

1. GENERAL**1.1 Accounting Convention**

The consolidated financial statements of the Company for the year ended 31st March 2002 comprise the Company and its Subsidiaries (together referred to as the "Group") and the Group's interest in Associates.

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

The Accounting Policies have been applied by the Company and the Group consistent with the previous year, and the previous year figures and phrases have been re-arranged wherever necessary to conform to the current year's presentation.

The financial statements of Overseas Subsidiaries are prepared in conformity with the Accounting Standards applicable in the respective countries of incorporation.

The financial statements of the Company and the Group have been prepared on a historical cost convention except for the revaluation of certain property, plant & equipment which are stated in at market values as disclosed in relevant Notes to the financial statements.

All values presented in these financial statements are in Sri Lankan Rupees (Rs.) unless otherwise indicated.

1.2 Group Consolidation Policy**(i) Subsidiaries**

The financial statements of the Group represent the consolidation of the financial statements of the Company and its Subsidiaries as listed in Note 1 (a) to the financial statements, in accordance with Section 150 (1) (a) of the Companies Act, No. 17 of 1982, and the Sri Lanka Accounting Standard 26.

(ii) Profit & Losses

The total profits and losses for the period of the Company and of its Subsidiaries included in consolidation are shown in the Consolidated Income Statement with the proportion of the profit or loss after taxation applicable to minority shareholders of the Subsidiaries being deducted as 'Minority Interest'.

(iii) Assets & Liabilities

All assets & liabilities of the Company and of its Subsidiaries are included in the Consolidated Balance Sheet. The proportionate interest of minority shareholders in the net assets employed by the Group, is disclosed separately in the Consolidated Balance Sheet as "Minority Interest".

(iv) Intra-Group Transactions

Intra-group balances and intra-group transactions and resulting unrealised profits are eliminated in full in the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated unless the cost cannot be recovered.

(v) Goodwill

Goodwill which is the excess of the purchase price or consideration over the fair value of net assets acquired at the date of acquisition, and arising in connection with the acquisition of Subsidiaries, is recognised in the consolidated financial statements and amortised to the Consolidated Income Statement on a systematic basis over a period of five (5) years.

The excess of the fair value of net assets acquired of the Subsidiaries at the date of acquisition over the purchase price or consideration is recognised in the consolidated financial statements as deferred income. Such deferred income is treated as surplus on acquisition and is recognised as income in the Consolidated Income Statement on a systematic basis over a period of five (5) years.

(vi) Consolidation of Subsidiary in the Pre-Operational/Development Stage

The financial statements of Subsidiaries in their pre-operational/development stage are not consolidated with the Group and is recognised as a Subsidiary for consolidation only on commencement of commercial operations.

(vii) Associates

The results of the Associate Companies of the Group are accounted for on the Equity Method of accounting, where the Group's share of profits or losses of the associates are incorporated in the Consolidated Income Statement, and the related investment presented in the Consolidated Balance Sheet at values adjusted to reflect the Group's share of retained assets. The carrying value of the Group's investments in such Associates, is reduced to the extent of the dividend received from these Associate Companies.

(viii) Other Investments

Investments in companies where the Group's holding is less than 20% and where the Group does not exercise significant influence and/or control over the financial and operating policies/decisions, are accounted for on the basis stated in 2.2 below. The income from these investments is recognised only to the extent of dividend received.

(ix) Financial Period

All Companies in the Group other than the Companies disclosed in Note 31 to these financial statements, have a common financial year which ends on 31st March.

Monetary assets and liabilities including short term investments in shares denominated in foreign currencies are translated into local currencies, at rates of exchange prevailing at the Balance Sheet date while the non-monetary items are reported at the rates prevailing at the time the transactions are effected. The exchange difference arising therefrom are dealt with in the Income Statement.

Exchange gains or losses arising from revaluation of bank loans and shareholders' loans during the development stage of the plantation and oil mill are capitalised with the respective assets. The capitalised foreign exchange differences will be amortised and depreciated over the useful lives of such assets.

(ii) Foreign Currency Operations

Profits or losses from overseas operations are incorporated into the Consolidated Income Statements, by translating the amounts denominated in foreign currencies into Sri Lankan Rupees, at the monthly average exchange rates.

