Eastern Merchants PLC

Annual Report 2022/23

Since 1948

Contents

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	2022/23
Performance Parametres						
Sales (Rs. Mn.)	1,378	1,560	2,235	2,031	3427	2711
Gross Profit (Rs. Mn.)	66	157	226	315	516	536
Net Profit Before Taxation (Rs. Mn.)	(24)	60	(34)	49	688	131
Net Profit After Taxation (Rs. Mn.)	(20)	61	(39)	9	660	75
Total Comprehensive Income After Taxation (Rs. Mn.)	(18)	226	(46)	8	735	61
Shareholder Funds (Rs. Mn.)	1,634	1,873	1,787	811	2,005	2,047
Earnings per Share (Rs.)	(0.17)	0.58	(0.61)	0.07	5.62	0.64
Dividend per Share (Rs. cents)	-	-	-	-	-	0.15
P/E Ratio	-	6.72	-	84.29	1.01	14.61
Net Assets per Share (Rs.)	13.87	15.74	15.35	15.43	16.88	17.13
Current Ratio	5.49	1.07	1.05	1.14	1.72	3.33
Share Price						
Highest Recorded (Rs.)	8.40	6.00	7.00	6.20	10.10	15.40
Lowest Recorded (Rs.)	5.10	3.70	2.90	2.90	4.50	4.50
Value as at Year End (Rs.)	5.60	3.90	2.90	5.90	5.70	9.40

Chairman’s Message

Dear Shareholder,

I am pleased to present the annual report of Eastern Merchants PLC for the year ended 31st March 2023. In a year of unprecedented volatility and uncertainty due to a multitude of local and global economic challenges, Eastern Merchants has remained resilient and steadfast in delivering value. The Group recorded a net profit of LKR 75Mn for the financial year.

Over the 12 months the global economy faced a sharper than expected slowdown, with inflation getting out of control and reaching levels not seen in several decades. According to the International Monetary Fund (IMF) the cost-of-living crisis, tightening financial conditions, Russia’s invasion of Ukraine and the lingering COVID-19 pandemic all weighed heavily on the global economy. The global growth rate of 3.4% in 2022 was lower than the initial prediction of 4.1%.

Locally, the Sri Lankan economy recorded its deepest economic contraction of 7.8% in 2022 as per the statistics released by the Central Bank of Sri Lanka. The convergence of a multitude of economic issues such as the shortage of electricity, increase in fuel prices and the surge in inflation made operating conditions very difficult. The cost of doing business increased significantly and the exchange rate fluctuations, high interest rates and frequent policy adjustments made forecasting and decision-making a highly complex task.

During these turbulent times, we focused on further consolidating and rationalising the business operations across the Group. We liquidated Asia Brush and Asian Woodware Company, both of which had ceased operations and were no longer in cohesion with our overall business strategy. We spent the year strengthening relationships with our customers and suppliers, ensuring continuity of operations. Our team also focused on optimising costs, widening our supply and customer base, and diversifying our offerings to ensure that we are future-ready. Furthermore, we invested in technologies such as the Infor ERP system and other peripheral technologies to increase efficiency, transparency and support decision-making, enabling the business to reach its fullest potential. I am pleased that we have set the business up to deliver on our priorities, balancing growth with tight financial discipline.

I acknowledge the effort put in by all our people during another demanding year. It has not been easy with the many socio economic issues that we all faced and continue to face as result of the economic crisis. Thank you for your tremendous efforts. Our employee satisfaction scores have remained high and steady despite all these impacts, and as a Group, we will continue to invest in and support our employees through the good times and the bad. I also extend my sincere thanks to our partners, suppliers, and customers for placing their trust in us and supporting us through these testing times. I thank our board for their advice, ideas and counsel which has helped us navigate through another critical year.

As I look forward, I am excited about the opportunities that lie ahead. Eastern Merchants PLC remains committed to delivering value to our shareholders and customers, and I am confident that we will continue to grow and succeed in the years to come.

Mr. J.B.L. de Silva
Chairman

31st August 2023

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 31st March 2023.

External Outlook

The year under review was an extremely challenging one. As an exporter, the global economic outlook has an impact on the demand for our products and our profitability. The sluggish global economy coupled with inflation crossing 8% across most parts of the world, dimmed out consumption for our products in the Group and resulted in thinner margins.

The Sri Lankan economy was in deep distress during the entire year, with Gross Domestic Product (GDP) contracting sharply by 7.8%. Soaring inflation, foreign exchange shortages, and the debt default made for a toxic mix, resulting in extremely challenging operating conditions. The ban on chemical fertilisers in 2021 and its lingering effects have also adversely affected the agricultural sector, including rubber production, which fell by over 6.7% during the year as reported by the Central Bank of Sri Lanka (“CBSL”). The depreciation of the Sri Lankan rupee (LKR) increased the competitiveness of our Sri Lankan exports initially, but this was short-lived, as the cost of imported inputs and rampant inflation wiped out this temporary advantage.

The turnover and profitability of the Group’s Singaporean subsidiary (Eastern Merchants Commodities Pte. Ltd. or “EMC”) suffered significantly and pulled back the consolidated performance of the Group. EMC mainly imports natural rubber for the local rubber products manufacturers/exporters and accounted for 52% of Group turnover in 2021/22. The sharp pullback in manufacturing activity in the country as a result of the economic crisis meant that demand for natural rubber also fell sharply and resulted in EMC’s top line dropping by a staggering 76%.

The painful increase in fuel and electricity related costs especially impacted the energy intensive operations of our subsidiary Microcells (Pvt) Ltd (‘‘MCL’’). Escalations in wages across the Group also dented profitability, but the crippling rise in the cost of living meant that we had to adjust salaries, as the wellbeing of our staff and their families is very important to us. Furthermore, given the massive brain-drain experienced across all industries in Sri Lanka, it was also imperative that we retained our valuable staff members by offering them equitable salary hikes.

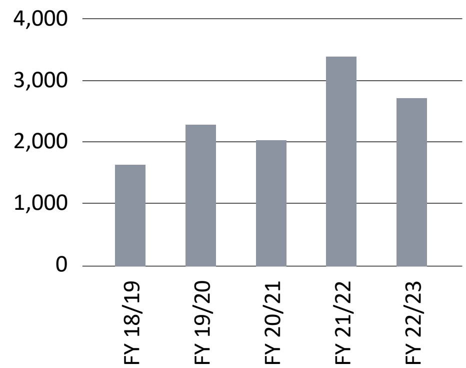
The operating conditions for our business will remain challenging with tepid economic growth worldwide. The International Monetary Fund (“IMF”) predicts the global economy to grow by a mere 3% in 2023. External shocks stemming from intensification of hostilities in Ukraine and extreme weather-related conditions could lead to further monetary policy tightening as inflation creeps up. The decline in growth in advanced economies could see the demand for our direct exports remain weak. It will also adversely affect the demand for our natural rubber imports into Sri Lanka, as the local rubber products manufacturers who consume these materials are also expected to go through a lean patch.

Stability in national economic and policy decisions is a key factor in aiding businesses to remain competitive and profitable. Although inflation is starting to cool dramatically over the last few months, containing costs within normal boundaries calls for innovation and creativity on our part to ensure the stability of our business model.

Financial Performance for 2022/23

Sales

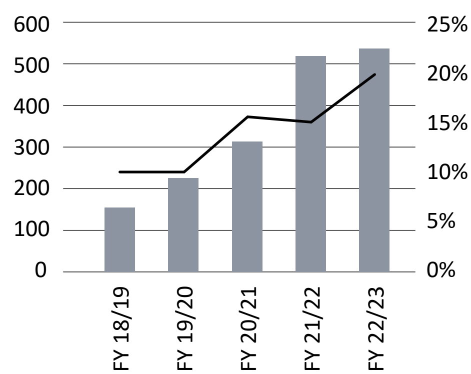
Sales in LKR Mn



The Group revenue fell by 21% when compared to FY 21/22. This is largely due to the lacklustre demand for the natural rubber that we import from overseas for the Sri Lankan rubber product manufacturers.

Gross Profit

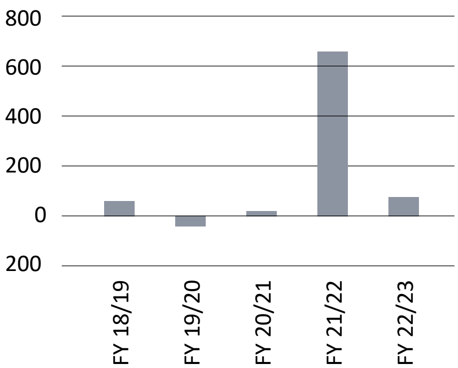
Gross Profit in LKR Mn



The Group gross profit has increased slightly in value, and the margin has grown from 15% to 20% this financial year. This is because the revenue expanded at a faster rate than the cost of sales due to the LKR depreciation.

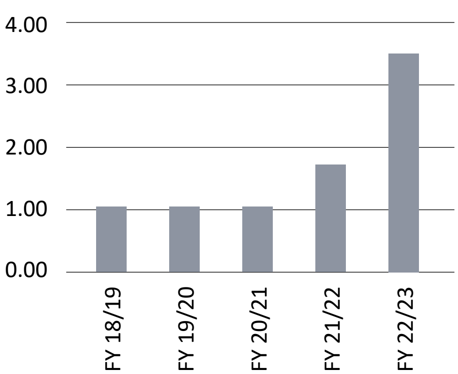
Net Profit

Net Profit After Tax LKR Mn



Despite the very difficult business conditions, we have remained profitable and recorded a net profit of LKR 75 Mn. The decrease in profits is due to multiple factors as explained in this section of the report.

Current Ratio

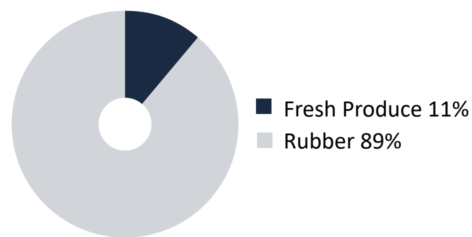


Operational Overview

Commodity trading

Our primary export is natural rubber; however, we also trade and export Ceylon cinnamon, coco fibre, fresh fruit, and vegetables. The revenue split for the commodities traded by the Group is in the following graph.

