.296 million reflecting the decline in revenue. Brokerage business generated an operating profit of Rs. 230 million, a decline of 6% while EBIT from warehousing grew by 8% to reach Rs. 94 million. Selling and distribution costs declined by 53% while the increase in administrative expenses were contained to 7% during the year. A decline in the Group's borrowing costs supported overall profitability during the year, as net finance cost reduced by 20% to Rs. 133 million. Resultantly, pre-tax and post-tax profit increased by 20% and 16% to Rs.162.96 million and Rs.113.05 million respectively during the period under review.

## MANAGING DIRECTOR'S REVIEW CONTD.

### Stakeholder Value Creation

The Group's competitive edge has been sharpened by its unique differentiation strategy of serving our customers beyond the role of a traditional market intermediary. We continue to seek ways to combine our deep industry insights, innovation and market research capabilities into better solutions for our customers and industry stakeholders. A holistic and multi-faceted customer value proposition has enabled us to nurture long-term, mutually beneficial relationships with tea manufacturers and small holders across the island. Our willingness to share knowledge with industry counterparts has allowed us to emerge as a thought leader in the industry and is a defining characteristic of who we are.

We understand that our dynamic and professional team is a critical factor behind our success. We place continued emphasis on enhancing our employee value proposition through providing opportunities for engagement, career and skill development and investing in creating a conducive work environment. During the year, we provided 2,276 training hours which translated to an average of 20.5 hours per employee.

### Way Forward

While industry dynamics are expected to be challenging over the short-term, we are optimistic that conditions would improve towards the latter part of 2019 as weather conditions improve and demand stabilises. We remain concerned regarding the long-term outlook for the sector and will continue to actively contribute to the industry dialogue in ensuring the sustainability and viability of the tea industry. The Group's

strategy will focus on further sharpening our competitive edge, strengthening our warehousing proposition and leveraging on the relationships we have nurtured with diverse stakeholders.

### Acknowledgements

I would like to take this opportunity to extend my gratitude to the Chairman and my colleagues on the Board for their vision and valuable counsel during the year. The results set before you are testament to the efforts of our team, and I thank you all for your commitment and count on your support as we pursue our growth aspirations. My gratitude also goes out to all our customers, buyers, regulatory authorities, government and all other stakeholders for their continued support.



**Mr. A R Cooke**  
*Managing Director/ CEO*

07<sup>th</sup> August 2019

## BOARD OF DIRECTORS

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

Dr. Anura Ekanayake is a Past Chairman of The Ceylon Chamber of Commerce and of the Industrial Association of Sri Lanka. He is currently the Chairman of Wealth Trust Securities Limited. He serves on the Boards of several other companies. These businesses range from finance to agriculture, retail trade, industry and exports. During a professional career spanning three and a half decades, he has held senior positions in both the public sector as well as the private sector. His positions in the public sector included those of Senior Economist of Mahaweli Authority, Director of Planning of Ministry of Plantation Industries and that of Director General Public Administration. During his public sector tenure he also held the position of Chairman Plantation Housing and Social Welfare Trust and a number of other Board positions including those of the Sri Lanka State Plantations Corporation, Janatha Estates Development Board, 23 Regional Plantation Companies, The Tea Research Institute and the Post Graduate Institute of Agriculture of University of Peradeniya. He served as the Chairman of the International Natural Rubber Council, Kuala Lumpur, Malaysia for a two year period. He holds a B.A. (Econ) Hons. and M.Sc. (Agric) degrees from the University of Peradeniya, Sri Lanka and Ph.D. (Econ) from Australian National University where he studied under a Colombo Plan scholarship. He is also a Fellow of the Institute of Certified Professional Managers, Sri Lanka.

### **Mr. A R Cooke** *Managing Director*

Mr. Cooke has a wealth of experience counting 41 years as a Broker, Auctioneer, Tea Taster and Valuer, with nearly 21 years of his work experience gained at Forbes and Walker Ltd. He is a member of the Chartered Institute of Marketing (UK) and has previously served on the Board of Directors of Forbes & Walker Ltd, Forbes & Walker Tea Brokers (Pvt) Ltd and Forbes Ceylon Ltd. He is Chairman of the Colombo Brokers' Association, a committee member of the Colombo Tea Traders' Association and a Director of the Sri Lanka Tea Board. He is a member of the Promotion and Marketing Committee of the Sri Lanka Tea Board and serves on committees of other marketing initiatives. Mr. Cooke is a founder Director of Siyaka (Pvt) Ltd and Founder Deputy Chief Executive Officer of Asia Siyaka Commodities (Pvt) Ltd. He is currently the Managing Director and Chief Executive Officer of Asia Siyaka Commodities PLC, Asia Siyaka Warehousing (Pvt) Ltd; and Siyaka Produce Brokers (Pvt) Ltd.

### **Mr. D J Wedande** *Executive Director*

Mr. Wedande is a founder Director of Siyaka (Pvt) Ltd and founder Senior Vice President of Asia Siyaka Commodities PLC. He has over 44 years of experience as an Auctioneer, Broker and Valuer in tea, rubber, coconut products and Spices, initially at Forbes and Walker Ltd. He was the Chief Executive Officer of Centreline Tea Brokers, Mombasa, Kenya, 2000-2002.

### **Mr. Y Kuruneru** *Executive Director*

Mr. Kuruneru who is a founder Director of Siyaka (Pvt) Ltd, a founder Vice President of Asia Siyaka Commodities PLC, was appointed as a Senior Vice President in April 2011. He was in Tea Estate Management from 1988 till he joined Forbes & Walker Ltd in 1993. He counts over 31 years' experience (from 1988- 2019), 05 years estate management and 26 years in Tea Broking, Tea Tasting and Valuer. He specializes in Tea Manufacturing advices with regular technical advisory visits to Tea Estates and Factories. Currently he serves as a resource person to the National Institute of Plantations Management. He is currently the Chief Operations Officer of Asia Siyaka Commodities PLC.

### **Mr. S G Amarasuriya** *Executive Director*

Mr. Senaka Amarasuriya has been associated with the Tea Industry for 39 years, having commenced his career with Bartleet & Company Ltd in the year 1980 up to 1986 where he was actively involved in the Broking operations. Thereafter, Mr. Amarasuriya worked with two leading Tea Export organizations i.e. M. S. Hebtulabhoy & Company Ltd and Stassen Exports Ltd gaining significant exposure in Tea Trading and Exports. In 1998 he joined Forbes & Walker Tea Brokers (Pvt) Ltd where he worked as a Director handling their Low Country clientele. In 2004, he joined Lanka Commodity Brokers Ltd as a Director, and, currently serves as their Director / CEO.

## BOARD OF DIRECTORS CONTD.

### **Mr. S T Gunatilleke** *Non - Executive Director*

Mr. Tissa Gunathilake was appointed to the Board of Directors of Asia Siyaka Commodities PLC in May 2013. He served on the Boards of Hayleys Plantation Services (Pvt) Ltd, Talawakelle Tea Estates PLC, DPL Plantations (Pvt) Ltd, Kelani Valley Plantations PLC and Mabroc Teas (Pvt) Ltd. A senior planter with 48 years of experience in plantation management. He has held the position of Regional Director of Sri Lanka State Plantations Corporation and served as a Consultant to United Nations Industrial Development Organisation (UNIDO) on Tea Plantation Management.

### **Mr. R C Dissanayake** *Executive Director*

Mr. Dissanayake is a Founder Member of Asia Siyaka Commodities PLC and was appointed Vice President in 2002 and Senior Vice President in 2013. He holds a Higher National Diploma in Plantations Management from the National Institute of Plantations Management. He is a self-made individual whose main strength is his continual ability to bring in Low country business and has brought in the most business over the years. He is a Manufacturing Advisor and overlooks the Sample Room and assists with the Warehouse management. He has a strong relationship with the low country clients and additionally works with the RPCs' higher elevation factories. Mr. Dissanayake is a visiting lecturer at the National Institute of Plantations Management.

### **Dr. I A Ismail** *Independent Non - Executive Director*

Dr. Ismail presently serves as Director of Amana Holdings.

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

He has served in various capacities in State Institutions; among them as a Director of the National Apprentice Board, and as a member of the Advisory Committee of the Ministry of Foreign Affairs, the Research Planning Council of the CISIR, the Tertiary Vocation Education Commission and on the Council of the Open University.

He was Vice Chairman of Unilever Ceylon, Principal of Zahira College, Colombo and as CEO and Director of APIIT Lanka. He also served as Chairman of the Board of the Sri Lanka Business Development Centre, Council Member of the Employers' Federation, Chairman of the Board of Governors' of the Symphony Orchestra, Chairman of the Colombo District Scouts Association, President of the Royal Colombo Golf Club and Patron of the Photographic Society of Sri Lanka.

He has travelled widely.

### **Mr. J N Dambawinne** *Non - Executive Director*

Mr. Dambawinne counts over 40 years in the Tea Trade of which 12 years was at Somerville & Co Ltd and relinquished duties as Director and joined Mercantile Brokers Ltd as Director - Tea in 1992. He served with Mercantile Produce Brokers (Pvt) Ltd for 23 years, of which the last 14 years as its Managing Director. He has an excellent knowledge of tea and responsible for grading, tasting, auctioning and marketing of tea. He has been a past Convener of the Tea Sub-Committee in 1988/89, 2002/03 and also the Broker Representative on the Committee of the CTTA in 1989 and 2007/2008. He has been a Surveyor for export of tea, appointed by the Ceylon Chamber of Commerce. He was appointed as a Member of the Tea Council by the Hon. Minister of Plantation Industries in 1996 and was appointed Deputy Chairman, Colombo Brokers Association for 2004/2005 and 2005/2006. He was the Chairman, Colombo Brokers Association for 2007/2008, Chairman, Tea Association of Sri Lanka for 2007/2008. Mr. Dambawinne also served as Director, Sri Lanka Tea Board for 2007/2008 and has also been a member of the Committee of The Ceylon Chamber of Commerce 2004/2005, 2007/2008, 2011/2012, 2012/2013, 2015/2016 & 2016/2017. He currently serves on the Committee related to the Plantations Sector appointed by The Minister of Public Enterprise Development.

**Mr. S S Samaranayake**  
*Executive Director*

Mr. Samaranayake counts 21 years' experience in marketing tea. He was one of the first recruits of Asia Siyaka Commodities in 1998 and was appointed Vice President in 2011 and Senior Vice President in 2012. Mr. Samaranayake heads the marketing teams for both Low and Higher Elevation teas and is an Auctioneer of the Low Grown catalogue and is a strong leader who commands the respect of the Company's clients, buyers and his team.

**Mr. H R V Caldera**  
*Non - Executive Director*

Mr. Vernon Caldera counts over 52 years in the Tea Industry, having joined the trade in 1964. He has since held many senior positions including that of Director Tea at John Keells Ltd, Managing Director of Mercantile Brokers Ltd and Consultant at Forbes & Walker Tea Brokers (Pvt) Ltd. He was also a Non-Executive Director of Horana Plantations PLC. He served as a Consultant at Lanka Commodity Brokers Ltd for the past seven years.

**Mr. T Someswaran**  
*Independent Non - Executive Director*

Mr. T. Someswaran is a Chartered Accountant, in practice for more than 35 years and retired from the post of Senior Partner of SJMS Associates, a Firm of Accountants which is associated with Deloitte in Sri Lanka. He is also a Fellow member of CMA and a member of its Governing Council. Mr. Someswaran serves on the Audit Committee of the Institute of Chartered Accountants of Sri Lanka and Serendib Land PLC. He also serves on the Boards of Clean Co Lanka Ltd., Pan Asia Power PLC, Esna Power (Pvt) Ltd., ECSAT (Equality-based Community Support & Training), Institute for Development of Commercial Law & Practice. Mr. Someswaran is a member of the Sri Lanka Institute of Directors and Organization for Professional Associations (OPA). He also serves as the Chairman of the Center for Advancement of Resource Mobilization (CARM). He holds numerous memberships and honorary positions to help strengthen the capacity of charitable and non-profit organizations as well as philanthropic projects and activities. Mr. Someswaran has substantial experience in auditing, organizational development, leadership & partnership building and is passionate about networking & linking organizations to facilitate positive social change and development, with specific focus on governance, accounting ethics and resource mobilization.

## MANAGEMENT TEAM

| Corporate Management Team          |                                          |
|------------------------------------|------------------------------------------|
| Anil Cooke                         | Director / Chief Executive Officer       |
| Dhammike Wedande                   | Director / Senior Vice President         |
| Yashojith Kuruneru                 | Director / Chief Operations Officer      |
| Vernon Caldera                     | Director / Consultant                    |
| Charmara Dissanayake               | Director / Senior Vice President         |
| Sohan Samaranayake                 | Director / Senior Vice President         |
| Marketing and Consultancy          |                                          |
| Deepal Jayamanne                   | Consultant - Tea                         |
| Kirk Wijesekera                    | Senior Manager - Marketing High & Medium |
| Eashan Perera                      | Manager - Marketing High & Medium        |
| Shihan Peiris                      | Manager - Marketing Low Grown            |
| Praveen Weerasinghe                | Manager - Marketing Low Grown            |
| Mohammed Himas                     | Assistant Manager - Marketing Low Grown  |
| Manufacturing Advisory Service     |                                          |
| Avantha Nishshanka                 | Assistant Manager - Technical Low Grown  |
| Corporate and Client Finance       |                                          |
| Roshantha Munasinghe               | Senior Vice President – Finance          |
| Champika Withanage                 | Manager - Finance                        |
| Shamila Cooray                     | Manager - Client Finance                 |
| Pramitha Perera                    | Assistant Manager - Client Finance       |
| Jagath Wijerathne                  | Assistant Manager - Client Finance       |
| Sandun Deshapriya                  | Assistant Manager - Finance              |
| Administration and Human Resources |                                          |
| Ganga Udeni                        | Manager - Human Resources                |
| Vajira Nandathilake                | Deputy Manager - Administration          |
| Warehousing / IT Services          |                                          |
| Emil Diaz                          | Vice President - Warehousing             |
| Prabath Kasthuriarachchi           | Assistant Manager - Warehousing          |
| Sisila Kariyapperuma               | IT - System Administrator                |
| Other Commodities                  |                                          |
| Lakshman Kodytuakku                | Consultant - Other Commodities           |
| Lalith Perera                      | Vice President - Rubber Division         |



# STRATEGIC REPORT

## VALUE CREATION MODEL GRI 2016 102-2

The Group is committed to contributing towards the smooth functioning of the tea logistics process through effectively performing its' role as a market intermediary. The following is a graphical representation of our business model demonstrating how we utilise our capital inputs in generating and delivering stakeholder value.

### Capital Inputs



#### FINANCIAL CAPITAL

Shareholders' funds: Rs. 733.05 million  
Debt: Rs. 1,233.56 million  
(Refer Page 56)



#### MANUFACTURED CAPITAL

Warehousing facility and other physical assets  
(Refer Page 59)



#### HUMAN CAPITAL

The skills, attitudes and values of our team of 111 employees  
(Refer Page 63)



#### SOCIAL AND RELATIONSHIP CAPITAL

130 estates, factories and mills  
290 traders and exporters  
Relationships with government and industry bodies  
(Refer Page 67)



#### INTELLECTUAL CAPITAL

Organisational tacit knowledge and industry specific knowledge  
(Refer Page 61)



#### NATURAL CAPITAL

The natural resources we consume include,  
Energy 340,537 kWh  
Water 5,472 m3  
Paper 8,576 kg  
(Refer Page 71)

### Value Creating Activities



#### BROKERAGE SERVICES

Act as an intermediary between the manufacturers and buyers of tea



#### WAREHOUSING

Provide warehousing solutions ensuring the smooth functioning of tea auction



#### ADVISORY

Providing customers with market intelligence, guidance on factory and estate management



#### RESEARCH

We engage in ongoing research emerging industry trends



#### FUNDING

We bridge the short-term working capital needs of our customers

#### Value Drivers

Strong corporate governance practices (Page 29)

A high-performing team (Page 63)

Mutually beneficial industry partnerships and relationships across the supply chain (Page 67)

Effective risk management practices (Page 42)

## Outputs and Impacts

**43 million Kgs**

Tea handled

**Rs. 770.68 million**

Revenue generated

**Rs. 3.79 million**

Cost of Sales

**Rs. 473.72 million**

Overhead expenses

**Rs. 296.2 million**

Operating profit

Impacts

Generation of waste  
Discharge of emissions

## Value delivered

### SHAREHOLDERS

The profits we generate create value to dividends and increases in share price (page 56)

**Profit after tax: Rs.113.05 million**

**Earnings per share: Rs.0.43**

### CUSTOMERS

We create value to our customers through a unique and multi-faceted value proposition (page 67)

### EMPLOYEES

Our employee value proposition comprises of engaging, developing and rewarding employees (page 63)

**Employee payments: Rs.238.67 million**

**Training investment: Rs.1.08 million**

**Promotions: 14**

### SUPPLY CHAIN PARTNERS

Our innovative and pragmatic solutions have enabled the creation of mutual value across our supply chain (Page 59)

**Supplier payments: Rs.24 billion**

### COMMUNITIES

We engage in needs-based CSR activities (page 67)

**Investment in CSR: Rs. 0.23 million**

## ENGAGING OUR STAKEHOLDERS

GRI 2016 102-40, 102-42, 102-43, 102-44

Stakeholder engagement is facilitated through numerous mechanisms which allows us to clearly identify issues which matter most to our stakeholders. In selecting and prioritising stakeholders to engage with, we engage with parties who potentially have the most significant impact on our value creation process and those who are affected most by our activities.

| Stakeholder Group                                                                      | Method and frequency of engagement                                                                                                                                                                                              | Topics and concerns identified                                                                                                                                                                                                           | The Group's response                                                                                                                                                     |
|----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Shareholders</b>                                                                    | <ul style="list-style-type: none"> <li>◆ Annual General Meeting</li> <li>◆ Annual Report</li> <li>◆ Quarterly financial statements</li> <li>◆ Press releases (ongoing)</li> <li>◆ Corporate web site</li> </ul>                 | <ul style="list-style-type: none"> <li>◆ Adequate financial returns commensurate with the risk undertaken</li> <li>◆ Future strategy</li> <li>◆ Governance and risk management practices</li> <li>◆ Long- term sustainability</li> </ul> | Strategic plans are formulated and discussed in depth to ensure the sustainable generation of shareholder value, given a rapidly changing the operating landscape.       |
| <b>Employees</b>                                                                       | <ul style="list-style-type: none"> <li>◆ Performance appraisal (Annual)</li> <li>◆ Open door policy (ongoing)</li> <li>◆ Staff meetings (ongoing)</li> <li>◆ Work-life balance initiatives (ongoing)</li> </ul>                 | <ul style="list-style-type: none"> <li>◆ Fair remuneration</li> <li>◆ Opportunities for skill and career development</li> <li>◆ Dignity of labour</li> <li>◆ Work-life balance</li> <li>◆ Health &amp; safety</li> </ul>                 | Our employee value proposition is characterised by competitive remuneration, opportunities for skill and career progression in a dynamic and conducive work environment. |
| <b>Clients- Commodity producers, warehousing clients and buyers of estate supplies</b> | <ul style="list-style-type: none"> <li>◆ Weekly and quarterly performance reviews</li> <li>◆ Research reports (periodic)</li> <li>◆ Site visits (ongoing)</li> <li>◆ One-on-one engagement (ongoing)</li> </ul>                 | <ul style="list-style-type: none"> <li>◆ Sustainable demand</li> <li>◆ Fair pricing</li> <li>◆ Ease of transacting</li> <li>◆ Warehousing services</li> <li>◆ System efficiencies</li> </ul>                                             | We strive to create sustainable value across our supply chain through ongoing engagement and mutually beneficial partnerships.                                           |
| <b>Buyers</b>                                                                          | <ul style="list-style-type: none"> <li>◆ Engagement at tea auctions (weekly)</li> <li>◆ Face to face meetings (ongoing)</li> <li>◆ Industry and country specific research (ongoing)</li> <li>◆ Site visits (ongoing)</li> </ul> | <ul style="list-style-type: none"> <li>◆ High quality produce</li> <li>◆ Transparent and fair pricing</li> <li>◆ Ease of transactions</li> <li>◆ Efficient logistics</li> </ul>                                                          | Holistic and mutually beneficial approach aimed at generating shared value                                                                                               |
| <b>Industry Bodies/Associations</b>                                                    | <ul style="list-style-type: none"> <li>◆ Regular meetings (periodic)</li> <li>◆ Industry forums (ongoing)</li> <li>◆ Promotional campaigns (ongoing)</li> </ul>                                                                 | <ul style="list-style-type: none"> <li>◆ Engagement to ensure long-term sustainability of industry</li> <li>◆ Contribution to policy making and planning</li> </ul>                                                                      | Ongoing engagement aimed towards creating a conducive industry environment.                                                                                              |

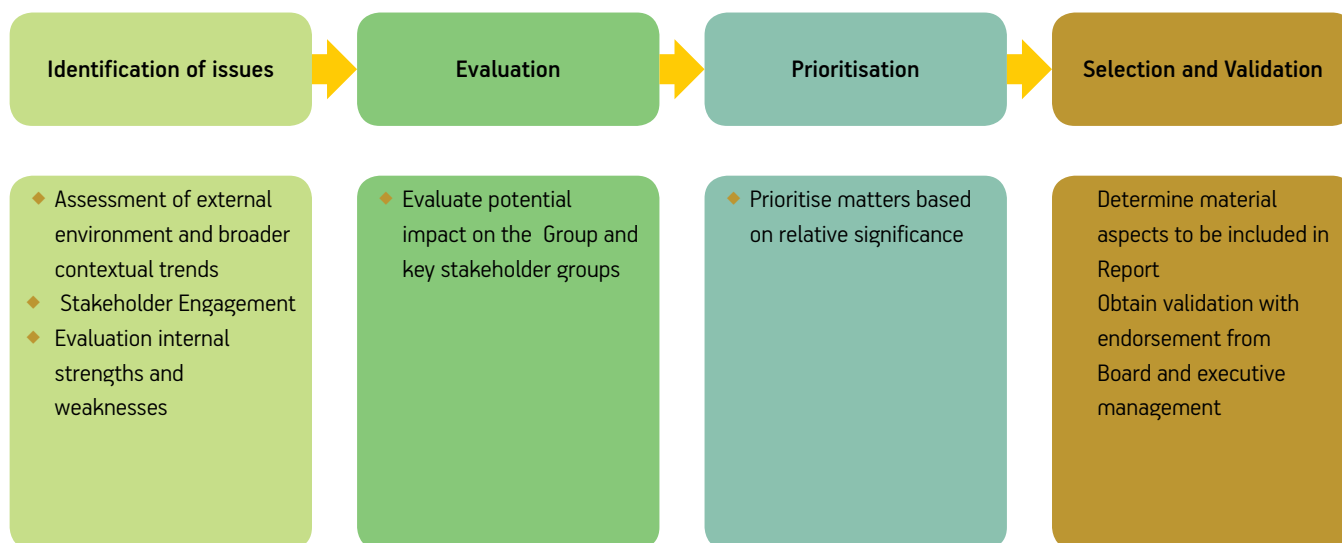
| Stakeholder Group     | Method and frequency of engagement                                                                                                                                                                                                                                                  | Topics and concerns identified                                                                                                                                                                         | The Group's response                                                                                                                                     |
|-----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Community             | <ul style="list-style-type: none"> <li>◆ Internship and training opportunities (ongoing)</li> <li>◆ Seminars for tea small holders (ongoing)</li> <li>◆ Site visits (ongoing)</li> <li>◆ Donations and other forms of support to schools in estate communities (ongoing)</li> </ul> | <ul style="list-style-type: none"> <li>◆ Internship programs</li> <li>◆ Opportunities for skill development</li> <li>◆ Employment opportunities</li> <li>◆ Community engagement initiatives</li> </ul> | We engage with local communities to develop economic activity providing opportunities and facilitating their socio-economic wellbeing                    |
| Government/Regulators | <ul style="list-style-type: none"> <li>◆ Quarterly performance reviews</li> <li>◆ Representation in industry associations (ongoing)</li> <li>◆ Participation in economic and industry forums (ongoing)</li> <li>◆ Contributions to policy making (ongoing)</li> </ul>               | <ul style="list-style-type: none"> <li>◆ Compliance to all legal and statutory regulations</li> <li>◆ Employment opportunities</li> <li>◆ Community engagement initiatives</li> </ul>                  | As a responsible corporate citizen we are committed to maintaining the highest standards of transparency and integrity in all aspects of our operations. |

## OPPORTUNITIES AND RISKS

GRI 2016 102-46, 102-47, 102-49, 103-1

### Determining Material Issues

Material topics form the anchor of this Annual Report and represent the issues that are most relevant to the Organisation and its stakeholders. A topic is considered material if it could potentially impact the Group's ability to create value over the short, medium and long-term. This year, through the adoption of the GRI standards we have widened the scope of our material issues. There were no significant changes in the list of material topics or topic boundaries compared to the previous period. The process for determining material issues is given below;

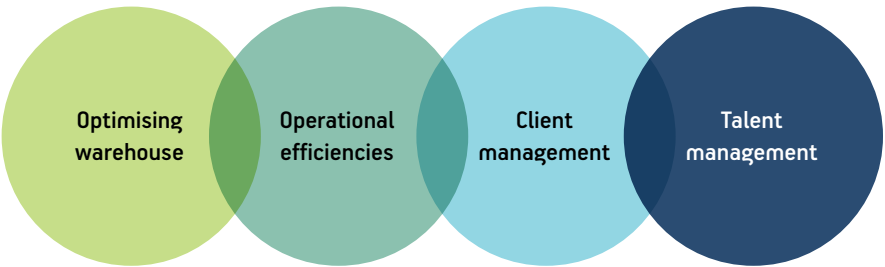


| No. | Material Topic and why it is Material to Us                                                                                                                           | Corresponding GRI Topic                                | Topic Boundary                                                 |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------------|
| 1   | <b>Sustainable Growth in Earnings</b><br>Driving sustainable growth in earnings is key to fulfilling shareholder needs                                                | GRI 201: Economic Performance                          | Relates to the performance of the Company and its subsidiaries |
| 2   | <b>Efficiency</b><br>Efficient processes are vital in satisfying customer requirements and driving cost optimisation                                                  |                                                        | Relates to the performance of the Company and its subsidiaries |
| 3   | <b>Managing Our Talent Pool</b><br>In a service industry such as ours, attracting, developing and retaining the right talent is critical for long-term sustainability | GRI 401: Employment<br>GRI 404: Training and education | Relates to the performance of the Company and its subsidiaries |

| No. | Material Topic and why it is Material to Us                                                                                                                                                                                                          | Corresponding GRI Topic                                          | Topic Boundary                                                                         |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| 4   | <b>Innovation</b><br>The Group has built a strong reputation for innovative and pragmatic solutions, which is a key source of competitive edge                                                                                                       |                                                                  | Relates to the performance of the Company and its subsidiaries                         |
| 5   | <b>Client Debt Management</b><br>The Group has built a strong reputation for innovative and pragmatic solutions, which is a key source of competitive edge                                                                                           |                                                                  |                                                                                        |
| 6   | <b>Exposure to Commodity Prices</b><br>Fluctuations in tea prices have a direct impact on our earnings.                                                                                                                                              |                                                                  | Relates to the operations of the Company and its subsidiaries                          |
| 7   | <b>Research Capabilities</b><br>Our ability to identify emerging market trends and share such information across our value chain is an important aspect of our competitive edge.                                                                     |                                                                  | Relates to the operations of the Company with its impacts felt across the supply chain |
| 8   | <b>Supply Chain Management</b><br>The effective management of our supply chain is a prerequisite in procuring high quality teas.                                                                                                                     | GRI 204: Procurement practices                                   | Relates to the performance of the Company and its subsidiaries                         |
| 9   | <b>Government policy</b><br>The Government's monetary and fiscal policy actions have a direct impact on the Group's operations.                                                                                                                      |                                                                  | Relates to the performance of the Company and its subsidiaries                         |
| 10  | <b>Exchange Rate Fluctuations</b><br>As tea buyers are primarily exporters, fluctuations in exchange rates have a direct impact on our operations.                                                                                                   |                                                                  | Relates to the performance of the Company and its subsidiaries                         |
| 11  | <b>Geopolitical Tensions in Buying Markets</b><br>Directly impacts the demand and pricing of tea                                                                                                                                                     |                                                                  | Relates to the performance of the Company and its subsidiaries                         |
| 12  | <b>Managing our environmental impacts</b><br>The Group's direct environmental impacts are limited, although given the increasingly pronounced impacts of climate change, we are committed to minimising the environmental impacts of our operations. | GRI 302: Energy<br>GRI 307: Environmental compliance             | Relates to the performance of the Company and its subsidiaries                         |
| 13  | <b>Community Engagement</b><br>Maintaining healthy relationships with the communities we operate in, is vital in preserving our social license to operate ensuring smooth continuity to operations.                                                  | GRI 413: Local communities<br>GRI 203: Indirect economic impacts | Relates to the operations of the Company and its subsidiaries                          |

# OUR STRATEGY 2018/19

The Group persistently reviews its strategy in view of changing dynamics in the operating landscape. Strategic priorities are determined following interactions with stakeholders, performance reviews and opportunities and challenges in the operating landscape. Key strategic priorities and the progress we made during the year under review are discussed below;



## Priority 1: Optimising Warehouse

The challenging industry conditions and the decline in supply stemming from unfavourable weather conditions resulted in the underutilisation of warehousing capacity. In order to address this challenge, the Group sought to broaden its customer base, thereby diversifying the services offered and enhancing its earnings capacity.

## Priority 2: Operational Efficiencies

Concerted efforts were driven towards generating cost efficiencies and productivity improvements. This included optimising energy usage, enhancing the IT infrastructure to drive efficiencies and staff training on improving productivity.

## Priority 3: Client Management

The non-conducive industry environment during the year had a direct impact on the financial viability of tea smallholders and factories. Resultantly, the Company faced some difficulty in recovering the advances it had made to customers. In addressing this challenge, we sought proactive engagement with customers, offering flexible repayment plans and restructuring.

## Priority 4: Talent Management

The Group placed continued emphasis on providing opportunities for skill development through engaging employees in numerous training initiatives. We also maintained a high level of employee engagement facilitated through numerous formal and informal mechanisms.

### Navigating Icons

Warehouse capacity utilisation: **93.5%**

Revenue from warehousing operation: **34%**

Administration cost as a % of Revenue: **55%**

Operating profit margin: **38%**

Total lending: **Rs. 1.32 billion**

New Estates including Reprocessing Centers : **20**

Investment in training and development: **Rs. 1.08 million**

Total training hours: **2276**

Retention rate : **87%**

# CORPORATE GOVERNANCE

GRI 2016 102-12, 102-18

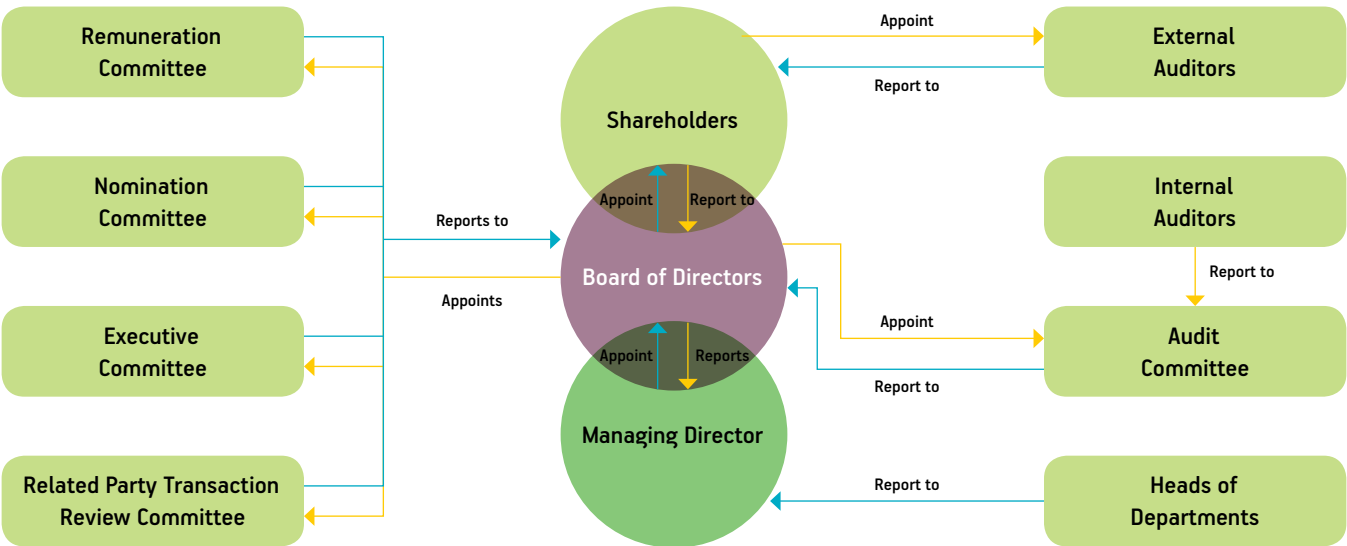
**“Robust corporate governance practices form the bedrock of sustainable value creation and at Asia Siyaka, we consider it to be the vital pivot that balances the competing interests of the Company’s many stakeholders. The Company’s corporate governance framework comprises clearly defined governance structures and policy frameworks which comply with all relevant regulatory requirements and are in line with industry best practices.”**

## Governance Framework

The Company has in place a formal and structured management processes and policies to ensure compliance with laws and regulations and has implemented clear lines of authority for decision making and accountability, with well-defined reporting channels. Asia Siyaka’s governance framework is based on the following internal and external steering instruments;

|                      |                                                                                                 |                      |                                            |
|----------------------|-------------------------------------------------------------------------------------------------|----------------------|--------------------------------------------|
| External instruments | Companies Act No. 7 of 2007                                                                     | Internal instruments | Articles of Association                    |
|                      | Code of Best Practice on Corporate Governance issued by the CA Sri Lanka (2017)                 |                      | Group policy frameworks                    |
|                      | Continuing listing requirements of the Colombo Stock Exchange                                   |                      | Board and sub-committee terms of reference |
|                      | Guidelines and regulations issued by the Sri Lanka Tea Board governing the tea broking industry |                      |                                            |
|                      | Integrated Reporting Framework issued by the International Integrating Reporting Council (IIRC) |                      |                                            |
|                      | GRI Standards for Sustainability reporting issued by the Global Reporting Initiative            |                      |                                            |

## Governance Structure



## CORPORATE GOVERNANCE CONTD.

### Board of Directors

The Board of Directors is the apex governing authority and have been vested with the powers to direct, lead and control the Company in an effective manner. The Board comprises twelve (12) directors consisting of 6 (six) non-executive directors and 6 (six) executive directors. Of the non-executive directors, three (3) function in an independent capacity, as per the criteria set out in the Listing Rules of the Colombo Stock Exchange. During the year under review, 2 executive directors and 1 independent non-executive director was appointed to the Board. Please refer to page 17 for full profiles of Directors.

