Since 1945

EASTERN MERCHANTS PLC

ANNUAL REPORT 2018 -19

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Our Journey

Eastern Merchants PLC was founded in 1945 through the endeavours of two brothers, Sumane and Winton Karunaratne, with an initial working capital of USD 50 accompanied by an incredible will to succeed. The first modest office of this export business was located in Fort, within the Central Business District of Colombo. Their primary export was cinnamon bark oil, a commodity that was traditionally traded by their father and grandfather.

From its humble beginnings, Eastern Merchants has now developed into a major trading house. The level of integrity and dedication that the founders instilled is the standard of excellence still maintained by its employees today. The aspirations and ambitions of the founders have been realised through the Company's growing success, and in 1981, Eastern Merchants became a Public Quoted Company trading on the Colombo Stock Exchange.

In what is a new era in the development of Eastern Merchants, the grandsons of the Karunaratne brothers have now joined the Company to continue the legacy left by their grandfathers. Proud of its past and its commitment to loyalty and integrity, Eastern Merchants looks forward to continued expansion and progress in the years to come.

Financial Highlights

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Performance Parameters						
Sales (Rs. Mn.)	1,668	716	682	1,171	1,378	1,560
Gross Profit (Rs. Mn.)	100	30	64	101	66	157
Net Profit Before Taxation (Rs. Mn.)	(55)	311	(12)	14	(24)	60
Net Profit After Taxation (Rs. Mn.)	(45)	305	(98)	(11)	(20)	61
Total Comprehensive Income After Taxation (Rs. Mn.)	2	432	(64)	214	(18)	227
Shareholder Funds (Rs. Mn.)	1,029	1,471	1,440	1,654	1,634	1,873
Earnings per Share (Rs.)	(0.23)	2.68	(0.38)	(0.11)	(0.17)	0.58
Dividend per Share (Rs. cents)	0.00	0.00	0.06	0.00	0.00	0.00
P/E Ratio	-	3.51	-	-	-	6.72
Net Assets per Share (Rs.)	9.13	12.53	12.26	14.62	13.91	15.95
Current Ratio	0.93	24.17	12.71	2.89	5.49	1.07
Share Price						
Highest Recorded (Rs.)	11.50	14.10	13.80	9.10	8.40	6.00
Lowest Recorded (Rs.)	5.80	6.40	5.00	4.80	5.10	3.70
Value as at Year End (Rs.)	7.00	9.40	6.40	5.00	5.60	3.90

Chairman's Message

The 2018/19 financial year was an extremely significant one for our Company. Our efforts to increase shareholder value through diversification finally came into fruition when Eastern Merchants PLC acquired the 100% shareholding of Microcells (Private) Limited, ("Microcells") in August 2018. The carefully evaluated diversification into the manufacture of premium rubber sheeting and flooring products is timely, given the difficult trading conditions for natural rubber, the main commodity traded by the Company.

I am pleased to announce that the Group has recorded a net profit after tax of LKR 61 Mn for the year under review, despite writing off the LKR 68 Mn investment made in an Associate Company in the Group, namely Health Ingredients Ceylon (Pvt) Ltd. The profit is largely attributed to the change in fair value of our investment in Microcells. Since the acquisition, the Company has focused its efforts to realise the synergies and improve the profitability of Microcells and the Group. At Microcells we have spent time and energy in understanding its business fundamentals, building and gaining the trust of the workforce, and most importantly, obtaining the confidence of its customers. We are also focusing on optimising the business by increasing efficiencies, expanding the customer base and focusing on sustainable product innovation.

The Microcells acquisition has opened many avenues for the Company to further diversify its trading business by enabling us to effectively source and trade other raw materials used in the manufacture of rubber products, thereby reducing the dependence on a single commodity. Trading conditions for natural rubber were challenging in the 2018/19 financial year as world natural rubber prices remained at low levels due to sluggish demand and continuing excess supply. The demand-side issues largely stem from geo-political tensions across the globe, especially the escalating trade war between the US and China.

Rubber production in Sri Lanka continued to decline during this year as well - a result of reduced tapping days (due to high rainfall), diminishing yields per acre and labour shortages. The acreage currently under cultivation is also shrinking, with the government now acquiring traditional rubber land deemed to be unproductive and utilising such land for alternative uses such as industrial parks. The situation is further compounded by our high cost of production, making Sri Lankan rubber uncompetitive in comparison to natural rubber from other origins. The depreciation of the Sri Lankan rupee had little impact on easing the competitive pressure, as our local material was still more expensive than other origins. However, our prudent trading practices of maintaining lean stocks, spreading the risk by expanding our supply base to other origins and expanding our product portfolio have been successful, as evidenced by the healthy increase in the Gross Profit margin of the Company.

The government has identified the value-added rubber industry as a key sector which is forecasted to triple in value over the next 5-10 years. We are well positioned to capitalise on this projected growth, by equipping ourselves to supply an expanding portfolio of raw materials required to produce these increasing exports volumes. Furthermore, we have now diversified into value addition ourselves with the acquisition of Microcells, and look forward to contributing to this strong projected growth in the rubber industry. Over the past 74 years Eastern Merchants has built a strong reputation and deep connections in the rubber industry the world over. We are confident of our ability to leverage these strengths to realise our full potential as a fully integrated rubber player.

It is with great sorrow that I announce the passing of our board member Mr. N. K. L. Tilakaratna. Having served on the Eastern Merchants board for over two decades, we are extremely thankful for the guidance he provided our Board and for his many years of dedication to the Company. My sincere thanks and gratitude is also extended to Mrs. C. I. Tilakaratna who resigned from the Board in mid August 2019, after having served on the Board for 30 years.

I also take this opportunity to extend our sincere thanks and appreciation to our employees, partners, clients and suppliers for their loyalty, hard work and unwavering support. I look forward to a year of change, growth and progress.

J.B.L. de Silva
Chairman

16th August 2019

Board of Directors

Mr. J.B.L. de Silva
LL.B., Attorney-at-law
Chairman

A lawyer by profession, Mr. de Silva has substantial experience in the corporate world. He has held the office of Chairman of the Company since 1983 and has served on the Boards of quite a few prominent Public and Private Companies. He presently serves as a Director of CT Holdings PLC and Associated Electrical Corporation Ltd.

Mr. H.J. de Silva
B.Sc.
Deputy Chairman

Having completed his Bachelors' Degree in the US and working at a MAS Holdings company for three years, he is the first of the 3rd generation of the founding family on the Board. Mr. de Silva is responsible for the trading of agricultural commodities including natural rubber, as well as supply chain optimisation for the Group companies. He is currently the Chairman of the Exporters Association of Sri Lanka.

Mr. C.S.L. de Silva
B.Econ., M.Com.
Managing Director

After completing his Bachelors' Degree in the fields of Econometrics and Marketing at the University of Sydney, Mr. de Silva completed a Masters Degree specialising in Finance at the same institution. Thereafter, he worked for three years in the Strategy and Analytics team of a Fortune 500 Company before joining Eastern Merchants. He is the second of the 3rd generation of the founding family to join the Company. Mr. de Silva is responsible for the overall strategy and operations of the Eastern Merchants PLC Group.

Mr. S. Jayakody
B.Com.Spl., FCA, FCMA.
Director - Finance

Mr. Jayakody joined the Company in 1993 as an Accountant after having completed his Bachelor of Commerce Degree at the University of Sri Jayewardenepura. Now a Fellow Member of The Institute of Chartered Accountants of Sri Lanka, he was appointed to the Board of Directors in 1999 and is also currently the Company Secretary.

Mr. N.K.L. Tilakaratna
B.Sc., C.Eng., MBA, M.I. Mech.E., M.I.E.
Non-Executive Director

An Engineer by profession, Mr. Tilakaratna headed Asia Brush (Private) Ltd. and Asian Woodware Company (Private) Ltd., both subsidiaries of Eastern Merchants PLC.

Mrs. C.I. Tilakaratna
B.A. (Hons.), M.A.
Non-Executive Director

The daughter of one of the founders of the Company, she has served on the Board as a Non-Executive Director since 1989.

Mr. F. Mushin
MBA
Independent Non-Executive Director

Mr. Mushin was the Chief Executive Officer at Greenfield Bio Plantations (Pvt) Ltd. and has over 37 years of experience in the fields of trading, importing and exporting. In his previous role, Mr. Mushin was employed at Link Natural Products (Pvt) Ltd., where he held the position of Director - Exports and Business Development for over a decade. He has been heavily involved in numerous industry bodies during his career, most notably being appointed as Chairman of the Exporters Association of Sri Lanka (EASL) in 2015/2016, and the Vice Chairman of the Spice Council in 2007/2008.

Mr. R. Pradeep
B.Sc, M.A.
Independent Non-Executive Director

He is at present the Chief Executive Officer of St. Anthony's Knowledge Services (Pvt) Ltd. Having started his career at MAS Holdings, Mr. Pradeep was appointed the Chief Executive Officer - Special Projects at Esna Holdings (Pvt) Ltd. in 2009, where he also served on the Boards of several subsidiaries in the Group. Esna Holdings (Pvt) Ltd., is a diversified conglomerate with interest in Finance, Logistics, Bunkering, Power Solutions, Medical Products, Graphite Mining, Agriculture Exports and Coir Manufacturing.

Mrs. N. Nanayakkara
FCMA, MBA
Independent Non- Executive Director

Mrs. Nanayakkara counts over 20 years of experience in Financial Planning and Management. She is currently the Head of Financial Planning and Analysis at Hirdaramani Group. Mrs. Nanayakkara started her career in finance at MAS Linea Aqua in the apparel manufacturing industry. She has extensive experience in manufacturing, FMCG and the knowledge processing industry.

Directors' Report

Although the Central Bank of Sri Lanka reported that agricultural output grew during the 2018 calendar year, the rubber production continued to remain in a rut. Erratic weather conditions and low productivity levels in tapping contributed to the reduction in the supply of natural rubber. As a result the export of Sri Lankan natural rubber remained challenging for the Company. However, due to the well placed sourcing networks in other rubber producing countries, Eastern Merchants Commodities (Pte) Ltd. ("EMC"), our Singapore based subsidiary, was able to take advantage of the lower international rubber prices and increase its turnover. This year EMC accounted for 65% of the total volume of natural rubber traded by the Group.

Given such trying business conditions, value creation through diversification into value addition was a key priority for the management. In August 2018, Eastern Merchants took the first step in realising its vision of being an integrated rubber player by acquiring Microcells (Private) Limited ("Microcells"), which was funded by a mix of equity and short term debt. The significant finance expense of LKR 41 Million is predominantly the interest component of the funds borrowed to complete the acquisition, but it also reflects the impact stemming from the rupee depreciation on the dollar loan component of our borrowings.

As a Group we always strive to lower operational costs and the focus has, and will remain on building efficiencies throughout the business. Even though the intensifying uncertainty in global trade policies, implementation of tariffs and the protectionist rhetoric may affect our businesses via a slowdown in demand, we are confident that our efforts in strengthening our business fundamentals, processes and people will aid us in remaining steadfast.

Looking ahead, we are focused on the future and are pursuing opportunities for growth and diversification in both trading and manufacturing. Our management team will continue to concentrate its efforts in improving the profitability of the business and creating overall shareholder wealth.

Corporate Governance

Effective corporate governance is very much dependent on the skills and experience of individuals on the Board and how well they work together as a team. In this regard our Board of Directors not only has the collective skill-set and knowledge to make the correct decisions, they also possess personal qualities required to be effective stewards of the business and the dedication and commitment to the Company, particularly in times of stress.

The Board of Directors, led by the Chairman, is responsible for good governance at Eastern Merchants PLC, its system of internal controls, and for the review, design and effectiveness of the same. There is a perpetual process for identifying, evaluating and managing significant risks by way of elimination or mitigation.

Meetings of the Board of Directors are held quarterly while committee meetings are also held on same day on most occasions. The Company complies with Corporate Governance requirements as identified by the Corporate Governance Best Practices by ICASL and SEC in 2008 (revised in 2011 and 2013); and Corporate Governance Compliance Reporting Requirements in CSE Listing Rules section 7.10.

During the year under review Mrs. N. Nanayakkara joined the board of Eastern Merchants as an Independent Non-Executive Director. In adherence to Section 7.10.2 (b) of the CSE Listing rules Mrs. N. Nanayakkara has submitted the declaration of her independence. Furthermore, in accordance with Listing Rule 7.10.3 (a), the Board of Directors assesses the independence or non-independence of each Independent Non-executive Director annually and have determined the independence of its independent non-executive directors for the year under review.

Looking ahead, risk management and diversification are of the highest priority and the Board will do everything in our power to maintain the trust of the shareholders and steer the company towards a brighter future.

Directors' Responsibilities for the Preparation of Financial Statements

As per the requirements of the Companies Act No. 7 of 2007, the Directors of the Company are responsible for the preparation and presentation of the Financial Statements for each financial year. The responsibilities of the Directors in relation to the Financial Statements of Eastern Merchants PLC are set out in this Statement, whereas the responsibilities of the Auditors are set out in the Auditors' Report in page 11 of this Annual Report. The Directors are required to provide the Auditors with every opportunity to take whatever steps necessary to enable them to form their audit opinion and have complied accordingly. Their opinion on the Financial Statements are detailed in the Auditor's report.

The Directors are responsible under Sections 150 (1), 151, 152 (1) & 153 of the Companies Act No. 7 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year, giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year, and of the profit and loss of the Company and the Group for the financial year.

The Directors are also responsible, under Section 148, for ensuring that proper accounting records are kept to enable, the determination, preparation and presentation of the Financial Statements for each financial year, giving an accurate and impartial view of the financial position, financial performance and cash flows of the Group for the said period.

The Financial Statements give an accurate and impartial view of the state of affairs of the Company and the Group as at the end of the financial year, as well as the profit or loss of the Company and the Group for the financial year. The Financial Statements which are finalised and presented to the shareholders before the Annual General Meeting consist of the Income Statement, Statement of Comprehensive Income and the Statement of Financial Position, in addition to the Financial Notes and Accounting policies.

In order to ensure that the Financial Statements present a fair view of the financial position, performance and health of the Company/Group, accounting records which correctly record and explain the Company's transactions have been maintained in accordance with the Sri Lanka Accounting and Auditing Standards. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with these Accounting Standards and applies to the preparation of the Financial Statements of all subsidiaries in the Group at the reporting date, which give a true and fair view of the state of affairs of the Company and its subsidiaries.

The Board of Directors have the general responsibility to take reasonable steps to safeguard the assets of the Company, and in this regard, to give proper consideration to the establishment of appropriate internal control systems with a view of preventing and detecting fraud, material misstatements and other irregularities. The Companies Act also places the responsibility on the Board of Directors to ensure that Financial Statements of the Company and its subsidiaries are prepared within the prescribed time period in conformity with the Act.

Furthermore, the Directors also have to ensure the listing rules of the Colombo Stock Exchange are complied with and that appropriate Accounting Policies have been used in a consistent manner, where sensible judgment and estimates have been made when necessary. The Directors confirm that to the best of their knowledge, all statutory payments relating to employees, the government and other statutory bodies that were due in respect of the Company have been paid and are up to date. The Board of Directors declares that there were no related party transactions entered during the year under review.

By order of the Board

S. Jayakody
(F.C.A., B.Com.Spl., FCMA)
Director – Finance / Company Secretary

16th August 2019

Audit Committee Report

The Audit Committee appointed by the Board of Directors comprises of the three Independent Directors of the Company, Mrs. N. Nanayakkara (Chairperson), Mr. R. Pradeep (Member) and Mr. F. Mushin (Member). The Managing Director and the Director - Finance participate in the Audit Committee meetings. Mrs. N Nanayakkara is a fellow member of Chartered Institute of Management Accountants – U.K.

The objective and purpose of the Audit Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities, which include:

- Monitoring and reviewing the integrity of Financial Statements, internal financial controls and the Company's financial reporting system, and verifying compliance with SLAS.
- Ensure the Group's internal control and risk management processes are adequate and meet SLAS requirements.
- Determining the effectiveness, independence and objectivity of the external auditors.
- Making recommendations to the Board in relation to the appointment/ removal of the external auditors, as well as their remuneration.
- Ensuring that the Company is compliant with laws and regulations relating to these areas of responsibility.

During the 2018/19 financial year, the Audit Committee met four times to evaluate the adequacy and effectiveness of the Company's internal control systems and reviewed all Financial Statements in compliance with the relevant statutory requirements to determine their accuracy.

