



2017/18

ANNUAL REPORT

PROFILE

Gal-Oya Plantations (Pvt) Limited, (GOPL) was formed in 2007 for the purpose of revitalizing the former Hingurana Sugar Industries Limited, that was closed since 1997.

The Public Reforms Commission, on behalf of the Government of Sri Lanka invited expression of interest from the interested parties to restore the Hingurana Sugar Industries Ltd and to re-cultivate the lands attached to the factory.

A consortium led by Brown & Company PLC and Lanka ORIX Leasing Company PLC forwarded a proposal to the Government of Sri Lanka to enter into a Public-Private Partnership (PPP) thereby to revitalize then abundant sugar factory.

Having perused the proposal, a new company was formed as a joint venture between the Government of Sri Lanka and the consortium. In addition, Gal Oya Holdings (Pvt) Ltd, the consortium was appointed as the exclusive managing agent.

The plantation consists of 7,659 ha of land with approximately 5,200 ha of cultivatable extent allotted amongst 4,400 families. The rest of the area is occupied by factory buildings, housing complexes, high lands reservations, field roads and drainages. The project area is divided into 5 major zones namely Varipathanchena, Galmuduwa, Deegawapi, Hingurana, and Neeththa.



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VISION

Our passion is to rebuild the sugar cane industry in Sri Lanka to make worthwhile contribution to expedite high productivity, realizing goals of the stakeholders, and to be the market leader while supporting the green environment



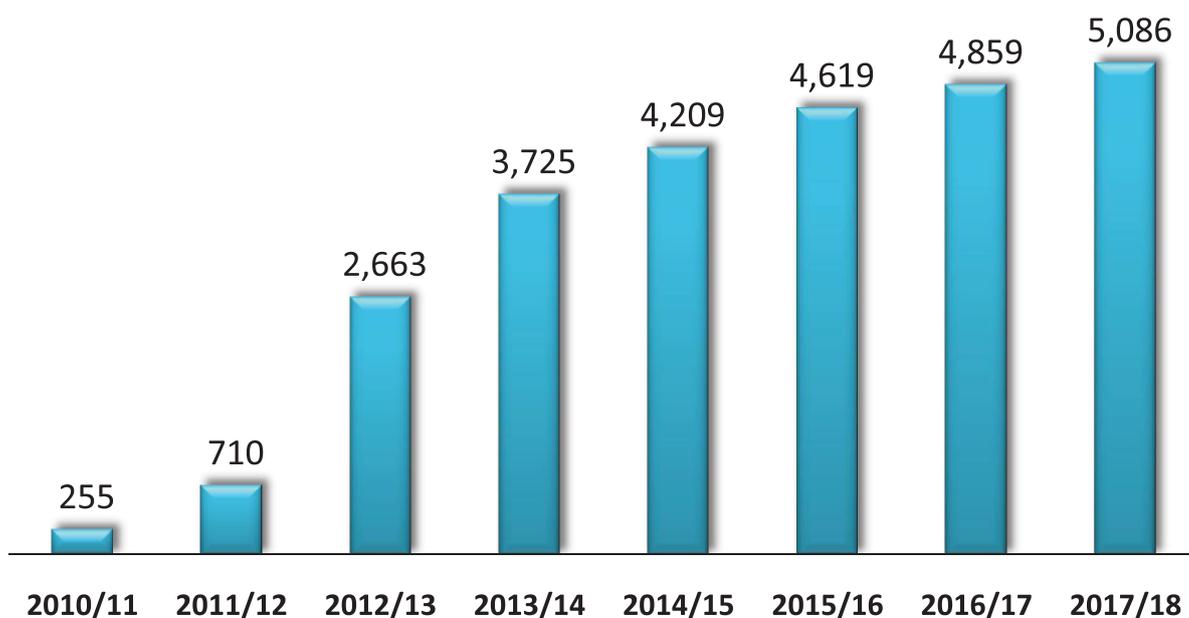
MISSION

Maximum utilization of all available resources which are potential to rebuild the sugar industry in the eastern province and diversify its business, and to build highly skilled, motivated, professional, dynamic and ethical employees in the organization whilst supporting the environment to generate high and continuous revenue generation

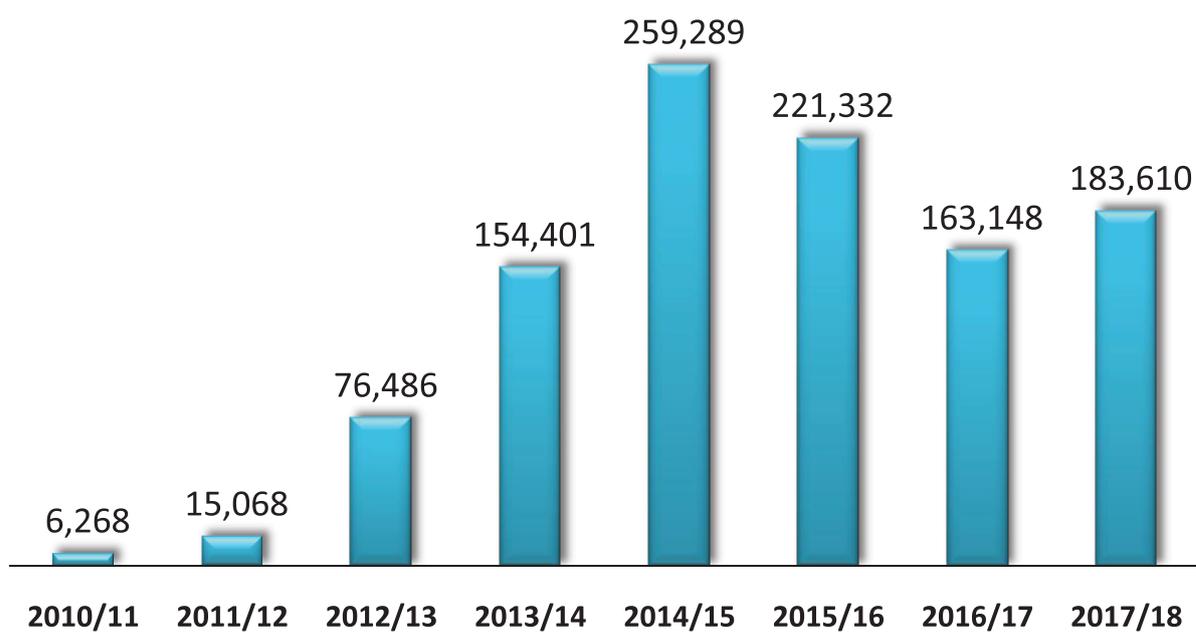


KEY HIGHLIGHTS

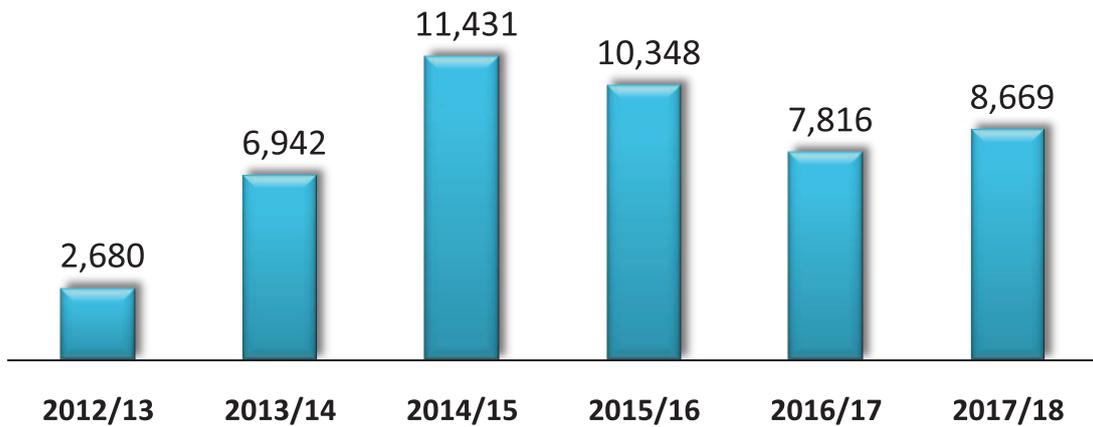
CULTIVATION EXTENT (HA)



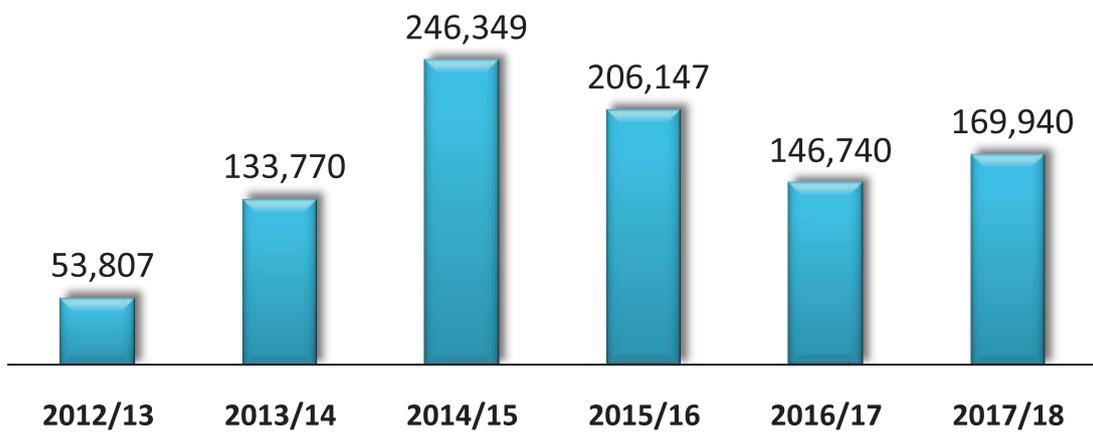
CANE HARVEST (MT)



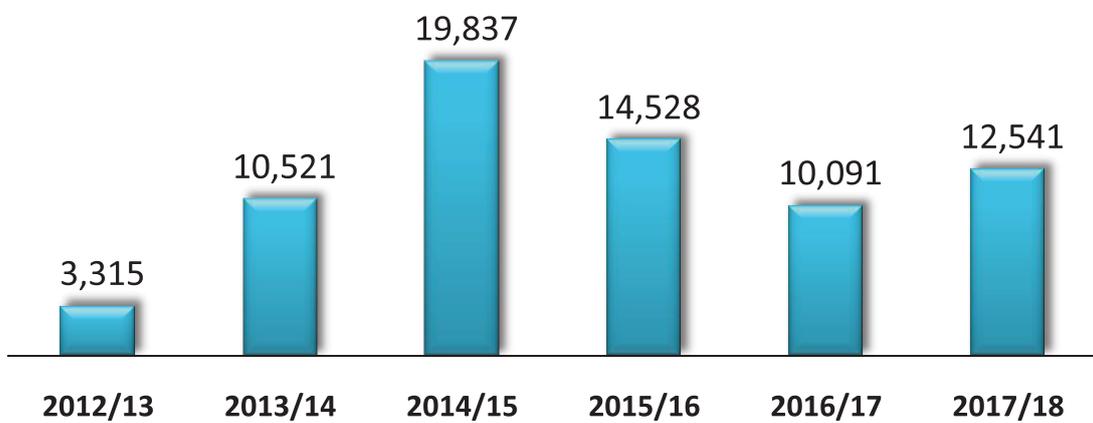
MOLASSES PRODUCTION (MT)



CANE CRUSHED (MT)



SUGAR PRODUCTION (MT)



Keerthi B. Kotagama
Chairman
Galoya Plantations (Pvt) Ltd

CHAIRMAN'S STATEMENT

I am pleased to report on the performance of Gal-Oya Plantations (Private) Limited for the financial year ended 31st March 2018.

Galoya Plantations has achieved the sugar production of 12,541 MT of sugar at the end of financial year 2017/18 by crushing 169,940 MT of sugarcane. This was below the target that we planned, due to various reasons especially sugarcane diseases, unexpected flooding, heavy drought condition causing drop of yield, and also recoverable sugar in cane dropped due to mainly White Leaf Disease (WLD). This drop was affected not only for the Galoya Plantations, the whole sugar industry in Sri Lanka also, affected. In the year 2017/18, the cash inflow was depend only from the sugar sales, as the ENA sales have not activated until 31st March 2018 even produced 500,440 lts of ENA due to delay in providing Distillery license. We forecasted Rs. 225 mn per month since February 2017 and approximately Rs 2 billion per annum from this distillery project.

Sugar industry commenced in the country as a government venture during the late 1950s and has been on the decline since the mid-1990s. It has been able to achieve about 15% of the requirement during the early 1990s. Currently the local sugar industry contributes 9% of the country's sugar requirement by three factories of Lanka Sugar Company (Pelwatte and Sevanagala Sugar Factories) and Galoya Plantations (Hingurana Sugar Factory) which having ownership of 100% and 51% to Democratic Socialist Republic of Sri Lanka respectively. We assume that the total sugar (white and brown) requirement for the country will be 700,000 MT per annum and in which 15 % will be brown sugar. The average local brown sugar production from these factories is over 65,000 MT. The current cost of production of brown sugar is worked out between Rs 117-157 per kilogram, although the average selling price was Rs. 98/kg in last season.

Some of the main problems of the sugar sector are low levels of productivity, mill/distillery capacity utilization and scale of operation, scarcity of labour, an absence of a proper pricing mechanism for sugarcane, sugar and its by-products, border measures for the protection of the industry and a proper legislative and institutional framework. The Galoya Plantations has commenced the commercial operations of the distillery after the expansion of old distillery during the last quarter of financial year 2017/18. The commercial license was provided on 06th February 2017 even we completed the renovations.

There exists a vast potential for the expansion of sugar and allied industries due to the increasing demand for sugar and sugarcane-based products and co-products, increase of fossil oil prices, availability of suitable land and climate for sugarcane cultivation in dry and intermediate zones, possibility of manufacturing diverse value-added products and the suitability for diversification of small-scale agro industries in rural areas. In addition to large-scale production of sugar and alcohol, small-scale cottage industries can also be developed to uplift the socio-economic status of rural areas. The feasibility of financing through carbon trading is an advantage for development of sugar industry.

As supply of sugar in Sri Lanka comes mainly from imports, the situation in the world market has a significant impact over local prices. The world market for sugar is one of the most volatile markets and usually heavy state interventions are involved in almost all countries.

In last season the local sugar market price has decreased to Rs. 90/kg due to drop of world sugar price to USD 302/MT which recorded lowest price in last decade. In the year of 2017/18, average sugar selling price was Rs. 99.11/kg. Also, sugar could be imported to the country less than Rs. 52-58/kg at landing cost and less than Rs. 85/Kg including the present tax of Rs. 30/kg and Cess Rs. 1 / kg. These will be effect to the local production as the industry will lose the demand for the locally made sugar.

Considering the high cost of production and low selling price, sugar industry could not be survived if not implement the production of ENA, Co-Generation (Electricity), Compost and CO₂ as a by-product from the waste of sugar production process to become financially feasible. The running of current sugar industry is a challenge, considering cost of production and revenue which influence by world market price and government policies. However, the management of Galoya Plantations having the confidence that this challenge could be turn in to positive by overcoming all the obstacles within a short period with the implementation of all the said other parallel projects.

I would like to thank the Board of Directors, the Executive team, employees, and our farmer community for their efforts and accomplishments throughout the year. We wish to acknowledge the Government of Sri Lanka, Government Officials and the local politicians and the other partners of this venture for their continued support. Whilst appreciating the support of all other stakeholders of the company and the financial institutes in particular for their continued trust in the business model.



Keerthi B. Kotagama

Chairman
19.03.2019

Gamini Rathnayake
Director/ CEO
Galoya Plantations (Pvt) Ltd

CHIEF EXECUTIVE OFFICER'S STATEMENT

I am pleased to report on the performance of Gal-Oya Plantations Private Limited for the financial year ended 31st March 2018.

The year under review was slightly positive to the company compared to last financial year of 2016/17.

The amount of cane crushed and sugar produced thus increase during the year by 16 % and 24% respectively.