Trading Basket of Goods



With over 130,000 HA in rubber plantations and over 200,000 employees, Sri Lanka is currently the 13th largest rubber producer in the world. However, we are faced with several challenges including declining yields and areas under cultivation, the Pestalotiopsis disease ravaging our plantations, and unpredictable weather conditions which reduce the number of tapping days. The decline in productivity of the plantations and the lack of scale to grow the industry has consistently led to the demand outstripping supply. Every year, the amount of rubber available for export is diminishing and the higher price of Sri Lankan rubber is an added challenge faced by us in an increasing competitive global market. Despite these difficulties, Eastern Merchants has consistently looked for opportunities to find markets and new streams of revenue for our local rubber. We recently obtained the Forest Stewardship Council ("FSC") Chain of Custody Certification and became part of the supply chain for sustainably sourced natural rubber from Sri Lanka. Given the global move towards sustainability, the FSC certification will enable us to access new markets where there is considerable demand for sustainably farmed and sourced natural rubber.

To ensure our business continues despite the supply constraints experienced locally, we have invested our time and energy in finding new sources of supply in several up and coming rubber growing countries across the world.

We now source natural rubber from around 10 countries mainly located in South East Asia and West Africa. These sourcing destinations include Ivory Coast in West Africa, which is currently the fastest growing supplier of natural rubber and is ranked as the 4th largest rubber producer in the world, producing over 1 million tons of natural rubber.

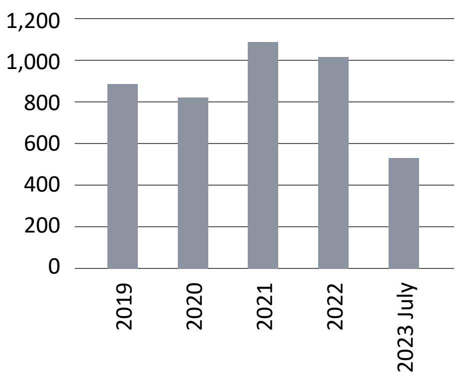
The fresh produce export business has doubled in volume and revenue during the year. Currently we are shipping out a mix of king coconut, tapioca, red papaya and green papaya. However, the fresh produce business faced a significant setback with no transactions taking place from December to April 2023 owing to short-sighted regulations brought in by the Coconut Development Authority of Sri Lanka. As per the new regulations, exporters were required to sell king coconuts at a guaranteed floor price and in dedicated containers, where it could not be mixed with any other fresh produce. Furthermore, we were not allowed to extend the usual 30-day credit period to the buyers. While the situation has now been resolved, it has caused significant damage to our ability to ramp up the business further during the year. The lack of clear, well-thought-out policies and policy consistency can have serious implications for businesses like ours.

Rubber products manufacturing

The rubber manufacturing industry in Sri Lanka is its 4th largest export industry accounting for nearly 8% of total national exports. However, the rubber and rubber-based products sector experienced a sharp contraction of around 10% compared to the previous year, primarily caused by the decline in demand for medical grade gloves because of a decline in the spread of Covid-19. Though this contraction was expected, the local manufacturing industry was unexpectedly hit by the local financial crisis leading to rising costs, skilled labour shortages and general uncertainty.

Management Discussion and Analysis

Export Performance - Rubber and Rubber based Products



Source:EDB

MCL is the rubber products manufacturing arm of the Eastern Merchants PLC Group. A fully owned subsidiary, MCL is a trusted and reliable partner of over 80 customers spread across 20 countries around the globe.

Despite the rupee depreciation inflating 2022/23 revenue, the year has been a difficult one for MCL, with rising costs denting profitability substantially. Energy related costs more than doubled over the last financial year, and freight costs, which only normalised towards Q3 of the financial year, compounded the cost escalations. The overall global slow-down had an adverse impact on MCL with orders reducing from North America and Europe, which generate more than 80% of the MCL revenue.

High interest rates and ballooning construction costs have temporarily halted our plans to expand and relocate to a new greenfield facility. Whilst we wait for conditions to improve, we are focused on starting our Industry 4.0 transformation in our existing facility. Incremental improvements which can be easily translocated to the new facility with minimal sunk cost are being implemented, and automation levels at the factory are being enhanced.

Compliance and Sustainability

At Eastern Merchants we take sustainability seriously, and when seeking out suppliers, we always gravitate to those who practise sustainable methods. We are proud to say that we obtained the FSC Chain of Custody certification during the year for our natural rubber business. Quality and sustainability are core when it comes to 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. MCL 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. 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.

In addition, we are focused on reducing our carbon footprint and have been focusing on converting our operations to be more sustainable and environmentally friendly. Materials that can be sourced locally in Sri Lanka are prioritised. We have converted many of our machines from electricity to steam and we are also in the process of installing a 600 kW solar system to generate green energy. While these changes will have a positive impact on the bottom line, they will also be great for the environment and the planet.

People and practices

People are the core of our organisation. The Eastern Merchants PLC Group employs over 200 individuals, and 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 are 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 and age and promote gender diversity. Female representation in our workforce is relatively high at 49%.

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 experienced high rates of voluntary labour turnover of around 10% owing to migration, particularly at the skilled level. While replacement has been challenging due to the brain-drain, we have managed to successfully fill our vacancies. We also noticed levels of motivation taking a hit due to the socioeconomic impact of the economic crisis. As a Company we do our utmost to uplift our team. Considering the soaring prices, the Group increased salaries by an average of around 20% in the past financial year. Performance-based bonuses were also paid at all the different entities which make up the Eastern Merchants PLC group.

Over the past financial year, we focused on building up our workforce to achieve excellence by identifying training needs and gaps and providing the required training. We conducted over 100 hours of training with over 35 sessions conducted by both internal and external trainers. The training enabled us to uplift several workers to multiskilled and supervisory level. Given the exceedingly difficult times we are all going through, the Group also focused on providing its employees with guidance on health and mental wellbeing by providing awareness programmes and the social outings.

Future Prospects

Looking ahead, we believe tough conditions will prevail in 2023/24 as well. In the local front, political stability and policy consistency will be key to the continuation of the IMF bailout programme and economic recovery. Though these are beyond our control contingency plans are in place to manage any unexpected shocks in the local economy.

While inflation is set to cool off, global consumption is expected to be tepid. We see this slowdown as temporary and should resolve itself in the next 12-18 months, unless the United States of America or China goes into a recession next year, which cannot be ruled out. The bumpy reopening of the Chinese economy has further amplified fears of a global recession, but the cracks starting to appear may likely present MCL with good opportunities moving forward. As with many other industries, China is a main player in the non-tyre rubber industry that MCL is active in, and many of the larger players are going to be adversely impacted by any economic fallout in China. This combined with the geopolitical tensions with the West, will likely force consumers in Western economies who are currently sourcing from China to look at other sourcing destinations such as Sri Lanka.

The massive growth projected for India is also a great opportunity to capitalise on, and we have been actively promoting our products in the Indian market. The Indian automotive sector, which is projected to grow strongly to reach USD 300 Bn by 2026, consumes a lot of non-tyre rubber products and will be of particular interest to MCL.

For our commodity trading business, consolidating our position in West Africa to source natural rubber is a top priority for us. The attractiveness of West Africa as a sourcing destination is based on its availability of cheap labour and arable land, as well as the logistical advantages in terms of cheap freight rates and fast transit time to our key markets in Europe and North America. We firmly believe that West Africa is the final frontier when it comes to the opportunity in natural rubber.

With regards to the export of fresh produce, we will focus our efforts to broaden the portfolio of fresh produce items currently exported by the Company. Food security is fast becoming a global concern, and though there are climatic changes in Sri Lanka as well, our country is projected to remain green and is comparatively better placed than many other countries for agriculture. Sri Lanka has a wealth of premium quality agri products that are well accepted worldwide, but reducing agricultural waste and utilising technology to increase yields and quality will be key. Outside Sri Lanka, we are utilising our strong connections in South East Asia to look at potential sourcing opportunities to expand our fresh produce offer to include other fresh fruit and vegetable options.

In general, risk management and diversification of the business are of the highest priority going forward. Though it will be another testing year, the Board is confident of riding out the storm, delivering results and enhancing shareholder value.

Board of Directors

Currently the Board of Directors at the Company consists of 7 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 LL.B., Attorney-at-law
Chairman (Executive Director)

A Lawyer by profession, Mr. de Silva has substantial experience in the corporate world. He has held the office of Chairman of the Company since 1985 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 B.Sc.
Deputy Chairman (Executive Director)

Having completed his bachelor's degree in the United States, he is the first of the 3rd generation of the founding family of Eastern Merchants PLC to join the business. He has over 25 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. de Silva is currently the Deputy Chairman of the Ceylon Rubber Traders Association (CRTA) and was the Chairman of the Exporters Association of Sri Lanka in 2018.

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

After completing his Bachelors' degree in the fields of Econometrics and Marketing at the University of Sydney, Mr. de Silva completed a 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 3rd generation of the founding family to join the Company and is responsible for the overall strategy and operations of the Eastern Merchants PLC Group.

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

Mr. Jayakody joined the Company in 1993 as an Accountant after having completed his Bachelor of Commerce degree at the University of Sri Jayewardenepura. Now a Fellow Member of The Institute of Chartered Accountants of Sri Lanka, he was appointed to the Board of Directors in 1999 and is also currently the Company Secretary. He is responsible for optimizing the Eastern Merchants PLC Group's financial performance through the implementation of strategic financial and accounting policies.

Mr. F. Mushin MBA
Independent Non-Executive Director

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

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

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

The Financial Year 22/23 posed many challenges to our business, including spiraling inflation, cost pressures, the debt crisis and the global slowdown. However, we remained profitable thanks to the outstanding contribution of all our people and the resourcefulness of the management team. It was a year that called for tenacity, endurance, and hard work.

Our Performance

Eastern Merchants PLC ("EMPLC") recorded a net profit of LKR 75 Mn for the Year ended 31st March 2023. Although this represents a substantial decrease from last year, it must be noted that last year's results were buoyed by the one-off sale of our underutilised warehouse complex in Sapugaskanda. The Group-wide revenues declined this year, largely due to poor sales from Eastern Merchants Commodities Pte. ("EMC"), which mainly imports rubber industry related materials for the Sri Lankan market. The foreign exchange shortage and weak demand for imported rubber from local industries were the key reasons for the drop in revenue.