The Audit Committee assures that the corporate information gathering, analysis and reporting systems developed by the Company represent a good faith attempt to provide the senior management and the Board of Directors with information regarding material facts, events and conditions. The committee is satisfied that the Group's accounting policies and operational controls are effective and provide reasonable assurance that the Group's affairs are managed in accordance with its policies and that the Group's assets are properly accounted for and adequately safeguarded.

Messrs. D.H.P Munaweera & Co. has been engaged as external auditor to Eastern Merchants for a number of years. The Audit Committee evaluated the qualifications, performance and independence of the Company's independent auditor and the Committee is satisfied that the independence of the external auditors has not been compromised or influenced by any event or service that could result in a conflict of interest.

The Audit Committee has recommended to the Board that Messrs. D.H.P Munaweera & Co. be retained as the Independent External Auditor of the Company for the financial year commencing 1st April 2019, and that the re-appointment be included in the agenda of the Annual General Meeting.

N. Nanayakkara
Chairperson – Audit Committee

16th August 2019

Remuneration Committee Report

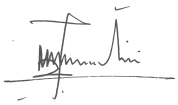
The Remuneration Committee assists and advises the Board on matters relating to the remuneration of the top management of the Company, including Board members. The Committee is responsible for ensuring that Eastern Merchants observes coherent remuneration policies and practices, which enables the Company to attract and retain key personnel who are vital to the success of the Company and shareholders.

In compliance with the Listing Rules of the Colombo Stock Exchange, the Remuneration Committee of Eastern Merchants PLC consists of two Independent Non-Executive Directors namely, Mr. F. Mushin (Chairman) and Mr. R. Pradeep (Member). The Remuneration Committee functions on the principles of transparency and accountability while ensuring remuneration arrangements align rewards with performance.

We firmly believe that one of the most valuable assets we possess is our human capital and rewarding everyone concerned with fair and equitable remuneration packages is deeply entrenched in our corporate culture. This has ensured a happy and loyal workforce throughout the years, with minimal levels of staff turnover, union activity and no material employee related industrial relations.

Staff remuneration comprises a fixed and a variable component, the latter of which is in the form of bonus linked to the performance of the individual as well as the Company. The salaries and other benefits are reviewed periodically and every endeavor is made to ensure that the remuneration levels are sufficient and on par with industry standards enabling the Group to reward, motivate and retain its team. The Non-Executive Directors and Independent Directors of the Company do not receive any salary but receive annual Directors fees.

The remuneration committee held four meetings during the 2018/19 financial year to review the remuneration packages of the top management of the Company and considered them to be suitable.



F. Mushin
Chairman – Remuneration Committee

16th August 2019

Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee assists the Board in reviewing all related party transactions carried out by the Company. The Committee also performs the oversight function on behalf of the Board in complying with the Listing Rules of the Colombo Stock Exchange and with the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission (SEC) of Sri Lanka, while aiming to protect shareholder interests as well as maintaining fairness and transparency.

Two Independent Non-Executive Directors and one Executive Director serve on the Committee, while the Managing Director attends the meeting on invitation and the Director – Finance, functions as the Secretary to the Committee. The Committee held four meetings for the year under review.

The members of the committee are:

Mr. R. Pradeep
Committee Chairman and Independent Non-executive Director

Mr. F. Mushin
Member and Independent Non-executive Director

Mr. S. Jayakody
Member and Director - Finance

The duties of the Committee are as follows:

- To review in advance all proposed related party transactions of the Group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such a review, prior to the completion of the transaction.
- Determine whether related party transactions that are to be entered into by the Company require the approval of the Board or shareholders of the Company.
- Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary, including obtaining appropriate professional and expert advice from suitably qualified persons.
- Seek any information the Committee requires from management, employees or external parties with regard to any transaction entered into with a related party.
- Monitor that all related party transactions of the entity are transacted on normal commercial terms and are not prejudicial to the interests of the entity and its minority shareholders.
- Establish separate guidelines that are to be followed for recurrent and non-recurrent related party transactions of the Company and validate their economic and commercial substance.
- Review the transfer of resources, services or obligations between related parties regardless of whether a price is charged.
- Ensure that no Director of the Company shall participate in any discussion of a proposed related party transaction for which he or she is a related party, unless such Director is requested to do so for the express purpose of providing information concerning the related party transaction to the Committee.

During the year the Committee reviewed the related party transactions and their compliances in Eastern Merchants PLC and its subsidiary companies and communicated its comments and observations to the Board. The Committee in its review process recognised the adequacy of the content and quality of the information forwarded to its members by the management.

The Board of Directors confirm that the Company has complied with the requirements of the Listing Rules of the Colombo Stock Exchange on related party transactions.

The Committee noted that during the year there were no non-recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules requiring disclosure in the Annual Report.

R. Pradeep

Chairman – Related Party Transactions Review Committee

16th August 2019

Principal Activities of the Group

All Companies in the Group whose financial statements have been included in the consolidated Financial Statements are as follows:

NAME OF THE COMPANY	BUSINESS ACTIVITY
Eastern Merchants PLC	Export of traditional and non-traditional products
Eamel Exports (Private) Limited	Operation of a villa in Kirinda
Asia Brush (Private) Limited	Ceased operations
Asian Woodware Company (Private) Limited	Ceased operations
Spice Lane (Private) Limited	Export of spice products
Eastern Merchants Commodities (Pte) Ltd.	Import/Export of traditional and non-traditional products
Microcells (Private) Limited	Manufacture and export of rubber sheeting and flooring products

Directors

I) Eastern Merchants PLC

Mr. J.B.L. de Silva, Mr. H.J. de Silva, Mr. C.S.L de Silva, Mrs. C.I. Tilakaratna, Mr. N.K.L. Tilakaratna, Mr. S. Jayakody, Mr. R. Pradeep, Mrs. N. Nanayakkara and Mr. F. Mushin.

Registered office and principal place of business – No. 240, Torrington Avenue, Colombo 07.

II) Eamel Exports (Private) Limited

Mr. J.B.L. de Silva, Mr. H.J. de Silva, Mr. C.S.L. de Silva, Mr. N.K.L. Tilakaratna and Mr. S. Jayakody.

Registered office and principal place of business – No. 240, Torrington Avenue, Colombo 07.

III) Asia Brush (Private) Limited

Mr. J.B.L. de Silva, Mr. N.K.L. Tilakaratna, Mr. S.A.L. Tilakaratna, Mrs. C.I. Tilakaratna, Mr. H.J. de Silva, Mr. C.S.L. de Silva and Mr. C.W. Bently.

Registered office and principal place of business – No. 240, Torrington Avenue, Colombo 07.

IV) Asian Woodware Company (Private) Limited

Mr. J.B.L. de Silva, Mr. N.K.L. Tilakaratna, Mrs. C.I. Tilakaratna, Mr. H.J. de Silva and Mr. C.S.L. de Silva.

Registered Office and Principal Place of Business – 240, Torrington Avenue, Colombo 07.

V) Spice Lane (Private) Limited

Mr. J.B.L. de Silva, Mr. H.J. de Silva, Mr. C.S.L. de Silva and Mr. S. Jayakody.

Registered office and principal place of business – 240, Torrington Avenue, Colombo 07.

VI) Eastern Merchants Commodities (Pte) Ltd.

Mr. J.B.L. de Silva, Mr. H.J. de Silva, Mr. C.S.L. de Silva, Mr. S. Jayakody and Mr. M. Wijeyekoon.

Registered office and principal place of business – #44-01A, One Raffles Place Tower 1, Singapore 048616.

VII) Microcells (Private) Limited

Mr. J.B.L. de Silva, Mr. H.J. de Silva, Mr. C.S.L. de Silva, Mr. S. Jayakody and Mrs. G.R. J. de Silva.

Registered office and principal place of business – 240, Torrington Avenue, Colombo 07.

Independent Auditor's Report

D.H.P. MUNAWEERA & CO.
Chartered Accountants

No. 5/6, Police Park Terrace,
Off Police Park Avenue,
Colombo 05,
Sri Lanka.

Telephone : +94 11 2553006
: +94 11 2555313
Fax : +94 11 2555038
E-mail : munaweera@sltnet.lk

TO THE SHAREHOLDERS OF EASTERN MERCHANTS PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Eastern Merchants PLC, ("the Company") and the consolidated Financial Statements of the Company and its subsidiaries ("Group"), which comprise the Statement of Financial Position as at 31st March 2019, the Statement of Profit or Loss and other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, as well as the Notes to the Financial Statements, including a summary of Significant Accounting Policies.

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

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs).

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key Audit Matter

Valuation of Investment Property

As at the reporting date of 31st March 2019, Land & Buildings and Investment Property carried at fair value amounted to LKR 1,315 Mn and 211 Mn respectively. The fair value of such property was determined by an external valuer. The valuation of investment property was significant to our audit due to the use of significant estimates such as per perch price and value per square foot disclosed in Notes 13.4 and 15.A to the Financial Statements.

How our Audit Addressed the Key Audit Matter

Our audit procedures focused on the valuations carried out by the external valuer engaged by the Group, and included the following;

- Read the valuation report and understood the key estimates made by the Board of Directors and the approach taken in determining the valuation of each property.
- Compared with the valuation reports of previous years issued by the professional valuer and assessed the appropriateness of the valuation techniques used by the Board, for the per perch price and value per square foot.

Independent Auditor's Report

D.H.P. MUNAWEERA & CO.
Chartered Accountants

- Reviewed the adequacy of the disclosures made in Note 13.4 and 15.A to the Financial Statements relating to the valuation techniques and estimates used by the external valuer.

Key Audit Matter

Assets of Discontinued Operations
Fair value of discontinued operations of the Group as at 31st March 2019 was Rs.75 Mn, which was Rs.89 Mn as at 31st March 2018. Recoverability of this value was significant to our audit.

How our Audit Addressed the Key Audit Matter

Our audit procedures focused on the fair value change of these discontinued operations and included the following;

- Physically verified the non-current assets and inventories and assessed the adequacy of impairment provisions recognised against the assets of discontinued operations.
- Scrutinized transactions incurred during the year to ensure that all transactions are recorded properly.
- Reviewed the adequacy of the disclosures made in Note 10 to the Financial Statements relating to the profit or loss, assets, liabilities and cash flows from discontinued operations.

Other Information included in the 2019 Annual Report

Other information consists of the information included in the Annual Report, other than the Financial Statements and our Auditor's Report thereon. Management is responsible for the other information.

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

In connection with our Audit of the Financial Statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the Audit or otherwise appears to be materiality misstated.

Responsibilities of Management and those charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls of the Company and the Group.

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The CA Sri Lanka membership number of the engagement partner responsible for signing this Independent Auditor's Report is 4046.

DHP Munaweera & Co

D.H.P. MUNAWEERA & COMPANY
CHARTERED ACCOUNTANTS.

Colombo
16th August 2019

Statement of Profit or Loss

For the Year Ended 31st March		Company		Group	
		2019	2018	2019	2018
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Continuing Operations					
Revenue	3	**755,739**	772,147	**1,560,499**	1,378,896
Cost of Sales		**(726,182)**	(750,391)	**(1,403,406)**	(1,312,729)
Gross Profit		**29,557**	21,756	**157,093**	66,167
Other Operating Income	4	**28,968**	18,949	**33,388**	19,749
		58,525	40,705	**190,481**	85,916
Administrative Expenses		**(169,254)**	(83,870)	**(235,775)**	(88,943)
Distribution Expenses		**(18,230)**	(15,361)	**(43,631)**	(31,261)
Profit / (Loss) from Operations		**(128,956)**	(58,524)	**(88,925)**	(34,288)
Finance Expenses	5	**(34,723)**	(4,741)	**(41,774)**	(6,382)
Gain on Bargaining Purchases	6	**-**	-	**169,576**	-
Finance Income	7	**5,699**	25,482	**9,534**	23,269
		(157,981)	(37,783)	**48,411**	(17,401)
Change in Fair Value of Investment Property	15	**12,000**	6,660	**12,000**	9,360
Share of Results of Equity Accounted Investees		**-**	(16,706)	**-**	(16,706)
Profit/ (Loss) before Taxation	8	**(145,981)**	(47,829)	**60,411**	(24,747)
Taxation	9	**6,210**	7,240	**13,233**	5,276
		(139,770)	(40,589)	**73,644**	(19,471)
Profit/(Loss) from Discontinued Operations (Net of Tax)	10	**-**	-	**(12,616)**	(1,108)
Profit/ (Loss) for the year		**(139,770)**	(40,589)	**61,028**	(20,579)
Attributable to					
Equity Holders of the Parent				**68,501**	(20,412)
Non Controlling Interest				**(7,473)**	(167)
Profit/ (Loss) for the year				**61,028**	(20,579)
Earnings per Share - Basic - Rs.	11	**(1.19)**	(0.35)	**0.58**	(0.17)
Dividend per Share - Rs.	12	**-**	-	**-**	-

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 21 through 72 form an integral part of the Financial Statements.

Statement of Other Comprehensive Income

For the Year Ended 31st March	Company		Group	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit/(Loss) for the year	(139,770)	(40,589)	61,028	(20,579)
Other Comprehensive Income				
Other Comprehensive Income to be re-classified to Income Statement in subsequent periods				
Currency translation of Foreign Operations	-	-	2,925	337
Net Other Comprehensive Income to be re-classified to Income Statement in subsequent periods	-	-	2,925	337
Other Comprehensive Income not to be re-classified to Income Statement in subsequent periods				
Net Gain/(Loss) on Financial Instruments at fair value through OCI	-	-	(9,979)	3,319
Revaluation Surplus on Land & Buildings	75,825	-	213,785	-
Re-measurement Gain / (Loss) on Defined Benefit Plans	(1,909)	(2,585)	(1,915)	(2,585)
Net Other Comprehensive Income not to be re-classified to Income Statement in subsequent periods	73,916	(2,585)	201,891	734
Tax on Other Comprehensive Income				
Net Income Tax Charge / (Reversal) Relating to Revaluation of PPE	(23,826)	-	(38,442)	-
Net Income Tax Charge / (Reversal) Relating to Defined Benefit Plans	(457)	936	(456)	936
Other Comprehensive Income for the period, net of Tax	49,633	(1,649)	165,918	2,007
Total Comprehensive Income for the period, net of Tax	(90,137)	(42,238)	226,946	(18,574)
Attributable to				
Equity Holders of the Parent			231,761	(20,174)
Non Controlling Interest			(4,815)	1,600
Total Comprehensive Income for the year			226,946	(18,574)

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 21 through 72 form an integral part of the Financial Statements.

Statement of Financial Position

As at 31st March		Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
ASSETS					
NON-CURRENT ASSETS					
Property, Plant & Equipment	13	**932,219**	849,551	**1,645,697**	876,061
Intangible Assets	14	**-**	-	**3,698**	**-**
Investment Property	15	**211,250**	199,250	**211,250**	255,150
Investments in Subsidiaries	16	**628,060**	63,370	**-**	-
Investment In Equity Accounted Investees	17	**-**	68,014	**-**	68,014
Non Current Financial Assets	18	**-**	-	**22,738**	32,710
		1,771,529	1,180,185	**1,883,383**	1,231,935
CURRENT ASSETS					
Inventories	19	**58,752**	61,397	**165,162**	68,460
Trade & Other Receivables	20	**50,700**	51,285	**171,782**	114,366
Other Current Assets	21	**38,388**	31,441	**96,340**	31,733
Amounts due from Related Parties	22	**49,237**	101,870	**-**	30,460
Assets of Discontinued Operations	10.2	**-**	-	**75,126**	89,264
Short Term Investments	23	**-**	163,026	**20,011**	163,026
Cash in hand & At Bank	24	**55,030**	5,905	**90,068**	12,935
		252,107	414,924	**618,489**	510,244
TOTAL ASSETS		**2,023,637**	1,595,109	**2,501,872**	1,742,179
EQUITY & LIABILITIES					
CAPITAL & RESERVES					
Stated Capital	25	**16,778**	16,778	**16,576**	16,576
Revenue Reserves	26	**875,211**	1,017,347	**1,144,900**	1,078,770
Other Components of Equity	27	**553,895**	501,896	**711,956**	538,851
		1,445,884	1,536,021	**1,873,432**	1,634,197
Non Controlling Interest		**-**	-	**(24,693)**	(5,511)
Total Equity		**1,445,884**	1,536,021	**1,848,739**	1,628,686
NON-CURRENT LIABILITIES			-		-
Deferred Tax Liability	28	**18,754**	699	**50,697**	282
Interest Bearing Borrowings	29	**7,432**	8,997	**7,432**	8,997
Retirement Benefit Obligations	30	**12,904**	11,221	**18,879**	11,221
		39,090	20,917	**77,008**	20,500
CURRENT LIABILITIES					
Trade & Other Payables	31	**25,513**	1,284	**47,314**	10,779
Amounts due to Related Parties	32	**87,114**	-	**12,050**	-
Other Current Liabilities	33	**3,291**	3,291	**4,047**	3,291
Income Tax Payable	34	**-**	-	**1,196**	1,282
Interest Bearing Borrowings	29	**348,274**	7,948	**415,915**	7,948
Bank Overdraft	29.1.2	**74,470**	25,648	**95,603**	69,693
		538,662	38,171	**576,125**	92,993
TOTAL EQUITY & LIABILITIES		**2,023,637**	1,595,109	**2,501,872**	1,742,179

I certify that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No.7 of 2007.