During the financial year we were able to crush 169,939.74 MT of cane and produced 12,541.40 MT including unmarketable sugar for the period. Although increase of cane supply caused the production to increase over the previous year. The cash inflow was depend only from the sugar sales, as the ENA sales have not activated until 31st March 2018 even produced 500,440 lts of ENA due to delay in providing Distillery license. We forecasted Rs. 225 mn per month since February 2017 from ENA and approximately Rs 2 billion per annum from this distillery project.

Land preparation and planting program under plantation department for 2017/18 was 1,965 ha. However, due to prevailed drought condition, Irrigation Department has controlled the water supply and has increased the dates among the intervals of water issues which has been badly affected to the planting program.

GOPL was partnered with National Agribusiness Development (NADeP) Program, in year 2017, with the objective of increasing the cultivation area and the income of the alloties in Ampara District by expanding the inter-cultivation together with sugarcane yield. Under this project 273 sugarcane farmers have benefitted by the way of extension support, access to credit for working capital, crop insurance and equipment grant. Through the partnership, the smallholder farmers was obtained financing of up to Rs. 150,000 in first year at 6.5% interest rate along with the grant of Inter-Cultivator Machine worth Rs. 54,000 to each farmer. The scale-up of NADeP is in progress and expect to provide the financial facility up to Rs. 230,915 per farmer and equipment grant of Rs. 78,000 for 4,000 farmers in year 2018/19.

Sugarcane disease especially white leaf disease (WLD) is one of the most destructive of known sugarcane diseases severely affected the cultivation of Galoya Plantations as well as other sugar industry in Sri Lanka in past few years and affect is considerably high in year 2017/18. This resulted yield and sugar content drop or completely destroy of crop before the harvest. Further, cultivation in Ampara have affected by prevailed drought condition and faced several irrigation difficulties. Also, we experience the heavy flooding during the rainy season caused death of plants.

Sugarcane Research Institute to be involved in introducing disease and drought resistance and high yielding sugarcane varieties. In heavy

drought situation, micro irrigation facility could be provided. This will be costly and required funding facilities or subsidies. Land ownership to be keep remain with the Government. According to the agreement supports to be provided to the sugar industry by the politicians and government officials.

We look at the year ahead with optimism and expect the industry environment to be more conducive and the sustainable initiatives that the Company has planned to launch yield dividends to increase the interest of cultivation. The Company possesses significant strengths; such as a land extent of 5,202 ha allocated exclusively for Sugar cane; knowledge and expertise of famers who count more than 50 year experience; access to irrigation facilities and infrastructure facilities, and direct coordination with the Sugarcane Research Institute on seed cane and research and knowledge and experience of other staff. These factors find the Company well poised to harness a market in which the Supply remains insufficient to meet the demand for its product of Sugar. The share owned by LOLC PLC and Brown and Company PLC have provided utmost support for the management of the Galoya Plantations from the inception of the company.

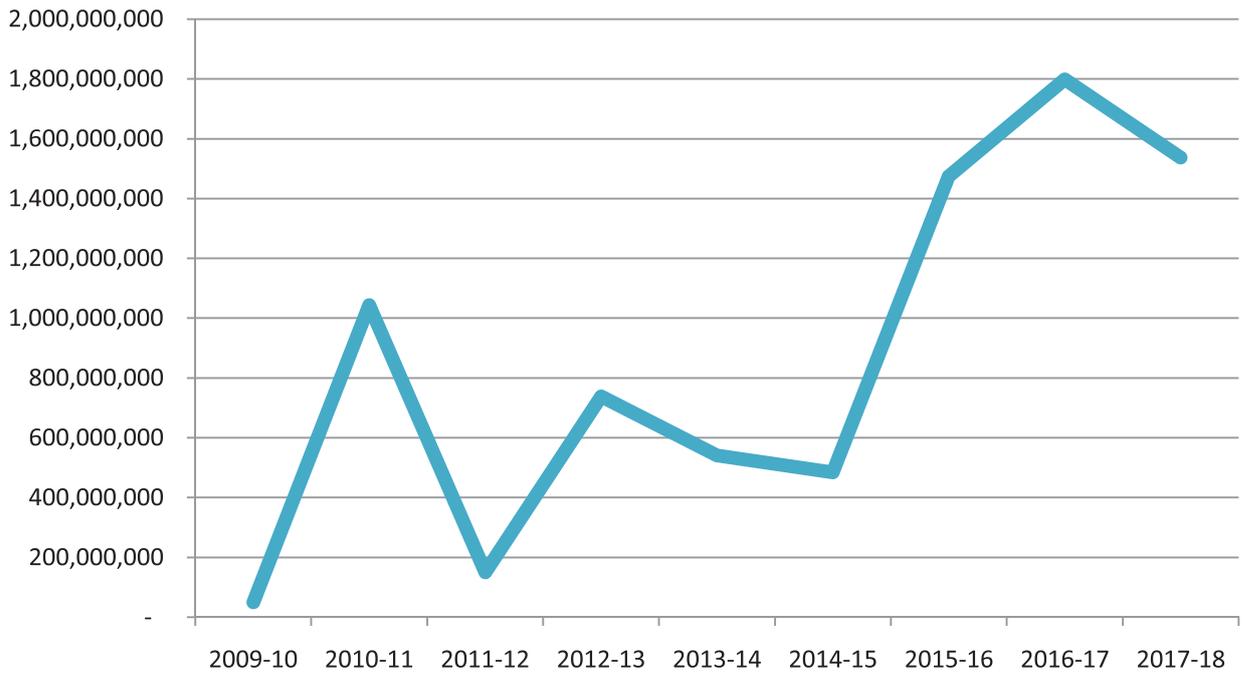
I wish to thank our Ministry, Treasury, LOLC and Browns Management, Chairman, Board of Directors for continuing support throughout the period. Also, I wish to thank our valuable farmers, management staff, all the employees, workers for the cooperation and commitment, throughout the year.



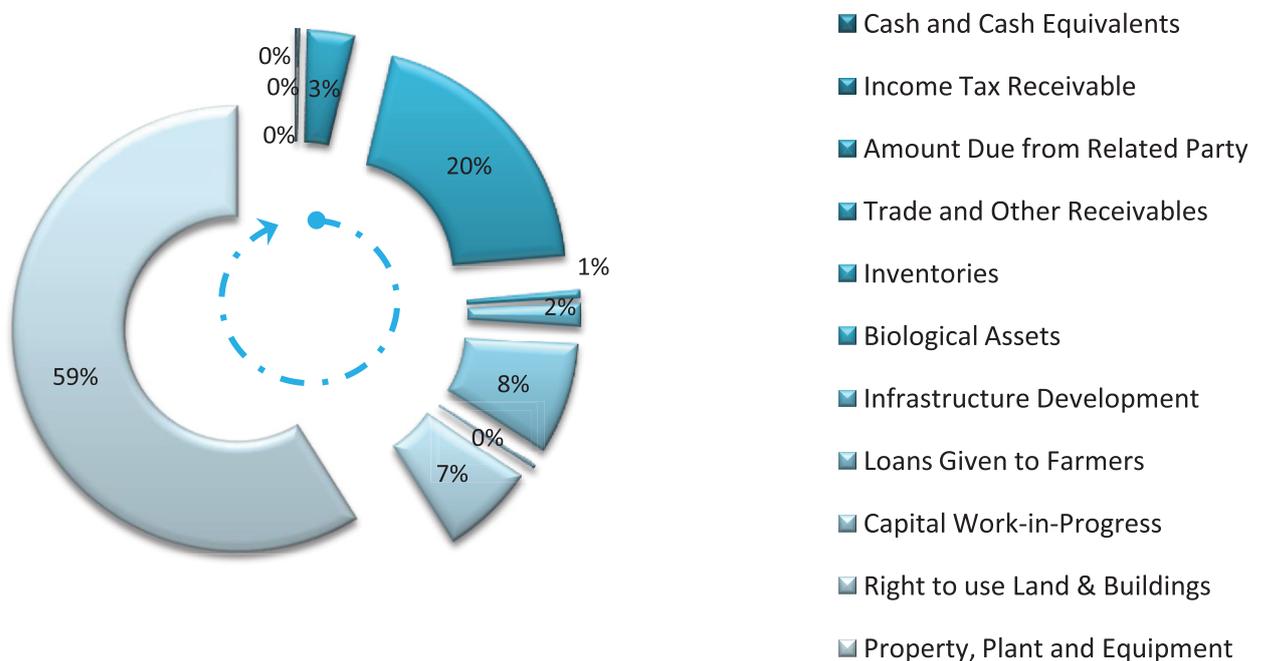
Gamini Rathnayake
Director/Chief Executive Officer
19.03.2019

FINANCIAL HIGHLIGHTS

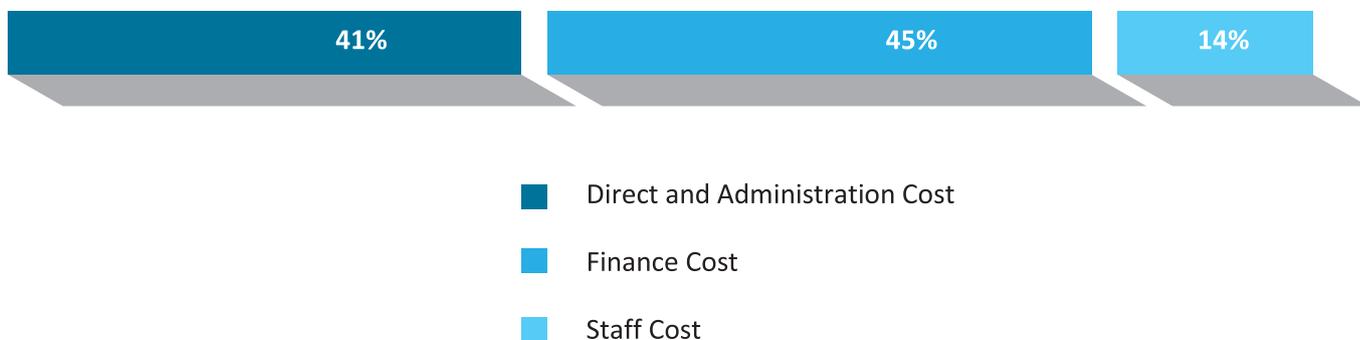
Borrowing of the Company (Rs.)



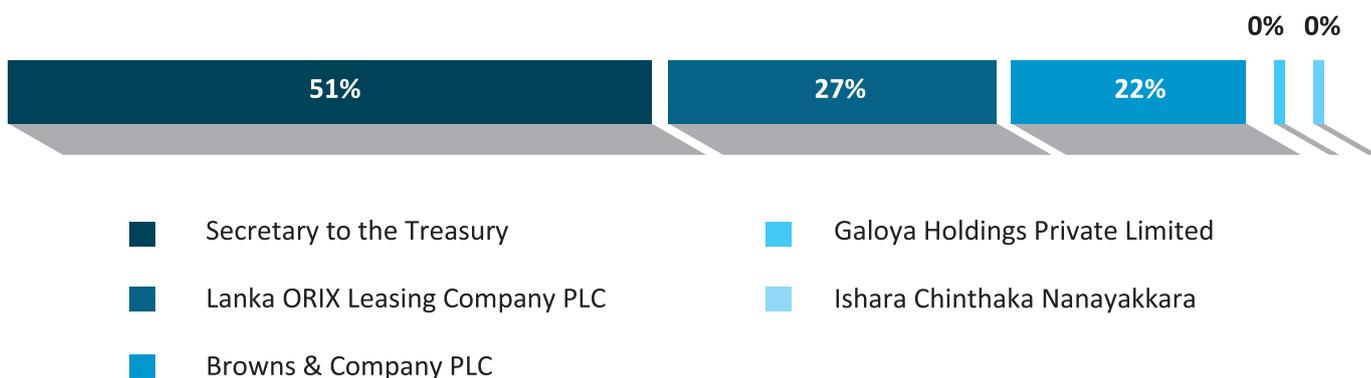
Total Assets of the Company



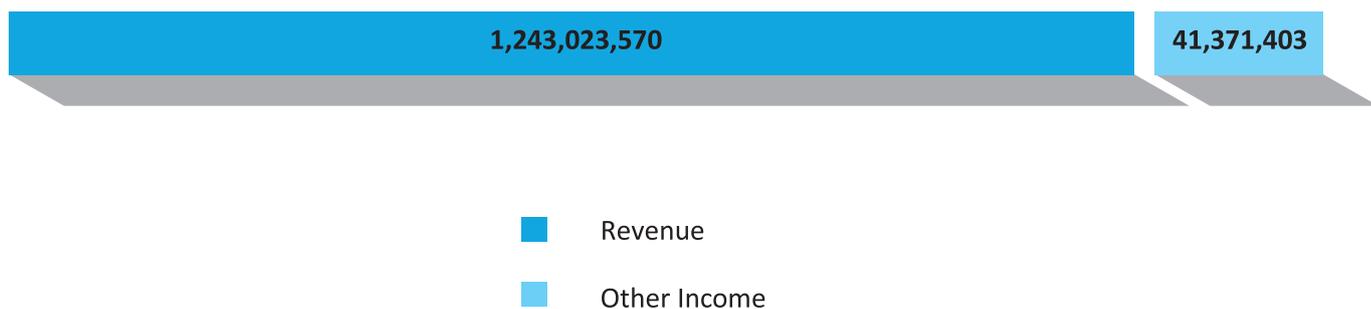
Cost and Expenses 2017/18



Shareholdings of the Company



Revenue & Other Incomes (Rs.)



SHAREHOLDER'S INVESTMENT



BROWN & COMPANY PLC

Brown & Company PLC (BCL) is a diversified conglomerate with operations in seven key industry sectors. BCL use their deep understanding of Sri Lankan consumer needs derived from over 135 years in business, to deliver quality in products and services to Sri Lankans everywhere.

The group works several leading global brands including: Austrian Airlines, BG, Continental Airlines, Eclipse, Exide Batteries, Intervet, Oce, Olympus, Sharp, Eukanuba, Tafe, Zagro, Yanmar Marine Engines, Ashok Leyland Marine, Pitney Bowes, Scandinavian Airlines, Makita, Maktec, F. G. Wilson, Yamasha, Daelim Royal Boiler Co, MFG, Sifang, and Massey Ferguson to name a few.

BCL is already known for their household name across the Island.

BCL have grown quietly yet exponentially into the active, sophisticated and valuable company we are today – simply and unobtrusively, by greatly expanding our portfolio and delivering excellence in products, services and value to everyone we serve.



LANKA ORIX LEASING COMPANY PLC

Thirty-five years ago, a company with a Very good eye for the future and the facility of reading the times with accuracy opened its doors to provide what was then Sri Lanka's pioneer portfolio of leasing solutions to an eager market.

This company was Lanka ORIX Leasing Company (LOLC).

Over the intervening years, this bold and dynamic approach has enabled LOLC to grow its business beyond the field of leasing and into many other areas within the financial services realm. Our aim then was to become one of Sri Lanka's premier total financial solutions providers. LOLC soon became the LOLC Group as it established group companies specialized in offering financial services beyond leasing, such as factoring, savings and deposits, tailored financial products for the SME sector, microfinance, Islamic financing and foreign currency deposits. Leveraging the synergies from its diversified portfolio, LOLC began to offer services such as fleet management, information technology and vehicle-related services. LOLC took strategic decision to align new business development with the emerging areas of growth and development in Sri Lanka and this has seen the Group move into areas such as Agriculture, Leisure, Construction and Renewable Energy whilst continuing to grow its existing portfolio. Today, LOLC is one of Sri Lanka's truly sustainable business conglomerates. What has not changed or diminished however are the qualities of dynamism, agility, passion and that unique ability to open up opportunities for all. One of LOLC's core deliverables across all businesses is empowerment. From budding entrepreneurs to top corporate, our business has always been about delivering products and services that enhance and advance lives and livelihoods; about making dreams come true and fulfilling long-held aspirations; about empowering people.