As per the Central Bank of Sri Lanka ("CBSL"), domestic raw rubber consumption by the industrial sector contracted by 12.4% in 2022. Furthermore, rubber output of the country declined yet again, limiting quantities available for export. However, the rupee depreciation worked in our favour in terms of top line growth, with both Eastern Merchants ("EM") and Microcells (Pvt) Limited ("MCL") increasing their revenue by 32% and 53%, respectively. A large portion of the increase in revenue can be attributed to the sharp depreciation of the rupee, but the boost to profitability was short-lived, with rising costs outstripping the gains made on the rupee depreciation.

The unprecedented economic crisis faced by Sri Lanka last year made operating conditions for businesses the toughest the management had witnessed in living memory. Despite our best efforts, the lack of predictability and the ability to forecast led to some substantial losses for the trading business, particularly at EMC where markets and costs moved against us. Energy is a key input cost in rubber goods manufacturing, and the bottom line of MCL was significantly impacted with electricity costs effectively doubling over the last financial year. Freight costs which also rose exponentially, only normalised towards Q3 of the financial year. This together with lacklustre demand from our key markets in the US and Europe significantly eroded our margins.

On a more positive note, the prudent and timely sale of the Sapugaskanda warehouse aided the Group to manage its finance costs effectively during the year. During the year we spent time with our customers to understand how we could fulfill their requirements better and explored options to expand our product offerings. We paid close attention to our supply chain and tapped into the insights gathered over many years in operation to further strengthen this pillar of our business. We maintained tight fiscal control to remain lean and agile to weather the challenges that lay ahead.

Outlook

Globally and locally, the outlook remains bleak and we expect the operating conditions for our business to remain challenging. The Sri Lankan economy contracted by 11.5% in Q1 of 2023 as we continue to grapple with the challenge of debt restructuring and balance of payment difficulties. While inflation has now returned to single digits, the tight monetary policy regime of high interest rates and taxation has stalled all plans requiring significant capital expenditure.

The management has made the strategic decision to remain financially nimble and intends to be extremely selective about investments, but will use this time to gear up for the future. We see the shift in the global sphere toward sustainability in products and sourcing networks. To this end, we have recently received the chain of custody Forest Stewardship Council (FSC) certification for our rubber trading business. At MCL too we are engaged in making our operations energy efficient and socially responsible, while focusing our research and development efforts on creating products that are greener and safer for us and the planet. Difficult times call for innovation, creativity, and persistence. Going into FY23/24, we will reimagine ways of doing business using innovative strategies to grow in a steady and sustainable manner. The management commits to build on the intrinsic value of the business by looking at further diversification of its product offering and markets, increasing the levels of automation and being more mindful of our carbon footprint.

Over the years we have adapted and brought about changes that were required of us to deliver value to all our stakeholders. We appreciate the commitment of all our stakeholders, and we will once again do our utmost to deliver and reward them.

Responsibility of the Managing Director and Director of Finance

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, on the Financial Statements and the 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 Charted 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 judgment and complexity were discussed with the Audit Committee.

The Board of Directors accepts the responsibility and ensure that 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 judgments 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 Messers 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 matter of substance.

The Board of Directors and the Management accepts the responsibility for taking 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 Directors confirm that to the best of their knowledge, all statutory payments relating to employees and government and other statutory bodies that were due in respect of the Company have been paid and are up to date. The Board of Directors declares no non-recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules requiring disclosure in the Annual Report in accordance with Section 9.3.2 (d) of the Listing Rules of the Colombo Stock Exchange.

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.

By order of the Board

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

31st August 2023

Audit Committee Report

I am pleased to present the Audit Committee report for the financial year ended 31st March 2023.

The Audit Committee appointed by the Board of directors comprises of the three Independent Directors of the Company, Mrs. N. Nanayakkara (Chairperson), Mr. R. Pradeep (Member) and Mr. F. Mushin (Member). The Managing Director and the Director - Finance participate in the Audit Committee meetings. Mrs. N Nanayakkara is a fellow member of Chartered Institute of Management Accountants – U.K and the Committee's composition meets with the requirements of rule 7.10.6 of the Listing Rules of the Colombo Stock Exchange.

During the 2022/23 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 (Chairperson)	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 the 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 1st April 2023, and that the re-appointment 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 concerns.

Mrs. N. Nanayakkara
Chairperson – Audit Committee

31st August 2023

Remuneration Committee Report

I am pleased to present the Remuneration Committee report for the financial year ended 31st March 2023.

The purpose of the Remuneration Committee is to assist and advise 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 2022/23 financial year.

Independent Non-Executive Director	Attendance
Mr. F. Mushin (Chairman)	3/3
Mr. R. Pradeep	2/3

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 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

30th August 2023

Related Party Transactions Review Committee Report

I am pleased to present the Related Party Transactions Review Committee report for the financial year ended 31st March 2023.

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

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

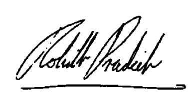
Name	Attendance
Mr. R. Pradeep (Chairman)	4/4
Mr. F. Mushin	4/4
Mr. S. Jayakody	4/4

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 x 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

31st August 2023

Statement of Directors Responsibility for the Financial Statements

As per the requirements of the Companies Act No. 7 of 2007, the Directors of the Company are responsible for the preparation and presentation of the Financial Statements for each financial year. The responsibilities of the Directors in relation to the Financial Statements of Eastern Merchants PLC are set out in this Statement, whereas the responsibilities of the Auditors are set out in the Auditors' Report on page 18 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 is also detailed in the Auditor's report.

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

The Directors are also responsible, under Section 148, for ensuring that proper accounting records are kept enabling, 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 situation of the Company and the Group at the end of the financial year, as well as the profit or loss of the Company and the Group for the financial year. The Financial Statements which are finalised and presented to the shareholders before the Annual General Meeting consist of the Income Statement, Statement of Comprehensive Income, and the Statement of Financial Position, in addition to the Financial Notes and Accounting policies.

To ensure that the Financial Statements present a fair view of the financial position, performance and health of the Company/ Group, accounting records which correctly record and explain the Company's transactions have been maintained in accordance with the Sri Lanka Accounting and Auditing Standards. This requires 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 situation 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 consider 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 of the Board of Directors to ensure that the Financial Statements of the Company and its subsidiaries are prepared within the prescribed time in conformity with the Act.

Furthermore, the Directors also must ensure the listing rules of the Colombo Stock Exchange are complied with and that appropriate Accounting Policies have been used in a consistent manner where sensible judgment and estimates have been made when necessary. The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and government and other statutory bodies that were due in respect of the Company have been paid and are up to date. The Board 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
(F.C.A., B.Com.Spl., FCMA)
Director – Finance / Company Secretary

31st August 2023

Principal Activities of the Group

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

Name of the Company	Business Activity
Eastern Merchants PLC	Export of traditional and non-traditional products
Eamel Exports (Pvt) Ltd.	Leisure sector
Asia Brush (Pvt) Ltd.	Liquidated on 28th April 2023
Asian Woodware Company (Pvt) Ltd.	Liquidated on 20th April 2023
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

Directors

I) Eastern Merchants PLC

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

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

II) Eamel Exports (Pvt) Ltd.

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

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

III) Asia Brush (Pvt) Ltd.

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

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

IV) Asian Woodware Company (Pvt) Ltd.

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

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

V) Spice Lane (Pvt) Ltd.

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

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

VI) Eastern Merchants Commodities (Pte) Ltd.

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

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

VII) Microcells (Pvt) Ltd.

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

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

Corporate Governance

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

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

Meetings of the Board of Directors are held as frequently as needed while all Committee meetings are held at least quarterly. The Company complies with Corporate Governance requirements as identified by the Corporate Governance Best Practices by ICASL and SEC in 2008, revised in 2011 and 2013; as well as the Corporate Governance Compliance Reporting Requirements in CSE Listing Rules Section 7.10.

In adherence to the section 7.10.2 (b) of the CSE Listing rules Mrs. N. Nanayakkara, Mr. F. Mushin and Mr. R. Pradeep have submitted the declaration of their independence. Furthermore in accordance with the Listing Rule 7.10.3 (a), the Board of Directors assesses the independence or non-independence of each Non-Executive Director annually and have determined the independence of its Non-Executive Directors for the year under review.

Looking ahead, risk management, 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.

Financial Statements

Independent Auditor's Report

D.H.P. MUNAWEERA & CO.
Chartered Accountants
Serving the Profession Since

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Off Police Park Avenue,
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Sri Lanka.

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TO THE SHAREHOLDERS OF EASTERN MERCHANTS PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Eastern Merchants PLC, ("the Company") and the Consolidated Financial Statements of the Company and its subsidiaries ("Group"), which comprise the Statement of Financial Position As at 31st March 2023 and the Statement of Profit or Loss and Statement of Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended and Notes to the Financial Statements, including a summary of Significant Accounting Policies.

In our opinion, the accompanying Financial Statements of the Company and the Group give a true and fair view of the Financial Position of the Company and the Group As at 31st March 2023 and of their Financial performance and Cash Flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

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

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

Key Audit Matter

1. Interest Bearing Loans and Borrowings

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

Company's total borrowings is Rs.135 Mn, which represents 80% of the total liabilities. Group's total borrowings is Rs.316 Mn, which represents 68% of the total liabilities.

The interest bearing loans and borrowings consists of a number of loans which require compliance with multiple covenants.
As a results of the multiple covenants, interest bearing 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 2023 Annual Report

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

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

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

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

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

In preparing the Financial Statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either

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Chartered Accountants
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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 control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls of the Company and the Group.

- Evaluate the appropriateness of Accounting Policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

DHP Munaweera & Co

D.H.P. MUNAWEERA & COMPANY
Chartered Accountants.
Colombo
31st August 2023
MW/cr

Statement of Profit or Loss

For the year ended 31st March	Notes	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000
Continuing Operations					
Revenue	3	1,415,242	1,068,496	2,711,623	3,426,827
Cost of Sales		(1,223,723)	(956,966)	(2,175,288)	(2,910,704)
Gross Profit		191,519	111,530	536,335	516,123
Other Operating Income	4	58,117	595,800	106,531	684,709
		249,636	707,330	642,866	1,200,832
Administrative Expenses		(89,005)	(65,229)	(290,865)	(228,289)
Distribution Expenses		(74,196)	(37,117)	(237,972)	(236,988)
Profit / (Loss) from Operations		86,435	604,984	114,029	735,554
Finance Expenses	5	(11,277)	(18,227)	(49,975)	(48,138)
Finance Income	6	63,047	427	67,393	1,137
		138,205	587,183	131,446	688,554
Change in Fair Value of Investment Property	14	-	-	-	-
Profit/ (Loss) before Taxation	7	138,205	587,183	131,446	688,554
Taxation	8	(25,714)	(29,183)	(56,366)	(28,087)
		112,491	558,001	75,080	660,467
Profit/(Loss) from Discontinued Operations (Net of Tax)	9	-	-	-	-
Profit/ (Loss) for the year		112,491	558,001	75,080	660,467
Attributable to					
Equity Holders of the Parent				74,091	661,859
Non Controlling Interest				989	(1,392)
Profit/ (Loss) for the year				75,080	660,467
Earnings per Share - Basic - Rs.	10	0.96	4.75	0.64	5.62
Dividend per Share - Rs.	11	0.15	-	0.15	-

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 27 through 78 form an integral part of the Financial Statements.

