Annual Report
2021/22

Eastern Merchants PLC

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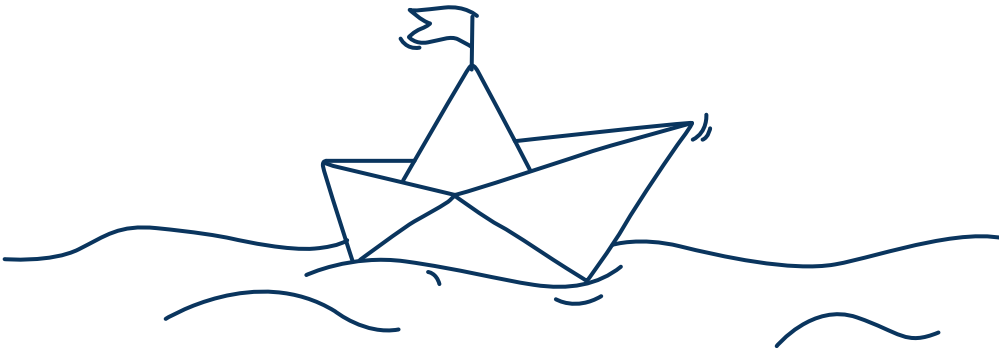
Our Journey

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

	2017/18	2018/19	2019/20	2020/21	**2021/22**
Performance Parameters					
Sales (LKR Mn.)	1,378	1,560	2,235	2,031	**3,356**
Gross Profit (LKR Mn.)	66	157	226	315	**445**
Net Profit Before Taxation (LKR Mn.)	(24)	60	(34)	49	**688**
Net Profit After Taxation (LKR Mn.)	(20)	61	(39)	9	**655**
Total Comprehensive Income After Taxation (LKR Mn.)	(18)	226	(46)	8	**730**
Shareholders' Funds (LKR Mn.)	1,634	1,873	1,787	1,811	**2,044**
Earnings per Share (LKR)	(0.17)	0.58	(0.61)	0.07	**5.59**
Dividend per Share (LKR)	–	–	–	–	**–**
Price/Earnings Ratio (%)	–	6.72	–	84.29	**1.62**
Net Assets per Share (LKR)	13.87	15.74	15.35	15.43	**17.41**
Current Ratio (%)	5.49	1.07	1.05	1.14	**1.72**
Share Price					
Highest Recorded (LKR)	8.40	6.00	7.00	6.20	**9.70**
Lowest Recorded (LKR)	5.10	3.70	2.90	2.90	**5.70**
Value as at Year End (LKR)	5.60	3.90	2.90	5.90	**9.00**

Chairman's Message

I am pleased to present the Annual Report of Eastern Merchants PLC, for the year ended 31 March 2022.

As a company that has been in business for over 77 years, Eastern Merchants is no stranger to difficult and turbulent times. The ongoing COVID-19 pandemic, the grave economic crisis in Sri Lanka and signs of a faltering global economy have created a very challenging set of circumstances for businesses and people alike. It has given us good reasons to focus on what matters the most; building resilience, strengthening relationships, and supporting each other.

According to the International Monetary Fund ("IMF") the global economy made a tentative recovery recording a growth of 6.1% for 2021 despite the continued effects of the pandemic. However, with the increasingly gloomy developments brought on by the war in Ukraine as well as the prolonged lockdowns and reducing economic activity in China, the IMF predicts economic growth to slow down sharply to around 3.2% in 2022. Record high inflation figures being registered around the world are also stoking fears of another global recession, which will no doubt further impact global growth prospects. At home, the economic outlook is not encouraging with soaring inflation, power disruptions and rationing of fuel. The macroeconomic stabilisation measures such as the removal of price controls and the sharp increase in electricity tariffs will increase the costs of doing business locally.

Global fluctuation in commodity prices, including that of rubber, together with the continued disruption to global logistics presented many challenges to our trading business. Although the local agricultural sector recorded a slight recovery and growth of 2% in 2021 compared to 2020, the rubber sector continued to contract with declining output, further exacerbated by adverse weather conditions. The Government's ill-informed decision to prohibit the import of chemical fertiliser and pesticides is undoubtedly a contributing factor to the 1.7% decline in the rubber output along with other crops such as vegetables (-2.5%) and fruits (-7.5%). The full effect of this prohibition will be seen in FY 2022/23.

Despite the chaos and tough business conditions, your Company has acted with agility and responsibility to overcome challenges and deliver value. The Group recorded a revenue of LKR 3.3 Bn. and a consolidated net profit after tax of LKR 655 Mn. for the year. A significant share of the profit is due to the sale of our warehouse complex based in Sapugaskanda. Adjusting for this, the Group profit is around LKR 125 Mn.

Our strength in supply chain has also enabled us to procure and ensure continuous supply of raw materials to our rubber goods manufacturing arm, Microcells (Pvt) Ltd. ("MCL"), enabling us to continue production and meet the commitments to our customers in a timely manner. The demand for MCL products eased off a little from the high experienced in FY 2020/21 due to COVID-19. However, MCL net profit increased by 46%.

At Eastern Merchants we have always valued and placed great emphasis on our relationships. The strength of our relationships have enabled us to navigate these difficult times in a much smoother manner. We have grown our supply base and have reached new markets for many of the agricultural commodities traded. I am happy to note that the strong growth in the export volumes of our fresh fruit and vegetables business has especially exceeded our initial expectations by recording a revenue of LKR 54 Mn. in a relatively short period of time.

As exporters, we are keenly aware of the responsibility we have towards the country at this critical juncture. To this end, we have taken every step to ensure that our business model is strong and continues to generate valuable foreign currency for Sri Lanka. We have invested in people and technologies, rationalised our assets and have put in careful thought and deliberation into planning our expansion activities, so that we continue to grow no matter how problematic the conditions are.

I remain optimistic for the year ahead and am thankful to our team, who have shown the courage to change and grow through some of the most difficult times we have seen. I am also grateful to all our partners, suppliers and clients for the continued friendship and support.

J B L de Silva
Chairman

30 August 2022

Management Discussion and Analysis

The following discussion and analysis should be read in conjunction with the Audited Consolidated Financial Statements of the Group for the year ended 31 March 2022.

External Outlook

As we get deeper into 2022, Sri Lanka's economic woes due to fiscal and external imbalances continue to worsen. The Sri Lankan economy contracted by 1.6% and headline inflation measured by the Colombo Consumer Price Index ("CCPI") reached 18% in the first quarter of 2022 compared to that of the previous year. According to the Central Bank of Sri Lanka ("CBSL") Business Confidence Survey in the second quarter of 2022, businesses conditions deteriorated significantly in comparison to the previous year due to several supply side constraints including fuel and power shortages, as well as lower liquidity of foreign exchange in the banking system. The prevailing high interest rate climate discourages investments, however due to skyrocketing input prices, many businesses are expected to be pushed to borrow for operational purposes at high costs, reducing overall financial profitability.

In its recent report the IMF has revised its global economic outlook downwards. The IMF Managing Director recently stated that economic uncertainty levels are exceptionally high owing to the war in Ukraine, the continuing pandemic related disruptions and renewed bottlenecks in the global supply chain. Global financial conditions have tightened and will continue to do so as global inflation is expected to reach 7.5% due food, fuel, and supply chain issues. However, the landmark agreement signed by Russia and Ukraine enabling the safe transportation of grains and food stuff from Ukrainian ports may help in relieving some of the inflationary pressures.

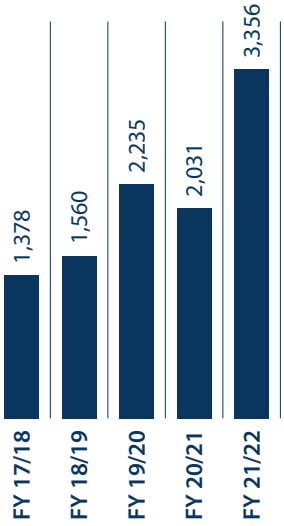
As an exporter, the global economic outlook has a massive impact on the demand for our products and our profitability. We could expect demand for all our products to decline if high inflation persists in the world's leading economies and the global economy plunges into recession. On the positive side, we are experiencing declines in the prices of some raw materials used in our manufacturing activities at Microcells (Pvt) Ltd. ("MCL"). This combined with the steep depreciation of the Sri Lankan rupee and declining international freight costs should provide some protection to our margins. All in all, we expect the net impact of all these factors to translate into thinner margins across the Group in the year ahead.

Financial Performance for 2021/22

Sales

The Group revenue has increased by 65% when compared to FY 2020/21. This is largely due to the recovery in sales experienced with the easing of COVID restrictions around the world post 2020. High contract values due to high prices also contributed towards the increased sales revenue. Our Singaporean subsidiary Eastern Merchants Commodities (Pte) Ltd. doubled its revenue over the past year due to increase in sales volumes.

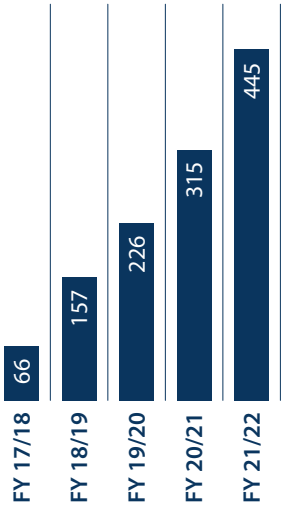
Sales (LKR Mn.)



Gross Profit

The Group gross profit and the GP margin has grown over the last five years owing to prudent trading practices as well as stringent cost control and sourcing initiatives. The GP has grown by 42% year on year.

Gross Profit (LKR Mn.)

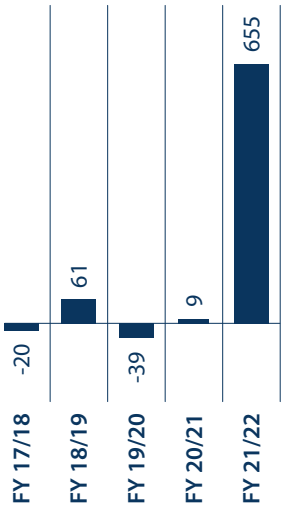


Management Discussion and Analysis

Net Profit

The net profit grew significantly over the past financial year, recording a 72 times growth year on year. The majority of the profit is due to the sale of the Sapugaskanda Stores Complex. Adjusting for this one-off impact, the net profit for the Group is LKR 125 Mn., which represents a growth of over 14 times in profitability. Cost management and the rupee depreciation have also contributed towards this growth.

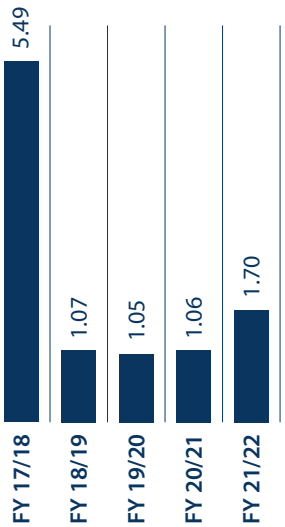
Net Profit After Tax (LKR Mn.)



Current Ratio

The Group's current ratio has remained largely consistent throughout the years, but it has now improved further to a healthy level of 1.7. The Group has improved its liquidity position over the last year due to the sale of a major asset.

Current Ratio (Times)

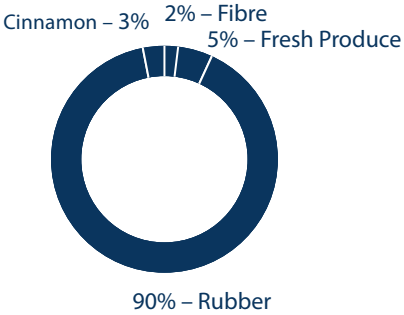


Operational Overview

Commodity Trading

Our primary commodity traded is natural rubber, however we also trade and export Ceylon cinnamon, coco fibre, desiccated coconut, fresh fruit, and vegetables. The revenue split for the commodities traded by the Group is given below:

Trading Basket of Goods



Sri Lanka is home to a thriving rubber products manufacturing industry and is responsible for supplying around 25% of the world's pneumatic and solid tires. According to the Export Development Board ("EDB"), 70% of the natural rubber produced in Sri Lanka is consumed locally. This leaves little natural rubber for export purposes and often our local prices are much higher compared to other global producers. With ever decreasing yields in our plantations, which have been recently hampered by erratic weather patterns and disease, our export volumes continue to decline. However, at Eastern Merchants we have been able to build up and maintain an impressive customer base over the years, and with our strong brand name in the rubber world, we are still able to find buyers for our Sri Lankan rubber even at higher prices. We consistently look for new ways of doing business and new products to offer our customers.

Given the supply constraints of Sri Lankan natural rubber, we have invested a lot of time and energy in building up a wide supply network across many rubber producing countries, including several frontier markets such as Liberia, Ivory Coast and Ghana. The rubber sourced from these foreign origins are of good quality and is significantly cheaper than Sri Lanka. We now import a lot of this foreign origin rubber into Sri Lanka for the local rubber industries to consume, and also ship directly to our global customer base located outside Sri Lanka.

The fresh produce export business that we ramped up during the 2021/22 financial year has grown much faster than originally anticipated, and has doubled in volume and revenue during the year. Currently we are shipping out a mix of king coconut, tapioca, red papaya, and green papaya.

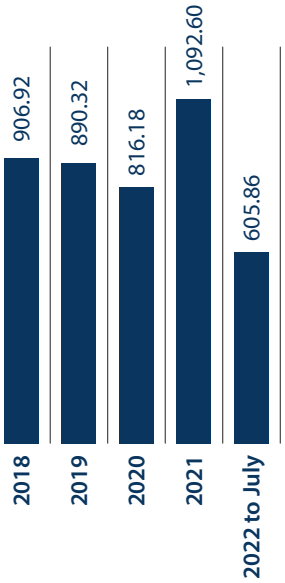
Management Discussion and Analysis

However, the prevailing economic and political situation in the country has dramatically increased the transport costs, and the fuel shortages have affected the supply chain. While we have enacted several solutions to overcome these issues, the supply constraints remain. We are currently engaged in capacity building of the supply base expanding our offer into other fresh produce items and increasing the market reach in this segment of the business.

Rubber Products Manufacturing

In 2021, the rubber and rubber based products accounted for around 8.92% of the total merchandise exports of Sri Lanka, contributing USD 1.09 Bn. to the local economy. The global rubber based products industry has been growing at a CAGR between 4-6%. While this growth is predominantly in the tire sector, the non-tire sector has also shown plenty of growth potential.

Export Performance of Rubber and Rubber based Products (USD Mn.)



Source: EDB

MCL is the rubber products manufacturing arm of the Eastern Merchants PLC Group. A fully owned subsidiary, it was acquired in 2018 and produces premium quality technical rubber sheeting and flooring products in the non-tire segment. MCL is a trusted a reliable partner of over 80 customers spread across 20 countries around the globe.

Before the travel and movement restrictions were imposed due to COVID-19, we engaged in aggressive market and customer development initiatives, which resulted in the expansion of volumes and revenues over the last year or two.

However, the severe logistical issues experienced during the year led to a drop in the export volumes, which resulted in the turnover of MCL decreasing by 6% to record LKR 603 Mn. in FY 2021/22.

Compliance and Sustainability

At Eastern Merchants we take sustainability seriously, and when seeking out suppliers, we always gravitate to those who practice sustainable methods. This is especially true with our fresh produce business, where we utilise regional pack houses to source directly from the grass root level farmers.

