

The Selinsing Company Limited



ANNUAL REPORT 2002/2003

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# Corporate Information



## **NAME OF THE COMPANY**

The Selinsing Company Limited  
(A Carson Cumberbatch Company)

## **LEGAL FORM**

A Public Quoted Company with Limited Liability  
Incorporated in Sri Lanka in 1907

## **DIRECTORS**

Mano Selvanathan - (*Chairman*)  
Hari Selvanathan  
Wijaya Unamboowe  
(*Resigned w.e.f. 13th March, 2003*)  
Chrisanta F. Fernando  
Israel Paulraj

## **BANKERS**

Standard Chartered Bank  
HSBC Bank Malaysia Berhad

## **AUDITORS**

Messrs. KPMG Ford, Rhodes, Thornton & Company  
*Chartered Accountants*  
32A, Sir Mohamed Macan Markar Mawatha  
Colombo 3  
Sri Lanka.

## **AUDITORS IN MALAYSIA**

PricewaterhouseCoopers  
Public Accountants  
11th Floor, Wisma Sime Darby  
Jalan Raja Laut  
P.O. Box 10192  
50706, Kuala Lumpur  
Malaysia.

## **MANAGERS & SECRETARIES**

Carsons Management Services (Private) Limited  
61, Janadhipathi Mawatha  
Colombo 1  
Sri Lanka.  
Tel: +94 1 337665 (6 Lines)  
Fax: +94 1 337685

## **AGENTS IN MALAYSIA**

Agro Hope Sendirian Berhad  
P.O. Box 75, 47007, Sg. Buloh  
Selangor Darul Ehsan  
Malaysia.  
Tel: +00603 603 83285  
Fax: +00603 603 83040

## **REGISTERED OFFICE**

61, Janadhipathi Mawatha  
Colombo 1  
Sri Lanka.  
Tel: +94 1 337665 (6 Lines)  
Fax: +94 1 337685

## **PRINCIPAL PLACE OF BUSINESS**

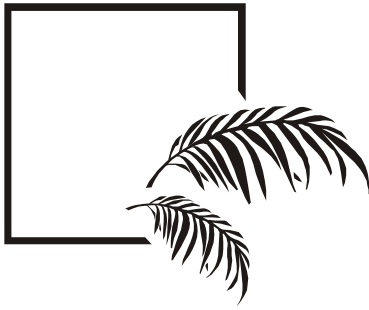
Ladang Selinsing  
P. O. Box 16  
34007 Taiping  
Perak Darul Ridzuan

## **CORPORATE WEBSITE**

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

## **HOLDING COMPANY**

Carson Cumberbatch & Company Limited



# Information to Shareholders and Investors

## I. STOCK EXCHANGE LISTING

The Selinsing Company Limited, is a Public Quoted Company, the issued ordinary shares of which are listed with the Colombo Stock Exchange of Sri Lanka.

## 2. SHARE VALUATION

The market value of the Company's shares as at 31st March, 2003 was Rs. 90/- per share. (2002 - Rs. 131.75/- per share). The Market value as at 30th April, 2003 was Rs. 100/- per share.

## 3. SHAREHOLDERS

<i>As at 31st March</i>	2003	2002
No. of Ordinary Shareholders	167	147
No. of Preference Shareholders	02	1

The number of ordinary shares held by non-residents as at 31st March, 2003 was 109,511 which amounts to 2.84% of the issued ordinary share capital.

Distribution of Shares	Residents			Non-Residents			Total		
	No. of Members	No. of Shares	%	No. of Members	No. of Shares	%	No. of Members	No. of Shares	%
1 – 1,000	75	16,057	0.42	–	–	–	75	16,057	0.42
1001 – 5,000	44	118,814	3.08	15	35,978	0.93	59	154,792	4.01
5,001 – 10,000	10	79,554	2.06	02	14,040	0.36	12	93,594	2.43
10,001 – 50,000	14	236,693	6.14	04	59,493	1.54	18	296,186	7.68
50,001 – 100,000	–	–	–	–	–	–	–	–	–
100,001 – 500,000	01	262,403	6.81	–	–	–	01	262,403	6.81
500,001 – 1,000,000	–	–	–	–	–	–	–	–	–
Above 1,000,000	02	3,032,568	78.65	–	–	–	02	3,032,568	78.65
<b>Total</b>	<b>146</b>	<b>3,746,089</b>	<b>97.16</b>	<b>21</b>	<b>109,511</b>	<b>2.84</b>	<b>167</b>	<b>3,855,600</b>	<b>100.00</b>

Categories of Shareholders	Ordinary			Preference		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individuals	147	478,541	12.41	–	–	–
Institutions	20	3,377,059	87.59	02	6,000,000	100.00
<b>Total</b>	<b>167</b>	<b>3,855,600</b>	<b>100.00</b>	<b>02</b>	<b>6,000,000</b>	<b>100.00</b>

Percentage of issued ordinary share capital held by the public as at 31st March, 2003 was 11.14%.

## Information to Shareholders and Investors (Contd.)



### 4. SUBSTANTIAL SHAREHOLDINGS

<i>As at 31st March</i>	2003		2002	
Name of Shareholder	No. of Shares	% Holding	No. of Shares	% Holding
<b>Ordinary</b>				
Carson Cumberbatch & Co. Ltd.	1,934,568	50.17	1,612,067	50.17
Rubber Investment Trust Ltd.	1,098,000	28.48	915,000	32.48
Watapota Investments Ltd.	262,403	6.81	215,836	6.72
Mr. C. F. Fernando	30,960	0.80	25,800	0.80
Mylands Investments Ltd.	30,120	0.78	12,600	0.39
Admin. of the Estate of T.M. Adamjee (decd.)	21,600	0.56	18,000	0.56
Mr. G. Nadesan	21,600	0.56	18,000	0.56
Mr. D.A. Campbell	20,952	0.54	17,460	0.54
WML/Mr. M.M. Saheed	16,934	0.44	14,112	0.44
Dr. C.J. Fernando	14,877	0.39	12,398	0.39
Miss. S.N. Fernando	14,877	0.39	12,398	0.39
Mrs. M.A. Kurukulasuriya	14,877	0.39	12,398	0.39
Mr. T. Rodrigo	13,331	0.35	10,086	0.31
Mr. H.V. Cartwright (decd.)	12,960	0.34	10,800	0.34
Thurston Investments Ltd.	12,837	0.33	10,698	0.33
Mr. J.A. Fernandez	12,744	0.33	10,620	0.33
Mrs. E.C. Rodrigo	12,592	0.33	10,494	0.33
Mr. A.M. Jayasinghe	11,520	0.30	9,600	0.30
Executor of the estate of Mr.C.Peters (decd.)	11,448	0.30	9,540	0.30
Mrs. M.P. de Silva	11,157	0.29	9,298	0.29
<b>Preference</b>				
Carson Cumberbatch & Co. Ltd.	3,700,000	61.67	6,000,000	100.00
Equity One Ltd.	2,300,000	38.33	-	-

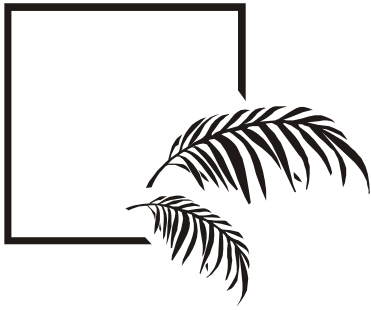
### 5. 16.5% REDEEMABLE CUMULATIVE PREFERENCE SHARES

The 6,000,000 non-voting 16.5% redeemable cumulative preference shares issued by the Company is to be redeemed in four equal semi-annual instalments commencing from 30th September, 2003. The dividend thereon is payable bi-annually.

However, the Company has agreed with the preference shareholders to defer the redemption until 30th September, 2004 at the same rate of preference dividend.

### 6. MARKET PERFORMANCE - ORDINARY SHARES

<i>For the year ended 31st March</i>	2003	2002
Highest (Rs.)	101.00	132.00
Lowest (Rs.)	86.75	120.00
Volume Traded (Shares)	44,400	185,700
Number of Trades	77	5
Value of Shares Traded (Rs.)	4,248,600	24,415,825



## Information to Shareholders and Investors (Contd.)

### 7. MARKET CAPITALISATION

Market capitalisation of the Company, which is the number of ordinary shares multiplied by the market value of a share was Rs. 347.00 mn as at 31st March, 2003 (2002 - Rs. 423.31 mn).

### 8. DIVIDENDS

#### 8.1 Preference

A preference dividend of 16.5% per annum on non-voting redeemable cumulative preference shares was paid on 30th September, 2002 and 31st March, 2003.

#### 8.2 Ordinary

The Directors do not recommend any dividend on ordinary shares for the year ended 31st March, 2003.

### 9. BONUS ISSUE

A bonus issue of 1 ordinary share for every 5 ordinary shares held is recommended by the Directors.

### 10. RECORD OF SCRIP ISSUES

The undermentioned scrip issues have been made by the Company during the last 13 years:

Year ended 31st March	Issue	Basis	No. of Ordinary Shares	Cumulative Ordinary Share Capital Rs.
1988/89	–	–	803,250	8,032,500
1994/95	Bonus	1:3	267,750	10,710,000
1997/98	Bonus	1:2	535,500	16,065,000
1998/99	Bonus	1:1	1,606,500	32,130,000
			3,213,000	
2002 April	Bonus	1:5	642,600	38,556,000
			3,855,600	

A bonus issue of 1 ordinary share for every 5 ordinary shares held was approved by the shareholders on 2nd April 2002 at an Extraordinary General Meeting of the Company.

### 11. MALAYSIAN PROPERTY

11.1 The oil palm plantation is 492.84 hectares.

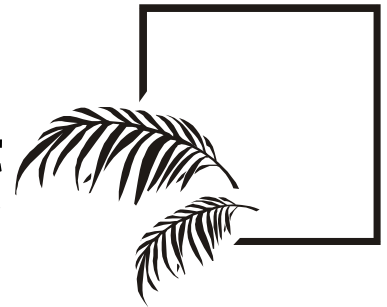
11.2 The plantation is situated in the State of Perak, District Krian.

11.3 The value of the property, plant & equipment as at the Balance Sheet date stood at Rs. 790.29 mn on an existing use basis.

### 12. MATURE AND IMMATURE PLANTATION AGE ANALYSIS

Years	Mature					Immature	Total
	1-10	11-15	16-20	21-25	Over 25	0-3	
Hectares	72.59	39.61	–	172.76	13.87	186.86	485.69

# Chairman's Statement to Shareholders



I am pleased to welcome members to the Ninety Sixth Annual General Meeting of the Company and present on behalf of the Board of Directors, the Annual Report and Audited Financial Statements for the year ended 31st March 2003.

Mr. W. Unamboowe, who has served on the Board of the Group's Malaysian Plantation Companies for over 15 years, has resigned from his position with effect from 13th March 2003. He has served the Group's Malaysian Plantation Companies in various positions for many decades. On behalf of the Board, I wish to thank Mr. W. Unamboowe for the services rendered over such long period.

The Malaysian and the Indonesian economies gained momentum in 2002 with real Gross Domestic Product expanding by 4.2% and 3.5% respectively. Economic growth was broad based, driven by strong domestic demand and supported by favourable export performance. Continued fiscal and monetary stimulus as well as a significant improvement in commodity prices supported growth in domestic demand.

However, the agricultural sector registered a slower growth of 0.3% in 2002 as expansion in the production of crude palm oil slowed due to lower yields and increased replanting activities. The government incentive of RM 1,000/- per hectare accelerated replanting activities. The government had targeted 200,000 hectares to be felled as a result of this incentive and the response was encouraging with 170,000 hectares being felled. Exports of palm oil also increased due to increased buying by China and increase in palm oil consumption in India, where domestic oil production was severely affected due to the drought conditions which prevailed for the second successive year. A combination of all these factors led to average crude palm oil (CPO) prices showing an increase of 52% when compared with the previous year. It should be highlighted that the agricultural sector still occupies an important position in the economy, employing about 15% of the workforce in Malaysia.

The FY 2002/2003 was a successful year for the Company. After two years of extremely low market prices, a recovery in CPO prices was experienced, which had a beneficial impact on Company revenues. Cost management, which is a key determinant of profitability in a commodity business such as palm oil yielded good results as reported in the review of operations. Further, the replanting activities continued in keeping with the long range-replanting programme.

The Company recorded a turnover of Rs. 34.50 mn for the year under review, an increase of 27% mainly due to the higher prices obtained for Fresh Fruit Bunches (FFB). However, the profit before tax was Rs. 13.44 mn compared with Rs. 120.56 mn recorded in the preceding financial year. The previous year's figure includes an

exceptional profit of Rs. 115.17 mn on disposal of investments carried out as a part of a realignment exercise for group holdings. There is no dividend proposed for the year mainly due to the capital commitments on replanting. However, a bonus issue of one share for every five shares held is proposed.

Shareholders will be pleased to note that PT Agro Indomas, the Indonesian Plantation Company, in which your Company is a co-promoter, recorded a second successful year of commercial operations. An area of over 9,741 hectares has now reached maturity. The mature palms, which are aged from 4 to 7 years, have yields ranging from 5.8 tonnes per hectare to 17.50 tonnes per hectare. During the year the total crop processed including outside crop, amounted to 142,771 tonnes of which own crop amounted to 126,132 tonnes.

The mill produced 33,203 tonnes of Crude Palm Oil (CPO) and 6,431 tonnes of Palm Kernel (PK). PT Agro Indomas recorded a turnover of US\$ 13.15 mn and an operating profit before tax of US\$ 3.28 mn. We are also pleased to inform shareholders that it became a self-financing Company during the year.

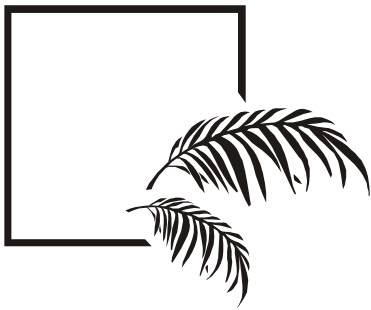
The prospects for the palm oil industry improved significantly in the FY 2002/2003 when compared with the difficult conditions experienced in the preceding two years, due to low prices and yields. Experts, forecast an improved outlook for the industry both in Malaysia and Indonesia for the next financial year. In this context, we are confident that the Company will continue to enjoy attractive returns, supported by the growth in global consumption and demand.

The value added risk based internal audit assignment for the year done by KPMG Malaysia was completed as planned. This continuous risk based audit will add immense value to the stakeholders in the medium to long term by highlighting the vital areas where the Company has to put in place new strategies to mitigate critical business risks.

On behalf of the Board, I wish to also record my appreciation for the continued contribution and commitment of all employees both in Malaysia and Sri Lanka. To our shareholders, business associates, financial institutions, managing agents and other governmental authorities, I would like to convey our sincere gratitude for their continued co-operation and support.