Keerthi B. Kotagama - Chairman

B.Sc (Agric.) Sp, MBA (Finance & Management of Technology) AIT
Keerthi Bandara Kotagama is a professional Executive in the Agriculture & Business Management fields. He obtained his BSc in Agriculture (Hons) from the University of Peradeniya, Sri Lanka and Master of Business Administration (Finance & Management of Technology) from the Asian Institute of Technology, Thailand. Kotagama has been awarded and recognized for his professional services and contribution by several Local and International Organizations.

Bandaranayake - Director

MSc (Business Management) Victoria University in Australia, M.A. (Sinhala Language), University of Kelaniya B.A. (University of Peradeniya), Diploma in Public Management, SLIDA. Presently, Mr. D.M.L. Bandaranayake is the District Secretary, Ampara since 2018. He was the Deputy Chief Secretary, Uva Provincial Council, Additional Secretary to the Ministry of Plantation, Additional secretary to the Ministry of Coconut Development & Janatha State Development, Divisional Secretary Ella Divisional Secretariat, Director M. D. T. I. Uva Province, Provincial Land Commissioner, Uva Province, Assistant Divisional Secretary, Haputhale Divisional Secretariat, Assistant Secretary to the Ministry of Irrigation, Assistant Director of Education, Ministry of Education, and Teacher .



Seenivasan Giridaran - Director

Mr. Seenivasan Giridaran is a leading professional in the public sector. He is an Additional Director General at the Department of Information Technology Management of the Secretariat, Ministry of Finance.

He has gained more than 24 years of experience in Sri Lanka Administrative Services. Being a product of St. Micheal's College, Batticaloa, Mr. S. Giridaran holds a Masters in Public Administration from the Post Graduate Institute of Management, Sri Jayawardanapura and a BSc from the Eastern University of Sri Lanka. Mr. Seenivasan is also affiliated with social activities such as being the Charter President of Rotary Club of Batticaloa Heritage.



Dushyanta Basnayake - Director

Mr. Dushyanta Basnayake is a graduate from the London Metropolitan University in Business Administration and holds an Executive Master of Business Administration from the PIM, Jayewardanapura University. Also he holds a MBA from Honolulu University of USA. He is the Finance Director for Associated Newspapers of Ceylon Ltd and served as an Executive Director in many private companies. He holds overall experience in managing large enterprises specially in Print Media, Telecommunication, Pharmaceutical and Trading.



Mr. N.S. Wanasinghe – Director

MA (Economics) University of Kelaniya, B.Com (Sp) Hons- University of Sri Jayawardhanapura.

Presently, Mr. Wanasinghe is the Director (Planning) of Ministry of Plantation Industries since 2015. He was the Director (Planning) of Ministry of Coconut Development and Janatha Estate Development, Deputy Director (Planning) of District Secretariat of Colombo, Assistant Director (Planning) of District Secretariat Matara, Deputy Director of Rajarata Nawodaya Project and Assistant Director of North Central Province Rural Development Project (ADB) since 2002.



DIRECTORS

Kithsiri Gunawardena - Director

Attorney-at-Law, Postgraduate Diploma in Marketing Management (PIM, Sri Jayawardenapura)

Chief Operating Officer - LOLC, Chief Legal Officer - LOLC Group

Joined LOLC in 2004 and counts over 30 years of experience as a Lawyer. He has held a number of important positions in the State, including the Office of State Counsel attached to the Attorney General's Department, the Office of Director – Legal & Enforcement of the Securities and Exchange Commission of Sri Lanka and the Insurance Board of Sri Lanka and was involved in setting up the Consumer Affairs Authority as its first Director General. He serves on the Boards of a number of local and overseas subsidiaries of LOLC Group.



Gamini Rathnayake - Director/CEO

Bachelor of Science (Agri-SL), Master of Science (MAKS-Netherlands), Diploma in Land Reform & Rural Development held in Taiwan & Philippines and Watershed Programme with a Special Focus on Drought Prone Areas held in Guwahati, Assam, India. Rathnayake is the present Director/Chief Executive Officer of the Gal-Oya Plantations (Pvt) Ltd and Gal-Oya Holdings (Pvt) Ltd. He has more than 17 years of experience in Agrarian research Sector. He was a former working Director for Sugarcane Research Institute, Director (Projects) for Ministry of Supplementary Plantation Crops Development, and General Manager for Palmyrah Development Board.



Danesh Abeyrathne - Executive Director

Bachelor of Science (Engineering) (Hons), Associate Member of the Chartered Institute of Management Accountants (UK), Associate Member of the Chartered Institute of Marketing (UK), Associate Member of the Chartered Global Management Accountants (USA), Associate Member of Institute of Engineers (SL).

Mr. Abeyrathne is the present Executive Director of Galoya Plantations (Pvt) Ltd and Director of Gal-Oya Holdings (Pvt) Ltd. He is also the group Chief Operating Officer of Brown and Company PLC. He has over 10 years experience in managerial level in several leading companies including multinationals and holds Directorships in some other group companies. He has worked for foreign projects when he was working for multinationals.



Wasantha Batagoda - Director

LL.B (Hons) ,(Colombo) LL.M (Colombo). Attorney –at – Law,

Wasantha Batagoda, is an Attorney at Law, counting 16 years of active practice in legal profession. He was admitted to Bar in 2003 and was in legal practice in Original courts and in Appellate Courts as well. He earned Second class Honors in LL.B from Faculty of Law University of Colombo and also obtained Masters in Law in Intellectual property Law from Faculty of law of University of Colombo. He has appeared in many high profile Criminal cases with Senior President Counsel , till 2014 . He joined LOLC Group in 2014 as Assistant General Manager and currently works as Deputy General Manager (Legal & Strategic Business).He functions as Head of legal , Brown & Company PLC and Maturata Plantations Ltd . Also, he is a director in Ceylon Graphene Limited .



Janseni Kuhanesan (ACIS) - Company Secretary

Janseni Kuhanesan represents LOLC Corporate Services (Pvt) Ltd, providing secretarial services for the Company. Ms. Kuhanesan is an Associate Member of the Institute of Chartered Secretaries & Administrators (UK).



SENIOR



Gamini K.B Rathnayake
Director/ CEO



S.K.Munasinghearachchi
DGM - Factory



A.H.W Madushan
Chief Manager - HR & Administration



K.D.A.I Perera
Senior Production Manager



T.I Wijesinghe
Workshop Manager

MANAGEMENT



M.M.D.S.N. Perera
Head of Agriculture



B. Mayilrajkarthikeyan
DGM - Distillery



H.C Gunarathne
Senior Accountant

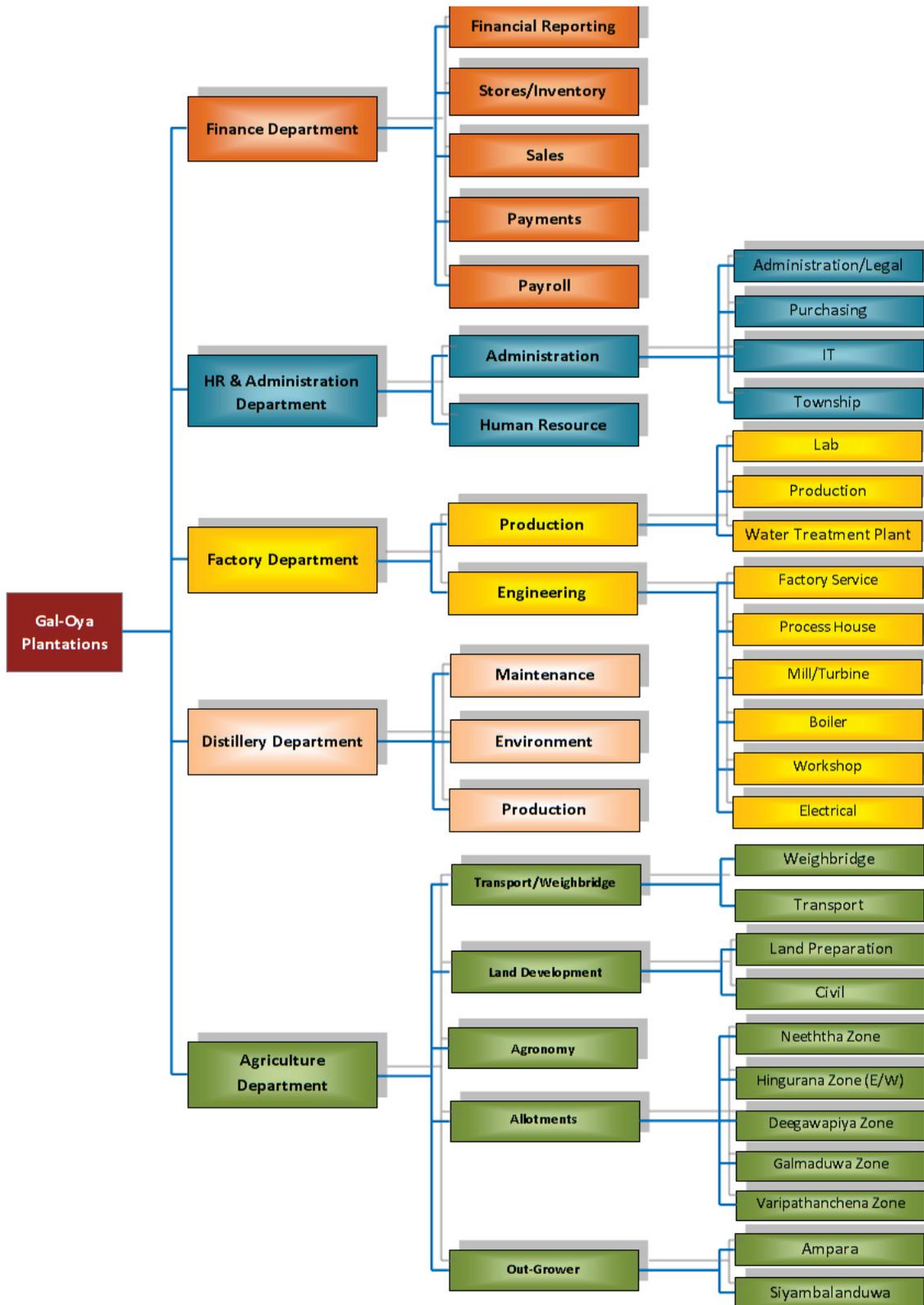


W.A.H Wijesekara
Senior Electrical Manager



S.M.S.P. Kumara
Senior Engineering Manager

COMPANY STRUCTURE



The plantation consists of 7,659 hectares (ha) of land with approximately 5,200 ha of irrigated land allotted amongst 4,400 families. The project area is divided into 5 major zones namely Varipathanchena, Galmaduwa, Deegawapi, Hingurana and Neeththa. A nucleus estate with an extent of 166 ha of land with a water scheme will be supporting the 5200 ha of cultivatable land for sugar cane.

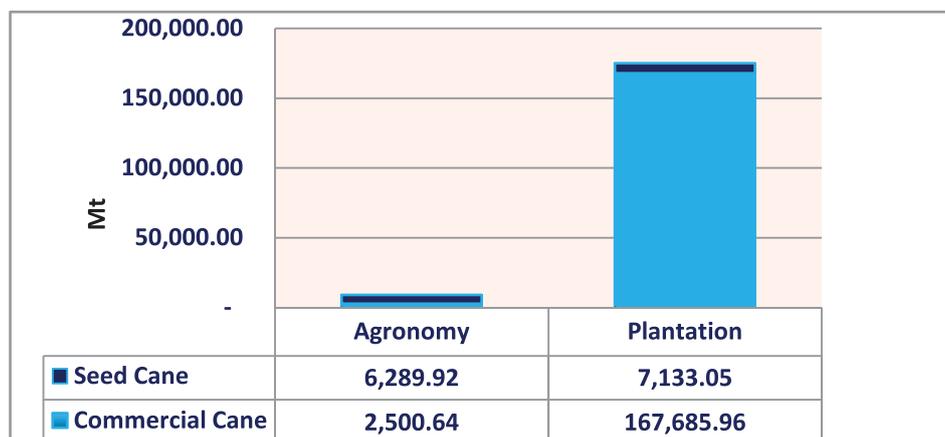
Location	Extent (ha)	Number of Allottees
Varipathanchena	1,067	947
Galmaduwa	1,233	926
Deegawapi	1,034	870
Hingurana	764	697
Neeththa	1,104	1,001
Total	5,202	4,441

SUGARCANE NURSERY

Agronomy Division of GOPL has been producing seed cane and conducting research on various aspects of sugar cane agriculture in collaboration with SRI. The division maintains over 20 SRI sugarcane clones as a source of future planting material and trial programs. The nursery area consists of 186.87 ha, out of which 135.0 ha was Planned for the maintenance of primary seeds and 45.0 ha is for the secondary nursery. In addition to the nursery, contract seed cane farmers also provide seeds in order to full fill the total seed cane requirement.

ACHIEVEMENT

At the end of the financial year, we have 5,268.3 ha of cultivated sugarcane lands in 5 major zones namely Varipathanchena, Galmaduwa, Hingurana, Neeththa, Deegawapiya & out grower areas in Ampara and Siyambalanduwa.



NATIONAL AGRIBUSINESS DEVELOPMENT PROGRAMME (NADEP)

GOPL partnered with National Agribusiness Development (NADeP) Program, in year 2017, with the objective of increasing the cultivation area and the income of the allottees in Ampara District by expanding the inter-cultivation together with sugarcane yield. The objectives of the partnership were to increase sugar cane yield to 90 MT/Ha from the 75 MT/Ha and achieve IRR of 128%. The key features of the partnership included extension support, access to credit for working capital, crop insurance and equipment grant for farmers. In this programme 273 beneficiaries were included in to the partnership and received a maximum of Rs. 150,000 with low cost debt financing at 6.5% per annum interest rate and a grant of Inter-Cultivator machine value of Rs. 54,860.00 for these eligible farmers

Progress of Plantation

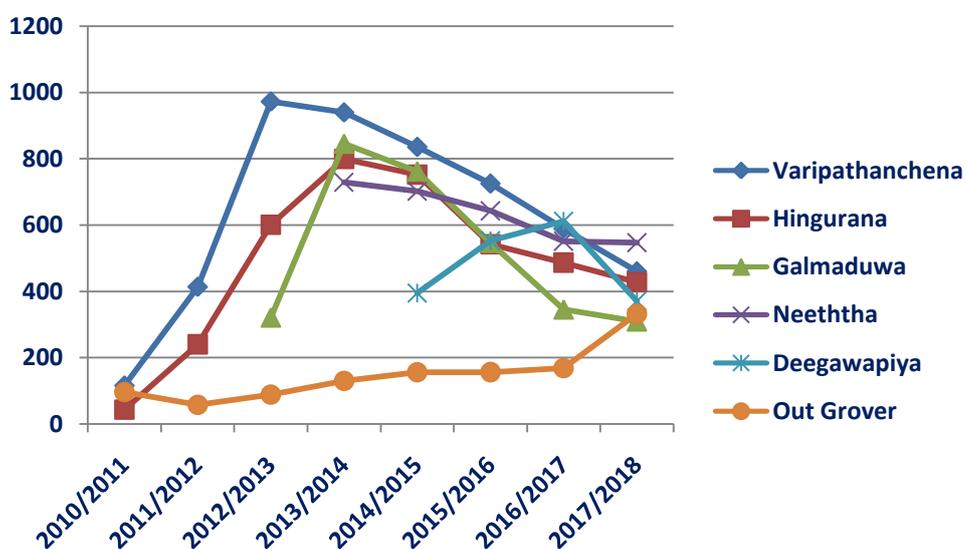
During the season of 2017/18 commercial cane of 170,186.60 MT has been harvested from our cane cultivated fields and Agronomy fields. In addition to the commercial cane, 13,423.42 MT of seed cane has been harvested during this period. The area under Plantation Department has harvested 167,685.96 MT of commercial Cane and 7,133.5 Mt of Seed cane of cane and yield was 64 Mt/ha.