The key responsibilities of the Board of Directors include,

- ◆ The Board is responsible for formulating the overall strategies of the Company, reviewing/ monitoring the risk management mechanisms and ensuring the adequacy and effectiveness of internal systems and controls.
- ◆ Identification of risks and ensuring that the risk management framework in place is adequate in dealing with these risks
- ◆ Identification of authority and key responsibilities of the Board and those of the Senior Management.
- ◆ Provide oversight of affairs of the Company to assess the effectiveness of the Company's governance practices.
- ◆ Review of policy and progress towards corporate objectives.
- ◆ Ensure adherence to regulatory requirements

### Board Effectiveness

The Board of Directors combine a diverse set of skills and expertise including corporate, finance and public administration. Several directors have extensive experience in the tea and plantation industries, contributing to the depth of discussions and effectiveness of decision making. The Board also has sufficient financial acumen, with 01 director holding membership in professional accountancy bodies.

### Role of Chairman and Managing Director

The role of Chairman and CEO/Managing Director have been segregated, in line with best practices thereby ensuring that no one director has unfettered power and authority. The Chairman holds a non-executive position and leads the Board of Directors while the Managing Director is accountable to the Board for the exercise of authority delegated by the Board of Directors and for the performance of the Company.

### Board Sub-Committees

The Board has delegated some of its powers to a number of Committees in line with the mandatory requirements of the Listing Rules of the Colombo Stock Exchange and the voluntary requirements of the Code of Best Practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka, each made up entirely of members of the Board. Each Committee so appointed, reports to the Board and is accountable for its responsibilities.

| Sub-committee          | Mandate                                                                                                                                               | Composition                                                                                                                                                                                   |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Audit Committee        | Ensure that effective systems are in place to secure the integrity of information and internal controls                                               | Mr. T Someswaran (appointed w.e.f 02 <sup>nd</sup> November 2018) - Chairman<br>Mr. S T Gunatilleke<br>Dr. I A Ismail<br>Mr. B A Hulangamuwa (resigned w.e.f 20 <sup>th</sup> September 2018) |
| Nominations Committee  | The implement procedures to select / appoint new Directors, CEO, Key Management Personnel                                                             | Dr. S A B Ekanayake (Chairman)<br>Mr. S T Gunatilleke<br>Dr. I A Ismail                                                                                                                       |
| Remuneration Committee | Make recommendations to the Board on the Company's framework of Executive Directors' remuneration, regularly review the Company's remuneration policy | Dr. S A B Ekanayake (Chairman)<br>Mr. S T Gunatilleke<br>Dr. I A Ismail                                                                                                                       |

| Sub-committee                               | Mandate                                                                                                                                                                                                     | Composition                                                                                                                                                                     |
|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Related Party Transactions Review Committee | Development of a related party transactions policy, updating the Board on any relevant related party transactions and ensuring that appropriate disclosures are made on relevant related party transactions | Dr. I A Ismail - Chairman<br>Mr. B A Hulangamuwa - Resigned w.e.f 20 <sup>th</sup> Sep 2018<br>Mr.T Someswaran - Appointed w.e.f 08 <sup>th</sup> Feb 2019<br>Mr. H R V Caldera |

### Board Activities

To ensure regular reporting and oversight, Board Meetings are scheduled once every quarter and whenever necessary. In addition to Board papers, Directors are also regularly kept abreast of changes in the economic and industry environment that could impact its ability to create value. The Board met five times during the year and attendance at the scheduled Board meetings is set out below;

|    | Name of Director      | Office Held                                   | Attendance at Board Meetings |
|----|-----------------------|-----------------------------------------------|------------------------------|
| 1  | Dr. S A B Ekanayake   | Chairman / Independent Non-Executive Director | 5/5                          |
| 2  | Mr. A R Cooke         | Managing Director                             | 5/5                          |
| 3  | Mr. D J Wedande       | Executive Director                            | 5/5                          |
| 4  | Mr. S G Amarasuriya   | Executive Director                            | 4/5                          |
| 5  | Mr. Y Kuruneru        | Executive Director                            | 4/5                          |
| 6  | Mr. S T Gunatilleke   | Non-Executive Director                        | 4/5                          |
| 7  | Dr. I A Ismail        | Independent Director                          | 5/5                          |
| 8  | Mr. H R V Caldera     | Non-Executive Director                        | 5/5                          |
| 9  | Mr. J N Dambawinne    | Non-Executive Director                        | 5/5                          |
| 10 | Mr. R C Dissanayake   | Executive Director                            | 5/5                          |
| 11 | Mr. S S Samaranayake  | Executive Director                            | 4/5                          |
| 12 | Mr. T Someswaran*     | Independent Director                          | 1/5                          |
| 13 | Mr. B A Hulangamuwa** | Independent Director                          | 2/5                          |

\* Appointed w.e.f 01<sup>st</sup> November 2018. \*\* Resigned w.e.f 20<sup>th</sup> September 2018

### Board Remuneration

Remuneration schemes are designed to ensure that the Group can attract and retain skilled individuals. Key considerations when setting remuneration include market and industry practice and experience and contribution of each director. Remuneration for Non-Executive

Directors is determined taking into consideration the time commitment, role and responsibilities of each individual Director as well as industry practice. The Board has delegated this responsibility to the Board Remuneration Committee, the details and composition of which are given on page 81 of this Report. No individual Director has the capacity to determine his own remuneration.

### Accountability and Audit

The Board holds ultimate responsibility for presenting a balanced, accurate and understandable assessment of the Group's performance, financial position and prospects. Financial statements are prepared in accordance with the Sri Lanka Financial Reporting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Companies Act. Our Annual Report conforms to the GRI Standards on sustainability reporting, prescribed by the Global Reporting Initiative and the Integrated Reporting Framework published by the International Integrated Reporting Council.

The following specialised information requirements are also included in this Annual Report.

- ◆ The Annual Report of the Board of Directors on the Affairs of the Company on pages 78 to 81 of this Report contains the declarations prescribed by the Code of Best Practise on Corporate Governance
- ◆ The Statement of Directors' Responsibility is given on page 82 of this Report.

# CORPORATE GOVERNANCE CONTD.

- ◆ The Independent Auditor's Report on page 88 to 90 of this Report.

## The Board Audit Committee

The Audit Committee has oversight responsibility for ensuring that there is a sufficiently robust system of internal controls in place to facilitate financial reporting and regulatory compliance. The Audit Committee is chaired by an independent non-executive director and comprises solely of non-executive directors. During the year under review, the Audit Committee convened five times. The meetings are attended by the Managing Director/Chief Executive Officer, Senior Vice President - Finance by invitation & other Directors and Executives when required.

Primary responsibilities of the Audit Committee are,

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

- ◆ Recommend appointment of external auditors

## Shareholder Communication

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

## Sustainability Reporting

Over the last few years we have sought to strengthen our sustainability reporting practices. The Group's Annual Report follows the principles set out in the Integrated Reporting Framework and this year we also adopted the GRI Standards for Sustainability Reporting.

Meanwhile, the material topics which form the anchor of this Report represent economic social and environmental factors.

Key elements of our ESG Reporting include the following;

| Category    | Element                               | Page reference |
|-------------|---------------------------------------|----------------|
| Environment | Sustainable use of resources          | 71 to 72       |
|             | Reducing the carbon footprint         |                |
|             | Waste management                      |                |
|             | Environmental impacts of our products |                |
| Social      | Community relationships               | 67 to 70       |
|             | Customer relationships                |                |
|             | Labour practices                      |                |
|             | Supplier relationships                |                |

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

| Reference                                        | Principle / Rule                                                                                                                                                         | Compliance Status | Applicable Section in the Annual Report                                      |
|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|------------------------------------------------------------------------------|
| <b>7.10 Compliance</b>                           |                                                                                                                                                                          |                   |                                                                              |
| (a) – (c)                                        | Compliance with Corporate Governance Rules<br><br>The Company is compliant with the Corporate Governance Rules and any deviations are explained where applicable         | Compliant         | Corporate Governance                                                         |
| <b>7.10.1 Non – Executive Director (NED)</b>     |                                                                                                                                                                          |                   |                                                                              |
| (a) – (c)                                        | At least 02 members or 1/3 of the Board, whichever is higher should be NED                                                                                               | Compliant         | As at the conclusion of the last AGM there were 6 Non-Executive Directors    |
| <b>7.10.2 Independent Directors (ID)</b>         |                                                                                                                                                                          |                   |                                                                              |
| (a)                                              | Two or 1/3 of NEDs whichever is higher should be Independent                                                                                                             | Compliant         | Of the 6 Non – Executive Directors, 3 are independent                        |
| (b)                                              | Each NED to submit a signed and dated declaration of his/her independence or non-independence in the prescribed format                                                   | Compliant         | Please refer page 79 of the Annual Report of the Board of Directors          |
| <b>7.10.3 Disclosures Relating to Directors</b>  |                                                                                                                                                                          |                   |                                                                              |
| (a)                                              | The Board shall annually make a determination as to the independence or otherwise of the NED and names of Independent Directors should be disclosed in the Annual Report | Compliant         | Please refer page 79 of the Annual Report of the Board of Directors          |
| (b)                                              | The basis of the Board to determine a Director is Independent, if criteria specified for independence is not met                                                         | Not Applicable    | No such determination was required as Independent Directors met the criteria |
| (c)                                              | A brief resume of each Director should be included in the Annual Report and should include in the areas of expertise                                                     | Compliant         | Please refer pages 17 to 19                                                  |
| (d)                                              | Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the exchange                                | Compliant         | Provided to the CSE                                                          |
| <b>7.10.4 Criteria for Defining Independence</b> |                                                                                                                                                                          |                   |                                                                              |
| (a) – (h)                                        | Requirements for meeting criteria to be an Independent Director                                                                                                          | Compliant         | Independent Directors met the criteria                                       |

## CORPORATE GOVERNANCE CONTD.

| Reference                                                                                  | Principle / Rule                                                                                                                                                                                                  | Compliance Status | Applicable Section in the Annual Report                                                                   |
|--------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-----------------------------------------------------------------------------------------------------------|
| <b>7.10.5 Remuneration Committee – Listed Company shall have a Remuneration Committee.</b> |                                                                                                                                                                                                                   |                   |                                                                                                           |
| (a)                                                                                        | Composition of the Remuneration Committee shall comprise of Non- Executive Directors a majority of whom will be independent                                                                                       | Compliant         | Please refer page 30 of the Corporate Governance Report                                                   |
| (b)                                                                                        | Functions of Remuneration Committee – The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and other Executive Directors                                                    | Compliant         | Please refer to the Remuneration Committee Report on page 85                                              |
| (c)                                                                                        | Disclosures in the Annual Report relating to the Remuneration Committee on Remuneration Policy, Names of the Directors of the Committee and aggregated remuneration paid to executive and non-executive directors | Compliant         | Please refer Remuneration Committee Report on page 85 and Financial Report Note no. 31 on page 130        |
| <b>7.10.6 Audit Committee – The Company shall have an Audit Committee.</b>                 |                                                                                                                                                                                                                   |                   |                                                                                                           |
| (a)                                                                                        | Composition of Audit Committee –<br>I – Shall comprise of Non- Executive Directors a majority of whom should be independent                                                                                       | Compliant         | Please refer page 30 of the Corporate Governance Report                                                   |
|                                                                                            | II - A Non-Executive Director shall be the Chairman of the Committee                                                                                                                                              | Compliant         | Chairman of the Audit Committee is a Non- Executive Director                                              |
|                                                                                            | III –Chairman of the Audit Committee or one member should be a member of Professional Body                                                                                                                        | Compliant         | Chairman of the Audit Committee is a Fellow member of the Institute of Chartered Accountants of Sri Lanka |
|                                                                                            | IV - CEO and CFO shall attend the Committee Meetings                                                                                                                                                              | Compliant         | CEO & Senior Vice President - finance attended audit Committee meetings by invitation                     |

| Reference | Principle / Rule                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Compliance Status                                                                    | Applicable Section in the Annual Report               |
|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|-------------------------------------------------------|
| (b)       | <p>Audit Committee Functions,<br/>Functions shall include:</p> <p>I – Overseeing the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with the Sri Lanka Accounting Standards.</p> <p>II – Overseeing the compliance with the financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements.</p> <p>III - Overseeing the process to ensure that the internal control and risk management are adequate to meet the requirements of Sri Lanka Auditing Standards.</p> <p>IV – Assessment of the independence and the performance of the External Auditors</p> <p>V – Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors and approve the remuneration and terms of the engagement of the External Auditors</p> | <p>Compliant</p> <p>Compliant</p> <p>Compliant</p> <p>Compliant</p> <p>Compliant</p> | Please refer the Audit Committee Report on page 84    |
| (c)       | <p>Disclosures in the Annual Report relating to Audit Committee.</p> <p>I - Names of Directors comprising the Audit Committee.</p> <p>II - The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis of such determination.</p> <p>III - The Annual Report shall contain a report of the Audit Committee setting of the manner of compliance with their functions</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <p>Compliant</p> <p>Compliant</p> <p>Compliant</p>                                   | Please refer to the Audit Committee Report on page 84 |

## CORPORATE GOVERNANCE CONTD.

Compliance with the Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka (2017).

| Reference                                             | Principle                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Adoption Status | Section in Annual Report                                     |
|-------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|--------------------------------------------------------------|
| <b>A Directors</b>                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                 |                                                              |
| <b>A.1 The Board</b>                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                 |                                                              |
| <b>A.1</b>                                            | <b>Effective Board</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Adopted         | Corporate Governance                                         |
| A.1.1                                                 | Regular Meetings at least once in every quarter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Adopted         | Corporate Governance                                         |
| A.1.2                                                 | <ul style="list-style-type: none"> <li>◆ Ensure the formulation and implementation of sound business strategy</li> <li>◆ Ensure that the Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy</li> <li>◆ Ensure effective CEO and senior management succession strategy</li> <li>◆ Ensure effective systems to secure integrity of information, internal controls and risk management</li> <li>◆ Ensure compliance with laws, regulations and ethical standards</li> <li>◆ Ensure all stakeholder interests are considered in corporate decisions</li> <li>◆ Ensure that the company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations</li> <li>◆ Fulfill such other Board functions as are vital, given the scale, nature and complexity of the business concerned</li> </ul> | Adopted         | Corporate Governance & Statement of Directors Responsibility |
| A.1.3                                                 | Act in accordance with laws relevant to the organization and procedure for Directors to obtain independent professional advice                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Adopted         | Corporate Governance                                         |
| A.1.4                                                 | Access to advise and services of Company Secretary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Adopted         | Corporate Governance                                         |
| A.1.5                                                 | Independent judgement                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Adopted         | Corporate Governance                                         |
| A.1.6                                                 | Dedicate adequate time and effort to matters of the Board and the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Adopted         | Corporate Governance                                         |
| A.1.7                                                 | Resolution to be presented to the Board                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Adopted         | Corporate Governance                                         |
| A.1.8                                                 | Appropriate Training                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Adopted         | Corporate Governance                                         |
| <b>A.2 Chairman and Chief Executive Officer (CEO)</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                 |                                                              |
| A.2                                                   | Separating the activities of the Board from the executive responsibilities of the Company                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Adopted         | Corporate Governance                                         |
| <b>A.3 Chairman's Role</b>                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                 |                                                              |
| A.3                                                   | Chairman's role in preserving good corporate governance. Conduct Board meetings in a proper manner.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Adopted         | Corporate Governance                                         |
| <b>A.4 Financial Acumen</b>                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                 |                                                              |
| A.4                                                   | Availability of financial acumen and knowledge to offer guidance on matters of finance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Adopted         | Corporate Governance                                         |

| Reference                                   | Principle                                                                                                                                                                                                                                                                                                                         | Adoption Status | Section in Annual Report                 |
|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------------------------------------|
| <b>A.5 Board Balance</b>                    |                                                                                                                                                                                                                                                                                                                                   |                 |                                          |
| A.5.1 and A.5.2                             | Non-Executive Directors of sufficient calibre and number                                                                                                                                                                                                                                                                          | Adopted         | Corporate Governance                     |
| A.5.3                                       | Independence of Non-Executive Directors                                                                                                                                                                                                                                                                                           | Adopted         | Corporate Governance                     |
| A.5.4                                       | Annual declarations of independence from Directors                                                                                                                                                                                                                                                                                | Adopted         | Corporate Governance                     |
| A.5.5                                       | Determination of independence of the Directors                                                                                                                                                                                                                                                                                    | Adopted         | Corporate Governance                     |
| A.5.6                                       | Appointment of an alternate Director                                                                                                                                                                                                                                                                                              | N/A             | N/A                                      |
| A.5.7                                       | Senior Independent Director (SID)                                                                                                                                                                                                                                                                                                 | N/A             | N/A                                      |
| A.5.8                                       | SID to meet with other Directors                                                                                                                                                                                                                                                                                                  | N/A             | N/A                                      |
| A.5.10                                      | Recording of Directors' concerns in Board Minutes                                                                                                                                                                                                                                                                                 | Adopted         | N/A                                      |
| <b>A.7 Appointments to the Board</b>        |                                                                                                                                                                                                                                                                                                                                   |                 |                                          |
| A.7.1                                       | Formal and transparent procedure for new appointments through an established Nominations Committee                                                                                                                                                                                                                                | Adopted         | Corporate Governance                     |
| A.7.3                                       | Disclosure of information to shareholders upon appointment of new directors                                                                                                                                                                                                                                                       | Adopted         | Announcement made to CSE                 |
| <b>A.8 Re-Election</b>                      |                                                                                                                                                                                                                                                                                                                                   |                 |                                          |
| A.8.1 and A.8.2                             | <ul style="list-style-type: none"> <li>◆ All Non-Executive Directors should submit themselves for re-election at regular intervals</li> <li>◆ All Non-Executive Directors excluding the Chairman to be subject to re-election at first opportunity after appointment and re-election at least every 3 years thereafter</li> </ul> | Adopted         | Corporate Governance / Notice of Meeting |
| <b>B. Director's Remuneration</b>           |                                                                                                                                                                                                                                                                                                                                   |                 |                                          |
| <b>B.1 Remuneration Procedure</b>           |                                                                                                                                                                                                                                                                                                                                   |                 |                                          |
| B.1.1                                       | Remuneration Committee                                                                                                                                                                                                                                                                                                            | Adopted         | Corporate Governance                     |
| B.1.2                                       | Composition of Remuneration Committee                                                                                                                                                                                                                                                                                             | Adopted         | Corporate Governance                     |
| B.1.3                                       | Disclosure of members of Remuneration Committee                                                                                                                                                                                                                                                                                   | Adopted         | Corporate Governance                     |
| B.1.4                                       | Remuneration for Non- Executive Directors                                                                                                                                                                                                                                                                                         | Adopted         | Corporate Governance                     |
| B.1.5                                       | Consultation of the Chairman and access to professional advice                                                                                                                                                                                                                                                                    | Adopted         | Corporate Governance                     |
| <b>B.2 Level and Makeup of Remuneration</b> |                                                                                                                                                                                                                                                                                                                                   |                 |                                          |
| B.2.1                                       | Remuneration for Executive Directors should attract, retain and motivate                                                                                                                                                                                                                                                          | Adopted         | Corporate Governance                     |
| B.2.2                                       | Design of the remuneration packages of Executive Directors to promote long term success                                                                                                                                                                                                                                           | Adopted         | Corporate Governance                     |
| B.2.3                                       | Comparison of remuneration with other Companies                                                                                                                                                                                                                                                                                   | Adopted         | Corporate Governance                     |

## CORPORATE GOVERNANCE CONTD.

| Reference                                                         | Principle                                                                                                                                                                                                                                                                                                                                               | Adoption Status | Section in Annual Report                                                                 |
|-------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------------------------------------------------------------------------------------|
| B.2.4                                                             | Comparison of remuneration with other Companies in the Group                                                                                                                                                                                                                                                                                            | Adopted         | Corporate Governance                                                                     |
| B.2.5                                                             | Performance related elements of remuneration of Executive Directors                                                                                                                                                                                                                                                                                     | N/A             | N/A                                                                                      |
| B.2.7                                                             | Executive Directors' remuneration                                                                                                                                                                                                                                                                                                                       | Adopted         | Corporate Governance                                                                     |
| B.2.10                                                            | Levels of remuneration for Non-Executive Directors                                                                                                                                                                                                                                                                                                      | Adopted         | Corporate Governance                                                                     |
| <b>B.3 Disclosure of Remuneration</b>                             |                                                                                                                                                                                                                                                                                                                                                         |                 |                                                                                          |
| B.3.1                                                             | Composition of Remuneration Committee, Remuneration Policy and disclosure of aggregate remuneration paid to directors                                                                                                                                                                                                                                   | Adopted         | Remuneration Committee Report / Financial Statements – Note no. 31                       |
| <b>C. Relations with Shareholders</b>                             |                                                                                                                                                                                                                                                                                                                                                         |                 |                                                                                          |
| <b>C.1 Constructive Use and Conduct of Annual General Meeting</b> |                                                                                                                                                                                                                                                                                                                                                         |                 |                                                                                          |
| C.1.1                                                             | Notice of the AGM and Related Documents                                                                                                                                                                                                                                                                                                                 | Adopted         | Notice of Meeting                                                                        |
| C.1.2                                                             | Separate resolution for all separate issues at the AGM                                                                                                                                                                                                                                                                                                  | Adopted         | Notice of Meeting                                                                        |
| C.1.3                                                             | Use of Proxy Votes                                                                                                                                                                                                                                                                                                                                      | Adopted         | Notice of Meeting                                                                        |
| C.1.4                                                             | Availability of Board Sub-Committee Chairmen at AGM                                                                                                                                                                                                                                                                                                     | Adopted         | Notice of Meeting                                                                        |
| C.1.5                                                             | Summary of procedures governing voting at the AGM                                                                                                                                                                                                                                                                                                       | Adopted         | Notice of Meeting                                                                        |
| <b>C.2 Communication with Shareholders</b>                        |                                                                                                                                                                                                                                                                                                                                                         |                 |                                                                                          |
| C.2.1 - C.2.7                                                     | <ul style="list-style-type: none"> <li>Channel to reach all shareholders</li> <li>Policy and methodology for communication with shareholders</li> <li>Contact person for shareholder matters</li> <li>Process to make all Directors aware of major issues and concerns of shareholders</li> <li>Process of responding to shareholder matters</li> </ul> | Adopted         | Corporate Governance                                                                     |
| <b>C.3 Major and Material Transactions</b>                        |                                                                                                                                                                                                                                                                                                                                                         |                 |                                                                                          |
| C.3.1                                                             | Disclosure of major and material transactions                                                                                                                                                                                                                                                                                                           | Adopted         | Notes to Financial Statements                                                            |
| C.3.2                                                             | Compliance with the disclosure requirements and the shareholder approval by special resolution                                                                                                                                                                                                                                                          | Adopted         | Notes to Financial Statements                                                            |
| <b>D. Accountability &amp; Audit</b>                              |                                                                                                                                                                                                                                                                                                                                                         |                 |                                                                                          |
| <b>D.1 Financial and Business Reporting</b>                       |                                                                                                                                                                                                                                                                                                                                                         |                 |                                                                                          |
| D.1.1                                                             | <p>Present a balanced and understandable assessment of the Company's financial position, performance and prospects</p> <p>Interim reports, price-sensitive public reports, regulatory reports and statutory information requirements</p>                                                                                                                | Adopted         | Chairman's / MD's Review / Financial Statements / Corporate Governance / Risk Management |

| Reference                                       | Principle                                                                                                                                                       | Adoption Status                  | Section in Annual Report                                                          |
|-------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|-----------------------------------------------------------------------------------|
| D.1.2                                           | The Board's responsibility in presenting balanced and understandable information                                                                                | Adopted                          | Directors' Report / Financial Statements / Corporate Governance / Risk Management |
| D.1.3                                           | Declaration from the Chief Executive Officer and Chief Financial Officer                                                                                        | Adopted                          | Directors' Report / Financial Statements / Corporate Governance / Risk Management |
| D.1.4                                           | Directors' Report in the Annual Report                                                                                                                          | Adopted                          | Directors' Report / Financial Statements / Corporate Governance / Risk Management |
| D.1.5                                           | Responsibilities of the Board for the preparation and presentation of financial statements and statement by the Auditors about their reporting responsibilities | Adopted                          | Statement of Directors' Responsibility / Auditors' Report                         |
| D.1.6                                           | Include a Management Discussion & Analysis                                                                                                                      | Management Discussion & Analysis | Management Discussion & Analysis                                                  |
| D.1.7                                           | Notify shareholders in case net assets of the company fall below 50% of the value of the Company's shareholders funds                                           | N/A                              | N/A                                                                               |
| D.1.8                                           | Disclosure of Related Party transactions                                                                                                                        | Adopted                          | Notes to the Financial Statements                                                 |
| <b>D.2 Risk Management and Internal Control</b> |                                                                                                                                                                 |                                  |                                                                                   |
| D.2.1                                           | Directors to review on Risk management and Internal Controls                                                                                                    | Adopted                          | Report of the Audit Committee                                                     |
| D.2.2                                           | Disclosures in the Annual Report on Risk Management and Internal Controls                                                                                       | Adopted                          | Directors' Report / Financial Statements / Corporate Governance / Risk Management |
| D.2.3                                           | Internal Audit Function                                                                                                                                         | Adopted                          | Corporate Governance                                                              |
| D.2.4                                           | Review of effectiveness of the risk management and internal controls                                                                                            | Adopted                          | Audit Committee / Risk Management / Directors' Report                             |
| D.2.5                                           | Responsibilities of Directors in maintain a sound system of internal control                                                                                    | Adopted                          | Directors' Report                                                                 |

## CORPORATE GOVERNANCE CONTD.

GRI 2016 102-16

| Reference                                              | Principle                                                                                                                                                                      | Adoption Status | Section in Annual Report                                                         |
|--------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------------------------------------------------------------------------|
| <b>D.3 Audit Committee</b>                             |                                                                                                                                                                                |                 |                                                                                  |
| D.3.1                                                  | Composition of the Audit Committee Composition and Terms of Reference for Audit Committee                                                                                      | Adopted         | Corporate Governance / Report of the Audit Committee                             |
| D.3.2                                                  | Duties of the Audit Committee and Terms of Reference of the Audit Committee                                                                                                    | Adopted         | Corporate Governance / Report of the Audit Committee                             |
| D.3.3                                                  | Disclosures regarding Audit Committee                                                                                                                                          | Adopted         | Corporate Governance / Report of the Audit Committee                             |
| <b>D.4 Related Party Transactions Review Committee</b> |                                                                                                                                                                                |                 |                                                                                  |
| D.4.1                                                  | A related party and related party transactions                                                                                                                                 | Adopted         | Financial Statements / Report of the Related Party Transactions Review Committee |
| D.4.2                                                  | Related Party Transactions Review Committee (RPTRC)                                                                                                                            | Adopted         | Report of the Related Party Transactions Review Committee                        |
| D.4.3                                                  | Terms of Reference of the Related Party Transactions Review Committee (RPTRC)                                                                                                  | Adopted         | Report of the Related Party Transactions Review Committee                        |
| <b>D.5 Code of Business Conduct and Ethics</b>         |                                                                                                                                                                                |                 |                                                                                  |
| D.5.1                                                  | Disclosure of Code of Business Conduct & Ethics                                                                                                                                | Adopted         | Corporate Governance                                                             |
| D.5.2                                                  | Process to ensure that material and price sensitive information is promptly identified and reported.                                                                           | Adopted         | Corporate Governance                                                             |
| D.5.3                                                  | Policy and process to ensure for monitoring and disclosure of shares purchased by any Director, Key Management Personnel or any other employee involved in financial reporting | Adopted         | Corporate Governance                                                             |
| D.5.4                                                  | Affirmation Statement by Chairman                                                                                                                                              | Adopted         | Chairman's Report                                                                |
| <b>D.6 Corporate Governance Disclosures</b>            |                                                                                                                                                                                |                 |                                                                                  |
| D.5.6                                                  | Corporate Governance Report                                                                                                                                                    | Adopted         | Corporate Governance                                                             |

| Reference                                       | Principle                                                                                  | Adoption Status | Section in Annual Report                                                                 |
|-------------------------------------------------|--------------------------------------------------------------------------------------------|-----------------|------------------------------------------------------------------------------------------|
| <b>E. Institutional Investors</b>               |                                                                                            |                 |                                                                                          |
| <b>E.1 Shareholder Voting</b>                   |                                                                                            |                 |                                                                                          |
| E.1.1                                           | Encourage voting at AGM<br>Regular structured dialogues with institutional investors       | Adopted         | Corporate Governance                                                                     |
| <b>E.2 Evaluation of Governance Disclosures</b> |                                                                                            |                 |                                                                                          |
| E.2                                             | Encourage institutional investors to give due weight to relevant governance arrangements   | Adopted         | Corporate Governance                                                                     |
| <b>F. Other Investors</b>                       |                                                                                            |                 |                                                                                          |
| F.1                                             | Individual shareholders are encouraged to do their own analysis or seek independent advice | Adopted         | Corporate Governance                                                                     |
| F.2                                             | Encourage shareholders to participate and vote at the AGM                                  | Adopted         | Corporate Governance                                                                     |
| <b>G. Internet of Things and Cyber Security</b> |                                                                                            |                 |                                                                                          |
| G.1 – G.1.5                                     | Internet of Things and Cyber Security                                                      | Adopted         | Risk Management                                                                          |
| <b>H. Environment, Society and Governance</b>   |                                                                                            |                 |                                                                                          |
| H.1 – H.1.5                                     | Environment, Society and Governance (ESG)                                                  | Adopted         | Integrated Reporting Framework / Management Discussion & Analysis / Corporate Governance |

# ENTERPRISE RISK MANAGEMENT



As a business catering to a global base of end-consumers and transacting primarily in agricultural produce, Asia Siyaka is exposed to an array of economic, political, climatic and other risks which can impact the organisation in the short, medium and long-term influencing operations, tactics and strategy. The Board of Directors is fully cognisant of the vital importance of effective risk management in safeguarding shareholder assets and facilitating long term wealth creation for all stakeholders. Therefore, the Company has developed a proactive and structured risk management system that assists in risk identification and monitoring at a broader ecological, political and socio-economic frame, with inbuilt and flexible response mechanisms. The Company continuously evaluates and refines the overall risk management process to reflect the rapidly changing nature of our operating landscape and to ensure attainment of strategic objectives.

## Risk Management Framework

The overall risk portfolio of Asia Siyaka can be broadly classified as unsystematic risks which are within the control of the company and systematic risks which are beyond the control of the company. The risk management system has been developed to address both types of risks. The Company has developed an effective Risk Management Framework (RMF) based on the Three Lines of Defence model. The globally accepted model ensures the effective segregation of duties in the identification, management and monitoring of risks. The RMF is a continuous safeguard which is always active and operational in the day-to-day operations of the company as it permeates the width and breadth of the organisation.

### 1<sup>st</sup> line of defence

- Business units/ functions

### 2<sup>nd</sup> line of defence

- Risk management and compliance procedures

### 3<sup>rd</sup> line of defence

- Internal Audit
- External Audit

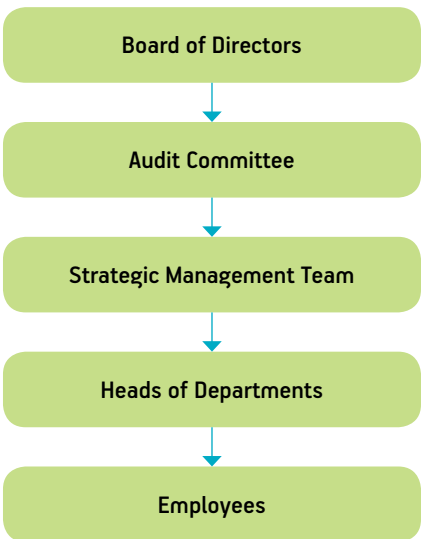
## Risk Governance

Risk governance is essentially the application of the principles of good governance to the identification, assessment, treatment, monitoring, reviewing and reporting of risks. A strong risk governance system allows oversight of and accountability for risk at all levels and across all risk types. As the highest decision-making body of the company, the

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

Regular risk reporting to the Board ensures that risks are monitored on an ongoing basis. For clarity and transparency within the risk management process, the company has adopted a formal board approved, documented risk management process, which stipulates the procedures for identification, analysis, evaluation, treatment, management and communication of the material risks.

The Company's risk management structure is depicted below;

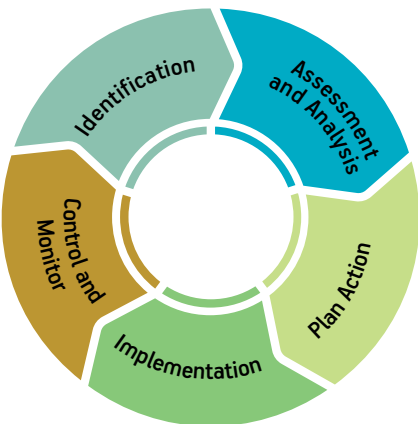


Risk Appetite

The Group has formulated a formal risk appetite statement that defines the level of risk the Board is willing to accept in the achievement of its strategic objectives. Risk appetittles are regularly reviewed and refined in line with strategic cost-benefit objectives and ability to absorb risk. The risk appetite statement provides oversight and consistency in the level of risk taken by the Group as a whole and ensures that risk return dynamics are appropriately managed at all times.

Approach to Risk Management

The process of risk management encompasses consistently monitoring the systematic and unsystematic risk landscape, identifying and prioritizing risks based on a weighted scoring system, developing risk responses and executing the risk management strategy. Due to the adoption of the 3-Lines of Defence model, risk responses and monitoring receives close attention from specific risk owner groups, which strengthens the overall risk management framework.



**Risk Identification** - The process of risk identification is primarily through regular and continuous consultations between the Chief Executive Officer (CEO) and key management personnel from different functional units to ensure comprehensive coverage of the risk landscape. Identified risk elements are reviewed by the Senior Management Team and the Audit Committee against the Group’s strategic and tactical targets and stakeholder expectations.

**Assessment and Analysis** - Existing and emerging identified risks are mapped and rated based on the likelihood and potential level of impact as depicted below. During the year, the Group further strengthened its risk assessment and analysis mechanisms by assigning weighted scores to each risk element.

| Likelihood     | Impact            |                              |                               |                   |           |
|----------------|-------------------|------------------------------|-------------------------------|-------------------|-----------|
|                | Insignificant     | Minor                        | Moderate                      | Major             | Severe    |
| Almost certain | Moderate          | High                         | High                          | Extreme           | Extreme 1 |
| Likely         | Moderate          | Moderate                     | High                          | High              | Extreme   |
| Possible       | Low               | Moderate                     | Moderate 4, 7, 17, 18, 21, 22 | High 6            | Extreme   |
| Unlikely       | Low 3, 13, 14, 20 | Moderate                     | Moderate                      | Moderate 2, 5, 19 | High      |
| Rare           | Low               | Low 8, 9, 10, 11, 12, 15, 16 | Moderate                      | Moderate          | High      |

**Response planning and execution** - Based on the derived risk scores, strategies are formulated to curtail and mitigate the risk exposures. Responsibility for managing each identified risk lies with the respective risk owners. The Group will ensure there is sufficient flexibility to respond to risks and adequate resources to mitigate risks. It is recognised that risks can be most effectively managed if a risk culture is nurtured within the Group. The internal controls for risk management are scrutinised by internal and external audit functions but these can only be minimised the consequences of occurrence based on impact and likelihood but the risk itself will not be eliminated.