**Mano Selvanathan**  
*Chairman*

Colombo, 2nd May 2003



# Review of Operations

## INDUSTRY OVERVIEW

Malaysia, the world's largest producer of oil palm had 3.67 mn hectares under cultivation as at the end of 2002 compared with 3.50 mn hectares as at the end of the preceding year. The world's second largest producer, Indonesia had an area of 3.2 mn hectares in 2001 and this is expected to grow at a rapid pace due to the extensive land bank available in Indonesia. The Indonesian production of Crude Palm Oil (CPO) which reached 75% of Malaysian output in 2002, is expected to surpass Malaysian output within the next 4-6 years.

The Malaysian oil palm industry recorded a significant recovery due to the increase in CPO prices. CPO production in 2002 increased only marginally to 11.9 mn tonnes compared with 11.8 mn tonnes recorded in the year 2001. Palm oil exports too were increased from 10.6 mn tonnes in 2001 to 10.9 mn tonnes in the year 2002. The average CPO prices for 2002 was RM 1,364/- per tonne signifying an increase of 52% compared with the average price of RM 897/- recorded in 2001. Increased exports was achieved due to the competitive prices of palm oil, liberalization of export duties and the encouragement of counter trade by the government. The marginal increase in production was achieved by expansion in mature area and higher oil extraction rate achieved by the millers.

## ECONOMY

Both the Malaysian and Indonesian economies registered moderate rates of growth of 4.2% and 3.5% respectively, with Indonesia falling a little short of expectations. Government spending as well as increased consumer expenditure fuelled economic expansion in both countries, although private sector investment has been somewhat slow to respond.

Agricultural sector is the third largest contributor to the Malaysian Economy. Palm oil is the second largest contributor to the Malaysian agricultural sector.

The Malaysian ringitt remained pegged at RM 3.80 to a dollar, which gave the country an advantage in enhancing trade and investment. Low interest and inflation rates as well as several fiscal incentives are expected to stimulate private investment in Malaysia in 2003.

## ESTATE PERFORMANCE

### Plantation

During the year under review the main focus of plantation operations was on replanting and introduction of better agronomy practices, with the intention of mechanizing a part of the field operation in future. In anticipation of the long-term growth prospects for the global palm oil industry, the Company felt that current time is ideally suited to replace the existing palms with high yielding superior varieties, which can give us better yields in future. The concurrent introduction of good agricultural practices will support the objectives of improving plantation productivity and minimizing unit costs. Both aspects are essential for securing competitiveness in a commodity business such as oil palm where cultivators have little or no control over end market prices.

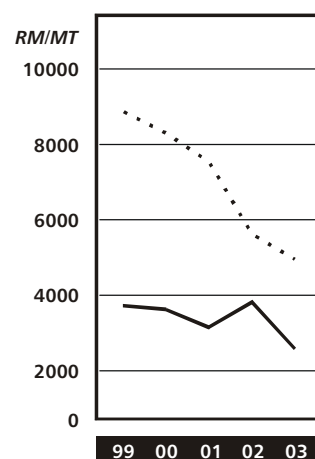
### Land

An area of 298.83 hectares was mature as at the end of the financial year. During the year 68.36 hectares were felled and replanting has been completed. Total immature area including the area felled during the year was 186.86.

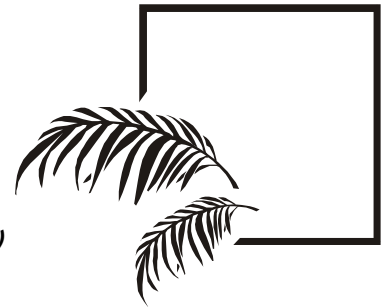
### Crop and Yield

The crop production for the year was 4,970 tonnes compared with 5,625 tonnes for the previous financial year. The yield per hectare was 16.63 metric tonnes compared with 15.16 metric tonnes in the previous year.

CROP VS COP PER HA



..... Crop (MT)  
 — COP per Ha (RM)



## Review of Operations (Contd.)

The yield per hectare was higher mainly due to promising yield from younger palms. Based on the performance of the financial year the yield from the replanted area is very encouraging. However yields on older fields are declining fast due to loss of stand caused by ganoderma infestation.

### Replanting

As planned an area of 68.36 hectares was replanted during the year. The Company has spent Rs. 6.39 mn on replanting during the year. Replanting subsidy of RM 1,000/- per hectare was given only to 54 hectares due to lower stands per hectare. The replanting programme is progressing according to plan and the current phase should be completed by financial year 2005/2006. The new plantings have a potential to achieve a yield of at least 30 tonnes per hectare during their prime yielding age. The replanting programme has also been taken as an opportunity to rearrange the field roads and to improve drainage systems. We are mindful that whatever improvements and infrastructure is put in place should last one cycle of planting that has traditionally been 25 years. We are also dividing the plantation into blocks of approximately 30 hectares each.

The latest agronomy practices are adhered to when replanting. These changes also assist in preparing the fields for mechanization. These measures would assist in achieving our objectives of improving plantation productivity and minimizing unit costs, which are essential for competitiveness in a commodity business such as oil palm.

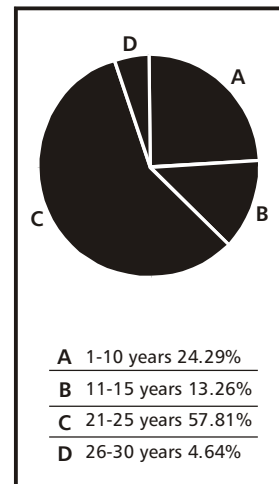
Our estimate of the cost to maturity for replanting adopting the best agronomy and management practices is approximately RM 10,000/- per hectare. However, despite all this, ganoderma remains a disease for which there is no known cure as yet and with oil palm cultivation now in its second round of planting, the effects could get higher. Based on this, we would have to consider replanting when palms are aged around 20 years. Therefore, importance is given for selection of high yielding planting material and nursery practices in addition to agronomy practices with a view of maximizing yield in the early stages of maturity.

At present, we are targeting 12 tonnes per hectare for first year of maturity, based on a maturity period of 36 months, 18 tonnes for second year and 25 tonnes for third year. We estimate that from fifth to fifteenth year of maturity the yield should be above 30 tonnes per hectare.

There is still 186.63 hectares to complete the current replanting phase and after this is completed as at the beginning of FY 2006/2007 the entire plantation area will be aged below 15 years.

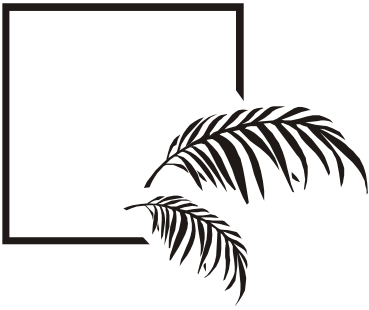
Total cost incurred by the Company to date on replanting is Rs. 38.84 mn. The balance area the Company has to replant will be funded out of internally generated funds of the Company.

### PLANTATION AGE ANALYSIS



### Labour Requirements

With the ongoing replanting programme and higher percentage of younger fields, which are newly matured, operations become more labour intensive in field maintenance activities. Due to the acute shortage of labour, the Malaysian estate operation is becoming more dependent on foreign workforce. However mainly due to social and security issues the government is discouraging dependency on foreign workers. As a long-term strategy the current replanting is geared for maximum possible mechanization once palms reach a certain height. Mechanization will in turn lead to increased productivity.



## Review of Operations (Contd.)

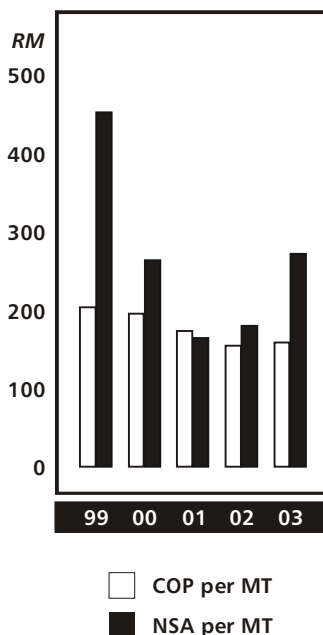
We are also looking into the possibility of giving work on contract without compromising on agronomy practices. This will also ease the pressure on estate infrastructure and amenities.

### COST OF PRODUCTION (COP) AND NET SALES AVERAGE (NSA)

The cost of production per tonne of FFB was RM 155/-, which is the same compared with the COP of RM 155/- achieved in the preceding financial year.

The NSA per tonne of FFB was RM 270/-, which shows a significant increase of 50% compared with the NSA of RM 180/- recorded in the previous year.

**COST OF PRODUCTION VS NET SALES AVERAGE**



The increase in NSA is as a result of increase in CPO prices. We do not have any control over this and hence much emphasis needs to be placed on increasing yield and productivity and keeping costs under control.

The other two factors which play a role in determining NSA is the oil extraction rate (OER) and the processing charge levied by the millers.

Our FFB quantity supplied to any one miller is less than 5% of the total crop processed by the respective millers. Hence, we have limited bargaining power and our crop also does not influence the overall OER achieved by mills. Therefore, we ensure that quality of FFB dispatched is of high standard to avoid deductions for low quality and lower OER. With increasing younger areas, negotiating for higher fixed OER for crop from the young fields is the best option available to the Company.

### FINANCIAL RESULTS

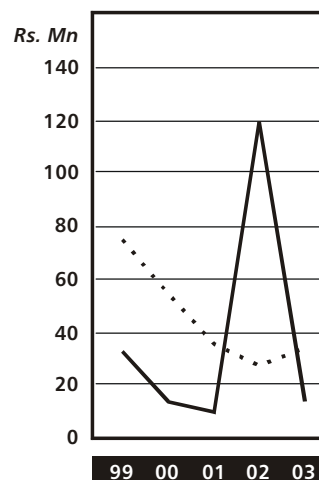
#### Revenue

Revenue of the Company has increased by 27% to Rs. 34.50 mn during the year under review compared to Rs. 27.08 mn recorded in the preceding year. Increase in palm oil prices in the world was the major contributing factor towards this.

#### Profitability

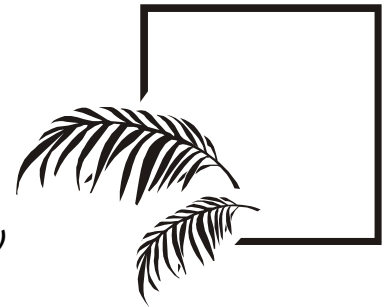
The profit before tax was Rs. 13.44 mn compared with Rs. 120.56 mn recorded in the previous financial year. Previous year's profits include, profit on disposal of investments done as a part of realignment exercise carried out by Carsons Group on their investment portfolio.

**TURNOVER VS PROFIT BEFORE TAX**



..... Turnover  
 — Profit before Tax

\* Profits for the year 2002 include profit on disposal of investments



## Review of Operations (Contd.)

### INDONESIAN PLANTATION - PT AGRO INDOMAS

The management of PT Agro Indomas is presently focussed on improving productivity and being a low cost producer through cost rationalization. This will ensure that the full benefits are reaped when the entire plantation reaches its prime yielding age in 3 to 4 years. The Company recruited an inexperienced workforce and has been successful in training and motivating them. High productivity targets have been set and good progress has been shown towards achieving these targets. At the same time the management is also following the best-established agronomy practices. To ensure that the full potential of the land is exploited infilling of the present plantings is undertaken to bring the stand per hectare to 136.

Effective mechanization programmes are also critical to ensure increased productivity and reduction in costs. However, mechanization of operations such as fertilizer application and spraying can be undertaken only after the palms reach a certain height. We envisage that fertilizer and spraying operations will be mechanized in approximately 3,000 hectares in the forthcoming financial year.

At present there are various training programmes conducted in-house for the operational managers. The Balanced Scorecard system, an effective management tool, has also been implemented.

In keeping with the Group vision, emphasis is also given to the health, safety and environmental duties and obligations of the Company. Functioning in a remote area the management will also ensure that the Company's operations have a positive impact on the surrounding area and people. During the year Company commenced a Farmers Oil Palm Out Growers Scheme (Plasma) covering 150 hectares. The regional government funds this scheme while the Company provides all technical services.

The operations of PT Agro Indomas for the year were encouraging. This year the Company mainly focussed completing the pending project development stage activities. Attention was given to improve the field

conditions, yield and focusing on quality of output both in the plantation and mill. Total crop processed was 142,771 tonnes, which included outside crop of 16,639 tonnes. With palms getting mature, plantation expects to have much higher internal crop during the next financial year.

The mill output amounted to 33,203 metric tonnes of CPO and 6,431 metric tonnes of Palm Kernel (PK). The average processing throughput for the year was 39 metric tonne per hour (mt/hr) compared with a rated throughput of 45 metric tonne per hour (mt/hr).

The quality of CPO and PK was maintained within standard. The Company achieved an average price of US\$ 350 for its CPO and US\$ 160 for its PK.

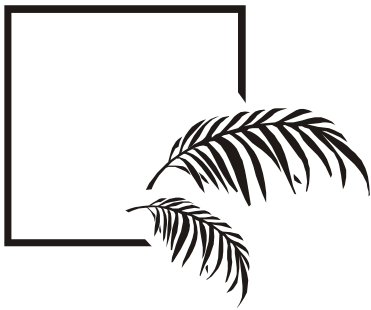
As a part of the social responsibilities to be fulfilled by the Company, some of the work in the plantation has been outsourced to surrounding villagers thus enhancing entrepreneurship of the people.

The Company recorded a turnover of Rp.115.54 bn (US\$ 13.15 mn) [year 2002 - Rp. 69.15 bn (US\$ 6.92 mn)], a profit before deferred tax of Rp. 28.86 bn (US\$ 3.28 mn) and a net of profit of Rp. 20.02 bn (US\$ 2.28 mn) [year 2002 - Rp. 1.01 bn (US\$ 0.10 mn)] for the year under review.

The Plantation Company benefited from the recent recovery in palm oil prices worldwide. During the next two to three years PT Agro Indomas will focus the deployment of good agronomy practices, setting in place business processes which support productivity and cost consciousness and developing an effective management team which can take the business forward.

PT Agro Indomas engaged independent professional valuer, PT Heburinas Nusantara to carry out a valuation of its property. The valuation as at 31st January 2003, valued the plantation property at US\$ 57.1 mn (2002 - US\$ 49.3 mn).

Presently the Company is funding its activities including servicing of loans through its internally generated funds as planned.



## Review of Operations (Contd.)

The shareholders funding as at 31st March 2003 including shareholder loans amounted to US\$ 18 mn whereas loan funding including quasi-equity of US\$ 3.6 mn remained at US\$ 30.50 mn. The first instalment of loan is falling due for repayment in June 2003.

### VALUE ADDED INTERNAL AUDIT AND RISK MANAGEMENT

KPMG Malaysia who has been appointed as internal auditors for both the Malaysian and Indonesian plantations carried out the value added internal audit during the financial year. This includes identifying Risk Parameter, monitoring these risks and formulating a risk management team for the Company. These will improve the operational efficiencies and the stakeholder value of the Company. For the year under review one cycle for Malaysia and two cycles for Indonesia were carried out. Audit Committee meetings were held in November 2002 and April 2003 to discuss the findings and follow up steps needed.

We are also in the process of implementing the balanced scorecard in Malaysia and the Human Resources unit based in Colombo will provide the necessary technical input.