The brought forward profits or losses are incorporated at the reporting currency amounts disclosed in the corresponding year's Consolidated Financial Statements.

All assets and liabilities are translated at the rates of exchange prevailing at the Balance Sheet date for the purpose of Group Consolidation.

Gains or losses arising therefrom are accounted in the revenue reserve.

1.3 Conversion of Foreign Currencies**(i) Foreign Currency Transactions**

All foreign currency transactions are converted into local currencies at the rates of exchange prevailing at the time the transactions are effected.

1.4 Taxes on Income

The Group liability to taxation is computed in accordance with the provisions of the Inland Revenue Act, No. 38 of 2000 as amended and Surcharge on Income Tax Act, No. 6 of 2001 taking into consideration the maximum relief available. The relevant details are disclosed in respective Notes to the financial statements.

1.5 Deferred Taxation

Deferred Taxation is provided based on the liability method on 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, offset by the provision for retirement benefit which is deductible for income tax purposes only on payment.

Deferred tax assets are recognised for all deductible timing differences and carry forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible timing differences and carry forward of unused tax losses can be utilised. Deferred tax assets are only recognised to the extent that it is probable that the timing differences will reverse in the foreseeable future and taxable profit will be available against which the timing differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

1.6 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 construction/purchase/development of property, plant & equipment which are capitalised as a part of the cost of that asset during the period of construction/development.

1.7 Research and Development Costs

Expenditure incurred in respect of research are charged to revenue while business/product development costs are recognised as an asset in accordance with the Sri Lanka Accounting Standard 11, and is charged to revenue equally over a period of five (5) years, on commencement of commercial operations or harvesting.

1.8 Preliminary Expenditure

Preliminary expenditure is treated as deferred revenue expenditure and is written-off to the Income Statement equally over a period of five (5) years, on commencement of commercial operations or harvesting.

1.9 Events occurring after the Balance Sheet date

The materiality of the events occurring after the Balance Sheet date is considered and appropriate adjustments to or disclosure 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 realise 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) **Value** of property, plant & equipment are stated at cost or valuation less accumulated depreciation, provided on the basis stated in (iii) below.

(ii) **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 and location for its intended use.

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

- (iii) **Depreciation** is provided on a straight line method over periods appropriate to the estimated useful lives of different types of assets, by applying the following percentages on their cost or revalued amounts:

per annum	%
Buildings	1-5
Roads & bridges	2
Plant & machinery	7.5-12.5
Motor vehicles	25
Furniture, fittings & office equipment	5-20
Computers	10-33.33
Mature plantations	3.33

No depreciation is provided on freehold land.

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

- (iv) **Revaluation of Freehold Properties**
The freehold properties of the Group are carried at revalued amounts. Revaluation of these assets are carried out at least once in five (5) years in order to ensure the book value reflect the realisable value of such assets, and are depreciated over the remaining useful lives of such assets, wherever applicable.

(v) **Leased Assets**

Assets held under finance lease are capitalised at the cash price as part of property, plant & equipment and depreciated over the shorter of the estimated useful lives of the assets or the lease term. The resulting lease obligations are included in creditors net of finance charges. The interest element in lease payment is absorbed into the Income Statement over the lease period.

Rentals on operating leases are recognised in the Income Statement as an expense in the year to which such rentals relate.

- (vi) **Construction-in-progress** is transferred to the respective asset accounts at the time of first utilisation of the assets or at the time the asset is commissioned.

- (vii) **Project expenditure** in respect of pre-operational activities are capitalised with the respective assets.

(viii) **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 cost**

Limited life land development costs incurred in respect of new planting, replanting, inter-planting and crop diversifying including infilling cost of the Oil Palm plantation are capitalised in accordance with the Sri Lanka Accounting Standard 32. The limited life land development costs are amortised over the estimated productive lives, at the commencement of commercial harvest, which has the following characteristics:

Time lag between planting
and commercial harvest - 3-4 years

Duration of commercial harvest - 30 years

2.2 Investments

(i) **Classification**

Long term investments stated at cost include investments in Subsidiaries and Associates of the Company while all other investments are classified as current assets. All investments of The Ceylon Guardian Investment Trust Ltd., The Ceylon Investment Company Ltd., and Rubber Investment Trust Ltd., are held for yield or capital appreciation and are classified as long term investments.