New Planting for the year 2017/18

New Planting Ares	Extent (ha)
Agronomy	72.44
Plantation	823.60
Out Grower – Ampara	161.70
Out Grower – Siyambalanduwa	72.60
Total	1,130.34

Existing cane area

Crop Type	Extent (ha)
Plant Crop	1,144.49
Ratoon-1	963.81
Ratoon-2	277.40
Ratoon-3	74.30
Ratoon-4	69.90
Ratoon-5	37.20
Ratoon-6	11.40
Ratoon-7	0.00
Ratoon-8	0.90
Total	2,579.40





EMPLOYEES



HUMAN RESOURCE REVIEW

Human resources is used to describe both the people who work for a company or organization and the department responsible for managing resources related to employees. Human resource management involves developing and administering programs that are designed to increase the effectiveness of an organization or business. It includes the entire spectrum of creating, managing, and cultivating the employer-employee relationship.

THE ACTIVITIES OF HR & ADMINISTRATION DEPARTMENT

The Human Resources Department of the Gal-Oya Plantations (Pvt) Ltd is its backbone and serves as the functional center of the organization. It operates in both the forefront and behind the scenes as it is intimately involved with every aspect of the organization.

Human Resources which consolidate performance measures and information related to workforce demographics and trends in a variety of key human resource areas, making comparisons wherever possible to relevant benchmark data.

As a Human Resources Department we provide our service to meet business needs through managing our company's most valuable resources through handling different activities as mentioned below,



- HR Planning
- Recruitment & Selection
- Employee Relations
- Remuneration Management
- Promotion & Rewards
- Training & Development
- Employee Welfare
- Health & Safety
- Compliance
- General Administration
- Legislation
- Procurement
- IT
- Performance Appraisal

OUR EMPLOYMENT

There were 924 Employees in our company at the end of the financial year 2017/18 as below categories. In addition, 88 seasonal contract employees were worked during the crushing period

	Permanent	Contract
Executive Staff	50	16
Non-Executive Staff	293	565

There are General Manager to Junior Executive management grades are in Executive category and there are SP 01 to S5 staff grades are in Contract and Non-Executive category. And also Labour category consists with P1 to P5 grades and they are representing the Non-Executive, Contract and the seasonal contract basis.

EMPLOYEE WELFARE

GOPL Welfare society is providing most valuable benefit to the employees that we have continued from the beginning with the collaboration of the company. Such as,

- Death Donations
- Loan facility
- Scholarship for children
- Marriage Allowance
- Retails goods Through the welfare shop
- Canteen facility
- Sports
 - Eg: Inter Department Cricket Tournament
- Entertaining events
 - Eg: Annual Get-together
 - Eg: New Year celebration ceremony
 - Eg: Annual trip
- Issuing goods from the welfare shop on reasonable price

EMPLOYEE TRAINING & DEVELOPMENT

Employee training and development is a broad term covering multiple kinds of employee learning. Training is a program that helps employees learn specific knowledge or skills to improve performance in their current roles. Development is more expansive and focuses on employee growth and future performance, rather than an immediate job role.

As we are a people driven company, we also have conducted more training and development programs to keep up on utmost level our employees' performance within last year. Few of programs among those are as follows,

TRAINING AND DEVELOPMENTS

- ❖ 05 Officers from company participated for a one day training program in “Productivity” conducted by national productivity secretariat office under the ministry of public administration and management at divisional secretarial damana.
- ❖ The out bound training program was conducted at dambulla for the 65 field staff officers of Agriculture department with the purpose of motivation them for all sections.
- ❖ Organized a in house training program for the officers who are using Human resource Information System. (HRIS)

Welfare and CSR Activities

- Facilitate to purchased goods and textiles through the ASB Fashion and Jayoda Fashion up to Rs. 20,000 .00 per employee with Installment Basis This Programme was carrying out for caused Sinhala and Hindu New Year Celebration.
- Organized Bakthi geetha competition among. 38 Buddhists schools which has located in Damana region



- Have done a financial Contribution for the dancing team of the Madawalalanda school as they selected for all Island school dancing competition.



- As per the request made by the GA of Ampara given 200 No of dry foods pack to the people who lives in flood affected area in Matara ,Thihagoda

DISTILLERY PLANT

21.5 KLPD NEW DISTILLERY PLANT

Renovation of the existing distillery was started in 2014 with the approval of Commissioner General of Excise and the relevant line ministry. We have completed the renovation work spending a further Rs. 800 million in to the distillery.

The molasses is the by product of sugar industry which can be converted in to several valuable products like Ethanol , Impure Sprit , Fusel Oil, Spent wash, Bio gas , CO₂ Gas & Bio fertilizer.

The Distillery complex designed for production of 21500 Litres of Alcohol/ day, 10,000 M³ Bio gas / day, 5000Mts /Annum of Bio fertilizer, & 400 KL / day of waste water treatment plant.

Process Description:

There are two main process involved in manufacturing of superior quality of ENA like fermentation & Distillation, fermentation is engineered such way getting maximum efficiency with in house yeast culturing & 4 fermentors in cascade and fed batch mode, with respect to distillation being adopted most modern Eco fine MPR distillation (Multi-pressure distillation) which has more salient features than conventional methods. The seven column distillation being adopted to get the superior quality of ENA with minimum energy requirement.



FUTURE PLANS

PRODUCTION OF ORGANIC FERTILIZER – 7000 MT

All wastes from the sugar factory and distillery will be converted to organic fertilizer. The project has already completed.



CO-GENERATION POWER PLANT – 10 MW

Existing 2 MW power generation plant in Galoya will be upgraded to a 10 MW and will sell excess electricity to the national grid.



CO₂ EXTRACTION PROJECT– 10T / DAY

By product from the distillery will be trapped and cleaned. Project ground work has already started and operation will be outsourced.



DIRECTOR'S REPORT

The Directors of Gal Oya Plantations (Pvt) Ltd have pleasure in presenting to the members their Report and the Audited Financial Statements for the year ended 31st March 2018.

PRINCIPAL ACTIVITIES

Principal activities of Gal Oya Plantations (Pvt) Ltd are growing sugarcane and manufacturing cane sugar and Extra Neutral Alcohol (ENA) for the local market.

The principal activities of Gal Oya Plantations (Pvt) Ltd are described in the Chief Executive Officer's statement on pages 07 to 08 of this report.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Currently the Company has planted 5,985.97 ha of sugarcane and is looking out to expand the cultivation of sugar in the areas of Siyambalanduwa and Mahaoya.

PROFIT & LOSS

Loss before tax for the year 2017/2018 was Rs. 1,342,938,332/=.

TAXATION

A provision has been made for income tax in Gal Oya Plantations (Pvt) Ltd amounting to Rs. 4,589,788/= for the current year, as compared to Rs.4,588,763/- in the previous year.

PROPERTY, PLANT & EQUIPMENT

Information relating to Property, Plant & Equipment is given in Note 12 of these Financial Statements.

STATED CAPITAL

The Stated Capital of the Company as at 31st March 2018 is Rs. 1,011,764,730/- which consist of 101,176,473 ordinary shares (2016/17 101,176,473 shares)

RESERVES

The total Reserves as at 31st March 2018 amounts to Rs. 5,429,166,673/= as compared with Rs. 4,076,727,421/- in the previous year (accumulated loss).

SHAREHOLDERS

It is a company policy to treat its shareholders equitably and maximize shareholder wealth.

EMPLOYMENT POLICIES

The Company employment policies respect the individuals and offer equal career opportunities, regardless of sex, race or religion and consider the relationship with the employees to be good.

STATUTORY PAYMENTS

Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to employees and the Government have been paid up to date.

ENVIRONMENTAL PROTECTION

It is the Company policy to keep the adverse effects on the environment to a minimum and to protect co-operation and compliance with the relevant authorities.

DIRECTORATE

The Directors of the Company as at date are as follows:

- Dr. K.B. Kotagama - Chairman
- K.A.K.P. Gunawardena - Director
- R.M.G.B. Rathnayake - Director/CEO
- W.K.D.T Abeyrathne - Director
- T. Wanigasinghe - Director
(Resigned on 13.02.2019)
- M.M.Fouz - Director
(Resigned on 15.02.2019)
- B.M.D.B. Basnayake - Director
- W. Batagoda - Director
- S. Giridaran - Director
- N.S. Wanasinghe - Director
(Appointed w.e.f 26.02.2019)
- D.M.L. Bandaranayake - Director
(Appointed w.e.f 26.02.2019)

APPOINTMENTS AND RESIGNATIONS OF DIRECTORS

Mr. N.S. Wanasinghe was appointed as a Director with effect from 26.02.2019 and Mr. D.M.L. Bandaranayake was appointed as a Director with effect from 26.02.2019.

Mr. T. Wanigasinghe Director resigned on 13.02.2019 and Mr. M.M. Fouz resigned on 15.02.2019.

DIRECTORS' MEETINGS

The Directors conduct Board Meetings on a regular basis. Board decisions are resolved by resolutions at meetings, by circulation and also through circular Board Papers which are approved and signed by all the Directors and tabled at the Board Meetings. The Minutes of the Board Meetings, the Agenda for the next meeting and the monthly Management Reports are circulated to all the Directors in advance to the meetings.

BOARD COMMITTEE

The Board has established Committees for better monitoring and guidance of different aspects of operations and control.

AUDIT COMMITTEE

- Mr. S. Giridaran - Chairman
- Mr. G. Rathnayake - Member
(resigned w.e.f 27th March 2018)
- Mr. B.M.D. Basnayake - Member
- Mr. W. Batagoda - Member
(appointed w.e.f 27th March 2018)
- Mr. N.S. Wanasinghe - Member
(appointed w.e.f. 1st March 2019)
- Mr. W.K.D.T Abeyrathne - Member
(appointed w.e.f. 1st March 2019)

The Audit Committee reviewed the type and quantum of non-audit services provided by the External Auditors to the Company to ensure that their independence as Auditors has not been impaired.

The report of the Audit Committee is given on page 33.

DIRECTORS' SHAREHOLDINGS

None of the Directors held Company shares as at 31st March 2018

REMUNERATION OF DIRECTORS

No remunerations/loans were paid to the Directors. Refer Note No.29 to the Financial Statements on page 61.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the financial statements are given on pages 41-52.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at "Marcopolo", Excel World, No. 338, T.B. Jayah Mawatha, Colombo 10 on 29th April 2019 at 3.00 pm. The Notice of the Annual General Meeting is given on page No. 65.

AUDITORS

In accordance with Section 154 (1) of the Companies Act No. 7 of 2007 a resolution proposing the re-appointment of Auditor General's Department as the Auditors of the Company for the ensuing year will be proposed at the Annual General Meeting.

In terms of Section 155 (a) of the Companies Act No. 7 of 2007 a resolution authorizing the Directors to fix the remuneration of the Auditors for the ensuing year will be proposed at the Annual General Meeting.

The fees paid to the Auditors are disclosed in Note 09 to the financial statements. As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interest in the Company.

By order of the Board

DIRECTOR

L O L C CORPORATE SERVICES (PVT) LTD
SECRETARIES

Colombo
28.02.2019

STATEMENT OF DIRECTORS' RESPONSIBILITY

The responsibility of the Directors in relation to the Financial Statements for the year ended 31st March 2018 which have been prepared and presented in conformity with the requirements of the Sri Lanka Accounting Standards and the Companies Act No.7 of 2007 is set out in the following statement.

The responsibility of the Auditors in relation to the Financial Statements is set out in the Report of the Auditors on page 35 of the Report. As per the provisions of the Companies Act No. 7 of 2007, the Directors are required to prepare financial statements, for each financial year and place before a general meeting which comprise:

- 1 A Statement of Comprehensive Income, which presents a true and fair view of the profit and loss of the Company and its subsidiaries for the financial year;
- 2 A Statement of changes in Equity which presents a true and fair view of the changes in the Company's and its Subsidiaries retained earnings for the financial year;
- 3 A Statement of Cash Flow which presents a true and fair view of the flow of cash in and out of the business for the financial year; and

- 4 A Statement of Financial Position, which presents a true and fair view of the state of affairs of the Company and its subsidiaries as at the end of the financial year.

and which comply with the requirements of the Act.

The Directors are of the view that, in preparing these Financial Statements:

- 1 The appropriate accounting policies have been selected and applied in a consistent manner. Material deviations, if any have been disclosed and explained;
- 2 All applicable Accounting Standards, as relevant, have been followed.
- 3 Judgments and estimates have been made which are reasonable and prudent.

The Directors are also of the view that the Company has adequate resources to continue in operation and have applied the going concern basis in preparing these Financial Statements.

Further, the Directors have a responsibility to ensure that the Company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company,

and to ensure that the financial statements presented comply with the requirements of the Companies Act.

The Directors are also responsible for taking reasonable steps to safeguard the Assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The Directors are required to prepare the Financial Statements and to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their Audit Opinion.

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

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions levies and taxes payable on behalf of and in respect of the employees of the

Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the Balance Sheet date have been paid or, where relevant provided for.

By order of the Board

Dr. K.B. Kotagama
Chairman
28.02.2019

AUDIT COMMITTEE REPORT

ROLE OF THE COMMITTEE

The role of the Audit committee which reports its findings to the Board, is to review the integrity of the financial reporting of the Company, internal and external audit processes of the Company and the maintenance of sound internal control and risk management of the Company and its compliance with legal and regulatory requirements.

COMPOSITION

The Audit Committee, appointed by and responsible to the Board of Directors, presently comprises of following members;

Mr. S.Giridaran	-	Committee Chairman
Mr.B.M.D.B. Basnayake	-	Member
Mr. W. Batagoda	-	Member (appointed w.e.f. 27 th March 2018)
Mr. W.K.D.T Abeyrathne	-	Member (appointed w.e.f. 1 st March 2019)
Mr. N. S. Wanasinghe	-	Member (appointed w.e.f. 1 st March 2019)

During the period under review, Mr. G. Rathnayake, member resigned from the Committee on 27th March 2018.

FINANCIAL REPORTING

The Committee is established to oversee the Company's financial reporting on behalf of the Board of Directors as part of its responsibility and review the Financial Statements and recommend same to the Board for its deliberations prior to its issuance.

The Committee is also engaged in reviewing the Financial Statements to ensure consistency of the accounting policies and their compliance with the Sri Lanka Accounting Standards.

The Committee regularly discusses the operations of the Company and its future prospects with the management and ensures that all relevant matters are taken into account in the preparation of the Financial Statements.

CONTROLS & RISKS

The Committee reviews the effectiveness of the Company's system of Internal Control. The Committee also assesses the major business and control risks and the control environment prevalent in the Company and advises the Board on actions to be taken where weaknesses are observed.

EXTERNAL AUDITORS

The Audit Committee evaluates the independence of the External Auditors and the effectiveness of the audit process.

The Committee meets with the External Auditors in relation to the scope of the audit

and also to discuss the Management Letter at the conclusion of the audit.

The Committee reviews the audited financial statements with the External Auditors who are responsible for expressing an opinion on its conformity with the Sri Lanka Accounting Standards.

The Audit Committee evaluates the independence of the External Auditors for the year under review and informed the Board of Directors that in accordance with the 19th amendment to the Constitution of the Democratic Socialist Republic of Sri Lanka, audit of all the companies registered or deemed to be registered under the Companies Act No. 7 of 2007 in which the Government or Public Corporate or Local Authority holds 50 percent or more of the shares of the company are rest with the Auditor General's Department and recommended the appointment of Auditors from the Auditor General's Department for the financial year 2018/2019, subject to the approval of the shareholders at the Annual General Meeting.

CONCLUSION

The reports submitted by the External Auditors of the Company and the assurance provided by the Senior Management is considered by the Committee in identifying that the financial position of the Company has been adequately monitored.

Committee Chairman

28.02.2019



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

PLA/D/GOPL/01/2017

මගේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

19 November 2018

To the Shareholders of the,
Galoya Plantations (private) Limited

Report of the Auditor General on the Financial Statements of the Galoya Plantations (private) Limited for the year ended 31 March 2018.