Palm oil industry being a commodity has an inherent risk of volatile prices based on various external factors. Further it has the agricultural risk of dependency on the weather. Genetically modified crops like Soya Bean is also seen as a threat to this industry. But palm oil being a perennial crop with the lowest Cost of Production has an inherent advantage of recouping the temporary seasonal set backs with the change in the weather over the remaining life of the palm. We feel that the demand for palm oil will continue to grow as in the past. Therefore as stated above we are mindful of our cost of production to be competitive and profitable.

### FUTURE OUTLOOK

Production, which increased only marginally in 2002, is projected to record a higher increase in 2003. Further indications are that the vegetable oil production in India, one of the largest importers of palm oil will recover after being affected by a severe drought in the year 2002. These two factors should limit the upside potential of CPO prices. However, the increases in overall global demand both for edible and non-edible purposes should act as a support to prices. In this respect Malaysia has developed its oleochemical industry by way of more investments in research and development and through joint ventures.

Given the encouraging outlook for the overall oil palm industry, coupled with increasing production in PT Agro Indomas which will give rise to economies of scale we are confident that the Company would remain profitable and generate attractive returns to shareholders. In particular the replanting programme within the Malaysian estate should prove to be a viable investment which will give the Company attractive returns.

**Carsons Management Services (Pvt) Limited**  
*Managers*

Colombo, 2nd May 2003

# Report of the Directors



The Directors are pleased to submit their Report for the year ended 31st March, 2003 together with the audited Financial Statements of the Company.

## REVIEW OF THE YEAR AND FUTURE DEVELOPMENTS

The Chairman's Statement to the Shareholders and the Review of Operations describes in detail the performance during the year with comments on the financial results and future developments of the Company.

## PRINCIPAL ACTIVITY OF THE COMPANY

The principal activity of the Company continue to be the cultivation of oil palm plantation.

## FINANCIAL RESULTS

<i>For the year ended 31st March</i>	2003 Rs.	2002 Rs.
The profit available for appropriation is	134,520,141	133,317,432
<b>From which the following appropriation has been made:</b>		
Preference dividend of 16.5% (2002 - 16.5%)	(9,900,000)	(9,900,000)
<b>Leaving a balance to be carried forward of</b>	<b>124,620,141</b>	<b>123,417,432</b>

## RESERVES

Total reserves of the Company stood at Rs. 1,059.76 mn (2002 - Rs. 1,064.98 mn) comprising capital reserves of Rs. 827.10 mn and revenue reserve of Rs. 232.66 mn. The movements are shown in the statement of changes in Equity given on page 21 to these Financial Statements.

## CAPITAL EXPENDITURE AND INVESTMENTS

The total expenditure on acquisition of Property, Plant & Equipment during the year amounted to Rs. 12.09 mn (2002 - Rs. 10.00 mn). There were no investments made during the year (2002 - 265.14).

The movement in Property, Plant & Equipment and investments during the year are set out in Notes 8 and 9 to these Financial Statements respectively.

## VALUE OF THE PROPERTIES

The market value of land owned by the Company in Sri Lanka and in Malaysia is included in these Financial Statements at Rs. 102.52 mn and Rs. 647.87 mn respectively, based on valuations carried out by independent Qualified Valuers.

## VALUE OF THE INVESTMENT PORTFOLIO

The market value of the Company's Investment portfolio as at 31st March, 2003 was Rs. 331.01 mn (2002 - Rs. 335.20 mn).

## STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all statutory payments in relation to the employees and the Government have been paid up to date or have been provided for in these Financial Statements.

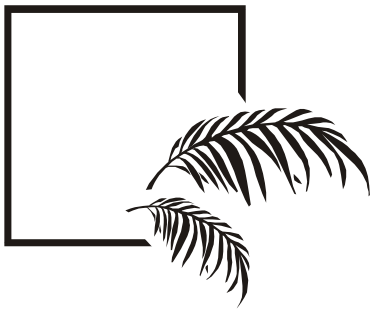
## EMPLOYMENT

The number of persons employed by the Company was 35 as at 31st March, 2003 (2002 - 36). All employees are employed in Malaysia.

## DIVIDENDS

Your Directors do not recommend any dividend on ordinary shares for the year ended 31st March, 2003.

A preference dividend of 16.5% per annum on redeemable cumulative preference shares was paid on 30th September, 2002 and 31st March, 2003 (2002 - 16.5%).



## Report of the Directors (Contd.)

### DIRECTORATE

The names of the Directors who served during the year are shown on page 1.

In terms of Articles 87 and 88 of the Articles of Association, Mr. H. Selvanathan retires by rotation from the Board, but being eligible offers himself for re-election.

Mr. W. Unamboowe resigned from the Board with effect from 13th March, 2003.

### DIRECTORS' INTERESTS IN CONTRACTS AND SHARES

Directors' interests in contracts of the Company are disclosed in Note 23 to these Financial Statements and have been declared at meetings of the Directors. The Directors have no direct or indirect interests in any other contracts or proposed contracts in relation to the business of the Company, while they had the following interests in the shares of the Company.

<i>As at 31st March</i>	No. of Shares 2003	No. of Shares 2002
M. Selvanathan	360	300
H. Selvanathan	360	300
W. Unamboowe (resigned w.e.f. 13th March, 2003)	50	50
C. F. Fernando	30,960	25,800
I. Paulraj	75	75

### AUDIT COMMITTEE

The Audit Committee comprises of following members.

Mr. Tilak de Zoysa (*Non-Executive Chairman - Carson Cumberbatch & Co. Limited*)  
 Mr. Roger Gillbanks (*Plantation Group - Agronomy Consultant*).  
 Mr. D. C. R. Gunawadena, *Director - Carson Cumberbatch & Co. Limited.*

Audit Committee meetings were held in November 2002 and April 2003 to discuss the findings and follow up steps needed.

### EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Subsequent to the Balance Sheet date no circumstances have arisen which would require adjustment to or disclosure in these Financial Statements other than those disclosed in Note 21 to these Financial Statements.

### SUBSTANTIAL SHAREHOLDINGS

The substantial shareholdings of the Company have been disclosed in Note 4 of the Information to the Shareholders and Investors. As at 31st March, 2003 the Company had 167 ordinary shareholders (2002 - 147), whose distribution of holdings is indicated in Note 3 of the Information to Shareholders and Investors.

### SHARE INFORMATION

Information relating to earnings, dividends, net assets and market price per share is given on page 39 of the Annual Report. Information on share trading is given on page 3 of the Annual Report.

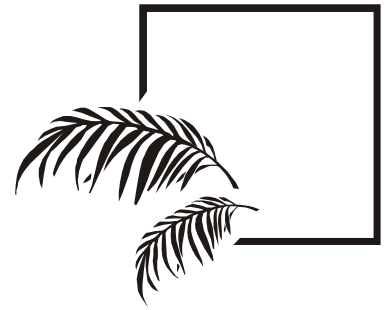
### AUDITORS

Messrs. KPMG Ford, Rhodes, Thornton & Co., are eligible for re-appointment.

By Order of the Board,  
**Carsons Management Services (Pvt) Limited**  
*Managers & Secretaries*

Colombo, 2nd May, 2003

# Statement of Directors' Responsibilities



The responsibilities of the Directors, in relation to the Financial Statements, are detailed in the following paragraphs while the responsibilities of the Auditors are set out in the Report of the Auditors.

According to the Companies Act, No. 17 of 1982, and the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995, Directors are required to prepare Financial Statements for each financial year, giving a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the said period.

In preparing these Financial Statements the Directors are required to ensure that:

- appropriate accounting policies have been selected and applied consistently while material departures, if any, have been disclosed and explained,
- all applicable Accounting Standards have been complied with and,
- reasonable and prudent judgements and estimates have been made.

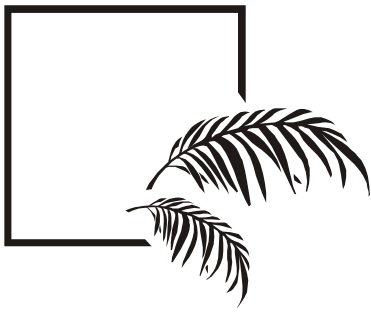
The Directors are responsible for ensuring that the Company maintains sufficient accounting records to disclose with reasonable accuracy, the financial position of the Company in order to ensure that the Financial Statements of the Company meet with the requirements of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995 and the Companies Act, No. 17 of 1982. They are also responsible for taking reasonable measures to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate system of internal controls with a view to prevent, detect and rectify frauds and other irregularities.

These Financial Statements have been prepared on a going concern basis after reviewing the financial position and the cash flow, since the Directors are of the view that the Company has adequate resources to continue in operation for the foreseeable future.

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

By Order of the Board,  
**Carsons Management Services (Pvt) Limited**  
*Managers & Secretaries*

Colombo, 2nd May, 2003



# Audit Committee Report

The Audit Committee of the Company comprises of three members, one Executive Member and two Non-Executive Members as follows :

Mr. Tilak de Zoysa  
Mr. D.C.R. Gunawardena  
Mr. Roger Gillbanks, MBE

Mr. Tilak de Zoysa is the Non-Executive Chairman of Carson Cumberbatch & Co. Ltd., and is the Deputy Chairman/Managing Director of Associated Motorways Group of Companies. Mr. Chandima Gunawardena is a Director of Carson Cumberbatch & Co. Ltd., The Bukit Darah Co. Ltd., The Shalimar (Malay) Estate Co. Ltd., and The Indo-Malay Estates Ltd. Mr. Roger Gillbanks, MBE is a Plantation Advisor of considerable experience. He is currently a consultant to CDC Group plc. and the Rabobank among several others. He is also the plantation Advisor on Agronomy matters to PT Agro Indomas, the group's plantation subsidiary in Indonesia.

During the financial year under review the Audit Committee engaged the services of KPMG Malaysia to carry out an Enterprise Risk Management Audit (ERM) and Value Added Internal Audit Services. The ERM was carried out for all of the group's plantation companies.

Based on the ERM - Risk Assessment results, KPMG Malaysia formulated a 3 year Strategic Internal Audit Plan for the five plantation companies in Malaysia. The First Audit Cycle of the plantation companies was concluded in October 2002 and the report has been submitted to the Audit Committee. The management is now in the process of implementing the recommendations that arose out of both the ERM assessment and the Audit Cycle.

The creation of a risk aware culture within the Company will lead to business units having ownership of the processes. The units do already have individual informal risks awareness practices, hence the ERM process will provide a framework to

assist the Company to identify measures, controls and monitor risk and to develop prioritised action plans to address identified risks.

Following the ERM Audit the Company formed a Risk Management Committee for the Plantation Sector and implemented the Risk Management process through which the Risk Register and Risk Profiles based on pre-defined criteria were generated. To facilitate the Risk Management process, a software package branded RiMS (Risk information Management System) was installed.

The Audit Committee confirms their concurrence to the Board of Directors' recommendation to re-appoint Messrs. KPMG Ford, Rhodes, Thornton & Company as Auditors for the financial year ending 31st March 2004, subject to the approval of the shareholders at the Annual General Meeting.

The Board of Directors have approved and established the Audit Committee charter as follows:

## PURPOSE

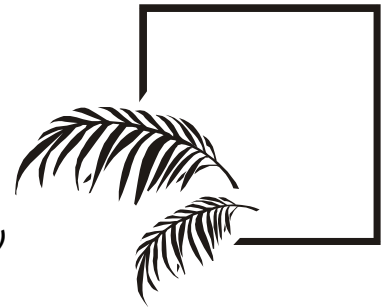
To assist the Board of Directors in fulfilling its responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process and the Company's process for monitoring compliance with laws and regulations and the code of conduct.

## AUTHORITY

The Audit Committee has authority to conduct or authorize investigations into any matters within the scope of responsibility. It is empowered to:

- Retain outside counsel, accountants or others to advise the Committee or assist in the conduct of an investigation.
- Seek any information it requires from employees - all of whom are directed to cooperate with the Committee's request or external parties.
- Meet with Company officers, external auditors or outside counsel, as necessary.

## Audit Committee Report (Contd.)



### COMPOSITION

The Audit Committee will consist of at least three and no more than six members. The Board of Directors will appoint Committee members and the Chair.

### MEETINGS

The Committee will meet at least four times a year and may convene further meetings as circumstances require. Two members will constitute the quorum for the time being and such members may meet in person or via tele or video conference.

### ETHICAL CONDUCT

The members of the Committee are deemed to be citizens of high ethical conduct and they are expected to conduct affairs of the Committee adopting highest ethical standards. The members are also expected not to divulge either directly or indirectly to any person at any time, information acquired during the conduct of Audit Committee affairs.

### RESPONSIBILITIES

The Committee will carry out the following responsibilities.

#### Financial Statements

- Review annual financial statements, significant issues, management letter contents, financial information development process and coordinate with management and external auditors on all matters required to be communicated to the Committee under the generally accepted Auditing/Accounting Standards.

#### Internal Control

- Review the effectiveness of the company's internal control including information technology security and control and review internal control over financial reporting and significant findings.

#### Internal Audit

- Review with management the charter of the Internal audit assignment/s, plans, activities, independency and effectiveness.

#### External Audit

- Review the performance of the external auditors and recommend appointment, re-appointment or discharge of the auditors.
- Review and confirm the independence of the external auditors on relationships between the auditors and the Company, including non-audit services proposed and carried out by the external auditors.

#### Compliance

- Review the effectiveness of the system for monitoring compliance.
- Review regular compliance declarations submitted by management and making independent observations.

#### Reporting responsibilities

- Regularly report to the Board of Directors and annually to shareholders.

#### Other Responsibilities

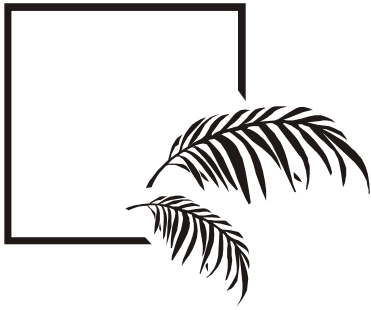
- Perform other activities related to this charter as requested by the Board of Directors.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the Committee charter annually, requesting Board approval for proposed changes.
- Confirm annually that all responsibilities outlined in this charter have been carried out.

Colombo, 2nd May, 2003



# Financial Reports

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# Report of the Auditors

## **TO THE MEMBERS OF THE SELINSING COMPANY LIMITED**

We have examined the Balance Sheet of The Selinsing Company Limited as at 31st March, 2003, and the related Statements of Income, Changes in Equity and Cash Flows for the year then ended, together with the Accounting Policies and the Notes as set out on pages 19 to 37 of the Annual Report.

## **Respective Responsibilities of Directors and Auditors**

The Directors are responsible for preparing and presenting these Financial Statements in accordance with the Sri Lanka Accounting Standards. Our responsibility is to express an opinion on these Financial Statements, based on our audit.