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

# ENTERPRISE RISK MANAGEMENT CONTD.

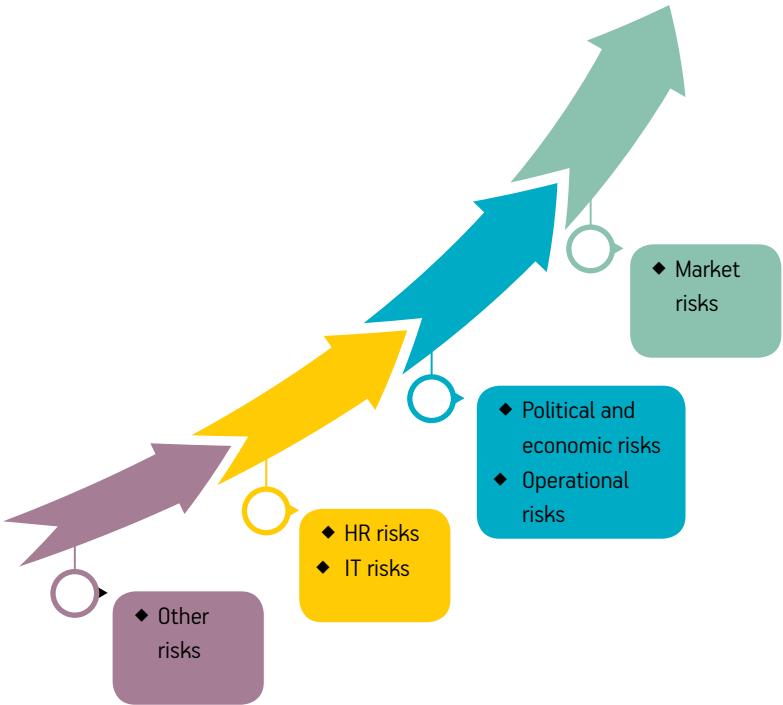
**Control and Monitor** - Monitoring of all risk exposures are the collective responsibility of the respective risk owners and the senior management team. The Internal Audit function conducts an annual review of the effectiveness of the internal control system within the organization while the external audit function provides feedback to the Audit Committee on the operation of the adequacy and effectiveness of the internal control system within the organisation. Assurance on the effectiveness of the Group's overall risk management framework and internal controls is provided by the Statement of Internal Controls.

## Risk Reporting

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

## Principal Risks of 2018/19

The Group's key risk exposures can be categorised as Market Risks, Political and Economic Risks, Operational Risk, HR Risks, IT Risks, and Other Risks. Key changes to the Group's risk profile during the year stemmed from fluctuations in the exchange rate, geopolitical tensions in buying markets, weakening financial profiles of manufacturers and impacts of climate change. The company has initiated strategic responses to address these risks while accommodating shareholder expectations in terms of financial performance during the year. The table below provides a summary of the potential impacts, mitigation mechanisms and risk scoring for the year under review.



| S/N                          | Type of Risk and Impact                                                                           | Implications                                                               | Risk Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                        | Net Risk Assessment |          |          |
|------------------------------|---------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----------|----------|
|                              |                                                                                                   |                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                        | 2018/19             | 2017/18  | 2016/17  |
| Market Risks                 |                                                                                                   |                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                        |                     |          |          |
| 1.                           | Decline in commodity prices – Cyclical price changes in locally and global                        | Direct Impact on Profitability, Vulnerable to credit exposure of Clients   | <ul style="list-style-type: none"><li>Consistently monitoring industry and market trends</li><li>Achieving differentiation through quality focus</li></ul>                                                                                                                                                                                                                                                                             | Extreme             | Extreme  | High     |
| 2.                           | Competition and potential loss of clients - Increasing competitive pressures                      | Loss of Market share, Loss of profitability, Negative impact on cash flows | <ul style="list-style-type: none"><li>Long Term Investment in business diversification</li><li>Develop long-term relationships with stakeholders based on sustainable value creation</li><li>Developing a broad based client portfolio</li><li>Close monitoring of competitor behaviour and the trend of moving from one broker to another</li><li>Continual engagement with the CBA to ensure all Brokers adhere to By-Laws</li></ul> | Moderate            | Moderate | Moderate |
| 3.                           | Trends in Tea industry - New Global Trends which may have an impact on the Tea industry           | Impact on company profitability                                            | <ul style="list-style-type: none"><li>Continual market research and sharing knowledge with producer clients</li><li>Diversified Income streams apart from tea broking industry</li></ul>                                                                                                                                                                                                                                               | Low                 | Low      | -        |
| Political and Economic Risks |                                                                                                   |                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                        |                     |          |          |
| 4.                           | Interest Rate Risk - Increasing interest rates                                                    | Impact on profitability through rising funding costs                       | <ul style="list-style-type: none"><li>Lending rates reviewed on a timely basis and proactive negotiations with financial institutions</li><li>Strong treasury management to ensure borrowing costs are minimized</li><li>Adherence to CBA regulations on avoidance of rate based competition on lending.</li><li>Building Reserves in the company</li></ul>                                                                            | Moderate            | Moderate | Moderate |
| 5.                           | Government Policy Change Risk - Sudden changes to fiscal and monetary policies by the government. | Loss of profitability, Effects on budgets and targets.                     | <ul style="list-style-type: none"><li>Obtaining professional advices from professional bodies/Consultancy firms.</li><li>Discussions with relevant authorities for exemptions/ rulings with the support of CBA</li></ul>                                                                                                                                                                                                               | Moderate            | Moderate | -        |

## ENTERPRISE RISK MANAGEMENT CONTD.

| S/N                     | Type of Risk and Impact                                                                                                                     | Implications                                | Risk Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                              | Net Risk Assessment |          |          |
|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----------|----------|
|                         |                                                                                                                                             |                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 2018/19             | 2017/18  | 2016/17  |
| 6.                      | Geopolitical Risk - Domestic and global political and economic conditions have a direct impact on the market for tea                        | Loss of profitability, Going Concern Issues | <ul style="list-style-type: none"> <li>Continual review of global and national drivers/factors to provide marketing and product advice to clients enabling them to respond to the world market.</li> </ul>                                                                                                                                                                                                                                                   | High                | High     | High     |
| <b>Operational Risk</b> |                                                                                                                                             |                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                     |          |          |
| 7.                      | Credit Risk - Potential loss of earnings and cash flow arising from inability of clients to fulfil their financial obligations to the Group | Loss of profitability, Going Concern Issues | <ul style="list-style-type: none"> <li>Close monitoring through credit committee and automated processes for evaluation</li> <li>Act within a legal frame work to ensure assurance of recoverability of client advance portfolio</li> <li>Maintaining close relationships with clients with continual inspection and monitoring.</li> <li>Communication channel through CBA to improve unity among all brokers to prevent defaulting by borrowers</li> </ul> | Moderate            | Moderate | Moderate |
| 8.                      | Liquidity, Leverage Risk                                                                                                                    | Litigation claims by fund providers         | <ul style="list-style-type: none"> <li>Maintaining good Debt/Equity ratio as per company policy</li> <li>Effective Cash management &amp; regular review</li> <li>Building Company Reserves</li> </ul>                                                                                                                                                                                                                                                        | Low                 | Low      | -        |
| 9.                      | Fraud risk - Potential financial and reputational losses arising from frauds within the Organisation.                                       | Loss of Profitability                       | <ul style="list-style-type: none"> <li>Continual review of Internal Controls</li> <li>Implementation of procedure manual with all the internal controls over quantitative and qualitative measurements. Introducing delegation authorities, segregation of duties and access levels etc</li> </ul>                                                                                                                                                           | Low                 | Low      | Low      |

| S/N            | Type of Risk and Impact                                                                                                                                           | Implications                                                  | Risk Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Net Risk Assessment |         |         |
|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------|---------|
|                |                                                                                                                                                                   |                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 2018/19             | 2017/18 | 2016/17 |
| 10.            | Compliance related risks - Regulatory and reputational risks arising from non-compliance to regulatory requirements                                               | Loss of reputations, Going Concern, Possible Fines & Chargers | <ul style="list-style-type: none"> <li>◆ Periodic reviews over compliance through internal audit and implementation of ISO Audit</li> <li>◆ Appointing Compliance officer to maintain independent supervisory functions</li> <li>◆ Continuous engagement with Sri Lanka Tea Board (SLTB) ensuring compliance with other regulatory Bodies' requirements including the CTTA and CBA and ensuring the company and the clientele are operating within the legal environment</li> <li>◆ Professionals and specialists are consulted to provide guidance and direction to ensure compliance in various transactions entered in to</li> </ul> | Low                 | Low     | Low     |
| 11.            | Manual Document Related data breaches / Sabotage / Burglary and theft                                                                                             | Loss of Sensitive Information, Loss of Profitability          | <ul style="list-style-type: none"> <li>◆ Storing sensitive data on secured locations(Safes/Lockers)</li> <li>◆ Limiting access to authorised personnel</li> <li>◆ Additional backups as soft copies on cloud/other backup solutions</li> <li>◆ Security personnel on duty 24/7</li> <li>◆ CCTV surveillance</li> </ul>                                                                                                                                                                                                                                                                                                                  | Low                 | Low     | -       |
| 12.            | Public Liability                                                                                                                                                  | Loss of reputation                                            | <ul style="list-style-type: none"> <li>◆ Health and Safety policies</li> <li>◆ Proper Insurance covers</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Low                 | Low     | -       |
| <b>HR Risk</b> |                                                                                                                                                                   |                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                     |         |         |
| 13.            | People related risk - Risks arising from inability to retain staff, shortage of skilled labour, lack of adequate training and inadequate standards of performance | Loss of Market share, Loss of Industry reputation             | <ul style="list-style-type: none"> <li>◆ Continual investment in training and development initiatives to equip employees with the required skills to responds to dynamics in the environment</li> <li>◆ Competitive remuneration schemes</li> <li>◆ Structured and comprehensive HR policies and frameworks</li> </ul>                                                                                                                                                                                                                                                                                                                  | Low                 | Low     | Low     |

## ENTERPRISE RISK MANAGEMENT CONTD.

| S/N                | Type of Risk and Impact                                                                                                                                                                               | Implications                                                                           | Risk Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Net Risk Assessment |          |          |
|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----------|----------|
|                    |                                                                                                                                                                                                       |                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 2018/19             | 2017/18  | 2016/17  |
| 14.                | Unawareness of HR Policies & Procedures - Lack of knowledge in HR Policies and procedures, User Level authorisation for time and attendance system                                                    | Disciplinary issues                                                                    | <ul style="list-style-type: none"> <li>Conduction of programmes to educate employees about their duties &amp; responsibilities.</li> <li>Member of The Employers' Federation of Ceylon.</li> <li>HR Training programs</li> </ul>                                                                                                                                                                                                                                                                               | Low                 | Low      | -        |
| 15.                | Lack of succession planning framework                                                                                                                                                                 | Going Concern Issues                                                                   | Have a proper succession plan in place.                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Low                 | Low      | -        |
| <b>IT Risks</b>    |                                                                                                                                                                                                       |                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                     |          |          |
| 16.                | Data integrity and IT related risks - Data Access / Modification by unauthorized persons /loss of data/ data entry errors and sampling errors                                                         | Loss of Reputation, Loss of Sensible Data, Loss of Clients, Compliance Issues          | <ul style="list-style-type: none"> <li>Robust data security and back-up systems in place</li> <li>In order to ensure high level of competence in a dynamic environment has outsourced key IT functions to specialist</li> <li>Introduction of multiple platforms for delivering of data to clients</li> <li>The company conducts periodic Information system audits by engaging professionals in the industry.</li> <li>Departmental cross checking</li> <li>Automation of all possible manual work</li> </ul> | Low                 | Low      | Low      |
| 17.                | Computer Hardware / Software / Communication / Connectivity failures                                                                                                                                  | Loss of Reputation, Loss of Client's trust, Compliance Issues, Timely reporting Issues | <ul style="list-style-type: none"> <li>DR plan in place</li> <li>Keeping up to date with modern technology</li> <li>Constant bug fixes.</li> </ul>                                                                                                                                                                                                                                                                                                                                                             | Moderate            | Moderate | -        |
| <b>Other Risks</b> |                                                                                                                                                                                                       |                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                     |          |          |
| 18.                | Risks of Climate Change - Rising temperatures, erratic weather patterns and soil degradation have a medium and long-term impact on the productivity of land and quality and quantity of tea produced. | Loss of profitability                                                                  | <ul style="list-style-type: none"> <li>Advisory services provided to RPCs and smallholders on sustainable agricultural practices</li> <li>Maintaining a clientele representing all three elevations to reduce the risk of low production</li> <li>Contribute to Industry Policy Institutions</li> </ul>                                                                                                                                                                                                        | Moderate            | Moderate | Moderate |

| S/N | Type of Risk and Impact                                                                                                          | Implications                                                    | Risk Mitigation                                                                                                                                                                                                                                                                                                                                                      | Net Risk Assessment |          |         |
|-----|----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|----------|---------|
|     |                                                                                                                                  |                                                                 |                                                                                                                                                                                                                                                                                                                                                                      | 2018/19             | 2017/18  | 2016/17 |
| 19. | Natural and man-made disasters -<br>Disasters due to human error / negligence and natural disasters like floods, landslides etc. | Loss of profitability, Loss of Goods                            | <ul style="list-style-type: none"> <li>◆ Proper training and regulations</li> <li>◆ Comprehensive insurance cover extending to weekly evaluation of tea stock</li> <li>◆ Action plans and instructions in place for potential environmental changes</li> <li>◆ Security systems, Fire Drills, Fire detectors to avoid man-made disasters</li> <li>◆ HACCP</li> </ul> | Moderate            | Moderate | High    |
| 20. | Miscommunication of buyer / seller orders                                                                                        | Loss of Reputation, Loss of Clients, Loss of Profitability      | <ul style="list-style-type: none"> <li>◆ Having proper checking mechanism in departments.</li> <li>◆ Crosschecking with catalogues of marketing officers</li> <li>◆ Use of new technology in communication.</li> </ul>                                                                                                                                               | Low                 | Low      | -       |
| 21. | Loss of opportunity                                                                                                              | Loosing viable opportunities                                    | <ul style="list-style-type: none"> <li>◆ Constant lookout for new opportunities</li> <li>◆ Track Trades.</li> <li>◆ Membership in Ceylon Chamber of Commerce</li> <li>◆ Attending of International Events</li> <li>◆ Canvassing for referrals.</li> </ul>                                                                                                            | Moderate            | Moderate | -       |
| 22. | Business in Single Geographical Location                                                                                         | Adverse economic effects on the operating geographical location | <ul style="list-style-type: none"> <li>◆ Constant lookout for foreign opportunities.</li> <li>◆ Company representation in off shore events</li> </ul>                                                                                                                                                                                                                | Moderate            | Moderate | -       |



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Promoting Ceylon  
Tea Nationally and  
Internationally

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The background of the slide is a light green color with a botanical illustration pattern. It features various green leaves, some with detailed vein patterns, and clusters of small, light-colored flowers or seed pods. There are also solid green circles of different sizes scattered throughout the design.

# PERFORMANCE AGAINST OUR CAPITALS

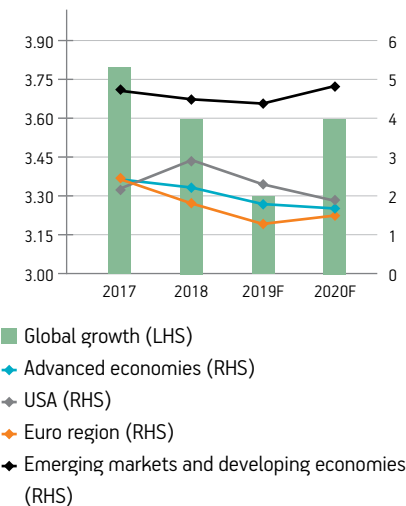
# PERFORMANCE REVIEW

## Operating Environment

### Global Economic Growth

Global economic growth moderated to 3.6% in 2018, following a notable deceleration during the 2<sup>nd</sup> half of the year. Escalating trade tensions between USA and its key trading partners, disruptions to the auto sector in Germany and weak investor and consumer sentiments in the European region affected growth across many markets. USA grew by 2.9% supported by robust consumption growth and a tight labour market, which in turn supported the growth of advanced economies by 2.2%. The Euro region lost momentum, expanding by just 1.8% during the year. Emerging market and developing economies expanded by 4.5%, reflecting a slowdown in China due to regulatory tightening and focus on driving a more sustainable growth agenda. Growth in the CIS region was also subdued at 2.8% largely reflecting sluggish growth in Russia which was weighed down by the weakening oil prices and structural headwinds. The downward pressure on oil prices, US

Global Economic Growth (%)



Source: International Monetary Fund

sanctions in Iran and conflict across several regional economies such as Iraq, Syria and Yemen resulted in the Middle Eastern region expanding by just 1.8% in 2019.

### Global Commodity Prices

Subdued global growth and weaker trade added downward pressure on commodity prices towards the end of 2018. Supply factors including a temporary waiver in US sanctions on Iranian oil exports and record-high US crude oil production added to the downward pressure on prices, although some recovery was seen during the first quarter of 2019 due to production cuts by oil-exporting countries. Global food prices were depressed during the first part of 2018 reflecting trade tensions, weak emerging market currencies and good growth in the grain harvest, recovering since then supported by better world sugar prices.

### Sri Lankan Economic Growth

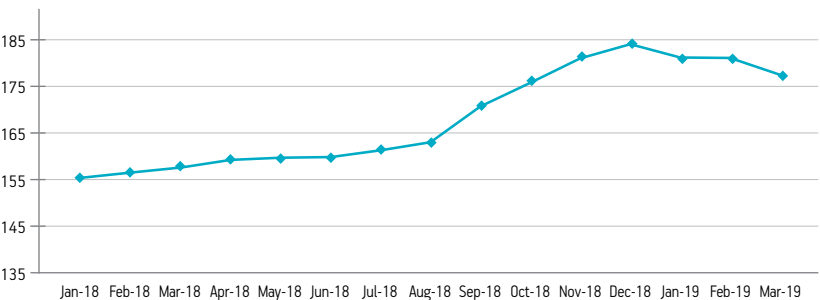
Sri Lanka's economic growth was moderate, with GDP expanding by 3.2% in 2018 compared to 3.4% the previous year due to cascading effects of global dynamics, fiscal consolidation measures, subdued consumer sentiments and political instability towards the latter part of the year. Agriculture

sector posted recovery after several years of contraction to expand by 4.8% following favourable weather conditions in paddy cultivation regions which resulted in a strong Yala season. The Services sector grew by 4.7% reflecting broad-based expansion of key sub sectors including financial services and telecommunications. Overall growth was however affected by the weakening of the Industrial Sector (+0.9%) stemming from a slowdown in the construction sub-sector.

### Exchange Rate

The Sri Lankan rupee depreciated sharply against the US Dollar in 2018, falling by 18% in 2018 to end the year at Rs.180.1 as at end-December 2018. The depreciation reflects broad-based strengthening of the US Dollar against regional currencies, resulting from several rate hikes in the USA. Demand and supply forces were largely allowed to determine the level and direction of the exchange rate of the rupee in the foreign exchange market, intervening only to prevent disorderly adjustments. Meanwhile, the Government's efforts to curtail import expenditure, including the imposition of increased cash margin requirements resulted in the strengthening of the Rupee during the first quarter of 2019.

Exchange Rate (Rs/USD)



Source: Central Bank of Sri Lanka

## Interest Rates

The tight monetary policy stance adopted by the regulator in previous years was relaxed somewhat during 2018. Deficits of rupee liquidity in the domestic money market compelled the Central Bank to reduce the Statutory Reserve Ratio (SRR) applicable on all rupee deposits of commercial banks in November 2018, while increasing policy rates to neutralise the impact on interest rates. Amid the tight liquidity conditions that prevailed during the year, lending rates of commercial banks remained high during most part of 2018 with AWPR and AWLR gradually increasing during the year.

## Tea Industry

|               | Y-o-y change in production in 2018 |
|---------------|------------------------------------|
| Kenya         | +49%                               |
| India         | -18%                               |
| Sri Lanka     | -3.8%                              |
| China         | -1%                                |
| Global output | 3.14%                              |

Global tea production increased by 3.14% to 2,102.79 Mn Kgs in 2018, largely supported by higher production levels in China and the African region, led by Kenya which benefited from favourable weather conditions. The Southern hemisphere however experienced adverse weather conditions with India and Sri Lanka both recording production declines of 4% and 18% respectively. The 1<sup>st</sup> quarter of 2019 also saw growth in global production led by Africa, while India also recorded higher production levels supported by more favourable weather conditions. Sri Lanka's tea production however recorded marginal decline during the same period reflecting adverse weather, particularly in high-grown and low-grown cultivations.

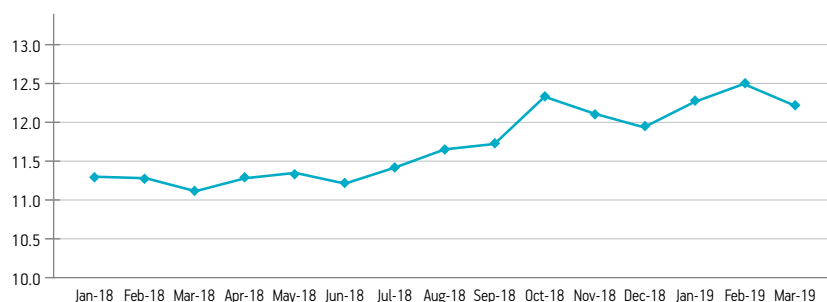
Higher production volumes, particularly from Africa resulted in a decline in global auction prices. In Sri Lanka the market for orthodox teas remained relatively strong due to shorter supply, although domestic factors resulted in a downturn in prices despite the sharp depreciation of the Sri Lankan

Rupee. Sanctions on Iran and the weakening of currencies against the US Dollar in tea importing countries impacted demand with average prices at the Colombo Auction declining by 6% during the year. Medium grown tea prices declined by 8% while high-grown and low-grown tea prices fell by 6% during the year. Prices continued to be subdued in the first quarter of 2019, falling by around 3% from January to March 2019.

## Sri Lankan Context

It was a year of numerous challenges for the Sri Lankan tea industry, which saw its total tea production declining by 1% to 303.8 million Kgs due to adverse weather conditions in growing areas and wage-related trade union action. Low grown teas account for the largest share of Sri Lanka's tea production and total output declined by 2.7% during the year. The industry continues to grapple with low labour productivity, declining yields and inadequate replanting, which could significant impact the industry's sustainability and viability over the medium to long-term.

## AWPR (%)

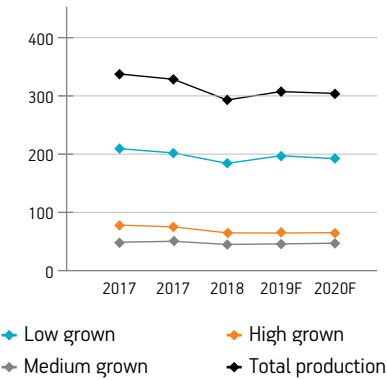


Source: Central Bank of Sri Lanka

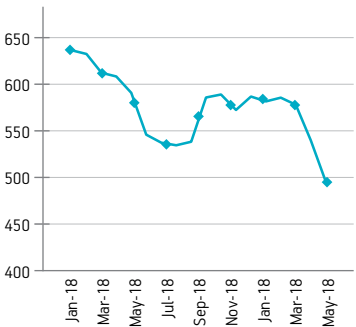
## PERFORMANCE REVIEW CONTD.

The fall in average export prices and a reduction in export volumes resulted in Sri Lanka's tea exports declining by 7% to USD 1.4 billion in 2018. The average export price of tea fell by 4% during the year reflecting subdued demand conditions, an expansion of global supply and trade restrictions with Iran and Russia. Meanwhile the ban on Glyphosate by the Government of Sri Lanka compelled manufacturers to use alternative weed control products, which led to technical issues in shipments to Japan. Turkey, Iraq and Russian maintained their positions as Sri Lanka's largest export markets

Tea Production Trends (KG million)



Trends in Export Price of Tea (LKR per kg)



# CAPITAL MANAGEMENT



## Understanding our trade-offs

As resources are limited, we need to allocate them to our capitals in the most optimum and effective manner. Given the often-conflicting priorities of stakeholders, this gives rise to inevitable trade-offs between capitals as has been listed below;



Investment in PPE requires a capital outlay, thereby adversely impacting financial capital



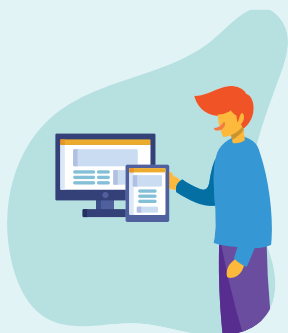
Attracting and retaining skilled workers though competitive and attractive rewards and remuneration requires considerable investment



Investments in PPE and IT drives higher levels of productivity and efficiency which necessitates reskilling of employees and leaner teams driving a trade off between Human Capital and Manufactured Capital



We provide financial support to our customers to bridge their short-term working capital needs. The Group incurs finance cost when obtaining borrowings to fund these facilities, thereby adversely impacting financial capital.



Our financial capital comprises of shareholder funds, internally generated funds and borrowings. Obtaining financial capital at a reasonable cost and managing these funds in an optimal way is vital not only to ensure smooth flow of our daily operations but also for our strategic growth.

### FINANCIAL CAPITAL

**Rs. 733.05 Mn**

Shareholder Funds 2018/19

**Rs. 1.23 Bn**

Total Borrowings 2018/19

**Rs. 81.82 Mn**

Cash generated from operations  
2018/19

# FINANCIAL CAPITAL

## PRIORITIES 2018/19

- ◆ Productivity and efficiency improvements
- ◆ Proactive management of client advances
- ◆ Customer diversification

## VALUE DELIVERED

**Rs.770.68 Mn**

(-2%)

Revenue

**Rs.113.05 Mn**

(+16%)

Profit for the year

**Rs.2.81 Bn**

(15%)

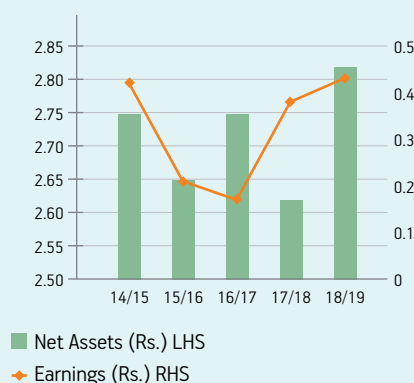
Asset growth

**Rs. 1.90**

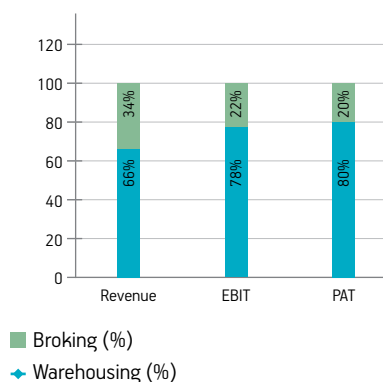
y-o-y decrease (-14)

Share price

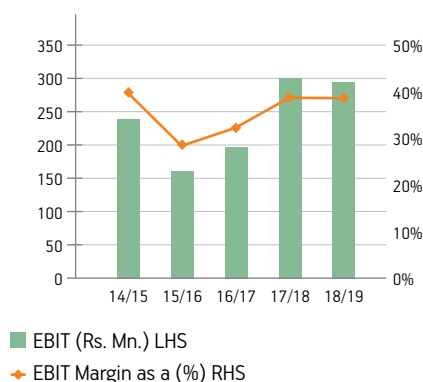
### Shareholder Returns



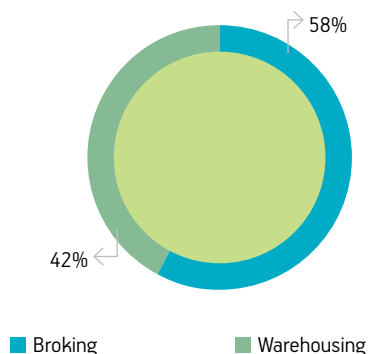
## Segmental Contribution



## Operating Profit



## Contribution to PAT 17/18



## Financial Performance

### Revenue

The Group reported a revenue of Rs.771 million, a marginal decline of 2% compared to Rs. 785 million previous year. Revenue from the group's core business, broking saw a decline of 12% to reach Rs. 268 million reflecting the fall in tea prices and drop in volumes against the backdrop of a challenging industry environment. This decline was partly offset by the warehousing operation, which recorded a revenue growth of 13% as the Group broadened its customer base. Revenue generated from brokerage business contributed to 66% of Group's total income while revenue generated from warehousing contributed to 34% of the total income.

### Operating Profit

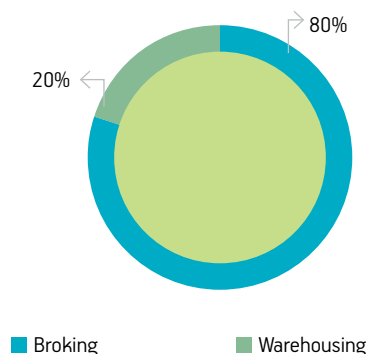
Operating profit contracted by 2% to reach Rs. 296 million reflecting the revenue decline and a marginal contraction of margins. Brokerage business generated an operating profit of Rs. 230 million, a decline of 7% while EBIT from warehousing grew by 5% to reach Rs. 66 million. The Group continues to place strategic importance on driving productivity and efficiency

improvements and as a result was able to achieve significant cost savings. Selling and distribution costs declined by 53% due to focused efforts towards optimising vehicle maintenance costs and a reduction in provisioning costs compared to the impact of SLAS previous year. Meanwhile the increase in administrative expenses were contained to 7% during the year. Overall, the Group's operating profit margin narrowed marginally to 38% from 39% the previous year.

### Pre and Post-Tax Profitability

Earnings growth during the year was supported by a reduction in the Group's borrowing costs compared to the previous year. Despite an increase in total borrowings, net finance cost declined by 20% to Rs.133 million. Finance income increased by 30% to reach Rs.10.5million. Resultantly, pre-tax and post-tax profit increased by 20% and 16% to Rs.162.96 million and Rs.113.05 million respectively during the period under review.

## Contribution to PAT 18/19



## FINANCIAL CAPITAL CONTD.

### Financial Position

#### Assets

The Group's total assets grew by 15% to reach Rs. 2,800 million, mainly due to a 72% increase in short term loans and advances given to customers to fund working capital requirements. Given the adverse industry conditions during the year, recovery of these advances was relatively challenging. These facilities accounted for an increased 47% of the Group's total assets, compared to 31% the previous year. Property plant and equipment declined by 5% due to depreciation while cash and cash equivalents all reduced by 50%. Other asset components remained relatively unchanged in comparison to the previous year.

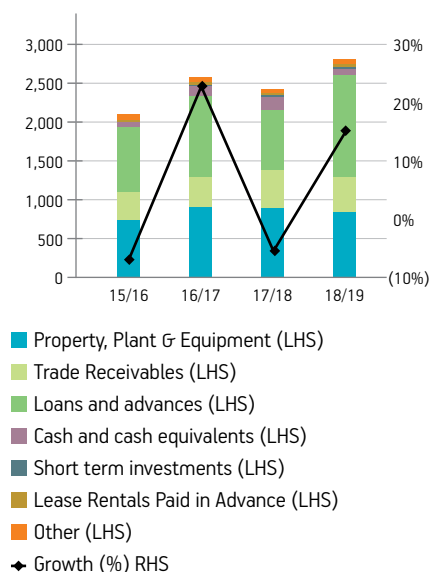
#### Liabilities

The Group's total debt increased by 27% to Rs. 1.23 billion during the year, reflecting an increase in borrowings to fund client financing which accounted for 73% of the total debt profile. Long-term interest-bearing borrowings however, declined by 20% during the year. Total liabilities increased by 18% to reach Rs.2.07 billion translating to a relatively higher debt to equity ratio of 1.7 times compared to 1.4 times the previous year.

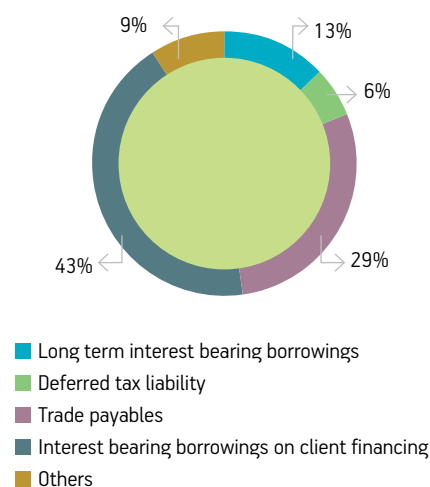
#### Equity

The Group's financial position remains relatively healthy with equity funding 26% of consolidated assets. Equity attributable to shareholders increased by 7% to Rs.733.05 million during the year, supported by stronger profit generation during the year.

### Asset Composition and Growth ('000)



### Liabilities



### Cashflow and Liquidity

Net cashflow from operating activities increased to Rs.81.82 million (from Rs.30.93 million last year) reflecting Rs.365.0 million inflow of borrowings on client financing. Cash outflow from investing activities amounted to Rs. 5.14 million due to regular upkeep and maintenance of capital assets. Net outflow from financing activities amounted to Rs.129.29 million and comprised primarily of dividend payments and repayments of borrowings. Overall, the Group's cash and cash equivalents recorded a net decrease of Rs.52.60 million compared to the previous year.

### Shareholder Returns

Despite the challenging operating conditions, we continued to generate sustainable returns to our shareholders recorded growth in both earnings and net asset values. The Group's earnings per share increased by 14% in line with the improved profitability while NAVPS increased by 7%.

Key shareholder ratios are listed below;

|                       | 2018/19 | 2017/18 | 2016/17 |
|-----------------------|---------|---------|---------|
| Earnings per share    | 0.43    | 0.38    | 0.17    |
| Dividend per share    | 0.25    | 0.25    | 0.10    |
| P/E ratio             | 4.42    | 5.86    | 11.76   |
| Share Price           | 1.90    | 2.20    | 2.00    |
| Market Capitalization | 494 mn  | 572 mn  | 520 mn  |



The Group's Manufactured Capital consists primarily of its warehousing facilities as well as machinery, motor vehicles, furniture and fittings. The warehousing facility is an important element of the Group's value chain, enhancing its customer value proposition and enabling the Group to diversify its revenue streams.

### MANUFACTURED CAPITAL

**Rs. 625.97 Mn**

Buildings 2018/19

**Rs. 89.06 Mn**

Storage systems 2018/19

**Rs. 62.99 Mn**

Office equipment 2018/19

**Rs. 35.95 Mn**

Others 2018/19

# MANUFACTURED CAPITAL

## PRIORITIES 2018/19

- ◆ Enhancing the IT infrastructure
- ◆ Investments in upgrading the machinery in the warehouse

## VALUE DELIVERED

**Rs. 260.11 Mn**

(+14%)

Warehousing revenue

**93.5%**

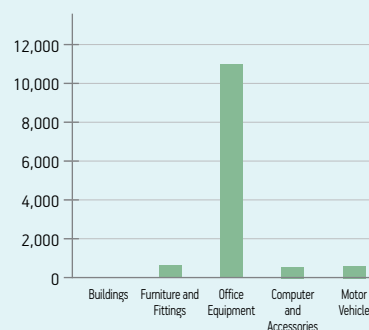
Capacity utilisation at warehouse

**Rs. 13.37 Mn**

Capital Expenditure

Investment in office equipment, furniture and fittings and motor vehicles

Value addition to Manufactured Capital  
(Rs. '000)



## MANUFACTURED CAPITAL CONTD.

### Asia Siyaka Warehouse complex

**Location:** Muthurajawela

**Storage Space:** 285,000 Packages

Following the successful commissioning of the Group's second warehousing facility in 2016/17, capital expenditure in the last 2 years has been limited to regular upkeep and maintenance. During the year, total capex amounted to Rs. 13.37 million and comprised primarily of investments in office equipment, furniture and fittings and motor vehicles.