Statement of Other Comprehensive Income

For the year ended 31st March	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000
Profit/(Loss) for the year	112,491	558,000	75,080	66,0467
Other comprehensive income				
Other comprehensive income to be Re-classified to Income Statement in subsequent year				
Currency translation of Foreign Operations	-	-	(42,146)	58,585
Net Other comprehensive income to be re-classified to Income Statement in subsequent year	-	-	(45,927)	58,585
Other comprehensive income not to be re-classified to Income Statement in subsequent year				
Net Gain/(Loss) on Financial Instruments at fair value through OCI	-	-	26,016	3,968
Net Income Tax Charge / (Reversal) Relating to Revaluation of PPE	-	-	-	-
Re-measurement Gain / (Loss) on Defined Benefit Plans	1,507	(232)	2,169	3,813
Net Other comprehensive income not to be re-classified to Income Statement in subsequent year	1,507	(232)	28,185	7,781
Tax on Other comprehensive income				
Net Income Tax Charge / (Reversal) Relating to Revaluation of PPE	-	9,881	-	9,881
Net Income Tax Charge / (Reversal) Relating to Defined Benefit Plans	(243)	(54)	(243)	(2,151)
Other comprehensive income for the year , net of Tax	1,264	9,595	(14,204)	74,095
Total Comprehensive Income for the year , net of Tax	113,755	567,595	60,877	734,563
Attributable to				
Equity Holders of the Parent			48,223	734,041
Non Controlling Interest			12,654	522
Total Comprehensive Income for the year			60,877	734,563

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 27 through 78 form an integral part of the Financial Statements.

Statement of Financial Position

As at 31st March	Notes	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000
ASSETS					
NON-CURRENT ASSETS					
Property, Plant & Equipment	12	276,821	265,972	1,234,542	1,130,173
Right-of Use Assets	12.5	3,132	3,907	3,132	3,907
Intangible Assets	13	-	-	8,409	2,934
Investment Property	14	-	-	-	-
Investments in Subsidiaries	15	728,349	628,224	-	-
Deferred Tax Assets	25	-	383	-	-
Non Current Financial Assets	16	323,000	500,000	364,087	532,312
		1,331,302	1,398,487	1,610,170	1,669,326
CURRENT ASSETS					
Inventories	17	192,686	55,364	426,905	528,004
Trade & Other Receivables	18	69,738	134,202	217,855	618,357
Other Current Assets	19	24,031	22,162	113,186	142,102
Amounts due from Related Parties	20	34,525	5,128	-	-
Cash in hand & At Bank	21	35,800	105,767	206,829	147,930
		356,780	322,625	964,775	1,436,393
TOTAL ASSETS		1,688,083	1,721,111	2,574,945	3,105,719
EQUITY & LIABILITIES					
CAPITAL & RESERVES					
Stated Capital	22	16,778	16,778	16,576	16,576
Revenue Reserves	23	1,426,971	1,330,822	1,876,983	1,817,868
Other Components of Equity	24	65,873	65,872	118,553	148,186
		1,509,622	1,413,472	2,012,112	1,982,631
Non Controlling Interest		-	-	35,105	22,451
Total Equity		1,509,622	1,413,472	2,047,217	2,005,082
NON-CURRENT LIABILITIES					
Deferred Tax Liability	25	11,774	-	129,528	109,995
Interest Bearing Borrowings	26	18,894	35,444	91,395	137,945
Retirement Benefit Obligations	27	12,195	11,185	17,175	17,980
		42,863	46,628	238,098	265,919
CURRENT LIABILITIES					
Trade & Other Payables	28	3,908	3,625	37,560	151,124
Amounts due to Related Parties	29	621	158,293	-	2,550
Other Current Liabilities	30	4,681	6,246	6,122	29,506
Liabilities of Discontinued Operations	9.2	-	-	131	131
Income Tax Payable	31	9,394	9,864	20,888	11,177
Interest Bearing Borrowings	26	78,952	46,782	176,152	544,668
Bank Overdraft	26.1.2	38,042	36,199	48,776	95,563
		135,598	261,009	289,630	834,719
TOTAL EQUITY & LIABILITIES		1,688,083	1,721,111	2,574,945	3,105,719

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

Srinath Jayakody
Director - Finance
The Board of Directors are responsible for the preparation and presentation of these Financial Statements,

Approved & Signed for and on behalf of the Board by,

J.B.L. De Silva
Chairman
31st August 2023

C.S.L. De Silva
Managing Director

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 27 through 78 form an integral part of the Financial Statements.

Statement of Changes in Equity - Company

	Stated Capital Rs.'000	Revaluation Reserve Rs.'000	Retained Earnings Rs.'000	Total Rs.'000
Balance as at 01st April 2021	16,778	553,895	773,109	1,343,782
Net Profit/ (Loss) for the year	-	-	558,001	558,001
Comprehensive Income	-	9,881	(286)	9,595
Total Comprehensive Income	-	9,881	557,715	567,596
Reversal of Revaluation Reserve for Assets Disposed	-	(497,903)	-	(497,903)
Balance As at 31st March 2022	16,778	65,873	1,330,822	1,413,473
Net Profit/ (Loss) for the year	-	-	112,491	112,491
Comprehensive Income	-	-	1,264	1,264
Total Comprehensive Income	-	-	113,755	113,755
Dividend Paid	-	-	(17,606)	(17,606)
Balance As at 31st March 2023	16,778	65,873	1,426,971	1,509,622

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 27 through 78 form an integral part of the Financial Statements.

Statement of Changes in Equity - Group

	Attributable to Equity Holders of Parent							
	Stated Capital	Re-valuation Reserves	Fair Value Reserve of Financial Assets at FVOCI	Operation from Foreign Currency	Retained Earnings	Total	Non-Controlling Interest	Total Equity
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st April 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	-	-	-	-	661,859	661,859	(1,392)	660,467
Other comprehensive income	-	9,881	2,054	58,585	1,661	72,180	1,914	74,094
Tax impact of effect of change in tax rates on Revaluation Reserve (Note 41)	-	(43,405)	-	-	-	(43,406)	-	(43,406)
Revaluation Reserve on Disposal of Fixed Assets	-	(497,903)	-	-	-	(497,903)	-	(497,903)
Total Comprehensive Income	-	(531,427)	2,054	58,585	663,520	192,731	522	193,251
Acquisition of Minority Interest	-	-	-	-	-	-	-	-
Disposal FVOCI Investments	-	-	-	-	-	-	-	-
Subsidiary Dividend to Non-Controlling Interest	-	-	-	-	-	-	-	-
Balance As at 31st March 2022	16,576	94,741	(10,671)	64,116	1,817,868	1,982,632	22,451	2,005,083
Profit/(Loss) for the year	-	-	-	-	74,091	74,091	989	75,080
Other comprehensive income	-	-	12,512	(42,146)	1,926	(27,707)	11,666	(16,042)
Revaluation Reserve on Disposal of Fixed Assets	-	-	-	-	-	-	-	-
Total Comprehensive Income	-	-	12,512	(42,146)	76,017	46,384	12,654	59,039
Acquisition of Minority Interest	-	-	-	-	-	-	-	-
Disposal FVOCI Investments	-	-	-	-	-	-	-	-
Dividend Paid to Equity Holders of the Parent	-	-	-	-	(16,900)	(16,900)	-	(16,900)
Subsidiary Dividend to Non-Controlling Interest	-	-	-	-	-	-	-	-
Balance As at 31st March 2023	16,576	94,741	1,841	21,970	1,876,983	2,012,116	35,105	2,047,221

Eamel Exports (Pvt) Ltd., acquired 25,000 Shares of Eastern Merchants PLC prior to 21st May 1982. Subsequently the number of shares has increased upto 100,000 as a result of a Bonus Issue made by Eastern Merchants PLC on 24th June 1997. After the sub-division of the company shares, whereby one (1) existing share was sub-divided to seventy (70), the number of ordinary shares held by Eamel Exports (Pvt) Ltd. has increased to 7,000,000. - Refer note no. 22.1.

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 27 through 78 form an integral part of the Financial Statements.

Cash Flow Statement

For the year ended 31st March	Note	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating Profit/(Loss) before Working Capital Changes	A	93,773	90,349	145,450	191,818
(Increase)/Decrease in Inventories		(137,322)	20,454	103,865	(203,428)
(Increase)/Decrease in Debtors & Other Receivables		64,578	(78,686)	438,147	(167,961)
Increase/(Decrease) in Amounts due from/due to Related Parties		(187,069)	332	(2,550)	(5,901)
(Increase)/Decrease in Other Current Assets		(5,841)	1,334	27,182	(53,141)
Increase/(Decrease) in Other Current Liabilities		(11,704)	6,452	(110,693)	50,773
Increase/(Decrease) in Trade & Other Payables		283	(4,895)	(111,461)	69,076
Cash Generated from Operations		(183,302)	35,340	489,939	(118,763)
Finance Costs Paid		(9,634)	(17,225)	(36,852)	(37,308)
Defined Benefit Plan Cost Paid		-	(1,138)	(7,900)	(2,092)
Income Tax Paid		(160)	-	(5,584)	(25,698)
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		(193,096)	16,976	439,603	(183,862)
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Acquisition of Property, Plant & Equipment		(20,421)	(433)	(152,903)	(214,644)
Acquisition of Intangible Assets		-	-	(7,577)	-
Proceeds from Sale of Property, Plant & Equipment		4,000	821,225	4,000	834,025
Proceeds from Disposal of Assets of Discontinued Operations		-	-	-	-
Investment in Non Financial Assets		177,000	(500,000)	177,000	(500,000)
Investment in Subsidiaries		(100,125)		(125)	-
Proceeds from Short Term Investment		-	(164)	-	-
Proceed from Share Disposal			-	17,159	(164)
CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITES		60,454	320,628	37,554	119,217
CASH FLOWS FROM/ (USED IN) FINANCING ACTIVITIES					
Finance Income Excluding Dividend		62,818	427	63,912	1,137
Dividend Paid		(17,606)		(16,900)	
Proceeds from Interest Bearing Borrowings		176,417	317,254	352,217	814,247
Repayment of Interest Bearing Borrowings		(160,796)	(521,016)	(770,698)	(621,837)
Net Cash flows from/(used in) Financing Activities		60,832	(203,335)	(371,471)	193,547
Net Increase/(Decrease) in Cash & Cash Equivalents		(71,810)	134,269	105,686	128,901
Cash & Cash Equivalent at the beginning of the year		69,568	(64,700)	52,367	(76,534)
Cash & Cash Equivalents at the end of the year		(2,242)	69,568	158,053	52,367
Cash & Cash Equivalents					
Cash in hand & At Bank		35,800	105,767	206,829	147,930
Bank Overdrafts		(38,042)	(36,199)	(48,776)	(95,563)
Cash and Cash Equivalents at the end of the year		(2,242)	69,568	158,053	52,368