## **Basis of Opinion**

We conducted our audit in accordance with the Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said Financial Statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said Financial Statements, assessing the accounting principles used and significant estimates made by the Directors, evaluating the overall presentation of Financial Statements, and determining whether the said Financial Statements are prepared and presented in accordance with the Sri Lanka Accounting Standards. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

## **Opinion**

In our opinion, so far as appears from our examination, the Company maintained proper books of account for the year ended 31st March, 2003 and to the best of our information and according to the explanations given to us, the said Balance Sheet and related Statements of Income, Changes in Equity and Cash Flow and the Accounting Policies and Notes thereto, which are in agreement with the said books and have been prepared and presented in accordance with the Sri Lanka Accounting Standards, provide the information required by the Companies Act, No. 17 of 1982 and give a true and fair view of the Company's state of affairs as at 31st March, 2003 and of its profit and cash flows for the year then ended.

## **Directors' Interests in Contracts with the Company**

According to the information made available to us, the Directors of the Company were not directly or indirectly interested in contracts with the Company during the year ended 31st March, 2003 except as stated in Note 23 to these Financial Statements.

Sgd.

**KPMG Ford, Rhodes, Thornton & Company**  
*Chartered Accountants*

Colombo  
2nd May, 2003

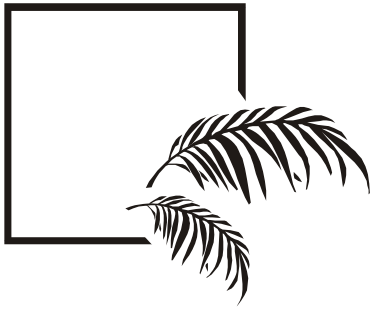
# Income Statement



	Note	Company	
		2003	2002
		Rs.	(Restated) Rs.
<i>For the year ended 31st March</i>			
<b>Revenue</b>	1	<b>34,497,675</b>	27,083,714
Direct operating costs		<b>(13,992,158)</b>	(16,670,971)
<b>Gross profit</b>		<b>20,505,517</b>	10,412,743
Other operating income	2	<b>634,030</b>	117,445,594
		<b>21,139,547</b>	127,858,337
Administrative expenses		<b>(6,817,184)</b>	(5,479,501)
<b>Profit from operations</b>	3	<b>14,322,363</b>	122,378,836
Finance costs	4	<b>(879,893)</b>	(1,822,298)
<b>Profit from operations after finance costs</b>		<b>13,442,470</b>	120,556,538
Taxation	5	<b>(2,339,761)</b>	(1,144,150)
<b>Profit after taxation</b>		<b>11,102,709</b>	119,412,388
Unappropriated profit brought forward		<b>123,417,432</b>	13,905,044
<b>Profit available for appropriation</b>		<b>134,520,141</b>	133,317,432
<b>Appropriation:</b>			
Preference Dividend		<b>9,900,000</b>	9,900,000
<b>Retained in the business</b>		<b>124,620,141</b>	123,417,432
		<b>134,520,141</b>	133,317,432
<b>Earnings per ordinary share</b>	6	<b>0.31</b>	28.40
Dividend per ordinary share		–	–

The Accounting Policies and Notes from pages 23 to 37 form an integral part of these Financial Statements.

*Figures in brackets indicate deductions.*



# Balance Sheet

<i>As at 31st March</i>	Note	Company	
		2003 Rs.	(Restated) 2002 Rs.
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant & Equipment	8	790,293,139	778,681,379
Long-term investments	9	334,023,108	334,023,108
Amounts due from related company	11	51,859,291	42,851,534
		<b>1,176,175,538</b>	<b>1,155,556,021</b>
<b>Current Assets</b>			
Inventories		1,171,078	1,765,003
Debtors and other receivables	10	2,068,372	2,765,493
Taxation recoverable		2,422,310	1,911,509
Short-term investments	9	-	4,195,461
Short-term deposits		1,245,869	1,378,467
Bank and cash balances		3,462,654	1,449,049
		<b>10,370,283</b>	<b>13,464,982</b>
<b>Total assets</b>		<b>1,186,545,821</b>	<b>1,169,021,003</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Share capital	12	98,556,000	92,130,000
Capital reserves	13	827,098,211	833,524,211
Revenue reserve	14	232,665,444	231,462,735
		<b>1,158,319,655</b>	<b>1,157,116,946</b>
<b>Non-Current Liabilities</b>			
Deferred taxation	15	5,904,501	3,976,598
<b>Current Liabilities</b>			
Creditors and accruals	16	3,754,878	6,388,331
Amounts due to related company	17	18,566,787	1,539,128
		<b>22,321,665</b>	<b>7,927,459</b>
<b>Total equity and liabilities</b>		<b>1,186,545,821</b>	<b>1,169,021,003</b>
<b>Net assets per ordinary share</b>		<b>284.86</b>	<b>284.55</b>

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

The Accounting Policies and Notes from pages 23 to 37 form an integral part of these Financial Statements.

Approved and signed on behalf of the Managers

Approved and signed on behalf of the Board

Sgd.  
**D.C.R. Gunawardena**  
*Director*

Sgd.  
**M. Selvanathan**  
*Chairman*

Sgd.  
**I. Paulraj**  
*Director*

**Carsons Management Services (Pvt) Limited**  
Colombo, 2nd May, 2003

# Statement of Changes in Equity

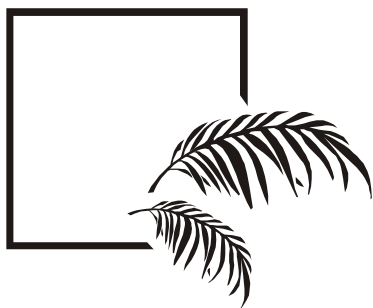


	Share Capital Rs.	Capital Redemption Reserve Rs.	Capital Accretion Reserve Rs.	Other Capital Reserves Rs.	Revenue Reserve Rs.	Retained Profits Rs.	Total Equity Rs.
Balance previously stated as at 1st April, 2001	32,130,000	60,000,000	730,375,260	43,148,951	108,045,303	16,460,256	990,159,770
Adjustment in respect of prior year (Note 15)	-	-	-	-	-	(2,555,212)	(2,555,212)
Restated balance as at 1st April, 2001	32,130,000	60,000,000	730,375,260	43,148,951	108,045,303	13,905,044	987,604,558
Profit after taxation	-	-	-	-	-	119,412,388	119,412,388
Preference dividend	-	-	-	-	-	(9,900,000)	(9,900,000)
<b>Balance as at 31st March, 2002</b>	<b>32,130,000</b>	<b>60,000,000</b>	<b>730,375,260</b>	<b>43,148,951</b>	<b>108,045,303</b>	<b>123,417,432</b>	<b>1,097,116,946</b>
Balance as at 1st April, 2002	32,130,000	60,000,000	730,375,260	43,148,951	108,045,303	123,417,432	1,097,116,946
Bonus issue (Note 12.1)	6,426,000	-	(6,426,000)	-	-	-	-
Profit after taxation	-	-	-	-	-	11,102,709	11,102,709
Preference dividend	-	-	-	-	-	(9,900,000)	(9,900,000)
<b>Balance as at 31st March, 2003</b>	<b>38,556,000</b>	<b>60,000,000</b>	<b>723,949,260</b>	<b>43,148,951</b>	<b>108,045,303</b>	<b>124,620,141</b>	<b>1,098,319,655</b>

Preference Share Capital of Rs. 60,000,000/- has not been included in the Statement of Changes in Equity.

The Accounting Policies and Notes from pages 23 to 37 form an integral part of these Financial Statements.

*Figures in brackets indicate deductions.*



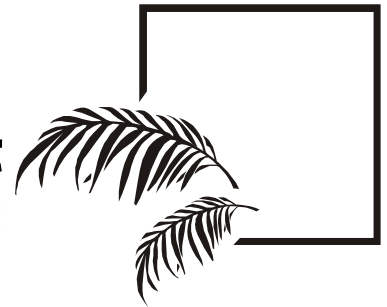
# Cash Flow Statement

<i>For the year ended 31st March</i>		Company	
	Note	2003 Rs.	2002 Rs.
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before taxation</b>		<b>13,442,470</b>	120,556,538
Adjustments for:			
Loss/(profit) on disposal of shares		<b>194,700</b>	(115,173,534)
Write back in carrying value of investments	2	–	(1,379,128)
Depreciation on Property, Plant & Equipment	8	<b>479,700</b>	541,896
Finance costs	4	<b>879,893</b>	1,822,298
Profit on disposal of Property, Plant & Equipment	2	<b>(126,215)</b>	–
Forfeited unclaimed dividend	2	–	(370,405)
Write back of unclaimed compensation	2	–	(202,822)
Dividend re-investment	9	–	(203,241)
<b>Operating profit before working capital changes</b>		<b>14,870,548</b>	5,591,602
Decrease/(increase) in inventories		<b>593,925</b>	(316,439)
Decrease/(increase) in debtors and other receivables		<b>697,121</b>	(1,327,399)
Decrease in amounts due from related company		–	15,702,982
Decrease in creditors and accruals		<b>(2,633,453)</b>	(381,905)
Increase in amounts due to related company	17	<b>17,027,659</b>	674,017
<b><i>Net cash generated from operating activities</i></b>		<b>30,555,800</b>	19,942,858
Finance costs paid	4	<b>(879,893)</b>	(1,822,298)
Tax paid		<b>(922,659)</b>	(701,916)
<b><i>Net cash inflows from operating activities</i></b>		<b>28,753,248</b>	17,418,644
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of shares		<b>4,000,761</b>	298,814,718
Purchase of Property, Plant & Equipment	8	<b>(12,092,749)</b>	(9,997,924)
Purchase of investments	9	–	(265,138,426)
Proceeds from disposal of Property, Plant & Equipment		<b>127,504</b>	–
Loan given to related company	11	<b>(9,007,757)</b>	(29,772,741)
<b><i>Net cash outflows from investing activities</i></b>		<b>(16,972,241)</b>	(6,094,373)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		<b>(9,900,000)</b>	(9,919,700)
<b><i>Net cash outflows from financing activities</i></b>		<b>(9,900,000)</b>	(9,919,700)
<b>Increase in cash and cash equivalents</b>		<b>1,881,007</b>	1,404,571
<b>Cash and cash equivalents at the beginning of the year</b>		<b>2,827,516</b>	1,422,945
<b>Cash and cash equivalents at the end of the year</b>		<b>4,708,523</b>	2,827,516
<b>Cash and Cash Equivalents</b>			
Bank and cash balances		<b>3,462,654</b>	1,449,049
Short-term deposits		<b>1,245,869</b>	1,378,467
		<b>4,708,523</b>	2,827,516

The Accounting Policies and Notes from pages 23 to 37 form an integral part of these Financial Statements.

*Figures in brackets indicate deductions.*

# Significant Accounting Policies



## I. GENERAL

### I.1 Basis of Preparation

The Financial Statements of The Selinsing Company Limited comprises the Balance Sheet and the Statements of Income, Changes in Equity and Cash Flows, together with Accounting Policies and Notes to the Financial Statements. These statements are prepared in accordance with the Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka.

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

The Financial Statements of the Company are prepared under the historical cost convention except for the revaluation of freehold land in Sri Lanka and in Malaysia as disclosed in Note 8 to the Financial Statements.

All the values presented in the Financial Statements are in Sri Lankan Rupees (Rs.) unless otherwise indicated.

### I.2 Conversion of Foreign Currencies

(i) Monetary assets and liabilities denominated in foreign currencies have been translated into Sri Lankan Rupees, which is the reporting currency, at rates of exchange prevailing at the Balance Sheet date.

(ii) Long-term investments in shares and Property, Plant & Equipment that are carried at historical cost are translated into reporting currency at the rates of exchange prevailing at the dates on which the transactions were effected, and where such assets are carried at fair value, translation into reporting currency is done using the exchange rates that exist when such values are determined.

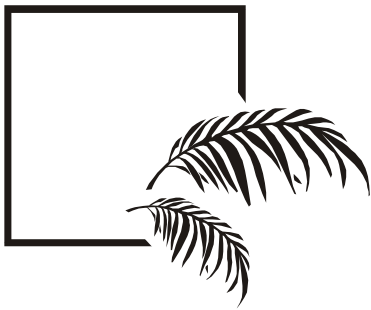
(iii) Profits or losses from Malaysian operations are incorporated into the Income Statement by translating the foreign currencies into Sri Lankan Rupees at the monthly average rates. The brought forward profits or losses are incorporated at the reporting currency amounts disclosed in the corresponding years' financial statements.

The exchange differences arising therefrom are dealt within the Income Statement.

### I.3 Taxes on Income

The liability to taxation has been computed in accordance with the provisions of the Inland Revenue Act, No. 38 of 2000 and the subsequent amendments thereto. Full consideration is given to the tax laws prevailing in the countries of incorporation and operation.

Liability for taxation of the Company is made after deducting any relief available in terms of the Double Taxation Agreement entered into between the Governments of Malaysia and of Sri Lanka.



## Significant Accounting Policies (Contd.)

### 1.4 Deferred Taxation

Deferred taxation is provided on the liability method for all timing differences to the extent that they are expected to reverse in the future. The balance in the deferred taxation account represents, income tax applicable to the difference between the written down values for tax purposes of the assets on which tax depreciation has been claimed and the net book values of such assets.

### 1.5 Borrowing Costs

All borrowing costs are recognised as an expense in the period in which they are incurred except those that are directly attributable to the acquisition/construction of property, plant & equipment, which are capitalised as part of the cost of the asset during the period of construction/development.

### 1.6 Research and Development Costs

Expenditure in respect of research is charged to revenue while business/product development costs are recognised as an asset in accordance with the Sri Lanka Accounting Standard No. 11, and is charged to revenue equally over a period of five (5) years, at the commencement of commercial harvest.

### 1.7 Events occurring after the Balance Sheet date

The materiality of the events occurring after the Balance Sheet date are considered and appropriate adjustments or disclosures are made in the Financial Statements where necessary.

## 2. ASSETS AND BASES OF THEIR VALUATION

Assets classified as current assets in the Balance Sheet are cash and those which are expected to be realised in cash during the normal operating cycle of the Company's business or within one year from the Balance Sheet date, whichever is shorter. Assets other than current assets are those, which the Company intends to hold beyond a period of one year from the Balance Sheet date.

### 2.1 Property, Plant & Equipment and Depreciation

#### (i) Valuation

Property, plant & equipment are stated at cost or valuation less accumulated depreciation, provided on the basis stated in (iii) below.

#### (ii) Cost

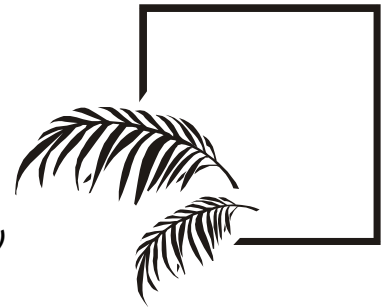
Cost of property, plant & equipment is the cost of acquisition or construction together with any expenses incurred in bringing the assets to its working condition for its intended use.

Expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature by means of which to carry on the business or to increase the earnings capacity of the business, has been treated as capital expenditure.