Asia Siyaka's warehousing facility was the first tea logistics centre in Sri Lanka and among very few in the world to obtain the prestigious Leadership in Energy and Environmental Design (LEED) Certification (Silver) from the United States Green Building Council. Offering a total storage space of 86,000 square feet, the new facility has allowed the Group to diversify its revenue sources while curtailing exposure to the relatively volatile broking segment.

1. Invested in IT: Software solutions to improve decision making
2. Advanced machinery in the warehouse



The domain specific knowledge and industry expertise of our Board and management team is one of the Group’s key differentiators, allowing it to play a central role in representing brokers at industry forums and collaborating with industry stakeholders to drive long-term growth of Sri Lanka’s tea industry.

INTELLECTUAL CAPITAL

334

Collective years of experience -  
Senior management

5

Memberships in industry  
associations

# INTELLECTUAL CAPITAL

PRIORITIES 2018/19

- ◆ Ongoing engagement with industry stakeholders
- ◆ Strengthening market research capabilities

VALUE DELIVERED

51  
Research/Market publications issued

Attendance and contributions at numerous  
industry forums



## INTELLECTUAL CAPITAL CONTD.

GRI 2016 102-13, 203-2

### Industry Thought Leadership

The Group's leadership team comprises of industry veterans who play a proactive role in engaging with industry stakeholders and contributing towards the dialogue of strengthening Sri Lanka's tea proposition in the global market. Our willingness to share domain knowledge for the betterment of the overall industry is a defining characteristic of who we are and our employees are encouraged to actively contribute to industry associations and forums. This enables us to directly contribute towards ensuring the growth and long-term sustainability of our industry through addressing challenges faced by the respective industries, promoting best practices, and lobbying Government for the implementation of regulatory and legal structures among others. The Group and its employees currently hold membership in the following industry bodies;

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

During the year under review, our employees also volunteered their knowledge and time in order to assist the Sri Lanka Tea Board in upgrading its IT and systems infrastructure.

### Market Research Capabilities

The Group places strategic focus on consistently enhancing its market research capabilities, broadening the coverage of emerging issues such as geo-political conditions, weather patterns and consumption trends. These insights are shared with our customers, enabling them to produce the qualities and varieties of tea that are in high demand in the global market. During the year, the Group published 51 research reports and market reports.



Building a talented and dynamic team is of utmost importance when creating value to our diverse stakeholders. We take continuous measures to nurture our work force through structured training and development while encouraging a learning and knowledge sharing culture within the Group.

HUMAN CAPITAL

111  
Total employees 2018/19

10%  
Female representation

No. of years 09  
Average tenure of service 2018/19

HUMAN CAPITAL

PRIORITIES 2018/19

- Enhancing employee engagement
- Providing opportunities for training and development

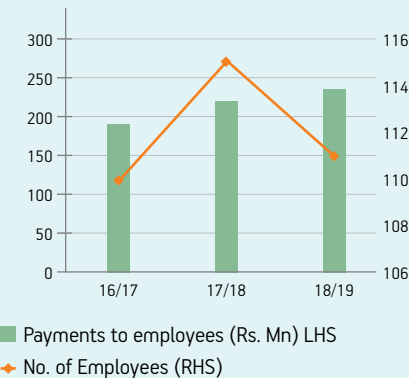
VALUE DELIVERED

Rs. 238.67 Mn  
(+7%)  
Total payments to employees

14  
Promotions

87%  
Retention rate

Employee value creation



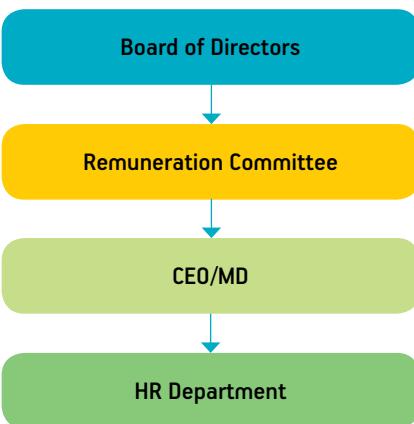
# HUMAN CAPITAL CONTD.

GRI 2016 102-8, 401-1

## Management Approach

Human capital management within the Group is governed by a formal policy framework and the responsibility of implementation lies with the Human Resource Department. The Group's employee value proposition centres on offering opportunities for skill and career development in an open, engaged culture in which employees can realise their potential.

## Policy Framework



## Team Profile

The Asia Siyaka team comprises of 111 talented professionals who are diverse in their age and gender representation. A clearly articulated recruitment policy sets allows us to attract skilled and committed individuals whose personal values are in line with the Group's corporate values. As an equal opportunity employer, we do not discriminate based on age, gender or ethnicity. do not engage employees below the age of 18 and do not tolerate any form of forced or compulsory labour. During the year under review, we recruited 10 new staff and provided internship opportunities for 02 University graduates pursuing degrees in agriculture and related fields. We do not engage employees on a part-time basis and most employees are in the Western province.

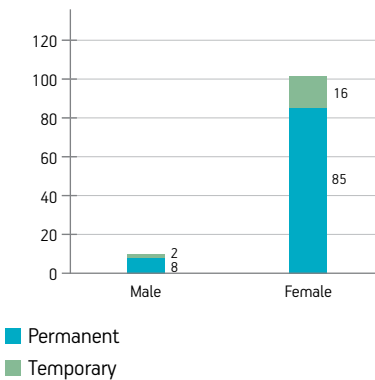
## Profile of new Recruits

| New Recruits By Age |    |      | New Recruits by Gender |    |      | New Recruits by Region |    |      |
|---------------------|----|------|------------------------|----|------|------------------------|----|------|
| Less than 30 years  | 6  | 60%  | Male                   | 10 | 100% | Western province       | 8  | 80%  |
| 30-50 years         | 2  | 20%  | Female                 |    | -    | North Western Province | 1  | 10%  |
| Above 50            | 2  | 20%  |                        |    |      | Central Province       | 1  | 10%  |
| Total               | 10 | 100% |                        | 10 | 100% |                        | 10 | 100% |



Siyaka Family Day 2018 held at Citrus - Waskaduwa

## Employees by Contract and Gender



## Engagement

Regular staff meetings, annual performance reviews and year-round work life balance initiatives are carried out in order to keep our work force motivated and nurture team spirit. Further, in order to encourage dialog between employees an open-door policy is maintained by our senior management. A list of key engagement initiatives carried out during the year are listed below;



### Supporting each other

The strength of the Group's team culture is reflected in the numerous initiatives we have in place to financially support our most underprivileged employees. This year, we pooled funds to support 02 employees.

## Rewards and Remuneration

In order to attract and retain the industry's best talent, we have in place an extremely competitive remuneration package which is subject to regular revisions in response to market conditions. The Group also contributes 12% of gross emoluments to Employees' Provident Fund, Estate Suppliers Provident Society or Ceylon Planters' Provident Social and 3% of gross emoluments to the Employees' Trust Fund. Rewards are determined based on employee skills and performance, with 100% of employees undergoing performance appraisals at least on an annual basis. The performance reviews encourage feedback and is used as an effective platform to identify skill gaps, assess training needs and evaluate areas for further improvement. During the year, employee related costs amounted to Rs.238.67 Mn and a further Rs. 7.8 Mn was paid as employee benefits.

In addition to salary, employees are entitled to the following benefits;

- ◆ Salary advances
- ◆ Festival advances
- ◆ Vehicle and travel allowances
- ◆ Distress loans
- ◆ Health and life insurance

## Industrial Relations

We recognise employees' right to freedom of association and collective bargaining. 30% of our workforce is unionised with a collective agreement in place covering aspects such as remuneration, working conditions and other benefits. We continued to maintain cordial relationships with the trade union during the year and there were no disruptions to work arising from trade union action.

## Training and Development

Training requirements and areas which need improvement are identified through performance appraisals, which are used to map competency and skill gaps. Providing opportunities for skill development is a key element of our employee value proposition and we offer a range of external and internal training opportunities as well nurturing a culture of learning and knowledge sharing. During the year under review the Group invested Rs. 1.08 million in training, with 40 employees undergoing training. Key training programmes conducted are listed below;

| Training Programme and Details   | No. of Participants |
|----------------------------------|---------------------|
| Interpreter to Influencer        | 2                   |
| Sri Lanka Economic Summit        | 1                   |
| Hyperleap – CA Annual Conference | 1                   |

|                                               |             |
|-----------------------------------------------|-------------|
| Total expenditure on training and development | Rs. 1.08 mn |
| Total training hours                          | 2,276       |
| <b>Average Training Hours</b>                 |             |
| <b>By gender</b>                              |             |
| Female                                        | 74          |
| Male                                          | 16.88       |
| <b>By category</b>                            |             |
| Trainees                                      | 268.5       |
| Executive                                     | 0.8         |
| Management                                    | 4           |
| Senior Management                             | 4.8         |

# HUMAN CAPITAL CONTD.

GRI 2016 401-1

## Retention

The unique culture we have nurtured within the organisation and the value proposition we offer has enabled the Group to achieve relatively high levels of retention. During the year, 15 employees left service, translating to a turnover ratio of 13%. Profiles of exit employees are given below;

### Profile of Exit Employees

| Exit employees by age |    |      | Exit employees by gender |    |      | Exit employees by region |    |      |
|-----------------------|----|------|--------------------------|----|------|--------------------------|----|------|
| Less than 30 years    | 6  | 40%  | Male                     | 13 | 87%  | Western province         | 11 | 73%  |
| 30-50 years           | 4  | 27%  | Female                   | 2  | 13%  | Central Province         | 2  | 13%  |
| Above 50              | 5  | 33%  |                          |    |      | Sabaragamuwa Province    | 1  | 7%   |
|                       |    |      |                          |    |      | Southern Province        | 1  | 7%   |
| Total                 | 15 | 100% |                          | 15 | 100% |                          | 15 | 100% |

# SOCIAL & RELATIONSHIP CAPITAL



We are a service-based organisation and our competitive edge is underpinned on the relationships we have nurtured with our diverse stakeholders. These mutually-value adding partnerships enable both parties to collaborate and generate value while ensuring that we grow together.

## SOCIAL & RELATIONSHIP CAPITAL

**290**  
No. of customers 2018/19

**90**  
No. of suppliers 2018/19

# SOCIAL & RELATIONSHIP CAPITAL

## PRIORITIES 2018/19

- ◆ Supporting customers' working capital requirements through the provision of short-term facilities
- ◆ Advisory and research services
- ◆ Working with industry counterparts to enhance the efficiency of the tea supply chain

## VALUE DELIVERED

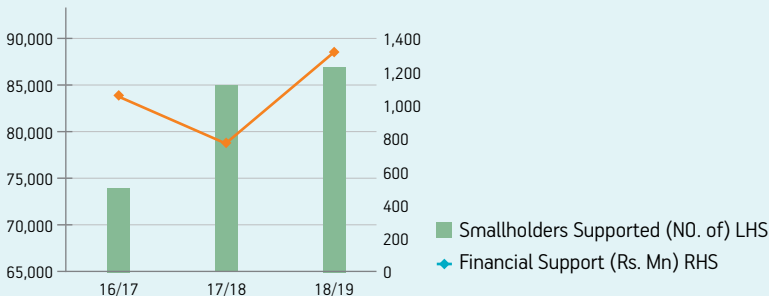
**Rs. 1.32 Bn**  
(+ 72%)  
Financial support to customers

High-grown: 16.54%  
Low-grown: 11.12%  
Market share

**Rs. 268.45 Mn**  
Brokerage income

**Rs. 26.5 Mn**  
Investment in advisory

## Customer value creation



# SOCIAL & RELATIONSHIP CAPITAL CONTD.

GRI 2016 102-6

## Customers

Our customers are primarily regional plantation companies and private tea factories that process teas purchased from small holders. Corporate customers (regional plantation companies) dominate our customer profile. Given the adverse industry conditions during the year, many of our customers faced financial difficulty with increased exposure to borrowings. In addressing this challenge and curtailing our risk exposure, the Group sought to optimise its customer portfolio while proactively managing the facilities advanced through stringent monitoring.

## Customer Value Proposition

Our competitive strength has been based on our continued commitment to serve customers beyond the traditional role of a market intermediary. The Group has successfully redefined the role of the traditional broker in the country's tea industry, contributing towards enhancing the overall value proposition offered by brokers. As such, we offer a holistic value proposition to customers which include services such as warehousing facilities, financial and advisory among others.



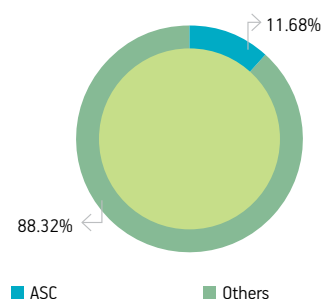
## Value creation in 2018/19

### Broking

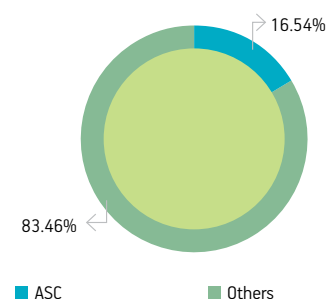
As a market intermediary for tea, rubber and non-traditional commodities we perform multiple functions related to auction process such as sampling, tasting, cataloging, distribution of samples and collection and remittance of proceeds.

Asia Siyaka continues to maintain its strong market position, frequently ranking among the top performers at the Colombo Tea Auction, both in terms of volumes and prices commanded. In 2018/19, we ranked among the top 03 brokers in the industry with a collective market share of over 14.56%. Meanwhile we have consistently commanded premium pricing over the national sales average for tea, reflective of the holistic value proposition we offer to manufacturers through market research and advisory services.

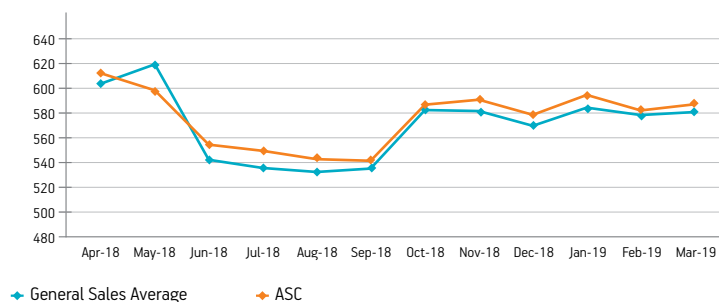
#### High-Grown Market Share (%)



#### Low-Grown Market Share (%)



#### Pricing Trends



### Warehousing Services

Our state-of-the-art LEED certified warehousing facility came into operation in 2016/17. The first of its kind in Sri Lanka, this warehousing complex is designed to be energy efficient, aimed at reducing the dependency on fossil fuels. Both warehousing facilities are equipped with innovative tracking systems, which has enabled us to have one of the shortest tea-to-cash cycles in the country. This efficiency has allowed us to create value to both customers and buyers reducing the financing cost associated with storage and preserving the quality of the stocks.

**Average tea-to-cash cycle: 29 days**

### Advisory

Due to our continuous engagement with exporters and tea buyers we have been able to identify emerging market trends such as customer preferences for qualities and varieties of tea. We propagate this knowledge to manufacturers in order to make their products more competitive and attractive. Knowledge sharing occurs through multiple platforms including direct engagement, factory visits and research reports among others.

### Financial Support

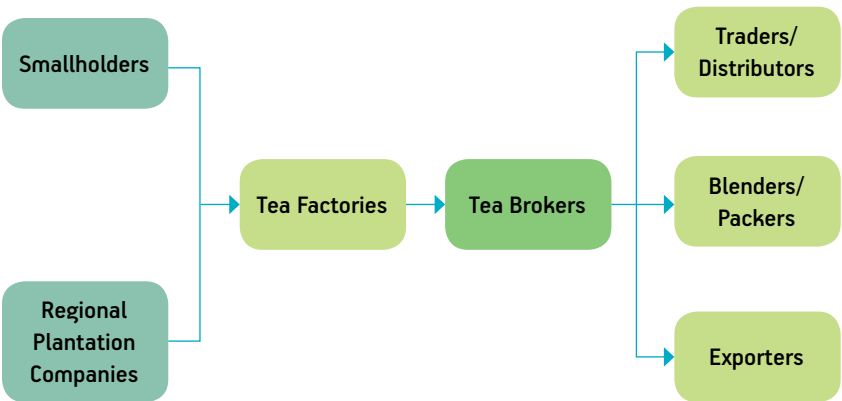
As a broker we provide our customers short term credit to meet their working capital needs. The challenging industry conditions compelled us to extend increased support to our customers to bridge their liquidity constraints and as at end-March 2019, total facilities granted to customers amounted to Rs. 1.32 billion (compared to Rs. 765.42 million the previous year)

# SOCIAL & RELATIONSHIP CAPITAL CONTD.

GRI 2016 102-9, 204-1, 413-1

## Supply Chain Management

### Tea Producers



The Group's supply chain partners comprise of tea producers (detailed above), as well as tea buyers consisting of distributors, blenders/packers and exporters. 100% of our procurement is from local sources. During the year, the efficiency of Sri Lanka's tea logistics process was further enhanced through closing the catalogues for both high and low grown teas early, thereby enabling the samples to be released early to the buyers. By enhancing the freshness of the tea by reducing the tea to cash cycle, Sri Lanka's overall value proposition for tea has improved and as a market intermediary we played a vital role in driving this change.

## Community Engagement

The Group's CSR activities for the year under review were as follows;

### Annual book distribution

The Group donated Rs.150,000 to the Methwela Foundation, which is engaged in supporting the educational needs of underprivileged children. Accordingly, the donation was used to distribute schoolbooks to over 200 children from remote areas of the country.

### Financial assistance to employees

Having identified the financial difficulties faced by several of our employees in constructing houses, the Group donated funds towards completing 2 houses of our employees during the year.



Methwela foundation book distribution 9<sup>th</sup> December 2018

NATURAL CAPITAL



As a service-based organisation, our environmental impacts are limited to the consumption of energy and paper and the generation of waste in the head office and warehousing operations.

NATURAL CAPITAL

340,537 kWh

Energy consumption 2018/19

5,472 m<sup>3</sup>

Water Consumption 2018/19

8,576 kg

Paper consumption 2018/19

NATURAL CAPITAL

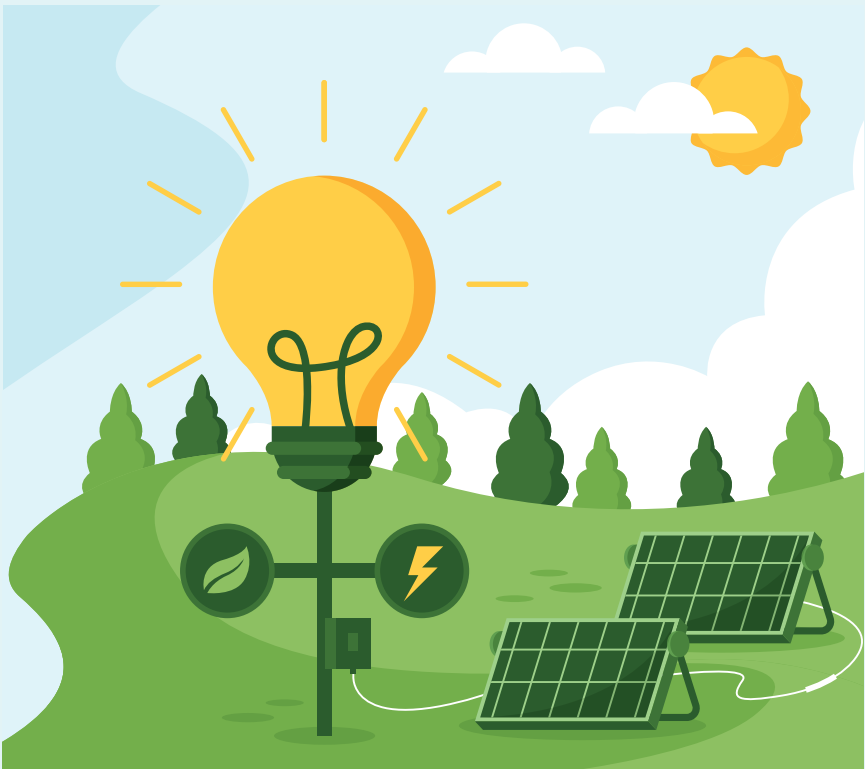
PRIORITIES 2018/19

- ◆ Comply with all environmental regulation.
- ◆ Minimising adverse environmental impacts.

VALUE DELIVERED

14,600 kWh

Energy generated through Solar power



# NATURAL CAPITAL CONTD.

GRI 2016 103, 302-1, 307-1, 102-11

## Management Approach

Given that the Group's environmental impacts are limited, our environmental management framework focuses on enhancing the energy efficiency of our operations, reducing the dependence on fossil fuels and ensuring compliance to all relevant environmental regulations. Compliance to all relevant environmental regulations such (including CEA and local council regulations) is ensured through the Group's risk management frameworks and internal controls. During the year under review, there were no incidences of non-compliance, penalties or fines imposed on us pertaining to any applicable environmental regulations and laws. Although the group has not formally adopted the precautionary principal, environmental and social factors are given due consideration in all investment decisions.

## Energy

|                                      |             |
|--------------------------------------|-------------|
| Energy consumption                   | 325,937 Kwh |
| Energy generated through solar power | 14,600 Kwh  |

Shifting to renewable solar energy from fossil fuels is a key aspect of our sustainable business model. At present majority of our energy requirement is met through the national grid. Our warehouse complex is partially powered through solar while the complex is designed to take maximum usage of natural light and air flows thereby ensuring optimum energy consumption. All machinery within the warehouse are battery operated.

We have also initiated the following in order to optimize our energy consumption.

- ◆ Installing energy tracking and monitoring system to identify energy saving opportunities.
- ◆ Conducting energy conservation awareness programs.
- ◆ Making maximum usage of natural lighting and air flows

## Water Consumption

Water consumption has recorded a substantial reduction due to effective usage.

## Paper consumption

Investments in strengthening our IT infrastructure and automating key processes during the year, led to substantial reductions in paper consumption.

## Impacts of Climate Change

As a Group which is directly impacted by the plantation sector, the effects of climate change have a pronounced impact on the stability of our earnings and sustainability of our business. The impacts of climate change are being increasingly felt across the global plantations landscape with erratic weather patterns, rising temperatures and changes in monsoon patterns affecting yields and crop quality. These issues underscore the critical importance of engaging in sustainable production methods including investments in replanting, efficient irrigation systems and flexible planting and harvesting periods among others.

# INDEPENDENT ASSURANCE REPORT



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## Independent Assurance Report to Asia Siyaka Commodities PLC on the Sustainability Reporting Criteria Presented in the Integrated Annual Report- 2018/19

### Introduction and Scope of the Engagement

The management of Asia Siyaka Commodities PLC ("the Company") engaged us to provide an independent assurance on the following elements of the sustainability reporting criteria presented in the annual report- 2018/19 ("the Report").

- ◆ Reasonable assurance on the information on financial performance as specified on page 138 of the Report.
- ◆ Limited assurance on other information presented in the Report, prepared in accordance with the requirements of the Global Reporting Initiative GRI Standards: 'In accordance' – Core guidelines.

### Basis of Our Work and Level of Assurance

We performed our procedures to provide limited assurance in accordance with Sri Lanka Standard on Assurance Engagements (SLSAE 3000): 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', issued by the Institute of Chartered Accountants of Sri Lanka ("ICASL").

The evaluation criteria used for this limited assurance engagement are based on the Sustainability Reporting Guidelines ("GRI Guidelines") and related information in particular, the requirements to achieve GRI Standards 'In accordance' - Core guideline publication, publicly available at GRI's global website at "www.globalreporting.org".

Our engagement provides limited assurance as well as reasonable assurance. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with SLSAE-3000 and consequently does not enable to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance.

### Management of the Company's Responsibility for the Report

The management of the Company is responsible for the preparation of the self-declaration, the information and statements contained within the Report, and for maintaining adequate records and internal controls that are designed to support the sustainability reporting process in line with the GRI Sustainability Reporting Guidelines.

### Ernst & Young's Responsibility

Our responsibility is to express a conclusion as to whether we have become aware of any matter that causes us to believe that the Report is not prepared in accordance with the requirements of the Global Reporting Initiative, GRI Standards: 'In accordance' - Core guidelines. This report is made solely to the Company in accordance with our engagement letter dated 12 April 2019. We disclaim any assumption of responsibility for any reliance on this report to any person other than the Company or for any purpose other than that for which it was prepared. In conducting our engagement, we have complied with the independence requirements of the Code for Ethics for Professional Accountants issued by the ICASL.

### Key Assurance Procedures

We planned and performed our procedures to obtain the information and explanations considered necessary to provide sufficient evidence to support our limited assurance conclusions. Key assurance procedures included:

- ◆ Interviewing relevant the company's personnel to understand the process for collection, analysis, aggregation and presentation of data.
- ◆ Reviewing and validation of the information contained in the Report.

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

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## INDEPENDENT ASSURANCE REPORT CONTD.



- ◆ Checking the calculations performed by the Company on a sample basis through recalculation.
- ◆ Reconciling and agreeing the data on financial performance are properly derived from the Company's audited financial statements for the year ended 31 March 2019.
- ◆ Comparison of the content of the Report against the criteria for a Global Reporting Initiative, GRI Standards: 'In accordance' – Core guidelines.
- ◆ Nothing has come to our attention that causes us to believe that other information presented in the Report are not fairly presented, in all material respects, in accordance with the Company's sustainability practices and policies some of which are derived from Sustainability Reporting Guideline, GRI Standards- 'In accordance' Core.

Our procedures did not include testing electronic systems used to collect and aggregate the information.

### Limitations and Considerations

Environmental and social performance data are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

### Conclusion

Based on the procedures performed, as described above, we conclude that;

- ◆ The information on financial performance as specified on page 138 of the Report are properly derived from the audited financial statements of the Company for the year ended 31 March 2019.

**Ernst & Young**  
*Chartered Accountants*

07 August 2019  
Colombo

## GRI CONTEXT INDEX

GRI 2016 102-55

| GRI Standard                                                | Disclosure                                                        | Page number | Omission |
|-------------------------------------------------------------|-------------------------------------------------------------------|-------------|----------|
| GRI 101: Foundation 2016 (does not include any disclosures) |                                                                   |             |          |
| <b>General Disclosures</b>                                  |                                                                   |             |          |
| GRI 102: General Disclosures 2016                           | 102-1 Name of Organisation                                        | 6<br>IBC    |          |
|                                                             | 102-2 Activities, brands, products and services                   | 22, 78      |          |
|                                                             | 102-3 Location of headquarters                                    | 10          |          |
|                                                             | 102-4 Location of operations                                      | 10          |          |
|                                                             | 102-5 Ownership and legal form                                    | IBC         |          |
|                                                             | 102-6 Markets served                                              | 68          |          |
|                                                             | 102-7 Scale of the organisation                                   | 7, 9        |          |
|                                                             | 102-8 Information on employees and other workers                  | 64          |          |
|                                                             | 102-9 Supply chain                                                | 70          |          |
|                                                             | 102-10 Significant changes to the organisation and supply chain   | 6           |          |
|                                                             | 102-11 Precautionary principle                                    | 72          |          |
|                                                             | 102-12 External initiatives                                       | 6, 29       |          |
|                                                             | 102-13 Membership of associations                                 | 62          |          |
|                                                             | 102-14 Statement from senior decision maker                       | 12-13       |          |
|                                                             | 102-16 Values, principles, norms and standards of behaviour       | 2, 40       |          |
|                                                             | 102-18 Governance Structure                                       | 29          |          |
|                                                             | 102-40 List of stakeholder groups                                 | 24-25       |          |
|                                                             | 102-41 Collective bargaining agreements                           | 65          |          |
|                                                             | 102-42 Identifying and selecting stakeholders                     | 24          |          |
|                                                             | 102-43 Approach to stakeholder engagement                         | 24-25       |          |
|                                                             | 102-44 Key topics and concerns raised                             | 24-25       |          |
|                                                             | 102-45 Entities included in the consolidated financial statements | 3, 6        |          |
|                                                             | 102-46 Defining report content and topic boundary                 | 6, 26, 27   |          |
|                                                             | 102-47 Material topics                                            | 26, 27      |          |
|                                                             | 102-48 Restatement of information                                 | 6           |          |
|                                                             | 102-49 Changes in reporting                                       | 26          |          |
|                                                             | 102-50 Reporting period                                           | 6           |          |
|                                                             | 102-51 Date of most recent report                                 | 6           |          |
|                                                             | 102-52 Reporting cycle                                            | 6           |          |
|                                                             | 102-53 Contact point for questions regarding Report               | 6           |          |

## GRI CONTEXT INDEX CONTD.

GRI 2016 102-55

| GRI Standard                            | Disclosure                                                  | Page number | Omission |
|-----------------------------------------|-------------------------------------------------------------|-------------|----------|
|                                         | 102-54 Claims of reporting in accordance with GRI Standards | 6           |          |
|                                         | 102-55 GRI context index                                    | 75, 76, 77  |          |
|                                         | 102-56 External assurance                                   | 6, 73, 74   |          |
| <b>Material Topics</b>                  |                                                             |             |          |
| <b>Economic Performance</b>             |                                                             |             |          |
| GRI 103: Management Approach            | 103-1 Explanation of material topics and its boundaries     | 26          |          |
|                                         | 103-2 The Management Approach and its components            | 56-58       |          |
|                                         | 103-3 Evaluation of the Management Approach                 | 56-58       |          |
| GRI 201: Economic Performance 2016      | 201-1- Direct economic value generated and distributed      | 138         |          |
| <b>Indirect Economic Impacts</b>        |                                                             |             |          |
| GRI 103: Management Approach            | 103-1 Explanation of material topics and its boundaries     | 27          |          |
|                                         | 103-2 The Management Approach and its components            | 61-62       |          |
|                                         | 103-3 Evaluation of the Management Approach                 | 61-62       |          |
| GRI 203: Indirect economic impacts 2016 | 203-2 Significant indirect economic impacts                 | 62          |          |
| <b>Procurement Practices</b>            |                                                             |             |          |
| GRI 103: Management Approach            | 103-1 Explanation of material topics and its boundaries     | 27          |          |
|                                         | 103-2 The Management Approach and its components            | 67-70       |          |
|                                         | 103-3 Evaluation of the Management Approach                 | 67-70       |          |
| GRI 204: Procurement practices 2016     | 204-1 Proportion of spending on local suppliers             | 70          |          |
| <b>Energy</b>                           |                                                             |             |          |
| GRI 103: Management Approach            | 103-1 Explanation of material topics and its boundaries     | 27          |          |
|                                         | 103-2 The Management Approach and its components            | 71-72       |          |
|                                         | 103-3 Evaluation of the Management Approach                 | 71-72       |          |
| GRI 302: Energy 2016                    | 302-1 Energy consumption within the organization            | 72          |          |

| GRI Standard                           | Disclosure                                                                                      | Page number | Omission |
|----------------------------------------|-------------------------------------------------------------------------------------------------|-------------|----------|
| <b>Environmental Compliance</b>        |                                                                                                 |             |          |
| GRI 103: Management Approach           | 103-1 Explanation of material topics and its boundaries                                         | 27          |          |
|                                        | 103-2 The Management Approach and its components                                                | 71-72       |          |
|                                        | 103-3 Evaluation of the Management Approach                                                     | 71-72       |          |
| GRI 307: Environmental Compliance 2016 | 307-1 Non-compliance with environmental laws and regulations                                    | 72          |          |
| <b>Employment</b>                      |                                                                                                 |             |          |
| GRI 103: Management Approach           | 103-1 Explanation of material topics and its boundaries                                         | 26          |          |
|                                        | 103-2 The Management Approach and its components                                                | 63-66       |          |
|                                        | 103-3 Evaluation of the Management Approach                                                     | 63-66       |          |
| GRI 401: Employment 2016               | 401-1 Employee hires and turnover                                                               | 64, 66      |          |
| <b>Training and Education</b>          |                                                                                                 |             |          |
| GRI 103: Management Approach           | 103-1 Explanation of material topics and its boundaries                                         | 26          |          |
|                                        | 103-2 The Management Approach and its components                                                | 63-66       |          |
|                                        | 103-3 Evaluation of the Management Approach                                                     | 63-66       |          |
| GRI 404: Training and education        | 404-1 Average hours of training per year per employee                                           | 65          |          |
|                                        | 404-2 Programs for upgrading skills and transition assistance programmes                        | 65          |          |
|                                        | 404-3 Percentage of employees receiving regular performance and career development reviews      | 65          |          |
| <b>Local Communities</b>               |                                                                                                 |             |          |
| GRI 103: Management Approach           | 103-1 Explanation of material topics and its boundaries                                         | 27          |          |
|                                        | 103-2 The Management Approach and its components                                                | 67-70       |          |
|                                        | 103-3 Evaluation of the Management Approach                                                     | 67-70       |          |
| GRI 413: Local communities 2016        | 413-1 Operations with local community engagement, impact assessments and development programmes | 70          |          |

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

GRI 2016 102-2

The Directors of Asia Siyaka Commodities PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company and the Consolidated Financial Statements of the Company and its subsidiaries for the year ended 31<sup>st</sup> March 2019.

## General

Asia Siyaka Commodities PLC is a public limited liability company which was incorporated under the Companies Act No. 17 of 1982 as a private limited company on 16<sup>th</sup> February 1998 and re-registered under the Companies Act. No. 07 of 2007 on 30<sup>th</sup> April 2008 and was subsequently converted to a public limited liability company on 28<sup>th</sup> March 2012 and listed on the Colombo Stock Exchange on 12th September 2012. The registration number of the Company is PV3562 PB/PQ.

## Principal Activities of the Company and Review of Performance during the Year

The principal activities of the Company are carrying on the business of Tea Brokers, Produce Brokers, Auctioneers, Appraisers, Valuers, Commission Agents and General Agents.

The business of the subsidiary company, Asia Siyaka Warehousing (Private) Limited is providing warehousing facilities for clients of the parent and other selected third parties. Siyaka Produce Brokers (Private) Limited a fully owned subsidiary of the Company has ceased operations.

A review of the business of the Company and its subsidiaries performance during the year with comments on financial results, future

strategies and prospects are contained in the Managing Director/CEO's Report on pages 14 to 16, which form an integral part of this Report.

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

## Financial Statements`

The complete Financial Statements of the Company and the consolidated financial statements of the Company and its subsidiaries, duly signed by two Directors on behalf of the Board are given on pages 91 to 134.

## Auditors' Report

The Report of the Auditors on the Financial Statements of the Company and its subsidiaries is given on pages 88 to 90.

