

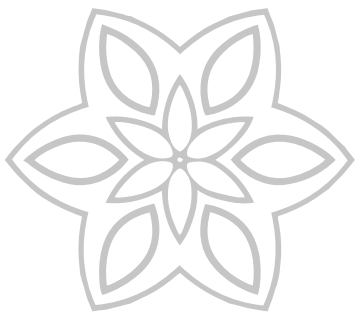
EASTERN MERCHANTS PLC
ANNUAL REPORT 2020/21



Since 1945

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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

	2016/17	2017/18	2018/19	2019/20	2020/21
Performance Parameters					
Sales (Rs. Mn.)	1,171	1,378	1,560	2,235	2,031
Gross Profit (Rs. Mn.)	101	66	157	226	315
Net Profit Before Taxation (Rs. Mn.)	14	(24)	60	(34)	49
Net Profit After Taxation (Rs. Mn.)	(11)	(20)	61	(39)	9
Total Comprehensive Income After Taxation (Rs. Mn.)	214	(18)	226	(46)	8
Shareholder Funds (Rs. Mn.)	1,654	1,634	1,873	1,787	1,788
Earnings per Share (Rs.)	(0.11)	(0.17)	0.58	(0.61)	0.07
Dividend per Share (Rs. cents)	-	-	-	-	-
P/E Ratio	-	-	6.72	-	84.29
Net Assets per Share (Rs.)	14.03	13.87	15.74	15.35	15.43
Current Ratio	2.89	5.49	1.07	1.05	1.06
Share Price					
Highest Recorded (Rs.)	9.10	8.40	6.00	7.00	6.20
Lowest Recorded (Rs.)	4.80	5.10	3.70	2.90	2.90
Value as at Year End (Rs.)	5.00	5.60	3.90	2.90	5.90

Chairman's Message

The year under review was a uniquely challenging one as the world continued to struggle to contain the spread of Covid-19. In the face of various constraints to trade worldwide, the Group has demonstrated great resilience recording a consolidated before tax profit of LKR 49Mn.

Our trading business was significantly affected by the Covid-19 pandemic in the first half of the financial year due to a sharp decline in global demand and high volatility in prices. Although local rubber production recorded an increase in comparison to 2019, the production of crepe rubber decline by over 10% and Sri Lankan rubber prices remained high, making it less competitive. Once again the Group's direct export volume of Sri Lankan rubber was less than the Groups volume of internationally sourced rubber.

Over the past few years we have made tough decisions and streamlined the basket of commodities that we trade in. We have taken many steps to develop and increase the global footprint of our supply base and strengthen our customer and supplier relationships. We have maintained our focus on solidifying the fundamentals of the business and have managed to record a EBIT of LKR 103Mn.

To further diversify our offer, the Group has now expanded its portfolio to include new agricultural commodities such as fresh fruits and vegetables. Furthermore, we have expanded our product range to include industrial raw materials used in the rubber industry, such as Carbon Black and

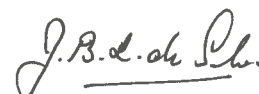
Synthetic Rubber, which are consumed by the same consumers who we have been supplying natural rubber to for many years. Microcells (Pvt) Ltd., the rubber products manufacturing arm of the Group, continued to see a strong increase in revenue and profitability. Dealing with Covid-19 related issues as well as soaring raw material prices and freight costs required much deliberation and planning, but proactive management allowed us to increase profitability.

In order to navigate these testing times the Group will continue to be focused on consolidating operations and optimizing its supply chain.

I am pleased to note that the Group continued its operations adhering to strict health and safety guidelines with minimal interruptions during the most challenging periods, where curfew and mobility restrictions were imposed. We have managed to ensure that over 95% of our workforce is fully vaccinated against Covid-19 and we continue to practice all preventative measures to ensure everyone's safety.

The pandemic has changed the way we transact our businesses and is reshaping the way we live and work. Despite the many economic difficulties and operational complexities faced it has been a year of great learning and reflection. It has highlighted the importance of agility, innovation and strong fundamentals to continuously evolve, grow and create value.

Our team has been remarkable in adapting to the difficult challenges experienced in FY 20/21. At every level, our people have come together to deliver on our goals and meet our customer requirements. I thank and appreciate their commitment and resilience. I take this opportunity to extend our sincere thanks and appreciation to our partners, clients and suppliers for their support, hard work and friendship.



J.B.L. de Silva
Chairman

24th September 2021



Board of Directors

Currently, the Board of Directors at the Company consists of 7 members. Four executive directors and three non-executive independent directors. Brief descriptions of each Board member are set out below.

Mr. J.B.L. de Silva

LL.B., Attorney-at-law

Chairman (Executive Director)

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. He has held numerous leadership roles in various organizations and served in several boards throughout his long and illustrious career.

Mr. H.J. de Silva

B.Sc.

Deputy Chairman (Executive Director)

Having completed his Bachelor's degree in the United States, he is the first of the 3rd generation of the founding family of Eastern Merchants PLC to join the business. He has over 20 years of corporate experience and is responsible for the trading of agricultural/ industrial commodities and supply chain optimization for the Group companies. An active member and participant in industry organisations, Mr. de Silva was the Chairman of the Exporters Association of Sri Lanka in 2018.

Mr. C.S.L. de Silva

B.Econ., M.Com.

Managing Director (Executive 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 PLC. He is the second of the 3rd generation of the founding family to join the Company and is responsible for the overall strategy and operations of the Eastern Merchants PLC Group.

Mr. S. Jayakody

B.Com.Spl., FCA, FCMA

Director - Finance (Executive Director)

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. He is responsible for optimizing the Eastern Merchants PLC Group's financial performance through the implementation of strategic financial and accounting policies.

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 in 2016, and the Vice Chairman of the Spice Council in 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 and is a Director at VeracityAI. 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. He was recently appointed as a Director at SLASSCOM (Sri Lanka Association for Software and Services Company).

Mrs. N. Nanayakkara

FCMA, MBA.

Independent Non-Executive Director

Mrs. Nanayakkara counts for over 20 years of experience in Financial Planning and Management. She started her career in finance at MAS Linea Aqua in the apparel manufacturing industry and has extensive experience in manufacturing, FMCG and the knowledge processing Industries. In her most recent role, she served as the Head of Financial Planning and Analysis at the Hirdaramani Group.

Directors' Report

The Covid-19 pandemic made FY20/21 the most extraordinary year, with unprecedented levels of uncertainty and volatility. The operational environment was thrust into disarray due to lockdowns and movement restrictions, not just in Sri Lanka, but the world over. This presented us with an exceptional set of challenges that required us to dig deep and draw from our 75 years of operational expertise to navigate safely.

During the year, the Sri Lankan economy contracted by 3.2% in real terms, recording its deepest recession since independence. The economic woes of Sri Lanka have not yet abated and the forex crisis faced by the country will have serious impacts across all industries. The International Monetary Fund (IMF) has predicted a global economic recovery in 2021 of around 6% and 4.9% in 2022, and as an exporter, we intend to capitalize on this rebound in the global economy to extract value for our shareholders.

The marginal decline of the FY 20/21 Group revenue by 9.6% to LKR 2 Bn, is largely due to the impact of the global weakening in demand for natural rubber in the first half of the financial year. However, business in our rubber manufacturing arm [Microcells (Pvt) Ltd. or "Microcells"] increased substantially and contributed significantly towards both the top and bottom line. As a Group we have consistently focused on optimizing our supply chain, and the sizable growth in our gross profit margin is predominantly a result of those efforts.

During the year, employee welfare was a key priority and every possible step was taken to ensure the safety and wellbeing of all our employees. While we looked to minimize costs we never compromised on safety. The disruption to the global freight movements caused by lockdowns in different parts of the world resulted in

a scarcity of containers and space, whilst increasing the freight costs and overall distribution expenses of our business. The foreign exchange crisis in the country and the resulting restrictions on imports has further confounded freight related issues, with a reduced number of vessels calling Colombo port. This has led to decreasing space availability on vessels in addition to many delays in shipments. It is our opinion that this trend will continue throughout the FY21/22 as well. Despite these unforeseen expenses and issues, the Group has continued to build efficiencies throughout our businesses and we are pleased to report a positive EBIT of LKR 103 Mn and a profit after tax of LKR 8Mn.

The interest costs stemming from the loan taken to fund the acquisition of Microcells is the key reason for the negative Profit Before Tax recorded for the Company. The Company has now entered into a Sales and Purchase Agreement to realize the value of an unutilized asset to settle this loan. This will significantly reduce the interest expense and enable the Company to minimize interest costs in the next financial year.

In every challenge there lies an opportunity. The Group recently invested in an almost 34 acre land to relocate the manufacturing facilities of Microcells, which has a strong growth trajectory in our opinion. In the year ahead, the Group will continue to pursue operational excellence, deepen customer and supplier relationships and enhance group wide liquidity to achieve increased profitability and deliver value to all our stakeholders.

Corporate Governance

Effective corporate governance is very much dependent on the skills and experience of the individuals on the Board of Directors 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, but they also possess personal qualities required to be effective stewards of the business and the required dedication and commitment to the Company, particularly in these times of stress.

The Board of Directors, led by the Chairman, is responsible for good governance at Eastern Merchants PLC and its system of internal controls, as well as 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 of the same.

Meetings of the Board of Directors are held quarterly whilst 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; as well as the Corporate Governance Compliance Reporting Requirements in CSE Listing Rules Section 7.10.

In adherence to the section 7.10.2 (b) of the CSE Listing rules Mrs. N. Nanayakkara, Mr. F. Mushin and Mr. R. Pradeep have submitted the declaration of their independence. Furthermore in accordance with the Listing Rule 7.10.3 (a), the Board of Directors assesses the independence or non-independence of each non-executive director annually and have determined the independence of its 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 bright 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 page 11 to 13 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 also 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 & 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 finalized 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 and 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

24th September 2021

Audit Committee Report

I am pleased to present the Audit Committee report for the financial year ended 31st March 2021.

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 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 2020/21 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 2021, and that the re-appointment be included in the agenda of the Annual General Meeting.



Mrs. N. Nanayakkara
Chairperson – Audit Committee

24th September 2021



Remuneration Committee Report

I am pleased to present the Remuneration Committee report for the financial year ended 31st March 2021.

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 whilst 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. All Non-Executive Directors and Independent Directors of the Company receive a fee for serving on the board and committees but do not receive any salary or any performance related incentive payments.

The remuneration committee held four meetings during the 2020/21 financial year to review the remuneration packages of the top management of the Company and considered them to be suitable.

Mr. F. Mushin
Chairman – Remuneration Committee

24th September 2021

Related Party Transactions Review Committee Report

I am pleased to present the Related Party Transactions Review Committee report for the financial year ended 31st March 2021.