#### (iii) Depreciation

Depreciation is provided on a straight line basis over periods appropriate to the estimated lives of different types of assets on their cost or revalued amounts as follows:

## Significant Accounting Policies (Contd.)



### 2.1 (iii) Depreciation (contd.)

	% per annum
Freehold buildings	5
Plant & machinery	10
Furniture, fittings & office equipment	12.5
Motor vehicles	25
Mature plantation	3.33

No depreciation is provided on freehold land.

No depreciation is provided in the year of acquisition while full year's depreciation is provided in the year of disposal.

### (iv) Construction in-Progress

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

### (v) Plantations

#### (a) Permanent Land Development Costs

Land development costs incurred in respect of developing the land for cultivation which are permanent in nature, are capitalised.

#### (b) Limited Life Land Development Costs

Limited life land development cost incurred in respect of new planting, replanting, interplanting and crop diversifying including infilling cost of the oil palm plantation are capitalised in accordance with the Sri Lanka Accounting Standard No. 32.

The limited life land development costs are amortized over the estimated productive lives of the commercial harvest, which has the following characteristics:

Time lag between planting and commercial harvest - 3 years.

Duration of commercial harvest - 30 years

### (c) Revaluation of Land

Revaluation of the freehold land in Malaysia and in Sri Lanka is carried out at least once in every five years in order to ensure the book values reflect the realisable values. Any surplus or deficit arising therefrom is adjusted through the Capital Accretion Reserve.

## 2.2 Investments

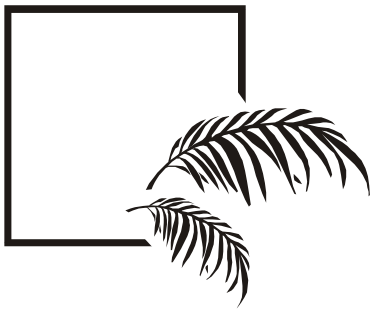
### (i) Classifications

Investments in subsidiaries and associate companies of the Carsons Group are classified as long-term investments while all the other investments are classified as short-term investments.

### (ii) Valuation

All long-term investments are stated in the Balance Sheet at cost less any amounts written off to reflect any permanent diminution in value of such investments.

Quoted investments and units purchased from unit trusts classified as short-term investments are stated at the lower of cost and market value determined on an aggregate portfolio basis.



## Significant Accounting Policies (Contd.)

### (iii) **Market Value/Valuation of the Investment Portfolio**

The market values of the investment portfolio is based on the following:

- (a) *Marketable equity securities* are stated at the values published in the Official Valuation List of the Colombo Stock Exchange as at the Balance Sheet date. Where the official valuation is not available the market value is stated at the last transacted price.
- (b) *Units purchased from Unit Trusts* are valued at the manager's buying price as at the Balance Sheet date.
- (c) *Unquoted investments* are stated at cost unless otherwise stated.

### **2.3 Inventories**

Inventories except fresh fruit bunches are stated at cost and net realisable value whichever is lower, after making due allowance for obsolete and slow moving items. Fresh fruit bunches are stated at since realised values.

The value of consumables is determined on a weighted average basis.

### **2.4 Debtors and other Receivables**

Debtors and other receivables are stated at the amounts estimated to be realised. Where necessary, provisions are made for bad and doubtful debts.

### **2.5 Cash and Cash Equivalents**

For the purposes of the Cash Flow Statement, cash and cash equivalent comprise of cash at bank and in hand, short-term deposits with banks, net of bank overdrafts and overnight borrowings.

Interest paid and received and dividend received are classified as operating cash flows while dividend paid are classified as financing cash flows for the purpose of presentation of the Cash Flow Statement reported based on the indirect method.

## **3. LIABILITIES AND PROVISIONS**

Liabilities classified as current liabilities in the Balance Sheet are those obligations payable on demand or within one year from the Balance Sheet date. Items classified as non-current liabilities are those obligations which become payable beyond a period of one year from the Balance Sheet date.

All known liabilities have been accounted for in preparing these financial statements. Provisions and liabilities are recognised when the Company 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.

### **3.1 Retirement Benefit Costs**

#### **(i) Defined Benefit Plans Cost - Gratuity**

In the absence of any legislative enactment pertaining to the gratuity liability in Malaysia, provision has not been made in the Financial Statements.

#### **(ii) Defined Contribution Plans - EPF**

All employees who are eligible for Defined Provident Fund contributions in Malaysia are covered by relevant contribution funds in line with the relevant statutes.

## Significant Accounting Policies (Contd.)



### 3.1 (ii) **Defined Contribution Plans - EPF (contd.)**

Contribution to Provident Funds covering the employees are recognised as an expense in the Income Statement in the period in which it is incurred.

### 3.2 **Capital Commitments and Contingencies**

All material capital commitments and contingent liabilities which exist as at the Balance Sheet date are disclosed in the respective Notes to the Financial Statements.

## 4. **INCOME STATEMENT**

### 4.1 **Revenue**

Revenue represents proceeds from sale of fresh fruit bunches in Malaysia and Investment Income from Sri Lankan operations.

### 4.2 **Revenue Recognition**

Revenue is matched with the related expenditure and is recognised in accordance with Sri Lanka Accounting Standard No. 29 in the following manner:

*Sale of fresh fruit bunches* - upon delivery and acceptance by customers.

*Dividend income* - when the shareholders' right to receive is established.

*Interest* - accrued on a time proportionate basis.

*Other income* - on an accrual basis.

Net gains and losses of a revenue nature, resulting from disposal of property, plant & equipment are accounted for in the Income Statement. Where the gain is on immovable property, such gain is appropriated to the Capital Accretion Reserve.

Gains or losses on the disposal of Investments are accounted for in the Income Statement on the basis of realised net profit.

### 4.3 **Expenditure Recognition**

All expenditure incurred in running the business and in maintaining the capital assets in a state of efficiency, has been charged to revenue in arriving at the profit or loss for the year.

4.4 For the purpose of presentation of the Income Statement, the Directors are of the view that Function of Expenses Method fairly presents the elements of the Company's performance, hence such presentation method is adopted.

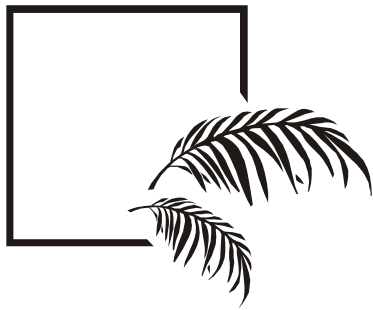
## 5. **SEGMENT REPORTING**

A segment is a distinguishable component of the Company that is engaged either in providing products or services (Business Segment), or in providing products or services within a particular economic environment (Geographical Segment), which is subject to risks and rewards that are different from those of other segments. Segment information for identifiable operating units of the Company is disclosed in Note 18 to the Financial Statements.

The primary segment of the Company is considered as the Industry segment.

## 6. **RELATED PARTY DISCLOSURES**

Disclosures are made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is being charged.



# Notes to the Financial Statements

## I. REVENUE

	Company	
	31st March 2003 Rs.	31st March 2002 Rs.
<b>Oil Palm:</b>		
Sale of fresh fruit bunches	34,120,479	24,170,842
<b>Investment:</b>		
Dividend income	271,963	2,887,406
Interest income	105,233	25,466
	34,497,675	27,083,714

## 2. OTHER OPERATING INCOME

Profit on disposal of shares	–	115,173,534
Exchange gain/surplus on revaluation of foreign currency operations	58,731	157,803
Sundry income	449,084	161,902
Profit on disposal of Property, Plant & Equipment	126,215	–
Write back of unclaimed compensation	–	202,822
Write back of provision made for the diminution in carrying value of investments	–	1,379,128
Forfeited unclaimed dividend	–	370,405
	634,030	117,445,594

## 3. PROFIT FROM OPERATIONS

Profit from operations is stated after charging all expenses including the following:

Depreciation	479,700	541,896
Management and Secretarial fees	214,985	461,798
Auditors' remuneration	503,812	451,673
Loss on disposal of shares	194,700	–
Personnel cost (Note 3.1)	6,865,420	7,459,483

### 3.1 Personnel Costs

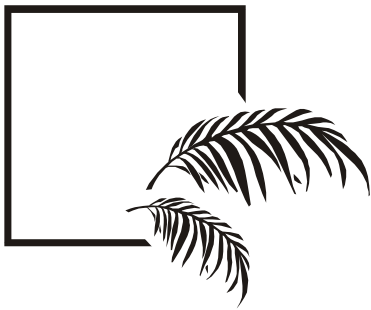
Salaries, wages and other staff related expenses	6,603,854	7,067,142
Defined contribution plans - EPF	261,566	392,341
	6,865,420	7,459,483
The above includes:		
Directors' emoluments	–	–
Directors' fees	75,000	60,000
	75,000	60,000

## Notes to the Financial Statements (Contd.)



	Company	
	31st March 2003 Rs.	31st March 2002 Rs.
<b>4. FINANCE COSTS</b>		
On Loan from related company	879,893	1,822,298
<b>5. TAXATION</b>		
<b>5.1 Current Income Tax</b>		
Provision for the year (Note 5.2)	411,858	3,983,259
Refund due/over provision in respect of previous years	-	(4,061,232)
<b>Deferred Income Tax</b>		
Provision during the year	1,927,903	1,222,123
	<b>2,339,761</b>	<b>1,144,150</b>
<b>5.2 Reconciliation of Accounting Profit with Taxable Profits</b>		
Profit before taxation	13,442,470	120,556,538
Lending interest income	(91,719)	-
Aggregate exempt profits, dividends, FCBU interest, etc.	(285,477)	(79,513,059)
Aggregate tax allowable expenditure	(12,272,823)	(11,517,400)
Aggregate tax disallowable expenditure	1,830,979	659,040
Tax losses available	-	(11,217,220)
	<b>2,623,430</b>	<b>18,967,899</b>
<b>Tax payable:</b>		
Ordinary activities - on plantation income @ 15%	393,514	-
Tax payable on lending interest income @ 20%	18,344	-
Capital gains @ 17.5%	-	3,319,383
Surcharge thereon @ 20%	-	663,876
	<b>411,858</b>	<b>3,983,259</b>
Tax payable in Malaysia	-	-
<b>Total tax charge</b>	<b>411,858</b>	<b>3,983,259</b>

The provision for taxation for the year ended 31st March, 2003 on profits from plantation activities is based on the tax payable in Sri Lanka. There is no tax liability in Malaysia due to the available tax losses.



## Notes to the Financial Statements (Contd.)

### 5. TAXATION (Contd.)

#### 5.3 Taxation of Profits

- (a) In terms of Section 40 of the Inland Revenue Act, No. 38 of 2000, profits of the Company from plantation activities enjoy a concessionary rate of tax of 15%. These profits are however subject to income tax in Malaysia calculated at a rate of 28%.

Where the overall taxable income of the Company remains below Rs. 5 mn, the tax rate applicable to other sources is 20%. In the event taxable income exceeds this threshold, the tax rate applicable would be 35%. The tax law provides for marginal relief.

- (b) In terms of the double tax agreement entered into between Malaysia and Sri Lanka, the Company on its profits from plantation is entitled to claim credit for tax paid in Malaysia against tax that is payable in Sri Lanka.

#### 5.4 Dividend

Dividend distributed out of the taxable profits of the Company are subject to a dividend tax of 10%.

### 6. EARNINGS PER ORDINARY SHARE

The Earning Per Share of Rs. 0.31 (2002 - Rs. 28.40) is calculated on the profit after taxation and preference dividend over the number of ordinary shares in issue as at the Balance Sheet date. The previous years figure has been accordingly adjusted for the bonus issue made during the year.

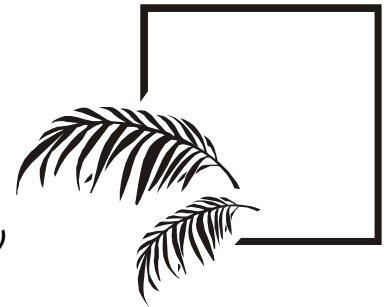
The following reflects the income and share issue data used for the computation of Earnings Per Share:

	Company	
	31st March 2003 Rs.	31st March 2002 Rs.
<b>Amount used as the Numerator:</b>		
Net profit after taxation	11,102,709	119,412,388
Less:		
Dividend on redeemable preference shares	(9,900,000)	(9,900,000)
Net profit attributable to ordinary shareholders	1,202,709	109,512,388
<b>Number of Ordinary Shares used as the Denominator</b>	3,855,600	3,855,600

### 7. FOREIGN CURRENCY TRANSLATIONS

The principal exchange rates used for conversion of foreign currency balances are as follows:

	Closing Rate	
	Year ended 31st March 2003 Rs.	Year ended 31st March 2002 Rs.
Malaysian Ringgit	25.36	24.91
Sterling Pound	151.01	134.26
US Dollar	96.35	94.65



## Notes to the Financial Statements (Contd.)

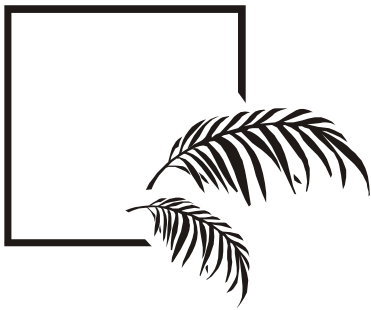
### 8. PROPERTY, PLANT & EQUIPMENT

	Sri Lanka	Malaysia							Total as at 31st March 2003 Rs.	Total as at 31st March 2002 Rs.
	Freehold Land Rs.	Immature Plantation Rs.	Mature Plantation Rs.	Freehold Land Rs.	Freehold Buildings Rs.	Plant & Machinery Rs.	Equipment Rs.	Motor Vehicles Rs.		
<b>Cost/Valuation</b>										
Beginning of the year	102,523,919	19,605,808	7,142,941	647,868,384	4,400,527	658,512	2,530,281	5,097,349	<b>789,827,721</b>	780,007,655
Additions	-	12,092,749	-	-	-	-	-	-	<b>12,092,749</b>	9,997,924
Transfers	-	(5,721,545)	5,721,545	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(9,063)	-	(421,622)	<b>(430,685)</b>	-
Write off	-	-	-	-	(380,075)	(3,738)	(65,715)	(2,406,966)	<b>(2,856,494)</b>	(177,858)
<b>End of the year</b>	<b>102,523,919</b>	<b>25,977,012</b>	<b>12,864,486</b>	<b>647,868,384</b>	<b>4,020,452</b>	<b>645,711</b>	<b>2,464,566</b>	<b>2,268,761</b>	<b>798,633,291</b>	789,827,721
<b>Depreciation</b>										
Beginning of the year	-	-	238,098	-	3,534,372	362,910	1,913,614	5,097,348	<b>11,146,342</b>	10,782,303
Charge for the year	-	-	238,098	-	76,104	63,364	102,134	-	<b>479,700</b>	541,896
Disposal	-	-	-	-	-	(8,156)	-	(421,621)	<b>(429,777)</b>	-
Write off	-	-	-	-	(380,074)	(3,361)	(65,711)	(2,406,967)	<b>(2,856,113)</b>	(177,857)
<b>End of the year</b>	<b>-</b>	<b>-</b>	<b>476,196</b>	<b>-</b>	<b>3,230,402</b>	<b>414,757</b>	<b>1,950,037</b>	<b>2,268,760</b>	<b>8,340,152</b>	11,146,342
<b>Net Book Value</b>										
As at 31st March, 2003	<b>102,523,919</b>	<b>25,977,012</b>	<b>12,388,290</b>	<b>647,868,384</b>	<b>790,050</b>	<b>230,954</b>	<b>514,529</b>	<b>1</b>	<b>790,293,139</b>	-
As at 31st March, 2002	102,523,919	19,605,808	6,904,843	647,868,384	866,155	295,602	616,667	1	-	778,681,379

#### Mature Plantation

Year of Planting	Area - Ha.	Cost - Rs.
1997/98	42.58	7,142,941
1999/00	30.01	5,721,545
<b>Total</b>		<b>12,864,486</b>

- i) The carrying value of freehold land, if it was carried at historical cost would be Rs. 11,726,395/-.
- ii) Property, Plant & Equipment includes fully depreciated assets at historical cost of Rs. 6,831,693/- (2002 - Rs. 9,713,563/-)
- iii) The revaluation was incorporated into the Malaysian operations of the Company, which is audited by another firm of Chartered Accountants.
- iv) The freehold land in Malaysia was revalued at Rs. 681,174,544/- as at 31st March, 1998 on an existing use basis by an independent valuer, W. M. Malik Kamaruzuman, Chartered Surveyor & Valuer of Malaysia and incorporated into these Financial Statements. However an amount of Rs. 33,306,160/-, which is the revaluation attributable to the palm trees was reversed as at 31st March, 2000.
- v) The freehold land was revalued on an existing use basis on 31st March, 2003 subsequent to the last revaluation on 31st March, 1998 by Encik W. M. Malik, member of the Institution of Surveyors, Malaysia, a partner with W. M. Malik and Kamaruzuman. The carrying value of the freehold land at 31st March, 2003 approximates its fair value.