## Accounting Policies

The financial statements of the Company and the consolidated financial statements have been prepared in accordance with the Sri Lanka Financial Reporting Standards (SLFRS / LKAS) and the policies adopted thereof are given on pages 96 to 108 Figures pertaining to the previous periods have been re-stated where necessary to conform to the current year's presentation.

## Directors

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 17 to 19.

## Name of Director

### Executive Directors

|                      |                        |
|----------------------|------------------------|
| Mr. A R Cooke        | Managing Director/ CEO |
| Mr. D J Wedande      | Director               |
| Mr. S G Amarasuriya  | Director               |
| Mr. Y Kuruneru       | Director               |
| Mr. R C Dissanayake  | Director               |
| Mr. S S Samaranayake | Director               |

### Non-Executive Directors

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

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

Mr. B A Hulangamuwa who served as a Director of the Company resigned with effect from 20<sup>th</sup> September 2018.

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

The Board recommends that Dr. I A Ismail and Messrs H R V Caldera and T Someswaran who are over 70 years of age be re-appointed as Directors at the forthcoming Annual General Meeting, in terms of section 211 of the Companies Act.

### **Directors of subsidiary Companies** **Asia Siyaka Warehousing (Private)** **Limited**

Mr. A R Cooke  
Mr. D J Wedande  
Mr. S G Amarasuriya  
Mr. Y Kuruneru  
Dr. I A Ismail

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

Mr. D J Wedande  
Mr. A R Cooke  
Mr. S G Amarasuriya  
Mr. V L T Perera

### **Composition of the Board**

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

Based on the declarations submitted by the Directors, the Board has determined that three Non-Executive Directors – Dr. S A B Ekanayake, Dr. I A Ismail and Mr. T Someswaran are 'Independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange.

### **Interest Register**

The Company maintains an interests register in terms of the Companies Act, No. 7 of 2007, which is deemed to form part and parcel of this annual report and available for inspection upon request.

The relevant interests of Directors in the shares of the Company as at 31<sup>st</sup> March 2019 as recorded in the interests register are given in this report under Directors' shareholding.

### **Related Parties' Transactions with the Company**

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

Transactions of related parties (as defined in LKAS 24 - Related Parties Disclosure) with the Company are set out in Note 31 to the financial statements.

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the year ended 31<sup>st</sup> March 2019.

### **Directors' Remuneration**

The Directors' remuneration is disclosed under key management personnel compensation in Note 31 to the Financial Statements on page 130.

### **Directors' responsibility for Financial Reporting**

The Directors are responsible for the preparation of Financial Statements of the Company and the Group to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 82.

### **Auditors**

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

A total amount of Rs. 441,829 is payable by the Company to the Auditors for the year under review.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 29<sup>th</sup> July 2019 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Details of payments to Auditors of Subsidiary companies on account of audit fees and for permitted non-audit services are set out in Note 22 to the Financial Statements on page 124.

### **Stated Capital**

The Stated Capital of the Company as at 31<sup>st</sup> March 2019 was Rs.100,000,000/- represented by 260,000,000 ordinary shares. There were no changes in the Stated Capital of the Company during the year.

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

## Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31<sup>st</sup> March 2019 and 31<sup>st</sup> March 2018 are as follows.

|                       | Shareholding<br>as at 31/03/2019 | Shareholding<br>as at 31/03/2018 |
|-----------------------|----------------------------------|----------------------------------|
| Dr. S A B Ekanayake   | -                                | -                                |
| Mr. A R Cooke         | 9,747,143                        | 9,747,143                        |
| Mr. D J Wedande       | 8,353,067                        | 8,353,067                        |
| Mr. S G Amarasuriya** | -                                | -                                |
| Mr. Y Kuruneru        | 2,499,063                        | 2,499,063                        |
| Mr. S T Gunatilleke*  | -                                | -                                |
| Dr. I A Ismail        | -                                | -                                |
| Mr. H R V Caldera     | -                                | -                                |
| Mr. J N Dambawinne**  | -                                | -                                |
| Mr. R C Dissanayake   | 1,279,808                        | 1,279,808                        |
| Mr. S S Samaranayake  | 265,734                          | 265,734                          |
| Mr. T Someswaran      | -                                | -                                |

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

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

## Shareholders

There were 1,489 shareholders registered as at 31<sup>st</sup> March 2019. The details of distribution are given on page 137 of this Report.

## Major Shareholders, Distribution Schedule and other Information

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on page 136 to 137 under Share Information.

## Reserves

The reserves of the Company with the movements during the year are given in the Financial Statements on page 94.

## Land holdings

The Company does not own any freehold land or buildings.

The leasehold interest in the immovable property, held by Asia Siyaka Warehousing (Private) Limited, the subsidiary company was revalued as at 31<sup>st</sup> March 2017 by an Independent Valuer and it is recorded at market values as set out in Note 3.6 to the Financial Statements.

## Property, Plant & Equipment

Details and movements of property, plant and equipment are given under Note 3 to the Financial Statements on pages 109 to 112.

## Investments

Details of the Company's quoted and unquoted investments as at 31<sup>st</sup> March 2019 are given in Notes 6 in the Financial Statements on page 114.

## Donations

The Company made donations amounting to Rs. 395,321 in total, during the year under review. Asia Siyaka Warehousing (Private) Limited donated Rs. 109,975 during the year. Siyaka Produce Brokers (Pvt) Limited did not make any donations during the year.

## Dividends

The Company paid a Final Dividend of Rs. 0.10 per share for the year ended 31<sup>st</sup> March 2018 on 15<sup>th</sup> October 2018 and an Interim Dividend of Rs.0.15 per share for the year ended 31<sup>st</sup> March 2019 on 21<sup>st</sup> March 2019.

A Final dividend of Rs. 0.15 has been declared by directors and is payable on 30<sup>th</sup> August 2019.

### Risk Management

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

Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management on pages 42 to 49.

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

### Statutory Payments

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

### Contingent Liabilities

Except as disclosed in Note 28 to the Financial Statements on page 128, there were no material Contingent Liabilities as at the Reporting date.

### Events occurring after the Reporting Date

Except for the matters disclosed in Note 30 to the Financial Statements on page 129 there are no material events as at the date of the Financial Statements which require adjustment to, or disclosure in the Financial Statements.

### Corporate Governance

The Board of Directors confirm that the Company is compliant with Section 7.10 of the Listing Rules of the Colombo Stock Exchange.

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

The Corporate Governance Statement on pages 29 to 41 explains the measures adopted by the Company during the year.

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

#### Audit Committee

|                                                                            |          |
|----------------------------------------------------------------------------|----------|
| Mr. T Someswaran<br>(appointed w.e.f 02 <sup>nd</sup><br>November 2018)    | Chairman |
| Mr. S T Gunatilleke                                                        | Member   |
| Dr. I A Ismail                                                             | Member   |
| Mr. B A Hulangamuwa<br>(resigned w.e.f 20 <sup>th</sup><br>September 2018) |          |

#### Remuneration Committee

|                     |          |
|---------------------|----------|
| Dr. S A B Ekanayake | Chairman |
| Mr. S T Gunatilleke | Member   |
| Dr. I A Ismail      | Member   |

### Nominations Committee

|                     |          |
|---------------------|----------|
| Dr. S A B Ekanayake | Chairman |
| Mr. S T Gunatilleke | Member   |
| Dr. I A Ismail      | Member   |

### Related Party Transactions Review Committee

|                                                                            |          |
|----------------------------------------------------------------------------|----------|
| Dr. I A Ismail                                                             | Chairman |
| Mr. H R V Caldera                                                          | Member   |
| Mr. T Someswaran<br>(appointed w.e.f 08 <sup>th</sup><br>February 2019)    | Member   |
| Mr. B A Hulangamuwa<br>(resigned w.e.f 20 <sup>th</sup><br>September 2018) |          |

### Annual General Meeting

The Notice of the Annual General Meeting appears on page 140.

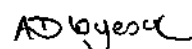
This Annual Report is signed for and on behalf of the Board of Directors by



**Dr. S A B Ekanayake**  
Chairman



**Mr. A R Cooke**  
Managing Director/CEO



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

07<sup>th</sup> August 2019

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

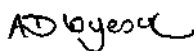
The Directors are responsible for keeping sufficient accounting records, which disclose with reasonable accuracy the financial position of the Company and its subsidiaries, which will enable them to have the Financial Statements prepared and presented as aforesaid.

They are also responsible for taking measures to safeguard the assets of the Company and its subsidiaries and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

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

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

By Order of the Board  
**ASIA SIYAKA COMMODITIES PLC**



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

07<sup>th</sup> August 2019

## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee (RPTRC) of the Company was formed by the Board in November 2015 in accordance with Section 9 of the Listing Rules of the Colombo Stock Exchange to ensure compliance with the Rules in place for independent review, approval and oversight of Related Party Transactions of the Company, and with particular emphasis relating to the interests of both major and minor stakeholders alike.

### Composition of the Committee

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

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

\* Appointed w.e.f 08<sup>th</sup> February 2019

\*\* Resigned w.e.f 20<sup>th</sup> September 2018

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

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

### Meetings

The Committee met four times during the year under review and the attendance of the Directors at the said meetings is given below.

| Name of Director      | Total Meetings attended |
|-----------------------|-------------------------|
| Dr. I A Ismail        | 4/4                     |
| Mr. H R V Caldera     | 4/4                     |
| Mr. T Someswaran*     | 0/4                     |
| Mr. B A Hulangamuwa** | 1/4                     |

\*Appointed w.e.f 08<sup>th</sup> February 2019

\*\* Resigned w.e.f. 20<sup>th</sup> September 2018

### Charter of the Related Party Transaction Review Committee

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

- Receive regular reports from the management, and be provided with any information it requests relating to its responsibilities
- Establish policies and procedures that provide general pre-approvals to certain classes or types of related party transactions
- Review and evaluate the terms, conditions, and the advisability of, any related party transaction
- Determine whether the relevant related party transaction is fair, and in the best interest of the Company and its shareholders as a whole

- Recommend to the Board what action, if any, should be taken by the Board with respect to any related party transaction
- Obtain advice and assistance from legal, technical, financial and other advisors from within or outside the Company as deemed necessary by the Committee in order to carry out its duties

### Review of Related Party Transactions

The Committee reviewed all related party transactions of the Company for the financial year 2018/19 and has communicated its comments and observations to the Board. It was observed that all related party transactions entered during the year were of a recurrent, trading nature and were necessary for the day-to-day operations of the Company.

In the opinion of the Committee, the terms of these transactions were not more favourable to the related parties than those generally available to the public. The details of related party transactions entered into during the year are given in Note 31 to the Financial Statements, on pages 129 to 130 of this Annual Report.

### Declaration

A declaration by the Board of Directors on compliance with the rules pertaining to related party transactions appears on the report of the Board of Directors on pages 78 and 81 of this Annual Report.



**Dr. I A Ismail**

*Chairman - Related Party Transactions Review Committee*

07<sup>th</sup> August 2019

## THE REPORT OF THE AUDIT COMMITTEE OF ASIA SIYAKA COMMODITIES PLC

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

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

- Reviewed and discussed with the Company's Management and the Independent Auditors, the consolidated financial statements for the accounting year ended 31<sup>st</sup> March 2019. Reviewed the Management's representations to ensure that the consolidated financial statements are prepared in accordance with generally accepted accounting principles and truly and fairly present the results of operations and financial position of the Company.
- Recommended that the Board select ERNST & YOUNG, Chartered Accountants as Independent Auditors to audit and report on the annual consolidated financial statements of the Company and to forward copies of the Annual Report to the Colombo Stock Exchange prior to the Annual General Meeting.

- Reviewed the procedures for identifying business risk and the management of its impact on the Group. Reviewed the policies, procedures and internal controls for detecting and preventing fraud.
- Reviewed the operational effectiveness and internal controls of the policies, systems and procedures.
- Reviewed and discussed with the Management, the annual and the quarterly financial statements prior to their release, including the extent of compliance with the Sri Lanka Accounting Standards and the Companies Act, No.7 of 2007.
- Reviewed the procedures established by Management for compliance with the requirements of regulatory bodies.

### Meetings

The Committee met five times during the year under review and the attendance of the Directors at the said meetings is given below.

| Name of Director       | Total Meetings attended |
|------------------------|-------------------------|
| Mr. T Someswaran*      | 3/5                     |
| Mr. S T Gunatillke     | 3/5                     |
| Dr. I A Ismail         | 5/5                     |
| Mr. B A Hulangamuwa ** | 1/5                     |

\*Appointed w.e.f 02<sup>nd</sup> November 2018

\*\* Resigned w.e.f 20<sup>th</sup> September 2018

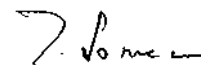
### Conclusion

The Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded and the

financial position of the Company is well monitored. The Audit Committee concurs that the adoption of the going concern premise in the preparation of the Financial Statement is appropriate. The Audit Committee recommends to the Board of Directors that the financial statements as submitted be approved.

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

On behalf of the Audit Committee;



**Mr. T Someswaran**  
Chairman

07<sup>th</sup> August 2019  
Colombo

# REPORT OF THE REMUNERATION COMMITTEE

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

### Composition

The Committee consists of three Non-Executive Directors namely

|                        |          |
|------------------------|----------|
| Dr. S. A. B. Ekanayake | Chairman |
| Mr. S. T. Gunatilleke  | Member   |
| Dr. I. A. Ismail       | Member   |

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

### Remuneration Policy

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

is competitive in the market place. The Committee has the authority to seek external independent professional advice on matters within its purview.

### Meetings

The Committee met thrice during the year under review and the attendance of the Directors at the said meetings is given below.

| Name of Director    | Total Meetings attended |
|---------------------|-------------------------|
| Dr. S A B Ekanayake | 3/3                     |
| Mr. S T Gunatilleke | 3/3                     |
| Dr. I A Ismail      | 3/3                     |

The Directors emoluments are disclosed on Note 32 to the financial statements.

On behalf of the Remuneration Committee;



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

07<sup>th</sup> August 2019



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**Commitment to the  
Environment and  
Sustainability.**

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# FINANCIAL INFORMATION

| Financial Calendar                                                                                                                                      | 2018/19                        | 2017/18                        |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| 1 <sup>st</sup> Quarter                                                                                                                                 | 09 <sup>th</sup> August 2018   | 15 <sup>th</sup> August 2017   |
| 2 <sup>nd</sup> Quarter                                                                                                                                 | 14 <sup>th</sup> November 2018 | 13 <sup>th</sup> November 2017 |
| 3 <sup>rd</sup> Quarter                                                                                                                                 | 08 <sup>th</sup> February 2019 | 08 <sup>th</sup> February 2018 |
| 4 <sup>th</sup> Quarter                                                                                                                                 | 29 <sup>th</sup> May 2019      | 30 <sup>th</sup> May 2018      |
| <b>Annual General Meetings</b>                                                                                                                          |                                |                                |
| 2012 / 13 – Annual Report Published on 14 <sup>th</sup> August 2013 and 01 <sup>st</sup> Annual General Meeting held on 23 <sup>rd</sup> September 2013 |                                |                                |
| 2013 / 14 – Annual Report Published on 19 <sup>th</sup> August 2014 and 02 <sup>nd</sup> Annual General Meeting held on 15 <sup>th</sup> September 2014 |                                |                                |
| 2014 / 15 – Annual Report Published on 22 <sup>nd</sup> July 2015 and 03 <sup>rd</sup> Annual General Meeting held on 24 <sup>th</sup> August 2015      |                                |                                |
| 2015 / 16 – Annual Report Published on 28 <sup>th</sup> June 2016 and 04 <sup>th</sup> Annual General Meeting held on 28 <sup>th</sup> July 2016        |                                |                                |
| 2016 / 17 – Annual Report Published on 10 <sup>th</sup> July 2017 and 05 <sup>th</sup> Annual General Meeting held on 14 <sup>th</sup> August 2017      |                                |                                |
| 2017 / 18 – Annual Report Published on 31 <sup>st</sup> August 2018 and 06 <sup>th</sup> Annual General Meeting held on 28 <sup>th</sup> September 2018 |                                |                                |

## INDEPENDENT AUDITORS' REPORT



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

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

NdeS/SKWD/MHM

### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ASIA SIYAKA COMMODITIES PLC

#### Report on the audit of the Consolidated Financial Statements

##### OPINION

We have audited the financial statements of Asia Siyaka Commodities PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

##### BASIS FOR OPINION

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

##### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA  
Ms. K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manalunga FCA Ms. P V K N Sajeevan FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA FCMA  
Principal G B Goudian ACMA A A J R Perera ACA ACMA T P M Ruberu FCMA FCCA

A member firm of Ernst & Young Global Limited

| Key Audit Matter                                                                                                                                                                                                                                     | How Our Audit Addressed the Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Impairment of loans and advances</b>                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Loans and advances balance represents 63% of the Company's total assets as at 31 March 2019.                                                                                                                                                         | We gained an understanding of the Company's business model and tested the design and implementation of key controls over lending and loan recoveries. This included testing on a sample basis, management's controls over credit assessments in accordance with the Company's standard operating procedure for granting credit to tea clients.                                                                                                    |
| The Company's impairment assessment process is described in Note 2.5.15 (d) to these financial statements. Determination of the loans and advances impairment provision involves management judgements and estimates and use of mathematical models. | We assessed forecasted settlements of loans and advances by comparing those with historic cash flows, along with post year end settlements.                                                                                                                                                                                                                                                                                                       |
| Due to these factors coupled with significance of the loans and advances balances, this area was considered significant for the purposes of our audit.                                                                                               | We also assessed the Company's impairment methodology to determine whether it is in line with SLFRS 9.<br><br>We checked the completeness and accuracy of the underlying information and calculations thereon by agreeing details to the relevant source documents, information in accounting systems and re-performing the calculations.<br><br>We also assessed the adequacy of disclosures provided by management in Note 2.5.15 (d) and 10.1. |

#### OTHER INFORMATION INCLUDED IN THE GROUP'S 2019 ANNUAL REPORT

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there

is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

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

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

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

#### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error

## INDEPENDENT AUDITORS' REPORT CONTD.



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 judgement 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 internal controls of the Company and the Group.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1864.

07 August 2019  
Colombo

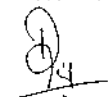
## STATEMENT OF FINANCIAL POSITION

| As at 31 March 2019                         | Note | Group         |               | Company       |               |
|---------------------------------------------|------|---------------|---------------|---------------|---------------|
|                                             |      | 2019<br>Rs.   | 2018<br>Rs.   | 2019<br>Rs.   | 2018<br>Rs.   |
| ASSETS                                      |      |               |               |               |               |
| Non-Current Assets                          |      |               |               |               |               |
| Property, Plant and Equipment               | 3    | 849,463,452   | 894,698,919   | 7,101,986     | 8,663,052     |
| Intangible Assets                           | 4    | 811,220       | 1,174,434     | 811,220       | 1,174,434     |
| Lease Rentals Paid in Advance               | 5    | 27,495,000    | 28,435,000    | -             | -             |
| Investments                                 | 6    | -             | -             | 190,352,271   | 190,521,681   |
| Investment Property                         | 7    | 755,727       | 755,727       | 755,727       | 755,727       |
| Deferred Tax Asset                          | 24   | 30,039,213    | 23,310,057    | 27,165,200    | 13,537,140    |
|                                             |      | 908,564,612   | 948,374,137   | 226,186,404   | 214,652,034   |
| Current Assets                              |      |               |               |               |               |
| Inventory                                   | 8    | 3,249,083     | 2,689,620     | 3,228,553     | 2,677,570     |
| Trade Receivables                           | 9    | 443,590,930   | 493,550,989   | 419,708,957   | 474,063,468   |
| Loans and Advances                          | 10   | 1,319,640,720 | 765,424,742   | 1,319,640,720 | 765,424,742   |
| Other Receivables, Prepayments and Advances | 11   | 17,169,183    | 20,836,902    | 7,561,473     | 8,771,200     |
| Lease Rentals Paid in Advance               | 5    | 940,000       | 940,000       | -             | -             |
| Income Tax Receivable                       |      | -             | 1,799,326     | -             | 1,729,029     |
| Short Term Investments                      |      | 26,096,218    | 23,666,076    | 26,096,218    | 23,666,076    |
| Cash and Cash Equivalents                   | 12   | 87,401,161    | 175,010,551   | 79,340,848    | 174,654,276   |
|                                             |      | 1,898,087,295 | 1,483,918,207 | 1,855,576,769 | 1,450,986,361 |
| Total Assets                                |      | 2,806,651,907 | 2,432,292,344 | 2,081,763,173 | 1,665,638,395 |

## STATEMENT OF FINANCIAL POSITION CONTD.

| As at 31 March 2019                             | Note | Group         |               | Company       |               |
|-------------------------------------------------|------|---------------|---------------|---------------|---------------|
|                                                 |      | 2019<br>Rs.   | 2018<br>Rs.   | 2019<br>Rs.   | 2018<br>Rs.   |
| EQUITY AND LIABILITIES                          |      |               |               |               |               |
| Capital and Reserves                            |      |               |               |               |               |
| Stated Capital                                  | 13   | 100,000,000   | 100,000,000   | 100,000,000   | 100,000,000   |
| Revaluation Reserves                            |      | 264,233,828   | 264,233,828   | -             | -             |
| Revenue Reserves                                |      | 368,813,513   | 317,761,287   | 192,853,696   | 148,327,593   |
| Total Equity                                    |      | 733,047,341   | 681,995,115   | 292,853,696   | 248,327,593   |
| Non Current Liabilities                         |      |               |               |               |               |
| Retirement Benefit Obligation                   | 14   | 69,941,127    | 59,315,883    | 63,256,675    | 52,922,502    |
| Deferred Tax Liability                          | 24   | 132,448,309   | 121,788,155   | -             | -             |
| Long Term Interest Bearing Borrowings           | 15   | 267,857,149   | 332,142,864   | -             | -             |
|                                                 |      | 470,246,585   | 513,246,901   | 63,256,675    | 52,922,502    |
| Current Liabilities                             |      |               |               |               |               |
| Interest Bearing Borrowings                     | 15   | 64,285,709    | 64,285,709    | -             | -             |
| Trade Payables                                  | 16   | 589,105,181   | 569,672,535   | 788,182,313   | 781,517,255   |
| Income Tax Payable                              |      | 2,717,713     | 307,679       | 2,516,423     | -             |
| Interest Bearing Borrowings on Client Financing | 17   | 896,061,397   | 553,359,453   | 896,061,397   | 553,359,453   |
| Sundry Creditors including Accrued Expenses     |      | 45,828,340    | 31,352,001    | 33,651,391    | 14,844,298    |
| Bank Overdrafts                                 | 12   | 5,359,641     | 18,072,951    | 5,241,278     | 14,667,294    |
|                                                 |      | 1,603,357,981 | 1,237,050,328 | 1,725,652,802 | 1,364,388,300 |
| Total Liabilities                               |      | 2,073,604,566 | 1,750,297,229 | 1,788,909,477 | 1,417,310,802 |
| Total Equity and Liabilities                    |      |               |               |               |               |
|                                                 |      | 2,806,651,907 | 2,432,292,344 | 2,081,763,173 | 1,665,638,395 |

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



Senior Vice President - Finance

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



Director



Director

The accounting policies and notes on pages 96 through 134 form an integral part of these financial statements.

07 August 2019

Colombo

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| Year ended 31 March 2019                                                               | Note | Group         |               | Company       |               |
|----------------------------------------------------------------------------------------|------|---------------|---------------|---------------|---------------|
|                                                                                        |      | 2019<br>Rs.   | 2018<br>Rs.   | 2019<br>Rs.   | 2018<br>Rs.   |
| <b>Revenue</b>                                                                         | 18   | 770,678,872   | 784,688,643   | 510,564,978   | 550,210,307   |
| Cost of Sales                                                                          |      | (3,794,631)   | (3,907,861)   | (3,794,631)   | (3,907,861)   |
| <b>Net Revenue</b>                                                                     |      | 766,884,241   | 780,780,782   | 506,770,347   | 546,302,446   |
| Other Income and Gains                                                                 | 19   | 3,039,110     | 22,435,377    | 47,591,184    | 23,651,343    |
| Distribution Expenses                                                                  |      | (48,771,622)  | (104,635,476) | (43,900,700)  | (98,763,801)  |
| Administrative Expenses                                                                |      | (424,946,971) | (396,250,384) | (272,197,223) | (262,286,741) |
| <b>Operating Profit</b>                                                                |      | 296,204,758   | 302,330,299   | 238,263,608   | 208,903,247   |
| Finance Cost                                                                           | 20   | (143,777,468) | (174,857,717) | (123,216,838) | (145,010,654) |
| Finance Income                                                                         | 21   | 10,531,713    | 8,132,465     | 10,472,555    | 10,246,036    |
| Net Finance Cost                                                                       |      | (133,245,755) | (166,725,252) | (112,744,283) | (134,764,618) |
| <b>Profit Before Tax</b>                                                               | 22   | 162,959,003   | 135,605,046   | 125,519,325   | 74,138,629    |
| Income Tax Expense                                                                     | 23   | (49,906,902)  | (38,046,995)  | (19,503,176)  | (17,872,636)  |
| <b>Profit for the year</b>                                                             |      | 113,052,101   | 97,558,051    | 106,016,149   | 56,265,993    |
| <b>Other Comprehensive Income for the year, net of tax</b>                             |      |               |               |               |               |
| <b>Items that will not be Reclassified Subsequently to Statement of Profit or Loss</b> |      |               |               |               |               |
| Actuarial Loss for the year                                                            | 14   | (7,802,929)   | (13,091,573)  | (7,094,835)   | (12,850,249)  |
| Tax Effect on Actuarial Loss                                                           | 24   | 2,184,820     | 3,665,640     | 1,986,554     | 3,598,070     |
|                                                                                        |      | (5,618,109)   | (9,425,933)   | (5,108,281)   | (9,252,179)   |
| Revaluation Surplus                                                                    |      | -             | -             | -             | -             |
| Income Tax Effect                                                                      | 24   | -             | (56,844,395)  | -             | -             |
|                                                                                        |      | -             | (56,844,395)  | -             | -             |
| <b>Other Comprehensive Loss for the year, net of tax</b>                               |      | (5,618,109)   | (66,270,328)  | (5,108,281)   | (9,252,179)   |
| <b>Total Comprehensive Income for the year, net of tax</b>                             |      | 107,433,992   | 31,287,723    | 100,907,868   | 47,013,814    |
| Basic/Diluted Earnings Per Share                                                       | 25   | 0.43          | 0.38          | 0.41          | 0.22          |
| Dividend Per Share                                                                     | 26   | 0.25          | 0.25          | 0.25          | 0.25          |

The accounting policies and notes on pages 96 through 134 form an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

| Group                                                 | Note | Stated<br>Capital<br>Rs. | Revaluation<br>Reserve<br>Rs. | Revenue<br>Reserves<br>Rs. | Total<br>Rs. |
|-------------------------------------------------------|------|--------------------------|-------------------------------|----------------------------|--------------|
| <b>As at 01 April 2017</b>                            |      | 100,000,000              | 321,078,223                   | 294,629,168                | 715,707,391  |
| Net Profit for the Year                               |      | -                        | -                             | 97,558,051                 | 97,558,051   |
| Other Comprehensive Income                            |      | -                        | (56,844,395)                  | (9,425,932)                | (66,270,328) |
| Total Comprehensive Income                            |      | -                        | (56,844,395)                  | 88,132,119                 | 31,287,723   |
| Dividend Paid                                         |      | -                        | -                             | (65,000,000)               | (65,000,000) |
| <b>As at 31 March 2018</b>                            |      | 100,000,000              | 264,233,828                   | 317,761,287                | 681,995,114  |
| <b>Balance as at 1 April 2018</b>                     |      | 100,000,000              | 264,233,828                   | 317,761,287                | 681,995,114  |
| <b>Effect of adoption of new accounting standards</b> | 34   | -                        | -                             | 8,618,235                  | 8,618,235    |
| <b>Balance as at 1 April 2018 (restated)</b>          |      | 100,000,000              | 264,233,828                   | 326,379,521                | 690,613,349  |
| Net Profit for the Year                               |      | -                        | -                             | 113,052,101                | 113,052,101  |
| Other Comprehensive Income                            |      | -                        | -                             | (5,618,109)                | (5,618,109)  |
| Total Comprehensive Income                            |      | -                        | -                             | 107,433,992                | 107,433,992  |
| Dividend Paid                                         |      | -                        | -                             | (65,000,000)               | (65,000,000) |
| <b>As at 31 March 2019</b>                            |      | 100,000,000              | 264,233,828                   | 368,813,513                | 733,047,341  |

| Company                                               | Note | Stated<br>Capital<br>Rs. | Revenue<br>Reserves<br>Rs. | Total<br>Rs. |
|-------------------------------------------------------|------|--------------------------|----------------------------|--------------|
| <b>As at 01 April 2017</b>                            |      | 100,000,000              | 166,313,779                | 266,313,779  |
| Net Profit for the Year                               |      | -                        | 56,265,993                 | 56,265,993   |
| Other Comprehensive Income                            |      | -                        | (9,252,179)                | (9,252,179)  |
| Total Comprehensive Income                            |      | -                        | 47,013,814                 | 47,013,814   |
| Dividend Paid                                         |      | -                        | (65,000,000)               | (65,000,000) |
| <b>As at 31 March 2018</b>                            |      | 100,000,000              | 148,327,593                | 248,327,593  |
| <b>Balance as at 1 April 2018</b>                     |      | 100,000,000              | 148,327,593                | 248,327,593  |
| <b>Effect of adoption of new accounting standards</b> | 34   | -                        | 8,618,235                  | 8,618,235    |
| <b>Balance as at 1 April 2018 (restated)</b>          |      | 100,000,000              | 156,945,828                | 256,945,828  |
| Net Profit for the Year                               |      | -                        | 106,016,149                | 106,016,149  |
| Other Comprehensive Income                            |      | -                        | (5,108,281)                | (5,108,281)  |
| Total Comprehensive Income                            |      | -                        | 100,907,868                | 100,907,868  |
| Dividend Paid                                         |      | -                        | (65,000,000)               | (65,000,000) |
| <b>As at 31 March 2019</b>                            |      | 100,000,000              | 192,853,696                | 292,853,696  |

The accounting policies and notes on pages 96 through 134 form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

| Year ended 31 March 2019                                                 | Note          | Group         |               | Company       |               |
|--------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
|                                                                          |               | 2019<br>Rs.   | 2018<br>Rs.   | 2019<br>Rs.   | 2018<br>Rs.   |
| <b>Cash Flows From Operating Activities</b>                              |               |               |               |               |               |
| Profit before Income Tax Expense                                         |               | 162,959,003   | 135,605,046   | 125,519,325   | 74,138,629    |
| Adjustment for                                                           |               |               |               |               |               |
| Depreciation and Amortization                                            | 3.2, 3.11 & 4 | 59,236,976    | 57,228,527    | 3,889,675     | 4,686,753     |
| Finance Cost                                                             | 20            | 143,777,468   | 174,857,717   | 123,216,838   | 145,010,654   |
| Finance Income                                                           | 21            | (10,531,713)  | (8,132,465)   | (10,472,555)  | (10,246,036)  |
| Gratuity Charge                                                          | 14.1          | 10,659,473    | 8,326,232     | 9,299,936     | 7,099,237     |
| (Gain) / Loss on sale of Property, Plant and Equipment                   | 19            | (399,908)     | (7,821,187)   | (90,975)      | 4,900         |
| Gain on sale of Assets Held for Sale                                     |               | -             | (12,405,702)  | -             | (12,405,702)  |
| Provision for Impairment of Loans and Advances                           |               | 19,617,028    | 72,032,284    | 19,617,028    | 72,032,284    |
| Provision for Impairment of Trade Receivables                            |               | 1,346,437     | 5,423,070     | 1,342,991     | 5,505,814     |
| Impairment of Subsidiary Investment                                      | 6.2           | -             | -             | 169,410       | 6,865,954     |
| Dividend Income Received                                                 |               | -             | -             | (44,289,136)  | (8,550,000)   |
| Amortization of Lease Rentals Paid in Advance                            | 5             | 940,000       | 940,000       | -             | -             |
| Operating Profit before Working Capital Changes                          |               | 387,604,764   | 426,053,522   | 228,202,537   | 284,142,486   |
|                                                                          |               |               |               |               |               |
| Increase in Inventories                                                  |               | (559,463)     | (416,178)     | (550,983)     | (404,127)     |
| Decrease / (Increase) in Trade and Other Receivables                     |               | 52,281,341    | (102,650,712) | 54,221,252    | (46,091,771)  |
| (Increase) / Decrease in Loans and Advances                              |               | (565,214,777) | 216,010,286   | (565,214,773) | 130,825,639   |
| Increase / (Decrease) in Trade and Other Payables                        |               | 33,908,984    | (27,459,134)  | 25,472,151    | 22,307,439    |
| Increase / (Decrease) in Interest Bearing Borrowings on Client Financing |               | 365,000,000   | (279,433,374) | 365,000,000   | (279,433,374) |
|                                                                          |               | 273,020,849   | 232,104,411   | 107,130,183   | 111,346,293   |
|                                                                          |               |               |               |               |               |
| Income Tax Paid                                                          |               | (39,581,718)  | (25,604,992)  | (26,899,231)  | (19,913,499)  |
| Defined Benefit Plan Costs paid                                          | 14.1          | (7,837,158)   | (711,539)     | (6,060,598)   | (711,539)     |
| Finance Cost Paid                                                        | 20            | (143,777,468) | (174,857,717) | (123,216,838) | (145,010,654) |
| Net cash Flows Generated from / (Used in) Operating Activities           |               | 81,824,505    | 30,930,163    | (49,046,484)  | (54,289,399)  |
| <b>Cash Flows From Investing Activities</b>                              |               |               |               |               |               |
| Acquisition of Property, Plant and Equipment and Intangible Assets       | 3.1, 3.13 & 4 | (13,730,276)  | (39,106,256)  | (2,035,919)   | (2,672,511)   |
| Sales Proceeds from Fixed Asset Disposals                                |               | 491,891       | 7,831,085     | 161,498       | 4,994         |
| Sales Proceeds from Asset Held for Sale                                  |               | -             | 17,649,975    | -             | 17,649,975    |
| Investment in Short Term Investments                                     |               | (2,430,142)   | (2,131,884)   | (2,430,142)   | (2,131,884)   |
| Dividend Income Received                                                 |               | -             | -             | 44,289,136    | 8,550,000     |
| Finance Income Received                                                  | 21            | 10,531,713    | 8,132,465     | 10,472,555    | 10,246,036    |
| Net Cash Flows (Used in) / Generated From Investing Activities           |               | (5,136,814)   | (7,624,616)   | 50,457,128    | 31,646,610    |
| <b>Cash Flows From Financing Activities</b>                              |               |               |               |               |               |
| Dividend Paid                                                            |               | (65,000,000)  | (65,000,000)  | (65,000,000)  | (65,000,000)  |
| Loans Repaid                                                             |               | (64,285,714)  | (53,571,427)  | -             | -             |
| Net Cash Flows Used in Financing Activities                              |               | (129,285,714) | (118,571,427) | (65,000,000)  | (65,000,000)  |
| <b>Net Decrease in Cash and Cash Equivalents</b>                         |               |               |               |               |               |
|                                                                          |               | (52,598,023)  | (95,265,880)  | (63,589,357)  | (87,642,789)  |
| <b>Cash and Cash Equivalents at the Beginning of the Year</b>            | 12            | 103,578,147   | 198,844,027   | 106,627,529   | 194,270,318   |
| <b>Cash and Cash Equivalents at the End of the Year</b>                  | 12            | 50,980,123    | 103,578,147   | 43,038,173    | 106,627,529   |

The accounting policies and notes on pages 96 through 134 form an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

### 1.1 Reporting Entity

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

### 1.2 Consolidated Financial Statements

The financial statements for the year ended 31 March 2019, comprise "the Company" referring to Asia Siyaka Commodities PLC as the holding company and "the Group" referring to the companies whose accounts have been consolidated herein.