Cash Flow Statement

For the year ended 31st March	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000
Note A - Operating Profit/ (Loss) before Working Capital Changes				
Profit/(Loss) before Tax from Continuing Operations	138,205	587,184	131,446	688,554
Profit/(Loss) before Tax from Discontinued Operations	-	-	-	-
Adjustments for,				
Finance Income	(63,047)	(427)	(64,152)	(1,137)
Finance Costs	9,634	17,225	36,852	37,308
Depreciation	9,565	13,993	46,158	53,612
Amortization	-	-	2,102	734
(Profit)/Loss on Sale of Property, Plant & Equipment	(3,101)	(527,879)	(3,101)	(530,819)
(Gain)/ Loss on Currency translation of foreign operations	-	-	(7,218)	(58,585)
Profit for Share Disposable	-	-	(1,760)	-
Provision for Gratuity	2,518	253	5,122	2,152
Operating Profit/ (Loss) before Working Capital Changes	93,773	90,349	145,450	191,818

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 27 through 78 form an integral part of the Financial Statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting Entity

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

1.2 The notes to the Financial Statements on pages 27 to 78 form an integral part of the Financial Statements.

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

1.4 Principal Activities & Nature of Operations

The Principal Activities of the Group are given below;

Name of the Company	Business Activities
Eastern Merchants PLC	Export of traditional and non-traditional products
Eamel Exports (Pvt) Ltd.	Leisure Sector
Asia Brush (Pvt) Ltd.	Ceased Operations
Asian Woodware Company (Pvt) Ltd.	Ceased Operations
Spice Lane (Pvt) Ltd.	Export of spice products
Eastern Merchants Commodities (Pte) Ltd.	Import/Export of traditional and non-traditional products
Microcells (Pvt) Ltd.	Export of rubber sheeting and flooring products

1.5 Number of Employees

The number of Employees at the end of the year was 224 (2022 - 216).

1.6 Approval of Financial Statements

The Financial Statements for Year ended 31st March 2023 were authorized for issue by the Board of Directors on 31st August 2023.

1.7 Statement of Compliance

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

1.8 Basis of Consolidation

Consolidated Financial Statements

The Financial Statements for the Year ended 31st March 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 31st March 2021. The Financial Statements of the subsidiaries are prepared in compliance with the Group's accounting policies unless otherwise stated. All intra-group balances, income and expenses unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

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

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

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

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

1.8.1 Subsidiaries

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

All the Subsidiaries consolidated have been listed below.

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

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

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

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

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

1.9 Responsibility for Financial Statements

The responsibility of the Board of Directors in relation to the Financial Statements is set out as follows.
The Directors are required to confirm that the Financial Statements have been prepared

- Using appropriate Accounting Policies which have been selected and applied in a consistent manner, and material departures, if any, have been disclosed and explained; and

- Presented in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS); and that reasonable and prudent judgements and estimates have been made so that the form and substance of transactions are properly reflected; and

- provide the information required by and otherwise comply with the Companies Act.

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

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

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

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

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

2. BASIS OF PREPERATION 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	Functional Currency	Name of the Subsidiary
Singapore	Dollar (USD)	Eastern Merchants Commodities (Pte) Ltd.

The exchange rates applicable during the period were as follows

Functional Currency	Statement of Financial Position		Statement of Profit or Loss	
	Closing Rate		Average Rate	
	2023	2022	2023	2022
Dollar (USD)	299.65	299.08	298.32	220.44

2.2.1 Foreign Currency Translation, Foreign Currency Transactions and Balances

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

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

2.2.2 Foreign Operations

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

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

2.3 Significant Accounting Judgements, Estimates & Assumptions

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

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

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

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

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

a) Valuation of Property, Plant & Equipment and investment property.
b) Impairment of non-financial assets
c) Taxes
d) Employee benefit liability.

2.3.1 Taxation

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

2.3.2 Going Concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for 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 as Current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
- It is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

2.5 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segments) or in providing products or services within a particular economic segment (geographical segment) which is subject to risk and returns that are different from those of other segments.

2.6 Discontinued Operations

(i) Assets

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

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

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

(ii) Discontinued Operations

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

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

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

2.7 Business Combinations & Goodwill

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

When the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree is lower than the fair value of net assets acquired, a gain is recognised immediately in the income statement. The Group elects on a transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re measured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date. Contingent consideration classified as equity is not re measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the Income Statement, in accordance with SLFRS 9. Other contingent consideration that is not within the scope of SLFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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

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

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

Impairment of Goodwill

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

2.8 Investment in Equity Accounted Investees

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

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

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

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

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

2.9 Assets & Bases of their Valuation

2.9.1 Property, Plant & Equipment

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

2.9.1.1 Cost & Valuation

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

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

2.9.1.2 Subsequent Costs

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

2.9.1.3 Depreciation

Depreciation is calculated over the depreciable amount, or other amount substituted for cost, less its residual value. Depreciation is recognised in the Statement of Profit and Loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant & equipment, since this most closely reflected the expected pattern of consumption of the future economic benefits embodied in the asset. Freehold land is not depreciated.

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 & Machinery	6.67%	10%
Tools & Equipment	25%	10%
Mould	10%	-
Electrical Installation	20%	10%
Motor Vehicles	25%	12.5%
Furniture & Fittings	20%	10%
Office Equipment	10%	10%
Stores & Other Equipment	10%	10%
Fax Machine	-	20%
Computers	25%	15%
Generators	-	12.5%
Right-of-Use Assets	-	12.5%

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

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

2.9.2 Investment Property
Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of the investment property. Subsequent to initial recognition, the investment properties are stated at fair 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 & equipment in the consolidated Financial Statements and accounted using Group accounting policy for property, plant and equipment.

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

2.9.3.2. Basis of Measurement
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Internally generated intangible assets, excluding Capitalised development costs, are not Capitalised, and expenditure is reflected in the Statement of Profit and Loss in the year in which the expenditure is incurred.

2.9.3.3. Useful Economic Lives, Amortization & Impairment

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

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

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

2.9.4 Leases

Policy Applicable after 01st April 2019

The Group recognises a right-of-use asset and a lease liability which is measured at the present value of the lease payments that are payable on that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

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

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

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

Policy Applicable prior to 01st April 2019

Operating Leases

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

Finance Leases

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

Lease payments are apportioned between finance expenses and a reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in 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 realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of each category of inventory is determined on the following basis:

(a) Raw Materials	At actual cost on weighted average cost basis.
(b) Finished Goods & Work-in-Progress	At the cost of direct materials, direct labor and the appropriate proportion of fixed variable & production overheads based on normal operating capacity.
(c) Packing Materials	At actual cost on weighted average cost basis.
(d) Consumables & Spares	At actual cost on weighted average cost basis.

2.9.6 Investment in Subsidiaries

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

2.9.7 Financial Instruments - Financial Assets

2.9.7.1 Financial Instruments - Initial Recognition and Subsequent Measurement

Financial assets within the scope of SLFRS 9 are classified as amortized cost, fair value through Other Comprehensive Income (OCI), and Fair Value Through Profit or Loss.

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

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

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

2.9.7.2 Subsequent Measurement

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

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

2.9.7.3 Debt instruments

Financial Assets at Amortized Cost

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

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

and

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

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

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

2.9.7.4 Financial Assets at Fair Value through OCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

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

and

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

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

2.9.7.5 Equity Instruments

2.9.7.5.1 Financial Assets Designated at Fair Value through OCI

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the Statement of Profit or Loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through

OCI are not subject to impairment assessment. The Group elected to classify irrevocably its non-listed equity investments under this category.

2.9.7.5.2 Financial Assets at Fair Value through Profit or Loss

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

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in the Statement of Profit or Loss.

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

Financial assets – de recognition

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

2.9.7.6 Impairment of Financial Assets

From 01st April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

2.9.8 Financial Liabilities

2.9.8.1 Initial Recognition and Measurement

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

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

2.9.8.2 Subsequent Measurement

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

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

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

Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss.

2.9.8.2.1 Loans and Borrowings

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

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

Derecognition

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

2.9.8.2.2 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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

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

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

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

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

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

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 Statement of Profit or Loss.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) Turnover Based Taxes

Turnover based taxes include Value Added Tax (VAT). 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.

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

2.16.2 Sale of Goods

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

2.16.3 Rendering of Services

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

2.16.4 Finance Income and Finance Cost

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

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

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

2.16.5 Dividend Income

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

2.16.6 Rental Income

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

2.16.7 Others

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

2.17 Expenditure Recognition

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

2.18 Events after the Reporting Date

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 the country 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.