Srinath Jayakody
Director - Finance

The Board of Directors are responsible for the preparation and presentation of these Financial Statements.
Approved and Signed for and on behalf of the Board by,

J.B.L. de Silva
Chairman

C.S.L. de Silva
Managing Director

16th August, 2019.

Figures in brackets indicate deductions. The Accounting Policies and Notes on pages 21 through 72 form an integral part of the Financial Statements.

Statement of Changes in Equity - Company

	Stated Capital Rs.'000	Revaluation Reserve Rs.'000	Retained Earnings Rs.'000	Total Rs.'000
Balance as at 1st April 2017	16,778	501,895	1,059,586	1,578,258
Net Profit/ (Loss) for the year	-	-	(40,589)	(40,589)
Comprehensive Income	-	-	(1,649)	(1,649)
Total Comprehensive Income	-	-	(42,239)	(42,238)
Dividend Paid	-	-	-	-
Balance as at 31st March 2018	16,778	501,895	1,017,347	1,536,020
Net Profit/ (Loss) for the year	-	-	(139,770)	(139,770)
Comprehensive Income	-	52,000	(2,366)	49,634
Total Comprehensive Income		52,000	(142,136)	(90,136)
Dividend Paid	-	-	-	-
Balance as at 31st March 2019	16,778	553,895	875,211	1,445,883

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 21 through 72 form an integral part of the Financial Statements.

Statement of Changes in Equity - Group

	Attributable to Equity Holders of Parent						Non Controlling Interest	Total Equity
	Stated Capital	Revaluation Reserves	Fair Value Reserve of Financial Assets at FVOCI	Operation From Foreign Currency	Retained Earnings	Total		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st April 2017	16,576	550,351	(13,338)	(217)	1,100,832	1,654,204	(6,779)	1,647,425
Profit/(Loss) for the year	-	-	-	-	(20,412)	(20,412)	(167)	(20,579)
Other Comprehensive Income	-	-	1,718	337	(1,649)	405	1,601	2,006
Total Comprehensive Income	-	-	1,718	337	(22,062)	(20,007)	1,434	(18,574)
Dividend Paid to Equity Holders of the Parent	-	-	-	-	-	-	-	-
Subsidiary Dividend to Non-Controlling Interest	-	-	-	-	-	-	-	-
Subsidiary Dividend to Non-Controlling Interest	-	-	-	-	-	-	(166)	(166)
Balance as at 31st March 2018	16,576	550,351	(11,620)	120	1,078,770	1,634,197	(5,511)	1,628,686
Profit/(Loss) for the year	-	-	-	-	68,501	68,501	(7,473)	61,028
Other Comprehensive Income	-	175,344	(5,164)	2,925	(2,371)	170,734	(4,815)	165,919
Total Comprehensive Income	-	175,344	(5,164)	2,925	66,130	239,235	(12,288)	226,947
Acquisition of Minority Interest	-	-	-	-	-	-	(6,894)	(6,894)
Dividend Paid to Equity Holders of the Parent	-	-	-	-	-	-	-	-
Subsidiary Dividend to Non-Controlling Interest	-	-	-	-	-	-	-	-
Balance as at 31st March 2019	16,576	725,695	(16,784)	3,045	1,144,900	1,873,432	(24,693)	1,848,739

Eamel Exports (Private) Limited has acquired 25,000 Shares of Eastern Merchants PLC prior to 21st May 1982. Subsequently the Number of Shares has increased up to 100,000 as a result of a Bonus Issue made by Eastern Merchants PLC on 24th June 1997. After the Sub-division of the Company Shares, whereby one (1) existing Share was sub-divided to Seventy (70), the Number of Ordinary Shares held by Eamel Exports (Private) Limited has increased to 7,000,000. Refer Note 25.1.

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 21 through 72 form an integral part of the Financial Statements.

Cash Flow Statement

For the Year Ended 31st March		Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Cash Flows from Operating Activities					
Operating Profit/(Loss) before Working Capital Changes	A	**(25,145)**	(25,244)	**16,346**	(7,770)
(Increase)/Decrease in Inventories		**2,645**	14,000	**67,928**	8,373
(Increase)/Decrease in Debtors & Other Receivables		**586**	97,188	**2,383**	34,963
Increase/(Decrease) in Amounts due from/due to Related Parties		**118,897**	(7,423)	**45,460**	(3,537)
(Increase)/Decrease in Other Current Assets		**(1,798)**	(222)	**(29,609)**	10
Increase/(Decrease) in Other Current Liabilities		**-**	(730)	**756**	(730)
Increase/(Decrease) in Trade & Other Payables		**24,229**	(2,008)	**13,928**	5,426
Cash Generated from Operations		**119,413**	75,561	**117,193**	36,735
Finance Costs Paid		**(34,723)**	(4,741)	**(41,774)**	(6,382)
Defined Benefit Plan Cost Paid		**(2,154)**	(2,778)	**(2,959)**	(2,778)
Income Tax Paid		**(5,168)**	(5,656)	**(16,749)**	(7,012)
Cash Flows from/(used in) Operating Activities		**77,368**	62,386	**55,710**	20,563
Cash Flows from/(used in) Investing Activities					
Acquisition of Property, Plant & Equipment		**(31,486)**	(12,817)	**(88,713)**	(13,024)
Acquisition of Intangible Assets		**-**	-	**(691)**	-
Proceeds from Investment Property		**-**	-	**69,164**	-
Proceeds from Sale of Property, Plant & Equipment		**11,626**	8,505	**65,353**	1,548
Proceeds from Disposal of Assets of Discontinued Operations		**-**	-	**752**	1,820
Proceeds from Short Term Investment		**163,026**	32,839	**206,159**	32,839
Finance Income Excluding Dividend		**5,699**	23,238	**9,480**	23,238
Acquisition of a Subsidiary, Net of Cash Acquired		**(564,690)**		**(514,831)**	-
Increase in Interest in Subsidiaries				**(2,950)**	
Dividend Received		**-**	2,244	**54**	31
Cash Flows from/ (Used In) Investing activities		**(415,825)**	54,009	**(256,222)**	46,451
Cash Flows from/ (used in) Financing Activities					
Subsidiary Dividend to Non-Controlling Interest		**-**	-	**-**	(166)
Proceeds from Interest Bearing Borrowings		**549,343**	10,170	**810,155**	10,170
Repayment of Interest Bearing Borrowings		**(210,582)**	(52,332)	**(558,420)**	(52,332)
Net Cash flows from/(used in) Financing Activities		**338,761**	(42,162)	**251,735**	(42,328)
Net Increase/(Decrease) in Cash & Cash Equivalents		**304**	74,233	**51,224**	24,685
Cash & Cash Equivalent at the beginning of the year		**(19,744)**	(93,977)	**(56,759)**	(81,444)
Cash & Cash Equivalent at the end of the year		**(19,440)**	(19,744)	**(5,535)**	(56,759)
Cash & Cash Equivalent					
Cash in hand & At Bank		**55,030**	5,905	**90,068**	12,935
Bank Overdrafts		**(74,470)**	(25,648)	**(95,603)**	(69,693)
Cash and Cash Equivalents at the end of the year		**(19,440)**	(19,743)	**(5,535)**	(56,758)

(Contd/...)

Cash Flow Statement

Note A - Operating Profit/ (Loss) before Working Capital Changes

For the Year Ended 31st March	Company		Group	
	2019	2018	**2019**	2018
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Profit/(Loss) before Tax from Continuing Operations	**(145,981)**	(47,829)	**60,411**	(24,747)
Profit/(Loss) before Tax from Discontinued Operations	**-**	-	**(12,616)**	(1,108)
Adjustments for:				
Share of Results of Equity Accounted Investees	**-**	16,706	**-**	16,706
Dividend Income	**-**	(2,244)	**(54)**	(31)
Finance Income	**(5,699)**	(23,238)	**(9,480)**	(23,238)
Finance Costs	**34,723**	4,741	**41,774**	6,382
Depreciation	**21,015**	19,453	**39,533**	20,282
Amortization	**-**	-	**384**	-
(Profit)/Loss on Sale of Property, Plant & Equipment	**(7,996)**	5,569	**(1,414)**	(432)
(Gain) /Loss on Assets of Discontinued Operations	**-**	-	**748**	(820)
(Gain)/ Loss on Currency translation of foreign operations	**-**	-	**(2,925)**	337
Impairment of Assets of Discontinued Operations	**-**	-	**11,848**	-
Provision for Impairment - Equity Accounted Investees	**20,850**	5,000	**-**	5,000
Value of Investment written off - Equity - Accounted Investees	**68,014**	-	**68,014**	-
Change in Fair Value of Investment Property	**(12,000)**	(6,660)	**(12,000)**	(9,360)
Gain on Bargaining Purchases	**-**	-	**(169,576)**	-
Provision for Gratuity	**1,928**	3,259	**1,700**	3,259
Operating Profit/ (Loss) before Working Capital Changes	**(25,145)**	(25,244)	**16,346**	(7,770)

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 21 through 72 form an integral part of the Financial Statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting Entity

Eastern Merchants PLC (the Company) is a public limited liability Company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The Company and its subsidiaries have the registered office located at 240, Torrington Avenue, Colombo 7.

1.2 The notes to the Financial Statements on pages 21 to 72 form an integral part of the Financial Statements.

1.3 All values are rounded to the nearest rupees thousand (Rs.'000) except when otherwise indicated.

1.4 Principal Activities & Nature of Operations

The Principal Activities of the Group are given below.

Name of the Company	Business Activities
Eastern Merchants PLC	Export of traditional and non traditional products
Eamel Exports (Private) Limited	Operation of a Villa in Kirinda
Asia Brush (Private) Limited	Operations discontinued
Asian Woodware Company (Private) Limited	Operations discontinued
Spice Lane (Private) Limited	Export of non-traditional products
Eastern Merchants Commodities (Pte) Ltd	Trading of commodities, business and management consultancy services
Microcells (Private) Limited	Manufacture and export of rubber sheet and flooring products

1.5 Number of Employees

The number of Employees at the end of the year was 221 (2018 - 80).

1.6 Approval of Financial Statements

The Financial Statements for year ended 31st March 2019 were authorised for issue by the Board of Directors on 16th August 2019.

1.7 Statement of Compliance

The Financial Statements which comprise the Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flow, together with the Accounting Policies and Notes (the "Financial Statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirement of the Companies Act No. 7 of 2007.

1.8 Basis of Consolidation Consolidated Financial Statements

The Financial Statements for the year ended 31st March 2019, comprise "the Company" referring to Eastern Merchants PLC as the holding Company and "the Group" referring to the Companies that have been consolidated therein.

The consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries as at 31st March 2019. The Financial Statements of the subsidiaries are prepared in compliance with the Group's accounting policies unless otherwise stated. All intra-Group balances, income and expenses unrealised gains and losses resulting from intra-Group transactions and dividends are eliminated in full.

Control over an investee is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Notes to the Financial Statements

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

1.8.1 Subsidiaries

Subsidiaries are those enterprises controlled by the parent. Control exists when the parent holds more than 50% of the voting rights or otherwise has a controlling interest. Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The Financial Statements of the subsidiaries are prepared for the same reporting period as the parent Company, which is 12 months ending 31st March, using consistent accounting policies.

Loss of Control

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

The total profits and losses for the year of the Company and of its subsidiaries included in consolidation are shown in the consolidated Statement of Profit or Loss and Statement of Comprehensive Income and all assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the Statement of Financial Position.

Non-controlling Interest (NCI)

Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the consolidated Statement of Profit or Loss and Statement of Comprehensive Income and as a component of equity in the consolidated Statement of Financial Position, separately from parent' shareholders' equity.

The consolidated Statement of Cash Flow includes the cash flows of the Company and its subsidiaries.

All the Subsidiaries consolidated have been listed below.

Subsidiary Company	Effective Holding %
Eamel Exports (Private) Limited	51.75
Asia Brush (Private) Limited	52.26
Asian Woodware Company (Private) Limited	56.50
Spice Lane (Private) Limited	100.00
Eastern Merchants Commodities (Pte) Limited	100.00
Microcells (Private) Limited	100.00

1.9. Responsibility for Financial Statements

The responsibility of the Board of Directors in relation to the Financial Statements is set out as follows.

The Directors are required to confirm that the Financial Statements have been prepared

- using appropriate Accounting Policies which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained; and
- presented in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS); and that reasonable and prudent judgments and estimates have been made so that the form and substance of transactions are properly reflected; and
- provide the information required by and otherwise comply with the Companies Act

The Directors are also required to ensure that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements.

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

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

The Directors are required to prepare the Financial Statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections that may be considered being appropriate to enable them to give their audit opinion.

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

2. BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The consolidated Financial Statements have been prepared on an accrual basis and under the historical cost convention except for investment properties, land and buildings, derivative financial instruments, fair value through profit or loss financial assets and available-for-sale financial assets that have been measured at fair value.

2.2 Presentation of Functional Currency

The consolidated Financial Statements are presented in Sri Lankan Rupees, the Group's functional and presentation currency, which is the primary economic environment in which the Holding Company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency.

Each material class of similar items is presented cumulatively in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard-LKAS 1 on 'Presentation of Financial Statements'.

The following subsidiaries are using different functional currencies other than Sri Lankan Rupees (LKR):

Country of Incorporation
Singapore

Functional Currency
Dollar (USD)

Name of the Subsidiary
Eastern Merchants Commodities (Pte) Ltd.

The exchange rates applicable during the period were as follows

Functional Currency	Statement of Financial Position		Statement of Profit or Loss	
	Closing Rate		Average Rate	
	2019	2018	2019	2018
Dollar (USD)	**178.43**	155.97	**168.72**	153.46

2.2.1 Foreign Currency Translation, Foreign Currency Transactions and Balances

The consolidated Financial Statements are presented in Sri Lanka Rupees (LKR), which is the Company's functional and presentation currency. The functional currency is the currency of the primary economic environment in which the entities of the Group operate. All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are affected. Monetary assets and liabilities denominated in foreign currency are retranslated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The gain or loss arising on translation of non-monetary items is treated in line with the recognition of gain or loss on changing fair value of the item.

2.2.2 Foreign Operations

The Statement of Financial Position and Statement of Profit or Loss of overseas subsidiaries and joint ventures which are deemed to be foreign operations are translated to Sri Lanka rupees at the rate of exchange prevailing as at the reporting date and at the average annual rate of exchange for the period respectively. The exchange differences arising on the translation are taken directly to Other Comprehensive Income. On disposal of a foreign entity, the deferred cumulative amount recognised in Other Comprehensive Income relating to that particular foreign operation is recognised in the Statement of Profit or Loss.

The Group treated goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition as assets and liabilities of the parent. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the parent and no further translation differences occur.

2.3 Significant Accounting Judgements, Estimates & Assumptions

The preparation of the Financial Statements in conformity with SLFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual results may differ from those estimates and judgemental decisions. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected. The most significant uses of judgements and estimates are as follows:

The preparation of the Financial Statements of the Group require the management to make judgments, estimates and assumptions, which may affect the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the consolidated Financial Statements have been discussed in the individual notes of the related Financial Statement line items.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a

material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes to the Financial Statements. The Group based its assumptions and estimates on parameters available when the Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

a) Valuation of property, plant & equipment and investment property.

b) Impairment of non-financial assets

c) Taxes

d) Employee benefit liability

2.3.1 Taxation

The Company and its subsidiaries are subject to income tax and other taxes. The liability to taxation has been computed in accordance with the provisions of the Inland Revenue Act No.24 of 2017 and the amendments thereto. Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in Equity or Other Comprehensive Income, in which case it is recognised either in Equity or Other Comprehensive Income respectively.

2.3.2 Going Concern

The Directors have made an assessment on the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in operation for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.3.3 Fair value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values.

2.4 Current versus Non-Current Classification

The Company presents assets and liabilities in the Statement of Financial Position based on current/non-current classification.