## Notes to the Financial Statements (Contd.)

### 8. PROPERTY, PLANT & EQUIPMENT (Contd.)

- vi) The total surplus over the book value has been credited to the Capital Accretion Reserve and included under Capital Reserves.
- vii) The freehold land in Sri Lanka was revalued at Rs. 102,240,000/- as at 31st March, 2001 by an independent valuer, A.Y. Daniel & Son and incorporated into these Financial Statements.
- viii) The tax effect in connection with the surplus arising on the revaluation of the freehold land in Malaysia of approximately Rs. 47,110,147/- (2002 - Rs. 46,278,878/-) has not been provided out of the revaluation surplus credited to the Capital Accretion Reserve as there is no intention to dispose of the revalued property, in the foreseeable future. This tax is payable in Malaysia.
- ix) Immature Plantation - Replanting and Immature Maintenance Costs Analysis

Year of Planting	Cost - Rs.			
	55.38 Ha.	63.12 Ha.	68.36 Ha.	Total
2000/01	5,743,409	-	-	5,743,409
2001/02	2,920,244	5,220,610	-	8,140,854
2002/03	2,873,974	2,829,814	6,388,961	12,092,749
<b>Total</b>	<b>11,537,627</b>	<b>8,050,424</b>	<b>6,388,961</b>	<b>25,977,012</b>

- x) Depreciation commences three (3) years after capitalising limited life land development cost.

### 9. INVESTMENTS

#### 9.1 Movements in Long-Term and Short-Term Investments

	Quoted Investments Related Rs.	Unquoted Investments Related/others Rs.	Short-Term Investments Rs.	Total as at 31st March 2003 Rs.	Total as at 31st March 2002 Rs.
Beginning of the year (cost)	265,138,426	68,884,682	5,746,398	<b>339,769,506</b>	258,069,022
Additions	-	-	-	-	265,138,426
Dividend re-investment	-	-	-	-	203,241
Disposals	-	-	(5,746,398)	<b>(5,746,398)</b>	(183,641,183)
Provision for diminution in carrying value	265,138,426	68,884,682	-	<b>334,023,108</b>	339,769,506
	-	-	-	-	(1,550,937)
<b>End of the year</b>	<b>265,138,426</b>	<b>68,884,682</b>	-	<b>334,023,108</b>	338,218,569

## Notes to the Financial Statements (Contd.)



### 9. INVESTMENTS (Contd.)

#### 9.2 Investment Portfolio

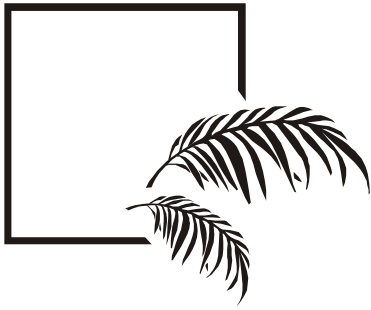
	No. of Shares	Cost as at 31st March 2003 Rs.	Market Value/ Valuation as at 31st March 2003 Rs.	No. of Shares	Cost as at 31st March 2002 Rs.	Market Value/ Valuation as at 31st March 2002 Rs.
<b>(1) LONG-TERM INVESTMENTS</b>						
<b>QUOTED INVESTMENTS - RELATED</b>						
The Shalimar (Malay) Estates Co. Ltd.	413,880	265,138,426	262,124,000	344,900	265,138,426	262,124,000
<b>TOTAL INVESTMENTS IN QUOTED RELATED COMPANIES</b>		<b>265,138,426</b>	<b>262,124,000</b>	344,900	265,138,426	262,124,000
<b>UNQUOTED INVESTMENTS - RELATED*</b>						
<b>Ordinary Shares</b>						
Shalimar Developments Sdn. Bhd	417,697	68,840,828	68,840,828	417,697	68,840,828	68,840,828
<b>UNQUOTED INVESTMENT - OTHER</b>						
Golden Hope Plantation Bhd	10,630	43,854	43,854	10,630	43,854	43,854
<b>TOTAL INVESTMENTS IN UNQUOTED RELATED/OTHER COMPANIES</b>		<b>68,884,682</b>	<b>68,884,682</b>		68,884,682	68,884,682
<b>TOTAL LONG-TERM INVESTMENTS</b>		<b>334,023,108</b>	<b>331,008,682</b>		334,023,108	331,008,682
<b>(2) SHORT-TERM INVESTMENTS - QUOTED</b>						
<b>Unit Trust</b>						
Ceybank Unit Trust	-	-	-	628,063	5,746,398	4,195,461
Provision for diminution in carrying value of investment		-	-		(1,550,937)	-
<b>Total short-term investments</b>		-	-		4,195,461	4,195,461
<b>TOTAL INVESTMENT PORTFOLIO</b>		<b>334,023,108</b>	<b>331,008,682</b>		338,218,569	335,204,143

The market value of the Company's investment portfolio has been obtained from the Official Valuation List as at 31st March, 2003 published by the Colombo Stock Exchange.

\* The unquoted investments are reflected at cost, which in the view of the Directors represents a reasonable value of such investment.

The Company has invested an amount of Rs. 68,840,828/- in Shalimar Developments Sdn. Bhd., which represents a 17.49% stake of that Company. Further the Company has also advanced a sum of Rs. 51,859,291/- to the latter company (refer Note 11). Shalimar Developments Sdn. Bhd. is an investment company presently holding shares only in PT Agro Indomas (84.5%) incorporated in Indonesia, which Company's main business is cultivation of oil palm plantation for processing of Crude Palm Oil.

Many countries in the Asia Pacific Region including Malaysia and Indonesia have experienced adverse economic conditions in the recent past, mainly resulting from currency devaluations in the region. However, the Company does not plan to dispose of this investment in Shalimar Developments Sdn. Bhd. and the Directors after reviewing the fair value of the investment taking into consideration the net assets per share and the forecasted future cash flows of the Company are of the view that the historical cost carried is justifiable.



## Notes to the Financial Statements (Contd.)

	Company	
	As at 31st March 2003 Rs.	As at 31st March 2002 Rs.
<b>10. DEBTORS AND OTHER RECEIVABLES</b>		
Trade debtors	1,670,172	2,346,566
Deposits and prepayments	398,200	418,927
	2,068,372	2,765,493
<b>11. AMOUNTS DUE FROM RELATED COMPANY</b>		
<b>Non-Current</b>		
Shalimar Developments Sdn. Bhd.		
(loan given)	51,859,291	42,851,534
	51,859,291	42,851,534
<b>12. SHARE CAPITAL</b>		
<b>Authorised:</b>		
10,000,000 Ordinary Shares of Rs. 10/- each	100,000,000	100,000,000
20,000,000 Non-Voting 16.5% Redeemable Cumulative Preference Shares of Rs. 10/- each	200,000,000	200,000,000
	300,000,000	300,000,000
<b>Issued and Fully Paid:</b>		
<b>Ordinary</b>		
3,213,000 Ordinary Shares of Rs. 10/- each	32,130,000	32,130,000
Bonus issue of 642,600 shares made during the year (Note 12.1)	6,426,000	-
	38,556,000	32,130,000
<b>Preference</b>		
6,000,000 Non-Voting 16.5% Redeemable Cumulative Preference Shares of Rs. 10/- each	60,000,000	60,000,000
	98,556,000	92,130,000

The 16.5% redeemable cumulative preference shares subscribed by Carson Cumberbatch & Co. Limited and Equity One Limited are to be redeemed in four equal semi-annual instalments commencing from 30th September, 2003. Dividend thereon is payable bi-annually.

However, the Company has agreed with the preference shareholders to defer the redemption until 30th September, 2004, at the same rate of preference dividend.

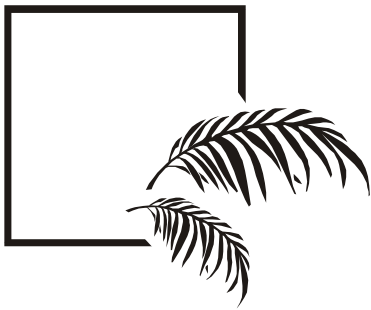
### 12.1 Bonus Issue

A bonus issue of one (01) ordinary share for every five (05) ordinary shares held as at 2nd April, 2002 was made during the year based on the existing issued share capital.

## Notes to the Financial Statements (Contd.)



	Company	
	As at 31st March 2003 Rs.	As at 31st March 2002 Rs.
<b>13. CAPITAL RESERVES</b>		
Capital accretion reserve	723,949,260	730,375,260
Capital redemption reserve	60,000,000	60,000,000
Other capital reserve	43,148,951	43,148,951
	827,098,211	833,524,211
<b>14. REVENUE RESERVES</b>		
Revenue reserve	108,045,303	108,045,303
Retained profits	124,620,141	123,417,432
	232,665,444	231,462,735
<b>15. DEFERRED TAXATION</b>		
Beginning of the year	3,976,598	182,470
Adjustment in respect of prior years (Note 15.1)	-	2,555,212
Restated balance	3,976,598	2,737,682
Provision for the year	1,927,903	1,222,123
Exchange gain	-	16,793
End of the year	5,904,501	3,976,598
<b>15.1</b> The figures for the year 2001 were restated to reflect the full provision liability method in accordance with SLAS - 14.		
Deferred tax which was previously not provided for timing differences on Mature and Immature plantations have been fully provided for, as the Directors were of the view that this change will give a better reflection of the liability in the financial statements.		
As a consequence retained earnings have been adjusted to accommodate the deferred tax charge corresponding to previous years.		
<b>16. CREDITORS AND ACCRUALS</b>		
Trade creditors	1,816,282	4,164,344
Accrued expenses	766,458	1,026,084
Unclaimed dividend	1,172,138	1,197,903
	3,754,878	6,388,331
<b>17. AMOUNTS DUE TO RELATED COMPANY</b>		
Carson Cumberbatch & Co. Ltd.	18,566,787	1,539,128
	18,566,787	1,539,128



## Notes to the Financial Statements (Contd.)

### 18. SEGMENTAL REPORTING

#### (A) Industry

	Oil Palm		Investments		Company	
	2003 Rs.	2002 Rs.	2003 Rs.	2002 Rs.	2003 Rs.	2002 Rs.
<b>REVENUE</b>						
External revenue	34,120,479	24,170,842	377,196	2,912,872	34,497,675	27,083,714
	<b>34,120,479</b>	<b>24,170,842</b>	<b>377,196</b>	<b>2,912,872</b>	<b>34,497,675</b>	<b>27,083,714</b>
<b>RESULT</b>						
Segment result	15,243,732	3,511,921	(921,369)	118,866,915	14,322,363	122,378,836
Finance costs	–	–	(879,893)	(1,822,298)	(879,893)	(1,822,298)
Taxation	(2,321,417)	(1,155,946)	(18,344)	11,796	(2,339,761)	(1,144,150)
Profit after tax	12,922,315	2,355,975	(1,819,606)	117,056,413	11,102,709	119,412,388
<b>OTHER INFORMATION</b>						
Segment assets	696,289,243	683,224,489	490,256,578	485,796,514	1,186,545,821	1,169,021,003
Segment liabilities	8,229,733	8,171,019	19,996,433	3,733,038	28,226,166	11,904,057
Capital expenditure	12,092,749	9,714,005	–	283,919	12,092,749	9,997,924
Depreciation	479,700	541,896	–	–	479,700	541,896

#### (B) Geographical

	Malaysia		Sri Lanka		Company	
	2003 Rs.	2002 Rs.	2003 Rs.	2002 Rs.	2003 Rs.	2002 Rs.
<b>REVENUE</b>						
External revenue	34,120,479	24,170,842	377,196	2,912,872	34,497,675	27,083,714
	<b>34,120,479</b>	<b>24,170,842</b>	<b>377,196</b>	<b>2,912,872</b>	<b>34,497,675</b>	<b>27,083,714</b>
<b>RESULT</b>						
Segment result	15,243,732	3,511,921	(921,369)	118,866,915	14,322,363	122,378,836
Finance costs	–	–	(879,893)	(1,822,298)	(879,893)	(1,822,298)
Taxation	(2,321,417)	(1,155,946)	(18,344)	11,796	(2,339,761)	(1,144,150)
Profit after tax	12,922,315	2,355,975	(1,819,606)	117,056,413	11,102,709	119,412,388
<b>OTHER INFORMATION</b>						
Segment assets	696,289,243	683,224,489	490,256,578	485,796,514	1,186,545,821	1,169,021,003
Segment liabilities	8,229,733	8,171,019	19,996,433	3,733,038	28,226,166	11,904,057
Capital expenditure	12,092,749	9,714,005	–	283,919	12,092,749	9,997,924
Depreciation	479,700	541,896	–	–	479,700	541,896

### 19. RESTATEMENT OF COMPARATIVE FIGURES

Previous year figures and phrases have been rearranged wherever necessary to conform to the current year's presentation.

### 20. CONTRACTS FOR CAPITAL EXPENDITURE

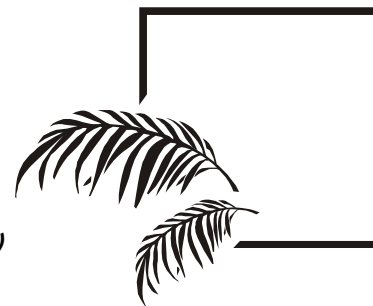
There were no material contracts for capital expenditure as at the Balance Sheet date.