### 1.3 Principal Activities and Nature of Operations

#### Holding company

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

#### Subsidiaries

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

### 1.4 Parent Entity and Ultimate Parent Entity

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

### 1.5 Date of Authorization for Issue

The financial statements of Asia Siyaka Commodities PLC for the year ended 31

March 2019 were authorized for issue in accordance with a resolution of the Board of Directors on 07 August 2019.

## 2. GENERAL ACCOUNTING POLICIES

### 2.1 Statement of Compliance

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

### 2.2 Basis of Preparation

The financial statements of the Company and the Group have been prepared on an accrual basis and under the historical cost convention, except for, buildings on leasehold lands and storage system that have been measured at fair value.

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

### 2.3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- ◆ Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)

- ◆ Exposure, or rights, to variable returns from its involvement with the investee.
- ◆ The ability to use its power over the investee to affect its returns

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

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets, liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

## Subsidiaries

The details of Subsidiaries are as follows:

| Company Name                     | Asia Siyaka Warehousing (Pvt) Ltd                                                                                                                                          | Siyaka Produce Brokers (Pvt) Ltd                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Nature of Operations             | The principal activities and the nature of operations are to carry on business of providing warehousing facilities for clients of parent and other selected third parties. | The principal activities and the nature of operations are to carry on business of Rubber Brokers, Auctioneers, Appraisers, Valuers, Commission Agents and General Agents. On 18 April 2017, the Company transferred its Rubber Broking Licence to Asia Siyaka Commodities PLC its parent company and since then the Company has not carried out any business activity. The Company is in the process of closing down by way of striking off in the ensuing year. Under these circumstances, the Board of Directors intends to liquidate the Company within foreseeable future. |
| Year of Ownership/ Incorporation | 18.01.1999                                                                                                                                                                 | 15.02.2008                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Ownership Percentage             | 100%                                                                                                                                                                       | 100%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

## 2.4 Significant Accounting Judgments, Estimates and Assumptions

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

have been discussed in the individual notes of the related financial statement line items.

The line items which have most significant effect on accounting, judgements, estimate and assumptions are as follows;

- Valuation of property, plant and equipment and investment property
- Employee benefit liability
- Provision for expected credit losses of loans and advances

## 2.5 Summary of Significant Accounting Policies

### 2.5.1 Comparative Information

Presentation and classification of the financial statements of the previous year have been amended where relevant for better presentation and to be comparable with those of current year. On 1<sup>st</sup> April 2018 the Group has adopted SLFRS 15 and SLFRS 9. The Group has not restated comparative information for 2018 due to the adoption of such standards. Therefore, the comparative information for 2018 is reported under LKAS 39 and LKAS 18 which is not comparable to the information presented for 2019. Information on the adoption of SLFRS 9 and SLFRS 15 are disclosed in note 2.5.2.

### 2.5.2 Changes in Accounting Policies

#### 2.5.2.1 New and amended standards and interpretations

The Group applied SLFRS 15 and SLFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018/2019, but do not have an impact on

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

the financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

### *2.5.2.1.1 SLFRS 15 Revenue from Contracts with Customers*

SLFRS 15 supersedes LKAS 11 Construction Contracts, LKAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

SLFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Group adopted SLFRS 15 using the modified retrospective method of adoption. Based on the assessment performed, the Group concluded that SLFRS 15 does not have a material impact on the Group's Financial Statements.

### *2.5.2.1.2 SLFRS 9 Financial Instruments*

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning

on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied SLFRS 9 retrospectively, with the initial application date of 1 April 2018.

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment requirements). Accordingly, the comparative information for each of the primary financial statements would follow the classification and measurement requirements of LKAS 39. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SLFRS 9 are recognised in retained earnings and reserves as at 1 April 2018.

The adoption of SLFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

#### **(a) Classification and Measurement**

Under SLFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 April 2018, and then applied retrospectively to those financial assets that were not derecognized before 1 April 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The following are the changes in the classification of the Group's financial assets:

Trade receivables and Other non-current financial assets previously classified as Loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as Debt instruments at amortised cost.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

#### **(b) Impairment**

The adoption of SLFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward looking expected credit loss (ECL) approach. SLFRS 9 requires the Group to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

The effect on adopting SLFRS 9 as at 1 April 2018 is disclosed in note 34 – Transitional disclosure.

### 2.5.3 Foreign Currency Translation

The financial statements are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date. All differences arising from settlement or translation of monetary items are taken to the statement of profit or loss and other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

### 2.5.4 Taxation

#### (a) Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date which is currently the Inland Revenue Act No. 24 of 2017 effective from 1<sup>st</sup> April 2018 and subsequent amendments thereon.

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

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

#### (b) Deferred Tax

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

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

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

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

- ◆ Where the deferred income tax asset relating to the deductible temporary difference arises from initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and
- ◆ In respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

and the deferred income taxes relates to the same taxable entity and the same taxation authority.

### 2.5.5 Borrowing Cost

Borrowing costs are recognised as an expense in the period in which they are incurred except to the extent where borrowing cost that are directly attributable to acquisition, construction or production of assets that takes a substantial period of time to get ready for its intended use or sale. Such borrowing costs are capitalized as part of those assets.

### 2.5.6 Inventories

Inventories are valued at lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. The cost incurred in bringing its inventories to present location and condition is accounted at purchase cost on weighted average basis.

### 2.5.7 Current versus Non-Current Classification

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

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

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

The Group classifies all other assets as non-current.

A liability is current when:

- ◆ It is expected to be settled in normal operating cycle
  - ◆ It is held primarily for the purpose of trading
  - ◆ It is due to be settled within twelve months after the reporting period
- or
- ◆ It does not have a right at the reporting date to defer settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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

### 2.5.8 Non-financial Assets

The carrying amounts of the Group's non-financial assets, other than 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.

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its

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

### 2.5.9 Fair Value Measurement

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

Disclosures for valuation methods, significant estimates and assumptions in Note 3.8

Quantitative disclosures of fair value measurement hierarchy in Note 3.6

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

either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Group determines the policies and procedures for both recurring fair value measurement, such as buildings on lease hold lands, storage systems and available for sale financial assets, and for non-recurring measurement. External valuers are involved for valuation of significant assets, such as buildings on lease hold lands, storage systems and investment properties. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained.

#### 2.5.10 Property, Plant and Equipment

##### (a) Initial Recognition

All items of property, plant and equipment are initially recorded at cost.

The cost of property, plant and equipment is the cost of acquisition or construction together with any expenses incurred in bringing the asset to its working condition for its intended use and capitalised borrowing cost. Subsequent to the initial recognition as an asset at cost, revalued assets are carried at revalued amounts less any subsequent depreciation and impairment losses thereon. All other property, plant and equipment are stated

at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is provided for, on the bases specified in (c) below.

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

##### (b) Subsequent Expenditure

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

##### (c) Depreciation

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

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

The estimated useful life of assets is as follows:

| Assets                      | Years                              |
|-----------------------------|------------------------------------|
| Buildings on Leasehold Land | Lower of 10-30 years or lease term |
| Land Development Cost       | Over the lease term                |
| Furniture and Fittings      | 6.67                               |
| Storage System              | 15                                 |
| Office Equipment            | 4 - 6.67                           |
| Computer Equipment          | 5                                  |
| Motor Vehicle               | 4                                  |

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

### (d) Revaluation

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

The Group engages independent, qualified valuation specialists to determine fair value. Such valuer uses assumptions and valuation techniques to determine the fair value. Please refer Note 3 for Revaluation of Property, Plant and Equipment.

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

is recognised in the statement of profit or loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation reserve.

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

### (e) De-recognition

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

### 2.5.11 Operating Leases

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

### 2.5.12 Investment Properties

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

### 2.5.13 Intangible Assets

#### Basis of Recognition

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

#### Basis of Measurement

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

### Useful Economic Lives, Amortization and Impairment

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

The estimated useful life of asset is as follows:

| Asset    | Years |
|----------|-------|
| Software | 2     |

### Disposal Gains and Losses

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

### 2.5.14 Investment in Subsidiaries

Investment in Subsidiaries are initially recognised at cost in the Financial Statements of the Company. Following initial recognition, investment in subsidiaries are carried at cost less any accumulated impairment losses.

### 2.5.15 Financial Instruments – Initial Recognition and Subsequent Measurement

#### *Policy applicable after 1 April 2018*

#### Financial Assets

##### Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

##### Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories;

- ◆ Financial assets at amortised cost (debt instruments)
- ◆ Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- ◆ Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- ◆ Financial assets at fair value through profit or loss

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

### Financial Assets at Amortised Cost (Debt Instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- ◆ The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- ◆ The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, loans and advances, short term investments and cash and cash equivalents included under other financial assets.

### Derecognition

Financial asset is derecognised when:

- ◆ The rights to receive cash flows from the asset have expired.
- ◆ The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or

- (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

### *Policy applicable before 1 April 2018*

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

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

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

The Group's financial assets include trade and other receivables, loans & advances, short term investments and cash and bank balances.

#### *b) Subsequent Measurement*

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

### Loans and Receivables

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

#### *c) De-recognition*

A financial asset is derecognised when:

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

**d) Impairment of Financial Assets**  
**Policy applicable from 1 April 2018**

The Group recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12 month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For Loans and advances collectively assessed for impairment, the Group applies a simplified approach in calculating ECLs. Therefore, the Group do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's loans and advances is disclosed in Note 10.

**Policy Applicable before 1 April 2018**

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

Specifically for loans and advances to tea clients, impairment is assessed for the Group's aggregate exposure to each client considering macroeconomic challenges faced by tea sellers and management's experience and business understanding. For loans where objective evidence of impairment exists, a discounted cash flow (DCF) model is used for determining the impairment loss. Within the DCF model, in determining the amount and timing of the expected future cash flows, management considers historical payment patterns and past events of default.

**Financial Assets Carried at Amortized Cost**

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

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

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

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

### Financial Liabilities

#### *Policy applicable after 1 April 2018*

##### **e) Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

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

##### **f) Subsequent measurement**

The measurement of financial liabilities depends on their classification as follows:

##### **Loans and Borrowings**

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR

method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit or Loss. This category generally applies to interest bearing loans and borrowings.

##### **Derecognition**

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

##### **Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the Consolidated Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

The accounting policies for financial liabilities have not been substantially changed due to the adoption of SLFRS 9.

##### **2.5.16 Trade and Other Receivables**

Trade debtors, including amounts owing by subsidiaries, deposits and other debtors (excluding non-financial assets classified under deposits and other receivables which are measured at cost) classified and accounted for as loans and receivables.

##### **2.5.17 Cash and Cash Equivalents**

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

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

##### **2.5.18 Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

### 2.5.19 Retirement Benefit Obligations

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

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

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions about discount rate, staff turnover rate, future salary increment rate and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. Details of the key assumptions used in the estimates are contained in Note 14.4.

Accordingly, the employee benefit liability is based on the actuarial valuation as of 31 March 2019, carried out by Messrs. Actuarial and Management Consultants (Private) Limited, actuaries.

#### **Funding Arrangements**

The Gratuity liability is not externally funded.

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

Employees are eligible for Provident Fund Contributions and Trust Fund Contributions

in line with respective statutes and regulations. These are recognized as an expense in the statement of profit or loss and other comprehensive income as incurred.

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

### 2.5.20 Revenue Recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

In determining the transaction price for the revenue contracts, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration to the customer (if any).

As per LKAS 18 revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue and associated costs incurred or to be incurred can be reliably measured.

#### **2.5.20.1 Principal Versus Agent Considerations**

In determining whether the Group is the principal or the agent pertaining to certain revenue contracts the Group has evaluated who has control over the goods before transferring it to the customer;

The following factors were also considered;

- ◆ The primary responsibility for fulfilling the promise to provide the specified goods or the service.
- ◆ Inventory risk before or after the specified goods has been transferred to the customer
- ◆ The discretion in establishing the price for the specified good or service

Based on the above factors the Group concluded that it does not have the control over the goods or services on broking before transferring it to the customer, it will recognise revenue on the contract on net basis.

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

Brokerage income is recognised on net basis at on the date of the auction (after placing hammer). The settlement terms are generally within 7 days.

#### **b) Warehousing Income**

Warehousing handling income is recognised on net basis as an agent on the date of the auction. Settlement terms are generally within 7 days.

#### **c) Interest Income**

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

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

Interest income is included in revenue and finance income in the statement of profit or loss and other comprehensive income. Advance settlement terms are generally within 4 weeks.

### **d) Others**

Other income is recognised on accrual basis.

Net gains and losses of a revenue nature resulting from the disposal of property, plant & equipment have been accounted for in the statement of profit or loss.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions are not material, are aggregated, reported and presented on net basis.

### **e) Dividend Income**

Dividend income is recognised when the Group's right to receive the payment is established.

## **2.5.21 Segment Information**

### **2.5.21.1 Reporting Segments**

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

### **2.5.21.2 Segment Information**

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

## **2.6 Standards Issued but not yet Effective**

### **SLFRS 16 Leases**

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

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

Pending the completion of the detailed impact analysis, possible impact from SLFRS 16 are not reasonably estimable as of the reporting date.

| Group | Balance<br>As at<br>01.04.2018<br>Rs. | Additions<br>Rs. | Disposals<br>Rs. | Balance<br>As at<br>31.03.2019<br>Rs. |
|-------|---------------------------------------|------------------|------------------|---------------------------------------|
|-------|---------------------------------------|------------------|------------------|---------------------------------------|

### 3. PROPERTY, PLANT AND EQUIPMENT

#### 3.1 Gross Carrying Amounts

##### At Cost /Valuation

|                          |               |            |             |               |
|--------------------------|---------------|------------|-------------|---------------|
| Buildings                | 681,430,932   | 508,783    | (25,000)    | 681,914,715   |
| Furniture and Fittings   | 42,865,670    | 658,565    | (19,000)    | 43,505,235    |
| Office Equipment         | 163,430,829   | 10,987,500 | (4,117,258) | 170,301,071   |
| Storage System           | 107,585,766   | -          | -           | 107,585,766   |
| Computer and Accessories | 14,460,657    | 573,582    | -           | 15,034,239    |
| Motor Vehicle            | 27,494,491    | 640,440    | (203,861)   | 27,931,070    |
|                          | 1,037,268,345 | 13,368,870 | (4,365,119) | 1,046,272,096 |

##### Assets on Finance Leases

|                       |            |   |   |            |
|-----------------------|------------|---|---|------------|
| Land Development Cost | 43,337,812 | - | - | 43,337,812 |
|                       | 43,337,812 | - | - | 43,337,812 |

|                                          |                      |                   |                    |                      |
|------------------------------------------|----------------------|-------------------|--------------------|----------------------|
| <b>Total Value of Depreciable Assets</b> | <b>1,080,606,157</b> | <b>13,368,870</b> | <b>(4,365,119)</b> | <b>1,089,609,908</b> |
|------------------------------------------|----------------------|-------------------|--------------------|----------------------|

|  | Balance<br>As at<br>01.04.2018<br>Rs. | Charge for<br>the year<br>Rs. | Disposals<br>Rs. | Balance<br>As at<br>31.03.2019<br>Rs. |
|--|---------------------------------------|-------------------------------|------------------|---------------------------------------|
|--|---------------------------------------|-------------------------------|------------------|---------------------------------------|

#### 3.2 Depreciation

##### At Cost /Valuation

|                          |             |            |             |             |
|--------------------------|-------------|------------|-------------|-------------|
| Buildings                | 31,701,612  | 24,251,637 | (3,542)     | 55,949,707  |
| Furniture and Fittings   | 18,160,518  | 5,542,948  | (18,999)    | 23,684,467  |
| Office Equipment         | 96,826,152  | 14,532,714 | (4,046,734) | 107,312,132 |
| Storage System           | 11,351,673  | 7,172,385  | -           | 18,524,058  |
| Computer and Accessories | 9,557,271   | 1,561,140  | -           | 11,118,411  |
| Motor Vehicle            | 11,701,932  | 4,217,138  | (203,861)   | 15,715,209  |
|                          | 179,299,158 | 57,277,962 | (4,273,136) | 232,303,984 |

##### Assets on Finance Leases

|                       |             |            |             |             |
|-----------------------|-------------|------------|-------------|-------------|
| Land Development Cost | 6,608,079   | 1,234,393  | -           | 7,842,472   |
|                       | 6,608,079   | 1,234,393  | -           | 7,842,472   |
|                       | 185,907,237 | 58,512,355 | (4,273,136) | 240,146,456 |

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

|                                                               | 2019<br>Rs.        | 2018<br>Rs.        |
|---------------------------------------------------------------|--------------------|--------------------|
| <b>3.3 Net Book Values</b>                                    |                    |                    |
| <b>At Cost /Valuation</b>                                     |                    |                    |
| Buildings                                                     | 625,965,008        | 649,729,320        |
| Furniture and Fittings                                        | 19,820,768         | 24,705,152         |
| Office Equipment                                              | 62,988,939         | 66,604,677         |
| Storage System                                                | 89,061,708         | 96,234,092         |
| Computer and Accessories                                      | 3,915,828          | 4,903,386          |
| Motor Vehicle                                                 | 12,215,861         | 15,792,559         |
|                                                               | <b>813,968,112</b> | <b>857,969,186</b> |
| <b>Assets on Finance Leases</b>                               |                    |                    |
| Land Development Cost                                         | 35,495,340         | 36,729,733         |
|                                                               | <b>35,495,340</b>  | <b>36,729,733</b>  |
| <b>Total Carrying Amount of Property, Plant and Equipment</b> | <b>849,463,452</b> | <b>894,698,919</b> |

**3.4** During the financial period, the Group acquired Property, Plant and Equipment to the aggregate value of Rs. 13,368,870/- (2018 - Rs. 39,106,256/-) cash payment amounting to Rs. 13,730,276/- (2018 - Rs. 39,106,256/-).

**3.5** Property, Plant and Equipment includes fully depreciated assets still in use having a gross carrying amount of Rs.93,555,270 /- (2018 - Rs. 81,054,759/-).

### Group

### 3.6 Non-Financial Assets Fair Value Hierarchy

| As at 31 March                |                | Fair value measurement using                   |                                               |                                                 |
|-------------------------------|----------------|------------------------------------------------|-----------------------------------------------|-------------------------------------------------|
| Assets Measured at Fair Value | Valuation Date | Quoted Prices in<br>active market<br>(level 1) | Significant<br>observable<br>inputs (Level 2) | Significant<br>unobservable<br>inputs (Level 3) |
|                               |                |                                                |                                               |                                                 |
| Buildings on Leasehold Land   | 31/3/2017      | -                                              | -                                             | 297,400,000                                     |
| Storage System                | 31/3/2017      | -                                              | -                                             | 24,000,000                                      |

Carrying value of the newly constructed building amounting to Rs. 360,551,026 is carried at cost as at the reporting date and management believes that the cost approximate the fair value.

### 3. PROPERTY, PLANT AND EQUIPMENT (CONTD...)

3.7 In determining the fair value, highest and best use of the property has been considered including the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also the valuers have made reference to market evidence of the transaction prices for similar properties, with appropriate adjustments for the size and location.

The fair value of the Group's Buildings on Leasehold Land and Storage System were determined by means of a revaluation during the financial year 2016/2017 by Mr. A.R. Ajith Fernando, an independent valuer based on depreciated replacement cost. The results of such revaluation were incorporated in these Financial Statements from its effective date which is 31 March 2017. The surplus arising from the revaluation was transferred to a revaluation reserve.

There have been no transfers between Level 1 and Level 2 during the year.

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

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

#### 3.9 The Carrying Amount of Revalued Assets that would have been Included in the Financial Statements had the Assets been Carried at Cost Less Depreciation is as Follows:

| Class of Asset              | Cost        | Cumulative Depreciation if Assets were carried at cost | Net Carrying Amount 2019 | Net Carrying Amount 2018 |
|-----------------------------|-------------|--------------------------------------------------------|--------------------------|--------------------------|
| Buildings on Leasehold Land | 121,618,282 | 66,548,913                                             | 55,069,368               | 59,123,310               |
| Storage System              | 9,446,992   | 9,446,992                                              | -                        | -                        |
|                             | 131,065,274 | 75,995,905                                             | 55,069,368               | 59,123,310               |

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

### Company

|                               | Balance<br>As at<br>01.04.2018<br>Rs. | Additions<br>Rs. | Disposals<br>Rs. | Balance<br>As at<br>31.03.2019<br>Rs. |
|-------------------------------|---------------------------------------|------------------|------------------|---------------------------------------|
| <b>Gross Carrying Amounts</b> |                                       |                  |                  |                                       |

#### 3.10 At Cost

|                                          |                   |                  |                  |                   |
|------------------------------------------|-------------------|------------------|------------------|-------------------|
| Furniture and Fittings                   | 15,868,532        | 147,465          | -                | 16,015,997        |
| Office Equipment                         | 10,135,995        | 566,225          | (245,000)        | 10,457,220        |
| Computer and Accessories                 | 10,572,616        | 320,382          | -                | 10,892,998        |
| Motor Vehicle                            | 1,782,558         | 640,440          | (203,860)        | 2,219,138         |
| <b>Total Value of Depreciable Assets</b> | <b>38,359,701</b> | <b>1,674,512</b> | <b>(448,860)</b> | <b>39,585,353</b> |

|                | Balance<br>As at<br>01.04.2018<br>Rs. | Charge for<br>the year<br>Rs. | Disposals | Balance<br>As at<br>31.03.2019<br>Rs. |
|----------------|---------------------------------------|-------------------------------|-----------|---------------------------------------|
| <b>At Cost</b> |                                       |                               |           |                                       |

#### 3.11 Depreciation

|                           |                   |                  |                  |                   |
|---------------------------|-------------------|------------------|------------------|-------------------|
| Furniture and Fittings    | 11,597,052        | 1,556,640        | -                | 13,153,692        |
| Office Equipment          | 8,917,888         | 484,591          | (174,476)        | 9,228,003         |
| Computer and Accessories  | 8,241,710         | 806,685          | -                | 9,048,395         |
| Motor Vehicle             | 939,999           | 317,138          | (203,861)        | 1,053,276         |
| <b>Total Depreciation</b> | <b>29,696,649</b> | <b>3,165,054</b> | <b>(378,337)</b> | <b>32,483,366</b> |

|  | 2019<br>Rs. | 2018<br>Rs. |
|--|-------------|-------------|
|--|-------------|-------------|

#### 3.12 Net Book Values

##### At Cost

|                                                               |                  |                  |
|---------------------------------------------------------------|------------------|------------------|
| Furniture and Fittings                                        | 2,862,305        | 4,271,480        |
| Office Equipment                                              | 1,229,217        | 1,218,107        |
| Computer and Accessories                                      | 1,844,603        | 2,330,906        |
| Motor Vehicle                                                 | 1,165,861        | 842,559          |
| <b>Total Carrying Amount of Property, Plant and Equipment</b> | <b>7,101,986</b> | <b>8,663,052</b> |

**3.13** During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 1,674,512/- (2018 - Rs.2,522,511/-) cash payment amounting to Rs. 2,035,919/- (2018 - Rs. 2,672,511/-) were made during the period for purchase of Property, Plant and Equipment.

**3.14** Property, Plant and Equipment include fully depreciated assets having a gross carrying amount of Rs. 18,618,142/- (2018 - Rs. 17,138,648/-).

|  | Group/Company<br>Computer Software |      |
|--|------------------------------------|------|
|  | 2019                               | 2018 |
|  | Rs.                                | Rs.  |

#### 4. INTANGIBLE ASSETS

##### Cost

|                                         |            |            |
|-----------------------------------------|------------|------------|
| Balance as at the Beginning of the year | 12,448,095 | 12,448,095 |
| Additions/Transfer                      | 361,407    | -          |
| Balance as at the End of the year       | 12,809,502 | 12,448,095 |

##### Amortization

|                                         |            |            |
|-----------------------------------------|------------|------------|
| Balance as at the Beginning of the year | 11,273,661 | 9,701,830  |
| Charge for the year                     | 724,621    | 1,571,831  |
| Balance as at the End of the year       | 11,998,282 | 11,273,661 |

|                       |                |                  |
|-----------------------|----------------|------------------|
| <b>Carrying Value</b> | <b>811,220</b> | <b>1,174,434</b> |
|-----------------------|----------------|------------------|

4.1 During the financial year, the Company acquired ( Rs. 361,407/-) intangible assets (2018 -Nil).

|       | 2019 | 2018 |
|-------|------|------|
| Group | Rs.  | Rs.  |

#### 5. LEASE RENTALS PAID IN ADVANCE

|                                                   |              |              |
|---------------------------------------------------|--------------|--------------|
| Lease Rentals paid in Advance                     | 47,000,000   | 47,000,000   |
| Accumulated Amortization                          | (18,565,000) | (17,625,000) |
| Lease Rentals paid in Advance net of Amortization | 28,435,000   | 29,375,000   |

##### 5.1 Summary

|                              |            |            |
|------------------------------|------------|------------|
| At the Beginning of the year | 29,375,000 | 30,315,000 |
| Amortization for the year    | (940,000)  | (940,000)  |
| At the End of the year       | 28,435,000 | 29,375,000 |

##### 5.2 Amortization of Lease Rentals Paid in Advance

###### Total Current

|                                 |           |           |
|---------------------------------|-----------|-----------|
| To be Amortized within One year | (940,000) | (940,000) |
|---------------------------------|-----------|-----------|

###### Total Non - Current

|                                        |              |              |
|----------------------------------------|--------------|--------------|
| To be Amortized from Two to Five years | (3,760,000)  | (3,760,000)  |
| To be Amortized after Five years       | (23,735,000) | (24,675,000) |
|                                        | (27,495,000) | (28,435,000) |

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

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

|  | Company |      |
|--|---------|------|
|  | 2019    | 2018 |
|  | Rs.     | Rs.  |

### 6. INVESTMENTS

|                                  |             |             |
|----------------------------------|-------------|-------------|
| Investment in Subsidiaries (6.1) | 190,352,271 | 190,521,681 |
|                                  | 190,352,271 | 190,521,681 |

#### 6.1 Non-Current Investments

##### Investment in Subsidiaries

|                                   |             |             |
|-----------------------------------|-------------|-------------|
| Asia Siyaka Warehousing (Pvt) Ltd | 190,250,000 | 190,250,000 |
| Siyaka Produce Brokers (Pvt) Ltd  | 102,271     | 271,681     |
|                                   | 190,352,271 | 190,521,681 |

|  | Holding % |      |
|--|-----------|------|
|  | 2019      | 2018 |

|                                   |      |      |
|-----------------------------------|------|------|
| Asia Siyaka Warehousing (Pvt) Ltd | 100% | 100% |
| Siyaka Produce Brokers (Pvt) Ltd  | 100% | 100% |

- 6.2** The Company currently holds 100% ownership of Siyaka Produce Brokers (Pvt) Ltd (the Subsidiary), which transferred its Rubber Broking License to Asia Siyaka Commodities PLC on 18 April 2017. Due to such transfer the Subsidiary lost its revenue generation from rubber broking which was the main revenue source. Further a provision for impairment of Rs. 169,410/- (2018 - Rs. 6,865,954/-) is made due to the drop in net assets as at the reporting date. The Board of Directors intends to close down the Subsidiary in the impending future.

### 7. INVESTMENT PROPERTY

|               | Acre. of Land |       | Group / Company |         |
|---------------|---------------|-------|-----------------|---------|
|               | 2019          | 2018  | 2019            | 2018    |
|               | Acre.         | Acre. | Rs.             | Rs.     |
| Deniyaya Land | 5.542         | 5.542 | 755,727         | 755,727 |

- 7.1** In 2018, the Kolonna Divisional Secretariat acquired a land extent of 38.458 acres for a consideration of Rs. 17,649,975/-. The portion of land which remained with the Company of 5.542 acres is reflected at the proportionate cost as Investment Property.
- 7.2** The fair value of Investment Property is deemed to be Rs. 2,543,458/-, which is based on the price determined by Kolonna Divisional Secretariat and Valuation Department for acquisition of the adjoining property.

|                     | Group       |             | Company     |             |
|---------------------|-------------|-------------|-------------|-------------|
|                     | 2019<br>Rs. | 2018<br>Rs. | 2019<br>Rs. | 2018<br>Rs. |
| <b>8. INVENTORY</b> |             |             |             |             |
| Packing Material    | 1,935,380   | 2,307,374   | 1,935,380   | 2,307,374   |
| Stationery          | 133,943     | 136,734     | 133,943     | 136,734     |
| Other Consumables   | 1,179,760   | 245,512     | 1,159,230   | 233,462     |
|                     | 3,249,083   | 2,689,620   | 3,228,553   | 2,677,570   |

|                                                              |       | Group        |             | Company      |             |
|--------------------------------------------------------------|-------|--------------|-------------|--------------|-------------|
|                                                              |       | 2019<br>Rs.  | 2018<br>Rs. | 2019<br>Rs.  | 2018<br>Rs. |
| <b>9. TRADE RECEIVABLES</b>                                  |       |              |             |              |             |
| Trade Receivables - Others                                   |       | 447,035,292  | 498,205,378 | 430,673,496  | 483,803,791 |
| Less: Provision for Impairment of Trade Receivables - Others | (9.2) | (10,979,189) | (9,869,963) | (10,965,553) | (9,740,323) |
|                                                              |       | 436,056,103  | 488,335,415 | 419,707,943  | 474,063,468 |
| Trade Receivables - Related Parties (9.1)                    |       | 7,534,827    | 5,215,574   | 1,014        | -           |
|                                                              |       | 443,590,930  | 493,550,989 | 419,708,957  | 474,063,468 |

|                                                | Relationship    | Group       |             | Company     |             |
|------------------------------------------------|-----------------|-------------|-------------|-------------|-------------|
|                                                |                 | 2019<br>Rs. | 2018<br>Rs. | 2019<br>Rs. | 2018<br>Rs. |
| <b>9.1 Trade Receivables - Related Parties</b> |                 |             |             |             |             |
| Lanka Commodity Brokers Ltd                    | Ultimate Parent | 7,534,827   | 5,215,574   | 1,014       | -           |
|                                                |                 | 7,534,827   | 5,215,574   | 1,014       | -           |

## 9.2 Provision for Impairment of Trade Receivables

As at 31 March 2019, Trade Receivables of an initial value of Rs. 10,965,553/- (2018 - Rs. 9,740,323/-) were impaired in the Company and Rs. 10,979,189/- (2018 - 9,869,963/- ) were impaired in the Group and fully provided for. The movement of the provision for expected credit losses on trade receivables is given below.

|                                      | Group<br>2019<br>Rs. | Company<br>2019<br>Rs. |
|--------------------------------------|----------------------|------------------------|
| Balance at the Beginning of the year | (9,869,963)          | (9,740,323)            |
| Amount Charged During the year       | (1,109,226)          | (1,225,230)            |
| Balance at the End of the year       | (10,979,189)         | (10,965,553)           |

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

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

| Company                             | 2019        |                                     |                           | 2018        |                                     |                           |
|-------------------------------------|-------------|-------------------------------------|---------------------------|-------------|-------------------------------------|---------------------------|
|                                     | Total       | Neither past<br>due nor<br>Impaired | Past due<br>8-120<br>days | Total       | Neither past<br>due nor<br>Impaired | Past due<br>8-120<br>days |
|                                     | Rs.         | Rs.                                 | Rs.                       | Rs.         | Rs.                                 | Rs.                       |
| Trade Receivables - Others          | 419,707,943 | 404,717,067                         | 14,990,877                | 474,063,468 | 429,556,703                         | 44,506,765                |
| Trade Receivables - Related Parties | 1,014       | -                                   | 1,014                     | -           | -                                   | -                         |
|                                     | 419,708,957 | 404,717,067                         | 14,991,891                | 474,063,468 | 429,556,703                         | 44,506,765                |

| Group                                     | 2019        |                                     |                           | 2018        |                                     |                           |
|-------------------------------------------|-------------|-------------------------------------|---------------------------|-------------|-------------------------------------|---------------------------|
|                                           | Total       | Neither past<br>due nor<br>Impaired | Past due<br>8-120<br>days | Total       | Neither past<br>due nor<br>Impaired | Past due<br>8-120<br>days |
|                                           | Rs.         | Rs.                                 | Rs.                       | Rs.         | Rs.                                 | Rs.                       |
| Trade Receivables - Others                | 436,056,103 | 417,825,698                         | 18,230,405                | 488,335,415 | 435,589,097                         | 52,746,318                |
| Trade Receivables - Related Parties (9.1) | 7,534,827   | -                                   | 7,534,827                 | 5,215,574   | -                                   | 5,215,574                 |
|                                           | 443,590,930 | 417,825,698                         | 25,765,232                | 493,550,989 | 435,589,097                         | 57,961,892                |

|  | Group       |             | Company     |             |
|--|-------------|-------------|-------------|-------------|
|  | 2019<br>Rs. | 2018<br>Rs. | 2019<br>Rs. | 2018<br>Rs. |

### 10. LOANS AND ADVANCES

|                                                               |               |               |               |               |
|---------------------------------------------------------------|---------------|---------------|---------------|---------------|
| Short Term Loans to Clients                                   | 191,492,517   | 217,338,953   | 191,492,517   | 217,338,953   |
| Advances to Tea Clients                                       | 1,173,606,033 | 679,178,638   | 1,173,606,033 | 679,178,638   |
| Less : Provision for Impairment of Loans and Advances ( 10.1) | (158,157,702) | (147,158,909) | (158,157,702) | (147,158,909) |
| Loans and Advances to Rubber and Spices Clients               | 112,699,872   | 16,066,060    | 112,699,872   | 16,066,060    |
|                                                               | 1,319,640,720 | 765,424,742   | 1,319,640,720 | 765,424,742   |

|  | Group/Company |             |
|--|---------------|-------------|
|  | 2019<br>Rs.   | 2018<br>Rs. |

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

|                                      |               |               |
|--------------------------------------|---------------|---------------|
| Balance at the Beginning of the year | (147,158,909) | (75,126,625)  |
| Impairment Provision for the year    | (10,998,793)  | (72,032,284)  |
| Balance at the End of the year       | (158,157,702) | (147,158,909) |