2.21.1 Land & Buildings

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

2.21.2 Investments in Equity Securities

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

2.21.3 Non-derivative Financial Liabilities

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

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

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

Amendment to LKAS 1 : Classification of liabilities as Current or Non-current.
Amendment to LKAS 1 : Disclosure of Accounting Policies.
Amendment to LKAS 8 : Definition of Accounting Estimates
Amendment to LKAS 12 : Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

Notes to the Financial Statements

3 REVENUE

For the year ended 31st March	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000
Export	1,415,242	1,068,496	2,691,417	3,406,061
Local Sales	-	-	17,089	18,840
Services	-	-	3,118	1,926
	1,415,242	1,068,496	2,711,623	3,426,827

4 OTHER OPERATING INCOME

For the year ended 31st March	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000
Rent	-	10,231	-	10,231
Profit on Sale of Property, Plant & Equipment	3,101	527,880	4,855	530,820
Exchange Gains	54,634	55,115	101,294	136,535
Subscription for Solar Power Supply to CED	382	2,354	382	2,354
Other Income	-	221	-	4,770
	58,117	595,800	106,531	684,709

5 FINANCE EXPENSES

For the year ended 31st March	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000
Interest on Borrowings & Charges	11,093	18,021	49,791	47,913
Finance Charges on Lease Liabilities	184	206	184	226
	11,277	18,227	49,975	48,138

6 FINANCE INCOME

For the year ended 31st March	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000
Interest Income	63,047	427	65,633	1,137
Profit for Share Disposable	-	-	1,760	-
Dividend	-	-	-	-
	63,047	427	67,393	1,137

7 PROFIT BEFORE TAX

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

		COMPANY		GROUP	
For the year ended 31st March		2023	2022	2023	2022
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Directors' Emoluments		9,017	9,245	22,333	21,772
Costs of Defined Employee Benefits					
Defined Benefit Plan Cost - Gratuity		2,518	253	5,122	2,152
Defined Benefit Plan Cost - EPF & ETF		3,157	2,536	13,048	16,644
Staff Expenses		9,825	12,329	87,720	78,560
Depreciation of Property, Plant & Equipment		9,563	13,993	48,552	53,612
Amortization		-	-	734	734
Auditors' Remuneration					
Audit		895	875	3,496	3,317
Non-Audit		820	975	820	975
Charity & Donations		232	296	357	669

8 INCOME TAX EXPENSES

		COMPANY		GROUP	
For the year ended 31st March		2023	2022	2023	2022
	Notes	Rs.'000	Rs.'000	Rs.'000	Rs.'000
The major components of Income Tax Expenses are as follows:					
Current Income Tax Charge					
Current Income Tax Charge	8.1	9,553	12,421	30,426	20,273
ESC Written off		4,248		4,248	
Tax Paid for Assessment					
Deferred Tax Charge /(Release)					
Relating to Origination & Reversal of Temporary Differences	8.2	11,913	16,761	21,692	7,814
Income Tax Expenses/ (Reversal) Reported in the Income Statement		25,714	29,183	56,366	28,087

8 INCOME TAX EXPENSES *(CONTD.)*

8.1 Reconciliation between current tax charge and the accounting profit

	COMPANY		GROUP	
For the year ended 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Profit/(Loss) before Tax	138,205	587,182	131,446	688,554
Profit after Adjustments	138,205	587,182	131,446	688,554
Non - Deductible Expenses	12,304	279,283	13,633	280,612
Income not Liable for Income Tax	(11,365)	(563,202)	(19,234)	(571,072)
Other Sources of Income	(63,047)	(10,657)	(63,060)	(10,670)
Deductible Expenses	(10,104)	(9,329)	(13,165)	(12,390)
Adjusted Profit/ (Loss) on Trade Business	65,993	283,276	49,621	375,034
Other Sources of Income	63,047	10,657	63,047	10,657
Capital Gain	-			
Adjustments	-	-	-	-
Agriculture Income	-	-	-	-
Assessable Income	129,040	10,657	63,047	10,657
Unrelieved Loss Claimed	(65,992)	-	(65,992)	-
	63,048	10,657	(2,945)	10,657
Deduction from Assessable Income	-	-	-	-
Taxable Income	63,048	10,657	(2,945)	10,657
Tax on Taxable Income				
Tax on Qualified Export Profit at 14%	-	-	4,418	6,766
Tax on Agriculture Profit at 17%	-	-	-	966
Income Tax on Standard Rate 24%	9,553	2,558	9,685	2,728
Income Tax Over/(Under) Provisions in Previous years	-	-	-	(51)
Capital Gain Tax at Tax Rate 10%	-	9,864	5,198	9,864
Income Tax Over/(Under) Provisions in Previous years			-	
Income Tax on Standard Rate 30%	-	-	11,126	-
Current Tax Charge	9,553	12,421	30,426	20,273

For the year ended 31st March	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000
8.2 Deferred Tax Expenses				
Deferred Tax Expenses arising from;				
Accelerated Depreciation for Tax Purposes	(277)	(1,386)	8,223	(12,287)
Revaluation of Investment Property to Fair Value	(412)	(21,548)	(412)	(19,565)
Retirement Benefit Obligation	(385)	37	822	967
Reversal/(Benefit) arising from Tax Losses	12,987	39,659	13,060	38,699
Deferred Tax Charged directly to Income Statement	11,913	16,761	21,692	7,814
Other comprehensive income				
Deferred Tax Expenses arising from;				
Actuarial Losses on Defined Benefit Obligations	243	54	243	1,033
Revaluation of Land & Building to fair value	-	(9,881)	-	(9,881)
Total deferred Tax Charged/ (Credited) directly to OCI	243	(9,827)	243	(8,848)

Deferred tax has been computed at 30% for all Standard Rate Companies.

8.3 Applicable Rates of Income Tax

The tax liability of the Group companies are computed at the standard rate of 30% 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% 30%	Open Ended
Spice Lane (Pvt) Ltd.	Exporting Non Traditional Commodities	14%	Open Ended
Eamel Exports (Pvt) Ltd.	Guest House	14% 30%	Open Ended
Microcells (Pvt) Ltd.	Exporting Non Traditional Commodities	14% 30%	Open Ended
Eastern Merchants Commodities (Pte) Ltd.	Foreign Operation	17%	Open Ended

9 DISCOUNTINUED OPERATION

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

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

9.1 Profit/ (Loss) from Discontinued Operations (Net of Tax)

	Asia Brush (Pvt) Ltd.		Asian Woodware Company (Pvt) Ltd.		Adjustments		Group	
For the year ended 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Revenue	-	-	-	-	-	-	-	-
Cost of Sales	-	-	-	-	-	-	-	-
Gross Profit	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Administrative Expenses	-	-	-	-	-	-	-	-
Profit / (Loss) from Operations	-	-	-	-	-	-	-	-
Finance Expenses	-	-	-	-	-	-	-	-
Finance Income	-	-	-	-	-	-	-	-
Profit/ (Loss) before Taxation	-	-	-	-	-	-	-	-
Taxation	-	-	-	-	-	-	-	-
Profit/ (Loss) for the year	-	-	-	-	-	-	-	-
Adjustments with other Companies in the Group	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

9.2 Major Classes of Assets and Liabilities of Discontinued Operations

	Asia Brush (Pvt) Ltd.		Asian Woodware (Pvt) Ltd.		Adjustments		Group	
As at 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Assets								
Amount due from Related Parties	-	-	-	-	-	-	-	-
Non-Current Assets held for Sale								
Receivable for Motor Vehicle	-	-	-	-	-	-	-	-
Cash in hand & 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

	Asia Brush (Pvt) Ltd. 2023 Rs.'000	Asia Brush (Pvt) Ltd. 2022 Rs.'000	Asian Woodware (Pvt) Ltd. 2023 Rs.'000	Asian Woodware (Pvt) Ltd. 2022 Rs.'000	Adjustments 2023 Rs.'000	Adjustments 2022 Rs.'000	Group 2023 Rs.'000	Group 2022 Rs.'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)

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 31st March	2023	2022	2023	2022
Amount used as the Numerator				
Net Profit/(Loss) Attributable to Ordinary Shareholders (In Rs. '000)	112,491	558,001	75,080	660,467
Amount used as the Denominator				
Weighted Average Number of Ordinary Shares (In '000)	117,446	117,446	117,446	117,446
Basic Earning per Share (Rs.)	0.96	4.75	0.64	5.62

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

11 DIVIDEND PER SHARE

	COMPANY		GROUP	
For the year ended 31st March	**2023**	**2022**	**2023**	**2022**
Equity Dividend on Ordinary Shares declared and Paid during the year (Rs)	17,606	-	16,900	-
Amount used as the Denominator				
Weighted Average Number of Ordinary Shares	117,446	-	111,777	-
Dividend Per Share (Rs)	0.15	-	0.15	-

12 PROPERTY, PLANT & EQUIPMENT

12.1 Company

	Land Rs.'000	Buildings Rs.'000	Plant & Machinery Rs.'000	Motor Vehicles Rs.'000	Furniture & Fittings Rs.'000	Office Equipment Rs.'000	Stores & Other Equipment Rs.'000	Computer Hardware Rs.'000	Total Rs.'000
12.1.1 Cost / Revaluation									
As at 01st April 2022	203,420	58,879	12,769	40,901	4,300	6,232	8,289	7,549	342,338
Additions	-	-	-	16,495	-	3,670	256	-	20,421
Revaluation	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(2,925)	-	-	-	-	(2,925)
As at 31st March 2023	203,420	58,879	12,769	54,471	4,300	9,902	8,545	7,549	359,834
12.1.2 Depreciation									
As at 01st April 2022	-	8,834	12,735	32,772	4,297	4,628	6,275	6,825	76,366
Charge for the year	-	2,944	14	4,361	1	812	439	217	8,788
Revaluation Adjustment	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(2,141)	-	-	-	-	(2,141)
As at 31st March 2023	-	11,779	12,749	34,992	4,298	5,440	6,713	7,042	83,013
12.1.3 Net Book Value									
As at 31st March 2023	203,420	47,100	20	19,479	2	4,462	1,832	507	276,821
As at 31st March 2022	203,420	50,045	34	8,129	3	1,604	2,014	724	265,972

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	2023 Cost Rs.'000	2023 Accumulated Depreciation Rs.'000	2023 Net Book Value Rs.'000	2022 Cost Rs.'000	2022 Accumulated Depreciation Rs.'000	2022 Net Book Value Rs.'000
Land	183,063	-	183,063	308,263	-	308,263
Add: Addition during the year	-	-	-	-	-	-
Less: Disposal during the year	-	-	-	(125,200)	-	(125,200)
	183,063	-	183,063	183,063	-	183,063
Buildings	98,996	(19,902)	79,094	98,996	(60,002)	38,994
Add: Addition during the year	-	2,962	2,962	-	(14,500)	(14,500)
Less: Cost of Building Disposed	-	-	-	-	54,600	54,600
	98,996	(16,940)	82,056	98,996	(19,902)	79,094
Total	282,059	(16,940)	265,119	282,059	(19,902)	262,157

12 PROPERTY, PLANT & EQUIPMENT *(CONTD.)*

12.1.5 During the financial year, the Company acquired property, plant & equipment to the aggregate value of Rs.20 Mn (2022 - Rs. 0.433Mn). Cash payments amounting to Rs.0.55Mn (2022- Rs. 0.433 Mn) were made during the year for purchase of Property, Plant & Equipment.