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 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/Independent Non-executive Director

Mr. F. Mushin

Member/ Independent Non-executive Director

Mr. S. Jayakody

Member/ 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 recognized the adequacy of the content and quality of the information forwarded to its members by the management.

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



Mr. R. Pradeep

Chairman – Related Party Transactions Review Committee

24th September 2021



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 (Pvt) Ltd.	Leisure sector
Asia Brush (Pvt) Ltd.	Ceased operations
Asian Woodware Company (Pvt) Ltd.	Ceased operations
Spice Lane (Pvt) Ltd.	Export of spice products
Eastern Merchants Commodities (Pte) Ltd.	Import/Export of traditional and non-traditional products
Microcells (Pvt) Ltd.	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, 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 (Pvt) Ltd.

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 – No. 240, Torrington Avenue, Colombo 07.

III) Asia Brush (Pvt) Ltd.

Mr. J.B.L. de Silva, 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 (Pvt) Ltd.

Mr. J.B.L. de Silva, 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 (Pvt) Ltd.

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. H. M. Wijeyekoon.

Registered office and principal place of business – 20 Cecil Street, #05-03 Plus, Singapore 049705.

VII) Microcells (Pvt) Ltd.

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 2021 and the Statement of Profit or Loss and other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and Notes to the Financial Statements, including a summary of Significant Accounting Policies.

In our opinion, the accompanying Financial Statements of the Company and the Group give a true and fair view of the Financial Position of the Company and the Group as at 31st March 2021 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 judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key Audit Matter

1. Interest Bearing Loans and Borrowings

As disclosed in Note 27, the Company and Group Interest Bearing Loans and Borrowings are as follows.

Company's total borrowings is Rs.355 Mn, which represents 66% of the total liabilities.

Group's total borrowings is Rs.557 Mn, which represents 76% of the total liabilities.

The interest bearing loans and borrowings consists of a number of loans which require compliance with multiple covenants.

As a results of the multiple covenants, interest bearing borrowing are identified as a Key Audit Matter.

How our Audit Addressed the Key Audit Matter

Our audit procedures focused on the following:

- We obtained an understanding of the covenants and controls in place relating to external borrowings, by referring to the loan agreements and discussions with managements.
- We obtained direct confirmations from external lending institutions regarding compliance by the Company in relation to the covenants throughout the period.
- We have also assessed the adequacy of the disclosures made in Note 36.1 in the Financial Statements.



Independent Auditor's Report



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

Other Information included in the 2021 Annual Report

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

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

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



D.H.P. MUNAWEERA & CO.

Chartered Accountants

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, Sri Lanka
24th September 2021



Statement of Profit or Loss

For the Year Ended 31st March	Note	Company		Group	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Continuing Operations					
Revenue	3	689,303	728,483	2,031,275	2,235,416
Cost of Sales		(671,412)	(716,350)	(1,715,353)	(2,008,488)
Gross Profit		17,891	12,133	315,922	226,928
Other Operating Income	4	20,131	29,626	25,966	21,742
		38,022	41,759	341,888	248,670
Administrative Expenses		(55,501)	(58,762)	(167,821)	(153,704)
Distribution Expenses		(15,726)	(14,955)	(70,353)	(57,259)
Profit / (Loss) from Operations		(33,205)	(31,958)	103,714	37,706
Finance Expenses	5	(42,092)	(55,268)	(56,019)	(72,893)
Finance Income	6	19,540	18,211	1,960	1,510
		(55,757)	(69,015)	49,655	(33,676)
Change in Fair Value of Investment Property	14	-	-	-	-
Profit/ (Loss) before Taxation	7	(55,757)	(69,015)	49,655	(33,676)
Taxation	8	11,795	12,255	(40,838)	5,019
		(43,962)	(56,760)	8,818	(28,657)
Profit/(Loss) from Discontinued Operations (Net of Tax)	9	-	-	(44)	(9,664)
Profit/ (Loss) for the year		(43,962)	(56,760)	8,724	(38,321)
Attributable to					
Equity Holders of the Parent				8,670	(71,748)
Non Controlling Interest				104	33,427
Profit/ (Loss) for the year				8,774	(38,321)
Earnings per Share - Basic - Rs.	10	(0.37)	(0.48)	0.07	(0.61)
Dividend per Share - Rs.	11	-	-	-	-

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 21 through 75 form an integral part of the Financial Statements.

Statement of Other Comprehensive Income

For the Year Ended 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Profit/(Loss) for the year	(43,962)	(56,760)	8,774	(38,321)
Other Comprehensive Income				
Other Comprehensive Income to be re-classified to Income Statement in subsequent Year				
Currency translation of Foreign Operations	-	-	1,988	499
Net Other Comprehensive Income to be re-classified to Income Statement in subsequent Year	-	-	1,988	499
Other Comprehensive Income not to be re-classified to Income Statement in subsequent Year				
Net Gain/(Loss) on Financial Instruments at fair value through OCI	-	-	11,904	(5,776)
Revaluation Surplus on Land & Buildings	-	-	-	-
Re-measurement Gain / (Loss) on Defined Benefit Plans	(620)	(579)	(3,566)	(1,699)
Net Other Comprehensive Income not to be re-classified to Income Statement in subsequent Year	(620)	(579)	8,338	(7,475)
Tax on Other Comprehensive Income				
Net Income Tax Charge / (Reversal) Relating to Revaluation of PPE	-	-	(10,942)	-
Net Income Tax Charge / (Reversal) Relating to Defined Benefit Plans	6	(186)	262	(30)
Other Comprehensive Income for the Year , net of Tax	(615)	(765)	(354)	(7,006)
Total Comprehensive Income for the Year , net of Tax	(44,577)	(57,525)	8,420	(45,328)
Attributable to				
Equity Holders of the Parent			2,573	(42,541)
Non Controlling Interest			5,847	(2,787)
Total Comprehensive Income for the year			8,420	(45,328)

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 21 through 75 form an integral part of the Financial Statements.

Statement of Financial Position

As at 31st March	Note	Company		Group	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
ASSETS					
NON-CURRENT ASSETS					
Property, Plant & Equipment	12	875,723	916,336	1,575,192	1,606,971
Right-of Use Assets	12.5	4,682	5,457	4,682	5,457
Intangible Assets	13	-	-	3,668	3,532
Investment Property	14	211,250	211,250	211,250	211,250
Investments in Subsidiaries	15	628,060	628,060	-	-
Deferred Tax Assets	26	7,319	-	-	-
Non Current Financial Assets	16	-	-	28,344	16,961
		1,727,035	1,761,103	1,823,136	1,844,171
CURRENT ASSETS					
Inventories	17	75,818	64,202	232,768	206,735
Trade & Other Receivables	18	55,517	35,239	369,180	232,070
Other Current Assets	19	26,054	31,978	75,726	91,195
Amounts due from Related Parties	20	-	-	-	-
Short Term Investments	21	-	-	-	3,416
Cash in hand & At Bank	22	4,477	5,082	50,423	35,010
		161,866	136,501	728,097	568,426
Total Assets		1,888,900	1,897,604	2,551,233	2,412,597
EQUITY & LIABILITIES					
CAPITAL & RESERVES					
Stated Capital	23	16,778	16,778	16,576	16,576
Revenue Reserves	24	778,108	817,684	1,154,349	1,149,871
Other Components of Equity	25	553,895	553,895	618,974	620,882
		1,343,781	1,388,357	1,789,900	1,787,328
Non Controlling Interest		-	-	21,929	16,082
Total Equity		1,343,781	1,388,357	1,811,829	1,803,410
NON-CURRENT LIABILITIES					
Deferred Tax Liability	26	-	6,687	64,712	39,378
Interest Bearing Borrowings	27	8,433	9,318	14,433	9,319
Retirement Benefit Obligations	28	11,839	14,844	21,734	20,638
		20,272	30,849	100,878	69,335
CURRENT LIABILITIES					
Trade & Other Payables	29	8,521	5,080	73,502	60,710
Amounts due to Related Parties	30	152,832	103,016	2,550	2,550
Other Current Liabilities	31	16,763	525	18,328	644
Liabilities of Discontinued Operations	9.2	-	-	131	2,028
Income Tax Payable	32	-	-	1,729	1,843
Interest Bearing Borrowings	27	277,554	312,317	415,329	386,896
Bank Overdraft	27.1.2	69,177	57,459	126,957	85,181
		524,847	478,397	638,526	539,852
TOTAL EQUITY & LIABILITIES		1,888,900	1,897,604	2,551,233	2,412,597

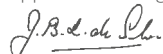
I certify that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No.7 of 2007.



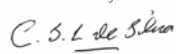
Srinath Jayakody
Director - Finance

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

24th September 2021

Figures in brackets indicate deductions. The Accounting Policies and Notes on pages 21 through 75 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 01st April 2019	16,778	553,895	875,209	1,445,882
Net Profit/ (Loss) for the year	-	-	(56,760)	(56,760)
Comprehensive Income	-	-	(765)	(765)
Total Comprehensive Income	-	-	(57,525)	(57,525)
Dividend Paid	-	-	-	-
Balance as at 31st March 2020	16,778	553,895	817,684	1,388,357
Net Profit/ (Loss) for the year	-	-	(43,962)	(43,962)
Comprehensive Income	-	-	(614)	(614)
Total Comprehensive Income	-	-	(44,576)	(44,576)
Dividend Paid	-	-	-	-
Balance as at 31st March 2021	16,778	553,895	773,108	1,343,781

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 21 through 75 form an integral part of the Financial Statements.

Statement of Changes in Equity - Group

	Attributable to Equity Holders of Parent					Total	Non Controlling Interest	Total Equity
	Stated Capital	Revaluation Reserves	Fair Value Reserve of Financial Assets at FVOCI	Operation From Foreign Currency	Retained Earnings			
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st April 2019	16,576	725,695	(16,784)	3,045	1,144,899	1,873,431	(24,693)	1,848,738
Profit/(Loss) for the year	-	-	-	-	(71,748)	(71,748)	33,427	(38,321)
Revaluation Reserve on Disposal of Fixed Assets	-	(88,585)	-	-	78,450	(10,135)	10,135	-
Other Comprehensive Income	-	-	(2,989)	499	(1,729)	(4,219)	(2,787)	(7,006)
Total Comprehensive Income	-	(88,585)	(2,989)	499	4,972	(86,102)	40,775	(45,328)
Acquisition of Minority Interest	-	-	-	-	-	-	-	-
Subsidiary Dividend to Non-Controlling Interest	-	-	-	-	-	-	-	-
Balance as at 31st March 2020	16,576	637,110	(19,772)	3,544	1,149,871	1,787,329	16,082	1,803,411
Profit/(Loss) for the year	-	-	-	-	8,670	8,670	104	8,774
Other Comprehensive Income	-	(10,942)	6,161	1,988	(3,305)	(6,098)	5,743	(355)
Revaluation Reserve on Disposal of Fixed Assets	-	-	-	-	-	-	-	-
Total Comprehensive Income	-	(10,942)	6,161	1,988	5,365	2,572	5,847	8,419
Acquisition of Minority Interest	-	-	-	-	-	-	-	-
Disposal FVOCI Investments	-	-	887	-	(887)	-	0	-
Dividend Paid to Equity Holders of the Parent	-	-	-	-	-	-	-	-
Subsidiary Dividend to Non-Controlling Interest	-	-	-	-	-	-	-	-
Balance as at 31st March 2021	16,576	626,168	(12,725)	5,532	1,154,349	1,789,901	21,929	1,811,830

Eamel Exports (Pvt) Ltd., has acquired 25,000 Shares of Eastern Merchants PLC prior to 21st May 1982. Subsequently the number of shares has increased upto 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 (Pvt) Ltd., has increased to 7,000,000. - Refer Note No. 23.1.