An Asset is Current when it is:

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

  Or

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

  All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

  Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

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

2.5 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business

segments) or in providing products or services within a particular economic segment (geographical segment) which is subject to risk and returns that are different from those of other segments.

2.6 Discontinued Operations

(i) Assets

Current and non-current assets of Discontinued Operations are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss. Property, plant & equipment and intangible assets once classified as held for sale are not depreciated or amortised.

(ii) Discontinued Operations

A discontinued operation is a component of the Group's business that represents a separate major line of business that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier when an operation is classified as a discontinued operation, the comparative Statement of Profit or Loss is represented as if the operation had been discontinued from the start of the comparative period.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to re-sale.

2.7 Business Combinations & Goodwill

Business combinations are accounted for using the acquisition method of accounting. The Group measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

When the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree is lower than the fair value of net assets acquired, a gain is recognised immediately in the income statement. The Group elects on a transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the

acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments are measured at fair value with the changes in fair value recognised in the Statement of Profit or Loss, in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro rata to the carrying amount of each asset in the unit.

Impairment of Goodwill

Goodwill is tested for impairment annually (as at 31 March) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.8 Investment in Equity Accounted Investees

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in its associate and joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The Statement of Profit or Loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in Other Comprehensive Income of those investees is presented as part of the Group's Other Comprehensive Income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the Statement of Changes in Equity.

Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the Statement of Profit or Loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of results of equity accounted investees' in the Statement of Profit or Loss. Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in Statement of Profit or Loss. The accounting policies of associate companies and joint ventures conform to those used for similar transactions of the Group. Accounting policies that are specific to the business of associate companies are discussed below. Equity method of accounting has been applied for associate and joint ventures using their corresponding/matching 12 month financial period. In the case of associates, where the reporting dates are different to Group reporting dates, adjustments are made for any significant transactions or events up to 31st March.

2.9 Assets & Bases of their Valuation

2.9.1 Property, Plant & Equipment

Items of property, plant & equipment are measured at cost or valuation less accumulated depreciation and accumulated impairment losses, except for land and buildings which are measured at revalued amounts.

2.9.1.1 Cost & valuation

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use. When parts of an item of property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of property, plant & equipment.

All items of property, plant & equipment are initially recognised at cost. A revaluation is carried out when there is a substantial difference between the fair value and the carrying amount of the property, and is undertaken by professionally qualified valuers. Increases in the carrying amount on revaluation are credited to the revaluation reserve in shareholders' equity unless it reverses a previous revaluation decrease relating to the same asset, which was previously recognised as an expense. In these circumstances, the increase is recognised as income to the extent of the previous write down. Decreases that offset previous increases of the same individual asset are charged against revaluation reserve directly in equity. All other decreases are recognised in the Statement of Profit and Loss. Upon disposal, any revaluation reserves relating to the particular assets being sold is transferred to retained earnings.

2.9.1.2 Subsequent Costs

The cost of replacing part of an item of property, plant & equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of day-to-day servicing of property, plant & equipment are recognised in the Statement of Profit and Loss as incurred.

2.9.1.3 Depreciation

Depreciation is calculated over the depreciable amount, or other amount substituted for cost, less its residual value. Depreciation is recognised in the Statement of Profit and Loss on a straight-line basis over the estimated useful

lives of each part of an item of property, plant & equipment, since this most closely reflected the expected pattern of consumption of the future economic benefits embodied in the asset. Freehold land is not depreciated.

The Annual Rates of Depreciation used are as follows:

Subsidiary Company	Microcells (Private) Limited	Eastern Merchants PLC and Other Companies in the Group
	Rate	Rate
Buildings	2.50%	5%
Plant & Machinery	6.67%	10%
Tools & Equipment	25%	10%
Mould	10%	-
Electrical Installation	20%	10%
Motor Vehicles	25%	12.50%
Furniture & Fittings	20%	10%
Office Equipment	10%	10%
Stores & Other Equipment	10%	10%
Fax Machine	-	20%
Computers	25%	15%
Generators	-	12.50%

Depreciation of an asset begins when it is available for use and ceases at the earliest date that the asset is classified as held for sale and the date that the asset is derecognised. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

2.9.1.4 De-recognition

An item of property, plant & equipment is derecognised upon disposal of or when no future economic benefits are expected from its use or disposal. Gains and losses arising on derecognition of the assets are determined by comparing the proceeds from disposal with the carrying amount of property, plant & equipment and are recognised net within 'other income' in the Statement of Profit and Loss.

2.9.2 Investment Property

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of the investment property. Subsequent to initial recognition, the investment properties are stated at fair value, which reflect market conditions at the reporting date.

Gains or losses arising from changes in fair value are included in the Statement of Profit and Loss in the year in which they arise. Fair values are evaluated at frequent intervals by an accredited external, independent valuer.

Investment properties are derecognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the Statement of Profit and Loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property or inventory (WIP), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property or inventory (WIP),the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant & equipment in the consolidated Financial Statements and accounted using Group accounting policy for property, plant and equipment.

2.9.3 Intangible Assets

2.9.3.1 Basis of Recognition

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

2.9.3.2 Basis of Measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is reflected in the Statement of Profit and Loss in the year in which the expenditure is incurred.

2.9.3.3. Useful Economic Lives, Amortization & Impairment

The useful lives of intangible assets are assessed as either finite or indefinite lives. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end and treated as accounting estimates. The amortization expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss.

Intangible assets with indefinite useful lives are not amortized but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash generating unit level. The useful life of intangible assets with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

2.9.4 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or if lower, at the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in profit or loss. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are not recognised in the Group's Statement of Financial Position and recognised as an operating expense in the Statement of Profit or Loss on a straight-line basis over the lease term.

2.9.5 Inventories

Inventories are measured at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of each category of inventory is determined on the following basis:

(a) Raw Materials

At actual cost on weighted average cost basis.

(b) Finished Goods & Work-in-Progress

At the cost of direct materials, direct labor and the appropriate proportion of fixed variable & production overheads based on normal operating capacity.

(c) Packing Materials

At actual cost on weighted average cost basis

(d) Consumables & Spares

At actual cost on weighted average cost basis

2.9.6 Investment in Subsidiaries

Investment is held as long term investment and is stated at cost of acquisition.

2.9.7 Financial Instruments - Financial Assets

2.9.7.1 Financial instruments

- Initial recognition and subsequent measurement

Financial assets within the scope of SLFRS 9 are classified as amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. This assessment is referred to as the SPPI test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

2.9.7.2 Subsequent measurement

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

- Financial assets at amortized cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de recognition
- Financial assets at fair value through profit or loss

2.9.7.3 Debt instruments

Financial assets at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

  and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group's financial assets at amortized cost includes trade receivables and short term investments.

2.9.7.4 Financial assets at fair value through OCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where

the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

  and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the income statement.

2.9.7.5 Equity Instruments

2.9.7.5.1 Financial assets designated at fair value through OCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

2.9.7.5.2 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Financial assets – de recognition

Financial assets are de recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.9.7.6 Impairment of financial assets

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.9.8 Financial Liabilities

2.9.8.1 Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

2.9.8.2 Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by SLFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

2.9.8.2.1 Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2.9.8.2.2 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial

position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.10 Stated Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

2.11 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing.

2.12 Liabilities & Provisions

Liabilities classified as current liabilities on the Statement of Financial Position are those which fall due for payment on demand or within one year from the reporting date. Non-current liabilities are those balances that fall due for payment after one year from the reporting date.

All known liabilities have been accounted for in preparing these Financial Statements. A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future Cash Flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

2.13 Capital Commitments & Contingent Liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured. Capital commitments and contingent liabilities of the Group are disclosed in the respective notes to the Financial Statements.

2.14 Employee Benefits

Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective statutes and regulations. The companies contribute the defined percentages of gross emoluments of employees to an approved Employees' Provident Fund and to the Employees' Trust Fund respectively.

(b) Employee Defined Benefit Plan - Gratuity

The liability recognised in the Statement of Financial Position is the present value of the defined benefit obligation at the reporting date using an actuarial valuation. Any actuarial gains or losses arising are recognised immediately in Other Comprehensive Income this was previously recognised in Statement of Profit or Loss.

However, according to the payment of gratuity Act No. 12 of 1983, the liability for gratuity to an employee arises only on completion of 5 years of continued service with the Company.

The Liability is not externally funded. The item is grouped under non-current liabilities in the Statement of Financial Position.

(b) Defined Contribution Plans - Employees' Provident Fund & Employees' Trust Fund

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Employees are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions in line with respective Statutes and Regulations. The Group contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund, respectively and is recognised as an expense in statement of comprehensive income in the periods during which services are rendered by employees.

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

2.15 Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Profit or Loss except to the extent that it relates to items recognised directly in equity or Other Comprehensive Income, in which case it is recognised either in equity or Other Comprehensive Income respectively.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate. The Group recognised assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income and deferred tax amounts in the period in which the determination is made.

(a) Current Income Tax
Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of prior periods.

(b) Deferred Income Tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where deferred tax liability arising from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax

rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Turnover Based Taxes

Turnover based taxes include Value Added Tax (VAT), Economic Services Charge (ESC) and Nation Building Tax. The Group pays such taxes in accordance with the respective statutes.

2.16 Revenue Recognition

2.16.1 Revenue from contract with customers

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

Goods transferred at a point in time.

Under SLFRS 15, revenue is recognised upon satisfaction of a performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally, on delivery of the goods.

Furthermore following specific criteria are used for the purpose of recognition of revenue.

2.16.2 Sale of Goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and turnover related taxes. Revenue is recognised when persuasive evidence exists, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

2.16.3 Rendering of Services

Revenue from the rendering of services is recognised in the accounting period in which the services are rendered or performed.

2.16.4 Finance Income and Finance Cost

For all financial instruments interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future impairment losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts.

The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'interest income' for financial assets and 'interest expense' for financial liabilities. Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.16.5 Dividend Income

Dividend income is recognised in the Statement of Profit and Loss on the date the entity's right to receive payment is established.

2.16.6 Rental Income

Rental income is recognised in the Statement of Profit and Loss on an accrual basis.

2.16.7 Others

Gains and losses of a revenue nature on the disposal of property, plant & equipment and other non-current assets including investments are recognised by comparing the net sales proceeds with the carrying amount of the corresponding asset and are recognised net within 'other income' in the Statement of Profit and Loss.

2.17 Expenditure Recognition

Expenses are recognised in the Statement of Profit or Loss on the basis of a direct association between the costs incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to Statement of Profit or Loss. For the purpose of presentation of the Statement of Comprehensive Income the 'function of expenses' method has been adopted by the Directors of the Group on the basis that it presents fairly the elements of the Group's performance.

2.18 Events after the Reporting Date

All material events occurring after the reporting date have been considered and where necessary adjustments have been made to the Financial Statements.

2.19 Earnings per Share

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

2.20 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period for all amounts reported in the Financial Statements in order to enhance the understanding of the Financial Statements of the current period and to improve the inter- period comparability. When the presentation or classification of items in the Financial Statements have been amended, comparative amounts have also been reclassified to conform with the current year in order to provide a better presentation.

2.21 Determination of Fair Value

A number of the Group's accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes, based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the Notes specific to that asset or liability.

2.21.1 Land & Buildings

The fair value of land and buildings is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

2.21.2 Investments in Equity Securities

The fair value of financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques.

2.21.3 Non-derivative Financial Liabilities

Fair value, which is determined for disclosure purposes, is calculated, based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

2.22 New Accounting Standards (SLFRS/LKAS) Issued but not yet Effective

2.22.1 Changes in accounting standard

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

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

2.22.1.1 SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 supersedes LKAS 11 Construction Contracts, LKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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

The Group has revised prior periods, as permitted by the Standard, to ensure comparability of the income statement across prior periods. This Standard has changed the way the Group accounts for consideration payable to customers, and requires certain payments to indirect customers, previously shown as marketing expenses, to be shown as deductions from revenue.

2.22.1.2 SLFRS 9 Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement, bringing together all three aspects of accounting for financial instruments which are classification and measurement, impairment and hedge accounting.

Classification and Measurement of Financial Assets and Financial Liabilities.

SLFRS 09 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under SLFRS 09 is generally based on the business model in which a financial asset is managed and its contractual Cash Flow characteristics. SLFRS 09 eliminates the previous LKAS 39 categories of held to maturity, loans and receivable and available for sale.

Trade and other receivable and Cash and Cash equivalents which were earlier classified as loans and receivable under LKAS 39, are classified as amortized cost under SLFRS 09.

SLFRS 09 largely retains the existing requirements in LKAS 39 for the classification and measurement of financial liabilities and the adoption of the standard has not had a significant effect on the Group's accounting policies related to financial liabilities.

The Group has adopted SLFRS 09 with no revision for prior periods, as permitted by the standard. A simplified "lifetime expected loss model" has been used for balances arising as a result of revenue recognition, as permitted by the standard, by applying a standard rate of provision on initial recognition of trade debtors based upon the Company's historical experience of credit loss modified by expectation of the future, and increasing this provision to take account of overdue receivables.

2.22.2 Standards issued but not yet effective

The following SLFRS has been issued by the Institute of Chartered Accountants of Sri Lanka, effective in the future and therefore has not been applied in preparing these Financial Statements. This SLFRS will have an effect on the accounting policies currently adopted by the Group and may have an impact on the future Financial Statements.

The Group intends to adopt this standard, if applicable, when it becomes effective.

Accounting Standard	Summary of the Requirements	Possible Impact on Consolidated Financial Statements
SLFRS 16 – Leases Effective on or after 1 January 2019 (early adoption permitted)	SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. It will result in almost all leases being recognised on the Statement of Financial Position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for the users of Financial Statements to assess the effect that leases have on the financial position.	The Group will apply the standard from its mandatory adoption date which is the financial reporting period starting from 1st April 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. The standard will affect primarily the accounting for the Group's operating leases and lease commitments. The Group will elect to apply the standard to contracts that were previously identified as leases applying LKAS 17 and IFRIC 4. The Group will elect to use the exemptions applicable to the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has rent agreements with several parties where the lease term ends within 12 months.