### 21. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

A bonus issue of 1 ordinary share for every 5 ordinary shares held is recommended by the Directors.

Except the above, there were no other circumstances which required adjustments to or disclosure in these Financial Statements.

## Notes to the Financial Statements (Contd.)



### 22. CONTINGENT LIABILITIES

The Company and The Bukit Darah Co. Ltd. have jointly consented to give counter indemnity for the mortgage of the landed property of the The Shalimar (Malay) Estate Co. Ltd., The Good Hope Co. Ltd. and The Indo-Malay Estates Ltd. in Malaysia, to the Consortium of banks comprising of the Rabo Bank and the Commonwealth Development Corporation as collateral for the long-term loan of US\$ 30.5 mn obtained by PT Agro Indomas.

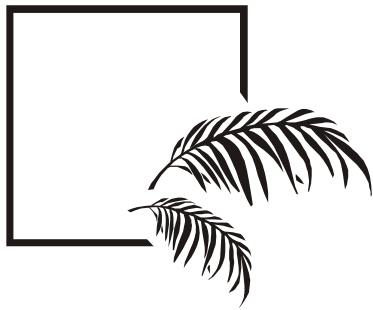
There were no material contingent liabilities as at the Balance Sheet date other than those disclosed above and in Note 8 (viii) to these Financial Statements.

### 23. DIRECTORS' INTERESTS IN CONTRACTS

Messrs. M. Selvanathan, H. Selvanathan, W. Unamboowe (Resigned w.e.f. 13th March, 2003) and I. Paulraj, Directors of the Company, have an interest in all or some of the transactions referred to in Note 24 to these Financial Statements. They either individually or indirectly have share ownership of companies forming part of the Carsons Group and/or hold Directorates in such related companies.

### 24. RELATED PARTY TRANSACTIONS

Name of Company	Names of Directors	Nature of Transactions
<b>Carsons Management Services (Pvt) Ltd. (CMSL)</b>	M.Selvanathan H. Selvanathan I. Paulraj	The Company paid/provided charges during the year amounting to Rs. Nil (2002 - Rs. 401,017/-) on management fees, Rs. 1,911,275/- (2002 - Rs. 1,489,388/-) on commission and handling charges, Rs. 214,985/- (2002 - Rs. 60,781/-) on secretarial fees to CMSL.
<b>Carson Cumberbatch &amp; Co. Ltd. (CC&amp;CL)</b>	M.Selvanathan H. Selvanathan I. Paulraj	<p>i) A sum totalling Rs. 22,067,314/- was borrowed from CC&amp;CL and Rs. 5,039,655/- was repaid during the year.</p> <p>ii) Interest totalling to Rs. 879,893/- was charged during the year on the above borrowings.</p> <p>iii) Preference dividend of Rs. 6,105,000/- was paid to CC&amp;CL during the year.</p>
<b>Shalimar Developments Sdn. Bhd. (SDSB)</b>	M.Selvanathan H. Selvanathan W. Unamboowe (Resigned w.e.f. 1st April, 2003)	Long-term advances amounting to Rs. 9,007,757/- free of interest with no stipulated repayment period has been made to SDSB.
<b>Equity One Ltd. (EOL)</b>	H. Selvanathan (Resigned w.e.f. 1st November, 2002)	Preference dividend of Rs. 3,795,000/- was paid to EOL during the year.



# Five Year Summary

## COMPANY

<i>Year ended 31st March</i>	2003	2002 (Restated)	2001	2000	1999
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>OPERATING RESULTS</b>					
Revenue	34,497,675	27,083,714	35,425,095	54,886,893	74,956,792
Profit before taxation	13,442,470	120,556,538	9,688,029	13,430,880	32,636,874
Taxation	(2,339,761)	(1,144,150)	174,562	(2,269,948)	(8,033,523)
Profit after taxation	11,102,709	119,412,388	9,862,591	11,160,932	24,603,351
Dividend - Ordinary	-	-	-	8,032,500	11,245,500
Dividend - Preference	9,900,000	9,900,000	9,900,000	9,900,000	9,899,878

*As at 31 st March*

## BALANCE SHEET

### ASSETS

#### Non-current assets

Property, Plant & Equipment	790,293,139	778,681,379	769,225,352	670,679,936	698,591,265
Investments in subsidiaries	-	-	50,723,711	50,723,711	-
Investments in associates	-	-	68,840,828	68,840,828	-
Long term investments	334,023,108	334,023,108	132,961,326	132,961,326	183,840,162
Amount due from related company	51,859,291	42,851,534	13,078,793	-	-
	1,176,175,538	1,155,556,021	1,034,830,010	923,205,801	882,431,427

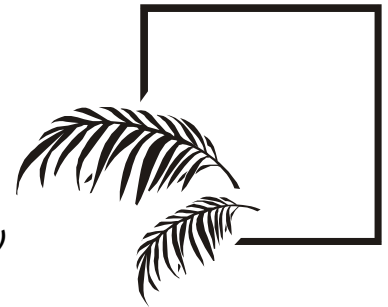
<b>Current assets</b>	<b>10,370,283</b>	<b>13,464,982</b>	<b>23,740,504</b>	<b>51,686,671</b>	<b>224,811,275</b>
<b>TOTAL ASSETS</b>	<b>1,186,545,821</b>	<b>1,169,021,003</b>	<b>1,058,570,514</b>	<b>974,892,472</b>	<b>1,107,242,702</b>

### EQUITY AND LIABILITY

Ordinary share capital	38,556,000	32,130,000	32,130,000	32,130,000	32,130,000
Preference share capital	60,000,000	60,000,000	60,000,000	60,000,000	60,000,000
Reserves	1,059,763,655	1,064,986,946	958,029,770	866,415,145	906,492,873
	1,158,319,655	1,157,116,946	1,050,159,770	958,545,145	998,622,873

#### Non Current Liabilities

Deferred tax	5,904,501	3,976,598	182,470	271,600	-
<b>Current liabilities</b>	<b>22,321,665</b>	<b>7,927,459</b>	<b>8,228,274</b>	<b>16,075,727</b>	<b>108,619,829</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,186,545,821</b>	<b>1,169,021,003</b>	<b>1,058,570,514</b>	<b>974,892,472</b>	<b>1,107,242,702</b>



## Five Year Summary (Contd.)

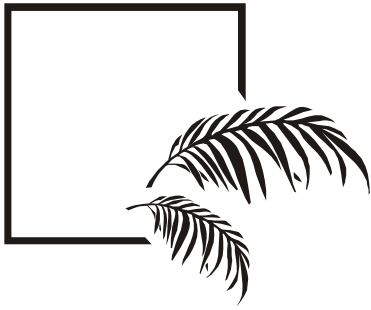
<i>Year ended 31st March</i>	<b>2003</b>	2002	2001	2000	1999
	<b>Rs.</b>	Rs.	Rs.	Rs.	Rs.
<b>CASHFLOW STATEMENTS</b>					
Net cash inflows/(outflows) from operating activities	<b>28,753,248</b>	17,418,644	(5,810,755)	66,783,860	11,649,537
Net cash (outflows)/inflows from investing activities	<b>(16,972,241)</b>	(6,094,373)	(20,572,876)	(5,927,668)	5,568,483
Net cash outflows from financing activities	<b>(9,900,000)</b>	(9,919,700)	(17,751,496)	(20,880,161)	(17,758,056)
Increase/(decrease) in cash and cash equivalents	<b>1,881,007</b>	1,404,571	(44,135,127)	39,976,031	(540,036)
<b>RATIO AND STATISTICS</b>					
Return on ordinary shareholders' funds (%)	<b>0.10</b>	9.47	(0.00)	0.14	1.57
Earnings per ordinary share (Rs.)* Note (i)	<b>0.31</b>	28.40	(0.01)	0.39	4.58
Current ratio (times)	<b>0.46</b>	1.70	2.89	3.22	2.07
Dividend per ordinary share (Rs.)	–	–	–	2.50	3.50
Rate of ordinary dividend (%)	–	–	–	25	35
Market value per share (Rs.)	<b>90.00</b>	131.75	152.00	160.00	157.00
P/E ratio (times) Note (i)	<b>290.32</b>	4.64	(15,200)	410.26	34.28
Net assets per ordinary share** Note (i)	<b>284.86</b>	284.55	308.17	279.66	292.13
Market capitalisation (Rs.)	<b>347,004,000</b>	423,312,750	488,376,000	514,080,000	504,441,000
<b>OPERATIONS (PLANTATIONS)</b>					
Mature area (Ha.)	<b>298.83</b>	337.18	400.30	413.10	442.61
Immature area (Ha.)	<b>186.86</b>	148.51	85.39	72.59	42.39
Crop (Tonnes)	<b>4,970</b>	5,625	7,477	8,241	8,881
Yield per Ha. (Tonnes)	<b>16.63</b>	15.16	17.67	18.93	20.07

**Note:**

\* The earnings per ordinary share is calculated on the profit after tax and preference dividend over the number of ordinary shares in issue as at the Balance Sheet date.

\*\* Net assets per ordinary share is calculated by dividing shareholders' funds excluding preference share capital by number of ordinary shares.

(i) The comparative figures for the year 2002 have been restated to reflect the bonus issue made on 2nd April 2002.



# Statement of Value Added

<i>For the year ended 31st March</i>	2003 Rs.	%	2002 Rs.	%
<b>Revenue</b>	<b>34,497,675</b>		27,083,714	
Other income	634,030		117,445,594	
	<b>35,131,705</b>		144,529,308	
Bought in materials and services	(13,464,222)		(14,149,093)	
	<b>21,667,483</b>		130,380,215	
<b>Distributed as follows:</b>				
<b>To employees</b>				
as remuneration	6,865,420	31.69	7,459,483	5.72
<b>To government</b>				
as taxation	2,339,761	10.80	1,144,150	0.88
<b>To providers of capital</b>				
as finance cost on loans	879,893	4.06	1,822,298	1.40
as dividend	9,900,000	45.69	9,900,000	7.59
<b>Retained in the business</b>				
as depreciation	479,700	2.21	541,896	0.41
as retained profits	1,202,709	5.55	109,512,388	84.00
	<b>21,667,483</b>	<b>100.00</b>	130,380,215	100.00

*The Statement of Value Added shows the quantum of wealth generated by the activities of the Company and its applications.*

# US \$

## FINANCIALS

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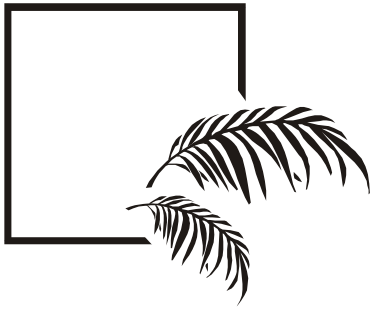
### **PREPARATION OF US DOLLAR FINANCIALS**

The Financial Statements of the Company  
are stated in US Dollars.

The translation of the Sri Lankan Rupee  
amounts into US Dollars is included  
solely for the convenience of  
Shareholders, Investors, Bankers  
and other users of Financial Statements.

US Dollar financials do not form part of the  
Audited Financial Statements of the Company.

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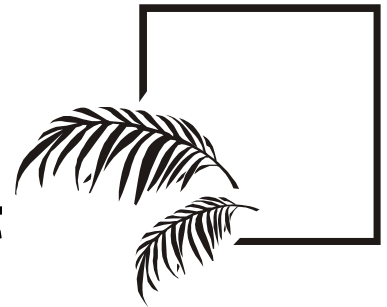


# Income Statement

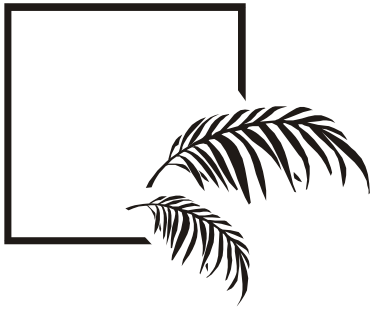
<i>For the year ended 31st March</i>	Company	
	2003 US \$	2002 (Restated) US \$
<b>Revenue</b>	<b>360,176</b>	298,805
Direct operating costs	<b>(146,086)</b>	(183,925)
<b>Gross profit</b>	<b>214,090</b>	114,880
Other operating income	<b>6,620</b>	1,295,737
	<b>220,710</b>	1,410,617
Administrative expenses	<b>(71,176)</b>	(60,453)
<b>Profit from operations</b>	<b>149,534</b>	1,350,164
Finance costs	<b>(9,187)</b>	(20,105)
<b>Profit before taxation</b>	<b>140,347</b>	1,330,059
Taxation	<b>(24,428)</b>	(12,623)
<b>Profit after taxation</b>	<b>115,919</b>	1,317,436
Unappropriated profit brought forward	<b>1,418,082</b>	205,242
<b>Profit available for appropriation :</b>	<b>1,534,001</b>	1,522,678
<b>Appropriations:</b>		
Preference dividend	<b>103,362</b>	104,596
<b>Retained in the business</b>	<b>1,430,639</b>	1,418,082
	<b>1,534,001</b>	1,522,678

*Figures in brackets indicate deductions.*

# Balance Sheet



<i>As at 31st March</i>	Note	Company	
		2003 US \$	2002 (Restated) US \$
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant & Equipment		8,202,316	8,226,956
Long-term investments		3,466,768	3,529,034
Amounts due from related company		538,239	452,737
		<b>12,207,323</b>	<b>12,208,727</b>
<b>Current Assets</b>			
Inventories		12,545	18,648
Debtors and other receivables		21,467	29,218
Short-term investments		–	44,326
Short-term deposits		12,931	14,564
Tax recoverable		25,140	20,196
Bank and cash balances		35,938	15,310
		<b>107,631</b>	<b>142,262</b>
<b>TOTAL ASSETS</b>		<b>12,314,954</b>	<b>12,350,989</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital and Reserves</b>			
Share capital		603,356	535,464
Preference share capital		622,730	633,914
Capital reserves		8,594,688	8,806,384
Revenue reserve	2	2,201,225	2,249,458
		<b>12,021,999</b>	<b>12,225,220</b>
<b>Non-Current Liabilities</b>			
Deferred taxation		61,282	42,014
<b>Current Liabilities</b>			
Creditors and accruals		38,971	67,494
Amounts due to related companies		192,702	16,261
		<b>231,673</b>	<b>83,755</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>12,314,954</b>	<b>12,350,989</b>



# Notes to the Financial Statements

## I. BASIS OF CONVERSION

The translation of Sri Lankan Rupee amounts into US Dollar amounts is solely for the convenience of the shareholders, investors, bankers and other users of financial statements. US Dollar financials do not form part of the Audited Financial Statements of the Company.

The translation of the financial statements into US Dollar were effected based on the following exchange rates:

		2003	2002
Income Statement	Average rate	<b>95.78</b>	90.64
Monetary assets and liabilities	Closing rate	<b>96.35</b>	94.65
Non-current assets and liabilities	Closing rate	<b>96.35</b>	94.65
Preference share capital	Closing rate	<b>96.35</b>	94.65
Ordinary share capital	Historical rate		

Gains or losses on conversion are accounted for in the revenue reserve.