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 21 through 75 form an integral part of the Financial Statements.

Cash Flow Statement

For the Year Ended 31st March	Note	Company		Group	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating Profit/(Loss) before Working Capital Changes	A	(21,671)	(15,096)	155,308	74,470
(Increase)/Decrease in Inventories		(11,616)	(5,450)	(26,030)	(38,242)
(Increase)/Decrease in Debtors & Other Receivables		(20,278)	15,461	(127,295)	(81,335)
Increase/(Decrease) in Amounts due from/due to Related Parties		49,816	65,139	(0)	(9,500)
(Increase)/Decrease in Other Current Assets		3,721	9,381	(3,560)	22,575
Increase/(Decrease) in Other Current Liabilities		16,239	(2,766)	28,473	162
Increase/(Decrease) in Trade & Other Payables		3,440	(20,433)	(2,927)	12,684
Cash Generated from Operations		19,651	46,236	23,969	(19,186)
Finance Costs Paid		(41,697)	(51,703)	(55,552)	(62,607)
Defined Benefit Plan Cost Paid		(5,987)	(982)	(6,990)	(4,248)
Income Tax Paid		-	(2,971)	(6,826)	(6,028)
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		(28,033)	(9,421)	(45,399)	(92,070)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Acquisition of Property, Plant & Equipment		(250)	(10,455)	(33,408)	(21,581)
Acquisition of Intangible Assets		-	-	(966)	(686)
Proceeds from Sale of Property, Plant & Equipment		32,070	2,800	19,750	2,800
Proceeds from Disposal of Assets of Discontinued Operations		-	-	(1,898)	77,177
Proceeds from Short Term Investment		-	-	3,415	16,596
Proceed from Share Disposal		-	-	2,097	-
Dividend Received		19,540	17,995	13	10
CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES		51,360	10,338	(10,997)	74,316
CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES					
Finance Income Excluding Dividend		-	216	574	1,499
Proceeds from Interest Bearing Borrowings		333,677	359,703	631,322	464,592
Repayment of Interest Bearing Borrowings		(369,325)	(393,776)	(601,861)	(492,973)
Net Cash flows from/(used in) Financing Activities		(35,648)	(33,857)	30,035	(26,882)
Net Increase/(Decrease) in Cash & Cash Equivalents		(12,322)	(32,938)	(26,362)	(44,636)
Cash & Cash Equivalent at the beginning of the year		(52,378)	(19,440)	(50,172)	(5,536)
Cash & Cash Equivalents at the end of the year		(64,700)	(52,378)	(76,534)	(50,172)
Cash & Cash Equivalents					
Cash in hand & at Bank		4,477	5,082	50,423	35,010
Bank Overdrafts		(69,177)	(57,459)	(126,957)	(85,181)
Cash and Cash Equivalents at the end of the year		(64,700)	(52,377)	(76,534)	(50,172)

(Contd/...)



Cash Flow Statement

For the Year Ended 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Note A - Operating Profit/ (Loss) before Working Capital Changes				
Profit/(Loss) before Tax from Continuing Operations	(55,757)	(69,015)	49,655	(33,679)
Profit/(Loss) before Tax from Discontinued Operations	-	-	(44)	(9,664)
Adjustments for,				
Dividend Income	(19,540)	(17,995)	(13)	(10)
Finance Income	-	(216)	(574)	(1,500)
Finance Costs	41,697	51,703	55,552	62,607
Depreciation	17,188	19,374	52,333	53,343
Amortization	-	-	830	852
(Profit)/Loss on Sale of Property, Plant & Equipment	(7,621)	(1,291)	(3,534)	(1,291)
(Gain) /Loss on Assets of Discontinued Operations	-	-	(56)	-
(Gain)/ Loss on Currency translation of foreign operations	-	-	(1,988)	(499)
Profit for Share Disposable	-	-	(1,373)	-
Provision for Gratuity	2,361	2,345	4,520	4,311
Operating Profit/ (Loss) before Working Capital Changes	(21,671)	(15,096)	155,308	74,470

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 21 through 75 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 73 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 (Pvt) Ltd.	Leisure sector
Asia Brush (Pvt) Ltd.	Ceased operations
Asian Woodware Company (Pvt) Ltd.	Ceased operations
Spice Lane (Pvt) Ltd.	Export of spice products
Eastern Merchants Commodities (Pte) Ltd.	Import/Export of traditional and non-traditional products
Microcells (Pvt) Ltd.	Export of rubber sheeting and flooring products

1.5 Number of Employees

The number of Employees at the end of the year was 210 (2020 - 213).

1.6 Approval of Financial Statements

The Financial Statements for year ended 31st March 2021 were

authorized for issue by the Board of Directors on 24th September 2020.

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 2021, comprise "the Company" referring to Eastern Merchant 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 2021. 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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and



Notes to the Financial Statements

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.

All the Subsidiaries consolidated have been listed below.

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

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.

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 judgements 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	
	2021	2020	2021	2020
Dollar (USD)	196.98	185.06	193.85	179.47

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



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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 judgements, 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 Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business 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 going concern basis.

The outbreak of COVID 19 has caused disruption to many local and global business and economic activities. The Group has been closely monitoring the impact of the pandemic on the Group's business operations as at year end and also in the immediate future. Commencing from the latter part of the financial year

this global health hazard had an adverse impact on many industries of the country. The management assessed that there is an adverse impact to the business due to the Group being mainly focused on the export market.

The Group has implemented all possible measures for the safety of the staff employed in all its locations, adhering to Government and health authority guidelines and rules.

With the relaxation of movement restrictions and gradual restoration of business activities, the Group is expected to return to its normal level of activities by the end of second quarter. Based on the information currently available, supply side constraints are also expected to improve during the second quarter.

After due consideration of risks and likelihood of outcomes, the Board of Directors is satisfied that the Company, and its subsidiaries have adequate liquidity and business plans to continue to operate the business and mitigate the risks connected to the lockdown for the next 12 months from the date of this report.

The Group has considered the "Guidance Notes on Accounting Considerations of the COVID 19 Outbreak" issued by CA Sri Lanka, when preparing these Financial Statements.

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.



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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, is measured at fair value with the changes in fair value recognised in the income statement, 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



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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 months 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.

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 values, which reflect market conditions at the reporting date.

The Annual Rates of Depreciation used are as follows:

Subsidiary Company	Microcells (Pvt) Ltd.	Eastern Merchants PLC and Other Companies in the Group
	Rate	Rate
Buildings	2.5%	5%
Plant & Machinery	6.67%	10%
Tools & Equipment	25%	10%
Mould	10%	-
Electrical Installation	20%	10%
Motor Vehicles	25%	12.5%
Furniture & Fittings	20%	10%
Office Equipment	10%	10%
Stores & Other Equipment	10%	10%
Fax Machine	-	20%
Computers	25%	15%
Generators	-	12.5%
Right-of-Use Assets	-	12.5%

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 Derecognition

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.

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



Notes to the Financial Statements

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

Policy Applicable after 01st April 2019

The Group recognises a right-of-use asset and a lease liability which is measured at the present value of the lease payments that are payable on that date. In calculating

the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

After initial recognition, the Group applies the cost model for the right-of-use asset and depreciates the asset from the commencement date to the end of the useful life of the underlying asset. Where the right does not transfer the ownership of the asset, the Group depreciates it from commencement date to the earlier of the end of the useful life of the right-of-use asset or end of the lease term. In addition, interest expense on the lease liability is recognised in the Statement of Profit or Loss. Right of use assets are subject to impairment.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. Lease payments on short-term leases and leases of low-value assets are

recognised as an expense on a straight-line basis over the lease term.

Policy Applicable prior to 01st April 2019

Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership over the leased term are classified as operating leases. Operating lease payments are recognised as expenses on a straight-line basis over the lease term or on a basis which is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Finance Leases

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance expenses and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in the Statements of Profit or Loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs.

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



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- 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 derecognition
- 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 cashflows
- 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 – derecognition

Financial assets are derecognised 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 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.



Notes to the Financial Statements

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 amortisation 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.

(a) 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 the 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 the 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:



Notes to the Financial Statements

- 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), the Group pays tax 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.

Further more the 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 the 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

There have been no events subsequent to the reporting date, which require disclosure in the Financial Statements but the Company has been closely monitoring the impact of the development of COVID-19 on the Company's business operations.

After a stringent lockdown period of over a month, curfew has been gradually eased off in many parts of the country, with the imposition remaining only for few high risk

districts, including the Colombo district, although business activity has resumed across the country, and it is encouraging that there is no indication of community spread in the country at the moment. The Company has evaluated all guidelines issued by the Government as well as international best practices and has developed individual health and safety guidelines to ensure suitable working arrangements and safe conditions for employees, customers and other stakeholders.

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.



Notes to the Financial Statements

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

The following amendments and improvements which are effective for annual periods beginning on or after 01st April 2021 do not expect to have a significant impact on the Group's Financial Statements.

- Amendments to LKAS 1: Classification of liabilities as Current or Noncurrent.
- Amendments to SLFRS 3: Reference to the Conceptual Framework.
- Amendments to LKAS 16: Property, Plant & Equipment - Proceeds before Intended Use
- Amendments to LKAS 37: Onerous Contracts - Cost of Fulfilling a Contract.
- Amendments to SLFRS 7, SLFRS 9 and LKAS 39 : Interest Rate Benchmark Reform - Phase
- Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16: Interest Rate Benchmark Reform - Phase 2.