The audit of financial statements of the Galoya Plantations (private) Limited (“the Company”) for the year ended 31 March 2018 comprising the statement of financial position as at 31 March 2018 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

Board’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව

இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை.

No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.



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Basis for Qualified Opinion

- (a) Administration and other overhead expenses aggregating Rs.95,977,641 had been capitalized together with expenditure incurred for the construction of distillery and factory building contrary to Section 19 of Sri Lanka Auditing Standards (LKAS) 16. As a result, the cost of the distillery and building shown in the financial statements had been overstated by similar amount.
- (b) The cost of the fully depreciated property, plant and equipment are being used by the Company as at the end of year under review was Rs.78,883,433. However, actions had not been taken to review the effective lifetime of such assets and account them accordingly.

Qualified Opinion

In my opinion, except for the effects of the matters described in the basis for qualified opinion paragraph, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Emphasis of Matter

I draw attention on Note 05 to the financial statements, which describes the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

Report on Other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act No.07 of 2007, I state the followings:

- (a) The basis of opinion and scope and limitations of the audit are as stated above.
- (b) In my opinion:
 - Except for the effects of the matters described in the basis for qualified opinion paragraph, I have obtained all the information and explanations that were required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company
 - The financial statements of the Company comply with the requirements of Section 151 of the Companies Act No. 07 of 2007.

Report to Parliament

My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

H.M. Gamini Wijesinghe
Auditor General

Statement of Profit or Loss and Comprehensive Income

GAL OYA PLANTATIONS (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

<i>For the year ended 31st March,</i>	Note	2018 <u>Rs.</u>	2017 <u>Rs.</u>
Revenue	6	1,243,023,570	1,007,844,863
Cost of sales		(957,558,213)	(809,917,686)
Gross profit		<u>285,465,357</u>	<u>197,927,176</u>
Other income	7	41,371,403	40,741,651
Administrative expenses		(476,285,540)	(453,648,208)
Finance income		30,210	38,302
Finance expenses		(1,193,519,762)	(747,416,480)
Net finance expenses	8	(1,193,489,552)	(747,378,178)
Loss before taxation	9	<u>(1,342,938,332)</u>	<u>(962,357,558)</u>
Income tax expense	10	(4,589,788)	(4,588,763)
Loss for the year		<u>(1,347,528,120)</u>	<u>(966,946,320)</u>
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss</i>			
Actuarial gain/(loss) on defined benefit obligations		(4,911,133)	10,151,857
Other comprehensive income for the year, net of tax		(4,911,133)	10,151,857
Total comprehensive income for the year		<u>(1,352,439,253)</u>	<u>(956,794,464)</u>
Deficit per share (Rs.)	11	13.32	9.56

*The accounting policies and notes form an integral part of these financial statements.
Figures in brackets indicate deductions.*

Statement of Financial Position

GAL OYA PLANTATIONS (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION

<i>As at 31st March,</i>	Note	2018 <u>Rs.</u>	2017 <u>Rs.</u>
ASSETS			
Non - current assets			
Property, plant and equipment	12	2,120,298,125	935,098,754
Infrastructure development	13	61,269,718	61,828,803
Right to use land and buildings	14	245,000,000	254,800,000
Capital work in progress	15	11,002,668	917,454,669
Intangible assets	16	1,304,326	336,915
Loans given to farmers	17	113,960,321	76,954,791
		<u>2,552,835,158</u>	<u>2,246,473,932</u>
Current assets			
Biological assets	18	20,710,760	22,176,331
Inventories	19	719,275,368	412,739,304
Loans given to farmers	17	176,165,585	240,734,439
Trade and other receivables	20	122,824,008	225,931,731
Amounts due from related parties	21	2,772,105	2,376,396
Income tax receivable		2,579,077	689,877
Cash and cash equivalents	22	5,509,030	847,032
Total current assets		<u>1,049,835,933</u>	<u>905,495,109</u>
Total assets		<u>3,602,671,091</u>	<u>3,151,969,042</u>
EQUITY AND LIABILITIES			
Equity			
Stated capital	23	1,011,764,730	1,011,764,730
Accumulated loss		<u>(5,429,166,673)</u>	<u>(4,076,727,421)</u>
Total equity		<u>(4,417,401,944)</u>	<u>(3,064,962,691)</u>
Non - current liabilities			
Interest bearing loans and borrowings	25	3,702,703,173	2,969,408,753
Retirement benefit obligations	24	39,401,774	27,328,453
Finance lease obligations	26	170,113,017	96,466,944
Total non current liabilities		<u>3,912,217,964</u>	<u>3,093,204,149</u>
Current liabilities			
Interest bearing loans and borrowings	25	2,848,358,129	2,367,141,659
Finance lease obligations	26	37,943,951	19,147,034
Trade and other payables	27	168,496,162	76,695,189
Amount due to related parties	28	886,548,864	410,167,275
Income tax payable		-	-
Bank overdraft	22	166,507,964	250,576,425
Total current liabilities		<u>4,107,855,070</u>	<u>3,123,727,584</u>
Total equity and liabilities		<u>3,602,671,091</u>	<u>3,151,969,042</u>

The accounting policies and notes form an integral part of these financial statements.

Figures in brackets indicate deductions.

I certify that the financial statements of the Company comply with the requirement of the companies act No 07 of 2007.



.....
Head of Finance)

(Mr.M.V.Saliya Plevian)

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the Board;



.....
Director

(Mr.R.M.G.K.B.Rathnayake)

24th July 2018



.....
Director

(Mr.Giridaran Seenivasan)

Statement of Changes in Equity

GAL OYA PLANTATIONS (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY

	Stated capital <u>Rs.</u>	Retained earnings <u>Rs.</u>	Total <u>Rs.</u>
Balance as at 1 st April, 2016	1,011,764,730	(3,119,932,957)	(2,108,168,227)
Loss for the year	-	(966,946,320)	(966,946,320)
Other comprehensive income for the year	-	10,151,857	10,151,857
Total comprehensive income for the year	-	(956,794,464)	(956,794,464)
Balance as at 31st March, 2017	<u>1,011,764,730</u>	<u>(4,076,727,421)</u>	<u>(3,064,962,691)</u>
Loss for the year	-	(1,347,528,120)	(1,347,528,120)
Other comprehensive income for the year	-	(4,911,133)	(4,911,133)
Total comprehensive income for the year	-	(1,352,439,253)	(1,352,439,253)
Balance as at 31st March, 2018	<u>1,011,764,730</u>	<u>(5,429,166,673)</u>	<u>(4,417,401,943)</u>

*The accounting policies and notes form an integral part of these financial statements.
Figures in brackets indicate deductions.*

Statement of Cash Flow

GAL OYA PLANTATIONS (PRIVATE) LIMITED
STATEMENT OF CASH FLOW

<i>For the year ended 31st March,</i>	<u>2018</u>	<u>2017</u>
	<u>Rs.</u>	<u>Rs.</u>
Cash flows from operating activities		
Loss before taxation	(1,342,938,332)	(962,357,558)
<i>Adjustments for:</i>		
Finance income	(30,210)	(38,302)
Finance expense	1,193,519,762	747,416,480
Depreciation on property, plant and equipment	185,070,757	158,138,250
Amortisation of intangible assets	340,297	48,265
Amortisation of lease hold right	9,800,000	9,800,000
Amortisation of infrastructure development equipment	36,199,707	44,558,855
Impairment of farmer loans	-	5,559,643
Provision for retiring gratuity	9,397,592	7,761,632
Operating profit before working capital changes	<u>91,359,572</u>	<u>10,887,265</u>
Working capital changes		
(Increase) / decrease in inventories	(306,536,064)	(59,178,967)
(Increase)/decrease in biological asset	1,465,571	(6,443,056)
Increase in trade and other receivables	103,107,722	(74,505,013)
(Increase) / decrease in due from related party	(395,709)	(587,915)
(Increase) / decrease in loan given to farmers	27,563,325	(85,151,733)
Increase / (decrease) in trade and other payables	91,800,973	(51,381,717)
(Increase) / decrease in due to related party	97,104,483	-
Cash generated from operations	<u>105,469,872</u>	<u>(266,361,136)</u>
Income tax paid	(6,478,988)	(8,131,826)
Retiring gratuity paid	(2,235,404)	(774,759)
Finance expense paid	(814,242,656)	(664,968,777)
Net cash from/(used in) operating activities	<u>(717,487,176)</u>	<u>(940,236,498)</u>
Cash flows from investing activities		
Interest income received	30,210	38,302
Acquisition of property, plant and equipment	(1,370,270,128)	(165,389,380)
Acquisition of intangible assets	(1,307,708)	(70,000)
Additions to infrastructure development	(35,640,622)	(34,673,774)
Investments in capital work-in-progress	906,452,001	(515,661,706)
Net cash flows used in investing activities	<u>(500,736,246)</u>	<u>(715,756,558)</u>
Cash flows from financing activities		
Net Increase/(Decrease) in Lease Liability	92,442,990	85,748,702
Receipts from borrowings - related companies	1,335,919,008	2,547,200,614
Repayment of borrowings - related companies	(244,985,645)	(877,342,544)
Receipts from borrowings - non related companies	200,927,371	2,483,100
Repayment of borrowings - non related companies	(77,349,844)	(134,100,133)
Net cash from financing activities	<u>1,306,953,880</u>	<u>1,623,989,738</u>
Net change in cash and cash equivalents during the year	88,730,457	(32,003,319)
Cash and cash equivalents at the beginning of the period	(249,729,394)	(217,726,074)
Cash and cash equivalents at the end of the year (Note 22)	<u>(160,998,935)</u>	<u>(249,729,394)</u>

*The accounting policies and notes form an integral part of these financial statements.
Figures in brackets indicate deductions.*

Notes to the Financial Statement

GAL OYA PLANTATIONS (PRIVATE) LIMITED NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information.

1.1. Reporting entity

Gal Oya Plantations (Private) Limited is a limited liability company incorporated on 11th October, 2006 under the Companies Act No.07 of 2007 and domiciled in Sri Lanka. The Company's registered office is located at 481, T.B.Jayah Mawatha, Colombo 10 and the business office is located at Factory complex, Hingurana, Ampara.

1.2. Principal activities and nature of operations

The Company is engaged in production of Sugar, ENA and generation of Electricity.

1.3. Immediate and ultimate parent enterprise

The main share holder of the Company is the Government of Sri Lanka which owns 51% of the share holding as at 31st March, 2018. The Company is an associate of Lanka ORIX Leasing Company PLC and Brown & Company PLC. Lanka ORIX Leasing Company PLC holds 26.95% and Brown & Company PLC holds 22.05% of the ordinary shares as at 31st March, 2018.

1.4. Date of authorisation for issue

The financial statements of Gal Oya Plantations (Private) limited for the year ended 31st March 2018 (including comparatives) were authorised for issue in accordance with a resolution of the Board of Directors on 24th July 2018.

2. Basis of preparation.

2.1 Statement of compliance

The financial statements of the Company which comprise the Statement of financial position, Statement of profit or loss and other comprehensive income, Statement of changes in equity, Statement of cash flows and Notes thereto have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and comply with the requirement of Companies Act No 7 of 2007.

2.2 Basis of measurement

The financial statements of the company have been prepared on the historical cost basis, except for measurement of the following material items in the Statement of financial position.

- Biological (Standing sugar cane) assets are measured at fair value less cost to sell.
- Retirement benefit obligations are measured at the present value of defined benefit obligations.

2.3 Functional currency

These financial statements are presented in Sri Lankan Rupees, which is the Company's functional currency. All financial information presented in Srilankan Rupees has been rounded to the nearest Rupee.

2.4 Use of estimates, judgment and assumptions.

The preparation of the financial statements in conformity with SLFRSs' / LKASs' requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgements and assumptions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision affects only that period and any future periods affected.

GAL OYA PLANTATIONS (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

a) Useful lives of depreciable assets

Management reviews its estimation of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the useful life of certain property, plant and equipment.

b) Measurement of retirement benefit obligations

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expenses.

c) Biological assets

In measuring fair value of standing cane, management estimates and judgments required for the determination of the fair value.

Market price of the standing cane is obtained from the local market and quality and weight are considered to approximate the Company's standing cane.

d) Impairment

In assessing impairment, management estimates the recoverable amount at each asset or cash-generating unit based on expected future cash flows and uses an appropriate interest rate to discount them. Management makes certain assumptions based on their judgment in forecasting future operating results.

2.5 Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern, and are satisfied that it has the resources to continue in business for the foreseeable future. Therefore these financial statements are prepared on going concern basis.

3. Significant accounting policies.

The accounting policies set out below have been applied consistently for all periods presented in the financial statement by the Company.

3.1 Foreign currency transactions

Transactions in foreign currencies are translated to Sri Lankan Rupees at the foreign exchange rates at the dates of the transactions. All monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the Sri Lankan Rupees at the foreign exchange rate prevailing at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of transactions. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the reporting currency at the exchange rate that prevailed at the date the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the Statement of profit or loss, except for differences arising on the re-translation of available for sale equity investments, a financial liability designated as a hedge of the net investment in a foreign operation or qualifying cash flow hedges, which are recognised in other comprehensive income. Foreign currency gains and losses are reported on a net basis in the Statement of profit or loss.

GAL OYA PLANTATIONS (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

3.2 Assets and bases of their valuation

3.2.1 Property, plant and equipment

3.2.1.1 Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the assets to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to the working condition for its intended use, and borrowing costs if the recognition criteria are met. This also includes cost of dismantling and removing the items and restoring them in the site on which they are located.

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

3.2.1.2 Subsequent cost

The Company recognises in the carrying amount of property, plant and equipment the cost of replacing a part of an item, when it is probable that the future economic benefits embodied in the item will flow to the Company and the cost of the item can be measured reliably. The carrying amounts of the parts that are replaced are recognised from the cost of the assets. The cost of day to day servicing of property, plant and equipment are recognised in the Statement profit or loss as and when incurred.

3.2.1.3 De-recognition

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-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 comprehensive income when the asset is de-recognised. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively to the financial statements, to increase the relevance and reliability of information provided in financial statements for decision makers if appropriate;

3.2.1.4 Depreciation

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognised in the Statement profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the assets is disposed. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of lease term. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

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

Property, plant and equipment	No. of years
Buildings	30 years
Plant and machinery-factory	12 years
Fleet machinery	4 years
Water purification plant	12 years
Furniture and fittings	5 years
Office equipment	4 years
Agriculture Implement & Equipment	8 years
Bungalow equipment	8 years
Factory Equipment	8 years
Tractors and trailers	6 years
Sugar cane harvester	4 years
Motor cycle	4 years
Computer equipment	4 years
Mobile phones	4 years
GPS Tracking devices	4 years
Intangible asset	4 years
Distillery Plant & Machineries	20 years

3.2.1.5 Amortisation

The leasehold rights are being amortised in equal amounts over the shorter of lease term and the expected useful life of the assets is as follows.

Class of asset	No. of years
Land	30 years
Permanent land development	30 years

3.2.1.6 Intangible assets

An intangible asset is recognized initially at cost when it is probable that future economic benefits that are attributable to the asset will flow to the Company and when the cost of the asset can be measured reliably. These intangible assets are carried in the balance sheet at cost less accumulated amortization and impairment losses.

All computer software cost incurred, licensed for use by the Company, which does not form a integral part of related hardware and which can be clearly identified, reliably measured and it is probable that they will lead to future economic benefits are included under intangible assets and carried at cost less accumulated amortization and any accumulated impairment losses.

3.2.2 Biological assets

Biological assets comprise nursery and standing cane.

Standing cane is measured at fair value less cost to sell, based on market process available in the local market with adjustments, where necessary, to reflect the differences. Cost to sell of the standing cane includes incremental cost of harvesting, loading and transportation.

Change in fair value of standing cane is recognised in the statement of comprehensive income.

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Nurseries are valued at cost as a little biological transformation has taken place since initial cost incurrence and the impact of the biological transformation on price is not expected to be material. Cost includes direct and indirect planting cost.