MCL is an ISO 9001:2015 certified company, where quality and consistency have been key areas of focus from the very beginning. Our in-house quality assurance team ensures that our products are monitored and assessed throughout the production process. Our consistent adherence to quality standards is driven by our process-based culture, and the loyal customer base we have developed over the last several decades is testament to the high standards we maintain. Microcells strives to make the greenest products and reduce the environmental impact of our operations. More than half of the raw materials used in our production are from recycled products, which helps to reduce the pollution caused by waste and conserve valuable resources. In order to lower our carbon footprint, materials that can be sourced locally in Sri Lanka are prioritised. We do not use materials which are hazardous to the environment and are dangerous in terms of occupational exposure during manufacturing. In this regard, we have been accredited with internationally recognised certifications such as REACH and RoHS, as well as California Proposition 65, which prohibits the use of over 900 harmful chemicals.

People and Practices

People are at the heart of our Organisation. The Eastern Merchants PLC team consists of over 200 individuals. We understand and appreciate that it is the hard work and commitment of our people that drives growth, innovation, and development which propels the business forward. We believe that an empowered and engaged workforce is the key to great customer relationships and value creation. Therefore employee satisfaction, safety and empowerment is at the core of all we do.

Inclusion and equality are important to us and this is reflected in the diversity of our workforce which brings together people from the different religions, communities, and regions of Sri Lanka. As an equal opportunity employer we provide opportunities for those from varying social backgrounds, age, and promote gender diversity. Female representation in our workforce is relatively high at 49%.

Management Discussion and Analysis

We comply with statutory provisions regarding working conditions and remuneration across the Group. We have policies in place that outline and make transparent the processes encompassing all areas including recruitment and selection, termination, performance management, sexual harassment, and disciplinary action.

Over the past financial year we have paid close attention to the safety and well-being of our team. We are exceptionally happy that we have a 100% vaccination rate against COVID-19. We have implemented several measures to ensure our employees remain safe while at work, and as a result, we didn't experience any major COVID outbreaks or shutdowns. We also implemented Work From Home ("WFH") for all non-operational staff which has helped ease the spread of COVID-19, as well as aided in dealing with transportation issues due to the fuel shortage. Despite the movement restrictions and several operational constraints, the Group continued to support the development of its people by organising online and on-the-job trainings.

The economic crisis has adversely impacted the lives of all of us and it has reduced our purchasing power. The scarcity of essentials has led to poor nutrition and severe mental strain. Taking into account the rising cost of living, the Company increased salaries of both executives and the workers by an average of around 15%. However, the continuous increase in fuel prices and skyrocketing inflation in general eroded the benefit of the increments very fast. Therefore, the Management provides a monthly relief payment in addition to the increments to help our employees navigate through these difficult times. Performance based bonuses were also paid at almost all the different entities which make up the Eastern Merchants PLC Group.

Future Prospects

Looking ahead, we see conditions remaining challenging for all parts of the business in the short term. Political stability is paramount for the Sri Lankan economy to survive the next 6-12 months, and we are hopeful that this stability is maintained and that our country manages to secure the much needed IMF bailout. We expect financing expenses to increase and our margins to decrease as costs escalate across the globe.

The prospects for MCL remain strong and we are confident of solid growth in the years to come. MCL finalised the purchase of a 34 acre land plot in Thudugala in July 2021 for the relocation and expansion of its production facility. Though the early planning stages for new facility are now complete, the economic crisis that hit Sri Lanka earlier this year prompted us to reconsider this project. Given the uncertainty in the local and global economy and the exponential rise in local borrowing costs, the proposed facility has now been shelved until better conditions prevail. This modern facility, which we hope to complete within the next 2-3 years, will result in massive gains in productivity, quality and efficiency. It will also allow us to diversify our product offer to unlock the true potential of MCL.

The prospects for the commodity trading business are also encouraging, with the Company looking to increase its foot print across the European region by leveraging its network, as well looking at trading in higher margin products. Given the uncertain times in the near future, the Management is focused on maintaining lean stock levels and follows pragmatic trading practices based on research and market insight. Additionally, stringent financial and treasury management operations will be practiced throughout the Group to maintain healthy cash flows. The Group will prioritise sustainable growth, quality and efficiency and rigorous financial control to ensure we mitigate any external shocks to the business and continue to create value.

Board of Directors

Currently the Board of Directors at the Company consists of seven members, consisting of four Executive Directors and three Independent Non-Executive Directors. Brief descriptions of each Board member are set out below:

Mr J B L de Silva

LLB, Attorney-at-Law
Chairman (Executive Director)

A lawyer by profession, Mr J B L 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 organisations and served in several boards throughout his long and illustrious career.

Mr H J de Silva

BSc
Deputy Chairman (Executive Director)

Having completed his Bachelor's degree in the United States, he is the first of the third 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 optimisation for the Group companies. An active member and participant in industry organisations, Mr H J de Silva was the Chairman of the Exporters Association of Sri Lanka in 2018.

Mr C S L de Silva

BEcon, MCom
Managing Director (Executive Director)

After completing his Bachelor's degree in the fields of Econometrics and Marketing at the University of Sydney, Mr C S L de Silva completed a Master's 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 third 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

BCom.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 optimising 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

BSc, MA
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 currently serves 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

Despite a myriad of challenges, Eastern Merchants PLC has remained committed to progress during the past financial year. We are happy that we were able to deliver results by enhancing group-wide performance and creating efficiencies within to increase profitability.

Our Performance

FY 2021/22 tested our resilience in many ways and we are happy our team has been able to adapt and respond effectively, which resulted in the Group's revenue increasing by 65% to cross the LKR 3 Bn. mark. Our focus on building and sustaining great relationships and diversifying the basket of goods offered has enabled us to grow our sales volumes across most our businesses. Once again, our Singapore based subsidiary (Eastern Merchants Commodities (Pte) Ltd. or "EMC") delivered great results and doubled its revenue, and was the main contributor to topline growth. Although the export volumes of Sri Lankan rubber declined, the increase in selling prices resulted in higher contract values and revenue.

Over the years we have employed several strategies to keep our operations lean, optimise our supplier base and manage our finances. This included rationalising our assets and investing in growth. As stated in the Chairman's Message, after much careful consideration, the Company sold off its warehouse complex situated in Sapugaskanda. This warehouse complex was critical for our operations when we were exporting large volumes of Sri Lankan rubber, but this business has moved on, and this facility had become an underutilised asset. Whilst the sale of this asset is the main reason behind the bumper profits recorded this year, it has also helped in reducing our finance costs by about 14% and settle the outstanding loan taken to fund the acquisition of Microcells (Pvt) Ltd. (or "MCL"). The excess funds have also given us the ability to invest in the expansion of the business. Over the past year we invested and implemented the Infor ERP software, a leading manufacturing ERP system in the world, to ensure that our manufacturing operations at MCL are streamlined. This repository of information and data gives us the ability to make our operations more efficient and ensures that our strategic decisions are data driven.

Outlook

Globally, we expect a number of headwinds to affect trade such as the Russia-Ukraine conflict, new variants of COVID, logistical disruptions, historically high levels of global inflation and slow growth in general. Several challenges also lay ahead of us in the local economic environment. We expect the cost of doing business to continue on its upwards trajectory spurred by double-digit inflation, removal of price controls, and rebalancing of a several important input costs (especially electricity and fuel). Despite our best efforts, we would expect the administration, operational, and distribution costs to increase and erode our margins. Furthermore, the difficulty in accessing even our own foreign exchange through the local banking system as a result of the foreign exchange crisis will continue to be a barrier to increase our turnover and profitability.

The difficult economic conditions have also induced many to find employment overseas, thereby reducing the quality of the local talent pool. Sri Lanka has always had world-class people and the brain drain currently being experienced is a worry for any company operating in the country. This is particularly pertinent for MCL, which has a young, dynamic and highly skilled workforce. As discussed in more detail in the Management Discussion and Analysis section of this Annual Report on pages 4 to 7, we believe that MCL has a lot of growth potential. Recruiting and retaining the right talent to fuel this growth is critical. In this regard, we have already employed a consulting team of German rubber experts with a combined experience of over 100 years, to ensure that the correct expertise and knowledge are infused into the MCL business.

On the agricultural front we see a lot of potential for the export in fruits and vegetables and will focus our efforts to grow our supply chain and increase market penetration. However, the full effect of the fertiliser ban will only be seen later this year, and this creates some uncertainty around the consistency of supply. As rubber volumes continue to decrease locally, we will expand our search for good supply sources in lesser known frontier markets, and especially in West Africa. The COVID travel restrictions hampered our reach somewhat but with the easing of restrictions, the expansion of our supplier base can resume once again.

Going into FY 2022/23, we will spare no effort to maintain the positive growth momentum. We will take every opportunity to augment our business by focusing on our core, investing in supply chain, leveraging our strong partnerships and expanding our offer to delivering results to our stakeholders every step of the way.

Directors' Report

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, 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 as frequently as required whilst committee meetings are held on a quarterly basis. The Company complies with corporate governance requirements as identified by the Corporate Governance Best Practices by The Institute of Chartered Accountants of Sri Lanka ("CA Sri Lanka") and Securities and Exchange Commission of Sri Lanka ("SEC") in 2008, revised in 2011 and 2013; as well as the Corporate Governance Compliance Reporting Requirements in Colombo Stock Exchange ("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, financial discipline, and sustainable growth are 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.

Responsibility of the Managing Director and the Director of Finance

As per Section D.1.3 of the "Code of Best Practice on Corporate Governance 2017" (The Code) issued by The Institute of Chartered Accountants of Sri Lanka recommends that the Board should, before it approves the Financial Statements for a financial period, obtain a declaration, in their opinion, on Financial Statements and system of risk management and internal control from its Chief Executive Officer and Chief Financial Officer.

Accordingly, we confirm that the Financial Statements of Eastern Merchants PLC have been prepared and presented in compliance with the requirements of the Sri Lanka Accounting and Auditing Standards (SLFRs/LKASs), issued by The Institute of Chartered Accountants of Sri Lanka, Companies Act No. 07 of 2007, Listing Rules of the Colombo Stock Exchange and Code of Best Practice on Corporate Governance 2017 issued by The Chartered Accountants of Sri Lanka.

We confirm that the accounting policies used in the Consolidated Financial Statements are appropriate and consistently applied unless otherwise stated in the Notes accompanying the Financial Statements. There are no departures from the prescribed accounting standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation. The significant Accounting Policies and estimates that involved a high degree of judgement and complexity were discussed with the Audit Committee.

The Board of Directors and the Management accepts the responsibility and ensure that the Financial Statements of the Company and its subsidiaries are prepared within the prescribed time period in conformity with the Companies Act. Furthermore, the Board Directors accepts the responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present the Company's state of affairs. The Financial Statements were audited by Messrs D.H.P. Munaweera & Co.

The Audit Committee of the Company meets periodically with the Internal Auditors and the Independent External Auditors to review the manner in which these Auditors perform their responsibilities, and to discuss auditing, internal control, and financial reporting issues. To ensure complete independence, the Independent External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matters of substance.

We confirm that we have discharged our responsibilities in maintaining proper financial records and preparing Financial Statements in accordance with SLFRSs and LKASs. To the best of our knowledge, we also confirm that procedures for managing risks and internal control was operating effectively during the financial year.

C S L de Silva
Managing Director

S Jayakody
Director – Finance/Company Secretary

30 August 2022

Audit Committee Report

I am pleased to present the Audit Committee Report for the financial year ended 31 March 2022.

The Audit Committee appointed by the Board of Directors comprises the three Independent Non-executive 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 – UK. The Committee's composition met the requirements of the Rule 7.10.6 of Listing Rules of the Colombo Stock Exchange.

During the 2021/22 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.

Independent Non-Executive Director	Attendance
Mrs N Nanayakkara (Chairman)	4/4
Mr R Pradeep	4/4
Mr F Mushin	4/4

The role of the Audit Committee is to oversee the financial reporting system of the Company, with a view to safeguarding the interests of the shareholders and all other stakeholders.

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; ensuring the Group's internal control and risk management processes are adequate and meet SLAS requirements; determining the effectiveness, independence and objectivity of the External Auditors; making recommendations to the Board in relation to the appointment/removal of the External Auditors, as well as their remuneration; and ensuring that the Company is compliant with laws and regulations relating to these areas of responsibility.

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.

The Audit Committee reviewed the qualifications, independence, performance, and objectivity of the External Auditors Messrs D.H.P. Munaweera & Co. who have been engaged as External Auditors to Eastern Merchants for a number of years. The Committee has received a declaration from the External Auditors, confirming that they do not have any relationship or interest in the Company. 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 1 April 2022, and that the reappointment be included in the agenda of the Annual General Meeting.

The Audit Committee is satisfied that the effectiveness of the organisational structure of the Group and of the implementation of Group's accounting policies and operational controls provides reasonable assurance that the affairs of the Group are managed in accordance with Group policies and that Group assets are properly accounted for and adequately safeguarded. The Committee is also satisfied that the Company and its subsidiaries are able to continue to operate as going concern.

Mrs N Nanayakkara
Chairperson – Audit Committee

30 August 2022

Remuneration Committee Report

I am pleased to present the Remuneration Committee Report for the financial year ended 31 March 2022.

The purpose of the Remuneration Committee is to assist and advice 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 Committee is committed to the principles of accountability and transparency and ensuring that remuneration arrangements align rewards with performance.

The Remuneration Committee met thrice during the 2021/22 financial year.

Independent Non-Executive Director	Attendance
Mr F Mushin (Chairman)	3/3
Mr R Pradeep	3/3

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 endeavour is made to ensure that the remuneration levels are sufficient and on a 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 internal committees but do not receive any salary or any performance related incentive payments.

The Remuneration Committee recommended the payment of a bonus and annual increments to be paid to the Executive and Non-Executive staff based on the ratings of the performance management system. The Remuneration Committee also reviewed the remuneration packages of the top management of the Company and considered them to be suitable.

Mr F Mushin
Chairman – Remuneration Committee

30 August 2022

Related Party Transactions Review Committee Report

I am pleased to present the Related Party Transactions Review Committee Report for the financial year ended 31 March 2022.

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 ("CSE") and with the Code of Best Practices on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka ("SEC"), 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 quarterly 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/Executive Director – Finance.

Name	Attendance
Mr R Pradeep (Committee Chairman – Independent Non-Executive Director)	4/4
Mr F Mushin (Committee member – Independent Non-Executive Director)	4/4
Mr S Jayakody (Committee Secretary – Executive Director – Finance)	4/4

The duties of the Committee are as follows:

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

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

The Committee noted that during the year there were no non-recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules requiring disclosure in the Annual Report. The Board has given a declaration in the Directors Responsibility Report on page 15 to the effect that no related party transaction falling with the ambit of the Rule 9.3.2 of the Listing Rules of the Colombo Stock Exchange was entered into by the Company during the financial year.

Mr R Pradeep
Chairman – Related Party Transactions Review Committee

30 August 2022

Statement of Directors Responsibility for the Financial Statements

As per the requirements of the Companies Act No. 07 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 Independent Auditors' Report on pages 18 and 19 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 Independent Auditors' Report.

The Directors are responsible under Sections 150 (1), 151, 152 (1) and 153 of the Companies Act No. 07 of 2007, to ensure compliance with the requirements set out therein to prepare Financial Statements for each financial year, giving a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year, and of the profit and loss of the Company and the Group for the financial year.