3 REVENUE

For the Year Ended 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Export	689,183	728,464	2,014,078	2,226,854
Local Sales	120	19	15,703	5,419
Services	-	-	1,495	3,143
	689,303	728,483	2,031,275	2,235,416

4 OTHER OPERATING INCOME

For the Year Ended 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Rent	9,180	16,396	9,180	16,396
Profit on Sale of Property, Plant & Equipment	7,621	1,291	3,534	1,291
Exchange Gains	-	1,286	9,550	944
Profit on Sale of Shares	-	-	-	-
Subscription for Solar Power Supply to CED	3,079	3,022	3,079	3,022
Reversal of Impairment	-	7,627	-	-
Other Income	251	4	623	89
	20,131	29,626	25,966	21,742

5 FINANCE EXPENSES

For the Year Ended 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Interest on Borrowings & Charges	41,684	54,795	55,563	72,386
Finance Charges on Lease Liabilities	408	473	457	507
	42,092	55,268	56,019	72,893



Notes to the Financial Statements

6 FINANCE INCOME

For the Year Ended 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Interest Income	-	216	574	1,500
Profit for Share Disposable	-	-	1,373	-
Dividend	19,540	17,995	13	10
	19,540	18,211	1,960	1,510

7 PROFIT BEFORE TAX

Profit before Tax is stated after charging all Expenses including the following:

For the Year Ended 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Directors' Emoluments	7,011	8,397	21,498	18,470
Costs of Defined Employee Benefits				
Defined Benefit Plan Cost - Gratuity	2,361	2,345	7,466	3,867
Defined Benefit Plan Cost - E.P.F. & E.T.F.	2,629	3,561	13,849	12,787
Staff Expenses	12,329	14,430	85,399	71,297
Depreciation of Property, Plant & Equipment	17,188	19,374	52,333	50,460
Amortization	-	-	830	789
Auditors' Remuneration				
Audit	745	740	1,422	3,010
Non-Audit	760	534	760	534
Charity & Donations	152	222	212	394

8 INCOME TAX EXPENSES

The major components of Income Tax Expenses are as follows:

For the Year Ended 31st March	Notes	Company		Group	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Current Income Tax Charge					
Current Income Tax Charge	8.1	2,203	-	26,185	6,494
10% Withholding Tax on Investment Income		-	-	-	-
Tax Paid for Assessment		-	-	-	-
Deferred Tax Charge /(Release)					
Relating to Origination & Reversal of Temporary Differences	8.2	(13,998)	(12,255)	14,653	(11,513)
Income Tax Expenses/ (Reversal) Reported in the Income Statement		(11,795)	(12,255)	40,838	(5,019)

8.1 Reconciliation between Current Tax Charge and the Accounting Profit

For the Year Ended 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Profit/(Loss) before Tax	(55,757)	(69,015)	49,655	(33,677)
Share of Results of Equity Accounted Investees	-	-	-	-
Profit after Adjustments	(55,757)	(69,015)	49,655	(33,677)
Non - Deductible Expenses	19,701	97,908	21,030	97,584
Income not Liabe for Income Tax	(19,540)	(19,996)	(32,588)	(20,006)
Other Sources of Income	(9,180)	(22,920)	(9,192)	(23,341)
Deductible Expenses	(23,969)	(19,059)	(27,030)	(33,668)
Adjusted Profit/ (Loss) on Trade Business	(88,745)	(33,082)	1,875	(13,108)
Other Sources of Income	9,180	16,612	9,180	16,612
Capital Gain	-	-	-	-
Adjustments	-	-	-	-
Agriculture Income	-	-	-	-
Assessable Income	9,180	16,612	9,180	16,612
Unrelieved Loss Claimed	-	(16,612)	-	(16,612)
	9,180	-	9,180	-
Deduction from Assessable Income	-	-	-	-
Taxable Income	9,180	-	9,180	-
Tax on Taxable Income				
Tax on Qualified Export Profit at 14%	-	-	17,896	4,644
Tax on Agriculture Profit at 14%	-	-	1,866	1,773
Income Tax on Standard Rate 24%	2,203	-	2,341	77
Income Tax Over/(Under) Provisions in Previous years	-	-	4,082	-
Capital Gain Tax at Tax Rate 10%	-	-	-	-
Current Tax Charge	2,203	-	26,185	6,494



Notes to the Financial Statements

8.2 Deferred Tax Expenses

For the Year Ended 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Deferred Tax Expenses arising from;				
Accelerated Depreciation for Tax Purposes	2,048	(1,840)	30,465	(1,199)
Revaluation of Investment Property to Fair Value	118	122	118	122
Retirement Benefit Obligation	427	(458)	369	(538)
Reversal/(Benefit) arising from Tax Losses	(16,590)	(10,078)	(16,507)	(9,898)
Deferred Tax Charged directly to Income Statement	(13,998)	(12,255)	14,655	(11,513)
Other Comprehensive Income				
Deferred Tax Expenses arising from;				
Actuarial Losses on Defined Benefit Obligations	6	(186)	262	(30)
Revaluation of Land & Building to fair value	-	-	(10,942)	-
Total deferred Tax Charged/ (Credited) directly to OCI	6	(186)	(10,680)	(30)

Deferred Tax has been computed at 14% for all Standard Rate Companies.

8.3 Applicable Rates of Income Tax

The tax liability of the Group Companies are computed at the standard rate of 24% 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 (Pvt) Ltd.	Exporting Non Traditional Commodities	14%	Open Ended
Microcells (Pvt) Ltd.	Exporting Non Traditional Commodities	14%	Open Ended
Eastern Merchants Commodities (Pte) Ltd.	Foreign Operation	17%	Open Ended

DISCONTINUED OPERATIONS

Considering the nature of business behavior over the previous years, the Board of Directors have decided to categorize Asia Brush (Pvt) Limited and Asian Woodware Company (Pvt) Limited under Discontinued Operation.

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

9.1	Profit/ (Loss) from Discontinued Operations (Net of Tax)	Asia Brush (Pvt) Ltd.		Asian Woodware Company (Pvt) Ltd.		Adjustments		Group	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
	For the year ended 31st March								
	Revenue	-	175	-	-	-	-	-	175
	Cost of Sales	-	(200)	-	-	-	-	-	(200)
	Gross Profit	-	(25)	-	-	-	-	-	(25)
	Other Income	-	39,322	56	47,328	-	(35,911)	56	50,739
	Administrative Expenses	(94)	(9,140)	(15)	(514)	59	59	(50)	(9,596)
	Profit/(Loss) from Operations	(94)	30,157	41	46,814	59	(35,852)	6	41,118
	Finance Expenses	(20)	(35)	(31)	(57)	-	-	(50)	(92)
	Finance Income	-	-	-	-	-	-	-	-
	Profit/(Loss) before Taxation	(114)	30,122	11	46,757	59	(35,852)	(44)	41,025
	Taxation	-	-	-	-	-	-	-	-
	Profit/(Loss) for the year	(114)	30,122	11	46,757	59	(35,852)	(44)	41,025
	Adjustments with other Companies in the Group	-	-	-	-	-	-	-	(50,689)
		(114)	30,122	11	46,757	59	(35,852)	(44)	(9,664)



Notes to the Financial Statements

9.2 Major Classes of Assets and Liabilities of Discontinued Operations

	Asia Brush (Pvt) Ltd.		Asian Woodware Company (Pvt) Ltd.		Adjustments		Group	
	2021	2020	2021	2020	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As at 31st March								
Assets								
Amount due from Related Parties	-	2,000	-	-	-	-	-	2,000
Non Current Assets held for Sale								
Receivable for Motor Vehicle	-	1,000	-	-	-	-	-	1,000
Cash in hand & At Bank	233	8,651	-	-	-	-	233	8,651
Assets Classified as held for Sale	233	11,651	-	-	-	-	233	11,651
Liabilities								
Interest Bearing Borrowing	-	-	38	7	-	-	38	7
Directors' Current Accounts	-	11,265	-	-	-	-	-	11,265
Amounts due to Related Parties	-	-	-	-	-	-	-	-
Trade Payables	20	60	15	56	-	-	35	116
Income Tax Payables	17	17	274	274	-	-	291	291
Liability Directly Associated with Assets Classified as held for Sale	37	11,342	327	337	-	-	364	11,679
Net Assets of Each Company and Total	196	309	(327)	(337)	-	-	(131)	(28)
Adjustments with other Companies in the Group							-	(2,000)
Impairment Provision for Investment in Subsidiary Company							-	-
Net Assets Directly Associated with Disposal Group							(131)	(2,028)

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

	Asia Brush (Pvt) Ltd.		Asian Woodware Company (Pvt) Ltd.		Adjustments		Group	
	2021	2020	2021	2020	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
For the Year Ended 31st March								
Net Cash Generated from/(used in) Operating Activities	(8,418)	(75,343)	(31)	(304)	-	-	(8,448)	(75,647)
Net Cash from Investing Activities	-	83,889	-	295	-	-	-	84,184
Net Cash used for Financing Activities	-	-	-	-	-	-	-	-
Net Cash Inflow/(Outflow)	(8,418)	8,546	(31)	(9)	-	-	(8,448)	8,537

10 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	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Amount used as the Numerator				
Net Profit/(Loss) Attributable to Ordinary Shareholders (In Rs. '000)	(43,962)	(56,760)	8,670	(71,748)
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.)	(0.38)	(0.48)	0.07	(0.61)

There were no potentially dilutive Ordinary Shares outstanding at any time during the year.

11 DIVIDEND PER SHARE

For the Year Ended 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Equity Dividend on Ordinary Shares declared and Paid during the year (Rs)	-	-	-	-
Amount used as the Denominator				
Weighted Average Number of Ordinary Shares	-	-	-	-
Dividend Per Share (Rs)	-	-	-	-

Notes to the Financial Statements

12 PROPERTY, PLANT & EQUIPMENT

12.1 Company

	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	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000		Rs.'000
Cost/Revaluation																		
As at 01st April 2020	722,329	141,611	15,701	84,480	4,300	9,364	22,289	6,920	1,006,993									
Additions	-	-	-	-	-	53	-	196	248									
Revaluation	-	-	-	-	-	-	-	-	-									
Adjustment	-	-	-	-	-	-	-	-	-									
Disposals	-	-	-	(43,579)	-	(110)	-	-	(43,689)									
As at 31st March 2021	722,329	141,611	15,701	40,901	4,300	9,307	22,289	7,116	963,553									
Depreciation																		
As at 01st April 2020	-	7,081	15,409	41,067	4,295	6,893	9,607	6,306	90,657									
Charge for the year	-	7,081	244	6,689	1	458	1,707	233	16,413									
Revaluation Adjustment	-	-	-	-	-	-	-	-	-									
Disposals	-	-	-	(19,131)	-	(110)	-	-	(19,241)									
As at 31st March 2021	-	14,162	15,653	28,625	4,296	7,241	11,314	6,539	87,830									

12.1.3 Net Book Value

As at 31st March 2021	722,329	127,449	48	12,276	4	2,066	10,975	577	875,723
As at 31st March 2020	722,329	134,530	291	43,413	5	2,471	12,682	614	916,336

12.1.4 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	2021		2020	
	Cost	Accumulated Depreciation	Net Book Value	Cost
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Land	308,263	-	308,263	308,263
Add: Addition during the year	-	-	-	-
Less: Disposal during the year	-	-	-	-
	308,263	-	308,263	308,263
Buildings	98,996	(60,002)	38,994	98,996
Add: Addition during the year	-	-	-	(55,669)
Less: Cost of Building Disposed	-	-	-	-
	98,996	(60,002)	38,994	43,327
Total	407,259	(60,002)	347,257	351,590

12.1.5 During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs.0.248 Mn (2020 - Rs. 10 Mn). Cash payments amounting to Rs.0.248Mn (2020- Rs. 4.2 Mn) were made during the year for purchase of Property, Plant & Equipment.