**10. LOANS AND ADVANCES (CONTD...)**

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

|                    | 2019          |                                     |                              | 2018        |                                     |                              |
|--------------------|---------------|-------------------------------------|------------------------------|-------------|-------------------------------------|------------------------------|
|                    | Total         | Neither past<br>due nor<br>Impaired | Past due<br>28 to 90<br>days | Total       | Neither past<br>due nor<br>Impaired | Past due<br>28 to 90<br>days |
|                    | Rs.           | Rs.                                 | Rs.                          | Rs.         | Rs.                                 | Rs.                          |
| <b>Company</b>     |               |                                     |                              |             |                                     |                              |
| Loans and Advances | 1,319,640,720 | 674,701,495                         | 644,939,225                  | 765,424,742 | 359,283,355                         | 406,141,387                  |
|                    | 1,319,640,720 | 674,701,495                         | 644,939,225                  | 765,424,742 | 359,283,355                         | 406,141,387                  |
| <b>Group</b>       |               |                                     |                              |             |                                     |                              |
| Loans and Advances | 1,319,640,720 | 674,701,495                         | 644,939,225                  | 765,424,742 | 359,283,355                         | 406,141,387                  |
|                    | 1,319,640,720 | 674,701,495                         | 644,939,225                  | 765,424,742 | 359,283,355                         | 406,141,387                  |

|  | Group |      | Company |      |
|--|-------|------|---------|------|
|  | 2019  | 2018 | 2019    | 2018 |
|  | Rs.   | Rs.  | Rs.     | Rs.  |

**11. OTHER RECEIVABLES, PREPAYMENTS AND ADVANCES**

|                     |            |            |           |           |
|---------------------|------------|------------|-----------|-----------|
| Refundable Deposits | 1,414,891  | 1,314,891  | 1,227,891 | 1,127,891 |
| Prepayments         | 4,302,030  | 5,894,813  | 2,256,992 | 4,192,557 |
| Medical Recoverable | 242,116    | 1,959,363  | 242,116   | 1,959,363 |
| Capital Advances    | 4,708,637  | 5,686,888  | -         | -         |
| Other Receivable    | 6,501,509  | 5,980,948  | 3,834,473 | 1,491,390 |
|                     | 17,169,183 | 20,836,902 | 7,561,472 | 8,771,200 |

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

|  | Group |      | Company |      |
|--|-------|------|---------|------|
|  | 2019  | 2018 | 2019    | 2018 |
|  | Rs.   | Rs.  | Rs.     | Rs.  |

### 12. CASH AND CASH EQUIVALENTS

#### Components of Cash and Cash Equivalents

#### Favorable Cash and Cash Equivalent balance

|                        |            |             |            |             |
|------------------------|------------|-------------|------------|-------------|
| Cash and Bank balances | 87,401,161 | 175,010,551 | 79,340,848 | 174,654,276 |
|                        | 87,401,161 | 175,010,551 | 79,340,848 | 174,654,276 |

|                                              |             |              |             |              |
|----------------------------------------------|-------------|--------------|-------------|--------------|
| Unfavorable Cash and Cash Equivalent balance | (5,359,641) | (18,072,951) | (5,241,278) | (14,667,294) |
|----------------------------------------------|-------------|--------------|-------------|--------------|

|                                                                          |              |              |              |              |
|--------------------------------------------------------------------------|--------------|--------------|--------------|--------------|
| Unfavorable interest bearing borrowings on client financing (Over draft) | (31,061,397) | (53,359,453) | (31,061,397) | (53,359,453) |
|--------------------------------------------------------------------------|--------------|--------------|--------------|--------------|

#### Total Cash and Cash Equivalent balance for the purpose of

|                         |            |             |            |             |
|-------------------------|------------|-------------|------------|-------------|
| Statement of Cash Flows | 50,980,123 | 103,578,147 | 43,038,173 | 106,627,529 |
|-------------------------|------------|-------------|------------|-------------|

|  | 2019   |     | 2018   |
|--|--------|-----|--------|
|  | Number | Rs. | Number |
|  |        |     | Rs.    |

### 13. STATED CAPITAL

|                            |             |             |             |             |
|----------------------------|-------------|-------------|-------------|-------------|
| Fully Paid Ordinary Shares | 260,000,000 | 100,000,000 | 260,000,000 | 100,000,000 |
|----------------------------|-------------|-------------|-------------|-------------|

|  | Group |      | Company |      |
|--|-------|------|---------|------|
|  | 2019  | 2018 | 2019    | 2018 |
|  | Rs.   | Rs.  | Rs.     | Rs.  |

### 14. RETIREMENT BENEFIT OBLIGATION

#### 14.1 Retirement Benefits Obligation-Gratuity

|                              |             |            |             |            |
|------------------------------|-------------|------------|-------------|------------|
| At the Beginning of the Year | 59,315,883  | 38,609,616 | 52,922,502  | 33,411,934 |
| Transfers                    | -           | -          | -           | 272,621    |
| Charge for the Year          | 10,659,473  | 8,326,233  | 9,299,936   | 7,099,237  |
| Actuarial Loss for the year  | 7,802,929   | 13,091,573 | 7,094,835   | 12,850,249 |
| Benefits Paid                | (7,837,158) | (711,539)  | (6,060,598) | (711,539)  |
| At the End of the Year       | 69,941,127  | 59,315,883 | 63,256,675  | 52,922,502 |

#### 14. RETIREMENT BENEFIT OBLIGATION (CONTD...)

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

|                      | Group      |           | Company   |           |
|----------------------|------------|-----------|-----------|-----------|
|                      | 2019       | 2018      | 2019      | 2018      |
|                      | Rs.        | Rs.       | Rs.       | Rs.       |
| Current Service Cost | 4,134,726  | 3,663,107 | 3,478,461 | 3,058,543 |
| Interest Cost        | 6,524,747  | 4,663,125 | 5,821,475 | 4,040,694 |
|                      | 10,659,473 | 8,326,232 | 9,299,936 | 7,099,237 |

**14.3** Messrs. Actuarial & Management Consultants (Private) Limited Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity using the Projected Unit Credit (PUC) method as at 31 March 2019 and 31 March 2018. Appropriate and compatible assumptions were used in determining the cost of Retirement Benefits Obligation.

|  | Group |      | Company |      |
|--|-------|------|---------|------|
|  | 2019  | 2018 | 2019    | 2018 |

##### 14.4 The Principal Assumptions used are as follows

|                                       |           |           |         |         |
|---------------------------------------|-----------|-----------|---------|---------|
| Discount Rate per annum               | 12%       | 11%       | 12%     | 11%     |
| Salary Increment Rate per annum       | 5% - 8%   | 5% - 8%   | 5% - 8% | 5% - 8% |
| Staff Turnover Rate per annum         | 9% - 16%  | 5%-10%    | 16%     | 10%     |
| Expected Remaining Service Life years | 4.82-6.47 | 6.61-9.05 | 4.82    | 6.61    |
| Retirement Age years                  | 55-60     | 55-60     | 55-60   | 55-60   |

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

### 14.5 Sensitivity of Assumptions Employed in Actuarial Valuation

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

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

|                                             |                                                        |                                                       | 2019                                                                        |                                                   |                                                                             |                                                   |
|---------------------------------------------|--------------------------------------------------------|-------------------------------------------------------|-----------------------------------------------------------------------------|---------------------------------------------------|-----------------------------------------------------------------------------|---------------------------------------------------|
|                                             |                                                        |                                                       | Group                                                                       |                                                   | Company                                                                     |                                                   |
| Increase/<br>(Decrease)<br>in Discount Rate | Increase/<br>(Decrease)<br>in Salary<br>Increment Rate | Increase/<br>(Decrease)<br>in Staff Turn<br>Over Rate | Effect on Change to<br>Statement of Other<br>Comprehensive<br>Income<br>Rs. | Effect on Retirement<br>Benefit Obligation<br>Rs. | Effect on Change to<br>Statement of Other<br>Comprehensive<br>Income<br>Rs. | Effect on Retirement<br>Benefit Obligation<br>Rs. |
| 1%                                          | *                                                      | ***                                                   | (2,072,013)                                                                 | (2,072,013)                                       | (1,777,730)                                                                 | (1,777,730)                                       |
| -1%                                         | *                                                      | ***                                                   | 2,226,321                                                                   | 2,226,321                                         | 1,905,904                                                                   | 1,905,904                                         |
| **                                          | 1%                                                     | ***                                                   | 2,497,588                                                                   | 2,497,588                                         | 2,135,268                                                                   | 2,135,268                                         |
| **                                          | -1%                                                    | ***                                                   | (2,356,868)                                                                 | (2,356,868)                                       | (2,020,061)                                                                 | (2,020,061)                                       |
| **                                          | *                                                      | 1%                                                    | 354,524                                                                     | 354,524                                           | 275,567                                                                     | 275,567                                           |
| **                                          | *                                                      | -1%                                                   | (379,323)                                                                   | (379,323)                                         | (294,479)                                                                   | (294,479)                                         |

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

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

\*\*\* Staff Turnover Rate 16% for the Company and 9% - 16% for the Group

|                                             |                                                        |                                                      | 2018                                                                        |                                                   |                                                                             |                                                   |
|---------------------------------------------|--------------------------------------------------------|------------------------------------------------------|-----------------------------------------------------------------------------|---------------------------------------------------|-----------------------------------------------------------------------------|---------------------------------------------------|
|                                             |                                                        |                                                      | Group                                                                       |                                                   | Company                                                                     |                                                   |
| Increase/<br>(Decrease)<br>in Discount Rate | Increase/<br>(Decrease)<br>in Salary<br>Increment Rate | Increase/<br>(Decrease)<br>in Staff Turnover<br>Rate | Effect on Change to<br>Statement of Other<br>Comprehensive<br>Income<br>Rs. | Effect on Retirement<br>Benefit Obligation<br>Rs. | Effect on Change to<br>Statement of Other<br>Comprehensive<br>Income<br>Rs. | Effect on Retirement<br>Benefit Obligation<br>Rs. |
| 1%                                          | *                                                      | ***                                                  | (1,981,605)                                                                 | (1,981,605)                                       | (1,643,576)                                                                 | (1,643,576)                                       |
| -1%                                         | *                                                      | ***                                                  | 2,155,168                                                                   | 2,155,168                                         | 1,780,457                                                                   | 1,780,457                                         |
| **                                          | 1%                                                     | ***                                                  | 2,394,804                                                                   | 2,394,804                                         | 1,977,569                                                                   | 1,977,569                                         |
| **                                          | -1%                                                    | ***                                                  | (2,231,878)                                                                 | (2,231,878)                                       | (1,850,798)                                                                 | (1,850,798)                                       |
| **                                          | *                                                      | 1%                                                   | 397,078                                                                     | 397,078                                           | 291,919                                                                     | 291,919                                           |
| **                                          | *                                                      | -1%                                                  | (427,317)                                                                   | (427,317)                                         | (313,422)                                                                   | (313,422)                                         |

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

\*\* Discount Rate 11% for Company and Group

\*\*\* Staff Turnover Rate 10% for the Company and 5% - 10% for the Group

| Bank | Amount | Interest Rate | Maturity | 2019<br>Rs. | 2018<br>Rs. |
|------|--------|---------------|----------|-------------|-------------|
|------|--------|---------------|----------|-------------|-------------|

#### 15. INTEREST BEARING BORROWINGS

|                 |            |              |            |             |             |
|-----------------|------------|--------------|------------|-------------|-------------|
|                 |            | AWPLR + 1.5% |            |             |             |
| Commercial Bank | Rs. 450 Mn | p.a          | March 2024 | 332,142,858 | 396,428,573 |
|                 |            |              |            | 332,142,858 | 396,428,573 |

|  | Amount<br>repayable<br>within 1 year<br>Rs. | Amount<br>repayable<br>after 1 year<br>Rs. | Total<br>Rs. |
|--|---------------------------------------------|--------------------------------------------|--------------|
|--|---------------------------------------------|--------------------------------------------|--------------|

#### As at 31 March 2019

|                             |            |             |             |
|-----------------------------|------------|-------------|-------------|
| Bank loans- Commercial Bank | 64,285,709 | 267,857,149 | 332,142,858 |
|                             | 64,285,709 | 267,857,149 | 332,142,858 |

#### As at 31 March 2018

|                             |            |             |             |
|-----------------------------|------------|-------------|-------------|
| Bank loans- Commercial Bank | 64,285,709 | 332,142,863 | 396,428,572 |
|                             | 64,285,709 | 332,142,863 | 396,428,572 |

| Bank loans      | As at<br>01.04.2018<br>Rs. | Loans<br>obtained<br>Rs. | Repayment<br>Rs. | As at<br>31.03.2019<br>Rs. |
|-----------------|----------------------------|--------------------------|------------------|----------------------------|
| Commercial Bank | 396,428,572                | -                        | (64,285,714)     | 332,142,858                |
|                 | 396,428,572                | -                        | (64,285,714)     | 332,142,858                |

|  | Group<br>2019<br>Rs. | 2018<br>Rs. | Company<br>2019<br>Rs. | 2018<br>Rs. |
|--|----------------------|-------------|------------------------|-------------|
|--|----------------------|-------------|------------------------|-------------|

#### 16. TRADE PAYABLES

|                                         |             |             |             |             |
|-----------------------------------------|-------------|-------------|-------------|-------------|
| Trade Payables - Others                 | 589,105,181 | 569,672,535 | 589,105,185 | 569,672,539 |
| Trade Payables - Related Parties (16.1) |             |             | 199,077,128 | 211,844,716 |
|                                         | 589,105,181 | 569,672,535 | 788,182,313 | 781,517,255 |

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

| Relationship                                  | Group       |             | Company     |             |
|-----------------------------------------------|-------------|-------------|-------------|-------------|
|                                               | 2019<br>Rs. | 2018<br>Rs. | 2019<br>Rs. | 2018<br>Rs. |
| <b>16.1 Amount payable to Related Parties</b> |             |             |             |             |
| Asia Siyaka Warehousing (Pvt) Ltd             | -           | -           | 199,077,128 | 211,844,716 |
|                                               | -           | -           | 199,077,128 | 211,844,716 |

The amount due to Asia Siyaka Warehousing (Pvt) Ltd is subject to an annual average interest rate of 13.18% (2018: 13.4%)

|                                                            | Group / Company |             |
|------------------------------------------------------------|-----------------|-------------|
|                                                            | 2019<br>Rs.     | 2018<br>Rs. |
| <b>17. INTEREST BEARING BORROWINGS ON CLIENT FINANCING</b> |                 |             |
| Short Term Loans                                           | 865,000,000     | 500,000,000 |
| Overdrafts                                                 | 31,061,397      | 53,359,453  |
|                                                            | 896,061,397     | 553,359,453 |

The Group has pledged its assets as security for the Interest Bearing Loans and Borrowings obtained as stated in Note 29. Overdrafts obtained on client financing is considered as "Cash and Cash Equivalent" for the purpose of Statement of Cash Flows.

|                                                      | Group              |                    | Company            |                    |
|------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                                      | 2019<br>Rs.        | 2018<br>Rs.        | 2019<br>Rs.        | 2018<br>Rs.        |
| <b>18. REVENUE FROM CONTRACTS WITH THE CUSTOMERS</b> |                    |                    |                    |                    |
| <b>Revenue from Contracts with Customers</b>         |                    |                    |                    |                    |
| Brokerage Income                                     | 268,453,887        | 303,629,793        | 268,453,887        | 303,293,301        |
| Packing Material Operations                          | 4,524,099          | 4,835,232          | 4,524,099          | 4,835,231          |
| Warehousing Income                                   | 247,275,366        | 218,121,296        | 2,323,919          | 103,393            |
| Others                                               | 37,906,116         | 37,384,678         | 22,743,669         | 22,355,979         |
| <b>Total revenue from Contracts with Customers</b>   | <b>558,159,468</b> | <b>563,970,999</b> | <b>298,045,574</b> | <b>330,587,904</b> |
| Interest on Loans and Client Advances                | 212,519,404        | 220,717,644        | 212,519,404        | 219,622,403        |
| <b>Total Revenue</b>                                 | <b>770,678,872</b> | <b>784,688,643</b> | <b>510,564,978</b> | <b>550,210,307</b> |

|                                                         | Group            |                   | Company           |                   |
|---------------------------------------------------------|------------------|-------------------|-------------------|-------------------|
|                                                         | 2019             | 2018              | 2019              | 2018              |
|                                                         | Rs.              | Rs.               | Rs.               | Rs.               |
| <b>19. OTHER INCOME AND GAINS</b>                       |                  |                   |                   |                   |
| Dividend Income                                         | -                | -                 | 44,289,136        | 8,550,000         |
| Profit / (Loss) on Sale of Property Plant and Equipment | 399,908          | 7,821,187         | 90,975            | (4,900)           |
| Security Insurance                                      | 1,956,237        | 1,979,321         | 1,956,237         | 1,979,320         |
| Commission Income                                       | -                | -                 | 699,966           | 632,667           |
| Creditors Write Back                                    | 19,789           | 88,554            | 19,789            | 88,554            |
| Profit from Sale of Investment                          | -                | 12,405,702        | -                 | 12,405,702        |
| Others                                                  | 663,176          | 140,613           | 535,081           | -                 |
|                                                         | <b>3,039,110</b> | <b>22,435,377</b> | <b>47,591,184</b> | <b>23,651,343</b> |

|                                   | Group              |                    | Company            |                    |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                   | 2019               | 2018               | 2019               | 2018               |
|                                   | Rs.                | Rs.                | Rs.                | Rs.                |
| <b>20. FINANCE COST</b>           |                    |                    |                    |                    |
| Bank Charges                      | 4,153,606          | 4,516,694          | 4,114,317          | 4,464,506          |
| Interest on Overdraft             | 10,428,692         | 10,425,710         | 10,409,195         | 10,425,710         |
| Interest on Borrowings            | 129,195,171        | 159,915,313        | 80,996,577         | 103,435,254        |
| Interest on Intercompany Advances | -                  | -                  | 27,696,749         | 26,685,184         |
|                                   | <b>143,777,468</b> | <b>174,857,717</b> | <b>123,216,838</b> | <b>145,010,654</b> |

|                                             | Group             |                  | Company           |                   |
|---------------------------------------------|-------------------|------------------|-------------------|-------------------|
|                                             | 2019              | 2018             | 2019              | 2018              |
|                                             | Rs.               | Rs.              | Rs.               | Rs.               |
| <b>21. FINANCE INCOME</b>                   |                   |                  |                   |                   |
| Interest on Savings Accounts                | 3,239,713         | 3,118,599        | 3,239,713         | 3,118,599         |
| Interest on REPO Investment                 | 5,303,817         | 3,595,890        | 5,266,173         | 3,595,890         |
| Interest Income on Penalties                | 1,951,675         | 1,240,201        | 1,951,675         | 1,240,201         |
| Interest Income on Intercompany Receivables | -                 | -                | -                 | 2,150,666         |
| Other Interest                              | 36,508            | 177,775          | 14,994            | 140,680           |
|                                             | <b>10,531,713</b> | <b>8,132,465</b> | <b>10,472,555</b> | <b>10,246,036</b> |

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

|                                               | Group       |             | Company     |             |
|-----------------------------------------------|-------------|-------------|-------------|-------------|
|                                               | 2019<br>Rs. | 2018<br>Rs. | 2019<br>Rs. | 2018<br>Rs. |
| <b>22. PROFIT BEFORE TAX</b>                  |             |             |             |             |
| <b>Stated after Charging</b>                  |             |             |             |             |
| Employee Benefits including the following     | 129,974,548 | 119,402,357 | 104,060,974 | 96,209,892  |
| Defined Contribution Plan Costs               | 15,845,310  | 14,488,190  | 12,360,135  | 11,623,129  |
| Retirement Benefit Obligation - Gratuity      | 10,659,474  | 8,326,232   | 9,299,937   | 7,099,237   |
| Depreciation                                  | 62,174,540  | 58,168,531  | 3,889,675   | 4,686,753   |
| Provision for Impairment of Loans & Advances  | 19,615,706  | 72,032,285  | 19,615,706  | 72,032,285  |
| Provision for Impairment of Trade Receivables | 1,347,751   | 5,578,002   | 1,344,307   | 5,505,814   |
| External Audit Fees                           | 704,326     | 682,887     | 441,889     | 452,035     |
| Internal Audit Fees                           | 527,850     | 546,565     | 316,710     | 316,710     |

|                                                                 | Group       |             | Company      |             |
|-----------------------------------------------------------------|-------------|-------------|--------------|-------------|
|                                                                 | 2019<br>Rs. | 2018<br>Rs. | 2019<br>Rs.  | 2018<br>Rs. |
| <b>23. INCOME TAX EXPENSE</b>                                   |             |             |              |             |
| <b>Current Income Tax</b>                                       |             |             |              |             |
| Current Income Tax Charge                                       | 43,366,395  | 33,292,911  | 30,719,993   | 27,404,549  |
| Over/(Under) Provision of Tax Expense in respect of Prior years | 424,689     | (7,885,467) | 424,689      | (7,705,631) |
|                                                                 | 43,791,084  | 25,407,444  | 31,144,682   | 19,698,918  |
| <b>Deferred Income Tax</b>                                      |             |             |              |             |
| Reversal / (Charge) of Deferred Tax (Note 24.1, Note 24.2))     | 6,115,817   | 12,639,551  | (11,641,506) | (1,826,282) |
|                                                                 | 49,906,902  | 38,046,995  | 19,503,176   | 17,872,636  |

|                                                                         |               |               |              |              |
|-------------------------------------------------------------------------|---------------|---------------|--------------|--------------|
| <b>23.1 Reconciliation between Accounting Profit and Taxable Income</b> |               |               |              |              |
| Accounting Profit (Profit before Taxation)                              | 162,959,003   | 135,605,046   | 125,519,325  | 74,138,629   |
| Dividend Income from Group Companies                                    | 44,289,136    | 8,550,000     | -            | -            |
| Dividend Tax                                                            | 7,209,860     | 950,000       | -            | -            |
| Other Consolidation Adjustments                                         | 18,427,891    | (4,423,097)   | -            | -            |
| Profit After Adjustments                                                | 232,885,890   | 140,681,949   | 125,519,325  | 74,138,629   |
| Non-Deductible Items                                                    | 104,884,097   | 113,716,512   | 46,929,942   | 51,087,928   |
| Deductible Items                                                        | (185,782,490) | (168,272,397) | (62,735,005) | (37,599,205) |
| Statutory Income from Business                                          | 151,987,497   | 86,126,064    | 109,714,262  | 87,627,352   |
| Statutory Loss from Business                                            | -             | (4,894,145)   | -            | -            |
| Taxable Interest Income                                                 | 27,755,906    | 36,968,316    | -            | 10,246,036   |
| Total Statutory Income                                                  | 179,743,403   | 127,988,525   | 109,714,262  | 97,873,388   |
| Tax Losses Utilized during the Year                                     | (24,863,419)  | (9,085,271)   | -            | -            |
| Total Taxable Income                                                    | 154,879,984   | 118,903,254   | 109,714,262  | 97,873,388   |

|                             |            |            |            |            |
|-----------------------------|------------|------------|------------|------------|
| Statutory Tax Rates         |            |            |            |            |
| -Income Tax on Profits      | 28%        | 28%        | 28%        | 28%        |
| Income Tax on Profit at 28% | 43,366,395 | 33,292,911 | 30,719,993 | 27,404,549 |
| Current Income Tax Charge   | 43,366,395 | 33,292,911 | 30,719,993 | 27,404,549 |

|                                |     |     |     |     |
|--------------------------------|-----|-----|-----|-----|
| <b>23.2 Effective Tax Rate</b> | 27% | 25% | 24% | 37% |
|--------------------------------|-----|-----|-----|-----|

|  | Statement of Financial Position |      | Profit or Loss |      | Other Comprehensive Income |      |
|--|---------------------------------|------|----------------|------|----------------------------|------|
|  | 2019                            | 2018 | 2019           | 2018 | 2019                       | 2018 |
|  | Rs.                             | Rs.  | Rs.            | Rs.  | Rs.                        | Rs.  |

## 24. DEFERRED TAX

### 24.1 Deferred Tax - Group

#### Deferred Tax Liability

Accelerated depreciation for

|              |             |             |            |            |   |            |
|--------------|-------------|-------------|------------|------------|---|------------|
| Tax Purposes | 132,448,309 | 121,788,155 | 10,660,153 | 22,284,131 | - | 56,844,395 |
|              | 132,448,309 | 121,788,155 | 10,660,153 | 22,284,131 | - | 56,844,395 |

#### Deferred Tax Assets

|                        |              |              |              |             |           |             |
|------------------------|--------------|--------------|--------------|-------------|-----------|-------------|
| Defined Benefit Plans  | (19,583,515) | (16,608,448) | (790,247)    | (2,942,971) | 2,184,820 | (3,665,640) |
| Unused Tax Losses      | -            | (6,701,609)  | 6,701,609    | (6,701,609) | -         | -           |
| Bad and Doubtful Debts | (10,455,698) | -            | (10,455,698) | -           | -         | -           |
|                        | (30,039,213) | (23,310,057) | (4,544,336)  | (9,644,580) | 2,184,820 | (3,665,640) |

|                            |             |            |           |            |           |            |
|----------------------------|-------------|------------|-----------|------------|-----------|------------|
| Deferred Income Tax Charge |             |            | 6,115,817 | 12,639,551 | 2,184,820 | 53,178,755 |
| Net Deferred Tax Liability | 102,409,096 | 98,478,098 |           |            |           |            |

|  | Statement of Financial Position |      | Profit or Loss |      | Other Comprehensive Income |      |
|--|---------------------------------|------|----------------|------|----------------------------|------|
|  | 2019                            | 2018 | 2019           | 2018 | 2019                       | 2018 |
|  | Rs.                             | Rs.  | Rs.            | Rs.  | Rs.                        | Rs.  |

### 24.2 Deferred Tax - Company

#### Deferred Tax Liability

Accelerated depreciation for

|              |           |           |           |          |   |   |
|--------------|-----------|-----------|-----------|----------|---|---|
| Tax Purposes | 1,002,367 | 1,281,161 | (278,794) | (34,337) | - | - |
|--------------|-----------|-----------|-----------|----------|---|---|

#### Deferred Tax Assets

|                                      |              |              |              |             |             |             |
|--------------------------------------|--------------|--------------|--------------|-------------|-------------|-------------|
| Defined Benefit Plans                | (17,711,869) | (14,818,301) | (907,014)    | (1,791,945) | (1,986,554) | (3,598,070) |
| Provision for Bad and Doubtful Debts | (10,455,698) | -            | (10,455,698) | -           | -           | -           |

|                            |              |              |              |             |             |             |
|----------------------------|--------------|--------------|--------------|-------------|-------------|-------------|
| Deferred Income Tax Charge |              |              | (11,641,506) | (1,826,282) | (1,986,554) | (3,598,070) |
| Net Deferred Tax Liability | (27,165,200) | (13,537,140) |              |             |             |             |

## 25. EARNINGS PER SHARE

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

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

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

|                                                                   | Group       |             | Company     |             |
|-------------------------------------------------------------------|-------------|-------------|-------------|-------------|
|                                                                   | 2019        | 2018        | 2019        | 2018        |
|                                                                   | Rs.         | Rs.         | Rs.         | Rs.         |
| <b>Amount Used as the Numerator:</b>                              |             |             |             |             |
| Net Profit for the year                                           | 113,052,101 | 97,558,051  | 106,016,149 | 56,265,993  |
| <b>Number of Ordinary Shares Used as the Denominator:</b>         |             |             |             |             |
| Weighted Average number of Ordinary Shares in issue applicable to |             |             |             |             |
| Basic Earnings Per Share                                          | 260,000,000 | 260,000,000 | 260,000,000 | 260,000,000 |
| Basic Earning Per Share                                           | 0.43        | 0.38        | 0.41        | 0.22        |

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

|                                    | Group       |             | Company     |             |
|------------------------------------|-------------|-------------|-------------|-------------|
|                                    | 2019        | 2018        | 2019        | 2018        |
|                                    | Rs.         | Rs.         | Rs.         | Rs.         |
| <b>26. DIVIDEND PER SHARE</b>      |             |             |             |             |
| Total Gross Dividends              | 65,000,000  | 65,000,000  | 65,000,000  | 65,000,000  |
| Number of Shares                   | 260,000,000 | 260,000,000 | 260,000,000 | 260,000,000 |
| Dividend Per Share                 | 0.25        | 0.25        | 0.25        | 0.25        |
| <b>26.1 Dividend Pay Out Ratio</b> | <b>57%</b>  | <b>67%</b>  | <b>61%</b>  | <b>116%</b> |

## 27. SEGMENTAL INFORMATION AND REVENUE

### Primary Reporting Format - Business Segments

As at 31 March 2019, the qualifying segments under business segment reporting are as follows;

- Commodity Brokering
- Warehousing

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

|                                       | Commodity Brokering |               | Warehousing   |               | Elimination of Inter-Segment |               | Total         |               |
|---------------------------------------|---------------------|---------------|---------------|---------------|------------------------------|---------------|---------------|---------------|
|                                       | 2019                | 2018          | 2019          | 2018          | 2019                         | 2018          | 2019          | 2018          |
|                                       | Rs.                 | Rs.           | Rs.           | Rs.           | Rs.                          | Rs.           | Rs.           | Rs.           |
| <b>Revenue</b>                        |                     |               |               |               |                              |               |               |               |
| Revenue from Contracts with Customers | 310,884,102         | 563,970,999   | 247,275,366   | 218,121,296   | -                            | -             | 558,159,468   | 782,092,295   |
| Interest on Loans and Client Advances | 212,519,404         | 220,717,644   | -             | -             | -                            | -             | 212,519,404   | 220,717,644   |
| Total Revenue                         | 523,403,506         | 784,688,643   | 247,275,366   | 218,121,296   | -                            | -             | 770,678,872   | 784,688,643   |
| <b>Results</b>                        |                     |               |               |               |                              |               |               |               |
| Finance Costs                         | (123,217,668)       | (147,163,136) | (48,256,540)  | (56,530,433)  | 27,696,749                   | 28,835,852    | (143,777,468) | (174,857,717) |
| Finance Income                        | 10,510,199          | 11,010,399    | 27,718,263    | 25,957,917    | (27,696,749)                 | (28,835,852)  | 10,531,713    | 8,132,465     |
| Depreciation & Amortization           | (3,889,675)         | (4,697,553)   | (56,287,302)  | (52,530,978)  | -                            | -             | (60,176,977)  | (57,228,531)  |
| Amortization of Leasehold Land        | -                   | -             | (940,000)     | (940,000)     | -                            | -             | (940,000)     | (940,000)     |
| Gratuity Expense                      | (9,299,937)         | (7,111,341)   | (1,359,537)   | (1,214,891)   | -                            | -             | (10,659,474)  | (8,326,232)   |
| Profit before Income Tax              | 125,353,731         | 73,471,637    | 81,725,007    | 63,817,455    | (44,119,726)                 | (1,684,046)   | 162,959,003   | 135,605,046   |
| <b>Assets and Liabilities</b>         |                     |               |               |               |                              |               |               |               |
| Segment Assets                        | 2,081,969,153       | 1,665,977,760 | 1,111,238,139 | 1,158,908,065 | (386,555,385)                | (392,593,482) | 2,806,651,907 | 2,432,292,344 |
| Segment Liabilities                   | 1,789,013,188       | 1,417,382,303 | 482,666,139   | 534,986,734   | (198,074,761)                | (202,071,807) | 2,073,604,566 | 1,750,297,229 |

Elimination of inter-segment transactions includes dividend income received from Asia Siyaka Warehousing (Private) Limited of Rs. 44,286,136/- (2018- Rs.8,550,000/-), vehicle hire charges of Rs. 6,309,000/- (2018- Rs. 5,146,500/-) and warehousing income of Rs. 3,047,143/- (2018 - nil).

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

### 28. COMMITMENTS AND CONTINGENCIES

#### 28.1 Capital Commitments

There were no material capital expenditure commitments as at reporting date.

#### 28.2 Contingencies

Asia Siyaka Warehousing (Pvt) Ltd issue Corporate Guarantees to banks on behalf of the parent company, at the reporting date corporate guarantees issued were amounted to Rs. 1,450Mn (2018-Rs. 1,450Mn).

There have been no other significant contingencies as at the end of the reporting period that require adjustments to or disclosure in the financial statements.

### 29. ASSETS PLEDGED

#### 29.1 Details of Assets Pledged together with the related banking facilities are as follows - Company

| Bank                 | Nature of Facility | Facility Limit | Interest | Security/Assets pledged                                                                                                                                |
|----------------------|--------------------|----------------|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------|
| NDB Bank             | Overdraft          | Rs.75Mn        | Variable | Mortgage over book debts of Rs.325Mn and Corporate Guarantee from Asia Siyaka Warehousing (Pvt) Ltd for Rs.325Mn.                                      |
|                      | Short term loans   | Rs.250Mn       | Variable |                                                                                                                                                        |
| DFCC Vardhana Bank   | Overdraft          | Rs.25Mn        | Variable | Mortgage over book debts for Rs.200Mn and Corporate Guarantee from Asia Siyaka Warehousing (Pvt) Ltd for Rs.200Mn and facility agreement for Rs.25Mn.  |
|                      | Short term loans   | Rs.175Mn       | Variable |                                                                                                                                                        |
| Commercial Bank      | Overdraft          | Rs.25Mn        | Variable | Mortgage over book debts for Rs.225Mn and Corporate Guarantee from Asia Siyaka Warehousing (Pvt) Ltd for Rs.225Mn and facility agreement for Rs.25 Mn. |
|                      | Short term loans   | Rs.200Mn       | Variable |                                                                                                                                                        |
| Hatton National Bank | Overdraft          | Rs.25Mn        | Variable | Corporate Guarantee from Asia Siyaka Warehousing (Pvt ) Ltd.                                                                                           |
|                      | Short term loans   | Rs.475Mn       | Variable |                                                                                                                                                        |
| Sampath Bank         | Overdraft          | Rs.200Mn       | Variable | Mortgage over book debts of Rs.200Mn and Corporate Guarantee for Rs.200Mn from Asia Siyaka Warehousing (Pvt) Ltd.                                      |
| Bank of Ceylon       | Overdraft          | Rs.20Mn        | Variable | Against the fixed deposit in Bank of Ceylon of Rs.24Mn                                                                                                 |

#### 29.2 Details of Assets Pledged together with the related banking facilities are as follows - Subsidiary

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

### 30. EVENTS AFTER THE REPORTING PERIOD

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

### 31. RELATED PARTY DISCLOSURES

31.1 Details of significant related party disclosures are as follows;

| Nature of Relationship                  | Group                                       |                  |
|-----------------------------------------|---------------------------------------------|------------------|
|                                         | Lanka<br>Commodity<br>Brokers Ltd<br>Parent | Total<br>Rs.     |
| <b>Nature of Transaction</b>            |                                             |                  |
| As at 01 April 2018                     | 5,215,574                                   | 5,215,574        |
| Sale of Goods and Rendering of Services | 84,806,340                                  | 84,806,340       |
| Funds Received/ (Transferred)           | (318,367)                                   | (318,367)        |
| Payments Made                           | (82,168,720)                                | (82,168,720)     |
| <b>As at 31 March 2019</b>              | <b>7,534,827</b>                            | <b>7,534,827</b> |

| Nature of Relationship                  | Company                                            |                                                              | Total<br>Rs.         |
|-----------------------------------------|----------------------------------------------------|--------------------------------------------------------------|----------------------|
|                                         | Lanka<br>Commodity<br>Brokers Ltd<br>Rs.<br>Parent | Asia Siyaka<br>Warehousing<br>(Pvt) Ltd<br>Rs.<br>Subsidiary |                      |
| <b>Nature of Transaction</b>            |                                                    |                                                              |                      |
| As at 01 April 2018                     | -                                                  | (211,844,716)                                                | (211,844,716)        |
| Sale of Goods and Rendering of Services | 280,696                                            | (117,082,017)                                                | (116,801,321)        |
| Interest Cost                           | -                                                  | (27,696,749)                                                 | (27,696,749)         |
| Funds Received                          | -                                                  | 135,220,568                                                  | 135,220,568          |
| Expenses Incurred                       | -                                                  | (3,886,152)                                                  | (3,886,152)          |
| Payments Made                           | (279,682)                                          | -                                                            | (279,682)            |
| Dividend Received                       | -                                                  | 26,211,938                                                   | 26,211,938           |
| <b>As at 31 March 2019</b>              | <b>1,014</b>                                       | <b>(199,077,128)</b>                                         | <b>(199,076,113)</b> |

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and subject to an average interest of 13.18% per annum except for balances from parent. The guarantees received from Asia Siyaka Warehousing (Private) Ltd is amounting to Rs. 1,450Mn (2018-Rs. 1,450Mn). For the year ended 31 March 2019, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2018 - Nil). This assessment is undertaken in each financial year by examining the financial position of the related party and the market in which the related party operates.