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

The Financial Statements give an accurate and impartial view of the state of affairs of the Company and the Group as at the end of the financial year, as well as the profit or loss of the Company and the Group for the financial year. The Financial Statements which are finalised and presented to the shareholders before the Annual General Meeting consist of the Statement of Profit or Loss, Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the Cash Flow Statement.

In order to ensure that the Financial Statements present a fair view of the financial position, performance and cash flows 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 judgement and estimates have been made when necessary. The Directors confirm that to the best of their knowledge, all statutory payments relating to employees, the Government, and other statutory bodies that were due in respect of the Company have been paid and are up to date. The Board declares that there were no non-recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules requiring disclosure in the Annual Report.

By Order of the Board,

S Jayakody
Director – Finance/Company Secretary

30 August 2022

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 and Business Activity	Directors	Registered Office and Principal Place of Business
Eastern Merchants PLC Export of traditional and non-traditional products	Mr J B L de Silva (Chairman) Mr H J de Silva Mr C S L de Silva Mr S Jayakody Mr R Pradeep Mrs N Nanayakkara Mr F Mushin	No. 240, Torrington Avenue, Colombo 7.
Eamel Exports (Pvt) Ltd. Leisure sector	Mr J B L de Silva (Chairman) Mr H J de Silva Mr C S L de Silva Mr S Jayakody	No. 240, Torrington Avenue, Colombo 7.
Asia Brush (Pvt) Ltd. Ceased operations	Mr J B L de Silva (Chairman) Mr S A L Tilakaratna Mrs C I Tilakaratna Mr H J de Silva, Mr C S L de Silva Mr C W Bently	No. 240, Torrington Avenue, Colombo 7.
Asian Woodware Company (Pvt) Ltd. Ceased operations	Mr J B L de Silva (Chairman) Mrs C I Tilakaratna Mr H J de Silva Mr C S L de Silva	No. 240, Torrington Avenue, Colombo 7.
Spice Lane (Pvt) Ltd. Export of spice products	Mr J B L de Silva (Chairman) Mr H J de Silva Mr C S L de Silva Mr S Jayakody	No. 240, Torrington Avenue, Colombo 7.
Eastern Merchants Commodities (Pte) Ltd. Import/Export of traditional and non-traditional products	Mr J B L de Silva (Chairman) Mr H J de Silva Mr C S L de Silva Mr S Jayakody Mr H M Wijeyekoon	No. 20, Cecil Street, #05-03 Plus, Singapore 049705.
Microcells (Pvt) Ltd. Export of rubber based products	Mr J B L de Silva (Chairman) Mr H J de Silva Mr C S L de Silva Mr S Jayakody Mrs G R J de Silva	No. 240, Torrington Avenue, Colombo 7.

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Independent Auditors' Report

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

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 31 March 2022 and the Statement of Profit or Loss and Statement of Other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement 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 31 March 2022 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

Interest Bearing Loans and Borrowings

As disclosed in Note 26, the Company and Group Interest Bearing Loans and Borrowings are as follows:

- Company's total borrowings is LKR 118 Mn., which represents 38% of the total liabilities.
- Group's total borrowings is LKR 778 Mn., which represents 73% of the total liabilities.
- The interest bearing loans and borrowings consists of a number of loans which require compliance with multiple covenants.

As a result of the multiple covenants, interest bearing borrowings 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 35.1 in the Financial Statements.

Other information included in the 2022 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

Independent Auditors' Report

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

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 judgement 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

DHP Munaweera & Co

D.H.P. MUNAWEERA & COMPANY
Chartered Accountants
Colombo

30 August 2022
MW/cr

Statement of Profit or Loss

For the year ended 31 March	Note	COMPANY 2022 LKR '000	COMPANY 2021 LKR '000	GROUP 2022 LKR '000	GROUP 2021 LKR '000
Continuing Operations					
Revenue	3	**1,068,496**	689,303	**3,356,426**	2,031,275
Cost of Sales		**(956,966)**	(671,412)	**(2,910,704)**	(1,715,353)
Gross Profit		**111,530**	17,891	**445,722**	315,922
Other Operating Income	4	**595,799**	20,132	**684,709**	25,966
		707,329	38,023	**1,130,431**	341,888
Administrative Expenses		**(65,229)**	(55,502)	**(228,289)**	(167,821)
Distribution Expenses		**(37,117)**	(15,726)	**(166,587)**	(70,353)
Profit/(Loss) from Operations		**604,982**	(33,204)	**735,555**	103,713
Finance Expenses	5	**(18,227)**	(42,092)	**(48,138)**	(56,019)
Finance Income	6	**427**	19,540	**1,137**	1,960
		587,182	(55,757)	**688,554**	49,655
Change in Fair Value of Investment Property	14	**–**	–	**–**	–
Profit/(Loss) before Taxation	7	**587,182**	(55,757)	**688,554**	49,655
Taxation	8	**(29,183)**	11,795	**(33,388)**	(40,838)
		557,999	(43,961)	**655,166**	8,818
Profit/(Loss) from Discontinued Operations (Net of Tax)	9	**–**	–	**–**	(44)
Profit/(Loss) for the year		**557,999**	(43,961)	**655,166**	8,774
Attributable to					
Equity Holders of the Parent		**–**	–	**656,558**	8,670
Non-Controlling Interest		**–**	–	**(1,392)**	104
Profit/(Loss) for the year		**–**	–	**655,166**	8,774
Earnings per Share – Basic (LKR)	10	**4.75**	(0.37)	**5.59**	0.07
Dividend per Share (LKR)	11	**–**	–	**–**	–

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 27 through 76 form an integral part of the Financial Statements.

Statement of Other Comprehensive Income

For the year ended 31 March	COMPANY		GROUP	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Profit/(Loss) for the year	**557,999**	(43,961)	**655,166**	8,774
Other Comprehensive Income				
Other Comprehensive Income to be reclassified to Income Statement in subsequent Year				
Currency translation of Foreign Operations	**–**	–	**58,585**	1,988
Net Other Comprehensive Income to be reclassified to Income Statement in subsequent Year	**–**	–	**58,585**	1,988
Other Comprehensive Income not to be reclassified to Income Statement in subsequent Year				
Net Gain/(Loss) on Financial Instruments at Fair Value Through OCI	**–**	–	**3,968**	11,904
Net Income Tax Charge/(Reversal) Relating to Revaluation of Property, Plant and Equipment	**–**	–	**–**	–
Re-measurement Gain/(Loss) on Defined Benefit Plans	**(232)**	(620)	**3,813**	(3,566)
Net Other Comprehensive Income not to be reclassified to Income Statement in subsequent Year	**(232)**	(620)	**7,781**	8,338
Tax on Other Comprehensive Income				
Net Income Tax Charge/(Reversal) Relating to Revaluation of PPE	**9,881**	–	**9,881**	(10,942)
Net Income Tax Charge/(Reversal) Relating to Defined Benefit Plans	**(54)**	6	**(1,033)**	262
Other Comprehensive Income for the Year, Net of Tax	**9,594**	(614)	**75,214**	(354)
Total Comprehensive Income for the Year, Net of Tax	**567,593**	(44,576)	**730,380**	8,419
Attributable to				
Equity Holders of the Parent	**–**	–	**729,858**	2,573
Non-Controlling Interest	**–**	–	**522**	5,846
Total Comprehensive Income for the year	**–**	–	**730,380**	8,419

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 27 through 76 form an integral part of the Financial Statements.

Statement of Financial Position

As at 31 March	Note	COMPANY 2022 LKR '000	COMPANY 2021 LKR '000	GROUP 2022 LKR '000	GROUP 2021 LKR '000
Assets					
Non-Current Assets					
Property, Plant and Equipment	12	**265,972**	875,723	**1,130,173**	1,575,192
Right-of-use Assets	12.5	**3,907**	4,682	**3,907**	4,682
Intangible Assets	13	**–**	–	**2,934**	3,668
Investment Property	14	**–**	211,250	**–**	211,250
Investments in Subsidiaries	15	**628,224**	628,060	**–**	–
Deferred Tax Assets	25	**383**	7,319	**–**	–
Non-Current Financial Assets	16	**500,000**	–	**532,312**	28,344
		1,398,487	1,727,035	**1,669,326**	1,823,136
Current Assets					
Inventories	17	**55,364**	75,818	**528,004**	232,768
Trade and Other Receivables	18	**134,203**	55,517	**618,357**	369,180
Other Current Assets	19	**22,162**	26,054	**142,102**	75,726
Amounts due from Related Parties	20	**5,128**	–	**–**	–
Cash in hand and at Bank	21	**105,767**	4,477	**147,930**	50,423
		322,625	161,866	**1,436,393**	728,097
Total Assets		**1,721,112**	1,888,900	**3,105,719**	2,551,233
Equity and Liabilities					
Capital and Reserves					
Stated Capital	22	**16,778**	16,778	**16,576**	16,576
Revenue Reserves	23	**1,330,822**	773,109	**1,813,686**	1,154,348
Other Components of Equity	24	**65,872**	553,895	**191,590**	618,974
		1,413,472	1,343,782	**2,021,852**	1,789,900
Non-Controlling Interest		**–**	–	**22,451**	21,929
Total Equity		**1,413,472**	1,343,782	**2,044,303**	1,811,829
Non-Current Liabilities					
Deferred Tax Liability	25	**–**	–	**70,773**	64,712
Interest Bearing Borrowings	26	**35,445**	8,433	**137,945**	14,433
Retirement Benefit Obligations	27	**11,186**	11,838	**17,981**	21,733
		46,631	20,271	**226,697**	100,878
Current Liabilities					
Trade and Other Payables	28	**3,625**	8,521	**151,124**	73,502
Amounts due to Related Parties	29	**158,293**	152,832	**2,550**	2,550
Other Current Liabilities	30	**6,246**	16,763	**29,506**	18,328
Liabilities of Discontinued Operations	9.2	**–**	–	**131**	131
Income Tax Payable	31	**9,864**	–	**11,177**	1,729
Interest Bearing Borrowings	26	**46,782**	277,554	**544,668**	415,329
Bank Overdraft	26.1.3	**36,199**	69,177	**95,563**	126,957
		261,009	524,847	**834,719**	638,526
Total Equity and Liabilities		**1,721,112**	1,888,900	**3,105,719**	2,551,233

I certify that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

Srinath Jayakody
Director – Finance

The Board of Directors is responsible for the preparation and presentation of these Financial Statements,
Approved and signed for and on behalf of the Board by,

J B L De Silva
Chairman

C S L De Silva
Managing Director

30 August 2022

Figures in brackets indicate deductions.
The Accounting Policies and Notes on pages 27 through 76 form an integral part of the Financial Statements.

Statement of Changes in Equity – Company

	Stated Capital LKR '000	Revaluation Reserve LKR '000	Retained Earnings LKR '000	Total LKR '000
Balance as at 1 April 2020	16,778	553,895	817,684	1,388,357
Net Profit/(Loss) for the year	–	–	(43,961)	(43,961)
Comprehensive Income	–	–	(614)	(614)
Total Comprehensive Income	**–**	**–**	**(44,575)**	**(44,575)**
Dividend Paid	–	–	–	–
Balance as at 31 March 2021	**16,778**	**553,895**	**773,109**	**1,343,782**
Net Profit/(Loss) for the year	–	–	557,999	557,999
Comprehensive Income	–	9,881	(286)	9,595
Total Comprehensive Income	**–**	**9,881**	**557,713**	**567,594**
Revaluation Reserve Reversal of Disposal Assets	–	(497,903)	–	(497,903)
Balance as at 31 March 2022	**16,778**	**65,872**	**1,330,822**	**1,413,472**

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 27 through 76 form an integral part of the Financial Statements.

Statement of Changes in Equity – Group

	Attributable to Equity Holders of Parent							
	Stated Capital	Revaluation Reserve	Fair Value Reserve of Financial Assets at FVOCI	Operation from Foreign Currency	Retained Earnings	Total	Non-Controlling Interest	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 April 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
Revaluation Reserve on Disposal of Fixed Assets	–	(10,942)	6,161	1,988	(3,305)	(6,098)	5,743	(355)
Other Comprehensive Income	–	–	–	–	–	–	–	–
Total Comprehensive Income	**–**	**(10,942)**	**6,161**	**1,988**	**5,364**	**2,572**	**5,847**	**8,418**
Acquisition of Minority Interest	–	–	–	–	–	–	–	–
Disposal FVOCI Investments	–	–	887	–	(887)	–	–	–
Subsidiary Dividend to Non-Controlling Interest	–	–	–	–	–	–	–	–
Balance as at 31 March 2021	**16,576**	**626,168**	**(12,725)**	**5,532**	**1,154,348**	**1,789,901**	**21,929**	**1,811,830**
Profit/(Loss) for the year	–	–	–	–	656,558	656,558	(1,392)	655,166
Other Comprehensive Income	–	9,881	2,054	58,585	2,780	73,299	1,914	75,213
Revaluation Reserve on Disposal of Fixed Assets	–	(497,903)	–	–	–	(497,903)	–	(497,903)
Total Comprehensive Income	**–**	**(488,023)**	**2,054**	**58,585**	**659,338**	**231,954**	**522**	**232,475**
Acquisition of Minority Interest	–	–	–	–	–	–	–	–
Disposal FVOCI Investments	–	–	–	–	–	–	–	–
Dividend Paid to Equity Holders of the Parent	–	–	–	–	–	–	–	–
Subsidiary Dividend to Non-Controlling Interest	–	–	–	–	–	–	–	–
Balance as at 31 March 2022	**16,576**	**138,145**	**(10,671)**	**64,116**	**1,813,686**	**2,021,854**	**22,451**	**2,044,305**

Eamel Exports (Pvt) Ltd. has acquired 25,000 shares of Eastern Merchants PLC prior to 21 May 1982. Subsequently the number of shares has increased up to 100,000 as a result of a Bonus Issue made by Eastern Merchants PLC on 24 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 22.1.

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 27 through 76 form an integral part of the Financial Statements.