12.1.6 Property, Plant & Equipment includes fully depreciated assets having gross carrying value of Rs. 35Mn (2020 - Rs. 34Mn .)

12 PROPERTY, PLANT & EQUIPMENT

12.2 Group

	Land	Buildings	Plant & Machinery	Motor Vehicles	Furniture & Fittings	Office & Equipment	Stores & Equipment	Computer Hardware	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost/Revaluation									
As at 01st April 2020	981,483	342,788	297,801	94,871	20,200	18,464	91,294	24,197	1,871,098
Additions	-	15,729	1,691	18,147	-	53	175	196	35,991
Revaluation Surplus	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-	-
Disposals	-	(5,750)	(3,070)	(23,072)	-	(110)	-	-	(32,002)
As at 31st March 2021	981,483	352,767	296,422	89,946	20,200	18,407	91,469	24,393	1,875,088

12.2.2 Depreciation

As at 01st April 2020	-	14,167	81,048	44,693	19,874	15,153	66,719	22,474	264,127
Charge for the year	-	12,589	20,892	14,444	149	606	2,207	670	51,557
Revaluation Adjustment	-	-	-	-	-	-	-	-	-
Disposals	-	(128)	-	(15,551)	-	(110)	-	-	(15,788)
As at 31st March 2021	-	26,628	101,940	43,587	20,023	15,649	68,926	23,144	299,896

12.2.3 Net Book Value

As at 31st March 2021	981,483	326,138	194,482	46,359	177	2,758	22,543	1,250	1,575,192
As at 31st March 2020	981,483	328,621	216,753	50,178	326	3,311	24,575	1,723	1,606,971

12.2.4 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:

Class of Asset	2021		2020	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Land	308,263	-	308,263	-
Add: Addition during the year	-	-	-	-
Less: Disposal during the year	-	-	-	-
	308,263	-	308,263	-
Buildings	222,272	(60,443)	161,828	223,088
Add: Addition during the year	15,729	-	15,729	8,174
Add: Depreciation During the Year	(8,878)	(8,878)	(8,878)	(8,990)
Less: Cost of Building Disposed	(5,750)	(128)	(5,878)	-
	223,373	(69,449)	162,801	222,272
Total	531,636	(69,449)	471,064	530,535
				(60,443)
				479,082

12.2.5 During the financial year, the Group acquired Property, Plant & Equipment to the aggregate value of Rs.36Mn (2020- Rs. 21.5Mn). Cash payments amounting to Rs. 36Mn (2020 - Rs. 15.38 Mn) were made during the year for purchase of Property, Plant & Equipment.

12.3 Property, Plant & Equipment includes fully depreciated assets having gross carrying value of Rs.38 Mn (2020 - Rs.36 Mn.)



Notes to the Financial Statements

12.4

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 values, 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.

The Group has not engaged an independent valuer to determine the fair value of its land & Buildings for the year ended 31st March 2021.

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, Heiyantuuduwa, Sapugaskanda.		A.2 - R.2- 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, Heiyantuuduwa, 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	
Microcells (Pvt) Ltd.						
Corpus residential property with building and one building block situated at Swarnananda Housing Scheme, Mamppe, Piliyandala. - Six buildings	7,553	-	Open Market Value	31st March 2019	16,743	Dr. Gaminda Haegoda
Corpus residential Property with Assessment No 135 Koskanatta Road Mamppe, Piliyandala. - Nine buildings	55121	-	Open Market Value	31st March 2019	174,402	Dr. Gaminda Haegoda
Koskanatta Road, Mamppe, Piliyandala. - Land only	-	A.0 - R.2- P.12.97	Open Market Value	31st March 2019	37,148	Dr. Gaminda Haegoda

Valuation Methodology - Previous Year

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.

12.5 Right - of - use Assets

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
At Cost				
At the beginning of the year	6,200	-	6,200	-
Additions	-	6,200	-	6,200
At the end of the year	6,200	6,200	6,200	6,200
Accumulated Depreciation				
At the beginning of the year	743	-	743	-
Depreciation for the Year	775	743	775	743
At the end of the year	1,518	743	1,518	743
Carrying Value	4,682	5,457	4,682	5,457

13 INTANGIBLE ASSETS

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Computer Software	-	-	-	-
At Cost	-	-	-	-
At the beginning of the year	-	-	9,262	8,576
Additions	-	-	966	686
Disposal	-	-	-	-
At the end of the year	-	-	10,228	9,262
Accumulated Amortization & Impairment				
At the beginning of the year	-	-	5,730	4,878
Amortization	-	-	830	852
Impairment	-	-	-	-
At the end of the year	-	-	6,560	5,730
Carrying Value	-	-	3,668	3,532

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Fair Value at the beginning of the year	211,250	211,250	211,250	211,250
Value of Land Transferred from Owner Occupied	-	-	-	-
Value of Building Transferred from Owner Occupied	-	-	-	-
Value of Investment Property Sold during the year	-	-	-	-
Change in Fair Value during the year	-	-	-	-
At the end of the year	211,250	211,250	211,250	211,250



Notes to the Financial Statements

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

Property	Name of the Chartered Valuation Surveyor for 2020	Method of Valuation	Estimated Price per Perch 2019		Estimated Price per Square foot 2019		Estimated Price per Perch 2020		Estimated Price per Square Foot 2020		Extent		Value	
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	2021	2020	Rs.'000	Rs.'000
Eastern Merchants PLC														
No.101, & No.20, Heiyantuduwa Sapugaskanda														
Land														
Dr. Gaminda Haegoda														
One Building	- do -	Market Value	485,000	-	-	2,300	-	485,000	-	-	2,500	200 Perches	97,000	97,000
One Building	- do -	- do -	-	-	-	2,900	-	-	-	-	3,500	12,800 Sq.Ft	32,000	32,000
												23,500 Sq.Ft	82,250	82,250
													211,250	211,250

The Group engaged an independent Chartered Valuation Surveyor to assess the fair value of investment properties as at 31/03/2019. As at 31st March 2020, Board of Directors of the Group has reassessed Fair Value of Investment Property and determined no significant changes to the revalued carrying amount provided as at 31st March 2021.

B Income and Expenditure on Investment Property

	Company		Group	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Rent Income	9,180	16,396	9,180	16,396
Direct Operating Expenses	(165)	(205)	(165)	(205)
Net Income	9,015	16,191	9,015	16,191

14.1 The Board of Directors has adopted the fair value model to value the investment properties of the Company. Investment properties were valued at fair value by Dr. Gamini Heagoda, Independent Professional Valuer as at 31/03/2019. Board of Directors of the Company have reassessed Fair Value of Investment Property and determined there are no significant changes to the revalued carrying amount provided as at 31st March 2021.

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

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Land - Cost	16,115	16,115	16,115	16,115
Add: Transferred from Owner Occupied	-	-	-	-
Less: Cost of Disposal Land	-	-	-	-
Book Value	16,115	16,115	16,115	16,115
Building - Cost	47,477	47,477	47,477	47,477
Add: Transferred from Owner Occupied	-	-	-	-
Accumulated Depreciation	(18,201)	(15,827)	(18,201)	(15,827)
Net Book Value	29,276	31,650	29,276	31,650
Net Book Value of Investment Property	45,391	47,765	45,391	47,765

15 INVESTMENT IN SUBSIDIARIES

As at 31st March	Notes	Company	
		2021 Rs.'000	2020 Rs.'000
Investments in Subsidiaries	15.1	628,060	628,060
		628,060	628,060

15.1 Investments in Subsidiaries

As at 31st March	Company		Book Value	
	No. of Shares 2021	2020	2021 Rs.'000	2020 Rs.'000
Unquoted - Consolidated				
Eamel Exports (Pvt) Ltd.	25,875	25,875	1,203	1,203
Asian Woodware Company (Pvt) Ltd.	487,996	487,996	4,880	-
Less: Provision for Impairment			(4,880)	-
Asia Brush (Pvt) Ltd.	752,497	752,497	6,733	-
Less: Provision for Impairment			(6,733)	-
Spice Lane (Pvt) Ltd.	7,000,000	7,000,000	70,000	70,000
Eastern Merchants Commodities (Pte) Ltd.	100	100	1,117	1,117
Microcells (Pvt) Ltd.	512,325	512,325	555,740	555,740
			628,060	628,060



Notes to the Financial Statements

16 NON CURRENT FINANCIAL ASSETS

As at 31st March	Group			
	No. of Shares		Fair value	
	2021	2020	2021	2020
			Rs.'000	Rs.'000
Quoted Securities - Shares				
Eastern Merchants PLC	5,668,714	5,668,714	28,344	16,237
Ceylon Leather Products PLC	-	7,500	-	304
Piramal Glass PLC	-	50,000	-	165
Diesel & Motor Engineering PLC	-	1,020	-	255
			28,344	16,961

17 INVENTORIES

As at 31st March	Company		Group	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Finished Goods	73,789	61,715	131,420	139,934
Raw Material	-	-	67,306	63,321
Work in Progress	-	-	394	115
Consumable Item	35	-	29,036	-
Packing Materials	1,994	2,487	4,612	3,365
	75,818	64,202	232,768	206,735

18 TRADE & OTHER RECEIVABLES

As at 31st March	Company		Group	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade Receivables	52,968	30,571	363,805	222,885
Other Receivables	2,549	4,668	5,375	9,185
	55,517	35,239	369,180	232,070

19 OTHER CURRENT ASSETS

As at 31st March	Note	Company		Group	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Pre-payments & Non Cash Receivables		8,231	11,952	69,286	65,097
Income Tax Refunds	19.1	17,823	20,026	6,440	26,100
		26,054	31,978	75,726	91,197