3.2.2 Biological assets (contd.)

a) Growing crop nurseries

Nursery cost includes the cost of direct materials, direct labor and an appropriate proportion of directly attributable overheads.

3.2.3 Borrowing cost

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale, are capitalised as a part of the asset.

Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the statement of comprehensive income.

The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with LKAS 23 - 'Borrowing Costs'.

Borrowing costs incurred in respect of specific loans that are utilised for field development activities have been capitalised as a part of the cost of the relevant immature plantation. The capitalisation will be ceased when the crops are ready for commercial harvest. The amount so capitalised and the capitalisation rates are disclosed in the notes to the financial statements. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in Statement of profit or loss using the effective interest method.

3.2.4 Permanent land development costs

Permanent land development costs are those costs incurred making significant infrastructure development and building new access roads on leasehold lands.

These costs have been capitalised and amortised over the remaining lease period.

3.2.5 Capital work – in – progress

The cost of capital work-in-progress is the cost of purchase or construction together with any related expenses thereon.

Expenditure incurred on capital work-in-progress for permanent nature or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

Capital work-in-progress is transferred to the respective asset accounts at the time of first utilisation or at the time the asset is commissioned.

3.2.6 Leases

a) Finance leases

Leases in terms of which the Company assumes substantially all the risk and rewards of ownership are classified as finance leases. On initial recognition, the leased assets under property plant and equipment, is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the assets is accounted for in accordance with the accounting policy applicable to that assets.

Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate interest on the remaining balance of the liability.

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b) Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term are classified as operating leases. Payments under operating leases are recognised as an expense in the Statement of profit or loss on a straight-line basis over the term of the lease or any other basis more representative of the time pattern of the benefits derived from the lease.

3.2.7 Impairment- Non financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flow that are largely independent from other assets. Impairment losses are recognised in the Statement of profit or loss.

3.3 Financial instruments

3.3.1 Financial assets

The Company recognises financial assets in its statement of financial position when the Company becomes a party to the contractual provisions of the instruments. The Company de-recognises financial assets when contractual rights to the cash flows from the asset expire, or it transfers the right to receive the contractual cash flows on the financial assets in a transaction in which substantially all the risk and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate assets or liability.

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

a) Loans and receivables

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

Loans and receivables of the Company comprise of the following,

i) Trade receivables

Trade and other receivables are stated at the amounts they are estimated to realise, net of provisions for bad and doubtful receivables. A provision for doubtful debts is made where as there is objective evidence that the group will not be able to recover all amounts due according to the original terms of receivables. Bad debts are written-off when identified.

3.4 Inventories

Inventories are measured at the lower of cost and net realisable value. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formula:

Input material, spares and consumables- at actual cost on weighted average basis.

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Finished goods and work-in-progress (sugar) - At direct material cost, direct labour and appropriate proportion of production overheads & less selling price of by product (molasses)

Molasses-by product- average selling price

3.5 Financial liabilities

The Company initially recognises debt securities and loans & borrowings on the date that they are originated. All other financial liabilities are recognised at initially on the trade date, which is the date that the company becomes party to the contractual provisions of the instruments.

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

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using effective interest rate method. Other financial liabilities comprise of loans & borrowings, bank overdraft and debentures issued.

3.5.1 Other liabilities and provisions

3.5.1.1 General

Liabilities classified as current liabilities in the Statement of financial position are those which fall due for payment on demand or within one year from the Statement of financial position date. Non-current liabilities are those balances that fall due for payment after one year from the Statement of financial position date. All known liabilities have been accounted for in preparing these financial statements. Provisions and liabilities are recognised when the company/group has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.5.2 Employee benefits

3.5.2.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

All employees who are eligible for Employees Provident Fund and Employees Trust fund are covered by relevant contributions fund to the defined contribution plans and are recognised as an expense in the financial statements when incurred.

3.5.2.2 Defined benefit plans.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the financial statements in respect of defined benefit plans is the present value of the defined benefit obligation as at reporting date. The defined benefit obligation is calculated by a qualified Actuary as at reporting date using Projected Unit Credit method as recommended by LKAS 19. The company expects to carry out actuarial valuation every year.

The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating to the terms of liability. Provisions has been made in the financial statements for retiring gratuities from the first year if service for all employees.

However under the payment of Gratuity Act No. 12 of 1983, the liability for payment to an employee

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arise only after the completion of five years continued service. The liability is not externally funded. With the adoption of LKAS 19 – Employee Benefits, the Company recognizes all actuarial gains and losses arising from defined benefit plans immediately in the other comprehensive income as they occur. This has been adopted by the Company with retrospective effect.

3.5.2.3 Short term benefits

Short-term employee benefits and obligations are measured on an undiscounted basis and are expensed as the related services are provided.

3.6 Provisions

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

3.7 Revenue

The net company turnover excludes turnover taxes, and trade discounts. The gross turnover represents the invoiced value of goods & services to customers outside the company.

3.7.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and value added taxes, net of sales within the company.

a) Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

3.8 Other income

Other income is recognised on accrual basis

a) Gain/ (loss) on disposal of property, plant and equipment

Gain on disposal of property, plant and equipment and other non-current assets held by the group have been accounted for in the statement of profit or loss, after deducting from the net sales proceeds on disposal of the carrying amount of such assets and related selling expenses. On disposal of revalued property, plant and equipment, amount remaining in revaluation reserve relating to that asset is transferred directly to retained earnings.

b) Interest income from loan given to farmers

Interest income from loans given to farmers is recognised in the Statement of Profit or loss on accrual basis.

3.9 Finance income

Interest income is recognized as the interest accrued on a time basis (taking into account the effective yield on the asset) unless collectability is in doubt.

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3.10 Expenses recognition

Expenses are recognised in the Statement of Profit or loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income in arriving at the profit for the year. For the purpose of presentation of the Statement of Profit or loss the directors are of the opinion that function of expenses method presents fairly the elements of the Company's performance and hence such presentation method is adopted.

Preliminary and pre-operational expenditure is recognised in the Statement of Profit or loss. Repairs and renewals are charged to the statement of comprehensive income in the year in which the expenditure is incurred.

3.11 Tax expense

Tax expense comprises of current, deferred tax and other statutory taxes. Income tax expense is recognised in the Statement of comprehensive income except to the extent that it relates to items recognised directly in the Statement of changes in equity.

3.11.1 Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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. No 10 of 2006 and subsequent amendments thereto.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue.

3.11.2 Deferred tax

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and tax purposes. Deferred tax is measured at rates applicable to the temporary differences.

No deferred tax liability will be recognised in the financial statements when the brought forward tax losses are in excess of the deferred tax liability recognised.

3.12 Earnings / (loss) per share

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

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4. New accounting standards issued but not effective as at the reporting date

A number of new standards and amendments to standards, which have been issued but not yet effective as at the Reporting date, have not been applied in preparing these Consolidated Financial Statements. Accordingly, the following Accounting Standards have not been applied in preparing these Financial Statements and the Group plans to apply these standards on the respective effective dates:

SLFRS 9 – ‘Financial Instruments’

SLFRS 09, issued in July 2014, is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. It replaces LKAS 39 – “Financial Instruments: Recognition and Measurement”.

The Group will apply SLFRS 9 as issued in July 2014 with effect from 1 January 2018 based on the transitional provisions.

The Group has assessed the impact on transition based on gap analysis and quantifications performed on its Financial Statements as at 31 March 2017 on adoption of SLFRS 9 with the assistance of an external consultant.

The Group is now in the process of testing and refining the data and models used for the calculation of initial impact assessment.

SLFRS 9 include three major sections, i.e.

- Classification and measurement of financial assets and financial liabilities
- Impairment of financial assets
- Hedge accounting

● **Classification and measurement of financial assets and financial liabilities**

SLFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

SLFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, FVOCI (Fair Value through Other Comprehensive Income) and FVTPL (Fair Value Through Profit or Loss). It eliminates the existing LKAS 39 categories of held for trading, held to maturity, loans and receivables and available for sale.

All equity instruments should be fair valued either through profit or loss or OCI. Fair value through Other Comprehensive Income (OCI) is an irrecoverable option without recycling (i.e. the amount recognised in OCI/Reserves cannot be transferred to P&L at the time of disposal).

The standard will affect the classification and measurement of financial assets held as at 1 January 2018 as follows:

- ✓ Trading assets and derivative assets held for risk management, which are classified as held for trading and measured at FVTPL under LKAS 39, will also be measured at FVTPL under SLFRS 9.
- ✓ Loans and advances to banks and to customers that are classified as loans and receivables and measured at amortised cost under LKAS 39 will in general also be measured at amortised cost under SLFRS 9.
- ✓ Held-to-maturity investment securities measured at amortised cost under LKAS 39 will in general also be measured at amortised cost under SLFRS 9.
- ✓ Debt investment securities that are classified as available for sale under LKAS 39 may, under SLFRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on the particular circumstances.

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- ✓ The equity investment securities that are classified as available for sale under LKAS 39 will be designated as FVOCI on 1 January 2018.

The Group has reviewed the loan agreements and the objectives of assets portfolios to evaluate whether any of the condition triggers change in the classifications. However, the Group has not identified any significant changes to the Group present measurement rules based on impact analysis performed. SLFRS 9 does not change the measurement rules of financial liabilities.

□ Impairment of financial assets

SLFRS 9 brings out the concept of expected loss against the incurred loss principle used in LKAS 39. Accordingly,

- a) Life Time Expected Credit Loss (ECL) to be provided for all loans. However, if loans credit risk has not increased significantly from the grant date, the expected loss should be restricted only to 12 months' period.
- b) The provision should be based on Exposure At Default (EAD) instead of outstanding balance used under LKAS 39. As a result, undrawn loan commitments/unutilised credit facilities would attract provisions.
- c) Expected loss to be measured by internal estimates of following loss statistics:
 - Probability of Default (PD) derived through age bucket transition matrix
 - Loss Given Default (LGD)-based on historical recoveries of defaulted loans
- b) Incorporate forward looking information to adjust loss statistics calculated by the Bank. These forward looking information include macroeconomic factors such as gross domestic production, inflation etc.
- c) SLFRS 9 requires provision to be made for all financial assets including foreign currency denominated Government Securities and corporate debentures.

● Hedge accounting

Hedge accounting guidelines prescribed by SLFRS 9 do not have any impact on cash flow hedge accounting currently in place in the Group.

SLFRS 15 – ‘Revenue from Contracts with Customers’

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. New qualitative and quantitative disclosure requirements aim to enable Financial Statements users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. It replaces existing revenue recognition guidance, including LKAS 18 on ‘Revenue’ and LKAS 11 on ‘Construction Contracts’ and IFRIC 13 on ‘Customer Loyalty Programmes’.

Entities will apply five-step model to determine when to recognize revenue and at what amount. The model specified that revenue is recognised when or as an entity transfers control of goods and services to a customer

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at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognized.

SLFRS 15 is effective for annual reporting periods beginning on or after January 01, 2018, with early adoption permitted.

The Group does not expect significant impact on its Financial Statements resulting from the application of SLFRS 15 and pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these Financial Statements.

SLFRS 16 – ‘Leases’

SLFRS 16 requires lessees to recognise all leases on their Statement of Financial Position as lease liabilities, with the corresponding right of use assets.

The profit or loss recognition pattern for recognised leases will be similar to existing finance lease accounting, with interest and depreciation expense recognised separately in the Profit or Loss.

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

Based on the high level impact assessment performed, the Group is not expecting a significant impact on SLFRS 16 adoption except for the capitalisation of operating lease commitments.

The following amendments and improvements are not expected to have a significant impact on the Group's financial statements

- Annual Improvements to SLFRSs (2014–2016) Cycle - various standards
- Amendments to LKAS 28 – Long-term interests in associates and joint ventures
- Amendments to SLFRS 10 and LKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to SLFRS 2 – Classification and Measurement of Share-Based Payment Transactions
- Amendments to IFRS 9 – Financial assets with a prepayment feature with negative compensation
- Supplementary information on IFRIC 22 – Foreign Currency Transactions and Advance Consideration
- IFRIC 23 – Uncertainty over Income Tax Treatments
- Annual Improvements to SLFRSs 2015–2017 Cycle – various standards

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5 Appropriateness of going concern assumption

The Company incurred a net loss of Rs.1,352,439,253/- for the year ended 31st March 2018 (previous year Rs.956,794,464/-) and as at the date the liabilities exceeded the total assets by Rs.4,417,401,944/- (previous year Rs.3,064,962,691/-). These conditions may indicate uncertainty about the Company's ability to continue as a going concern.

However, the management has set an action plan with planned investment which will generate positive cash flow and profits in the future and the plan will be monitored by the Board to recoup the losses incurred. The expected profits and the positive cash flows are mainly attributed due to investment on planned ethanol plant and the Company's plantation reaching its desired level of capacity thereby increased level of production. The management has evaluated the impact of these in profitability and cash flows when making the decision on Company's going concern. Accordingly the Directors are of the view that the Company is able to continue as a going concern.

<i>For the year ended 31st March,</i>	2018	2017
	<u>Rs.</u>	<u>Rs.</u>
6 Revenue		
Sale of sugar	<u>1,243,023,570</u>	1,007,844,863
	<u>1,243,023,570</u>	<u>1,007,844,863</u>
7 Other income		
Income from sale of raw sugar	10,735,666	8,499,377
Net income from molasses sales	5,397,533	5,173,837
Interest income from farmer loans	25,188,403	25,174,679
Income from water sales	-	-
Income from scrap sales	-	1,741,899
Miscellaneous income	49,801	151,859
	<u>41,371,403</u>	<u>40,741,651</u>
8 Net finance expenses		
8.1 Finance income		
Interest income - repo investment & savings	30,210	38,302
	<u>30,210</u>	<u>38,302</u>
8.2 Finance expenses		
<i>Interest on loans from</i>		
Lanka ORIX Leasing Company PLC	101,460,220	105,397,860
LOLC Factors Limited	532,703,871	250,187,205
Browns & Company PLC	111,632,714	117,353,256
Commercial Leasing & Finance Company PLC	49,581,017	38,123,289
AgStar PLC	-	-
Peoples Bank PLC	170,882	10,363,464
Bank of Ceylon PLC	8,412,381	18,449,454
Saakya Capital (Pvt) Ltd	287,499,996	171,901,825
Commercial Trust Technologies (Pvt) Ltd	36,903,730	-
<i>Other interest on</i>		
Interest on finance lease obligation	40,340,964	18,937,979
Bank overdraft	24,813,987	16,702,149
	<u>1,193,519,762</u>	<u>747,416,480</u>
Net finance income/(expenses)	<u>(1,193,489,552)</u>	<u>(747,378,178)</u>
<i>For the year ended 31st March,</i>	2018	2017
	<u>Rs.</u>	<u>Rs.</u>
9 Loss before taxation		
<i>Stated after charging all expenses including the following:</i>		
Depreciation on property, plant and equipment	185,070,757	158,138,250
Amortisation on intangible assets	340,297	48,265
Depreciation on infrastructure development	36,199,707	44,558,855
Amortisation on right to use land and building	9,800,000	9,800,000
Personnel costs (Note 9.1)	366,463,380	312,518,977
External audit fees	-	275,000
Impairment on farmer loan	-	5,559,643
9.1 Personnel costs		
Salaries and wages	176,405,178	167,881,846
Defined contribution plan costs - EPF/ETF	27,627,383	27,371,733
Defined benefit plan costs - retirement benefit	14,308,725	(2,390,225)
Other staff related expenses	148,122,093	119,655,624
	<u>366,463,380</u>	<u>312,518,977</u>
Number of staff	924	798

GAL OYA PLANTATIONS (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

<i>For the year ended 31st March,</i>	2018	2017
	<u>Rs.</u>	<u>Rs.</u>
10 Income tax expense		
Current tax expense		
Income tax expenses on current year profit (Note 10.1)	<u>4,589,788</u>	<u>4,588,763</u>
	<u>4,589,788</u>	<u>4,588,763</u>
10.1 Reconciliation of the accounting profit and tax on current year.		
Loss before taxation	(1,342,938,332)	(962,357,558)
Non business income	(25,218,613)	(25,212,981)
Aggregate disallowed expenses	283,438,855	249,081,347
Aggregate allowed deductions	(524,492,439)	(114,674,153)
Tax loss	<u>(1,609,210,529)</u>	<u>(853,163,345)</u>
Non business income	25,218,613	25,212,981
Utilisation of tax losses	(8,826,514)	(8,824,543)
Taxable income	<u>16,392,098</u>	<u>16,388,438</u>
Income tax @ 28%	<u>4,589,788</u>	<u>4,588,763</u>
	<u>4,589,788</u>	<u>4,588,763</u>
10.2 Tax losses carried forward		
Tax losses brought forward	4,667,863,830	3,823,525,028
Adjustment in respect of previous year	-	-
Tax losses arising during the year	1,609,210,529	853,163,345
Utilisation of tax losses during the year	(8,826,514)	(8,824,543)
Tax losses at the end of the year	<u>6,268,247,845</u>	<u>4,667,863,830</u>
10.3 Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of following items.		
Property, plant and equipment	(1,053,567,912)	(509,556,128)
Retirement benefit obligations	39,401,774	27,328,453
Tax losses	6,268,247,845	4,667,863,830
Deductible temporary difference	<u>5,254,081,707</u>	<u>4,185,636,155</u>
Applicable Tax Rate	10%	10%
Deferred Tax Asset	<u>525,408,171</u>	<u>418,563,615</u>
	<u>525,408,171</u>	<u>418,563,615</u>

The deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the company can utilise the benefit there for.