Cash Flow Statement

For the year ended 31 March	Note	COMPANY 2022 LKR '000	COMPANY 2021 LKR '000	GROUP 2022 LKR '000	GROUP 2021 LKR '000
Cash Flows from Operating Activities					
Operating Profit/(Loss) before Working Capital Changes	A	**90,348**	(21,672)	**191,819**	155,308
(Increase)/Decrease in Inventories		**20,454**	(11,616)	**(203,428)**	(26,030)
(Increase)/Decrease in Debtors and Other Receivables		**(78,686)**	(20,278)	**(167,961)**	(127,295)
Increase/(Decrease) in Amounts due from/due to Related Parties		**332**	49,816	**(5,901)**	(0)
(Increase)/Decrease in Other Current Assets		**1,334**	3,721	**(53,141)**	(3,560)
Increase/(Decrease) in Other Current Liabilities		**6,452**	16,239	**50,773**	28,473
Increase/(Decrease) in Trade and Other Payables		**(4,895)**	3,440	**69,076**	(2,927)
Cash Generated from Operations		**35,339**	19,650	**(118,762)**	23,968
Finance Costs Paid		**(17,225)**	(41,697)	**(37,308)**	(55,552)
Defined Benefit Plan Cost Paid		**(1,138)**	(5,987)	**(2,092)**	(6,990)
Income Tax Paid		**–**	–	**(25,698)**	(6,826)
Cash Flows from/(used in) Operating Activities		**16,976**	(28,034)	**(183,861)**	(45,400)
Cash Flows from/(used in) Investing Activities					
Acquisition of Property, Plant and Equipment		**(433)**	(250)	**(214,644)**	(33,408)
Acquisition of Intangible Assets		**–**	–	**–**	(966)
Proceeds from Sale of Property, Plant and Equipment		**821,225**	32,070	**834,025**	19,750
Proceeds from Disposal of Assets of Discontinued Operations		**–**	–	**–**	(1,898)
Investment in Non-Financial Assets		**(500,000)**	–	**(500,000)**	–
Proceeds from Short-Term Investment		**–**	–	**–**	3,415
Proceed from Share Disposal		**(164)**	–	**(164)**	2,097
Dividend Received		**–**	19,540	**–**	13
Cash Flows from/(used in) Investing Activities		**320,628**	51,358	**119,217**	(10,998)
Cash Flows From/(Used In) Financing Activities					
Finance Income Excluding Dividend		**427**	–	**1,137**	574
Proceeds from Interest Bearing Borrowings		**317,254**	333,677	**814,247**	631,322
Repayment of Interest Bearing Borrowings		**(521,016)**	(369,325)	**(621,837)**	(601,861)
Net Cash flows from/(used in) Financing Activities		**(203,335)**	(35,648)	**193,547**	30,035
Net Increase/(Decrease) in Cash and Cash Equivalents		**134,269**	(12,324)	**128,902**	(26,362)
Cash and Cash Equivalent at the beginning of the Year		**(64,700)**	(52,378)	**(76,534)**	(50,172)
Cash and Cash Equivalents at the end of the Year		**69,568**	(64,700)	**52,368**	(76,534)
Cash and Cash Equivalents					
Cash in hand and at Bank		**105,767**	4,477	**147,930**	50,423
Bank Overdrafts		**(36,199)**	(69,177)	**(95,563)**	(126,957)
Cash and Cash Equivalents at the end of the Year		**69,568**	(64,700)	**52,368**	(76,534)

Cash Flow Statement

For the year ended 31 March	COMPANY		GROUP	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Note A – Operating Profit/(Loss) before Working Capital Changes				
Profit/(Loss) before Tax from Continuing Operations	**587,182**	(55,757)	**688,554**	49,655
Profit/(Loss) before Tax from Discontinued Operations	**–**	–	**–**	(44)
Adjustments for				
Dividend Income	**–**	(19,540)	**–**	(13)
Finance Income	**(427)**	–	**(1,137)**	(574)
Finance Costs	**17,225**	41,697	**37,308**	55,552
Depreciation	**13,993**	17,188	**53,612**	52,333
Amortisation	**–**	–	**734**	830
(Profit)/Loss on Sale of Property, Plant and Equipment	**(527,879)**	(7,621)	**(530,819)**	(3,534)
(Gain)/Loss on Assets of Discontinued Operations	**–**	–	**–**	(56)
(Gain)/Loss on Currency Translation of Foreign Operations	**–**	–	**(58,585)**	(1,988)
Profit for Share Disposable	**–**	–	**–**	(1,373)
Provision for Gratuity	**253**	2,361	**2,152**	4,520
Operating Profit/(Loss) before Working Capital Changes	**90,348**	(21,672)	**191,819**	155,308

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 27 through 76 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 No. 240, Torrington Avenue, Colombo 7.

1.2 The Notes to the Financial Statements on pages 27 to 76 form an integral part of the Financial Statements.

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

1.4 Principal Activities and 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 based products

1.5 Number of Employees

The number of employees at the end of the year was 216 (2021 – 210).

1.6 Approval of Financial Statements

The Financial Statements for year ended 31 March 2022 were authorised for issue by the Board of Directors on 30 August 2022.

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. 07 of 2007.

1.8 Basis of Consolidation

Consolidated Financial Statements

The Financial Statements for the year ended 31 March 2022, comprise "the Company" referring to Eastern Merchants PLC as the holding Company and "the Group" referring to the companies that have been consolidated therein.

The consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries as at 31 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 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 31 March, using consistent accounting policies.

Notes to the Financial Statements

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 Closing Rate		Statement of Profit or Loss Average Rate	
	2022	2021	**2022**	2021
Dollar (USD)	**299.08**	196.98	**220.44**	193.85

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 rate of exchange prevailing at the time the transactions are affected. Monetary assets and liabilities denominated in foreign currency are retranslated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

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

2.2.2 Foreign Operations

The Statement of Financial Position and Statement of Profit or Loss of overseas subsidiaries and joint ventures which are deemed to be foreign operations are translated to Sri Lankan 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 and 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.

Notes to the Financial Statements

The line items which have most significant effect on accounting, judgements, estimate and assumptions are as follows:

(a) Valuation of property, plant and 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 and other comprehensive income, in which case it is recognised either in equity and 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 a 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.

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 the normal operating cycle
- It is held primarily for the purpose of trading
- It is expected to be realised within twelve months after the reporting period
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at leave twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and 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 remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss. Property, plant and 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 coordinated 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 resale.

2.7 Business Combinations and 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 remeasured 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 remeasured 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 Statement of Profit or Loss, in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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

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

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

Impairment of Goodwill

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

2.8 Investment in Equity-Accounted Investees

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

Notes to the Financial Statements

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

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

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

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

2.9 Assets and Bases of their Valuation

2.9.1 Property, Plant and Equipment

Items of property, plant and 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 and 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 and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

All items of property, plant and 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 and 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 and 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 and 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.

Notes to the Financial Statements

The annual rates of depreciation used are as follows:

Assets	Microcells (Pvt) Ltd. Rate %	Eastern Merchants PLC and Other Companies in the Group Rate %
Buildings	2.5	5
Plant and Machinery	6.67	10
Tools and Equipment	25	10
Mould	10	–
Electrical Installation	20	10
Motor Vehicles	25	12.5
Furniture and Fittings	20	10
Office Equipment	10	10
Stores and 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 and 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 and equipment and are recognised net within "other income" in the Statement of Profit and Loss.

2.9.2 Investment Property

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

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

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

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

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

The amortisation period and the amortisation method for an intangible asset is reducing balance method used 20% rate for amortisation. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss.

Notes to the Financial Statements

Intangible assets with indefinite useful lives are not amortised 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 1 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 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 remeasured 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 expense on a straight-line basis over the lease term.

Policy Applicable prior to 1 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 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 and Work-in-Progress	At the cost of direct materials, direct labour and the appropriate proportion of fixed variable and production overheads based on normal operating capacity.
(c) Packing Materials	At actual cost on weighted average cost basis
(d) Consumables and 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 amortised 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 Solely Payments of Principal and Interest (SSPI) test and is performed at an instrument level. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

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

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

2.9.7.2 Subsequent Measurement

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

- Financial assets at amortised 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 Amortised 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 amortised cost. The Group measures financial assets at amortised cost if both of the following conditions are met:

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

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

Financial assets at amortised cost are subsequently measured using the effective interest rate (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 amortised 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 Statement of Profit or Loss.

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 on "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.

Notes to the Financial Statements

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 amortised 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 amortised 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.

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 amortised 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.

Amortised 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 amortisation 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 and 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 and 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 five 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 and Employees' Trust Fund

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

(c) Short-term Benefits

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

2.15 Income Tax

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

Notes to the Financial Statements

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

(a) Current Income Tax

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

(b) Deferred Income Tax

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

- Where deferred tax liability arising from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

(c) Turnover Based Taxes

Turnover based taxes include value added tax (VAT). The Group pays such 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.

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

2.16.2 Sale of Goods

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

probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

2.16.3 Rendering of Services

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

2.16.4 Finance Income and Finance Cost

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

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

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

2.16.5 Dividend Income

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

2.16.6 Rental Income

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

2.16.7 Others

Gains and losses of a revenue nature on the disposal of property, plant and 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 and equipment in a state of efficiency has been charged to Statement of Profit or Loss. For the purpose of presentation of the Statement of Comprehensive Income the "function of expenses" method has been adopted by the Directors of the Group on the basis that it presents fairly the elements of the Group's performance.

2.18 Events after the Reporting Date

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 ongoing economic crisis in Sri Lanka on the Company's business operations.

2.19 Earnings per Share

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

2.20 Comparative Information

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

2.21 Determination of Fair Value

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

Notes to the Financial Statements

2.21.1 Land and 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

Following amendments to Sri Lanka Accounting Standards issued, but not effective as at the reporting date have not been applied in preparing the consolidated Financial Statements. The Group plans to apply these amendments to the standards from their effective dates:

A summary of the requirements stipulated by the amendments and their possible impact on Financial Statements, when implemented, is presented in the table below:

New or Amended Standards	Summary of Requirements	Possible Impact on Financial Statements
Amendments to LKAS 37 – Provisions, Contingent Liabilities and Contingent Assets: Onerous contracts – costs of fulfilling a contract	The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments will be recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The comparatives will not be restated.	The Group is assessing the potential impact on its Financial Statements resulting from the application of these amendments.
Amendments to LKAS 12 – Deferred Tax Related to Assets and Liabilities Arising from a single transaction	The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.	The Group is assessing the potential impact on its Financial Statements resulting from the application of these amendments.

2.22.1 Other Standards

The following amendments and improvements are not expected to have a significant impact on the Group's Financial Statements.

Amendments to SLFRS 16: COVID-19 Related Rent Concessions Annual Improvements to IFRS Standards 2018-2020

Amendments to LKAS 16: Property, Plant and Equipment – Proceeds before Intended Use

Amendments to SLFRS 3: Reference to Conceptual Framework

Amendments to LKAS 1: Classification of Liabilities as Current or Non-Current

Amendments to LKAS 1 and SLFRS practice statement 2: Disclosure of Accounting Policies

Amendments to LKAS 8: Definition of Accounting Estimates SLFRS 17 – Insurance Contracts and amendments thereto.

Notes to the Financial Statements

3. Revenue

For the year ended 31 March	COMPANY		GROUP	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Export	**1,068,496**	689,183	**3,335,660**	2,014,078
Local Sales	**–**	120	**18,840**	15,703
Services	**–**	–	**1,926**	1,495
	1,068,496	689,303	**3,356,426**	2,031,275

4. Other Operating Income

For the year ended 31 March	COMPANY		GROUP	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Rent	**10,231**	9,180	**10,231**	9,180
Profit on Sale of Property, Plant and Equipment	**527,880**	7,621	**530,820**	3,534
Exchange Gains	**55,115**	–	**136,535**	9,550
Profit on Sale of Shares	**–**	–	**–**	–
Subscription for Solar Power Supply to CED	**2,354**	3,079	**2,354**	3,079
Reversal of Impairment	**–**	–	**–**	–
Other Income	**221**	251	**4,770**	623
	595,799	20,132	**684,709**	25,966

5. Finance Expenses

For the year ended 31 March	COMPANY		GROUP	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Interest on Borrowings and Charges	**18,021**	41,684	**47,913**	55,563
Finance Charges on Lease Liabilities	**206**	408	**226**	457
	18,227	42,092	**48,138**	56,019

6. Finance Income

For the year ended 31 March	COMPANY		GROUP	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Interest Income	**427**	–	**1,137**	574
Profit for Share Disposable	**–**	–	**–**	1,373
Dividend	**–**	19,540	**–**	13
	427	19,540	**1,137**	1,960

Notes to the Financial Statements

7. Profit Before Tax

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

For the year ended 31 March	COMPANY		GROUP	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Directors' Emoluments	**9,245**	7,011	**21,772**	21,498
Costs of Defined Employee Benefits				
Defined Benefit Plan Cost – Gratuity	**253**	2,361	**2,152**	7,466
Defined Benefit Plan Cost – EPF and ETF	**2,536**	2,629	**16,644**	13,849
Staff Expenses	**12,329**	12,329	**78,560**	85,399
Depreciation of Property, Plant and Equipment	**13,993**	17,188	**53,612**	52,333
Amortisation	**–**	–	**734**	830
Auditors' Remuneration				
Audit	**875**	745	**3,317**	1,422
Non-Audit	**975**	760	**975**	760
Charity and Donations	**296**	152	**669**	212

8. Income Tax Expenses

For the year ended 31 March	Note	COMPANY		GROUP	
		2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
The major components of Income Tax Expenses are as follows:					
Current Income Tax Charge					
Current Income Tax Charge	8.1	**12,421**	2,203	**20,273**	26,185
Tax Paid for Assessment		**–**	–	**–**	–
Deferred Tax Charge/(Release)					
Relating to Origination and Reversal of Temporary Differences	8.2	**16,761**	(13,998)	**13,115**	14,653
Income Tax Expenses/(Reversal) Reported in the Income Statement		**29,183**	(11,795)	**33,388**	40,838

Notes to the Financial Statements

8.1 Reconciliation between Current Tax Charge and the Accounting Profit

For the year ended 31 March	COMPANY		GROUP	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Profit/(Loss) before Tax	**587,182**	(55,757)	**688,554**	49,655
Share of Results of Equity Accounted Investees	**–**	–	**–**	–
Profit after Adjustments	**587,182**	(55,757)	**688,554**	49,655
Non-Deductible Expenses	**279,283**	19,701	**280,612**	21,030
Income not Liable for Income Tax	**(563,202)**	(19,540)	**(571,072)**	(32,588)
Other Sources of Income	**(10,657)**	(9,180)	**(10,670)**	(9,192)
Deductible Expenses	**(9,329)**	(23,969)	**(12,390)**	(27,030)
Adjusted Profit/(Loss) on Trade Business	**283,276**	(88,745)	**375,035**	1,874
Other Sources of Income	**10,657**	9,180	**10,657**	9,180
Capital Gain	**–**	–	**–**	–
Adjustments	**–**	–	**–**	–
Agriculture Income	**–**	–	**–**	–
Assessable Income	**10,657**	9,180	**10,657**	9,180
Unrelieved Loss Claimed	**–**	–	**–**	–
	10,657	9,180	**10,657**	9,180
Deduction from Assessable Income	**–**	–	**–**	–
Taxable Income	**10,657**	9,180	**10,657**	9,180
Tax on Taxable Income				
Tax on Qualified Export Profit at 14%	**–**	–	**6,766**	17,896
Tax on Agriculture Profit at 17%	**–**	–	**966**	1,866
Income Tax on Standard Rate 24%	**2,558**	2,203	**2,728**	2,341
Income Tax Over/(Under) Provisions in Previous years	**–**	–	**(51)**	4,082
Capital Gain Tax at Tax Rate 10%	**9,864**	–	**9,864**	–
Current Tax Charge	**12,421**	2,203	**20,273**	26,185

8.2 Deferred Tax Expenses

For the year ended 31 March	COMPANY		GROUP	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Deferred Tax Expenses arising from:				
Accelerated Depreciation for Tax Purposes	**(1,386)**	2,048	**(5,511)**	30,673
Revaluation of Investment Property to Fair Value	**(21,548)**	118	**(19,565)**	118
Retirement Benefit Obligation	**37**	427	**(508)**	369
Reversal/(Benefit) arising from Tax Losses	**39,659**	(16,590)	**38,699**	(16,507)
Deferred Tax Charged directly to Income Statement	**16,761**	(13,998)	**13,115**	14,653
Other Comprehensive Income				
Deferred Tax Expenses arising from:				
Actuarial Losses on Defined Benefit Obligations	**54**	6	**1,033**	262
Revaluation of Land and Building to Fair Value	**(9,881)**	–	**(9,881)**	(10,942)
Total Deferred Tax Charged/(Credited) directly to OCI	**(9,827)**	6	**(8,848)**	(10,680)