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

### 31.2 Transactions with Key Management Personnel (KMP) of the Group

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

|                                        | Group      |            |
|----------------------------------------|------------|------------|
|                                        | 2019       | 2018       |
|                                        | Rs.        | Rs.        |
| Salaries and Other Short Term Benefits | 83,916,204 | 86,907,728 |
| Post Employment Benefits               | 6,193,244  | 5,536,746  |
|                                        | 90,109,448 | 92,444,474 |

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

- (i) Mr. S.T. Gunatilleke who is a Director of the Company is also the Chairman of Lanka Commodity Brokers Ltd.
- (ii) Mr. A.C. Cooke, Mr. D.J. Wedande and Mr. S. G. Amarasuriya who are Directors of the Company are also Directors of Asia Siyaka Warehousing (Pvt) Ltd and Siyaka Produce Brokers (Pvt) Ltd. which are fully owned subsidiaries of the Company.
- (iii) Mr. Y. Kuruneru and Dr. I.A. Ismail who are Directors of the Company are also Directors of Asia Siyaka Warehousing (Pvt) Ltd. which is a fully owned subsidiaries of the Company.
- (iv) Mr. S.G. Amarasuriya and Mr. J.N. Dambawinne who are Directors of the Company are also Directors of Lanka Commodity Brokers Ltd
- (v) Mr. H. R. V. Caldera who is a Director of the Company is also the Proprietor of VC Associates which provides consultancy services to the company. During the year the Company paid Rs. 4,433,177/- as consultancy fees to VC Associates.

## 32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

The senior management of the Group oversees the management of these risks. The senior management of the Group determine on financial risks and the appropriate financial risk governance framework for the Group. The financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and risk appetite.

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

## Market Risk

### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt and short term borrowings with floating interest rates. The Group manages its risk by striking a balance between long term and short term debts. The Group has easy access to funds at competitive interest rates.

### Interest Rate Sensitivity

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

|      | Change in<br>Basis Points | Group<br>Change in<br>Profit before<br>Tax Rs. | Change in<br>Basis Points | Company<br>Change in<br>Profit before<br>Tax Rs. |
|------|---------------------------|------------------------------------------------|---------------------------|--------------------------------------------------|
| 2019 | 100 (1%)                  | 12,282,043                                     | 100 (1%)                  | 8,960,614                                        |
| 2018 | 100 (1%)                  | 9,497,880                                      | 100 (1%)                  | 5,533,595                                        |

### Equity Price Risk

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

### Credit Risk

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

### Trade Receivables

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

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

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

### 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### Liquidity risk

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

| Group                                                                    | 2019                |                              |                                 |                                | Total<br>Rs.  |
|--------------------------------------------------------------------------|---------------------|------------------------------|---------------------------------|--------------------------------|---------------|
|                                                                          | On<br>demand<br>Rs. | Less than<br>3 months<br>Rs. | Payable Within<br>1 Year<br>Rs. | Payable after<br>1 Year<br>Rs. |               |
| Bank loans- Commercial Bank                                              | -                   | -                            | 64,285,709                      | 267,857,149                    | 332,142,858   |
| Interest-Bearing Loans and Borrowings on<br>Client Financing - STL       | -                   | 865,000,000                  | -                               | -                              | 865,000,000   |
| Interest-Bearing Loans and Borrowings on<br>Client Financing - Overdraft | -                   | 31,061,397                   | -                               | -                              | 31,061,397    |
| Trade Payables                                                           | -                   | 589,105,181                  | -                               | -                              | 589,105,181   |
| Bank Overdrafts                                                          | 5,359,641           | -                            | -                               | -                              | 5,359,641     |
|                                                                          | 5,359,641           | 1,485,166,578                | 64,285,709                      | 267,857,149                    | 1,822,669,077 |

|                                                                          | 2018                |                              |                                 |                                | Total<br>Rs.  |
|--------------------------------------------------------------------------|---------------------|------------------------------|---------------------------------|--------------------------------|---------------|
|                                                                          | On<br>demand<br>Rs. | Less than<br>3 months<br>Rs. | Payable Within<br>1 Year<br>Rs. | Payable after<br>1 Year<br>Rs. |               |
| Bank loans- Commercial Bank                                              | -                   | -                            | 64,285,709                      | 332,142,864                    | 396,428,573   |
| Interest-Bearing Loans and Borrowings on<br>Client Financing - SLT       | -                   | 500,000,000                  | -                               | -                              | 500,000,000   |
| Interest-Bearing Loans and Borrowings on<br>Client Financing - Overdraft | -                   | 53,359,453                   | -                               | -                              | 53,359,453    |
| Trade Payables                                                           | -                   | 569,672,535                  | -                               | -                              | 569,672,535   |
| Bank Overdrafts                                                          | 18,072,951          | -                            | -                               | -                              | 18,072,951    |
|                                                                          | 18,072,951          | 1,123,031,988                | 64,285,709                      | 332,142,864                    | 1,537,533,512 |

| Company                                                               | 2019                |                              | Total<br>Rs.  |
|-----------------------------------------------------------------------|---------------------|------------------------------|---------------|
|                                                                       | On<br>demand<br>Rs. | Less than<br>3 months<br>Rs. |               |
| Interest-Bearing Loans and Borrowings on Client Financing - STL       | -                   | 865,000,000                  | 865,000,000   |
| Interest-Bearing Loans and Borrowings on Client Financing - Overdraft | -                   | 31,061,397                   | 31,061,397    |
| Trade Payables                                                        | -                   | 788,182,313                  | 788,182,313   |
| Bank Overdrafts                                                       | 5,241,278           | -                            | 5,241,278     |
|                                                                       | 5,241,278           | 1,684,243,710                | 1,689,484,988 |

|                                                                       | 2018                |                              | Total<br>Rs.  |
|-----------------------------------------------------------------------|---------------------|------------------------------|---------------|
|                                                                       | On<br>demand<br>Rs. | Less than<br>3 months<br>Rs. |               |
| Interest-Bearing Loans and Borrowings on Client Financing - STL       | -                   | 500,000,000                  | 500,000,000   |
| Interest-Bearing Loans and Borrowings on Client Financing - Overdraft | -                   | 53,359,453                   | 53,359,453    |
| Trade Payables                                                        | -                   | 781,517,255                  | 781,517,255   |
| Bank Overdrafts                                                       | 14,667,294          | -                            | 14,667,294    |
|                                                                       | 14,667,294          | 1,334,876,708                | 1,349,544,002 |

### Capital Management

Capital includes equity attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Group has long term debt in its capital structure amounting to Rs. 267 Mn. ( 2018 - Rs. 332 Mn)

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2019 and 31 March 2018.

## NOTES TO THE FINANCIAL STATEMENTS CONTD.

### 34. TRANSITION DISCLOSURE

Below sets out the impact of adopting SLFRS 9 on the statement of financial position, retained earnings and reserves.

A reconciliation between the carrying amounts (statement of financial position) under LKAS 39 to the balances reported under SLFRS 9 as of 1<sup>st</sup> April 2018.

#### Impact on the Group/ Company

##### Financial position

|                                   | LKAS 39             |              | Re-measurement |             | SLFRS 09     |                |
|-----------------------------------|---------------------|--------------|----------------|-------------|--------------|----------------|
|                                   | Category            | Amount (Rs.) | ECL (Rs.)      | Other (Rs.) | Amount (Rs.) | Category       |
| Loans and Advances Receivable (a) | Loans & Receivables | 765,424,742  | (8,618,235)    | -           | 774,042,977  | Amortised cost |

The impact of transition to SLFRS 9 on reserves and retained earnings is as follows;

#### Impact on the Group

| Rs. |
|-----|
|-----|

##### Retained Earnings

|                                                                 |             |
|-----------------------------------------------------------------|-------------|
| Closing balance under LKAS 39 ( 31 March 2018)                  | 317,761,286 |
| Re-measurement adjustments in Loans and Advances Receivable (a) | 8,618,235   |
| Opening balance under SLFRS 9 (1 April 2018)                    | 326,379,521 |

#### Impact on the Company

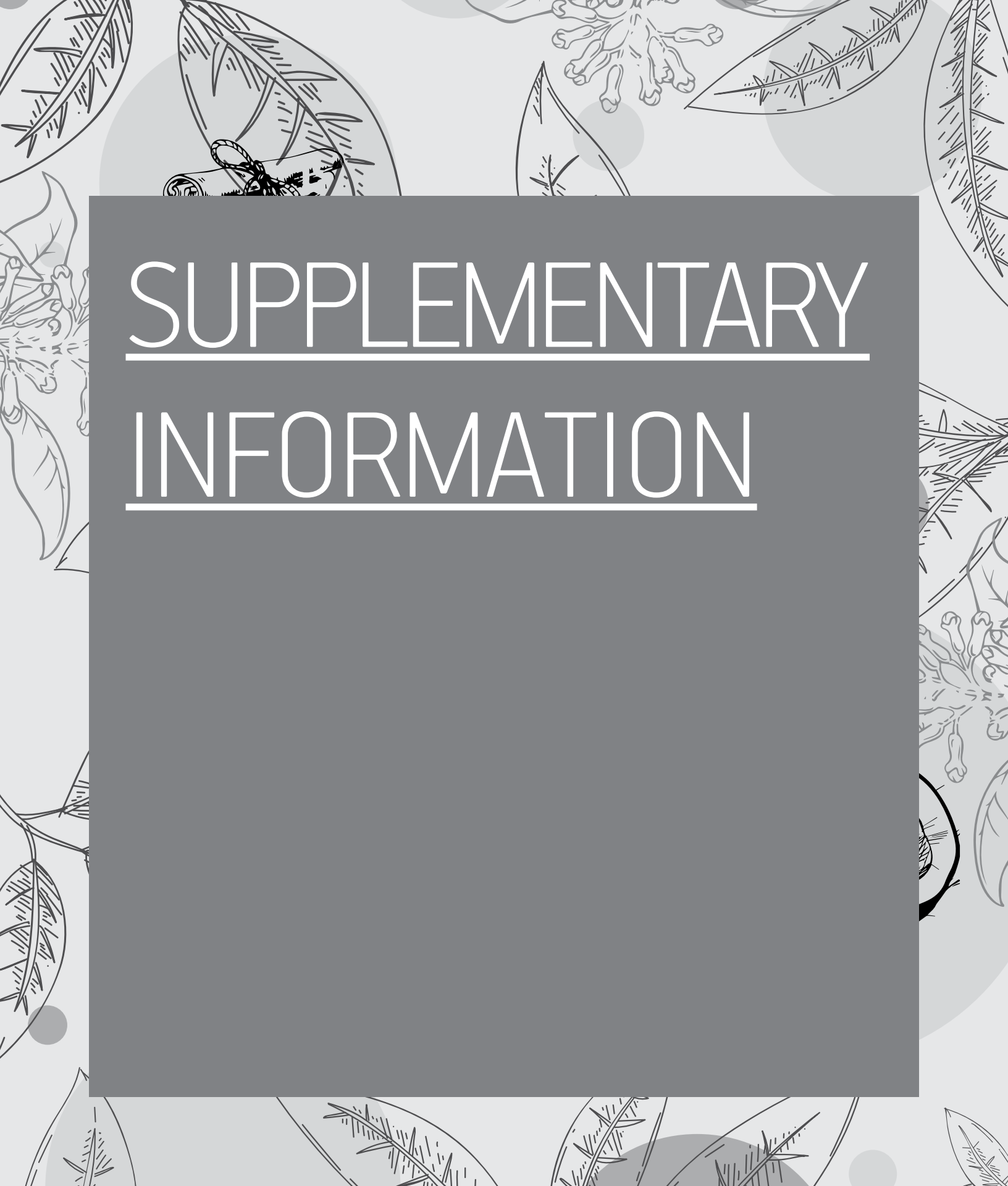
The impact of transition to SLFRS 9 on reserves is as follows;

| Rs. |
|-----|
|-----|

##### Retained Earnings

|                                                                 |             |
|-----------------------------------------------------------------|-------------|
| Closing balance under LKAS 39 ( 31 March 2018)                  | 148,327,593 |
| Re-measurement adjustments in Loans and Advances Receivable (a) | 8,618,235   |
| Opening balance under SLFRS 9 (1 April 2018)                    | 156,945,828 |

(a) The ECL adjustment on Loans and Advances as per SLFRS 9.

The background of the page is a light gray with a repeating pattern of botanical illustrations. These include various types of leaves, some with prominent veins, and clusters of small, bell-shaped flowers or fruits. The illustrations are rendered in a simple, line-art style. A large, solid gray rectangular block is centered on the page, serving as a backdrop for the title text.

# SUPPLEMENTARY INFORMATION

## SHAREHOLDER INFORMATION

### SHARE PRICES FOR THE YEAR

| Market price per share  | As at<br>31/03/2019   | As at<br>31/03/2018                            |
|-------------------------|-----------------------|------------------------------------------------|
| Highest during the year | Rs. 2.40 ( 14-5-2018) | Rs. 3.10 (03-10-2017)<br>Rs. 3.10 (28-09-2017) |
| Lowest during the year  | Rs. 1.70 (22-03-2019) | Rs. 2.00 (12-04-2017)                          |
| As at end of the year   | Rs. 1.90              | Rs. 2.20                                       |

### PUBLIC HOLDING

- Public Holding percentage as at 31<sup>st</sup> March 2019 - 34.118%  
Number of shareholders representing the above percentage - 1,483
- The float adjusted market capitalization as at 31<sup>st</sup> March 2019 – Rs. 168,542,769.90
- The Float adjusted market capitalization of the Company falls under Option 2 of Rule 7.13.1 (b) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.

### DIRECTORS' & CEO'S SHAREHOLDING AS AT 31ST MARCH 2019

|                      | No. of Shares | %     |
|----------------------|---------------|-------|
| Dr. S A B Ekanayake  | Nil           | -     |
| Mr. A R Cooke        | 9,747,143     | 3.749 |
| Mr. D J Wedande      | 8,353,067     | 3.213 |
| Mr. S T Gunathilake  | Nil           | -     |
| Mr. S G Amarasuriya  | Nil           | -     |
| Mr. Y Kuruneru       | 2,499,063     | 0.961 |
| Dr. I A Ismail       | Nil           | -     |
| Mr. H R V Caldera    | Nil           | -     |
| Mr. J N Dambawinne   | Nil           | -     |
| Mr. S S Samaranayake | 265,734       | 0.102 |
| Mr. R C Dissanayake  | 1,279,808     | 0.492 |
| Mr. T Someswaran     | Nil           | -     |

### SHARE DISTRIBUTION

### Shareholding as at 31<sup>st</sup> March 2019

| From           | To        | No of Holders | No of Shares | %      |
|----------------|-----------|---------------|--------------|--------|
| 1              | 1,000     | 662           | 195,968      | 0.08   |
| 1,001          | 10,000    | 443           | 1,891,443    | 0.72   |
| 10,001         | 100,000   | 284           | 11,030,205   | 4.24   |
| 100,001        | 1,000,000 | 81            | 25,225,244   | 9.71   |
| Over 1,000,000 |           | 19            | 221,657,140  | 85.25  |
|                |           | 1,489         | 260,000,000  | 100.00 |

### CATEGORIES OF SHAREHOLDERS

|                      | No of Holders | No of Shares | %      |
|----------------------|---------------|--------------|--------|
| Local Individuals    | 1,426         | 76,535,525   | 29.44  |
| Local Institutions   | 55            | 180,713,810  | 69.51  |
| Foreign Individuals  | 8             | 2,750,665    | 1.05   |
| Foreign Institutions | -             | -            | -      |
|                      | 1,489         | 260,000,000  | 100.00 |

### MAJOR SHAREHOLDERS OF THE COMPANY

| No | Name                                                               | 31 <sup>st</sup> March 2019<br>No of Shares | %       | 31 <sup>st</sup> March 2018<br>No of Shares | %       |
|----|--------------------------------------------------------------------|---------------------------------------------|---------|---------------------------------------------|---------|
| 1  | Pan Asia Banking Corporation PLC / Lanka Commodity Brokers Limited | 149,148,464                                 | 57.365  | 149,148,464                                 | 57.365  |
| 2  | Chadstone (Pvt) Ltd                                                | 11,000,000                                  | 4.231   | 11,000,000                                  | 4.231   |
| 3  | Mr A R Cooke                                                       | 9,747,143                                   | 3.749   | 9,747,143                                   | 3.749   |
| 4  | Rannara Engineering Services (Pvt) Ltd                             | 8,517,982                                   | 3.276   | -                                           | -       |
| 5  | Mr D J Wedande                                                     | 8,353,067                                   | 3.213   | 8,353,067                                   | 3.213   |
| 6  | Mr K V Hewavitarne                                                 | 6,301,026                                   | 2.423   | 6,301,026                                   | 2.423   |
| 7  | Seylan Bank PLC / Dr Thirugnanasambandar Senthilvel                | 4,940,590                                   | 1.900   | 4,904,970                                   | 1.887   |
| 8  | Mr. M A A Karim                                                    | 3,355,445                                   | 1.291   | 4,921,647                                   | 1.893   |
| 9  | Mr F N Herft                                                       | 2,500,000                                   | 0.962   | 2,400,000                                   | 0.923   |
| 10 | Mr S D R Arudpragasam                                              | 2,500,000                                   | 0.962   | 2,500,000                                   | 0.962   |
| 11 | Mr Y Kuruneru                                                      | 2,499,063                                   | 0.961   | 2,499,063                                   | 0.961   |
| 12 | Mr W M K S N D Fernando                                            | 2,125,656                                   | 0.818   | 2,125,656                                   | 0.818   |
| 13 | Mr M C M Zarook                                                    | 2,120,000                                   | 0.815   | 2,120,000                                   | 0.815   |
| 14 | Mr D A Edussuriya                                                  | 2,000,000                                   | 0.769   | 2,000,000                                   | 0.769   |
| 15 | Richard Peiris Finance Services (Pvt) Ltd /M A A Karim             | 1,675,594                                   | 0.644   | 6,078,353                                   | 2.338   |
| 16 | Mr M H M Nazeer                                                    | 1,500,000                                   | 0.577   | 1,500,000                                   | 0.577   |
| 17 | Mr R C Dissanayake                                                 | 1,279,808                                   | 0.492   | 1,279,808                                   | 0.492   |
| 18 | Mr M M Somasiri                                                    | 1,071,554                                   | 0.412   | 712,895                                     | 0.274   |
| 19 | Mr N Perera and Mrs N S Perera                                     | 1,021,748                                   | 0.393   | 1,021,748                                   | 0.393   |
| 20 | Merchant Bank of Sri Lanka & Finance PLC /S Gobinath               | 1,000,000                                   | 0.385   | -                                           | -       |
|    |                                                                    | 222,657,140                                 | 85.638  | 218,613,840                                 | 84.083  |
|    | Others                                                             | 37,342,860                                  | 14.362  | 41,386,160                                  | 15.917  |
|    | Total                                                              | 260,000,000                                 | 100.000 | 260,000,000                                 | 100.000 |

## VALUE ADDED STATEMENT

GRI 2016 201-1

|                                         | 2018/2019<br>Rs. | Group<br>% | 2017/2018<br>Rs. | % | 2018/2019<br>Rs. | Company<br>% | 2017/2018<br>Rs. | % |
|-----------------------------------------|------------------|------------|------------------|---|------------------|--------------|------------------|---|
| Revenue                                 | 770,678,872      |            | 784,688,643      |   | 510,564,978      |              | 550,210,307      |   |
| Other Income                            | 3,039,110        |            | 22,435,377       |   | 47,591,184       |              | 23,651,343       |   |
|                                         | 773,717,982      |            | 807,124,020      |   | 558,156,162      |              | 573,861,650      |   |
| Cost of materials and services obtained | (175,262,902)    |            | (233,235,177)    |   | (134,261,784)    |              | (179,578,281)    |   |
| Value Addition                          | 598,455,080      |            | 573,888,843      |   | 423,894,378      |              | 394,283,369      |   |

### Value Allocated to:

#### To Employees

|                                    |             |    |             |    |             |    |             |    |
|------------------------------------|-------------|----|-------------|----|-------------|----|-------------|----|
| Salaries, wages and other benefits | 238,672,190 | 40 | 222,921,189 | 39 | 189,529,318 | 45 | 182,380,816 | 46 |
|------------------------------------|-------------|----|-------------|----|-------------|----|-------------|----|

#### To Providers of funds

|                           |             |    |             |    |             |    |             |    |
|---------------------------|-------------|----|-------------|----|-------------|----|-------------|----|
| Interest to money lenders | 129,195,171 | 22 | 159,915,313 | 28 | 108,693,326 | 26 | 130,120,439 | 33 |
|---------------------------|-------------|----|-------------|----|-------------|----|-------------|----|

#### To Government

|                              |            |    |            |   |            |   |            |   |
|------------------------------|------------|----|------------|---|------------|---|------------|---|
| VAT/NTB on Financial Service | 5,513,777  |    | 692,710    |   | 5,513,777  |   | 692,710    |   |
| VAT / NBT / Stamp Duty       | 7,614,398  |    | 8,796,233  |   | 2,385,463  |   | 4,085,304  |   |
| Rates & Taxes                | 439,375    |    | 429,373    |   | 5,000      |   | 5,000      |   |
| Income Tax                   | 49,906,902 |    | 38,046,995 |   | 19,503,176 |   | 17,872,636 |   |
|                              | 63,474,452 | 11 | 47,965,311 | 8 | 27,407,416 | 6 | 22,655,650 | 6 |

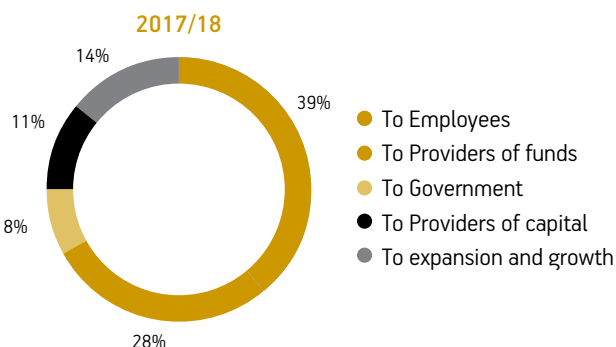
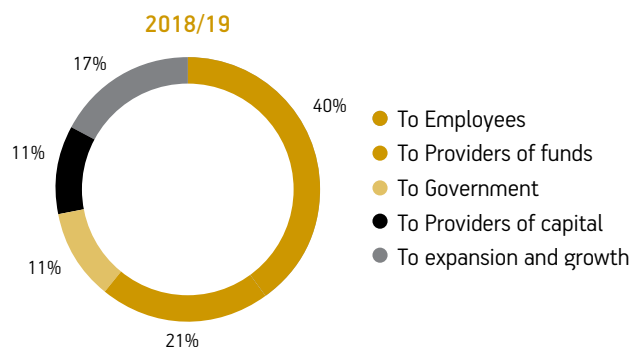
#### To Providers of capital

|                                |            |    |            |    |            |    |            |    |
|--------------------------------|------------|----|------------|----|------------|----|------------|----|
| Dividend paid to share holders | 65,000,000 | 11 | 65,000,000 | 11 | 65,000,000 | 15 | 65,000,000 | 16 |
|--------------------------------|------------|----|------------|----|------------|----|------------|----|

#### To expansion and growth

|                               |             |     |              |     |              |     |             |     |
|-------------------------------|-------------|-----|--------------|-----|--------------|-----|-------------|-----|
| Profit retained               | 48,052,102  |     | 32,558,052   |     | 41,016,149   |     | (8,734,007) |     |
| Depreciation and Amortization | 60,176,982  |     | 58,168,529   |     | 3,889,675    |     | 4,686,753   |     |
| Deferred Taxation             | (6,115,817) |     | (12,639,551) |     | (11,641,506) |     | (1,826,282) |     |
|                               | 102,113,267 | 17  | 78,087,030   | 14  | 33,264,318   | 8   | (5,873,536) | (1) |
|                               | 598,455,080 | 100 | 573,888,843  | 100 | 423,894,378  | 100 | 394,283,369 | 100 |

|                         | 2018/2019   | Group<br>% | 2017/2018   | %   |
|-------------------------|-------------|------------|-------------|-----|
| To Employees            | 238,672,190 | 40         | 222,921,189 | 39  |
| To Providers of funds   | 129,195,171 | 21         | 159,915,313 | 28  |
| To Government           | 63,474,452  | 11         | 47,965,311  | 8   |
| To Providers of capital | 65,000,000  | 11         | 65,000,000  | 11  |
| To expansion and growth | 102,113,267 | 17         | 78,087,030  | 14  |
|                         | 598,455,080 | 100        | 573,888,843 | 100 |



## GLOSSARY OF FINANCIAL TERMS

### ACCOUNTING POLICIES

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

### ACCRUAL BASIS

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

### AMORTISATION

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

### BORROWINGS

Bank loans, overdrafts, obligations and interest bearing liabilities.

### CAPITAL EMPLOYED

Shareholders' funds plus debt

### CASH & CASH EQUIVALENT

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

### CONTINGENT LIABILITY

A possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the enterprise.

### CURRENT RATIO

Current assets divided by current liabilities.

### DEBT/EQUITY RATIO

Debt as a percentage of Shareholder funds

### DEFERRED TAXATION

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

### DIVIDEND PAYOUT RATIO

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

### DIVIDENDS

Distribution of profits to holders of equity investments.

### EARNINGS PER SHARE

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

### GSA

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

### GRI

Global Reporting Initiatives

### ISO

International Standards Organization

### LEED

Leadership in Energy and Environmental Design

### MARKET CAPITALISATION

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

### NET ASSETS

Sum of fixed assets and current assets less total liabilities.

### NET ASSETS PER SHARE

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

### NET TURNOVER PER EMPLOYEE

Net Turnover over average number of employees.

### NSA

Net Sales Average.

### PAT

Profit After Taxation.

### PBT

Profit Before Taxation.

### RELATED PARTIES

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

### RETURN ON EQUITY

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

### REVENUE RESERVE

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

### SHAREHOLDER FUNDS

Total of issued and fully paid up capital and reserves.

### STAFF TURNOVER RATIO

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

### TOTAL VALUE ADDED

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

### VALUE ADDITION

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

### VALUE CREATION

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

### WORKING CAPITAL

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

## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 07<sup>th</sup> Annual General Meeting of Asia Siyaka Commodities PLC will be held at the Auditorium of The Ceylon Chamber of Commerce No. 50, Navam Mawatha, Colombo 02 on 23<sup>rd</sup> September 2019 at 09.30 a.m. for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company, and its subsidiaries and the Statement of Accounts for the year ended 31<sup>st</sup> March 2019 and the Report of the Auditors thereon.

2. To re-elect Mr. S T Gunatilleke who retires in terms of Article 87(i) of the Articles of Association, as a Director of the Company.

3. To pass the ordinary resolution set out below to re-appoint Dr. I A Ismail who is 82 years of age, as a Director of the Company;

**"IT IS HEREBY RESOLVED THAT** the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Dr. I A Ismail who is 82 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007."

4. To pass the ordinary resolution set out below to re-appoint Mr. H R V Caldera who is 74 years of age, as a Director of the Company;

**"IT IS HEREBY RESOLVED THAT** the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. H R V Caldera who is 74 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007."

5. To pass the ordinary resolution set out below to re-appoint Mr. T Someswaran who is 76 years of age, as a Director of the Company;

**"IT IS HEREBY RESOLVED THAT** the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. T Someswaran who is 76 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007."

6. To re-appoint Messrs Ernst & Young, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.

7. To authorise the Directors to determine donations for the year ending 31<sup>st</sup> March 2020 and up to the date of the next Annual General Meeting.

By Order of the Board

**ASIA SIYAKA COMMODITIES PLC**



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

*Director / Secretaries*

At Colombo

07<sup>th</sup> August 2019

Notes:

- 1) A shareholder entitled to attend or attend and vote at the Meeting is entitled to appoint a Proxy who need not be a shareholder, to attend or attend and vote instead of him/her. A Proxy may vote on a poll (and join in demanding a poll).
- 2) A Form of Proxy is enclosed in this Report.
- 3) The completed Form of Proxy should be deposited at the Office of the Company, 1st Floor, "DEUTSCHE HOUSE" No. 320, T B Jayah Mawatha, Colombo 10 not later than 36 hours before the time appointed for the meeting.

## NOTES

## NOTES

## FORM OF PROXY

\*I/We.....holder of NIC No. ....  
of..... being a \*Shareholder /Shareholders of Asia Siyaka Commodities PLC, do hereby  
appoint ..... holder of NIC No.....of  
.....or failing him/her

|                      |                |
|----------------------|----------------|
| Dr. S A B Ekanayake  | or failing him |
| Mr. A R Cooke        | or failing him |
| Mr. D J Wedande      | or failing him |
| Mr. S T Gunatilleke  | or failing him |
| Mr. S G Amarasuriya  | or failing him |
| Mr. Y Kuruneru       | or failing him |
| Dr. I A Ismail       | or failing him |
| Mr. V Caldera        | or failing him |
| Mr. J N Dambawinne   | or failing him |
| Mr. R C Dissanayake  | or failing him |
| Mr. S S Samaranayake | or failing him |
| Mr. T Someswaran     |                |

as \*my/our proxy to represent me/us to speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 23<sup>rd</sup> September 2019 at the Auditorium of The Ceylon Chamber of Commerce, and any adjournment thereof and at every poll which may be taken in consequence thereof.

|                                                                                                                                                             | For | Against |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|---------|
| 1. To re-elect Mr. S T Gunatilleke as Director in terms of Article 87 (i) of the Articles of Association of the Company.                                    |     |         |
| 2. To pass the ordinary resolution set out in the Notice of Meeting under item 3 for the re-appointment of Dr. I A Ismail.                                  |     |         |
| 3. To pass the ordinary resolution set out in the Notice of Meeting under item 4 for the re-appointment of Mr. H R V Caldera                                |     |         |
| 4. To pass the ordinary resolution set out in the Notice of Meeting under item 5 for the re-appointment of Mr. T Someswaran                                 |     |         |
| 5. To appoint Messrs. Ernst & Young Chartered Accountants as Auditors of the Company and to authorize the Directors to fix their remuneration.              |     |         |
| 6. To authorize the Directors to determine donations for the year ending 31 <sup>st</sup> March 2020 and up to the date of the next Annual General Meeting. |     |         |

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

.....  
Signature

- 1) \*Please delete the inappropriate words.
- 2) Instructions as to completion are noted on the reverse thereof.

## FORM OF PROXY CONTD.

### INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address and sign in the space provided. Please fill in the date of signature.
2. If you wish to appoint a person other than Directors as your proxy, please insert the relevant details in the space provided overleaf.
3. In terms of Article 73 of the Articles of Association of the Company; the form of proxy,
  - (i) in the case of an individual shall be signed by the appointor or by his attorney; and
  - (ii) in the case of a Corporation shall be signed as provided by its Articles of Association by person/s authorised to do so, on behalf of the Corporation. The Company may, but shall not be bound to require evidence of the authority of any person so signing
  - (iii) a proxy need not be a Shareholder of the Company.

4. In terms of Article 68 of the Articles of Association of the Company

In the case of joint-holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint-holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Shareholders in respect of the joint holding.

5. To be valid the completed Form of Proxy shall be deposited at the Office of the Company, 1st Floor, "DEUTSCHE HOUSE" No. 320, T B Jayah Mawatha, Colombo 10 not later than 36 hours before the time appointed for the meeting.

# CORPORATE INFORMATION

GRI 2016 102-1, 102-5

## NAME OF THE COMPANY

Asia Siyaka Commodities PLC

## COMPANY REGISTRATION NO.

PV3562/PB/PQ

## LEGAL FORM

A Public Quoted Company with Limited Liability

## DATE OF INCORPORATION

The Company was incorporated bearing Company Registration No. PV3562 on February 16, 1998 and was converted to a public limited liability company on March 28, 2012 under Company Registration No. PV3562/PB

The shares were listed in the Colombo Stock Exchange on September 12, 2012. Consequently the name of the Company changed to Asia Siyaka Commodities PLC and the registration number to PV3562PB/PQ

## NATURE OF BUSINESS

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

## HEAD OFFICE & REGISTERED OFFICE

1st Floor, "DEUTSCHE HOUSE"

No. 320, T B Jayah Mawatha, Colombo 10

Telephone : +94 114 600700

Fax: +94 112 678145

E-mail: tea@siyaka.lk

Website: www.asiasiyaka.com

## BOARD OF DIRECTORS

|                      |   |                                    |
|----------------------|---|------------------------------------|
| Dr. S A B Ekanayake  | - | Chairman                           |
| Mr. A R Cooke        | - | Managing Director                  |
| Mr. D J Wedande      | - | Executive Director                 |
| Mr. S G Amarasuriya  | - | Executive Director                 |
| Mr. Y Kuruneru       | - | Executive Director                 |
| Mr. S T Gunathilake  | - | Non-Executive Director             |
| Dr. I A Ismail       | - | Independent Non-Executive Director |
| Mr. H R V Caldera    | - | Non-Executive Director             |
| Mr. J N Dambawinne   | - | Non-Executive Director             |
| Mr. R C Dissanayake  | - | Executive Director                 |
| Mr. S S Samaranayake | - | Executive Director                 |
| Mr. T. Someswaran    | - | Independent Non-Executive Director |

## SUBSIDIARY COMPANIES

Asia Siyaka Warehousing (Private) Limited  
Siyaka Produce Brokers (Private) Limited

## SECRETARIES

P W Corporate Secretarial (Pvt) Ltd  
3/17, Kynsey Road,  
Colombo 08.  
Telephone : +94 114 640360-3  
Fax : +94 114 740588

## LAWYERS

Rohanadeera Associates  
Attorneys-at-Law & Notaries Public,  
No. 34 1/39, Lawyers' Office Complex,  
St. Sebastian Hill,  
Colombo 12

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

## EXTERNAL AUDITORS

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

## INTERNAL AUDITORS

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

## BANKERS

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



**ASIA**  
**Siyaka**  
COMMODITIES PLC.