12.1.6 Property, plant & equipment includes fully depreciated assets having gross carrying value of Rs. 38Mn (2022 - Rs. 47Mn .)

12.2 Group

		Land Rs.'000	Buildings Rs.'000	Plant & Machinery Rs.'000	Motor Vehicles Rs.'000	Furniture & Fittings Rs.'000	Office Equipment Rs.'000	Stores & Other Equipment Rs.'000	Computer Hardware Rs.'000	Total Rs.'000
12.2.1	***Cost / Revaluation***									
	As at 01st April 2022	676,531	260,174	293,490	89,945	20,200	15,332	77,469	25,081	1,458,223
	Additions	8,530	2,385	119,344	16,495	-	3,670	256	307	150,987
	Revaluation Surplus	-	-	-	-	-	-	-	-	-
	Adjustment	-	-	-	-	-	-	-	-	-
	Disposals	-	-	-	(2,925)	-	-	-	-	(2,925)
	As at 31st March 2023	685,061	262,559	412,834	103,515	20,200	19,002	77,725	25,388	1,606,285
12.2.2	***Depreciation***									
	As at 01st April 2022	-	26,756	118,779	59,075	20,134	13,182	66,258	23,867	328,050
	Charge for the year	-	8,401	19,836	13,454	34	952	2,598	559	45,834
	Revaluation Adjustment	-	-	-	-	-	-	-	-	-
	Disposals	-	-	-	(2,141)	-	-	-	-	(2,141)
	As at 31st March 2023	-	35,157	138,615	70,388	20,169	14,134	68,856	24,426	371,743
12.2.3	***Net Book Value***									
	As at 31st March 2023	685,061	227,402	274,219	33,127	31	4,868	8,869	962	1,234,542
	As at 31st March 2022	676,531	233,418	174,711	30,870	66	2,150	11,211	1,214	1,130,173

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		2023 Cost Rs.'000	2023 Accumulated Depreciation Rs.'000	2023 Net Book Value Rs.'000	2022 Cost Rs.'000	2022 Accumulated Depreciation Rs.'000	2022 Net Book Value Rs.'000
Land		3,311	-	3,311	308,263	-	308,263
Add:	Addition during the year	8,530	-	8,530	213,957	-	213,957
Less:	Disposal during the year	-	-	-	(518,909)	-	(518,909)
		11,841	-	11,841	3,311	-	3,311
Buildings		123,085	(90,393)	32,692	223,373	(69,449)	153,924
Add:	Addition during the year	2,385	-	2,385	-	-	-
	Depreciation during the year	(1,754)	(8,878)	(10,632)	(7,696)	(8,878)	(16,574)
Less:	Cost of Building disposed	-	-	-	(92,592)	(12,066)	(104,658)
		123,716	(99,271)	24,444	123,085	(90,393)	32,692
Total		135,557	(99,271)	36,285	126,396	(90,393)	36,003

12.2.5 During the financial year, the Group acquired property, plant & equipment to the aggregate value of Rs.177Mn (2022- Rs.214Mn). Cash payments amounting to Rs. 177Mn (2022 - Rs. 214 Mn) were made during the year for purchase of property, plant & equipment.

12.3 Property, plant & equipment includes fully depreciated assets having gross carrying value of Rs.102 Mn (2022- Rs.98Mn .)

12.4 Details of Property, property, plant & equipment stated at valuation

Revaluation of Land & Buildings

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

The Group has not engaged an independent valuer to determine the fair value of its land & buildings For the year ended 31st March 2023.

Property Eastern Merchants PLC	Extents: Buildings in Sq.Ft	Extents: Land in Acres	Method of Valuation	Effective date of Valuation	Value Rs. '000	Name of the Chartered Valuation Surveyor
Land						
No. 240, Torrington Avenue, Colombo 7		A.0 - R.0- P.17.69	Open Market Value	31st March 2019	203,420	Dr. Gaminda Haegoda
					203,420	
Buildings						
No. 240, Torrington Avenue, Colombo 7 - One Building	6,400		Open Market Value	31st March 2019	58,880	Dr. Gaminda Haegoda
					58,880	

12 PROPERTY, PLANT & EQUIPMENT *(CONTD)*

12.4 Details of Property, Plant & Equipment Stated at Valuation are indicated below *(Contd)*

Revaluation of Land & Buildings *(Contd)*

Property Eastern Merchants PLC	Extents Buildings in Sq.Ft	Extents Land in Acres	Method of Valuation	Effective date of Valuation	Value Rs. '000	Name of the Chartered Valuation Surveyor
Microcells (Pvt) Ltd.						
Land & Buildings						
Corpus residential Property with Building	-	A.0 - R.0- P.35	Open Market Value	31st March 2019	47,604	Dr. Gaminda Haegoda
and one Building Block Situated at Swarnananda Housing Scheme. Mampe, Piliyandala - Six Buildings	7,553	-	Open Market Value	31st March 2019	16,743	Dr. Gaminda Haegoda
Corpus residential Property with	-	A.1 - R.3- P.35.66	Open Market Value	31st March 2019	174,402	Dr. Gaminda Haegoda
Assessment No 135, Koskanatta Road Mampe, Piliyandala - Nine Buildings	55121	-	Open Market Value	31st March 2019	162,567	Dr. Gaminda Haegoda
Koskanatta Road ,Mampe ,Piliyandala - Land Only	-	A.0 - R.2 - P.12.97	Open Market Value	31st March 2019	37,148	Dr. Gaminda Haegoda
Thudugala, Dodangoda	-	A.33 - R.3 - P.33	Open Market Value	31st March 2022	213,957	

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 31st March	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000	GROUP 2023 Rs.'000	GROUP 2022 Rs.'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	2,293	1518	2,293	1,518
Depreciation for the Year	775	775	775	775
At the end of the year	3,068	2,293	3,068	2,293
Carrying Value	3,132	3,907	3,132	3,907

13 INTANGIBLE ASSETS

As at 31st March	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000
Computer Software				
At Cost				
At the beginning of the year	-	-	10,228	10,228
Additions	-	-	7,577	-
Disposal			-	-
At the end of the year	-	-	17,805	10,228
Accumulated Amortization & Impairment				
At the beginning of the year	-	-	7,294	6,560
Amortization	-	-	2,102	734
Impairment	-	-	-	-
At the end of the year	-	-	9,396	7,294
Carrying Value	-	-	8,409	2,934

14 INVESTMENT PROPERTY

As at 31st March	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000
Fair Value at the beginning of the year	-	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	-	-	-	-

14 INVESTMENT PROPERTY *(CONTD.)*

14.1 The Board of Directors has adopted the fair value model to value the investment properties of the Company. Investment properties were valued at fair value by Dr. Gamini Heagoda , independent professional valuer as at 31/03/2019. Board of Directors of the Company has reassessed fair value of investment property and determined no significant changes to the revalued carrying amount provided As at 31st March 2022. During the financial year Company disposed all investment property.

15 INVESTMENT IN SUBSIDIARIES

		COMPANY	
As at 31st March		2023	2022
	Notes	Rs.'000	Rs.'000
Investments in Subsidiaries	15.1	728,349	628,224
		728,349	628,224

15.1 Investments in Subsidiaries

	COMPANY				
	No. of Shares		Book Value		
As at 31st March	2023	2022	2023		2022
			Rs.'000	Rs.'000	Rs.'000
Unquoted - Consolidated					
Eamel Exports (Pvt) Ltd.	26,125	26,125		1,492	1,367
Asian Woodware Company (Pvt) Ltd.	487,996	487,996	4,880		4,880
Less: Provision for Impairment			(4,880)	-	(4,880)
Asia Brush (Pvt) Ltd.	752,497	752,497	6,733		6,733
Less: Provision for Impairment			(6,733)	-	(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.	562,325	512,325		655,740	555,740
				728,349	628,224

16 NON CURRENT FINANCIAL ASSETS

As at 31st March	2023	2022
Other non Equity Investment	Rs.'000	Rs.'000
Fixed Deposit	270,000	-
Deposit with non Bank Institutions	53,000	500,000
	323,000	500,000

	GROUP			
	No. of Shares		Fair value	
As at 31st March	2023	2022	2023	2022
			Rs.'000	Rs.'000
Quoted Securities - Shares				
Eastern Merchants PLC	5,668,714	5,668,714	41,087	32,312
			41,087	32,312
Total Non Current Financial Assets			364,087	532,312

17 INVENTORIES

	COMPANY		GROUP	
As at 31st March	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Finished Goods	158,894	53,686	212,702	384,192
Raw Material	-	-	121,095	72,868
Work in Progress	-	-	391	182
Consumable Item	35	35	56,515	64,136
Fuel	2,166	-	2,166	-
Packing Materials	31,591	1,644	34,035	6,626
	192,686	55,364	426,905	528,004

18 TRADE & OTHER RECEIVABLES

	COMPANY		GROUP	
As at 31st March	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade Receivables	65,079	94,521	210,718	612,555
Related Parties Debtors - Microcells (Pvt) Ltd.	-	36,020	-	-
Other Receivables	4,659	3,661	7,137	5,802
	69,738	134,202	217,855	618,357

19 OTHER CURRENT ASSETS

	COMPANY		GROUP	
As at 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Pre-payments & Non Cash Receivables	88	1,061	77,540	108,834
VAT Receivable	12,926	5,836	24,301	17,679
Income Tax Refunds	11,017	15,265	11,345	15,589
	24,031	22,162	113,186	142,102

19.1 Income Tax Refunds

	COMPANY 2023	COMPANY 2022	GROUP 2023	GROUP 2022
Balance at the beginning of the year	15,265	17,823	15,589	6,442
Income Tax Paid	-	-	3	11,704
ESC Paid	-	-	-	-
WHT	-	-	-	-
	15,265	17,823	15,592	18,147
ESC Set-off against Income Tax / Written off	(4,248)	(2,558)	(4,248)	(2,558)
Balance at the end of the year	11,017	15,265	11,345	15,589

20 AMOUNTS DUE FROM RELATED PARTIES

	COMPANY		GROUP	
As at 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Eamel Exports (Pvt) Ltd.	-	-	-	-
Asia Brush (Pvt) Ltd. - **Note No 34.2.1.B**	-	-	-	-
Asian Woodware Company (Pvt) Ltd. - **Note No 34.2.1.D**	-	-	-	-
Eastern Merchants Commodities (Pte) Ltd.	34,525	5,128	-	-
	34,525	5,128	-	-

21 CASH IN HAND & AT BANK

As at 31st March	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000
Cash at Bank	35,224	105,026	205,956	146,890
Cash in hand	576	742	873	1,039
	35,800	105,767	206,829	147,930

22 STATED CAPITAL

As at 31st March **Value of Shares**	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000
Fully Paid Ordinary Shares	16,778	16,778	16,576	16,576

As at 31st March	COMPANY 2023	COMPANY 2022	GROUP 2023	GROUP 2022
Number of Shares	000	000	000	000
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 holding company as per the provisions of Section 72 of the Companies Act No 7 of 2007. As at 31/03/2021, Eamel Exports (Pvt) Ltd. holds 4.83 % of its holding company shares, Eastern Merchants PLC in line with above provisions. There is no other subsidiary company within the Group which holds shares of Eastern Merchants PLC.