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

Notes to the Financial Statements

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

9. Discontinued Operation

Considering the nature of business behaviour of previous years, Board of Directors has decided to categorise Asia Brush (Pvt) Ltd. and Asian Woodware Company (Pvt) Ltd. 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	
For the year ended 31 March	**2022 LKR '000**	2021 LKR '000	**2022 LKR '000**	2021 LKR '000	**2022 LKR '000**	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Revenue	–	–	–	–	–	–	–	–
Cost of Sales	–	–	–	–	–	–	–	–
Gross Profit	–	–	–	–	–	–	–	–
Other Income	–	–	–	56	–	–	–	56
	–	–	–	56	–	–	–	56
Administrative Expenses	–	(94)	–	(15)	–	59	–	(50)
Profit/(Loss) from Operations	–	(94)	–	41	–	59	–	6
Finance Expenses	–	(20)	–	(31)	–	–	–	(50)
Finance Income	–	–	–	–	–	–	–	–
Profit/(Loss) before Taxation	–	(114)	–	11	–	59	–	(44)
Taxation	–	–	–	–	–	–	–	–
Profit/(Loss) for the year	–	(114)	–	11	–	59	–	(44)
Adjustments with other Companies in the Group	–	–	–	–	–	–	–	–
	–	(114)	–	11	–	59	–	(44)

Notes to the Financial Statements

9.2 Major Classes of Assets and Liabilities of Discontinued Operations

For the year ended 31 March	Asia Brush (Pvt) Ltd.		Asian Woodware Company (Pvt) Ltd.		Adjustments		Group	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000	**2022 LKR '000**	2021 LKR '000	**2022 LKR '000**	**2021 LKR '000**
Assets								
Amount due from Related Parties	–	–	–	–	–	–	–	–
Non-Current Assets held for Sale								
Receivable for Motor Vehicle	–	–	–	–	–	–	–	–
Cash in hand and at Bank	**233**	233	–	–	–	–	**233**	**233**
Assets Classified as held for Sale	**233**	233	–	–	–	–	**233**	**233**
Liabilities								
Interest Bearing Borrowing	–	–	**38**	38	–	–	**38**	**38**
Directors' Current Accounts	–	–	–	–	–	–	–	–
Amounts due to Related Parties	–	–	–	–	–	–	–	–
Trade Payables	**20**	20	**15**	15	–	–	**35**	**35**
Income Tax Payables	**17**	17	**274**	274	–	–	**291**	**291**
Liability directly associated with Assets Classified as held for Sale	**37**	37	**327**	327	–	–	**364**	**364**
Net Assets of Each Company and Total	**196**	196	**(327)**	(327)	–	–	**(131)**	**(131)**
Adjustments with other Companies in the Group							–	–
Impairment Provision for Investment in Subsidiary Company							–	–
Net Assets directly associated with Disposal Group							**(131)**	**(131)**

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

For the year ended 31 March	Asia Brush (Pvt) Ltd.		Asian Woodware Company (Pvt) Ltd.		Adjustments		Group	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000	**2022 LKR '000**	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Net Cash Generated from/(used in) Operating Activities	**(8,418)**	(8,418)	**(31)**	(31)	–	–	**(8,448)**	(8,448)
Net Cash from Investing Activities	–	–	–	–	–	–	–	–
Net Cash used for Financing Activities	–	–	–	–	–	–	–	–
Net Cash Inflow/(Outflow)	**(8,418)**	(8,418)	**(31)**	(31)	–	–	**(8,448)**	(8,448)

Notes to the Financial Statements

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.

	COMPANY		GROUP	
For the year ended 31 March	**2022**	2021	**2022**	2021
Amount used as the Numerator				
Net Profit/(Loss) attributable to Ordinary Shareholders (LKR '000)	**557,999**	(43,962)	**656,558**	8,670
Amount used as the Denominator				
Weighted Average Number of Ordinary Shares ('000)	**117,446**	117,446	**117,446**	117,446
Basic Earning per Share (LKR)	**4.75**	(0.37)	**5.59**	0.07

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

11. Dividend per Share

	COMPANY		GROUP	
For the year ended 31 March	**2022**	2021	**2022**	2021
Equity Dividend on Ordinary Shares declared and paid during the year (LKR)	**–**	–	**–**	–
Amount used as the Denominator				
Weighted Average Number of Ordinary Shares ('000)	**–**	–	**–**	–
Dividend Per Share (LKR)	**–**	–	**–**	–

12. Property, Plant and Equipment

12.1 Company

12.1.1 Cost/Revaluation

	Land LKR '000	Buildings LKR '000	Plant and Machinery LKR '000	Motor Vehicles LKR '000	Furniture and Fittings LKR '000	Office Equipment LKR '000	Stores and Other Equipment LKR '000	Computer Hardware LKR '000	Total LKR '000
As at 1 April 2021	722,329	141,611	15,701	40,901	4,300	9,307	22,289	7,116	963,553
Additions	–	–	–	–	–	–	–	433	433
Revaluation	–	–	–	–	–	–	–	–	–
Adjustment	–	–	–	–	–	–	–	–	–
Disposals	(518,909)	(82,732)	(2,932)	–	–	(3,075)	(14,000)	–	(621,648)
As at 31 March 2022	**203,420**	**58,879**	**12,769**	**40,901**	**4,300**	**6,232**	**8,289**	**7,549**	**342,338**

Notes to the Financial Statements

12.1.2 Depreciation

	Land	Buildings	Plant and Machinery	Motor Vehicles	Furniture and Fittings	Office Equipment	Stores and Other Equipment	Computer Hardware	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
As at 1 April 2021	–	14,162	15,653	28,625	4,296	7,241	11,314	6,539	87,830
Charge for the year	–	6,736	14	4,147	1	461	1,573	286	13,218
Revaluation Adjustment	–	–	–	–	–	–	–	–	–
Disposals	–	(12,065)	(2,932)	–	–	(3,074)	(6,611)	–	(24,682)
As at 31 March 2022	**–**	**8,834**	**12,735**	**32,772**	**4,297**	**4,628**	**6,275**	**6,825**	**76,366**

12.1.3 Net Book Value

	Land	Buildings	Plant and Machinery	Motor Vehicles	Furniture and Fittings	Office Equipment	Stores and Other Equipment	Computer Hardware	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
As at 31 March 2022	**203,420**	**50,045**	**34**	**8,129**	**3**	**1,604**	**2,014**	**724**	**265,972**
As at 31 March 2021	722,329	127,449	48	12,276	4	2,066	10,975	577	875,723

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	2022			2021		
	Cost	**Accumulated Depreciation**	**Net Book Value**	Cost	Accumulated Depreciation	Net Book Value
	LKR '000	**LKR '000**	**LKR '000**	LKR '000	LKR '000	LKR '000
Land	**308,263**	**–**	**308,263**	308,263	–	308,263
Add: Addition during the year	**–**	**–**	**–**	–	–	–
Less: Disposal during the year	**(125,200)**	**–**	**(125,200)**	–	–	–
	183,063	**–**	**183,063**	308,263	–	308,263
Buildings	**98,996**	**(60,002)**	**38,994**	98,996	(60,002)	38,994
Add: Addition during the year	**–**	**(14,500)**	**(14,500)**	–	–	–
Less: Cost of Building Disposed	**–**	**54,600**	**54,600**	–	–	–
	98,996	**(19,902)**	**79,094**	98,996	(60,002)	38,994
Total	**282,059**	**(19,902)**	**262,157**	407,259	(60,002)	347,257

12.1.5 During the financial year, the Company acquired property, plant and equipment to the aggregate value of LKR 0.433 Mn. (2021 – LKR 0.248 Mn.). Cash payments amounting to LKR 0.433 Mn. (2021 – LKR 0.248 Mn.) were made during the year for purchase of property, plant and equipment.

12.1.6 Property, plant and equipment includes fully depreciated assets having gross carrying value of LKR 47 Mn. (2021 – LKR 35 Mn.).

Notes to the Financial Statements

12.2 Group

12.2.1 Cost/Revaluation

	Land	Buildings	Plant and Machinery	Motor Vehicles	Furniture and Fittings	Office Equipment	Stores and Other Equipment	Computer Hardware	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
As at 1 April 2021	981,483	352,767	296,422	89,946	20,200	18,407	91,469	24,393	1,875,087
Additions	213,957	–	–	–	–	–	–	687	214,644
Revaluation Surplus	–	–	–	–	–	–	–	–	–
Adjustment	–	–	–	–	–	–	–	–	–
Disposals	(518,909)	(92,592)	(2,932)	–	–	(3,075)	(14,000)	–	(631,508)
As at 31 March 2022	**676,531**	**260,174**	**293,490**	**89,945**	**20,200**	**15,332**	**77,469**	**25,081**	**1,458,223**

12.2.2 Depreciation

	Land	Buildings	Plant and Machinery	Motor Vehicles	Furniture and Fittings	Office Equipment	Stores and Other Equipment	Computer Hardware	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
As at 1 April 2021	–	26,628	101,940	43,587	20,023	15,649	68,925	23,144	299,896
Charge for the year	–	12,193	19,771	15,488	110	607	3,944	723	52,836
Revaluation Adjustment	–	–	–	–	–	–	–	–	–
Disposals	–	(12,065)	(2,932)	–	–	(3,074)	(6,611)	–	(24,682)
As at 31 March 2022	**–**	**26,756**	**118,779**	**59,075**	**20,134**	**13,182**	**66,258**	**23,867**	**328,050**

12.2.3 Net Book Value

	Land	Buildings	Plant and Machinery	Motor Vehicles	Furniture and Fittings	Office Equipment	Stores and Other Equipment	Computer Hardware	Total
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
As at 31 March 2022	**676,531**	**233,417**	**174,711**	**30,870**	**66**	**2,150**	**11,211**	**1,215**	**1,130,173**
As at 31 March 2021	981,483	326,138	194,482	46,359	177	2,758	22,544	1,250	1,575,192

Notes to the Financial Statements

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	2022			2021		
	Cost LKR '000	**Accumulated Depreciation LKR '000**	**Net Book Value LKR '000**	Cost LKR '000	Accumulated Depreciation LKR '000	Net Book Value LKR '000
Land	**308,263**	**–**	**308,263**	308,263	–	308,263
Add: Addition during the year	**213,957**	**–**	**213,957**	–	–	–
Less: Disposal during the year	**(518,909)**	**–**	**(518,909)**	–	–	–
	3,311	**–**	**3,311**	308,263	–	308,263
Buildings	**223,373**	**(69,449)**	**153,924**	222,272	(60,443)	161,828
Add: Addition during the year	**–**	**–**	**–**	15,729	–	15,729
Depreciation during the year	**(7,696)**	**(8,878)**	**(16,574)**	(8,878)	(8,878)	(8,878)
Less: Cost of Building Disposed	**(92,592)**	**(12,065)**	**(104,657)**	(5,750)	(128)	(5,878)
	123,085	**(90,392)**	**32,692**	223,373	(69,449)	162,802
Total	**126,396**	**(90,392)**	**36,003**	531,636	(69,449)	471,065

12.2.5 During the financial year, the Group acquired property, plant and equipment to the aggregate value of LKR 214 Mn. (2021– LKR 36 Mn.). Cash payments amounting to LKR 214 Mn. (2021 – LKR 37 Mn.) were made during the year for purchase of property, plant and equipment.

12.3 Property, plant and equipment includes fully depreciated assets having gross carrying value of LKR 98 Mn. (2020 – LKR 36 Mn.).

12.4 Details of property, plant and equipment stated and valuation are indicated below:

Revaluation of Land and Buildings

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

The Group has not engaged an independent valuer to determine the fair value of its land and buildings for the year ended 31 March 2022.

Notes to the Financial Statements

	Extents		Method of Valuation	Effective date of Valuation	Value LKR '000	Name of the Chartered Valuation Surveyor
	Buildings in Sq.Ft	Land in Acres				
Property						
Eastern Merchants PLC Land						
No. 101, Gonawela Rd, Heiyantuduwa, Sapugaskanda.		A.2-R.2-P.36.10	Open Market Value	31 March 2019	211,509	Disposed during the year
No. 42, Castle Street, Colombo 8.		A.0-R.0-P.27.90	Open Market Value	31 March 2019	307,400	Disposed during the year
No. 240, Torrington Avenue, Colombo 7		A.0-R.0-P.17.69	Open Market Value	31 March 2019	203,420	Dr Gaminda Haegoda
					510,820	
Buildings						
No. 240, Torrington Avenue, Colombo 7 – One building	6,400		Open Market Value	31 March 2019	58,880	Dr Gaminda Haegoda
					58,880	
Microcells (Pvt) Ltd. Land and Buildings						
Corpus residential property with Building and one building block situated at Swarnananda Housing Scheme. Mampe, Piliyandala – Six buildings	–	A.0-R.0-P.35	Open Market Value	31 March 2019	47,604	Dr Gaminda Haegoda
	7,553	–	Open Market Value	31 March 2019	16,743	Dr Gaminda Haegoda
Corpus residential property with Assessment No. 135, Koskanatta Road Mampe, Piliyandala – Nine buildings	–	A.1-R.3-P.35.66	Open Market Value	31 March 2019	174,402	Dr Gaminda Haegoda
	55121	–	Open Market Value	31 March 2019	162,567	Dr Gaminda Haegoda
Koskanatta Road, Mampe, Piliyandala – Land only	–	A.0-R.2-P.12.97	Open Market Value	31 March 2019	37,148	Dr Gaminda Haegoda
Thudugala, Dodangoda	–	A.33-R.3-P.33	Open Market Value	31 March 2022	213,957	Acquired during the year

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.

12.5 Right-of-use Assets

As at 31 March	COMPANY		GROUP	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
At Cost				
At the beginning of the year	**6,200**	6,200	**6,200**	6,200
Additions	**–**	–	**–**	–
At the end of the year	**6,200**	6,200	**6,200**	6,200
Accumulated Depreciation				
At the beginning of the year	**1,518**	743	**1,518**	743
Depreciation for the year	**775**	775	**775**	775
At the end of the year	**2,293**	1,518	**2,293**	1,518
Carrying Value	**3,907**	4,682	**3,907**	4,682

13. Intangible Assets

As at 31 March	COMPANY		GROUP	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Computer Software				
At the beginning of the year	**–**	–	**10,228**	9,262
Additions	**–**	–	**–**	966
Disposal	**–**	–	**–**	–
At the end of the year	**–**	–	**10,228**	10,228
Accumulated Amortisation and Impairment				
At the beginning of the year	**–**	–	**6,560**	5,730
Amortisation	**–**	–	**734**	830
Impairment	**–**	–	**–**	–
At the end of the year	**–**	–	**7,294**	6,560
Carrying Value	**–**	–	**2,934**	3,668

14. Investment Property

As at 31 March	COMPANY		GROUP	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '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	**(211,250)**	–	**(211,250)**	–
Change in Fair Value during the year	**–**	–	**–**	–
At the end of the year	**–**	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 2020 LKR	Estimated Price per Square Foot 2019 LKR	Estimated Price per Perch 2021 LKR	Estimated Price per Square Foot 2020 LKR	Extent	Value 2022 LKR '000	Value 2021 LKR '000
Eastern Merchants PLC No. 101, and No. 20, Heiyantuduwa									
Sapugaskanda									
Land	Dr Gaminda Haegoda	Market Value	485,000	–	485,000	–	200 Perches	**97,000**	97,000
One Building		- do -	–	2,300	–	2,500	12,800 Sq.Ft	**32,000**	32,000
One Building	- do -	- do -	–	2,900	–	3,500	23,500 Sq.Ft	**82,250**	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 March 2019. As at 31 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 31 March 2021 and at the end of this financial year the Company disposed all investment properties.