19.1 Income Tax Refunds

Balance at the beginning of the year		20,026	16,467	26,100	27,329
Income Tax Paid		-	-	4,662	36
ESC Paid		-	2,971	-	4,820
WHT		-	1,270	-	1,318
		20,026	20,708	30,762	33,504
Income Tax Charged for the year		(2,203)	-	(20,239)	(4,722)
Income Tax Under Pro in Previous years		-	-	(4,082)	-
ESC Set-off against Income Tax		-	-	-	(2,000)
WHT Set-off against Income Tax		-	(682)	-	(682)
Balance at the end of the year		17,823	20,026	6,442	26,100

20 AMOUNTS DUE FROM RELATED PARTIES

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Eamel Exports (Pvt) Ltd.	-	-	-	-
Asia Brush (Pvt) Ltd. - Note No 35.2.1.B	-	-	-	-
Asian Woodware Company (Pvt) Ltd - Note No 35.2.1.D	-	-	-	-
Eastern Merchants PLC	-	-	-	-
	-	-	-	-

21 SHORT TERM INVESTMENTS

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Fixed Deposits				
NDB	-	-	-	3,416
	-	-	-	3,416



Notes to the Financial Statements

22 CASH IN HAND & AT BANK

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Cash at Bank	4,112	4,109	49,760	33,712
Cash in hand	365	973	662	1,298
	4,477	5,082	50,423	35,010

23 STATED CAPITAL

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 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

- 23.1** A subsidiary Company Eamel Exports (Pvt) Ltd. continue to hold shares in holding Company as per the provisions of Section 72 of the Companies Act No 7 of 2007. As at 31/03/2021, Eamel Exports (Pvt) Ltd. 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 31st March 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 2019	111,777	16,576
Balance as at 31st March 2020	111,777	16,576

24 REVENUE RESERVES

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Retained Earnings				
Balance - As per Equity Statement	773,108	817,684	1,154,349	1,149,871
Total Revenue Reserves	773,108	817,684	1,154,349	1,149,871

25 OTHER COMPONENTS OF EQUITY

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Capital Reserves				
Revaluation Reserve	553,895	553,895	626,168	637,110
Foreign Currency Translation Reserve	-	-	5,532	3,544
Fair Value Reserve of Financial Assets at FVOCI	-	-	(12,725)	(19,772)
Total Capital Reserve	553,895	553,895	618,475	620,882

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.

26 DEFERRED TAX (LIABILITY)/ASSETS

As at 31st March	Note	Company		Group	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Balance at the beginning of the year		(6,687)	(18,755)	(39,378)	(50,697)
Charge/(Reversal) for the year					
Profit or Loss	8.1	14,000	12,255	(14,653)	11,513
OCI	8.1	6	(186)	(10,680)	(30)
Balance at the end of the year		7,319	(6,687)	(64,712)	(39,378)

26.1 Net Deferred Tax Assets

	Note	Company		Group	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Deferred Tax Assets	26.2	63,308	47,137	66,599	49,855
Deferred Tax Liabilities	26.2	(55,989)	(53,824)	(131,125)	(89,232)
		7,319	(6,687)	(64,526)	(39,378)



Notes to the Financial Statements

26.2 Recognized Deferred Tax Assets & Liabilities

Deferred tax assets & liabilities are attributable to the following:

	Company			
	Assets		Liabilities	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property, Plant & Equipment	-	-	(26,166)	(24,119)
Employee Benefits	1,657	2,078	-	-
Investment Property	-	-	(29,823)	(29,705)
Adjusted Tax Loss	61,650	45,059	-	-
Net Tax (Assets)/Liabilities	63,308	47,137	(55,989)	(53,824)

	Group			
	Assets		Liabilities	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property, Plant & Equipment	-	-	(101,302)	(59,527)
Employee Benefits	3,043	2,890	-	-
Investment Property	-	-	(29,823)	(29,705)
Adjusted Tax Loss	63,556	46,965	-	-
Net Tax (Assets)/Liabilities	66,599	49,855	(131,125)	(89,232)

27 INTEREST BEARING BORROWINGS

27.1 Company

As at 31st March		2021			2020		
		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
27.1.1	Bank Loans	276,667	7,433	284,100	311,632	7,432	319,064
27.1.2	Lease Creditor	887	1,000	1,887	685	1,886	2,571
		277,554	8,433	285,987	312,317	9,318	321,635
27.1.3	Bank Overdrafts	69,177	-	69,177	57,459	-	57,459
		69,177	-	69,177	57,459	-	57,459
		346,730	8,433	355,164	369,776	9,318	379,094

27.1.1.1 Bank Loans

	As at 01/04/2019	Loans obtained	Re-payment	As at 31/03/2020	Loans obtained	Re-payment	As at 31/03/2021
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Bank Loans	355,706	355,332	(391,974)	319,064	357,011	(391,974)	284,100
	355,706	355,332	(391,974)	319,064	357,011	(391,974)	284,100

27.1.2.1 Lease Creditor

	2021			2020		
	Amount Re-payable within 1 year Rs.'000	Amount Re-payable after 1 year Rs.'000	Total Rs.'000	Amount Re-payable within 1 year Rs.'000	Amount Re-payable after 1 year Rs.'000	Total Rs.'000
Lease Creditor	1,093	1,184	2,277	1,093	2,276	3,369
Less: Interest in Suspense	(206)	(184)	(390)	(408)	(390)	(798)
	887	1,000	1,887	685	1,886	2,571

27.2 Group

As at 31st March		2021			2020			
	Notes	Amount Re-payable within 1 year Rs.'000	Amount Re-payable after 1 year Rs.'000	Total Rs.'000	Amount Re-payable within 1 year Rs.'000	Amount Re-payable after 1 year Rs.'000	Total Rs.'000	
27.2.1	Bank Loans	27.2.1.1	414,442	13,433	427,875	386,212	7,432	393,644
27.2.2	Lease Creditor	27.2.2.1	887	1,000	1,887	685	1,887	2,571
			415,329	14,433	429,763	386,896	9,319	396,215
27.2.2	Bank Overdrafts		126,957	-	126,957	85,181	-	85,181
			126,957	-	126,957	85,181	-	85,181
			542,286	14,433	556,720	472,077	9,319	481,396

27.2.1.1 Bank Loans

	As at 01/04/2019 Rs.'000	Loans obtained Rs.'000	Re-payment Rs.'000	As at 31/03/2020 Rs.'000	Loans obtained Rs.'000	Re-payment Rs.'000	As at 31/03/2021 Rs.'000
Bank Loans	423,347	456,162	(485,865)	393,644	654,655	(620,424)	427,875
	423,347	456,162	(485,865)	393,644	654,655	(620,424)	427,875

27.2.2.1 Lease Creditor

	2021			2020		
	Amount payable within 1 year Rs.'000	Amount payable after 1 year Rs.'000	Total Rs.'000	Amount payable within 1 year Rs.'000	Amount payable after 1 year Rs.'000	Total Rs.'000
Lease Creditor	1,093	1,184	2,277	1,093	2,277	3,369
Less: Interest in Suspense	(206)	(184)	(390)	(408)	(390)	(798)
	887	1,000	1,887	685	1,887	2,571



Notes to the Financial Statements

28 RETIREMENT BENEFIT OBLIGATIONS

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Balance at the Beginning of the year	14,844	12,904	20,638	18,879
Current Service Cost	876	887	2,456	2,177
Interest for the year	1,484	1,458	2,064	2,133
Actuarial Loss/(Gains)	620	579	3,566	1,699
Payments made during the year	(5,987)	(982)	(6,990)	(4,248)
Balance at the end of the year	11,839	14,844	21,733	20,638

28.1 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. The complexity of the valuation, the underlying assumptions and due to 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	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Discount Rate	7.0%	10.00%	7%	10%
Future Salary Increases	5%	5%	5%	5%
Retirement Age	55 Years	55 Years	55 Years	55 Years

The Gratuity Liability is not externally funded.

28.2 Net Benefit Expenses Categorised under Personnel Expenses:

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Interest Cost	(1,484)	1,458	2,064	2,133
Current Service Cost	620	887	2,456	2,177

28.3 Sensitivity of Assumptions Used

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

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Discount Rate				
1% Increase	(449)	(434)	(708)	(693)
1% Decrease	499	476	796	773
Salary Increment rate:				
1% Increase	481	433	746	698
1% Decrease	(440)	(399)	(740)	(699)

29 TRADE & OTHER PAYABLES

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Trade Creditors including Accrued Expenses	8,521	5,080	73,502	60,710
	8,521	5,080	73,502	60,710

30 AMOUNTS DUE TO RELATED PARTIES

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Spice Lane (Pvt) Ltd.	69,286	62,855	-	-
Eamel Exports (Pvt) Ltd.	17,224	15,891	-	-
Director's Current Account	2,550	2,550	2,550	2,550
Mirocells (Pvt) Ltd.	63,000	15,000	-	-
Asia Brush (Pvt) Ltd.	-	2,000	-	-
Eastern Merchants Commodities	773	4,720	-	-
	152,832	103,016	2,550	2,550

31 OTHER CURRENT LIABILITIES

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Other Non Financial Liabilities	16,763	525	18,328	644
	16,763	525	18,328	644



Notes to the Financial Statements

32 INCOME TAX PAYABLE

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Balance at the Beginning of the year	-	-	1,843	1,196
Provision for the year	-	-	1,864	1,773
Tax Paid during the year	-	-	(1,978)	(1,126)
Transferred to Overpayment	-	-	-	-
	-	-	1,729	1,843

33 FINANCIAL INSTRUMENTS

Financial Assets & Liabilities are split into categories in accordance with SLFRS 9 as follows.

As at 31st March	Note	Company		Group	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000

33.1 Financial Assets by Categories

33.1.1 Financial Instruments in Non-Current Assets

Non Current Financial Assets	16	-	-	28,344	16,961
		-	-	28,344	16,961

33.1.2 Financial Instruments in Current Assets

Trade & Other Receivables	18	55,517	35,239	369,180	232,070
Amounts due from Related Parties	20	-	-	-	-
Short Term Investments	21	-	-	-	3,416
Cash in hand & At Bank	22	4,477	5,082	50,423	35,010
		59,994	40,321	419,603	270,498
Total Financial Assets		59,994	40,321	447,947	287,459

33.2 Financial Liabilities by Categories

33.2.1 Financial Instruments in Non-Current Liabilities

Interest Bearing Borrowings	27	8,433	9,318	14,433	9,319
		8,433	9,318	14,433	9,319

33.2.2 Financial Instruments in Current Liabilities

Trade & Other Payables	29	8,521	5,080	73,502	60,710
Amounts due to Related Parties	30	152,832	103,016	2,550	2,550
Current Portion of Interest Bearing Borrowings	27	277,554	312,317	415,329	386,896
Bank Overdrafts	27.1.2	69,177	57,459	126,957	85,181
Total Financial Instruments in Current Liabilities		508,085	477,872	618,338	535,337
Total Financial Liabilities		516,518	487,190	632,772	544,656

34 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 12

Investment Property - Note 14

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorized 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 recognized in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (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 values are involved for valuation of significant assets, such as land and building and investment properties. Selection criteria for external values 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.