Notes to the Financial Statements

3 REVENUE

For the Year Ended 31st March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Export	**736,230**	772,120	**1,544,960**	1,374,673
Local Sales	**19,509**	27	**10,543**	33
Services	**-**	-	**4,996**	4,190
	755,739	772,147	**1,560,499**	1,378,896

4 OTHER OPERATING INCOME

For the Year Ended 31st March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Rent	**17,221**	16,989	**17,221**	17,732
Profit on Sale of Property, Plant & Equipment	**7,996**	432	**12,369**	432
Exchange Gains	**-**	1,528	**47**	1,528
Profit on Sale of Shares	**500**	-	**500**	-
Subscription for Solar Power Supply to CEB	**3,251**	-	**3,251**	-
Other Income	**-**	-	**-**	57
	28,968	18,949	**33,388**	19,749

5 FINANCE EXPENSES

For the Year Ended 31st March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Interest on Borrowings & Charges	**34,723**	4,741	**41,657**	6,333
Finance Charges on Lease Liabilities	**-**	-	**117**	49
Profit on Sale of Shares	**34,723**	4,741	**41,774**	6,382

6 GAIN ON BARGAINING PURCHASES

For the Year Ended 31st March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Gain on Bargaining Purchases	**-**	-	**169,576**	-
	-	-	**169,576**	-

7 FINANCE INCOME

For the Year Ended 31st March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Interest Income	**5,699**	23,238	**9,480**	23,238
Dividend	**-**	2,244	**54**	31
	5,699	25,482	**9,534**	23,269

8 PROFIT BEFORE TAX

Profit before tax is stated after charging all expenses including the following;

For the Year Ended 31st March	Company		Group	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Directors' Emoluments	**8,545**	9,919	**16,512**	12,792
Costs of Defined Employee Benefits				
Defined Benefit Plan Cost - Gratuity	**1,928**	3,259	**1,700**	3,259
Defined Benefit Plan Cost - E.P.F. & E.T.F.	**3,764**	3,589	**9,363**	3,669
Staff Expenses	**42,583**	41,654	**82,125**	42,962
Depreciation of Property, Plant & Equipment	**21,015**	19,453	**39,533**	20,282
Amortization	**-**	-	**384**	-
Auditors' Remuneration				
Audit	**726**	660	**2,853**	1,465
Non-Audit	**598**	530	**598**	530
Charity & Donations	**134**	159	**224**	159
Provision for Impairment	**20,850**	5,000	**-**	5,000
Investment written off - Equity Accounted Investee	**68,014**	-	**68,014**	-

9 INCOME TAX EXPENSES

The major components of Income Tax Expenses are as follows:

For the Year Ended 31st March	Note	Company		Group	
		2019	2018	2019	2018
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current Income Tax Charge					
Current Income Tax Charge	9.1	**-**	7,321	**2,732**	8,711
10% Withholding Tax on Investment Income		**-**	-	**-**	273
Tax Paid for Assessment		**17**	100	**23**	100
Deferred Tax Charge /(Release)				**-**	-
Relating to Origination & Reversal of Temporary Differences	9.2	**(6,227)**	(14,661)	**(15,988)**	(14,360)
Income Tax Expenses/ (Reversal) Reported in the Income Statement		**(6,210)**	(7,240)	**(13,233)**	(5,276)

9.1 Reconciliation between Current Tax Charge and the Accounting Profit

For the Year Ended 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Profit/(Loss) before Tax	**(145,981)**	(47,829)	**60,411**	(24,747)
Share of Results of Equity Accounted Investees	**-**	-	**-**	(16,706)
Profit after Adjustments	**(145,981)**	(47,829)	**60,411**	(41,453)
Non - Deductible Expenses	**97,908**	55,750	**105,224**	56,694
Income not Liable for Income Tax	**(19,996)**	(9,337)	**(18,673)**	(22,128)
Other Sources of Income	**(22,920)**	(40,227)	**(35,962)**	(40,227)
Deductible Expenses	**(19,059)**	(15,012)	**(21,876)**	(18,030)
Adjusted Profit/ (Loss) on Trade Business	**(110,048)**	(56,655)	**89,125**	(65,144)
Other Sources of Income	**22,920**	40,227	**22,920**	40,227
Capital Gain				
Adjustments	**-**	-	**-**	-
Agriculture Income	**-**	-	**-**	-
Assessable Income	**22,920**	40,227	**22,920**	40,227
Unrelieved Loss Claimed	**(22,920)**	(14,079)	**(23,551)**	(14,325)
	-	26,148	**(631)**	25,902
Deduction from Assessable Income	**-**	-	**-**	-
Taxable Income	**-**	26,148	**(631)**	25,902
Tax on Taxable Income				
Tax on Qualified Export Profit at 14%	**-**	-	**1,605**	-
Tax on Agriculture Profit at 17%	**-**	-	**-**	1,262
Income Tax on Standard Rate 28%	**-**	7,321	**-**	7,449
Capital Gain Tax at Tax Rate 10%	**-**	-	**1,126**	-
Current Tax Charge	**-**	7,321	**2,732**	8,711

9.2 Deferred Tax Expenses

For the Year Ended 31st March	Company		Group	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Deferred Tax Expenses arising from;				
Accelerated Depreciation for Tax Purposes	**(544)**	(5,049)	**(10,834)**	(4,143)
Revaluation of Investment Property to Fair Value	**(21,427)**	2,232	**(21,427)**	2,232
Retirement Benefit Obligation	**879**	77	**796**	77
Reversal/(Benefit) arising from Tax Losses	**14,865**	(11,921)	**15,478**	(12,526)
Deferred Tax charged directly to Income Statement	**(6,227)**	(14,661)	**(15,988)**	(14,360)
Other Comprehensive Income				
Deferred Tax Expenses arising from;				
Actuarial Losses on Defined Benefit Obligations	**(457)**	936	**(456)**	936
Revaluation of Land & Building to fair value	**(23,826)**	-	**(38,442)**	-
Total deferred tax charged/ (Credited) directly to OCI	**(24,283)**	936	**(38,898)**	936

Deferred tax has been computed at 14% for all standard rate companies.

9.3 Applicable Rates of Income Tax

The tax liability of the Group Companies is computed at the standard rate of 14% except for the following companies which enjoy full or partial exemptions and concessions.

Company	Basis	Concession	Period
Eastern Merchants PLC	Exporting Non Traditional Commodities	14%	Open Ended
Spice Lane (Private) Limited	Exporting Non Traditional Commodities	14%	Open Ended
Microcells (Private) Limited	Exporting Non Traditional Commodities	14%	For Seven Month Period

10 DISCONTINUED OPERATIONS

Considering the nature of business behavior of previous years, the Board of Directors have decided to categorise Asia Brush (Private) Limited and Asian Woodware Company (Private) Limited under Discontinued Operations.

The final negotiations for the disposal of other discontinued assets and liabilities are in progress.

10.1 The results of aforesaid operations for the year are presented below:

	Asia Brush (Private) Limited		Asian Woodware Company (Private) Limited		Adjustments		Group	
For the Year Ended 31st March	2019	2018	2019	2018	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Revenue	-	-	-	-	-	-	-	-
Cost of Sales	-	-	-	-	-	-	-	-
Gross Profit	-	-	-	-	-	-	-	-
Other Operating Income	-	1,124	-	-	-	-	-	1,124
	-	1,124	-	-	-	-	-	1,124
Administrative Expenses	(12,158)	(1,593)	(1,278)	(998)	897	-	(12,539)	(2,591)
Distribution Expenses	-	-	-	-	-	-	-	-
Profit / (Loss) from Operations	(12,158)	(469)	(1,278)	(998)	897	-	(12,539)	(1,467)
Finance Expenses	(51)	(22)	(29)	(16)	-	-	(80)	(37)
Finance Income	3	83	-	401	-	-	3	484
Profit/ (Loss) before Taxation	(12,206)	(408)	(1,307)	(613)	897	-	(12,616)	(1,021)
Taxation	-	(15)	-	(72)	-	-	-	(87)
Profit/ (Loss) for the year	(12,206)	(423)	(1,307)	(685)	897	-	(12,616)	(1,108)
Revaluation Surplus	(12,206)	(423)	(1,307)	(685)	897	-	(12,616)	(1,108)

10.2 Major Classes of Assets and Liabilities of Discontinued Operations

For the Year Ended 31st March	Asia Brush (Private) Limited		Asian Woodware Company (Private) Limited		Adjustments		Group	
	2019	2018	2019	2018	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets								
Amount Due from Related Parties	**135**	1,015	**-**	-	**(135)**	(1,015)	**-**	-
Inventory	**200**	1,500	**-**	-			**200**	1,500
Non Current Assets held for Sale								
Land	**87,700**	88,000	**-**	-	**-**	-	**87,700**	88,000
Buildings	**2,000**	9,000	**-**	-	**-**	-	**2,000**	9,000
Plant & Machineries	**1,500**	5,000	**300**	1,400	**-**	-	**1,800**	6,400
Motor Vehicle	**2,000**	2,000					**2,000**	2,000
Other Current Assets	**-**	65	**287**	287	**-**	-	**287**	352
Cash & Bank	**104**	383	**2**	576	**-**	-	**106**	959
Assets Classified as held for Sale	**93,639**	106,963	**589**	2,263	**(135)**	(1,015)	**94,093**	108,211
Liabilities								
Interest Bearing Borrowing	**-**	-	**-**	-	**-**	-	**-**	-
Director Current Accounts	**16,240**	16,338	**-**	-	**-**	-	**16,240**	16,338
Amount due to Related Parties	**107,079**	106,713	**47,291**	47,717	**(35,987)**	(36,467)	**118,383**	117,963
Trade Payables	**118**	59	**118**	59	**-**	-	**236**	118
Income Tax Payables	**17**	17	**274**	274	**-**	-	**291**	291
Liability Directly Associated with Assets Classified as held for Sale	**123,454**	123,127	**47,683**	48,050	**(35,987)**	(36,467)	**135,150**	134,710
Net Assets of Each Company and Total	**(29,815)**	(16,164)	**(47,094)**	(45,787)	**35,852**	35,452	**(41,057)**	(26,499)
Adjustments with other Companies in the Group							**118,383**	117,963
Impairment Provision for Investment in Subsidiary Company							**(2,200)**	(2,200)
Net Assets Directly Associated with Disposal Group							**75,126**	89,264

10.3 Cash Flows Generated From/(Used in) Discontinued Operations

For the Year Ended 31st March	Asia Brush (Private) Limited		Asian Woodware Company (Private) Limited		Adjustments		Group	
	2019 Rs.'000	2018 Rs.'000	**2019 Rs.'000**	2018 Rs.'000	**2019 Rs.'000**	2018 Rs.'000	**2019 Rs.'000**	2018 Rs.'000
Net Cash Generated from/(used in) Operating Activities	**(995)**	(2,567)	**(574)**	(6,385)	**-**	-	**(1,569)**	(8,952)
Net Cash from Investing Activities	**755**	1,902	**-**	-	**-**	-	**755**	1,902
Net Cash used for Financing Activities	**-**	847	**-**	-	**-**	-	**-**	847
Net Cash Inflow/ (Outflow)	**(240)**	182	**(574)**	(6,385)	**-**	-	**(814)**	(6,203)

11 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Net Profit/(Loss) for the year attributable to ordinary shareholders of the Company by the Weighted Average Number of Ordinary Shares. The following reflects the income and share data used in the basic earnings per share computation.

For the Year Ended 31st March	Company		Group	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Amount used as the Numerator				
Net Profit/(Loss) Attributable to Ordinary Shareholders (In Rs. '000)	**(139,770)**	(40,589)	**68,501**	(20,412)
Amount used as the Denominator				
Weighted Average Number of Ordinary Shares (In '000)	**117,446**	117,446	**117,446**	117,446
Basic Earning per Share (Rs.)	**(1.19)**	(0.35)	**0.58**	(0.17)

There were no potentially dilutive ordinary shares outstanding at any time during the year.

12 DIVIDEND PER SHARE

For the Year Ended 31st March	Company		Group	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Equity Dividend on Ordinary Shares declared and paid during the year	-	-	-	-
Total Dividend	-	-	-	-

13 PROPERTY, PLANT & EQUIPMENT

13.1 Company

As At 31st March	Land	Buildings	Plant & Machinery	Motor Vehicles	Furniture & Fittings	Office Equipment	Stores & Other Equipment	Computer Hardware	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
13.1.1 Cost / Revaluation									
As at 01st April 2018	664,713	137,113	15,701	75,947	4,300	9,364	22,182	6,780	936,100
Additions	-	-	-	31,346	-	-	-	140	31,486
Revaluation	57,616	18,210	-	-	-	-	-	-	75,826
Adjustment	-	(13,712)	-	-	-	-	-	-	(13,712)
Disposals	-	-	-	(21,663)	-	-	-		(21,663)
As at 31st March 2019	722,329	141,611	15,701	85,630	4,300	9,364	22,182	6,920	1,008,037
13.1.2 Depreciation									
As at 01st April 2018	-	6,856	14,525	43,026	4,236	5,977	6,151	5,778	86,549
Charge for the year	-	6,856	442	11,167	58	461	1,737	294	21,015
Revaluation Adjustment	-	(13,712)							(13,712)
Disposals	-	-	-	(18,034)	-	-	-	-	(18,034)
As at 31st March 2019	-	-	14,967	36,159	4,294	6,438	7,888	6,072	75,818
13.1.3 Net Book Value									
As at 31st March 2019	722,329	141,611	734	49,471	6	2,926	14,294	848	932,219
As at 31st March 2018	664,713	130,257	1,176	32,921	64	3,387	16,031	1,002	849,551

13.1.4 The carrying amount of Company's revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation is as follows:

Class of Asset	2019			2018		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Land	**308,263**	**-**	**308,263**	308,263	-	308,263
Add: Addition during the year	**-**	**-**	**-**	-	-	-
Less: Disposal during the year	**-**	**-**	**-**	-	-	-
	308,263	**-**	**308,263**	308,263	-	308,263
Buildings	**98,996**	**(45,506)**	**53,490**	98,996	(45,506)	53,490
Add: Addition during the year	**-**	**(4,950)**	**(4,950)**	-	-	-
Less: Cost of Building Disposed	**-**	**-**	**-**	-	-	-
	98,996	**(50,456)**	**48,540**	98,996	(45,506)	53,490
Total	**407,259**	**(50,456)**	**356,803**	407,259	(45,506)	361,753

13.1.5 During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs.31Mn (2018 - Rs. 13 Mn). Cash payments amounting to Rs.31 Mn (2018- Rs. 13 Mn) were made during the year for purchase of Property, Plant & Equipment.

13.1.6 Property, Plant & Equipment includes fully depreciated assets having gross carrying value of Rs.34 Mn (2018 - Rs. 28 Mn.)

13 PROPERTY, PLANT & EQUIPMENT

13.2 Group

As At 31st March	Land	Buildings	Plant & Machinery	Motor Vehicles	Furniture & Fittings	Office Equipment	Stores & Other Equipment	Computer Hardware	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
13.2.1 Cost / Revaluation									
As at 01st April 2018	664,713	150,807	33,577	75,947	4,502	9,601	22,860	6,800	968,807
Additions	183,450	172,647	307,720	84,264	15,810	8,863	66,522	16,834	856,110
Revaluation Surplus	175,070	38,715	-	-	-	-	-	-	213,785
Adjustment	-	(26,305)	-	-	-	-	-	-	(26,305)
Disposals	(41,750)	(1,250)	(43,496)	(64,190)	(112)	-	(562)	(20)	(151,380)
As at 31st March 2019	981,483	334,614	297,801	96,021	20,200	18,464	88,820	23,614	1,861,017
13.2.2 Depreciation									
As at 01st April 2018	-	7,358	19,909	43,026	4,285	5,999	6,381	5,788	92,746
Charge for the year	-	20,580	43,008	51,546	15,441	8,551	52,391	15,983	207,500
Revaluation Adjustment	-	(26,306)	-	-	-	-	-	-	(26,306)
Disposals	-	(79)	(810)	(57,384)	(51)	-	(283)	(13)	(58,620)
As at 31st March 2019	-	1,553	62,107	37,188	19,675	14,550	58,489	21,758	215,320
13.2.3 Net Book Value									
As at 31st March 2019	981,483	333,061	235,694	58,833	525	3,914	30,331	1,856	1,645,697
As at 31st March 2018	664,713	143,449	13,668	32,921	217	3,602	16,479	1,012	876,061

13.2.4 The carrying amount of Group's revalued assets that would have been included in the Financial Statements had the assets been carried at cost less depreciation is as follows:

	2019			2018		
Class of Asset	**Cost**	**Accumulated Depreciation**	**Net Book Value**	**Cost**	**Accumulated Depreciation**	**Net Book Value**
	Rs.'000	**Rs.'000**	**Rs.'000**	Rs.'000	Rs.'000	Rs.'000
Land	**308,263**	**-**	**308,263**	308,263	-	308,263
Add: Addition during the year	**183,450**	**-**	**183,450**	-	-	-
Less: Disposal during the year	**(41,750)**	**-**	**(41,750)**	-	-	-
	449,963	**-**	**449,963**	308,263	-	308,263
Buildings	**51,691**	**(42,437)**	**9,254**	51,691	(41,440)	10,251
Add: Addition during the year	**172,647**	**(9,095)**	**163,552**	57,355	(997)	56,358
Less: Cost of Building Disposed	**(1,250)**	**79**	**(1,171)**	-	-	-
	223,088	**(51,453)**	**171,635**	109,046	(42,437)	66,609
Total	**673,051**	**(51,453)**	**621,598**	417,309	(42,437)	374,872

13.2.5 During the financial year, the Group acquired Property, Plant & Equipment to the aggregate value of Rs.856 Mn (2018- Rs. 18 Mn). Cash payments amounting to Rs.856 Mn (2018 - Rs. 13 Mn) were made during the year for purchase of Property, Plant & Equipment.

13.3 Property, Plant & Equipment includes fully depreciated assets having gross carrying value of Rs.35 Mn (2018- Rs.28 Mn.)

13.4 Details of Property, Plant & Equipment Stated at Valuation are indicated below

Revaluation of Land & Buildings

The Group uses the revaluation model of measurement for land and buildings. The Group engaged independent expert valuers, to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence. Valuations are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The details of properties stated at valuation are given below.