B. Income and Expenditure on Investment Property

As at 31 March	COMPANY 2022 LKR '000	COMPANY 2021 LKR '000	GROUP 2022 LKR '000	GROUP 2021 LKR '000
Rent Income	**10,231**	9,180	**10,231**	9,180
Direct Operating Expenses	**(185)**	**(165)**	**(185)**	**(165)**
Net Income	**10,046**	9,015	**10,046**	9,015

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 March 2019. Board of Directors of the Company has reassessed fair value of investment property and determined no significant changes to the revalued carrying amount provided as at 31 March 2021. During the financial year, Company disposed all investment property.

14.2 The carrying amount of investment property if they were carried at cost less depreciation would be as follows:

As at 31 March	COMPANY 2022 LKR '000	COMPANY 2021 LKR '000	GROUP 2022 LKR '000	GROUP 2021 LKR '000
Land – Cost	**16,115**	16,115	**16,115**	16,115
Add: Transferred from Owner Occupied	**–**	–	**–**	–
Less: Cost of Disposal Land	**(16,115)**	–	**(16,115)**	–
Book Value	**–**	16,115	**–**	16,115
Building – Cost	**47,477**	47,477	**47,477**	47,477
Add: Transferred from Owner Occupied	**–**	–	**–**	–
Less: Cost of Disposal Building	**(47,477)**	–	**(47,477)**	–
Accumulated Depreciation	**(20,575)**	(18,201)	**(20,575)**	(18,201)
Less: Acc: Dep of Disposal Building	**20,575**	–	**20,575**	–
Net Book Value	**–**	29,276	**–**	29,276
Net Book Value of Investment Property	**–**	45,391	**–**	45,391

15. Investment in Subsidiaries

As at 31 March	Note	COMPANY 2022 LKR '000	2021 LKR '000
Investments in Subsidiaries	15.1	**628,224**	628,060
		628,224	628,060

15.1 Investments in Subsidiaries

As at 31 March	COMPANY Number of Shares 2022	2021	Book Value 2022 LKR '000	LKR '000	2021 LKR '000
Unquoted – Consolidated					
Eamel Exports (Pvt) Ltd.	**26,125**	25,875		**1,367**	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
				628,224	628,060

16. Non-Current Financial Assets

As at 31 March	2022 LKR '000	2021 LKR '000
Deposit with Non-Bank Institutions	**500,000**	–
	500,000	–

As at 31 March	GROUP Number of Shares 2022	2021	Fair value 2022 LKR '000	2021 LKR '000
Quoted Securities – Shares				
Eastern Merchants PLC	**5,668,714**	5,668,714	**32,312**	28,344
			32,312	28,344
Total Non-Current Financial Assets			**532,312**	28,344

Notes to the Financial Statements

17. Inventories

As at 31 March	COMPANY 2022 LKR '000	COMPANY 2021 LKR '000	GROUP 2022 LKR '000	GROUP 2021 LKR '000
Finished Goods	**53,686**	73,789	**384,192**	131,420
Raw Material	**–**	–	**72,868**	67,306
Work-in-Progress	**–**	–	**182**	394
Consumable Item	**35**	35	**64,136**	29,036
Packing Materials	**1,644**	1,994	**6,626**	4,612
	55,364	75,818	**528,004**	232,768

18. Trade and Other Receivables

As at 31 March	COMPANY 2022 LKR '000	COMPANY 2021 LKR '000	GROUP 2022 LKR '000	GROUP 2021 LKR '000
Trade Receivables	**94,521**	52,968	**612,555**	363,805
Related Parties Debtors – Microcells (Pvt) Ltd.	**36,020**	–	**–**	–
Other Receivables	**3,661**	2,549	**5,802**	5,375
	134,203	55,517	**618,357**	369,180

19. Other Current Assets

As at 31 March	Note	COMPANY 2022 LKR '000	COMPANY 2021 LKR '000	GROUP 2022 LKR '000	GROUP 2021 LKR '000
Pre-Payments and Non-Cash Receivables		**6,897**	8,231	**126,536**	69,286
Income Tax Refunds	19.1	**15,265**	17,823	**15,566**	6,442
		22,162	26,054	**142,102**	75,728

19.1 Income Tax Refunds

As at 31 March	COMPANY 2022 LKR '000	COMPANY 2021 LKR '000	GROUP 2022 LKR '000	GROUP 2021 LKR '000
Balance at the beginning of the year	**17,823**	20,026	**6,442**	26,100
Income Tax Paid	**–**	–	**18,621**	4,662
ESC Paid	**–**	–	**–**	–
WHT	**–**	–	**–**	–
	17,823	20,026	**25,063**	30,763
Income Tax charged for the year	**(2,558)**	(2,203)	**(9,496)**	(20,239)
Income Tax under pro in Previous years	**–**	–	**5,198**	(4,082)
ESC Set-off against Income Tax	**–**	–	**–**	–
WHT Set-off against Income Tax	**–**	–	**–**	–
Balance at the end of the year	**15,265**	17,823	**20,765**	6,442

20. Amounts Due from Related Parties

As at 31 March	Note	COMPANY 2022 LKR '000	COMPANY 2021 LKR '000	GROUP 2022 LKR '000	GROUP 2021 LKR '000
Eamel Exports (Pvt) Ltd.		–	–	–	–
Asia Brush (Pvt) Ltd.	34.2.1.B	–	–	–	–
Asian Woodware Company (Pvt) Ltd.	34.2.1.D	–	–	–	–
Eastern Merchants PLC		5,128	–	–	–
		5,128	–	–	–

21. Cash in Hand and at Bank

As at 31 March	COMPANY 2022 LKR '000	COMPANY 2021 LKR '000	GROUP 2022 LKR '000	GROUP 2021 LKR '000
Cash at Bank	105,026	4,112	146,890	49,760
Cash in Hand	742	365	1,039	662
	105,767	4,477	147,930	50,423

22. Stated Capital

As at 31 March	COMPANY 2022 LKR '000	COMPANY 2021 LKR '000	GROUP 2022 LKR '000	GROUP 2021 LKR '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

22.1 A subsidiary company, Eamel Exports (Pvt) Ltd. continues to hold shares in the holding Company as per the provisions of Section 72 of the Companies Act No. 07 of 2007. As at 31 March 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 companies within the Group which hold shares of Eastern Merchants PLC.

Notes to the Financial Statements

The effect of cross holding to the Group stated capital is given below:

As at 31 March	Number of shares '000	Value LKR '000
Stated Capital of the Company	117,446	16,778
Shares Acquired by a Subsidiary before 21 May 1982	(7,000)	(250)
	110,446	16,528
Shares Disposed as at 31 March 2016	1,172	42
Balance as at 31 March 2016	111,618	16,570
Shares Disposed during the Year – 2016/17	159	6
Balance as at 31 March 2021	111,777	16,576
Balance as at 31 March 2022	**111,777**	**16,576**

23. Revenue Reserves

As at 31 March	COMPANY		GROUP	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Retained earnings				
Balance – as per Equity Statement	**1,330,822**	773,109	**1,813,686**	1,154,348
Total Revenue Reserves	**1,330,822**	773,109	**1,813,686**	1,154,348

24. Other Components of Equity

As at 31 March	COMPANY		GROUP	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Capital Reserves				
Revaluation Reserve	**65,872**	553,895	**138,145**	626,168
Foreign Currency Translation Reserve	**–**	–	**64,116**	5,532
Fair value Reserve of Financial Assets at FVOCI	**–**	–	**(10,671)**	(12,725)
Total Capital Reserve	**65,872**	553,895	**191,590**	618,974

Revaluation reserve consists of the net surplus on the revaluation of freehold lands and 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.

25. Deferred Tax (Liability)/Assets

As at 31 March	Note	COMPANY 2022 LKR '000	COMPANY 2021 LKR '000	GROUP 2022 LKR '000	GROUP 2021 LKR '000
Balance at the beginning of the year		**7,319**	(6,687)	**(64,712)**	(39,378)
Charge/(Reversal) for the year					
Profit or Loss	8.1	**2,891**	14,000	**6,537**	(14,653)
OCI	8.1	**(9,827)**	6	**(12,599)**	(10,680)
Balance at the end of the year		**383**	7,319	**(70,773)**	(64,712)

25.1 Net Deferred Tax Assets

As at 31 March	Note	COMPANY 2022 LKR '000	COMPANY 2021 LKR '000	GROUP 2022 LKR '000	GROUP 2021 LKR '000
Deferred Tax Assets	25.2	**23,556**	63,308	**26,848**	66,599
Deferred Tax Liabilities	25.2	**(23,173)**	(55,990)	**(98,310)**	(131,125)
		383	7,318	**(71,462)**	(64,526)

25.2 Recognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

As at 31 March	COMPANY Assets 2022 LKR '000	COMPANY Assets 2021 LKR '000	COMPANY Liabilities 2022 LKR '000	COMPANY Liabilities 2021 LKR '000
Property, Plant and Equipment	**–**	–	**(19,380)**	(26,166)
Employee Benefits	**1,566**	1,657	**–**	–
Investment Property	**–**	–	**(3,795)**	(29,823)
Adjusted Tax Loss	**21,990**	61,650	**–**	–
Net Tax (Assets)/Liabilities	**23,556**	63,308	**(23,173)**	(55,990)

As at 31 March	GROUP Assets 2022 LKR '000	GROUP Assets 2021 LKR '000	GROUP Liabilities 2022 LKR '000	GROUP Liabilities 2021 LKR '000
Property, Plant and Equipment	**–**	–	**(94,515)**	(101,302)
Employee Benefits	**2,952**	3,043	**–**	–
Investment Property	**–**	–	**(3,795)**	(29,823)
Adjusted Tax Loss	**23,896**	63,556	**–**	–
Net Tax (Assets)/Liabilities	**26,848**	66,599	**(98,310)**	(131,125)

Notes to the Financial Statements

26. Interest Bearing Borrowings

26.1 Company

As at 31 March		Note	2022 Amount Re-payable within 1 year LKR '000	2022 Amount Re-payable after 1 year LKR '000	2022 Total LKR '000	2021 Amount Re-payable within 1 year LKR '000	2021 Amount Re-payable after 1 year LKR '000	2021 Total LKR '000
26.1.1	Bank Loans	26.1.1.1	**45,856**	**35,370**	**81,226**	276,667	7,433	284,100
26.1.2	Lease Creditor	26.1.2.1	**926**	**73**	**1,000**	887	1,000	1,887
			46,782	**35,445**	**82,226**	277,554	8,433	285,987
26.1.3	Bank Overdrafts		**36,199**	**–**	**36,199**	69,177	–	69,177
			36,199	**–**	**36,199**	69,177	–	69,177
			82,981	**35,445**	**118,425**	346,730	8,433	355,164

26.1.1.1 Bank Loans

	As at 1 April 2020 LKR '000	Loans obtained LKR '000	Re-payment LKR '000	As at 31 March 2022 LKR '000	Loans obtained LKR '000	Re-payment LKR '000	As at 31 March 2021 LKR '000
Bank Loans	319,064	357,011	(391,974)	**284,100**	189,100	(391,974)	81,226
	319,064	357,011	(391,974)	**284,100**	189,100	(391,974)	81,226

26.1.2.1 Lease Creditor

As at 31 March	2022 Amount payable within 1 year LKR '000	2022 Amount payable after 1 year LKR '000	2022 Total LKR '000	2021 Amount payable within 1 year LKR '000	2021 Amount payable after 1 year LKR '000	2021 Total LKR '000
Lease Creditor	**1,093**	**91**	**1,184**	1,093	1,184	2,277
Less: Interest in Suspense	**(166)**	**(18)**	**(184)**	(206)	(184)	(390)
	926	**73**	**1,000**	887	1,000	1,887

26.2 Group

As at 31 March		Note	2022 Amount Re-payable within 1 year LKR '000	2022 Amount Re-payable after 1 year LKR '000	2022 Total LKR '000	2021 Amount Re-payable within 1 year LKR '000	2021 Amount Re-payable after 1 year LKR '000	2021 Total LKR '000
26.2.1	Bank Loans	26.2.1.1	**543,742**	**137,870**	**681,613**	414,442	13,433	427,875
26.2.2	Lease	26.2.2.1	**926**	**73**	**1,000**	887	1,000	1,887
			544,668	**137,945**	**682,613**	415,329	14,433	429,762
26.2.3	Bank Overdrafts		**95,563**	**–**	**95,563**	126,957	–	126,957
			95,563	**–**	**95,563**	126,957	–	126,957
			640,231	**137,945**	**778,176**	542,286	14,433	556,719

26.2.1.1 Bank Loans

	As at 1 April 2020 LKR '000	Loans obtained LKR '000	Re-payment LKR '000	**As at 31 March 2022 LKR '000**	Loans obtained LKR '000	Re-payment LKR '000	As at 31 March 2021 LKR '000
Bank Loans	393,644	654,655	(620,424)	**427,875**	689,248	(435,510)	681,613
	393,644	654,655	(620,424)	**427,875**	689,248	(435,510)	681,613

26.2.2.1 Lease Creditor

	Amount payable within 1 year LKR '000	**Amount payable after 1 year LKR '000**	**Total LKR '000**	Amount payable within 1 year LKR '000	Amount payable after 1 year LKR '000	Total LKR '000
Lease Creditor	**1,093**	**91**	**1,184**	1,093	1,184	2,277
Less: Interest in Suspense	**(166)**	**(18)**	**(184)**	(206)	(184)	(390)
	926	**73**	**1,000**	887	1,000	1,887

27. Retirement Benefit Obligations

As at 31 March	COMPANY		GROUP	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Balance at the beginning of the year	**11,838**	14,844	**21,733**	20,638
Current Service Cost	**722**	876	**1,928**	2,456
Interest for the year	**(469)**	1,484	**224**	2,064
Actuarial Loss/(Gains)	**232**	620	**(3,813)**	3,566
Payments made during the year	**(1,138)**	(5,987)	**(2,092)**	(6,990)
Balance at the end of the year	**11,186**	11,838	**17,981**	21,733

27.1 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. Due to the complexity of the valuation, the underlying assumptions and its long term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The principal assumptions used in determining the cost of employee benefits were:

	COMPANY		GROUP	
	2022	2021	**2022**	2021
Discount Rate (%)	**15.1**	7	**15.1**	7
Future Salary Increases (%)	**9**	5	**9**	5
Retirement Age (years)	**60**	55	**60**	55

The gratuity liability is not externally funded.