(ii) Valuation

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

(iii) Cost

Cost of investments is the cost of acquisition including brokerage, commission and other fees.

(iv) Diminution in carrying value

Diminution in carrying value of investments are deemed to be permanent where the investee Company has ceased operations in major business lines, and/or Auditors have qualified their opinion on the going concern status, and/or operations have resulted in net losses and these losses are expected to continue, and/or where the core business has become non-viable due to environmental and/or other concerns, and/or where the industry/sector has an uncertain outlook due to environmental and/or other concerns.

(v) Market Value of the Investment Portfolio

The market value of the investment portfolio are based on the following:

- (a) Marketable equity securities are stated at the values published in the Official Valuation List of the Colombo Stock Exchange. 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 are recognised at cost and net realisable value whichever is lower after making due allowance for obsolete and slow moving items, except for fresh fruit bunches which are valued at since realised values.

The cost of inventories are determined on a weighted average basis except for food items and cutlery and crockery which are ascertained on a first-in-first-out basis.

The costs are derived on the following bases:

Raw material and containers - cost of purchase together with any incidental expenses.

Work-in-progress - raw material cost and a proportion of manufacturing expenses.

Finished goods - raw material cost and manufacturing expenses in full.

Linen stock - in the year of purchase at cost of purchase and in the second year in use at 25% of the cost of purchase.

2.4 Trade and Other Receivables

Trade and other receivables are stated at the amounts estimated to realise. Where necessary, provision is made for bad and doubtful debts.

2.5 Cash & Cash Equivalents

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

For the purpose of the Cash Flow Statement, cash & cash equivalents comprise of cash in hand, deposits held in banks and investments in money market instruments, net of short term loans and bank overdraft.

3. LIABILITIES AND PROVISIONS

Liabilities classified as current liabilities in the Balance Sheet are those obligations payable on demand or within one (1) year from the Balance Sheet date. Items classified as non-current liabilities are those obligations which expire beyond a period of one (1) year from the Balance Sheet date.

All known liabilities have been accounted for in preparing the financial statements. Provisions and liabilities are recognised when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.1 Retirement Benefit Obligations (Gratuity)**(i) Defined Benefit Plan - Gratuity****(a) Local**

All local companies are liable to pay retirement benefits under the Payment of Gratuity Act, No.12 of 1983.

Gratuity provision for employees are made on the basis of an actuarial valuation as at 31st March 2001, carried out by a firm of independent professional valuers as adjusted for liabilities as at 31st March 2002. As recommended by the related Sri Lanka Accounting Standard, the "Projected Unit Credit" (PUC) method has been used in this valuation.

It is expected that such actuarial valuations will be carried out once in every three (3) years.

The principal actuarial assumptions are:

- Rate of discount 11% p.a.
- Rate of pay increase 10% p.a.
- Withdrawal and disability 5% p.a.
- Retirement age to be 55 years.
- The Company and its Subsidiaries will continue in business as a going concern.

The liability is not externally funded.

(b) Overseas

Provisions are made in the financial statements in accordance with the respective legislative enactments in force, if any, in the countries of operation.

(ii) Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

All employees who are eligible for Provident Fund contributions and Trust Fund contributions are covered by relevant contribution funds in line with the respective statutes. Contributions to the defined contribution plans are recognised as an expense in the Income Statement when incurred.

3.2 Capital Commitments and Contingent Liabilities

Capital commitments and contingencies which exist as at the Balance Sheet date are disclosed in the respective Notes to the financial statements.

4. INCOME STATEMENT**4.1 Revenue**

The Group revenue represents sales to customers outside the Group and sales within the Group, which are intended for internal consumption.

4.2 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes, and after eliminating sales within the Group. The following specific criteria are used for the purpose of recognition of revenue.

Sale of Goods and Services

Revenue from sale are recognised upon delivery of products and customer acceptance, if any, whereby significant risks and rewards of ownership are passed on to the buyer, or upon performance of services.

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

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

Rental and Interest income - on a time proportion basis.

Proceeds on sales of shares - on accrual basis.

Other income - on accrual basis.

Net Gains and Losses of a revenue nature resulting from the disposal of property, plant & equipment have been accounted for in the Income Statement.