Class of Asset	Extents		Method of Valuation	Effective date of Valuation	Value Rs. '000	Name of the Chartered Valuation Surveyor
	Buildings in Sq.Ft	Land in Acres				
Property						
Eastern Merchants PLC						
Land						
No. 101, Gonawela Rd, Heiyantuduwa, Sapugaskanda		A.2 - R.3- P.36.10	Open Market Value	31st March 2019	211,509	Dr. Gaminda Haegoda
No. 42, Castle Street, Colombo 08		A.0 - R.0- P.27.90	Open Market Value	31st March 2019	307,400	Dr. Gaminda Haegoda
No. 240, Torrington Avenue, Colombo 7		A.0 - R.0- P.17.69	Open Market Value	31st March 2019	203,420	Dr. Gaminda Haegoda
					722,329	
Buildings						
No.101, Gonawela Rd, Heiyantuduwa, Sapugaskanda. - Five Buildings	33,157		Open Market Value	31st March 2019	82,733	Dr. Gaminda Haegoda
No. 240, Torrington Avenue, Colombo 7 - One Building	6,400		Open Market Value	31st March 2019	58,880	Dr. Gaminda Haegoda
					141,613	
Asia Brush (Private) Limited - Discontinued with effect from 30/04/2015						
Land						
No. 520, A/1, Susilarama Road, Malabe.		A.0 - R.0- P.146.2	Open Market Value	31st March 2019	87,700	Dr. Gaminda Haegoda
Buildings						
No. 520, A/1, Susilarama Road, Malabe.	16,135		Open Market Value	31st March 2019	2,000	Dr. Gaminda Haegoda
Microcells (Private) Limited -Fully Acquisition with effect from 24/08/2018						
Corpus residential property with building and one building block situated at Swarnananda Housing Scheme, Mampe, Piliyandala	-	A.0 - R.3- P.82.79	Open Market Value		47,604	Dr. Gaminda Haegoda
	7,553	-		31st March 2019	16,743	
Corpus residential property with Assessment No. 135 Koskanatta Road Mampe, Piliyandala - Factory Building	-	A.1 - R.0- P.155.66	Open Market Value	31st March 2019	174,402	Dr. Gaminda Haegoda
	55121	-			162,567	
Koskanatta Road, Mampe, Piliyandala	-	A.0 - R.0- P.92.97	Open Market Value	31st March 2019	37,148	Dr. Gaminda Haegoda

Valuation Methodology

Open market value method (OMV)

Open market value method uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

14 INTANGIBLE ASSETS

As at 31st March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Computer Software	-	-	-	-
At Cost	-	-	-	-
At the beginning of the year			-	
Additions			8,576	
At the end of the year			8,576	
Accumulated Amortization & Impairment				
At the beginning of the year			-	
Amortization			4,878	
Impairment			-	
At the end of the year			4,878	
Carrying Value			3,698	

15 INVESTMENT PROPERTY

As at 31st March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Fair Value at the beginning of the year	199,250	192,590	255,150	245,790
Value of Land Transferred from Owner Occupied	-	-	-	-
Value of Building Transferred from Owner Occupied	-	-	-	-
Value of Investment Property Sold during the year	-	-	(55,900)	-
Change in Fair Value during the year	12,000	6,660	12,000	9,360
At the end of the year	211,250	199,250	211,250	255,150

A Description of valuation techniques used and key inputs to valuation on investment properties:

Property	Name of the Chartered Valuation Surveyor for 2019	Method of Valuation	Estimated Price per Perch 2018 Rs.	Estimated Price per Square foot 2018 Rs.	Estimated Price per Perch 2019 Rs.	Estimated Price per Square Foot 2019 Rs.	Extent	Value 2019 Rs.'000	Value 2018 Rs.'000
Eastern Merchants PLC									
No.101, & No.20 , Heiyantuduwa Sapugaskanda									
Land	Dr. Gaminda Haegoda	Market Value	475,000	-	**485,000**	**-**	200 Perches	**97,000**	95,000
One Building	- do -	- do -	-	2,300	**-**	**2,500**	12,800 Sq.Ft	**32,000**	32,000
One Building	- do -	- do -	-	2,900	**-**	**3,500**	23,500 Sq.Ft	**82,250**	73,438
								211,250	200,438
Spice Lane (Private) Limited									
Land	Dr. Gaminda Haegoda	Market Value	59,975				642 Perches	**-**	38,520
Building	Dr. Gaminda Haegoda	Market Value	-	950	**-**	**-**	9,350 Sq.Ft	**-**	9,817
- do -	- do -	- do -	-	750	**-**	**-**	3,000 Sq.Ft	**-**	2,460
- do -	- do -	- do -	-	275	**-**	**-**	300 Sq.Ft	**-**	95
- do -	- do -	- do -	-	400	**-**	**-**	60 Sq.Ft	**-**	27
- do -	- do -	- do -	-	600	**-**	**-**	2,180 Sq.Ft	**-**	1,504
- do -	- do -	- do -	-	1,800	**-**	**-**	760 Sq.Ft	**-**	1,474
- do -	- do -	- do -	-	1,000	**-**	**-**	760 Sq.Ft	**-**	783
- do -	- do -	- do -	-	650	**-**	**-**	42 Sq.Ft	**-**	32
Total No of Buildings - 8					**-**	**-**		**-**	54,712
								211,250	255,150

The Group engaged an independent Chartered Valuation Surveyor to assess the fair value of investment properties as at 31st March 2019.

As at 31st March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
B Income and Expenditure on Investment Property				
Rent Income	**17,221**	15,616	**17,221**	19,281
Direct Operating Expenses	**(245)**	(167)	**(245)**	(266)
Net Income	**16,976**	15,449	**16,976**	19,015

15.1 The Board of Directors has adopted the fair value model to value the investment properties of the Company which was valued at fair value by Dr. Gamini Haegoda as at 31st March 2019.

15.2 The carrying amount of Investment Property if they were carried at cost less depreciation would be as follows;

As at 31st March	Company		Group	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Land - Cost	**16,115**	16,115	**50,565**	50,565
Add: Transferred from Owner Occupied	**-**	-	**-**	-
Less: Cost of Disposal Land	**-**	-	**(34,450)**	-
Book Value	**16,115**	16,115	**16,115**	50,565
Building - Cost	**47,477**	47,477	**47,477**	47,477
Add: Transferred from Owner Occupied	**-**	-	**-**	-
Accumulated Depreciation	**(12,691)**	(11,079)	**(14,628)**	(13,016)
Less: Cost of Disposal Building	**-**	-	**(34,450)**	-
Accumulated Depreciation of Disposal Building	**-**	-	**2,562**	-
Net Book Value	**34,787**	36,398	**962**	34,461
Net Book Value of Investment Property	**50,902**	52,513	**17,077**	85,026

16 INVESTMENT IN SUBSIDIARIES

As at 31st March		Company	
		2019	2018
	Notes	Rs.'000	Rs.'000
Investments in Subsidiaries	16.1	**628,060**	63,370
		628,060	63,370

16.1 Investments in Subsidiaries

As at 31st March	Company				
	No. of Shares			Book Value	
	2019	2018	2019		2018
			Rs.'000	Rs.'000	Rs.'000
Unquoted - Consolidated					
Eamel Exports (Private) Limited	**25,875**	25,875		**1,203**	1,203
Asian Woodware Company (Private) Limited	**487,996**	487,996	**4,880**		
Less: Provision for Impairment			**(4,880)**	**-**	-
Asia Brush (Private) Limited	**752,497**	752,497	**6,733**		
Less: Provision for Impairment			**(6,733)**	**-**	-
Spice Lane (Private) Limited	**7,000,000**	6,105,000		**70,000**	61,050
Eastern Merchants Commodities (Pte) Ltd.	**100**	100		**1,117**	1,117
Microcells (Private) Limited	**512,325**	-		**555,740**	-
				628,060	63,370

17 INVESTMENT IN EQUITY ACCOUNTED INVESTEES

As at 31st March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Investments in Associates - Unquoted				
17.1 Cost of Equity Accounted Investee				
Health Ingredients Ceylon (Pvt) Ltd.	**118,356**	118,356	**118,356**	118,356
Summarised financial information of the above Company is shown in Note No. 44				
	118,356	118,356	**118,356**	118,356
17.2 Movement of Equity Accounted Investee				
Balance brought forward	**(50,342)**	(28,636)	**(50,342)**	(28,636)
Current year Share of Profit/(Loss)	**-**	(16,706)	**-**	(16,706)
Other Comprehensive Income	**-**	-	**-**	-
Less: Written off	**-**	-	**-**	-
Less: Written off / Provision for Impairment	**(68,014)**	(5,000)	**(68,014)**	(5,000)
Total Share of Equity Accounted Investee	**(118,356)**	(50,342)	**(118,356)**	(50,342)
Total Carrying Amount of Investment in Equity Accounted Investees	**-**	68,014	**-**	68,014

18 NON CURRENT FINANCIAL ASSETS

As at 31st March	Group 2019	Group 2018	Group 2019 Rs.'000	Group 2018 Rs.'000
Quoted Securities - Shares				
Eastern Merchants PLC	**5,668,714**	5,668,714	**21,906**	31,537
Ceylon Leather Products PLC	**7,500**	7,500	**346**	409
Piramal Glass PLC	**50,000**	50,000	**175**	290
Diesel & Motor Engineering PLC	**1,020**	1,020	**311**	474
			22,738	32,710

19 INVENTORIES

As at 31st March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Finished Goods	**56,362**	58,952	**121,218**	65,634
Raw Material	**-**	-	**40,170**	-
Work in Progress			**306**	-
Packing Materials	**2,390**	2,445	**3,468**	2,826
	58,752	61,397	**165,162**	68,460

20 TRADE & OTHER RECEIVABLES

As at 31st March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Trade Receivables	**45,338**	46,115	**164,348**	108,921
Other Receivables	**5,362**	5,170	**7,434**	5,445
	50,700	51,285	**171,782**	114,366

21 OTHER CURRENT ASSETS

As at 31st March	Note	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Pre-payments & Non Cash Receivables		**21,921**	20,808	**69,011**	20,808
Income Tax Refunds	21.1	**16,467**	10,633	**27,329**	10,925
		38,388	31,441	**96,340**	31,733

21.1 Income Tax Refunds

Balance at the beginning of the year	**10,633**	11,517	**10,925**	11,676
Income Tax Paid	**-**	-	**2,004**	261
ESC Paid	**3,834**	-	**11,415**	-
Over payment of Subsidiary Company Acquired	**-**	-	**4,924**	-
WHT	**1,999**	-	**2,150**	-
	16,467	11,517	**31,418**	11,937
Income Tax Charged for the year	**-**	(7,321)	**(4,102)**	(7,449)
ESC Set-off against Income Tax	**-**	4,876	**-**	4,876
WHT Set-off against Income Tax	**-**	1,562	**-**	1,562
Balance at the end of the year	**16,467**	10,633	**27,316**	10,925

22 AMOUNTS DUE FROM RELATED PARTIES

As at 31st March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Asia Brush (Private) Limited - Refer Note No 37.2.1.B	**49,237**	69,722	**-**	-
Asian Woodware Company (Private) Limited - Refer Note No 37.2.1.D	**-**	1,688	**-**	-
Health Ingredients Ceylon (Pvt) Ltd	**-**	30,460	**-**	30,460
	49,237	101,870	**-**	30,460

23 SHORT TERM INVESTMENTS

As at 31st March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Fixed Deposits				
NDB	**-**	-	**7,493**	-
Sampath Bank	**-**	-	**8,670**	-
Cargills Bank	**-**	163,026	**-**	163,026
DFCC Bank	**-**	-	**3,848**	-
	-	163,026	**20,011**	163,026

24 CASH IN HAND & AT BANK

As at 31st March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Cash at Bank	**54,447**	5,338	**89,188**	12,233
Cash in hand	**583**	567	**880**	702
	55,030	5,905	**90,068**	12,935

25 STATED CAPITAL

As at 31st March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Value of Shares				
Fully Paid Ordinary Shares	**16,778**	16,778	**16,576**	16,576
Number of Shares				
Fully Paid Ordinary Shares	**117,446**	117,446	**111,777**	111,777
	117,446	117,446	**111,777**	111,777

25.1 A subsidiary company Eamel Exports (Private) Limited continues to hold shares in holding Company as per the provisions of Section 72 of the Companies Act No 7 of 2007. As at 31st March 2019, Eamel Exports (Private) Limited holds 4.83% of its holding Company shares, Eastern Merchants PLC in line with above provisions. There is no other subsidiary Company within the group which holds shares of Eastern Merchants PLC.

The effect of cross holding to the Group Stated Capital is given below.

	No of Shares 000	Value Rs.'000
Stated Capital of the Company	**117,446**	16,778
Shares Acquired by a Subsidiary before 21st May 1982	**(7,000)**	(250)
	110,446	16,528
Shares Disposed as at 31/03/2016	**1,172**	42
Balance as at 31st March 2016	**111,618**	16,570
Shares Disposed during the year - 2016/17	**159**	6
Balance as at 31st March 2018	**111,777**	16,576
Balance as at 31st March 2019	**111,777**	16,576

26 REVENUE RESERVES

As at 31st March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Retained Earnings				
Balance - As per Equity Statement	**875,211**	1,017,347	**1,144,900**	1,078,770
Total Revenue Reserves	**875,211**	1,017,347	**1,144,900**	1,078,770

27 OTHER COMPONENTS OF EQUITY

As at 31st March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Capital Reserves				
Revaluation Reserve	**553,895**	501,896	**725,695**	550,351
Foreign Currency Translation Reserve	**-**	-	**3,045**	120
Fair Value Reserve of Financial Assets at FVOCI	**-**	-	**(16,784)**	(11,620)
Total Capital Reserve	**553,895**	501,896	**711,956**	538,851

Revaluation Reserve consists of the net surplus on the revaluation of freehold lands & buildings.

Foreign currency translation reserve comprises the net exchange movement arising on the currency translation of foreign operations into Sri Lankan Rupees.

Fair Value Reserve of Financial Assets at FVOCI includes changes of fair value of financial instruments designated as non financial assets.

28 DEFERRED TAX (LIABILITY) /ASSETS

As at 31st March	Note	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Balance at the beginning of the year		**(699)**	(16,296)	**(282)**	(15,578)
Charge/(Reversal) for the year					
Profit or Loss	9.2	**6,227**	14,661	**(11,517)**	14,360
OCI	9.2	**(24,283)**	936	**(38,898)**	936
Balance at the end of the year		**(18,754)**	(699)	**(50,697)**	(282)

28.1 Net Deferred Tax Assets

As at 31st March	Note	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Deferred Tax Assets	28.2	**36,788**	52,988	**39,225**	55,377
Deferred Tax Liabilities	28.2	**(55,542)**	(53,687)	**(89,922)**	(55,659)
		(18,754)	(699)	**(50,697)**	(282)

28.2 Recognised Deferred Tax Assets & Liabilities

Deferred tax assets & liabilities are attributable to the following:

	Company			
	Assets		Liabilities	
As at 31st March	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property, Plant & Equipment	-	-	(25,959)	(28,165)
Employee Benefits	1,807	3,142	-	-
Investment Property	-	-	(29,583)	(25,522)
Adjusted Tax Loss	34,981	49,846	-	-
Net Tax (Assets)/ Liabilities	36,788	52,988	(55,542)	(53,687)

	Group			
	Assets		Liabilities	
As at 31st March	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property, Plant & Equipment	-	-	(60,339)	(30,137)
Employee Benefits	2,643	3,142	-	-
Investment Property	-	-	(29,583)	(25,522)
Adjusted Tax Loss	36,582	52,235	-	-
Net Tax (Assets)/ Liabilities	39,225	55,377	(89,922)	(55,659)

29 INTEREST BEARING BORROWINGS

29.1 Company

	As at 31st March		2019			2018		
			Amount Re-payable within 1 year	Amount Re-payable after 1 year	Total	Amount Re-payable within 1 year	Amount Re-payable after 1 year	Total
		Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
29.1.1	Bank Loans	29.1.1.1	348,274	7,432	355,706	7,948	8,997	16,945
			348,274	7,432	355,706	7,948	8,997	16,945
29.1.2	Bank Overdrafts		74,470	-	74,470	25,648	-	25,648
			74,470	-	74,470	25,648	-	25,648
			422,744	7,432	430,176	33,596	8,997	42,593

29.1.1.1 Bank Loans

	As at 01/04/2017	Loans obtained	Re-payment	As at 31/03/2018	Loans obtained	Re-payment	As at 31/03/2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Bank Loans	59,107	10,170	(52,332)	16,945	549,343	(210,582)	355,706
	59,107	10,170	(52,332)	16,945	549,343	(210,582)	355,706

29.2 Group

As at 31st March		2019			2018		
		Amount Re-payable within 1 year	Amount Re-payable after 1 year	Total	Amount Re-payable within 1 year	Amount Re-payable after 1 year	Total
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
29.2.1 Bank Loans	29.2.1.1	**415,915**	**7,432**	**423,347**	7,948	8,997	16,945
		415,915	**7,432**	**423,347**	7,948	8,997	16,945
29.2.2 Bank Overdrafts		**95,603**	**-**	**95,603**	69,693	-	69,693
		95,603	**-**	**95,603**	69,693	-	69,693
		511,518	**7,432**	**518,950**	77,641	8,997	86,638

29.2.1.1 Bank Loans

	As at 01/04/2017	Loans obtained	Re-payment	As at 31/03/2018	Loans obtained	Re-payment	As at 31/03/2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Bank Loans	59,107	10,170	(52,332)	16,945	955,658	(549,256)	**423,347**
	59,107	10,170	(52,332)	16,945	955,658	(549,256)	**423,347**

30 RETIREMENT BENEFIT OBLIGATIONS

As at 31st March	Company		Group	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance at the Beginning of the year	**11,221**	8,155	**11,221**	8,155
Current Service Cost	**806**	2,013	**7,055**	2,013
Interest for the year	**1,122**	1,246	**1,647**	1,246
Actuarial Loss/(Gains)	**1,909**	2,585	**1,915**	2,585
Payments made during the year	**(2,154)**	(2,778)	**(2,959)**	(2,778)
Balance at the end of the year	**12,904**	11,221	**18,879**	11,221

30.1 Defined Benefit Plan - Gratuity

The employee benefit liability of the Group is based on the actuarial valuation carried out by independent actuarial specialists. The actuarial valuations involve making assumptions about discount rates and future salary increases. Given the complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The principal assumptions used in determining the cost of employee benefits were:

As at 31st March	Company		Group	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Discount Rate	**11.3%**	10.00%	**10%**	10.00%
Future Salary Increases	**5%**	5%	**5%**	5%
Retirement Age	**55 Years**	55 Years	**55 Years**	55 Years

The Gratuity Liability is not externally funded.