Notes to the Financial Statements

34.1 FAIR VALUE MEASUREMENT HIERARCHY - GROUP

The Group held the following Financial Instruments carried at Fair Value in the Statement of Financial Position

As at 31st March	Level 1		Level 2		Level 3		Total	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
FINANCIAL ASSETS								
Non-Current Financial Assets	28,344	16,961	-	-	-	-	28,344	16,961
NON FINANCIAL ASSETS								
Assets Measured at Fair Value	-	-	-	-	-	-	-	-
Land & Buildings	-	-	-	-	1,307,621	1,324,271	1,307,621	1,324,271
Investment Property	-	-	-	-	211,250	211,250	211,250	211,250

FAIR VALUE MEASUREMENT HIERARCHY - COMPANY

As at 31st March	Level 1		Level 2		Level 3		Total	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
FINANCIAL ASSETS								
Non-Current Financial Assets	-	-	-	-	-	-	-	-
NON FINANCIAL ASSETS								
Assets Measured at Fair Value	-	-	-	-	-	-	-	-
Land & Buildings	-	-	-	-	849,778	857,084	849,778	857,084
Buildings on Leasehold Land	-	-	-	-	-	-	-	-
Investment Property	-	-	-	-	211,250	211,250	211,250	211,250

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 summarized below:

	2021 Rs.'000	2020 Rs.'000
Quoted Securities - Group		
Balance at the beginning of the year	16,961	22,738
Sales	-	-
Total gains and losses recognised in OCI	11,382	(5,776)
Balance at the end of the year	28,344	16,962

35 DIRECTORS INTEREST IN CONTRACTS/RELATED PARTY TRANSACTIONS

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

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

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

For the year ended 31st March	2021 Rs.'000	2020 Rs.'000
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35.2.1 Transactions with subsidiaries

A Eamel Exports (Pvt) Ltd.

Current Account Balance - Payables		
Balance at the beginning of the year	15,891	6,000
Fund Transfers	-	-
Acquisition of Share by Eastern Merchants PLC	-	-
Settlement	1,333	9,891
Balance at the end of the year	17,224	15,891

B Asia Brush (Pvt) Ltd.

Current Account Balance - Receivable		
Balance at the beginning of the year	28,973	87,837
Fund Transfers	190	854
Settlement of Loans	-	(59,718)
	29,163	28,973
Provision for Impairment	(29,163)	(28,973)
Balance at the end of the year	-	-

C Eastern Merchants Commodities (Pte) Ltd.

Current Account Balance - Payables		
Balance at the beginning of the year	4,720	-
Fund Transfers	-	24,057
Exchange Gain	-	-
Reimbursements	(3,947)	(19,337)
Balance at the end of the year	773	4,720



Notes to the Financial Statements

For the year ended 31st March		2021	2020
		Rs.'000	Rs.'000
D	Asian Woodware Company (Pvt) Ltd.		
	Current Account Balance - Receivable		
	Balance at the beginning of the year	-	11,305
	Fund Transfers	-	62
	Provision for Impairment	-	(11,367)
	Balance at the end of the year	-	-
E	Spice Lane (Pvt) Ltd.		
	Current Account Balance - Payable		
	Balance at the beginning of the year	62,857	69,065
	Loan Granted/ (Settled) to Eastern Merchants PLC	6,429	(6,209)
	Interest	-	-
	Payments by Spice Lane (Pri) Ltd. on behalf of the Company	-	-
	Balance at the end of the year	69,286	62,857
F	Microcells (Pvt) Ltd.		
	Current Account Balance -Trade Receivable		
	Balance at the beginning of the year	(11,410)	734
	Add: Raw Materials Sales	84,419	54,235
	Fund Transfers	(87,246)	(15,000)
	Interest Charged	-	-
	Less : Settlement	-	(51,379)
	Balance at the end of the year	(14,237)	(11,410)

35.2.2 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 transactions between related parties.
- b** No Interest has been paid on loans granted to the Companies in the group by the Directors.

35.2.3 Outstanding amounts due from related parties and due to related parties are disclosed in Notes No 20 and 30.

35.2.4 Provision for impairment on amounts due from related parties disclosed in Note No 35.2.1 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 9, Discontinued Operations.

35.2.5 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 the 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	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2021 Rs.'000
Short Term Employee Benefits				
Directors Remuneration	7,011	8,397	21,498	18,470

36 ASSETS PLEDGED

36.1 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 31/03/2020 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	10,171	7,563	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 Mortgaged of Land at No 42, Castle Road , Colombo 08 and Land & Buildings at No 101, Gonawala Road, Sapugaskanda.	Short Term Loan	428,800	278,565	Property, Plant & Equipment

37 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.

38 EVENTS OCCURRING AFTER THE REPORTING DATE

Eastern Merchants PLC - Parent Company - The Board of Director of the Company has entered into a Sales Purchase Agreement to sell the Property at Castle Street for a consideration of Rs. 200 Million in June, 2021.

Microcells (Pvt) Ltd - Subsidiary Company - The Company bought a land at Thudugala, Dodangoda for Rs. 200 Million on 19th August 2021.



Notes to the Financial Statements

SEGMENT INFORMATION

Information based on the Primary Segments (Business Segment)

	Export of Traditional & Non Traditional Products		Other		Consolidation Adjustment		Group Total	
	2021	2020	2021	2020	2021	2020	2021	2020
For the year ended 31st March	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Total Sales	2,114,200	2,286,507	1,495	3,143	(84,418)	(54,234)	2,031,275	2,235,416
Other Income	31,251	29,348	10	20	(5,296)	(7,627)	25,966	21,743
Segment Revenue	2,145,451	2,315,855	1,505	3,163	(89,714)	(61,861)	2,057,241	2,257,159
Segment Results	110,240	46,463	(1,230)	(1,130)	(5,296)	(7,627)	103,714	37,706
Finance Expenses					(56,019)			(72,893)
Finance Income					1,960			1,510
Change in Fair Value of Investment Property								-
Profit before Taxation					49,654		49,654	(33,678)
Income Tax					(40,838)		(40,838)	5,019
Profit/(Loss) from Discontinued Operation					(44)		(44)	41,025
Profit for the year					8,773		8,773	12,368
Other Comprehensive Income					(354)		(354)	(7,006)
Total Comprehensive Income					8,481		8,481	5,362
Attributable To								
Equity Holders of the Company					2,573		2,573	(42,541)
Minority Interest					5,847		5,847	(2,787)
Profit for the year					8,420		8,420	(45,328)
Assets								
Segment Assets	3,290,813	3,104,569	23,492	22,458	(791,416)	(731,393)	2,522,890	2,395,634
Other Investments	-	-	28,344	17,163	-	(201)	28,344	16,962
Total Assets	3,290,813	2,517,064	51,835	44,854	(791,416)	(731,593)	2,551,233	2,412,596
Liabilities								
Other Segment Liabilities	246,024	169,519	6,590	6,410	(156,126)	(107,908)	96,487	68,022
Interest Bearing Borrowings	556,720	481,396	-	-	-	-	556,720	481,396
Deferred Tax Liabilities	72,331	39,495	(302)	(116)	-	-	64,464	39,379
Retirement Benefit Obligations	21,734	20,638	-	-	-	-	21,733	20,638
Total Liabilities	896,809	711,048	6,338	6,294	(156,126)	(107,908)	739,404	609,434

40 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. Group's principle financial liabilities, comprise of loans and borrowings, 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.

40.1 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.

40.2 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 optimizing 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 Rupees (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.

40.3 Risk Management

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



Notes to the Financial Statements

40.4 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). Following table shows maximum risk positions.

As at 31st March	2021						
	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	369,180	-	-	-	-	369,180	82.54%
Long Term Investment	-	-	-	-	28,344	28,344	6.34%
Short Term Investments	-	-	-	-	-	-	0.00%
Cash at Bank	-	-	49,760	-	-	49,760	11.12%
Total Credit Risk Exposure	369,180	-	49,760	-	28,344	447,284	100%

Risk Exposure - Company							
Trade & Other Receivables	55,517	-	-	-	-	55,517	93.10%
Amounts due from Related Parties	-	-	-	-	-	-	0.00%
Cash at Bank	-	-	4,112	-	-	4,112	6.90%
Total Credit Risk Exposure	55,517	-	4,112	-	-	59,629	100%

As at 31st March	2020						
	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	232,070	-	-	-	-	232,070	81.1%
Long Term Investment	-	-	-	-	16,961	16,961	5.93%
Short Term Investments	-	3,416	-	-	-	3,416	1.2%
Cash at Bank	-	-	33,712	-	-	33,712	11.8%
Total Credit Risk Exposure	232,070	3,416	33,712	-	16,961	286,160	100%

Risk Exposure - Company							
Trade & Other Receivables	35,239	-	-	-	-	35,239	89.6%
Short Term Investments	-	-	-	-	-	-	0.0%
Amounts due from Related Parties	-	-	-	-	-	-	0.0%
Cash at Bank	-	-	4,109	-	-	4,109	10.4%
Total Credit Risk Exposure	35,239	-	4,109	-	-	39,348	100%

40.5 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	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
NET DEBT/ (CASH)				
Short Term Investments	-	-	-	3,416
Cash in hand & At Bank	4,477	5,082	50,422	35,010
Adjustments to Liquid Assets	-	-	-	-
Total Liquid Assets	4,477	5,082	50,422	38,427
Interest Bearing Loans & Borrowings	277,554	312,317	415,329	386,896
Bank Overdrafts	69,177	57,459	126,957	85,181
Total Liabilities	346,731	369,776	542,286	472,077
Net Debt/(Cash)	(342,255)	(364,694)	(491,864)	(433,651)

40.6 Maturity Analysis

The table below summarizes the maturity profile of the Group's financial liabilities at 31 March 2021 based on contractual undiscounted (Principal Plus Interest) payments.