## 2. REVENUE RESERVE

	Company	
	As at 31st March 2003 US \$	As at 31st March 2002 US \$
Beginning of the year	<b>831,376</b>	1,010,176
Currency fluctuations	<b>(60,790)</b>	(178,800)
	<b>770,586</b>	831,376
Retained profit	<b>1,430,639</b>	1,418,082
<b>End of the year</b>	<b>2,201,225</b>	2,249,458

## Notes to the Financial Statements (Contd.)



### 3. SEGMENTAL REPORTING

#### (A) INDUSTRY

	Oil Palm		Investments		Company	
	2003	2002	2003	2002	2003	2002
	US \$	US \$	US \$	US \$	US \$	US \$
<b>Revenue</b>						
External revenue	356,238	266,669	3,938	32,136	360,176	298,805
	<b>356,238</b>	<b>266,669</b>	<b>3,938</b>	<b>32,136</b>	<b>360,176</b>	<b>298,805</b>
<b>Result</b>						
Segment result	159,154	38,746	(9,620)	1,311,418	149,534	1,350,164
Finance costs	–	–	(9,187)	(20,105)	(9,187)	(20,105)
Taxation	(24,237)	(12,753)	(192)	130	(24,428)	(12,623)
Profit after tax	<b>134,917</b>	<b>25,993</b>	<b>(18,998)</b>	<b>1,291,443</b>	<b>115,919</b>	<b>1,317,436</b>

#### OTHER INFORMATION

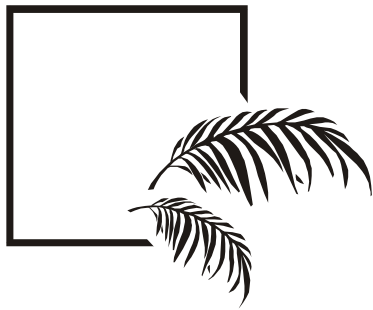
Segment assets	7,226,666	7,218,431	5,088,288	5,132,558	12,314,954	12,350,989
Segment liabilities	85,415	86,329	207,540	39,440	292,955	125,770
Capital expenditure	125,508	107,171	–	3,000	125,508	110,171
Depreciation	5,008	5,979	–	–	5,008	5,979

#### (B) GEOGRAPHICAL

	Malaysia		Sri Lanka		Company	
	2003	2002	2003	2002	2003	2002
	US \$	US \$	US \$	US \$	US \$	US \$
<b>Revenue</b>						
External revenue	356,238	266,669	3,938	32,136	360,176	298,805
	<b>356,238</b>	<b>266,669</b>	<b>3,938</b>	<b>32,136</b>	<b>360,176</b>	<b>298,805</b>
<b>Result</b>						
Segment result	159,154	38,746	(9,620)	1,311,418	149,534	1,350,164
Finance cost	–	–	(9,187)	(20,105)	(9,187)	(20,105)
Taxation	(24,237)	(12,753)	(192)	130	(24,428)	(12,623)
Profit after tax	<b>134,917</b>	<b>25,993</b>	<b>(18,998)</b>	<b>1,291,443</b>	<b>115,919</b>	<b>1,317,436</b>

#### OTHER INFORMATION

Segment assets	7,226,666	7,218,431	5,088,288	5,132,558	12,314,954	12,350,989
Segment liabilities	85,415	86,329	207,540	39,440	292,955	125,770
Capital expenditure	125,508	107,171	–	3,000	125,508	110,171
Depreciation	5,008	5,979	–	–	5,008	5,979



# Five Year Summary

## COMPANY

<i>Year ended 31st March</i>	2003	2002	2001	2000	1999
		(Restated)			
	US \$	US \$	US \$	US \$	US \$

### OPERATING RESULTS

<b>Revenue</b>	<b>360,176</b>	298,805	444,927	768,294	1,081,940
<b>Profit before taxation</b>	<b>140,347</b>	1,330,059	121,678	188,002	471,087
Taxation	(24,428)	(12,623)	2,192	(31,774)	(115,957)
<b>Profit after taxation</b>	<b>115,919</b>	1,317,436	123,871	156,228	355,129
Dividend - Ordinary	-	-	-	108,960	162,507
Dividend - Preference	<b>103,362</b>	104,596	114,226	134,292	143,062

*As at 31 st March*

### BALANCE SHEET

#### ASSETS

##### Non-current assets

Property, plant & equipment	<b>8,202,316</b>	8,226,956	8,875,336	9,097,666	10,095,249
Investments in subsidiaries	-	-	585,251	688,059	-
Investments in associates	-	-	794,287	933,815	-
Long term investments	<b>3,466,768</b>	3,529,034	1,534,110	1,803,599	2,656,650
Amount due from related company	<b>538,239</b>	452,737	150,903	-	-
	<b>12,207,323</b>	12,208,727	11,939,887	12,523,139	12,751,899

<b>Current assets</b>	<b>107,631</b>	142,262	273,919	701,121	3,248,718
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<b>TOTAL ASSETS</b>	<b>12,314,954</b>	12,350,989	12,213,806	13,224,260	16,000,617
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#### EQUITY AND LIABILITY

Ordinary share capital	<b>603,356</b>	535,464	535,464	535,464	535,464
Preference share capital	<b>622,730</b>	633,914	692,281	813,890	867,052
Reserves	<b>10,795,913</b>	11,055,842	10,889,017	11,653,157	13,028,450
	<b>12,021,999</b>	12,225,220	12,116,762	13,002,511	14,430,966

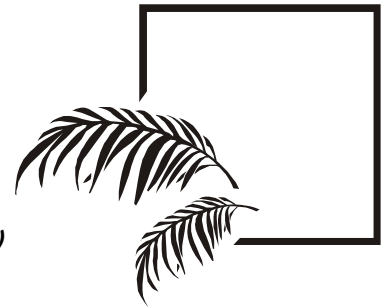
##### Non-Current liabilities

Deferred tax	<b>61,282</b>	42,014	2,106	3,684	-
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<b>Current liabilities</b>	<b>231,673</b>	83,755	94,938	218,065	1,569,651
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<b>TOTAL EQUITY AND LIABILITIES</b>	<b>12,314,954</b>	12,350,989	12,213,806	13,224,260	16,000,617
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## Five Year Summary (Contd.)



### Company

<i>Year ended 31st March</i>	<b>2003</b>	2002	2001	2000	1999
	<b>US \$</b>	US \$	US \$	US \$	US \$

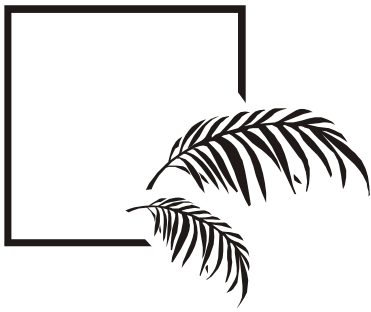
### CASHFLOW STATEMENTS

Net cash inflows/(outflows) from operating activities	<b>300,201</b>	184,032	(67,045)	905,912	168,346
Net cash (outflows)/inflows from investing activities	<b>(177,200)</b>	(64,388)	(237,370)	(80,408)	80,469
Net cash outflows from financing activities	<b>(103,362)</b>	(104,804)	(204,817)	(283,236)	(256,619)
Increase/(decrease) in cash and cash equivalents	<b>19,639</b>	14,840	(509,232)	542,268	(7,804)

### RATIO AND STATISTICS

Return on ordinary shareholders' funds (%)	<b>0.00</b>	10.50	0.08	0.18	1.56
Earnings per ordinary share (US \$) <i>(Note)</i>	<b>0.00</b>	0.31	0.00	0.01	0.07
Current ratio (times)	<b>0.46</b>	1.70	2.89	3.22	2.07
Market value per share(US \$)	<b>0.93</b>	1.39	1.75	2.17	2.27
P/E ratio (times) <i>(Note)</i>	<b>0.00</b>	4.48	584.27	217.00	32.43
Net assets per ordinary share <i>(Note)</i>	<b>2.96</b>	3.01	3.56	3.79	4.22
Market capitalisation (US \$)	<b>3,585,708</b>	4,466,070	5,622,750	6,972,210	7,293,510

*Note: The comparative figures for the year 2002 have been restated to reflect the bonus issue made on 2nd April 2002.*



# Glossary of Financial Terms

**Appropriations**

Apportioning of earnings as dividends and to Capital Reserves and Revenue Reserve.

**Capital reserves**

Reserves identified for specific purposes and considered not available for distribution.

**Cash equivalents**

Liquid investments with original maturities of six months or less.

**Contingent liabilities**

Conditions or situations at the Balance Sheet date, the financial effects of which are to be determined by future events which may or may not occur.

**Current ratio**

Current assets divided by current liabilities.

**Debt**

Total borrowing.

**Dividend cover**

Post tax profit after preference dividend divided by gross dividend. Measures the number of times dividend is covered by distributable profits.

**Dividend per share**

Dividend paid and proposed, divided by the number of shares in issue which ranked for those dividends.

**Earnings per share**

Profits attributable to ordinary shareholders before extraordinary items and after preference dividend divided by the number of ordinary shares in issue, ranking for dividend.

**Equity**

Shareholders' funds.

**Events occurring after the Balance Sheet date**

Significant events that occur between the Balance Sheet date and the date on which financial statements are authorised for issue.

**Extraordinary items**

Items or events falling outside the ordinary course of business activities which are material and expected not to recur frequently or regularly.

**Interest cover**

Profit before tax and interest charges less preference dividend divided by interest charges.

**Market capitalisation**

The market value of a company at a given date obtained by multiplying the share price by the number of shares in issue.

**Net assets per share**

Total assets less total liabilities, excluding preference share capital and minority interest divided by the number of ordinary shares in issue.

**Net current assets**

Current assets less current liabilities. Measure the capital required to finance the day-to-day operation.

**Price earnings ratio – (P/E)**

Market price of a share divided by earnings per share.

**Related parties**

Parties who could control or significantly influence the financial and operating policies/decisions of the business.

**Return on shareholders' funds**

Profit attributable to shareholders less preference dividend divided by shareholders' funds (total of ordinary share capital and reserves).

**Revenue reserves**

Reserves considered as being available for distribution.

**Segment**

Constituent business units grouped in terms of nature and similarity of operations.

**Value addition**

The quantum of wealth generated by the activities of the Group.

**Others**

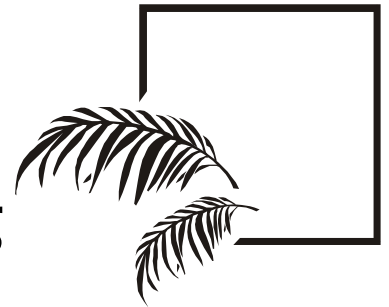
CPO - Crude Palm Oil

PK - Palm Kernel

FFB - Fresh Fruit Bunches

COP - Cost of Production

# Notice of Meeting



**NOTICE IS HEREBY GIVEN** that the NINETY-SIXTH ANNUAL GENERAL MEETING of the Company will be held on Thursday the 29th day of May, 2003, at 3.30 p.m. at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 7 for the following purposes:

- (1) To receive and adopt the Report of the Directors and the Statement of Accounts for the year ended 31st March, 2003 with the Report of the Auditors thereon.
- (2) To re-elect Mr. H. Selvanathan who retires in terms of the Articles of Association of the Company.
- (3) To appoint Auditors and to authorise the Directors to determine their remuneration.

By Order of the Board,  
**Carsons Management Services (Pvt) Limited**  
*Secretaries*

Colombo, 2nd May, 2003

**Notes:**

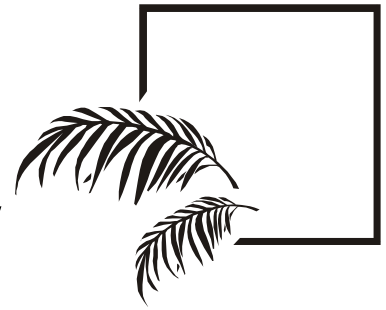
1. *A member is entitled to appoint a proxy to attend and vote instead of him/herself. A proxy need not be a member of the Company. A form of proxy accompanies this notice.*
2. *The completed form of proxy must be deposited at the Registered Office, No. 61, Janadhipathi Mawatha, Colombo 1, not later than 3.30 p.m. on 27th May, 2003.*
3. *A person representing a corporation is required to carry a certified copy of the resolution authorising him/her to act as the representative of the Corporation. A representative need not be a member.*
4. *The transfer books of the Company will be kept open.*

**Security Check:**

We shall be obliged if the shareholders attending the Annual General Meeting produce their National Identity Cards to the security personnel stationed at the entrance lobby.



# Form of Proxy



\*I/We .....

being \* a Member/Members of **THE SELINSING COMPANY LIMITED**. hereby appoint:

Manoharan Selvanathan	or failing him,
Hariharan Selvanathan	or failing him,
Israel Paulraj	or failing him,
Chrisanta Francis Fernando	or failing him,

of.....

as \*my/our proxy to \*\* ..... vote as indicated hereunder for \*me/us on \*my/our behalf at the Annual General Meeting of the Company to be held on Thursday the 29th day of May, 2003 at 3.30 p.m., at the 8th Floor, No. 65C, Dharmapala Mawatha, Colombo 7 and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

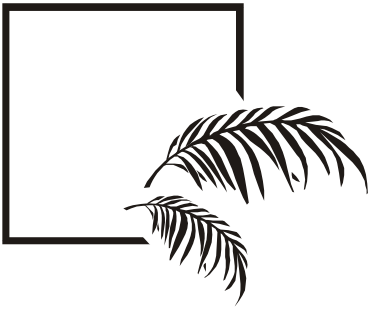
	For	Against
(i) To adopt the Report of the Directors and the Statements of Accounts for the year ended 31st March, 2003 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
(ii) To re-elect Mr. H. Selvanathan who retires in terms of Articles 87 and 88 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
(iii) To re-appoint as Auditors, Messrs. KPMG Ford, Rhodes, Thornton & Co., and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

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

.....  
Signature of Shareholder/s

- Notes:** (a) \* Please delete the inappropriate words.  
(b) If you wish your proxy to speak at the meeting you should interpolate the words "Speak and" in the place indicated with \*\* and initial such interpolation.  
(c) Instructions as to completion are noted on the reverse hereof.





## **Form of Proxy (Contd.)**

### **INSTRUCTIONS AS TO COMPLETION**

1. Kindly perfect the Form of Proxy after filling in legibly your full name and address, and signing in the space provided. Please fill in the date of signature.
2. A proxy need not be a member of the Company.
3. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney, should also accompany the completed Form of Proxy, if it has not already been registered with the Company.
4. In the case of a Company/Corporation, the proxy should be executed under its common seal which should be affixed and attested in the manner prescribed by its Articles of Association/Constitution.
5. Please indicate with an "X" in the space provided, how your proxy is to vote on the resolution. If no indication is given, the proxy at his/her discretion will vote as he/she thinks fit.
6. To be valid the completed Form of Proxy must be deposited at the Registered Office, No. 61, Janadhipathi Mawatha, Colombo 1 not later than 3.30 p.m. on 27th May, 2003.