11 Deficit per share

Deficit per share is calculated by dividing the net loss for the year attributable to equity holders of the Company, by the weighted average number of ordinary shares outstanding during the year.

	<u>2018</u>	<u>2017</u>
Loss for the year (Rs.)	1,347,528,120	966,946,320
Weighted average number of ordinary shares in issue	<u>101,176,473</u>	<u>101,176,473</u>
Deficit per share (Rs.)	<u>13.32</u>	<u>9.56</u>

GAL OYA PLANTATIONS (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

12 Property, plant and equipment

Cost	Balance as at 1 st April 2017	Additions	Disposals	Balance as at 31 st March 2018
	Rs.	Rs.	Rs.	Rs.
Freehold				
Buildings	34,793,703	136,279,418	-	171,073,121
Permanent land development cost	63,348,553	-	-	63,348,553
Factory - plant and machinery	878,429,652	-	-	878,429,652
Fleet Machinery	17,119,925	-	-	17,119,925
Water purification plant	5,426,456	-	-	5,426,456
Furniture and fixtures	6,232,781	688,129	-	6,920,910
Office equipment	2,997,805	6,903,875	-	9,901,680
Agriculture equipment	27,096,969	7,684,688	-	34,781,657
Bungalow equipment	7,217,822	863,180	-	8,081,002
Factory equipment	54,590,592	24,132,536	-	78,723,128
Tractors and trailers	152,517,026	2,117,867	-	154,634,893
Sugar cane harvester	2,060,000	-	-	2,060,000
Motor cycle	319,480	-	-	319,480
Computer equipment	8,803,471	611,998	-	9,415,469
Mobile phones	750,060	565,638	-	1,315,698
GPS tracking device	2,104,500	-	-	2,104,500
Distillery Plant & Machineries	-	1,027,438,048	-	1,027,438,048
	<u>1,263,808,795</u>	<u>1,207,285,378</u>	<u>-</u>	<u>2,471,094,173</u>
Leasehold				
Sugar cane harvester	159,036,027	-	-	159,036,027
Motor vehicles	18,299,336	32,000,000	-	50,299,336
Infielder with tractors	27,048,757	-	-	27,048,757
Tractors	25,050,000	130,984,750	-	156,034,750
	<u>229,434,120</u>	<u>162,984,750</u>	<u>-</u>	<u>392,418,870</u>
Carrying amount at cost	<u>1,493,242,915</u>	<u>1,370,270,128</u>	<u>-</u>	<u>2,863,513,042</u>

Accumulated depreciation	Balance as at 1 st April 2017	Charge for the year	Balance as at 31 st March 2018
Freehold			
Buildings	4,454,602	1,159,790	5,614,392
Permanent land development cost	8,446,473	2,111,618	10,558,092
Factory - plant and machinery	275,834,607	73,202,471	349,037,079
Fleet Machinery	14,638,127	827,266	15,465,393
Water purification plant	1,773,939	452,205	2,226,143
Furniture and fixtures	4,485,414	875,607	5,361,021
Office equipment	931,542	1,439,022	2,370,564
Agriculture equipment	8,344,256	3,821,173	12,165,429
Bungalow equipment	3,671,055	650,441	4,321,497
Factory equipment	16,122,886	7,909,678	24,032,564
Tractors and trailers	103,833,284	23,577,148	127,410,432
Sugar cane harvester	2,060,000	-	2,060,000
Motor cycle	319,480	-	319,480
Computer equipment	7,881,877	674,064	8,555,941
Mobile phones	742,484	22,694	765,178
GPS tracking device	876,875	526,125	1,403,000
	<u>454,416,902</u>	<u>117,249,303</u>	<u>571,666,205</u>
Leasehold			
Sugar cane harvester	61,624,764	31,622,842	93,247,606
Motor vehicles	13,920,187	5,267,634	19,187,821
Infielder with tractors	11,490,847	4,925,186	16,416,034
Tractors	16,691,459	26,005,792	42,697,251
	<u>103,727,258</u>	<u>67,821,454</u>	<u>171,548,712</u>
Accumulated depreciation	<u>558,144,160</u>	<u>185,070,757</u>	<u>743,214,918</u>
Carrying amount	<u>935,098,754</u>		<u>2,120,298,125</u>
	(4,157,761)		(4,498,058)
	930,940,993		2,115,800,067

12.1 Fully depreciated property, plant and equipment

The cost of fully depreciated property, plant and equipment which are still in use as at the reporting date is as follows;

<i>As at 31st March</i>	2018 Rs.	2017 Rs.
Machinery -JCB	13,810,861	13,810,861
Furniture and fixtures	3,845,071	1,921,724
Office equipment	438,063	433,563
Tractors and trailers	12,466,050	12,466,050
Sugar cane harvester	34,604,660	34,604,660
Motor cycle	319,480	319,480
Computer & accessories	7,177,946	6,013,068
Mobile phones	750,060	734,850
Agriculture equipment	246,097	142,350
Bungalow equipment	2,416,892	2,399,337
Factory equipment	1,014,403	1,014,403
Infielder with tractors	7,348,011	7,348,011
Motor vehicles	5,228,800	5,228,800
	<u>89,666,394</u>	<u>86,437,156</u>

GAL OYA PLANTATIONS (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

13 Infrastructure development

Infrastructure development contain the road, drainage, culvert, gutters development cost which have useful time of 4 years.

	Balance as at 1 st April 2017	Additions / transfer	Balance as at 31 st March 2018
Cost			
Infrastructure development	227,522,390	35,640,622	263,163,012
	<u>227,522,390</u>	<u>35,640,622</u>	<u>263,163,012</u>
	Balance as at 1 st April 2017	Amortisation	Balance as at 31 st March 2018
Accumulated amortization			
Infrastructure development	165,693,587	36,199,707	201,893,294
	<u>165,693,587</u>	<u>36,199,707</u>	<u>201,893,294</u>
Carrying amount	<u>61,828,803</u>		<u>61,269,718</u>

13.1 Fully depreciated Infrastructure development

The cost of fully depreciated infrastructure developments which are still in use as at the reporting date is as follows:

<i>As at 31st March</i>	2018 <u>Rs.</u>	2017 <u>Rs.</u>
Infrastructure development	124,085,834	114,390,647
Total	<u>124,085,834</u>	<u>114,390,647</u>

14 Right to use land and buildings

	Balance as at 1 st April 2017	Additions / transfer	Balance as at 31 st March 2018
Cost			
Right to use land and buildings	294,000,000	-	294,000,000
	<u>294,000,000</u>	<u>-</u>	<u>294,000,000</u>
	Balance as at 1 st April 2017	Amortisation	Balance as at 31 st March 2018
Accumulated amortisation			
Right to use land and buildings	(39,200,000)	(9,800,000)	(49,000,000)
	<u>(39,200,000)</u>	<u>(9,800,000)</u>	<u>(49,000,000)</u>
Carrying amount	<u>254,800,000</u>		<u>245,000,000</u>

Persuent to the Shareholders Agreement entered into with the Government of the Democratic Socialist Republic of Sri Lanka, the Company obtained the leasehold rights of the land and building at factory complex, Hingurana, Ampara. The said land and building is leased for a period of 30 years from 28th August 2009, and is amortised over the balance lease period.

<i>As at 31st March,</i>	2018 <u>Rs.</u>	2017 <u>Rs.</u>
15 Capital work in progress		
15.1 ENA Plant construction		
Balance as at beginning of the year	915,454,669	399,792,964
Additions	-	515,661,705
Transfers to property, plant and equipment	(915,454,669)	-
Balance as at end of the year	<u>-</u>	<u>915,454,669</u>
15.2 Factory AVR & Turbine Panel/Power plant construction		
Balance as at beginning of the year	2,000,000	2,000,000
Additions	9,002,668	-
Transfer to property, plant and equipment	-	-
Balance as at end of the year	<u>11,002,668</u>	<u>2,000,000</u>
	<u>11,002,668</u>	<u>917,454,669</u>

GAL OYA PLANTATIONS (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

16 Intangible assets

	Balance as at 1 st April 2017	Additions	Balance as at 31st March 2018
Cost	4,494,676	1,307,708	5,802,384
Computer software	4,494,676	1,307,708	5,802,384
	Balance as at 1 st April 2017	Amortisation	Balance as at 31st March 2018
Accumulated amortisation			
Computer software	(4,157,761)	(340,297)	(4,498,058)
	<u>(4,157,761)</u>	<u>(340,297)</u>	<u>(4,498,058)</u>
Carrying value	<u>336,915</u>		<u>1,304,326</u>

16.1 Fully depreciated Intangible assets

The cost of fully depreciated intangible assets which are still in use as at the reporting date is as follows;

As at 31st March

	2018 <u>Rs.</u>	2017 <u>Rs.</u>
Computer software	4,154,951	4,154,951
Total	4,154,951	4,154,951

As at 31st March,

	2018 <u>Rs.</u>	2017 <u>Rs.</u>
17 Loans given to farmers	349,998,840	377,562,164
Less: Impairment	(59,872,934)	(59,872,934)
	290,125,906	317,689,230
Amount fall due with in one year	176,165,585	240,734,439
Amount fall due after one year	173,833,255	136,827,725
Less: Impairment	(59,872,934)	(59,872,934)
	113,960,321	76,954,791
	290,125,906	317,689,230

18 Biological asset

Nursery and standing cane stock

20,710,760	22,176,331
20,710,760	22,176,331

19 Inventories

Raw materials	1,642,169	918,660
Finished goods - Sugar	-	335,000
- Molasses	488,305,955	364,649,854
- ENA	142,266,705	
Spares and consumables	87,060,538	46,835,789
	719,275,368	412,739,304

20 Trade and other receivable

Trade receivables (Note 20.1)	1,273,382	153,216,532
Other receivables (Note 20.2)	121,550,626	72,715,198
	122,824,008	225,931,731

20.1 Trade receivable

Lanka Sugar Company (Pvt) Limited-Pelwatte	242,737	151,242,737
National water supply and drainage board	79,045	795,795
Employee Welfare & Death Donation Society	951,600	1,178,000
	1,273,382	153,216,532

20.2 Other receivable

Advances	1,768,489	857,307
Prepayments	99,926,737	66,066,359
Farmer loan clearing-fertilizer and chemical	16,855,871	5,078,983
VAT receivable	2,999,529	712,550
	121,550,626	72,715,198

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GAL OYA PLANTATIONS (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

<i>As at 31st March,</i>		2018	2017
		<u>Rs.</u>	<u>Rs.</u>
21	Amounts due from related parties		
	Gal Oya Holdings (Private) Limited	15,164,284	14,768,575
	Less: Impairment for related party receivables	<u>(12,392,179)</u>	<u>(12,392,179)</u>
		<u>2,772,105</u>	<u>2,376,396</u>
22	Cash and cash equivalents		
22.1	Favourable cash and cash equivalents		
	Cash in hand	454,492	282,729
	Cash at bank	<u>5,054,538</u>	<u>564,303</u>
		<u>5,509,030</u>	<u>847,032</u>
22.2	Unfavourable cash and cash equivalents		
	Bank overdraft	<u>(166,507,964)</u>	<u>(250,576,425)</u>
		<u>(160,998,935)</u>	<u>(249,729,394)</u>
23	Stated capital		
	Issued and fully paid	% Holding	No of shares
	Ordinary shares		Amount
	Government of Sri Lanka	51%	51,600,000
	Lanka ORIX Leasing Company PLC	27%	27,267,058
	Brown and Company PLC	22%	22,309,412
	Other shareholders	0%	3
	Total		<u>101,176,473</u>
			<u>1,011,764,730</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

<i>As at 31st March,</i>		2018	2017
		<u>Rs.</u>	<u>Rs.</u>
24	Retirement benefit obligations		
	Present value of unfunded gratuity	<u>39,401,774</u>	27,328,453
	Total present value of the obligation.	<u>39,401,774</u>	<u>27,328,453</u>
	Movement in the present value of the defined benefit obligations		
	Balance at the beginning of the year	27,328,453	30,493,437
	Current service cost	6,118,177	3,354,278
	Interest cost	3,279,414	4,407,354
	Actuarial (gains) / losses	4,911,133	(10,151,857)
	Benefit paid	<u>(2,235,404)</u>	<u>(774,759)</u>
	Balance at the end of the year.	<u>39,401,774</u>	<u>27,328,453</u>
	Expense recognised in the statement of profit or loss		
	Current service cost	6,118,177	3,354,278
	Interest on obligation	<u>3,279,414</u>	<u>4,407,354</u>
		<u>9,397,592</u>	<u>7,761,632</u>
	Expense recognised in the other comprehensive income		
	Actuarial (gains) / losses	<u>4,911,133</u>	<u>(10,151,857)</u>
		<u>4,911,133</u>	<u>(10,151,857)</u>

As at 31st March 2018 the gratuity liability was actuarial valued under the projected unit credit method by a professionally qualified actuary messers Actuarial & Management consultants (Private) Limited. The required accounting provision of the Company as at 31st March 2018, has been determined on the recommendation on this report. Following key assumptions were made arriving at the above figures.

<i>As at 31st March,</i>	<u>2018</u>	<u>2017</u>
(i)Rate of discount	11%	12%
(ii)Salary increment rate		
Executive staff	9%	7%
Non executive staff	9%	8%
(iii)Retirement age	55 years	55 years

GAL OYA PLANTATIONS (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

(Note no. 24 continued.)