As at 31st March	Company		Group	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
All Borrowings are Payable Within One Year				
Interest Bearing Loans & Borrowings	277,554	312,317	415,329	386,896
Trade & Other Payables	8,521	5,080	73,502	60,710
Amounts due to Related Parties	152,832	103,016	2,550	2,550
Bank Overdrafts	69,177	57,459	126,957	85,181
	508,083	477,872	618,339	535,337



Notes to the Financial Statements

41 MATERIAL PARTLY - OWNED SUBSIDIARIES

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

41.1 Summarised Income Statement

For the Year Ended 31st March	Export of Traditional & Non Traditional Products & Others		Others		Total	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Revenue	-	3,205	721	2,411	721	5,616
Cost of Sales	-	(2,993)	-	-	-	(2,993)
Gross Profit	-	212	721	2,411	721	2,623
Other Operating Income	24	39,548	-	-	24	39,548
Administrative Expenses	(11)	(4,925)	(1,326)	(4,160)	(1,337)	(9,085)
Distribution Expenses	-	(40)	(3)	(219)	(3)	(259)
Profit/(Loss) from Operations	12	34,796	(608)	(1,968)	(595)	32,828
Finance Expenses	(22)	(51)	(12)	(2)	(34)	(53)
Finance Income	-	-	669	26	669	26
	(10)	34,746	49	(1,944)	40	32,802
Change in Fair Value of Investment Property	-	-	-	-	-	-
Profit/(Loss) before Taxation	(10)	34,746	49	(1,944)	40	32,802
Taxation	(0)	-	64	(97)	89	(97)
Profit/(Loss) for the year	(10)	34,746	114	(2,041)	128	32,705
Other Comprehensive Income/(Loss) for the Period						
Net gain/(loss) on financial instruments at fair value through	-	-	5,744	(4,815)	5,744	(4,815)
Other Comprehensive Income	-	-	-	-	-	-
Profit/(Loss) Allocated to Material NCI	(10)	34,746	5,858	(6,856)	5,872	27,890
Dividend Paid to NCI	-	-	-	-	-	-

41.2 Summarised Statement of Financial Position

As at 31st March	Export of Traditional & Non Traditional Products & Others		Others		Total	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Non-Current Assets	-	-	24,751	28,680	24,751	28,680
Current Assets	109	5,462	404	192	514	5,654
Total Assets	109	5,462	25,155	28,872	25,264	34,334
Non-Current Liabilities	-	-	-	-	-	-
Current Liabilities	20,197	78,055	3,179	2,676	23,376	80,731
Total Liabilities	20,197	78,055	3,179	2,676	23,376	80,731
Accumulated Balances of Material NCI	(20,088)	(72,593)	21,976	26,195	1,888	(46,397)

41.3 Summarised Cash Flow information for the year ended 31st March

For the year ended 31st March	Export of Traditional & Non Traditional Products & Others		Others		Total	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Cash Flows from Operating Activities	(3,959)	(709)	(906)	(179)	(4,865)	(888)
Cash Flows from/(used in) Investing Activities	-	354	1,018	19	1,018	373
Cash Flows from/(used in) Financing Activities	-	-	-	(48)	-	(48)
Net Increase/(Decrease) in Cash & Cash Equivalents	(3,959)	(355)	112	(209)	(3,847)	(564)

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 (Pvt) Ltd.	48.25%	Open Ended
Asia Brush (Pvt) Ltd.	46.88%	Open Ended
Asian Woodware Company (Pvt) Ltd.	42.32%	Open Ended



Shareholder Information

Top twenty shareholders as at 31st March 2021

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 Ltd.,	5,668,714	4.83
J. B. L. de Silva/K.G.A. de Rajap/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
K. N. De A. Rajapakse	980,000	0.83
K. B. De A. Rajapakse	880,000	0.82
Dr. E. D. Rodrigo	861,000	0.76
S. Paramanathan	847,546	0.75
S. P. de A. Rajapakse	753,400	0.73
N. K. L. Tilakaratna	701,680	0.60
Mrs. K. A. G. Ranasinghe	700,000	0.60
Mrs. D. E. Perera	600,000	0.51
P. G. Piyasiri	593,396	0.40
Mrs. L. B. Karunaratne	572,581	0.30
H. M. Udeshi	466,880	0.26
	107,504,346	

Public shareholding

Percentage of shares held by the public and the number of public shareholders is as given below.

	As at 31.03.21	As at 31.03.20
Ordinary Shares	48,105,882	48,105,882
Public Shareholding	40.96%	40.96%
Public Shareholders	1,396	1,275
Float Adjusted Market Capitalization	283,825	139,507

Shareholder analysis as at 31st March 2021

Nos. of Shares Held	No. of Shareholders 2021	No. of Shares 2021	%
1-1,000	743	222,329	0.19
1,001 -10,000	434	1,869,116	1.59
10,001 - 100,000	196	5,795,879	4.93
100,001 - 1,000,000	23	11,970,813	10.19
Over 1,000,000	7	97,587,863	83.09
	1,403	117,446,000	100

Directors Shareholdings as at 31 March 2021

Name of Director	As at 31.03.21		As at 31.03.20	
	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	15,881,140	13.52
C. S. L. de Silva	14,581,140	12.42	14,581,140	12.42
S. Jayakody	6,000	0.01	6,000	0.01
F. Mushin	-	0.00	-	0.00
R. Pradeep	-	0.00	-	0.00
N. Nanayakkara	-	0.00	-	0.00
	62,850,560		62,850,560	



Notice of Meeting

NOTICE IS HEREBY GIVEN that the 75th Annual General Meeting of Eastern Merchants PLC will be held on Friday the 29th of October, as a virtual meeting (on a virtual platform) which will be coordinated from the Board Room of Eastern Merchants PLC at 240 Torrington Avenue, Colombo 7, commencing at 11.30 a.m. for the following purposes.

AGENDA

1. To read the notice convening the meeting.
2. To confirm the minutes of the 74th Annual General Meeting held on 27th November, 2020.
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 2021.
4. To resolve that Mr. R. Pradeep and Mr. F. 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 Messers. D. H. P. Munaweera & Co. as Auditors of the Company and authorize the Directors to determine their remuneration.
7. To transact any other business of which due notice has been given.

Shareholders will NOT be permitted to attend the meeting in person. Shareholder/Proxy holder/Attorney seeking to attend the meeting in person will be refused entry.

Shareholders who desire to participate at the Virtual Annual General Meeting of the Company are kindly requested to register themselves. Please refer the "Guidelines and the Registration process" which is attached hereto for more information.

By order of the Board

S. Jayakody

(B.Com.Spl., F.C.A., FCMA)

Director – Finance/Company Secretary

24th September 2021

Guidelines and the registration process

1. This notice and the submission of the Form of Proxy should be read in conjunction with the “Circular to Shareholder” where the guidelines and necessary forms are provided for the virtual Annual General Meeting of the Company scheduled for the 29th of October 2021.
2. In the interest of protecting public health and facilitating compliance with the Health and Safety guidelines issued by the Government of Sri Lanka, the 75th Annual General Meeting of Eastern Merchants PLC will be a virtual meeting held by participants joining in person or proxy, through audio or audio visual means in the manner specified below:
 - a) Attendance of the Board of Directors**

Certain members of the Board of Directors, the Company Secretaries and the External Auditors will be present at the Eastern Merchants Office, 240, Torrington Avenue, Colombo 7 at 11.30 a.m. on Friday, 29th October 2021.
 - b) Shareholder participation**
 - i. The shareholders are encouraged to appoint a Director of the Company as their proxy to represent them at the meeting.
 - ii. The shareholders may also appoint any other persons other than a Director of the Company as their proxy and the proxy so appointed shall participate at the meeting through audio or audio visual means only.
 - iii. The shareholders who wish to participate at the meeting will be able to join the meeting through audio or audio visual means only. To facilitate this process, the shareholders are required to furnish their details by perfecting “Form for registration for the virtual Annual General Meeting” enclosed in the Circular to Shareholders and forward same to reach Company Secretaries via email to srinathj@easternmerchants.net or fax to +94 11 2448474/ +94 11 2303204, or by post to the registered address of the Company 240, Torrington Avenue, Colombo 7 **not less than five (05) days before** to the date of the meeting so that the **meeting login information** could be forwarded to the email addresses so provided. The circular to the shareholders will be posted to all the shareholders with necessary instructions along with the Notice of Meeting and the Form of Proxy.
 - iv. To facilitate the appointment of proxies, the Form of Proxy is attached hereto and the duly filled Forms of Proxy should be sent to reach the Company Secretaries via email to srinathj@easternmerchants.net or fax to +94 11 2448474/ +94 11 2303204, or by post to the registered address of the Company 240, Torrington Avenue, Colombo 7, **not less than forty eight (48) hours** before the time fixed for the meeting.
 - c) Shareholders’ queries**

The shareholders are hereby advised that if they wish to raise any queries, such queries should be sent to reach the Company Secretaries, via email to srinathj@easternmerchants.net or fax to +94 11 2448474/ +94 11 2303204, or by post to the registered address of the Company 240, Torrington Avenue, Colombo 7, **not less than five (5) days before** the date of the meeting. This is in order to enable the Company Secretaries to compile the queries and forward same to the attention of the Board of Directors so that such queries could be addressed at the meeting.
3. The Annual Report of the Company for the year ended 2020/2021 will be available for perusal on the Company website <http://www.easternmerchants.net/investors-and-media/financial-information/> and, the Colombo Stock Exchange website www.cse.lk.

Form of Proxy

I/We,

of

being a shareholder/shareholders' 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. Munshin 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 29th October, 2021 at 11.30 a.m. virtually, and at any
adjournment thereof and at every poll which maybe taken in consequence thereof. I/we the undersigned hereby authorize my/our
proxy to vote on my/our behalf in accordance with the preference indicated below:

Resolution	For	Against
1 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 2021.	<input type="checkbox"/>	<input type="checkbox"/>
2 To reappoint Mr. R. Pradeep and Mr. F. Mushin who retire as Directors of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3 To reappoint Mr. J. B. L. de Silva, who is over 70 years of age.	<input type="checkbox"/>	<input type="checkbox"/>
4 To re-appoint Messers. D. H. P. Munaweera & Co. as Auditors of the Company and authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our hand (s) this day of 2021.

.....
Signature of the Shareholder

Note:

- Please delete the inappropriate words
- Instructions for the completion of the Form of the 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 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.
Factory	:	Koskanatte Road, Mampe, Piliyandala.
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 (Pvt) Ltd. Asian Woodware Company (Pvt) Ltd. Eamel Exports (Pvt) Ltd. Spice Lane (Pvt) Ltd. Eastern Merchants Commodities Pte. Ltd. Microcells (Pvt) Ltd.
Chairman	:	J .B. L. de Silva
Deputy Chairman	:	H. J. de Silva
Managing Director	:	C. S. L. de Silva
Board of Directors	:	S. Jayakody R. Pradeep F. Mushin N. Nanayakkara
Secretary	:	S. Jayakody
Auditors	:	Messrs. D.H.P. Munaweera and Co.
Bankers	:	Hatton National Bank PLC National Development Bank Bank of Ceylon Standard Chartered Bank Nations Trust Bank PLC Cargills Banks Limited DFCC Bank PLC

Eastern Merchants PLC

240 Torrington Avenue, Colombo 7, Sri Lanka.

Tel: (+9411) 2328406, 2328408, 2325736, 2435503

Fax: (+9411) 2448474, 2303204

Email: trading@easternmerchants.net