Notes to the Financial Statements

27.2 Net Benefit Expenses Categorised Under Personnel Expenses:

As at 31 March	COMPANY		GROUP	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Interest Cost	**469**	(1,484)	**224**	2,064
Current Service Cost	**232**	620	**1,928**	2,456

27.3 Sensitivity of Assumptions Used

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

	COMPANY		GROUP	
	2022	2021	**2022**	2021
Discount rate				
1% Increase	**(449)**	(449)	**(708)**	(708)
1% Decrease	**499**	**499**	**796**	**796**
Salary Increment Rate:				
1% Increase	**481**	**481**	**746**	**746**
1% Decrease	**(440)**	(440)	**(740)**	(740)

28. Trade and Other Payables

As at 31 March	COMPANY		GROUP	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Trade Creditors including Accrued Expenses	**3,625**	8,521	**151,124**	73,502
	3,625	8,521	**151,124**	73,502

29. Amounts Due to Related Parties

As at 31 March	COMPANY		GROUP	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Spice Lane (Pvt) Ltd.	**75,924**	69,286	**–**	–
Eamel Export (Pvt) Ltd.	**14,624**	17,224	**–**	–
Director's Current Account	**2,550**	2,550	**2,550**	2,550
Mirocells (Pvt) Ltd.	**65,196**	63,000	**–**	–
Asia Brush (Pvt) Ltd.	**–**	–	**–**	–
Eastern Merchants Commodities (Pte) Ltd.	**–**	773	**–**	–
	158,293	152,832	**2,550**	2,550

30. Other Current Liabilities

As at 31 March	COMPANY		GROUP	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Other Non-Financial Liabilities	**6,246**	16,763	**29,506**	18,328
	6,246	16,763	**29,506**	18,328

31. Income Tax Payable

As at 31 March	COMPANY		GROUP	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Balance at the beginning of the year	**–**	–	**1,729**	1,843
Provision for the year	**–**	–	**915**	1,864
Tax Paid during the year	**–**	–	**(1,331)**	(1,978)
Capital Gain Tax	**9,864**		**9,864**	–
Transferred to Overpayment	**–**	–	**–**	–
	9,864	–	**11,177**	1,729

32. Financial Instruments

Financial assets and liabilities are split into categories in accordance with SLFRS 9 as follows:

32.1 Financial Assets by Categories

As at 31 March	Note	COMPANY		GROUP	
		2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
32.1.1 Financial Instruments in Non-Current Assets					
Non-Current Financial Assets	16	**500,000**	–	**532,312**	28,344
		500,000	–	**532,312**	28,344
32.1.2 Financial Instruments in Current Assets					
Trade and Other Receivables	18	**134,203**	55,517	**618,357**	369,180
Amounts due from Related Parties	20	**5,128**	–	**–**	–
Cash in hand and at Bank	21	**105,767**	4,477	**147,930**	50,423
		245,098	59,994	**766,287**	419,604
Total Financial Assets		**745,098**	59,994	**1,298,599**	447,948

Notes to the Financial Statements

32.2 Financial Liabilities by Categories

As at 31 March	Note	COMPANY 2022 LKR '000	COMPANY 2021 LKR '000	GROUP 2022 LKR '000	GROUP 2021 LKR '000
32.2.1 Financial Instruments in Non-Current Liabilities					
Interest Bearing Borrowings	26	**35,445**	8,433	**137,945**	14,433
		35,445	8,433	**137,945**	14,433
32.2.2 Financial Instruments in Current Liabilities					
Trade and Other Payables	28	**3,625**	8,521	**151,124**	73,502
Amounts due to Related Parties	29	**158,293**	152,832	**2,550**	2,550
Current Portion of Interest Bearing Borrowings	26	**46,782**	277,554	**544,668**	415,329
Bank Overdrafts	26.1.2	**36,199**	69,177	**95,563**	126,957
Total Financial Instruments in Current Liabilities		**244,901**	508,084	**793,905**	618,338
Total Financial Liabilities		**280,345**	516,517	**931,850**	632,772

33. 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 and Equipment under revaluation model – Note 12

Investment Property – Note 14

Financial Instruments (including those carried at amortised 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

Notes to the Financial Statements

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

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

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

33.1 Fair Value Measurement Hierarchy – Group

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

	Level 1		Level 2		Level 3		Total	
As at 31 March	**2022 LKR '000**	2021 LKR '000	**2022 LKR '000**	2021 LKR '000	**2022 LKR '000**	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Financial Assets								
Non-Current Financial Assets	**532,312**	28,344	**–**	–	**–**	–	**532,312**	28,344
Non-Financial Assets								
Assets Measured at Fair Value	**–**	–	**–**	–	**–**	–	**–**	–
Land and Buildings	**–**	–	**–**	–	**909,948**	1,307,621	**909,948**	1,307,621
Investment Property	**–**	–	**–**	–	**–**	211,250	**–**	211,250

Fair Value Measurement Hierarchy – Company

	Level 1		Level 2		Level 3		Total	
As at 31 March	**2022 LKR '000**	2021 LKR '000	**2022 LKR '000**	2021 LKR '000	**2022 LKR '000**	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Financial Assets								
Non-Current Financial Assets	**500,000**	–	**–**	–	**–**	–	**500,000**	–
Non-Financial Assets								
Assets Measured at Fair Value	**–**	–	**–**	–	**–**	–	**–**	–
Land and Buildings	**–**	–	**–**	–	**253,465**	849,778	**253,465**	849,778
Buildings on Leasehold Land	**–**	–	**–**	–	**–**	–	**–**	–
Investment Property	**–**	–	**–**	–	**–**	211,250	**–**	211,250

Notes to the Financial Statements

Reconciliation of fair Value Measurements of Level 1 Financial Instruments

The Group and Company carries equity shares as Non-Current Financial Assets classified as Level 1 within the fair value hierarchy. A reconciliation of the beginning and closing balances including movements is summarised below:

As at 31 March	2022 LKR '000	2021 LKR '000
Quoted Securities – Group		
Balance at the beginning of the year	**28,344**	16,961
Sales	**–**	–
Addition during the year	**500,000**	–
Total Gains and Losses recognised in OCI	**3,968**	11,382
Balance at the end of the year	**532,312**	**28,343**

34. Directors Interest In Contracts/Related Party Transactions

34.1 The Directors of the Company and Related Companies are given below:

Name of the Directors	Eastern Merchants PLC	Asia Brush (Pvt) Ltd.	Eamel Exports (Pvt) Ltd.	Asian Woodware 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
Mrs C I Tilakaratna	–	Y	–	Y	–	–	–
Mr R Pradeep	Y	–	–	–	–	–	–
Mrs N Nanayakkara	Y	–	–	–	–	–	–
Mr F Mushin	Y	–	–	–	–	–	–
Mrs G R J De Silva	–	–	–	–	–	–	Y

34.2 Details of Significant Related Party Transactions are disclosed as follows:

34.2.1 Transactions with Subsidiaries

A. Eamel Exports (Pvt) Ltd.

For the year ended 31 March	2022 LKR '000	2021 LKR '000
Current Account Balance – Payables		
Balance at the beginning of the year	**17,224**	15,891
Fund Transfers	**–**	–
Acquisition of Share by Eastern Merchants PLC	**–**	–
Settlement	**(2,600)**	1,333
Balance at the end of the year	**14,624**	**17,224**

Notes to the Financial Statements

B. Asia Brush (Pvt) Ltd.

For the year ended 31 March	2022 LKR '000	2021 LKR '000
Current Account Balance – Receivable		
Balance at the beginning of the year	**29,163**	28,973
Fund Transfers	**190**	190
Settlement of Loans	**–**	–
	29,354	29,163
Provision for Impairment	**(29,354)**	(29,163)
Balance at the end of the year	**–**	–

C. Eastern Merchants Commodities (Pte) Ltd.

For the year ended 31 March	2022 LKR '000	2021 LKR '000
Current Account Balance – Payables		
Balance at the beginning of the year	**773**	4,720
Fund Transfers	**–**	–
Exchange Gain	**–**	–
Reimbursements	**(5,901)**	(3,947)
Balance at the end of the year	**(5,128)**	773

D. Asian Woodware Company (Pvt) Ltd.

For the year ended 31 March	2022 LKR '000	2021 LKR '000
Current Account Balance – Receivable		
Balance at the beginning of the year	**–**	–
Fund Transfers	**–**	–
Provision for Impairment	**–**	–
Balance at the end of the year	**–**	–

E. Spice Lane (Pvt) Ltd.

For the year ended 31 March	2022 LKR '000	2021 LKR '000
Current Account Balance – Payable		
Balance at the beginning of the year	**69,287**	62,857
Loan Granted/(Settled) to Eastern Merchants PLC	**6,637**	6,429
Interest	**–**	–
Payments by Spice Lane (Pvt) Ltd. on behalf of the Company	**–**	–
Balance at the end of the year	**75,924**	69,287

Notes to the Financial Statements

F. Microcells (Pvt) Ltd.

For the year ended 31 March	2022 LKR '000	2021 LKR '000
Current Account Balance – Trade Receivable		
Balance at the beginning of the year	**(14,237)**	(11,410)
Add: Raw Materials Sales	**75,844**	84,419
Fund Transfers	**(90,783)**	(87,246)
Interest Charged	**–**	–
Less: Settlement	**–**	–
Balance at the end of the year	**(29,176)**	(14,237)

34.2.2 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.

34.2.3 Outstanding amounts due from related parties and due to related parties are disclosed in Notes 20 and 30.

34.2.4 Provision for Impairment on amounts due from related parties disclosed in Note 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 9, Discontinued Operations.

34.2.5 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 involve in above activities. Transactions with close family members of the KMPs, if any, have also been taken into consideration in the following disclosure.

A. Compensation of Key Management Persons of the Company

The following is the compensation of Directors and Key Management

	COMPANY		GROUP	
For the year ended 31 March	2022 LKR '000	2021 LKR '000	2022 LKR '000	2021 LKR '000
Short-Term Employee Benefits				
Directors Remuneration	**9,245**	7,011	**21,772**	21,498

35. Assets Pledged

The following assets have been pledged as Security for liabilities.

35.1 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 LKR '000	**Amount as at 31 March 2022 Pledged LKR '000**	Included in
NDB	Primary Mortgage of Stocks and Book Debts.	O/D and Cash Line Facility	40,000	**185,905**	Inventory and Trade Receivable
NDB	Solar Power System	Term Loan	10,171	**7,563**	Property, Plant and Equipment
HNB	Primary Mortgage of No. 240, Torrington Avenue, Colombo 07	O/D and Cash Line Facility	115,000	**203,420**	Property, Plant and Equipment

36. 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.

37. Events Occurring after the Reporting Date

There were no material events that occurred after the reporting date that require adjustment to or disclosure in the Financial Statements other than following:

The Board of Directors of the Company has recommended the declaration of a first and final dividend of LKR 0.15 (Fifteen Cents) per share for the Financial Year ended 31 March 2022. As required by Section 56 (2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act No. 07 of 2007 and has obtained a certificate from Auditors, prior to declaring a final dividend.

In accordance with LKAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the Financial Statements as at 31 March 2022.

Notes to the Financial Statements

38. Segment Information

Information based on the Primary Segments (Business Segment)

As at 31 March	Export of Traditional and Non-Traditional Products		Other		Consolidation Adjustment		Group Total	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000	**2022 LKR '000**	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Total Sales	**3,462,228**	2,114,200	**1,926**	1,495	**(107,727)**	(84,418)	**3,356,426**	2,031,275
Other Income	**684,582**	31,251	**127**	10	**–**	(5,296)	**684,709**	25,967
Segment Revenue	**4,146,810**	2,145,450	**2,053**	1,505	**(107,727)**	(89,715)	**4,041,135**	2,057,242
Segment Results	**738,270**	110,240	**(2,715)**	(1,230)	**(0)**	(5,297)	**735,555**	103,713
Finance Expenses							**(48,138)**	(56,019)
Finance Income							**1,137**	1,960
Change in Fair Value of Investment Property							**–**	–
Profit before Taxation							**688,554**	49,654
Income Tax							**(33,388)**	(40,838)
Profit/(Loss) from Discontinued Operation							**–**	(44)
Profit for the year							**655,166**	8,773
Other Comprehensive Income							**75,214**	(354)
Total Comprehensive Income							**730,379**	8,419
Attributable to								
Equity Holders of the Company							**729,858**	2,573
Minority Interest							**522**	5,846
Profit for the year							**730,380**	8,419
Assets								
Segment Assets	**3,383,326**	3,290,813	**21,030**	23,492	**(830,949)**	(791,416)	**2,573,408**	2,522,889
Other Investments	**500,000**	–	**32,312**	28,344	**–**	–	**532,312**	28,344
Total Assets	**3,883,326**	2,517,064	**53,342**	51,836	**(830,949)**	(791,416)	**3,105,719**	2,551,233
Liabilities								
Other Segment Liabilities	**389,876**	246,024	**6,870**	6,590	**(202,260)**	(156,126)	**194,487**	96,488
Interest Bearing Borrowings	**778,176**	556,720	**–**	–	**–**	–	**778,176**	556,720
Deferred Tax Liabilities	**69,137**	72,331	**(107)**	(302)	**–**	–	**70,773**	72,029
Retirement Benefit Obligations	**17,981**	21,734	**–**	–	**–**	–	**17,981**	21,734
Total Liabilities	**1,255,171**	896,809	**6,763**	6,288	**(202,260)**	(156,126)	**1,061,416**	746,971

39. 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.

39.1 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.

39.2 Market Risk

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

(a) Interest Rate Risk

(b) Currency Risk

(c) Equity Price Risk

(a) Interest Rate Risk

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

(b) Currency Risk

The Group is primarily exposed to fluctuations in the value of US Dollar and Singapore Dollar (SGD) against the Sri Lankan Rupee, the Group's functional currency is Sri Lankan 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 Lankan Rupee against USD 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.

39.3 Risk Management

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

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

Notes to the Financial Statements

39.4 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 31 March	2022						
	Trade and Other Receivables LKR '000	Short-Term Investments LKR '000	Cash at Bank LKR '000	Amounts due from Related Parties LKR '000	Long-Term Investment LKR '000	Total LKR '000	Percentage of Allocation
Risk Exposure – Group							
Trade and Other Receivables	**618,357**	–	–	–	–	**618,357**	**47.66**
Long-Term Investment	–	–	–	–	**532,312**	**532,312**	**41.02**
Cash at Bank	–	–	**146,890**	–	–	**146,890**	**11.32**
Total Credit Risk Exposure	**618,357**	–	**146,890**	–	**532,312**	**1,297,559**	**100**
Risk Exposure – Company							
Trade and Other Receivables	**134,203**	–	–	–	–	**134,203**	**54.92**
Amounts due from Related Parties	–	–	–	**5,128**		**5,128**	**2.10**
Cash at Bank	–	–	**105,026**	–	–	**105,026**	**42.98**
Total Credit Risk Exposure	**134,203**	–	**105,026**	**5,128**	–	**244,357**	**100**

As at 31 March	2021						
	Trade and Other Receivables LKR '000	Short-Term Investments LKR '000	Cash at Bank LKR '000	Amounts due from Related Parties LKR '000	Long-Term Investment LKR '000	Total LKR '000	Percentage of Allocation
Risk Exposure – Group							
Trade and Other Receivables	369,180	–	–	–	–	369,180	82.5
Long-Term Investment	–	–	–	–	28,344	28,344	6.34
Cash at Bank	–	–	49,760	–	–	49,760	11.1
Total Credit Risk Exposure	369,180	–	49,760	–	28,344	447,284	100
Risk Exposure – Company							
Trade and Other Receivables	55,517	–	–	–	–	55,517	93.1
Amounts due from Related Parties	–	–	–	–	–	–	0.0
Cash at Bank	–		4,112	–	–	4,112	6.9
Total Credit Risk Exposure	**55,517**	–	**4,112**	–	–	**59,629**	**100**

39.5 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 31 March	COMPANY		GROUP	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Net Debt/(Cash)				
Cash in Hand and at Bank	**105,767**	4,477	**147,929**	50,423
Adjustments to Liquid Assets	**–**	–	**–**	–
Total Liquid Assets	**105,767**	4,477	**147,929**	50,423
Interest Bearing Loans and Borrowings	**46,782**	277,554	**544,668**	415,329
Bank Overdrafts	**36,199**	69,177	**95,563**	126,957
Total Liabilities	**82,982**	346,731	**640,231**	542,286
Net Debt/(Cash)	**22,786**	(342,254)	**(492,302)**	(491,863)

39.6 Maturity Analysis

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2022 based on contractual undiscounted (Principal Plus Interest) Payments.