Sensitivity analysis

Variable changed (while all other assumptions remain unchanged)	Present value of defined benefit obligation (Rs.)
One percentage point increase (+1%) in discount rate	37,853,217
One percentage point decrease (-1%) in discount rate	41,103,630
One percentage point increase (+1%) in salary escalation rate	41,199,791
One percentage point decrease (-1%) in salary escalation rate	37,740,247

As at 31st March,

	2018	2017
	Rs.	Rs.
25 Interest bearing loans and borrowings		
From related parties (note 25.1)	6,309,008,499	5,218,075,136
From non related parties (note 25.2)	185,000,032	94,355,576
Farmer loan reimbursement (note 25.3)	57,052,770	24,119,700
	6,551,061,302	5,336,550,412
Movement of interest bearing loans and borrowings		
<i>From related parties</i>		
Balance as at the beginning of the year	5,218,075,136	3,548,217,067
Loans obtained during the year	1,335,919,008	2,547,200,614
Repayment during the year	(244,985,645)	(877,342,544)
Balance as at the end of the year	6,309,008,499	5,218,075,136
<i>From non related parties</i>		
Balance as at the beginning of the year	94,355,576	206,044,456
Loans obtained during the year	150,000,000	-
Repayment during the year	(59,355,544)	(111,688,880)
Balance as at the end of the year	185,000,032	94,355,576
<i>Farmer loan reimbursement</i>		
Balance as at the beginning of the year	24,119,700	44,047,853
Loans obtained during the year	50,927,371	2,483,100
Repayment during the year	(17,994,300)	(22,411,253)
Balance as at the end of the year	57,052,770	24,119,700

The information about repayment period, type of facility, interest rates and security pledge are disclosure in the next page (Note 25.1)

As at 31st March,

	2018	2017
	Rs.	Rs.
26 Finance lease obligations		
Balance at the beginning of the year	188,200,097	38,428,550
Lease obtained during the year	210,823,201	198,961,134
	399,023,298	237,389,684
Total repayment made	(76,350,085)	(49,189,587)
	322,673,213	188,200,097
Less : interest in suspense	(114,616,245)	(72,586,119)
Net lease obligation	208,056,968	115,613,978
<i>Payable with in one year</i>	37,943,951	19,147,034
<i>Payable after one year</i>	170,113,017	96,466,944
	208,056,968	115,613,978
27 Trade and other payables		
Trade payables	87,095,426	37,539,860
Other payable (Note 27.1)	81,400,736	39,155,329
	168,496,162	76,695,189
27.1 Other payable		
Other payable	44,490,548	28,214,650
Interest payables	553,239	2,656,748
Accrued expenses	36,107,278	7,430,889
Value Added Tax payable	-	-
Nations Building Tax payable	249,671	853,043
	81,400,736	39,155,329
28 Amount due to related parties		
Lanka ORIX Leasing Company PLC	123,844,492	60,765,199
Browns & Company PLC	346,445,000	234,812,286
Commercial Leasing & Finance Company PLC	220,370	326,140
LOLC Finance PLC	10,677,973	4,565,181
LOLC Factors Ltd	386,486,032	109,698,469
Seylan Bank	2,012,498	-
AgStar PLC	16,862,500	-
	886,548,864	410,167,275

GAL OYA PLANTATIONS (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

29 Related party disclosures

(i) Parent and ultimate controlling party

Main shareholder of the Company is the Government of Sri Lanka which owns 51% of ordinary shares as at 31st March 2018.

The Company is an associate of Lanka ORIX Leasing Company PLC and Browns & Company PLC. Lanka ORIX Leasing Company PLC holds 26.95% and Brown & Company PLC holds 22.05% of the ordinary shares as at 31st March 2018.

(ii) Transactions with key management personnel

Key management personnel include all members of the Board of Directors of the Company having authority and responsibility for planning directing and controlling the activities of the Company as well as the subsidiaries, directly or indirectly.

(iii) Loans to directors

No loans have been given to the directors of the Company.

(iv) Transaction with related companies

The Company has a related party relationship with its related group companies. The following transactions were carried out with related parties during the year ended 31st March 2018.

30 Related party disclosures are as follows ;

Name of Company	Relationship	Nature of transaction	Amount involved	Balance due to / (from) 2018	Balance due to / (from) 2017
Gal Oya Holdings (Pvt) Ltd	Management company	Rent income	-	(2,772,105)	(2,376,396)
		Expenses reimbursement	(395,709)		
Brown & Company PLC	Affiliate	Interest costs on loans	111,632,714	682,322,555	570,689,841
		Interest paid for loans	-		
Lanka ORIX Leasing Company PLC	Affiliate	Interest costs	101,460,220	757,528,409	575,699,093
		Interest paid	(38,380,927)		
		Loan obtained	350,000,000		
		Loan repayment	(231,249,977)		
Commercial Leasing & Finance Company PLC	Affiliate	Interest costs	49,581,017	286,484,702	250,326,140
		Lease interest	1,807,238		
		Interest paid	(49,581,017)		
		Lease interest paid	(1,913,008)		
		Loan obtained	50,000,000		
Loan repayment	(13,735,668)				
LOLC Factors Limited	Affiliate	Interest costs	532,703,871	3,108,336,728	2,626,962,157
		Interest costs capitalised	82,323,928		
		Interest paid	(338,240,236)		
		Loan obtained	204,587,008		
LOLC Finance PLC	Affiliate	Lease interest	38,533,724	92,009,973	4,565,181
		Interest paid	(32,420,932)		
		Loan obtained	81,332,000		
AgStar PLC	Affiliate	Purchases	18,666,610	16,862,500	-
		Payment for the Purchase	(1,804,110)		
Saakya Capital (Pvt) Ltd	Affiliate	Interest costs	287,499,996	1,500,000,000	1,500,000,000
		Interest paid	(287,499,996)		
Sierra Construction (Pvt) Ltd	Affiliate	Purchases	31,862,804	-	-
		Payment for the Purchase	(31,862,804)		
Seylan Bank	Affiliate	Interest costs	14,018,233	102,012,498	100,000,000
		Interest paid	(12,005,735)		
Commercial Trust Technologies (Pvt) Ltd	Affiliate	Interest costs	36,903,730	650,000,000	-
		Interest paid	(36,903,730)		

31 Capital commitments

The following commitments for capital expenditure approved by the directors as at 31st March have not been provided for in the financial statements.

As at 31st March,

	2018 U.S.Dollars	2017 U.S.Dollars
Approximate amount approved but not contracted for,	-	-
Approximate amount contracted for but not incurred	-	117,500

The above includes commitments for the construction of ENA plant with Naran Lala Private Limited (India) .

32 Contingent liabilities

There were no material contingent liabilities outstanding at the reporting date that require disclosure.

33 Litigations or claims

There were no material litigation and claims against the Company which require disclosure in the financial statements.

34 Comparative figures

Comparative information have been restated and reclassified wherever necessary to confirm to the current year's presentation and classification.

35 Director's responsibility

The Board of Directors is responsible for the presentation of the financial statements in accordance with Sri Lanka Accounting Standards.

36 Events after the reporting period

No circumstances have arisen since the reporting date which would require adjustments to or disclosure in the financial statements.

GALOYA PLANTATIONS (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

37 Financial instruments

Carrying amounts and fair values of financial instruments

Fair value of financial assets and financial liabilities, together with carrying amount in the Statement of financial position, are as follows:

Note	Designated at fair value	Loans and receivables	Other financial liabilities	Non financial instruments	Total carrying amount	Fair value			Total
						Rs.	Rs.	Rs.	
As at 31st March 2018									
Financial assets measured at fair value									
Financial assets not measured at fair value									
20.1	-	1,273,382	-	-	1,273,382	-	-	-	-
20.2	-	121,550,626	-	-	121,550,626	-	-	-	-
17	-	290,125,906	-	-	290,125,906	-	-	-	-
21	-	2,772,105	-	-	2,772,105	-	-	-	-
22.1	-	5,509,030	-	-	5,509,030	-	-	-	-
	-	421,231,048	-	-	421,231,048	-	-	-	-
Financial liabilities not measured at fair value									
28	-	-	886,548,864	-	886,548,864	-	-	-	-
27	-	-	132,388,884	36,107,278	168,496,162	-	-	-	-
22.2	-	-	166,507,964	-	166,507,964	-	-	-	-
25	-	-	6,551,061,301	-	6,551,061,301	-	-	-	-
26	-	-	208,056,968	-	208,056,968	-	-	-	-
	-	-	7,944,563,982	36,107,278	7,980,671,260	-	-	-	-
As at 31st March 2017									
Financial assets measured at fair value									
Financial assets not measured at fair value									
20.1	-	153,216,532	-	-	153,216,532	-	-	-	-
20.2	-	72,715,198	-	-	72,715,198	-	-	-	-
17	-	317,689,230	-	-	317,689,230	-	-	-	-
21	-	2,376,396	-	-	2,376,396	-	-	-	-
22.1	-	847,032	-	-	847,032	-	-	-	-
	-	546,844,388	-	-	546,844,388	-	-	-	-
Financial liabilities not measured at fair value									
28	-	-	410,167,275	-	410,167,275	-	-	-	-
27	-	-	69,264,300	7,430,889	76,695,189	-	-	-	-
22.2	-	-	250,576,425	-	250,576,425	-	-	-	-
25	-	-	5,336,550,412	-	5,336,550,412	-	-	-	-
26	-	-	115,613,978	-	115,613,978	-	-	-	-
	-	-	6,182,172,391	7,430,889	6,189,603,280	-	-	-	-

GAL OYA PLANTATIONS (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

38.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company continuously prepares and monitors rolling cash flow forecasts to ensure it has sufficient cash to meet operational needs. Regular reviews are also carried out to check actual performance against budgeted targets.

38.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Interest rate risk

Interest rate risk is the risk of fluctuation of the value or cash flows of an instrument due to changes in the market interest rates.

In order to reduce the interest rate risk, the company implements the following strategies.

- 1) Company debt has been structured through fixed interest rates in order to manage the volatility in the market.
- 2) Work towards the low gearing ratio.
- 3) Internal funding sources rather than the external funding sources.
- 2) Proper mechanism to monitor the fluctuations in interest rates.

38.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's involvement with regard to operational activities, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management of the Company. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- 1) Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- 2) Requirements for the reconciliation and monitoring of transactions;
- 3) Compliance with regulatory and other legal requirements;
- 4) Documentation of controls and procedures;
- 5) Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- 6) Requirements for the reporting of operational losses and proposed remedial action;
- 7) Development of contingency plans;
- 7) Training and professional development; and
- 8) Ethical and business standards

GAL OYA PLANTATIONS (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

38 Financial risk management

Overview

The Company has exposure to the following risks from financial instruments:

- 38.1 Credit risk**
- 38.2 Liquidity risk**
- 38.3 Market risk**
- 38.4 Operational risk**

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. All board committees have both executive and non-executive members and report regularly to the board of directors on their activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

38.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty fails to meet its contractual obligation and arises principally from the company's receivables from customers and investments.

The Company maximum exposure to credit risk on trade receivables as at the year-end based on the carrying value in the Statement of financial position is given below .

	Carrying value	
	31/03/2018	31/03/2017
Trade receivable	1,273,382	153,216,532
Advances	1,768,489	857,307
Prepayments	99,926,737	66,066,359
Farmer loan clearing account	16,855,871	5,078,983
Cash at bank	5,054,538	564,303
Cash in hand	454,492	282,729

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Management of credit risk

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers various statistics and characteristics of the customer base, including the default risk, business relationships with due attention given to past performances, stability in the industry and creditworthiness, as these factors may have an influence on credit risk.

In monitoring customer credit risk customers are grouped according to their business volumes and consider separately for granting credit limits. Based on the volume of the transaction and based on the relationship, the customers are ranked. For the customers who identified as "High risks customers", sales are made once they made an advance or full payment.

The company has established a credit policy under which each new customer is analyzed individually for credit worthiness. Credit limits are established for each customer and these limits are reviewed frequently.

The following steps also taken to reduce the credit risk.

- 1) Outstanding credits are followed up on a daily basis
- 2) Opting for legal action for customers defaulting settlements.

Impairment

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures based on aging of the outstanding.

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of the Company will be held at "Marcopolo", Excel World, No. 338, T.B. Jayah Mawatha, Colombo 10 on the 29th day of April 2019 at 3.00 pm.

The business to be brought before the meeting will be:

1. To receive and consider the Report of the Directors and Statement of Accounts and the Balance Sheet of the Company for the Financial Year ended 31st March 2018 with the Auditors' Report thereon.
2. To appoint the Auditors General's Department as the Auditors of the Company for the ensuing year.
3. To authorize the Directors to fix the remuneration of the Auditors
4. To authorize the Directors to determine the Donations for the Financial Year ending 31st March 2019.

By Order of the Bard

L O L C Corporate Services (Pvt) Ltd
Secretaries
Colombo.
28.02.2019

Notes

- 1 A member entitled to attend and vote at the Meeting may appoint a proxy to attend and vote in his stead.
- 2 A proxy need not be a member of the Company. A Form of Proxy is found at the end of this Report.
- 3 The instrument appointing such a proxy must be deposited at No.34, Sir Mohamed Macan Markar Mawatha, Colombo 3, not less than 48 hours before the time appointed for the holding of the meeting.

Form of Proxy

GAL OYA PLANTATIONS (PVT) LTD - Reg. No. PV 7601

I/We.....of.....
being a

member/members of the above named Company hereby appoint,

- K.B. Kotagama or failing him
- K.A.K.P. Gunawardena or failing him
- R.M.G.B. Rathnayake or failing him
- D. Abeyrathne or failing him
- B.M.D.B. Basnayake or failing him
- W.Batagoda or failing him
- Mr.S.Giridaran or failing him
- Mr.N.S.Wanasinghe - or failing him
- Mr.D.M.L.Bandaranayake - or failing him

Mr/ Mrs/Miss.....
 of.....

as my/our proxy to represent me/us and to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on the twenty ninth (29th) day of April 2019 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Signed this.....day of2019

.....

Signature/s

Please provide the following details :

Shareholder's NIC No.

Share Certificate No.

No. of shares held

Proxy holder's NIC No.

(if not a Director of this Company)

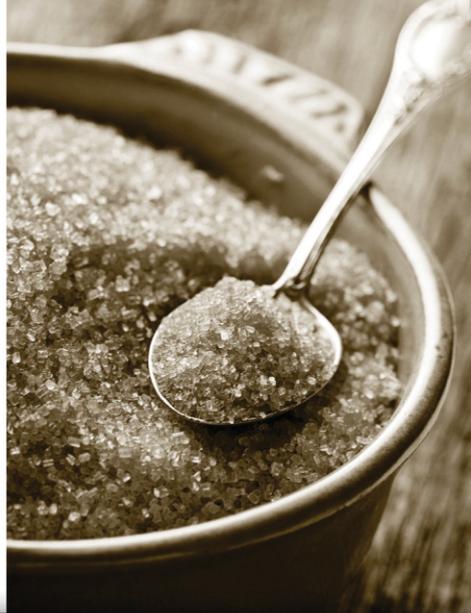
Notes:

- 1 The full name and the registered address of the shareholder appointing the proxy should be legibly entered in the form of proxy.
- 2 If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration, if such Power of Attorney has not been registered with the company.
- 3 In the case of a company/corporation, the proxy must be under its common seal which should be affixed and attested in the manner prescribed by its Articles of Association.
- 4 In the case of joint-holders, the senior should sign this form. Seniority shall be determined by the order in which names stand in the Register of Members in respect of the joint holding.
- 5 Every alteration or addition to the form of proxy must be duly authenticated by the full signature of the person signing on the form of proxy.
- 6 To be valid the completed Form of Proxy should be deposited with the Secretaries at No. 34, Sir Mohamed Macan Markar Mawatha, Colombo 3, not less than 48 hours before the time appointed for the holding of the meeting.

Corporate Information

GAL OYA PLANTATIONS (PVT) LTD

LEGAL FORM	:	A Private Limited Liability Company incorporated in Sri Lanka on 11 th October 2006	
COMPANY REG.NO.	:	PV 7601	
REGISTERED OFFICE	:	481 T.B. JayahMawatha, (Darley Road) Colombo 10. Tel.: 2663000, Fax: 2307380	
DIRECTORS	:	Dr. K.B. Kotagama	- Chairman
		K.A.K.P. Gunawardena	- Director
		R.M.G.B. Rathnayake	- Director/CEO
		W.K.D.T Abeyrathne	- Director
		T. Wanigasinghe	- Director (Resigned on 13.02.2019)
		M.M.Fouz	- Director (Resigned on 15.02.2019)
		B.M.D.B. Basnayake	- Director
		W.Batagoda	- Director
		S.Giridaran	- Director
		Mr.N.S.Wanasinghe	- Director (Appointed w.e.f. 26.02.2019)
		Mr.D.M.L.Bandaranayake	- Director (Appointed w.e.f 26.02.2019)
AUDITORS	:	Auditor General Auditor General's Department Colombo.	
SECRETARIES	:	L O L C Corporate Services (Pvt) Ltd 100/1, Sri Jayawardanepura Mawatha, Rajagiriya.	



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