30.2 Net Benefit Expenses Categorised under Personnel Expenses:

As at 31st March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Interest Cost	**1,122**	1,246	**1,647**	1,246
Current Service Cost	**806**	2,013	**7,055**	2,013

30.3 Sensitivity of Assumptions Used

A one percentage change in the assumptions would have the following effects

As at 31st March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Discount Rate				
1% Increase	**(437)**	(368)	**(696)**	(439)
1% Decrease	**478**	402	**775**	483
Salary Increment rate:				
1% Increase	**451**	485	**716**	460
1% Decrease	**(417)**	(449)	**(717)**	(424)

31 TRADE & OTHER PAYABLES

As at 31st March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Trade Creditors including Accrued Expenses	**25,513**	1,284	**47,314**	10,779
	25,513	1,284	**47,314**	10,779

32 AMOUNTS DUE TO RELATED PARTIES

As at 31st March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Spice Lane (Private) Limited	**69,064**	-	**-**	-
Eamel Exports (Private) Limited	**6,000**	-	**-**	
Director's Current Account	**12,050**	-	**12,050**	-
	87,114	-	**12,050**	-

33 OTHER CURRENT LIABILITIES

As at 31st March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Other Non Financial Liabilities	**3,291**	3,291	**4,047**	3,291
	3,291	3,291	**4,047**	3,291

34 INCOME TAX PAYABLE

As at 31st March	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
Balance at the Beginning of the year	**-**	-	**1,282**	722
Provision for the year	**-**	-	**1,126**	1,409
Tax Paid during the year	**-**	-	**(1,212)**	(983)
Transferred to Overpayment	**-**	-	**-**	134
	-	-	**1,196**	1,282

35 FINANCIAL INSTRUMENTS

Financial assets & liabilities are split into categories in accordance with SLFRS 9 as follows.

As at 31st March	Note	Company 2019 Rs.'000	Company 2018 Rs.'000	Group 2019 Rs.'000	Group 2018 Rs.'000
35.1 Financial Assets by Categories					
35.1.1 Financial Instruments in Non-Current Assets					
Non Current Financial Assets	18	**-**	-	**22,738**	32,710
		-	-	**22,738**	32,710
35.1.2 Financial Instruments in Current Assets					
Trade & Other Receivables	20	**50,700**	51,285	**171,782**	114,366
Amounts due from Related Parties	22	**49,237**	101,870	**-**	30,460
Short Term Investments	23	**-**	163,026	**20,011**	163,026
Cash in hand & At Bank	24	**55,030**	5,905	**90,068**	12,935
		154,967	322,086	**281,860**	320,788
Total Financial Assets		**154,967**	322,086	**304,599**	353,498
35.2 Financial Liabilities by Categories					
35.2.1 Financial Instruments in Non-Current Liabilities					
Interest Bearing Borrowings		**7,432**	8,997	**7,432**	8,997
		7,432	8,997	**7,432**	8,997
35.2.2 Financial Instruments in Current Liabilities					
Trade & Other Payables	31	**25,513**	1,284	**47,314**	10,779
Amounts due to Related Parties	32	**87,114**	-	**12,050**	-
Current Portion of Interest Bearing Borrowings	29	**348,274**	7,948	**415,915**	7,948
Bank Overdrafts	29.1.1.1	**74,470**	25,648	**95,603**	69,693
Total Financial Instruments in Current Liabilities		**535,371**	34,880	**570,882**	88,420
Total Financial Liabilities		**542,803**	43,877	**578,314**	97,417

36 FAIR VALUE MEASUREMENT

Fair value related disclosures for financial instruments and non- financial assets that are measured at fair value or where fair values are only disclosed are reflected in this note. Aside from this note, additional fair value related disclosures including the valuation methods, significant estimates and assumptions are also provided in:

Property, Plant & Equipment under revaluation model - Note 13
Investment Property - Note 15
Non-current Financial Assets - Note 18

Financial Instruments (including those carried at amortized cost)

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

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

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

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring fair value measurement such as investment properties and unquoted financial assets, and for non-recurring measurement such as assets of discontinued operations.

External valuers are involved for valuation of significant assets, such as land and building and investment properties. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The Group decides, after discussions with the external valuers, which valuation techniques and inputs to use for individual assets. For the purpose of fair value disclosures, the Group has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy as explained above.

36.1 FAIR VALUE MEASUREMENT HIERARCHY - GROUP

The Group held the following financial instruments carried at fair value in the Statement of Financial Position.

FINANCIAL ASSETS

	Level 1		Level 2		Level 3		Total	
As at 31st March	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000	**Rs.'000**	Rs.'000	**Rs.'000**	Rs.'000
Non Current Financial Assets	**22,738**	33,710	**-**	-	**-**	-	**22,738**	33,710
NON FINANCIAL ASSETS								
Assets Measured at Fair Value	**-**	-	**-**	-	**-**	-	**-**	-
Land & Buildings	**-**	-	**-**	-	**1,314,544**	815,520	**1,314,544**	815,520
Investment Property	**-**	-	**-**	-	**211,250**	255,150	**211,250**	255,150
Assets Classified as held for Sale	**-**	-	**-**	-	**75,126**	89,264	**75,126**	89,264

FAIR VALUE MEASUREMENT HIERARCHY - COMPANY

	Level 1		Level 2		Level 3		Total	
As at 31st March	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000	**Rs.'000**	Rs.'000	**Rs.'000**	Rs.'000
Non Current Financial Assets	**-**	-	**-**	-	**-**	-	**-**	-
NON FINANCIAL ASSETS								
Assets Measured at Fair Value	**-**	-	**-**	-	**-**	-	**-**	-
Land & Buildings	**-**	-	**-**	-	**857,084**	794,970	**857,084**	794,970
Investment Property	**-**	-	**-**	-	**-**	-	**-**	-
Assets Classified as held for Sale	**-**	-	**-**	-	**211,250**	199,250	**211,250**	199,250

Reconciliation of fair value measurements of level 1 financial instruments.

The Group and Company carries equity shares as non-current financial assets classified as Level 1 within the fair value hierarchy. A reconciliation of the beginning and closing balances including movements is summarised below:

As at 31st March	**2019**	2018
	Rs.'000	Rs.'000
Quoted Securities - Group		
Balance at the beginning of the year	**32,710**	29,394
Sales	**-**	-
Total gains and losses recognised in OCI	**(9,972)**	3,316
Balance at the end of the year	**22,738**	32,710

37 DIRECTORS INTEREST IN CONTRACTS / RELATED PARTY TRANSACTIONS

37.1 The Directors of the Company are also directors of the following related companies

Name of the Directors	Eastern Merchants PLC	Asia Brush (Private) Limited	Eamel Exports (Private) Limited	Asian Woodware Company (Private) Limited	Spice Lane (Private) Limited	Health Ingredients Ceylon (Pvt) Ltd.	Eastern Merchants Commodities (Pte) Ltd.	Microcells (Private) Limited
Mr. J.B.L. De Silva	Y	Y	Y	Y	Y	Y	Y	Y
Mr. H.J. De Silva	Y	Y	Y	Y	Y	-	Y	Y
Mr. C.S.L. De Silva	Y	Y	Y	Y	Y	Y	Y	Y
Mr. S. Jayakody	Y	-	Y	-	Y	-	Y	Y
Mr. N.K.L. Thilakaratne	Y	Y	Y	Y	-	-	-	-
Mrs. C.I. Thilakaratne	Y	Y	-	Y	-	-	-	-
Mr. R. Pradeep	Y	-	-	-	-	-	-	-
Mr. F. Mushin	Y	-	-	-	-	-	-	-
Mrs. N. Nanayakkara	Y	-	-	-	-	-	-	-
Mrs. G.R.J. De Silva	-	-	-	-	-	-	-	Y

37.2 Details of Significant Related Party Transactions are disclosed as follows;

For the year ended 31st March	2019 Rs.'000	2018 Rs.'000
37.2.1 Transactions with subsidiaries		
A Eamel Exports (Private) Limited		
Current Account Balance - Payables		
Balance at the beginning of the year	-	5,984
Fund Transfers	.	180
Acquisition of Share by Eastern Merchants PLC	6,000	-
Settlement	-	(6,164)
Balance at the end of the year	6,000	-
B Asia Brush (Private) Limited		
Current Account Balance - Receivable		
Balance at the beginning of the year	87,472	87,472
Fund Transfers	365	-
Settlement of Loans	-	-
	87,837	87,472
Provision for Impairment	(38,600)	(17,750)
Balance at the end of the year	49,237	69,722
C Eastern Merchants Commodities (Pte) Ltd.		
Current Account Balance - Receivable		
Balance at the beginning of the year	-	1,520
Fund Transfers	-	12,604
Exchange Gain	-	-
Reimbursements	-	(14,124)
Balance at the end of the year	-	-

	For the year ended 31st March	2019 Rs.'000	2018 Rs.'000
D	**Asian Woodware Company (Private) Limited**		
	Current Account Balance - Receivable		
	Balance at the beginning of the year	**11,250**	11,250
	Fund Transfers	**55**	-
	Provision for Impairment	**(11,305)**	(9,562)
	Balance at the end of the year	**-**	1,688
E	**Spice Lane (Private) Limited**		
	Current Account Balance - Payable		
	Balance at the beginning of the year	**-**	11,641
	Loan Granted/ (Settled) to Eastern Merchants PLC	**69,064**	(31,884)
	Interest	**-**	-
	Payments by Spice Lane (Private) Limited on behalf of the Company	**-**	20,242
	Balance at the end of the year	**69,064**	-
F	**Health Ingredients Ceylon (Pvt) Ltd.- Associate Company**		
	Current Account Balance -Receivable		
	Balance at the beginning of the year	**30,460**	27,175
	Fund Transfers	**-**	-
	Interest Charged	**-**	3,285
	Less : Settlement	**(30,460)**	-
	Balance at the end of the year	**-**	30,460
G	**Microcells (Private) Limited**		
	Current Account Balance -Trade Receivable		
	Balance at the beginning of the year		-
	Add: Raw Materials Sales	**19,490**	27,175.00
	Interest Charged	**-**	3,284.94
	Less : Settlement	**(18,756)**	
	Balance at the end of the year	**734**	30,460

37.2.2 Transactions with related parties are carried out in the ordinary course of the business except for following transactions.

a No Interest has been charged on amounts due from Asia Brush (Private) Limited and Asian Woodware Company (Private) Limited due to the fact that there is a impairment of these balances.

b No Interest has been paid on loans granted to the Companies in the group by the Directors.

37.2.3 Outstanding amounts due from related parties and due to related parties are disclosed in Notes 22 and 32.

37.2.4 Provision for Impairment on Amounts due from related parties disclosed in Note No 37.2.1 have been made due to the recoverability of balances due from subsidiary Companies which have incurred substantial losses. Net Assets of those Companies are disclosed in Note No. 10 Discontinued Operations.

37.3 Transactions with Key Managerial Persons.

Key Management Persons (KMPs) are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Such KMPs includes the Board of Directors of the Company and of its subsidiary and other personnel who are involved in above activities. Transactions with close family members of the KMPs, if any, have also been taken into consideration in the following disclosure.

a) Compensation of Key Management Persons of the Company.

The following is the compensation of Directors and Key Management

For the year ended 31st March	Company		Group	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Short Term Employee Benefits				
Directors Remuneration	**8,545**	9,919	**16,512**	12,792

38 ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

38.1 Eastern Merchants PLC - Parent Company

The following assets have been pledged as security for liabilities.

Name of Institution Granting Facility	Nature of Assets	Nature of Liability	Amount of Facility Rs.'000	Amount as at 31/03/2019 Pledged Rs.'000	Included in
NDB	Primary Mortgage of Stocks and Book Debts.	O/D & Cash Line Facility.	40,000	**24,979**	Inventory & Trade Receivable
NDB	Solar Power System	Term Loan	10,500	**12,247**	Property, Plant & Equipment
HNB	Primary Mortgage of 240, Torrington Avenue, Colombo 07.	O/D & Cash Line Facility.	115,000	**118,549**	Property, Plant & Equipment
NDB	Primary Mortgages of Land & Buildings at 101 Gonawala Road, Sapugaskanda and and land at No 42 D.S. Senanayake Mawatha, Colombo 08.	Short Term Loan	428,800	**278,565**	Property, Plant & Equipment

39 CONTINGENT LIABILITIES

The Group does not have significant commitment and contingencies as of the reporting date, that require adjustment to or disclosure in the Financial Statements.

40 EVENTS OCCURRING AFTER THE REPORTING DATE

There were no events which would require adjustments to or disclosure in the Financial Statements.

41 SEGMENT INFORMATION

Information based on the Primary Segments (Business Segment)

As at 31st March	Export of Traditional & Non Traditional Products		Other		Consolidation Adjustment		Group Total	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Total Sales	1,574,993	1,374,706	4,996	4,190	(19,490)	-	1,560,499	1,378,896
Other Income	42,046	19,749	12	-	(8,670)	-	33,388	19,750
Segment Revenue	1,617,038	1,394,455	5,008	4,190	(28,160)	-	1,593,887	1,398,646
Segment Results	(103,331)	(39,806)	(4,066)	560	18,472	4,958	(88,925)	(34,288)
Finance Expenses							(41,774)	(6,382)
Finance Income							9,534	23,269
Change in Fair Value of Investment Property							12,000	9,360
Gain on Bargaining Purchases							169,576	-
Share of Results of Equity Accounted Investees							-	(16,706)
Profit before Taxation							60,411	(24,747)
Income Tax							13,233	5,276
Profit/ (Loss) from Discontinued Operation							(12,616)	(1,108)
Profit for the year							61,027	(20,578)
Other Comprehensive Income							165,918	2,007
Total Comprehensive Income							226,946	(18,571)
Attributable To								
Equity Holders of the Company							231,761	(20,174)
Minority Interest							(4,815)	1,601
Profit for the year							226,946	(18,573)
Assets								
Segment Assets	2,517,064	1,673,041	21,915	26,744	(59,844)	(58,330)	2,479,134	1,641,455
Other Investments	-	68,014	22,939	32,918	(201)	(208)	22,738	100,724
Total Assets	2,517,064	1,741,055	44,854	59,662	(60,045)	(58,538)	2,501,872	1,742,179
Liabilities								
Other Segment Liabilities	139,673	14,805	4,733	5,547	(79,798)	(4,999)	64,608	15,353
Interest Bearing Borrowings	518,950	86,638	-	-	-	-	518,950	86,638
Deferred Tax Liabilities	50,674	457	23	(176)	-	-	50,697	282
Retirement Benefit Obligations	18,878	11,222	-	-	-	-	18,879	11,221
Total Liabilities	728,174	113,122	4,756	5,371	(79,798)	(4,999)	653,133	113,494

42 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has loans, trade and other receivables and cash and short-term deposits that arise directly from its operations. The Group's principle financial liabilities comprise of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group operations. The Group is exposed to Market risk, Credit risk and Liquidity risk.