As at 31 March	COMPANY		GROUP	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
All Borrowings are Payable within one year				
Interest Bearing Loans and Borrowings	**46,782**	277,554	**544,668**	415,329
Trade and Other Payables	**3,625**	8,521	**151,124**	73,502
Amounts due to Related Parties	**158,293**	152,832	**2,550**	2,550
Bank Overdrafts	**36,199**	69,177	**95,563**	126,957
	244,899	508,084	**793,906**	618,338

Notes to the Financial Statements

40. Material Partly – Owned Subsidiaries

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

40.1 Summarised Income Statement

For the year ended 31 March	Export of Traditional and Non-Traditional Products & Others		Others		Total	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Revenue	**–**	–	**929**	721	**929**	721
Cost of Sales	**–**	–	**–**	–	**–**	–
Gross Profit	**–**	–	**929**	721	**929**	721
Other Operating Income	**–**	24	**–**	–	**–**	24
Administrative Expenses	**39**	(11)	**(2,258)**	(1,326)	**(2,219)**	(1,337)
Distribution Expenses	**–**	–	**(51)**	(3)	**(51)**	(3)
Profit/(Loss) from Operations	**39**	13	**(1,380)**	(608)	**(1,341)**	(595)
Finance Expenses	**–**	(22)	**(13)**	(12)	**(13)**	(34)
Finance Income	**–**	–	**–**	669	**–**	669
	39	(9)	**(1,393)**	49	**(1,354)**	40
Change in Fair Value of Investment Property	**–**	–	**–**	–	**–**	–
Profit/(Loss) before Taxation	**39**	(9)	**(1,393)**	49	**(1,354)**	40
Taxation	**(0)**	–	**(69)**	89	**(69)**	89
Profit/(Loss) for the year	**39**	(9)	**(1,463)**	138	**(1,424)**	129
Other Comprehensive Income/(Loss) for the period						
Net Gain/(Loss) on Financial Instruments at Fair Value Through Other Comprehensive Income	**–**	–	**1,915**	5,744	**1,915**	5,744
Profit/(Loss) allocated to Material NCI	**39**	(9)	**452**	5,883	**491**	5,873
Dividend paid to NCI	**–**	–	**–**	–	**–**	–

40.2 Summarised Statement of Financial Position

As at 31 March	Export of Traditional and Non-Traditional Products & Others		Others		Total	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Non-Current Assets	**–**	–	**17,954**	24,751	**17,954**	24,751
Current Assets	**109**	109	**7,783**	404	**7,893**	514
Total Assets	**109**	109	**25,738**	25,155	**25,847**	25,264
Non-Current Liabilities	**–**	–	**–**	–	**–**	–
Current Liabilities	**20,197**	78,055	**3,315**	3,179	**23,512**	81,234
Total Liabilities	**20,197**	78,055	**3,315**	3,179	**23,512**	81,234
Accumulated Balances of Material NCI	**(20,088)**	(77,946)	**22,423**	21,976	**2,335**	(55,969)

40.3 Summarised Cash Flow Information

For the year ended 31 March	Export of Traditional and Non-Traditional Products & Others		Others		Total	
	2022 LKR '000	2021 LKR '000	**2022 LKR '000**	2021 LKR '000	**2022 LKR '000**	2021 LKR '000
Cash Flows from Operating Activities	**(3,959)**	(3,959)	**(79)**	(906)	**(4,038)**	(4,865)
Cash Flows from/(used in) Investing Activities	**–**	–	**–**	1,018	**–**	1,018
Cash Flows from/(used in) Financing Activities	**–**	–	**–**	–	**–**	–
Net Increase/(Decrease) in Cash and Cash Equivalents	**(3,959)**	(3,959)	**(79)**	112	**(4,038)**	(3,847)

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

Notes to the Financial Statements

42. CSE Continued Listing Rules

Compliance with the continuing listing requirements – Section 7.6 and Section 7.10 on corporate governance rules for listed companies issued by the Colombo Stock Exchange.

Rule	Requirements	Reference	Compliance
7.6. (i)	Names of persons who during the financial year were Directors of the entity.	Refer Corporate Information of this Annual Report	Complied
7.6. (ii)	Principal activities of the entity and its subsidiaries during the year and any changes therein.	Refer Group Directorate of this Annual Report	Complied
7.6. (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares dominated in LKR or any other class of shares dominated in Foreign Currency and the percentage of such shares held.	Refer Shareholder Information of this Annual Report	Complied
7.6. (iv)	The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the Listed Entity complies with the Minimum Public Holding requirement.	Refer Shareholder Information of this Annual Report	Complied
7.6. (v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the entity dominated in LKR and in Foreign Currency (as applicable).	Refer Shareholder Information of this Annual Report	Complied
7.6. (vi)	Information pertaining to material foreseeable risk factors of the Entity.	Refer Risk Management Report of this Annual Report (Note 40)	Complied
7.6. (vii)	Details of material issues pertaining to employees and industrial relations of the Entity.	Not Relevant	N/A
7.6. (viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties.	Refer Notes 12 and 13 of the Financial Statements of this Annual Report	Complied
7.6. (ix)	Number of shares representing the entity's stated capital.	Refer Note 23 of this Annual Report	Complied
7.6. (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings.	Not Relevant	N/A
7.6. (xi)	Ratios and market price information.	Refer Shareholder Information of this Annual Report	Complied
7.6. (xii)	Significant changes in the entity's or its subsidiaries fixed assets and the market value of land.	Refer Notes 12 and 13 of the Financial Statements of this Annual Report	Complied
7.6. (xiii)	If during the year the entity has raised funds either through a public issue, rights issue and private placement.	The Company had no public issues, rights issues or private placement during the year	N/A
7.6. (xiv)	Employee share option/purchase schemes (if any).	As at date, the Company has no share option or purchase schemes made available to its Directors or employees	N/A
7.6. (xv)	Corporate Governance Disclosures in terms of Rules 7.10.3, 7.10.5 (c) and 7.10.6 (c) of Section 7 of the Rules.	Refer Corporate Governance Report of this Annual Report	Complied

Notes to the Financial Statements

Rule	Requirements	Reference	Compliance
7.6. (xvi)	Related Party Transactions in terms of Rule 9.	Refer Note 42 of the Financial Statements of this Annual Report	Complied
7.10.	Compliance with Corporate Governance Rules.	Refer Corporate Governance Report of this Annual Report	Complied
7.10.1(a)	Non-Executive Directors (NED) • At least two or one third of the Directors, whichever is higher, should be Non-Executive Directors.	Refer Corporate Governance Report of this Annual Report	Complied
7.10.2 (a)	Independent Directors • Two or one-third of Non-Executive Directors, whichever is higher, should be independent.	Refer Corporate Governance Report of this Annual Report	Complied
7.10.2 (b)	Independence of Directors • Each Non-Executive Director should submit a declaration of Independence/Non-Independence.	Refer Corporate Governance Report of this Annual Report	Complied
7.10.3 (a)	Disclosure relating to Directors • The names of Independent Directors should be disclosed in the Annual Report.	Refer Corporate Governance Report of this Annual Report	Complied
7.10.3 (b)	Independence of Directors • The Board shall make a determination annually as to the Independence or Non-Independence of each Non-Executive Director.	Refer Corporate Governance Report of this Annual Report	Complied
7.10.3 (c)	Disclosure relating to Directors • A brief resume of each Director should be included in the Annual Report including the Director's areas of expertise.	Refer Board Profiles of this Annual Report.	Complied
7.10.3 (d)	Appointment of new Directors • Provide a brief resume of any new Director appointed to the Board.	Upon appointment of a new Director to the Board, the Company makes an announcement to the Colombo Stock Exchange with a brief resume of such Director containing the nature of his expertise, relevant interest, other directorships held, membership in Board Committees and the nature of appointment. There were no new appointments to the Board during the year under review.	Complied
7.10.5	Remuneration Committee • A listed company shall have a Remuneration Committee	Refer Remuneration Committee Report of this Annual Report	Complied

Notes to the Financial Statements

Rule	Requirements	Reference	Compliance
7.10.5 (a)	Composition of Remuneration Committee • Shall comprise of Non-Executive Directors, a majority of whom shall be Independent.	Refer Remuneration Committee Report of this Annual Report	Complied
7.10.5 (b)	Functions of Remuneration Committee • The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors.	Refer Remuneration Committee Report of this Annual Report	Complied
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration • The Annual Report should set out; (a) Names of the Directors comprising the Remuneration Committee. (b) Statement of Remuneration policy. (c) Aggregate remuneration paid to Executive and Non-Executive Directors.	Refer Remuneration Committee Report of this Annual Report	Complied
7.10.6	Audit Committee • A listed company shall have an Audit Committee.	Refer Audit Committee Report of this Annual Report	Complied
7.10.6 (a)	Composition of Audit Committee • Shall comprise of Non-Executive Directors, a majority of whom are Independent. • Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings. • The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	Refer Audit Committee Report of this Annual Report	Complied
7.10.6 (b)	Audit Committee Functions Should be as outlined in the Section 7.10 of the Listing Rules.	Refer Audit Committee Report of this Annual Report	Complied
7.10.6 (c)	Disclosure in the Annual Report relating to Audit Committee (a) Names of the Directors comprising the Audit Committee. (b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination. (c) The Annual Report shall contain a Report of the Audit Committee in the prescribed manner.	Refer Audit Committee Report of this Annual Report	Complied
9.3.2	Related Party Transactions Review Committee (a) Details pertaining to Non-Recurrent Related Party Transactions. (b) Details pertaining to Recurrent Related Party Transactions. (c) Report of the Related Party Transactions Review Committee. (d) Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise.	Refer Related Party Transactions Review Committee Report of this Annual Report	Complied

Shareholder Information

Top Twenty Shareholders as at 31 March 2022

Name	Number 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	15,396,309	13.11
C S L de Silva	14,581,140	12.42
N S Karunaratne	12,629,120	10.75
Eamel Exports (Pvt) Ltd.	5,668,714	4.83
J B L de Silva/K G A de Rajapakse/N Senanayake	1,400,000	1.19
S D de A Rajapakse	1,100,000	0.94
S A de A Rajapakse	980,000	0.83
K N De A Rajapakse	980,000	0.83
K B De A Rajapakse	980,000	0.83
Dr E D Rodrigo	880,000	0.75
S Paramanathan	861,000	0.73
S P de A Rajapakse	729,400	0.62
N K L Tilakaratna	600,000	0.51
Mrs K A G Ranasinghe	593,396	0.51
Mrs D E Perera	466,880	0.40
P G Piyasiri	375,000	0.32
Mrs L B Karunaratne	370,708	0.32
H M Udeshi	350,000	0.30
	107,205,087	

Public Shareholding

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

	31 March 2022	31 March 2021
Ordinary Shares (Nos.)	48,110,059	48,105,882
Public Shareholding (%)	40.96	40.96
Public Shareholders (Nos.)	1,290	1,396
Float Adjusted Market Capitalisation (LKR)	283,825	283,825

The Company complies with option 05 of the Listing Rules 7.14.1 (a) – Zero float adjusted market capitalisation which requires a minimum 20% public holding.

Shareholder Information

Shareholder Analysis as at 31 March 2022

Number of Shares held	Number of Shareholders 2022	Number of Shares 2022	%
1 – 1,000	738	204,269	0.17
1,001 – 10,000	365	1,552,303	1.32
10,001 – 100,000	155	4,894,191	4.17
100,001 – 1,000,000	31	11,756,534	10.01
Over 1,000,000	8	99,038,703	84.33
	1,297	117,446,000	100.00

Directors Shareholdings as at 31 March 2022

Name of Director	As at 31 March 22		As at 31 March 21	
	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 76th Annual General Meeting of Eastern Merchants PLC will be held on Friday the 30 of September, as a virtual meeting (on a virtual platform) which will be coordinated from the Board Room of Eastern Merchants PLC at No. 240, Torrington Avenue, Colombo 7, commencing at 11.30am for the following purposes.

AGENDA

1. To read the notice convening the Meeting.
2. To confirm the minutes of the 75th Annual General Meeting held on 29 October 2021.
3. To receive, consider and adopt the Report of the Directors and the Audited Financial Statements of the Company for the year ended 31 March 2022.
4. To resolve that Mrs N Nanayakkara and Mr S Jayakody 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 Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr J B L de Silva, who reached 70 years of age on 12 July 2016.
6. To approve the declared dividend for the year ending 31 March 2022.
7. To reappoint Messrs D.H.P. Munaweera & Co. as Auditors of the Company and authorise the Directors to determine their remuneration.
8. To transact any other business of which due notice has been given.

By Order of the Board

S Jayakody
Director – Finance/Company Secretary

30 August 2022

Notice of Meeting

Notes:

1. *The Annual Report of the Company for FY 2021/22 is available on the corporate website https://easternmerchants.net/news-info/and on the Colombo Stock Exchange website: www.cse.lk*
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 76th 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 with all details and forms shared in the Circular to shareholders:*

   (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, No. 240, Torrington Avenue, Colombo 7 at 11.30am on Friday, 30 September 2022.

   (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 11 244 8474/ +94 11 230 3204, or by post to the registered address of the Company No. 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 11 244 8474/ +94 11 230 3204, or by post to the registered address of the Company No. 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 11 244 8474/+94 11 230 3204, or by post to the registered address of the Company No. 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.

Form of Proxy

I/We, ... of

..... being a shareholder/shareholders' of Eastern Merchants PLC hereby appoint:

J B L de Silva of Colombo 3,	Whom failing
H J de Silva of Colombo 3,	Whom failing
C S L de Silva of Colombo 3,	Whom failing
S Jayakody of Kelaniya,	Whom failing
R Pradeep of Colombo 6,	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 30 September 2022 at 11.30am virtually, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

I/we the undersigned hereby authorise 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 Audited Financial Statements of the Company for the year ended 31 March 2022.	☐	☐
2.	To reappoint Mrs N Nanayakkara and Mr S Jayakody who retire as Directors of the Company.	☐	☐
3.	To reappoint Mr J B L de Silva, who is over 70 years of age.	☐	☐
4.	To approve the declared dividend for the year ending 31 March 2022.	☐	☐
5.	To reappoint Messrs D.H.P. Munaweera & Co. as Auditors of the Company and authorise the Directors to determine their remuneration.	☐	☐

As witness my/our hand (s) this ……..…… day of ……. 2022.

……
Signature of the Shareholder

Note:

(a) Please delete the inappropriate words

(b) Instructions for the completion of the Form of the Proxy are noted on the next page.

Form of Proxy

Instructions for the completion of the Form of Proxy

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

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

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

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

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

Corporate Information

Company Name
Eastern Merchants PLC

Company Number
PQ 153

Registered Office
No. 240, Torrington Avenue, Colombo 7.

Stores Complex
No. 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.
Eastern Merchants Commodities (Pte) Ltd.
Microcells (Pvt) Ltd.
Spice Lane (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
Mrs N Nanayakkara

Secretary
S Jayakody

Auditors
Messrs D.H.P. Munaweera & Co.

Bankers
Hatton National Bank PLC
National Development Bank
Bank of Ceylon
Standard Chartered Bank
Nations Trust Bank PLC
Cargills Bank Limited
DFCC Bank PLC

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Since 1945

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