42.1 Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily from foreign exchange transaction) and from its financing activities, including deposits with banks and other financial instruments.

42.2 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instruments will fluctuate because of change in market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Market risk comprise of the following types of risk:

a) Interest Rate Risk

b) Currency Risk

c) Equity Price Risk

a) Interest Rate Risk

The Group has cash and bank balances including deposits placed with government and credit worthy banks. The Group monitors interest rate risks by actively monitoring the yield curve trends and interest rate movements.

b) Currency Risk

The Group is primarily exposed to fluctuations in the value of US Dollar and Singapore Dollar (SGD) against the Sri Lanka Rupee. The Group's functional currency is Sri Lanka Rupee (LKR) in which most of the transactions are denominated and all other currencies are considered foreign currencies for reporting purposes. Changes in foreign currency exchange rates may affect the Company's cost of purchases and services obtained from foreign currencies. In particular, depreciation of the Sri Lanka Rupee against US$ can impact the group operating results through it's impact on costs.

c) Equity Price Risk

The Group's listed and unlisted securities are subjected to market price risks arising from uncertainties about future values of the investment securities.

42.3 Risk Management

The primary object of the Group's Capital Management is to ensure it maintains a strong financial position, a healthy capital ratio in order to support its business and maximise shareholders value.

The Group maintains its capital structure and makes adjustments to it in the light of a change in economic conditions. To manage or adjust the capital structure, the Group may issue new shares for rights issue or buy back shares.

42.4 Risk Exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts (without consideration of collateral, if available). The following table shows maximum risk positions.

As at 31st March	2019						
	Trade & Other Receivables	Short Term Investments	Cash at Bank	Amounts due from Related Parties	Long Term Investment	Total	Percentage of Allocation
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Risk Exposure - Group							
Trade & Other Receivables	171,782	-	-		-	171,782	56.56%
Long Term Investment	-	-	-		22,738	22,738	7.49%
Short Term Investments	-	20,011	-		-	20,011	6.59%
Cash at Bank	-		89,188		-	89,188	29.37%
Total Credit Risk Exposure	171,782	20,011	89,188	-	22,738	303,719	100%
Risk Exposure - Company							
Trade & Other Receivables	50,700	-	-		-	50,700	32.84%
Amounts due from Related Parties	-	-	-	49,237		49,237	31.89%
Cash at Bank	-		54,447		-	54,447	35.27%
Total Credit Risk Exposure	50,700	-	54,447	49,237	-	154,384	100%

As at 31st March	2018						
	Trade & Other Receivables	Short Term Investments	Cash at Bank	Amounts due from Related Parties	Long Term Investment	Total	Percentage of Allocation
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
Risk Exposure - Group							
Trade & Other Receivables	114,366	-	-		-	114,366	35.5%
Long Term Investment	-	-	-		32,710	32,710	10.15%
Short Term Investments	-	163,026	-		-	163,026	50.6%
Cash at Bank	-	-	12,233		-	12,233	3.8%
Total Credit Risk Exposure	114,366	163,026	12,233	-	32,710	322,335	100%
Risk Exposure - Company							
Trade & Other Receivables	51,285	-	-	-	-	51,285	16.0%
Short Term Investments	-	163,026	-	-	-	163,026	50.7%
Amounts due from Related Parties	-	-	-	101,870		101,870	31.7%
Cash at Bank	-		5,338	-	-	5,338	1.7%
Total Credit Risk Exposure	51,285	163,026	5,338	101,870	-	321,519	100%

42.5 Liquidity Risk

The Group's policy is to hold cash and undrawn facilities to ensure that the Group has available funds to meet its short and medium term capital and funding obligations with a view of managing its liquidity risk.

As at 31st March	Company		Group	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
NET DEBT/ (CASH)				
Short Term Investments	-	163,026	20,011	163,026
Cash in hand & At Bank	55,030	5,905	90,068	12,935
Adjustments to Liquid Assets	-	-	-	-
Total Liquid Assets	55,030	168,931	110,079	175,961
Interest Bearing Loans & Borrowings	348,274	7,948	415,915	7,948
Bank Overdrafts	74,470	25,648	95,603	69,693
Total Liabilities	422,744	33,596	511,518	77,641
Net Debt/ (Cash)	(367,714)	135,335	(401,439)	98,320

42.6 Maturity Analysis

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2019 based on contractual undiscounted (principal plus interest) payments.

As at 31st March	Company		Group	
	2019	2018	2019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
All Borrowings are Payable Within One Year				
Interest Bearing Loans & Borrowings	348,274	7,948	415,915	7,948
Trade & Other Payables	25,513	1,284	47,314	10,779
Amounts due to Related Parties	87,114	-	12,050	-
Bank Overdrafts	74,470	25,648	95,603	69,693
	535,371	34,880	570,882	88,420

43 MATERIAL PARTLY - OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests (NCI) are provided below:

43.1 Summarised Income Statement

For the Year Ended 31st March	Export of Traditional & Non Traditional Products & Others		Others		Total	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Revenue	**3,123**	2,736	**2,411**	2,021	**5,534**	4,758
Cost of Sales	**(2,899)**	(2,551)	**-**	-	**(2,899)**	(2,551)
Gross Profit	**224**	185	**2,411**	2,021	**2,635**	2,206
Other Operating Income	**1,085**	594	**-**	-	**1,085**	594
Administrative Expenses	**(6,663)**	(1,522)	**(4,160)**	(1,680)	**(10,822)**	(3,202)
Distribution Expenses	**(40)**	(56)	**(219)**	(71)	**(258)**	(127)
Profit / (Loss) from Operations	**(5,393)**	(800)	**(1,968)**	270	**(7,361)**	(530)
Finance Expenses	**(46)**	(21)	**(2)**	119	**(48)**	98
Finance Income	**2**	208	**26**	(6)	**28**	203
	(5,438)	(612)	**(1,943)**	384	**(7,381)**	(228)
Change in Fair Value of Investment Property	**-**	225	**-**	-	**-**	225
Profit/ (Loss) before Taxation	**(5,438)**	(387)	**(1,943)**	384	**(7,381)**	(3)
Taxation	**(0)**	(55)	**(97)**	(108)	**(97)**	(163)
Profit/ (Loss) for the year	**(5,438)**	(441)	**(2,040)**	276	**(7,477)**	(166)
Other Comprehensive Income /(Loss) for the Period						
Net gain/(loss) on financial instruments at fair value through other comprehensive income	**-**	-	**(4,815)**	1,601	**(4,815)**	1,601
Profit/ (Loss) Allocated to Material NCI	**(5,438)**	(441)	**(6,855)**	1,877	**(12,292)**	1,436
Dividend Paid to NCI	**-**	-	**-**	-	**-**	-

43.2 SUMMARISED STATEMENT OF FINANCIAL POSITION

As at 31st March	Export of Traditional & Non Traditional Products & Others		Others		Total	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Non-Current Assets	**-**	5,354	**28,680**	28,680	**28,680**	34,034
Current Assets	**44,147**	52,146	**192**	192	**44,339**	52,339
Total Assets	**44,147**	57,500	**28,872**	28,872	**73,019**	86,372
Non-Current Liabilities	**-**	-	**-**	-	**-**	-
Current Liabilities	**78,055**	78,395	**2,676**	2,676	**80,731**	81,072
Total Liabilities	**78,055**	78,395	**2,676**	2,676	**80,731**	81,072
Accumulated Balances of Material NCI	**(33,908)**	(20,896)	**26,195**	26,195	**(7,712)**	5,300

43.3 SUMMARISED CASH FLOW INFORMATION FOR THE YEAR ENDED 31ST MARCH

	Export of Traditional & Non Traditional Products & Others		Others		Total	
As at 31st March	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Cash Flows from Operating Activities	**(709)**	(3,617)	**(179)**	(179)	**(889)**	(3,796)
Cash Flows from/(used in) Investing Activities	**354**	224	**19**	19	**373**	243
Cash Flows from/(used in) Financing Activities	**-**	163	**(48)**	(48)	**(48)**	115
Net Increase/ (Decrease) in Cash & Cash Equivalents	**(355)**	(3,230)	**(209)**	(209)	**(564)**	(3,439)

The above information is based on amounts before inter-company eliminations.

Names of material partly-owned subsidiaries and effective holding % owned by non-controlling interest:

Eamel Exports (Private) Limited	48.25%	Open Ended
Spice Lane (Private) Limited	8.35%	Fully Acquired By Eastern Merchants PLC as at 29th March 2019
Asia Brush (Private) Limited	46.88%	Open Ended
Asian Woodware Company (Private) Limited	42.32%	Open Ended

44 SUMMARISED FINANCIAL INFORMATION OF EQUITY ACCOUNTED INVESTEES

For the Year Ended 31st March	2019 Rs.'000	2018 Rs.'000
Revenue	-	-
Expenses	-	(55,685)
Profit/ (Loss) after Tax	-	(55,685)
Non-Current Assets	-	53,384
Current Assets	-	7,038
Total Assets	-	60,422
Non-Current Liabilities	-	3,003
Current Liabilities	-	75,898
Total Liabilities	-	78,901
Net Assets	-	(18,479)

The Company has written off the investment during the year as the net assets were deemed unrecoverable due to its negative balance.

Shareholder Information

Top twenty shareholders as at 31st March 2019

Name	No. of shares	%
J. B. L. de Silva	32,382,280	27.57
H. J. de Silva	15,881,140	13.52
Mrs. C. I. Tilakaratna	15,045,469	12.81
C. S. L. de Silva	14,581,140	12.42
N. S. Karunaratne	12,629,120	10.75
Eamel Exports (Private) Limited,	5,668,714	4.83
J.B.L. de Silva/K.G.A. de Rajapakse/N. Senanayake	1,400,000	1.19
S. D. de A. Rajapakse	980,000	0.83
S. A. de A. Rajapakse	980,000	0.83
S. P. de A. Rajapakse	980,000	0.83
K. N. De A. Rajapakse	980,000	0.83
A. Karunaratne	960,000	0.82
K. B. De A. Rajapakse	880,000	0.75
Dr. E. D. Rodrigo	861,000	0.73
N. K. L. Tilakaratna	701,680	0.60
Mrs. D. E. Perera	675,950	0.58
Mrs. K. A. G. Ranasinghe	700,000	0.60
H. M. Udeshi	466,880	0.40
Dr. Mrs. C. A. Suranimala	350,000	0.30
S. Paramanathan	306,588	0.26
	107,409,961	
	1,469,068	
Profit/(Loss) from Discontinued Operations (Net of Tax)	6,880,587	
Profit/ (Loss) for the year	8,349,655	

Public shareholding

32,362,910 ordinary shares were held by 1,277 shareholders as at 31 March 2019, representing 27.56% of the total ordinary shares issued. The corresponding figure for the ending 31st March 2018 was 32,122,910 ordinary shares held by 1,306 shareholders, which represented 27.35% of the total number of ordinary shares in issue as at that date.

Shareholder analysis as at 31st March

Nos. of Shares Held	No. of Shareholders 2019	No. of Shares 2019	%
1-1,000	**716**	**224,129**	0.19
1,001 -10,000	**369**	**1,482,298**	1.26
10,001 - 100,000	**162**	**4,995,597**	4.25
100,001 - 1,000,000	**32**	**13,156,113**	11.21
Over 1,000,000	**7**	**97,587,863**	83.09
	1,286	**117,446,000**	**100**

Directors Shareholdings as at 31st March

Name of Director	As at 31.03.2019		As at 31.03.2018	
	Shares	%	Shares	Shares
J. B. L. de Silva	**32,382,280**	**27.57**	32,382,280	27.57
H. J. de Silva	**15,881,140**	**13.52**	16,121,140	13.73
Mrs. C. I. Tilakaratna	**15,045,469**	**12.81**	15,045,469	12.81
C. S. L. de Silva	**14,581,140**	**12.42**	14,581,140	12.42
N. K. L. Tilakaratna	**701,680**	**0.60**	701,680	0.60
S. Jayakody	**6,000**	**0.01**	6,000	0.01
F. Mushin	**-**	**0.00**	-	0.00
R. Pradeep	**-**	**0.00**	-	0.00
Mrs. N. Nanayakkara	**-**	**0.00**		
	79,424,541		79,424,541	

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 73rd Annual General Meeting of Eastern Merchants PLC will be held at the Ground Floor Auditorium, The Ceylon Chamber of Commerce, No. 50 Navam Mawatha, Colombo 2, on 19th September 2019 at 2.30 pm.

AGENDA

1. To read the notice convening the meeting.
2. To confirm the minutes of the 72nd Annual General Meeting held on 21st September, 2018.
3. To receive, consider and adopt the Report of the Directors and the Statement of Accounts and Balance Sheet of the Company for the year ended 31st March 2019.
4. To resolve that Mr. R. Pradeep and Mr. Fazal Mushin who retire in terms of Article Nos. 83 and 84 of the Articles of Association of the Company be re-elected as Directors of the Company.
5. To resolve that the age limit referred to in Sec. 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. J. B. L. de Silva, who reached 70 years of age on 12th July, 2016.
6. To re-appoint Messrs. D. H. P. Munaweera & Co. as Auditors of the Company and authorise the Directors to determine their remuneration.
7. To transact any other business of which due notice has been given.

By order of the Board

S. Jayakody
(B.Com.Spl., F.C.A., FCMA)
Director – Finance / Company Secretary

Notes:

(a) A member who is entitled to attend and vote at a meeting may appoint a proxy to do so instead, and such a proxy need not be a shareholder of the Company. The Form of Proxy of the Company is attached on the last page of this report.

(b) Shareholders/proxy holders should bring with them their National Identity Card or any form of valid identification when attending the meeting.

Form of Proxy

I/We, ...

of .....

being a member/members of Eastern Merchants PLC hereby appoint:

J. B. L. de Silva of Colombo 03,	Whom failing
H. J. de Silva of Colombo 03,	Whom failing
C.S.L. de Silva of Colombo 03,	Whom failing
S. Jayakody of Kelaniya,	Whom failing
R. Pradeep of Colombo 06,	Whom failing
F. Mushin of Nawala,	Whom failing
N. Nanayakkara of Rajagiriya	Whom Failing

.....of..... as my /our proxy to represent me/us and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 19th September, 2019 at 2.30pm and at any adjournment thereof. As witness my/our hand (s) this ..... day of ..... 2019.

.....

Signature of the Shareholder

Note: Instructions for the completion of the Form of Proxy are noted on the next page.

Instructions for the completion of the Form of Proxy

Please perfect the Form of Proxy overleaf, after filling in legibly your full name and address and by signing in the space provided and filling the date of signature.

The completed Form of Proxy should be deposited at the Head Office of the Company at No. 240, Torrington Avenue, Colombo 7, not less than 48 hours before the meeting commences.

If the Form of Proxy has been signed by an Attorney, the relative Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

In the case of a corporate member, the form of Proxy should be executed under its Common Seal in accordance with its Article of Association or Constitution.

If there is any doubt as to how the vote is to be exercised, by reason of the manner in which the Form of Proxy has been completed, no vote will be recorded by the Form of Proxy.

Corporate Information

Company Name	:	Eastern Merchants PLC
Company Number	:	PQ 153
Registered Office	:	240, Torrington Avenue, Colombo 07.
Stores Complexes	:	101 Gonawala Road, Sapugaskanda. 2nd Mile Post, Maswila, Ampegama.
Legal Form	:	A quoted public company with limited liability incorporated in Sri Lanka and listed with the Colombo Stock Exchange.
Principal Activities	:	Export of traditional and non-traditional commodities.
Subsidiaries	:	Asia Brush (Private) Limited Asian Woodware Company (Private) Limited Eamel Exports (Private) Limited Spice Lane (Private) Limited Eastern Merchants Commodities (Pte) Ltd. Microcells (Private) Limited
Chairman	:	J .B. L. de Silva
Managing Director	:	C. S. L. de Silva
Board of Directors	:	H. J. de Silva S. Jayakody N. K. L. Tilakaratna C. I. Tilakaratna R. Pradeep F. Mushin N. Nanayakkara
Secretary	:	S. Jayakody
Auditors	:	Messrs. D.H.P. Munaweera and Co.
Bankers	:	Standard Chartered Bank Bank of Ceylon Hatton National Bank PLC Nations Trust Bank PLC National Development Bank PLC DFCC Bank PLC Cargills Bank Limited

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www.easternmerchants.net

Eastern Merchants PLC
240 Torrington Avenue, Colombo 7, Sri Lanka
Tel: (+9411) 2328406, 2328408, 2325736, 2435503
Fax: (+9411) 2448474, 2303204
Email: trading@easternmerchants.net