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

	No. of Shares 000	Value Rs.'000
Stated Capital of the Company	117,446	16,778
Shares Acquired by a Subsidiary before 21st May 1982	(7,000)	(250)
	110,446	16,528
Shares Disposed as at 31st March 2016	1,172	42
Balance As at 31st March 2016	111,618	16,570
Shares Disposed during the year - 2016/2017	159	6
Balance As at 31st March 2022	111,777	16,576
Balance As at 31st March 2023	111,777	16,576

23 REVENUE RESERVES

As at 31st March	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000
Retained Earnings				
Balance - As per Equity Statement	1,426,971	1,330,822	1,876,985	1,817,868
Total Revenue Reserves	1,426,971	1,330,822	1,876,985	1,817,868

24 OTHER COMPONENTS OF EQUITY

As at 31st March	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000
Capital Reserves				
Revaluation Reserve	65,873	65,872	94,741	94,741
Foreign Currency Translation Reserve	-	-	21,970	64,116
Fair Value Reserve of Financial Assets at FVOCI	-	-	1,841	(10,671)
Total Capital Reserve	65,873	65,872	118,553	148,186

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

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

Fair value reserve of financial assets at FVOCI includes changes of fair value of financial instruments designated as non financial assets.

25 DEFERRED TAX (LIABILITY) /ASSETS

As at 31st March	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000
Balance at the beginning of the year	383	7,319	(109,995)	(108,117)
Charge/(Reversal) for the year				
Profit or Loss	(12,400)	2,891	(20,438)	10,719
OCI	243	(9,827)	905	(12,599)
Balance at the end of the year	(11,774)	383	(129,528)	(109,995)

		Notes	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000
25.1	**Net Deferred Tax Assets**					
	Deferred Tax Assets	25.2	10,710	23,556	13,309	26,848
	Deferred Tax Liabilities	25.2	(22,484)	(23,173)	(142,837)	(136,843)
			(11,774)	383	(129,528)	(109,995)

25.2 Recognised Deferred Tax Assets & Liabilities

Deferred Tax Assets & Liabilities are attributable to the following :

	COMPANY			
	ASSETS		LIABILITIES	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Property, Plant & Equipment	-	-	(19,102)	(19,380)
Employee Benefits	1,707	1,566	-	-
Investment Property	-	-	(3,382)	(3,795)
Adjusted Tax Loss	9,003	21,990	-	-
Net Tax (Assets)/ Liabilities	10,710	23,556	(22,484)	(23,173)

	GROUP			
	ASSETS		LIABILITIES	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Property, Plant & Equipment	-	-	(139,455)	(133,048)
Employee Benefits	3,201	2,952	-	-
Investment Property	-	-	(3,382)	(3,795)
Adjusted Tax Loss	10,108	23,896	-	-
Net Tax (Assets)/ Liabilities	13,309	26,848	(142,837)	(136,843)

26 INTEREST BEARING BORROWINGS

26.1 Company

As at 31st March		Notes	2023 Amount Re-payable within 1 year Rs.'000	2023 Amount Re-payable after 1 year Rs.'000	2023 Total Rs.'000	2022 Amount Re-payable within 1 year Rs.'000	2022 Amount Re-payable after 1 year Rs.'000	2022 Total Rs.'000
26.1.1	***Bank Loans***	26.1.1.1	78,952	18,894	97,846	45,856	35,370	81,226
26.1.2	***Lease Creditor***	26.1.2.1	-	-	-	926	73	999
			78,952	18,894	97,846	46,782	35,444	82,225
26.1.3	*Bank Overdrafts*		38,042	-	38,042	36,199	-	36,199
			38,042	-	38,042	36,199	-	36,199
			116,994	18,894	135,888	82,979	35,444	118,424

26.1.1.1 Bank Loans

	As at 01st April 2021 Rs.'000	Loans obtained Rs.'000	Re-payment Rs.'000	As at 31st March 2022 Rs.'000	Loans Obtained Rs.'000	Re-payment Rs.'000	As at 31st March 2023 Rs.'000
Bank Loans	284,100	189,100	(391,974)	81,226	341,474	(324,854)	97,846
	284,100	189,100	(391,974)	81,226	341,474	(324,854)	97,846

26.1.2.1 Lease Creditor

	2023 Amounts Payable within One year Rs.	2023 Amounts Payable after One year Rs.	2023 Total Rs.	2022 Amounts Payable within One year Rs.	2022 Amounts Payable after One year Rs.	2022 Total Rs.
Lease Creditor	-	-	-	1,093	91	1,184
Less: Interest in Suspense	-	-	-	(166)	(18)	(184)
	-	-	-	926	73	1,000

26.2 Group

As at 31st March	Notes	2023 Amount Re-payable within 1 year Rs.'000	2023 Amount Re-payable after 1 year Rs.'000	2023 Total Rs.'000	2022 Amount Re-payable within 1 year Rs.'000	2022 Amount Re-payable after 1 year Rs.'000	2022 Total Rs.'000
26.2.1 Bank Loans	26.2.1.1	176,152	91,394	267,546	543,742	137,870	681,613
26.2.2 Lease	26.2.2.1	-	-	-	926	73	1,000
		176,152	91,395	267,547	544,668	137,945	682,612
26.2.2 Bank Overdrafts		48,776	-	48,776	95,563	-	95,563
		48,776	-	48,776	95,563	-	95,563
		224,928	91,395	316,323	640,231	137,945	778,175

26.2.1.1 Bank Loans

	As at 01st April 2021 Rs.'000	Loans obtained Rs.'000	Re-payment Rs.'000	As at 31st March 2022 Rs.'000	Loans obtained Rs.'000	Re-payment Rs.'000	As at 31st March 2023 Rs.'000
Bank Loans	427,875	689,248	(435,510)	681,613	751,348	(1,165,414)	267,546
	427,875	689,248	(435,510)	681,613	751,348	(1,165,414)	267,546

26.2.2.2 Lease Creditor

	2023 Amounts Payable within One year Rs.'000	2023 Amounts Payable after One year Rs.'000	2023 Total Rs.'000	2022 Amounts Payable within One year Rs.'000	2022 Amounts Payable after One year Rs.'000	2022 Total Rs.'000
Lease Creditor	-	-	-	1,093	91	1,184
Less: Interest in Suspense	-	-	-	(166)	(18)	(184)
	-	-	-	926	73	1,000

27 RETIREMENT BENEFIT OBLIGATIONS

	COMPANY		GROUP	
As at 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Balance at the Beginning of the year	11,185	11,838	17,980	21,733
Current Service Cost	684	722	2,262	1,928
Interest for the year	1,834	(469)	2,860	224
Actuarial Loss/(Gains)	(1,508)	232	(4,089)	(3,813)
Payments made during the year	-	(1,138)	(1,838)	(2,092)
Balance at the end of the year	12,195	11,185	17,175	17,980

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. 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	
	2023	2022	2023	2022
Discount Rate	18.5%	15.50%	18.5%	15.5%
Future Salary Increases	9%	9%	9%	9%
Retirement Age	60 Years	55 Years	60 Years	55 Years

The Gratuity Liability is not externally funded.

	COMPANY		GROUP	
As at 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
27.2 Net Benefit Expenses Categorized under Personnel Expenses				
Interest Cost	(1,834)	469	2,860	224
Current Service Cost	(1,508)	232	2,262	1,928

27.3 Sensitivity of Assumptions used

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

	COMPANY		GROUP	
Discount Rate	2023	2022	2023	2022
1% Increase	(529)	(449)	(788)	(708)
1% Decrease	579	499	876	796
Salary Increment rate:				
1% Increase	568	481	833	746
1% Decrease	(524)	(440)	(824)	(740)

28 TRADE & OTHER PAYABLES

As at 31st March	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000
Trade Creditors including Accrued Expenses	3,908	3,625	37,560	151,124
	3,908	3,625	37,560	151,124

29 AMOUNTS DUE TO RELATED PARTIES

As at 31st March	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000
Spice Lane (Pvt) Ltd.	621	75,924	-	-
Eamel Exports (Pvt) Ltd.	-	14,624	-	-
Directors' Current Account	-	2,550	-	2,550
Mirocells (Pvt) Ltd.	-	65,196	-	-
Asia Brush (Pvt) Ltd.	-	-	-	-
Eastern Merchants Commodities (Pte) Ltd.	-	-	-	-
	621	158,293	-	2,550

30 OTHER CURRENT LIABILITIES

As at 31st March	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000
Other Non Financial Liabilities	4,681	6,246	6,122	29,506
	4,681	6,246	6,122	29,506

31 INCOME TAX PAYABLE

As at 31st March	COMPANY 2023 Rs.'000	COMPANY 2022 Rs.'000	GROUP 2023 Rs.'000	GROUP 2022 Rs.'000
Balance at the Beginning of the year	9,864	-	11,177	1,729
Provision for the year	9,554	-	28,959	915
Tax Paid during the year	(10,024)	-	(19,247)	(1,331)
Capital Gain Tax	-	9,864	-	9,864
Transferred to Overpayment	-	-	-	-
	9,394	9,864	20,888	11,177

32 FINANCIAL INSTRUMENTS

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

			COMPANY		GROUP	
	As at 31st March		2023	2022	2023	2022
		Notes	Rs.000	Rs.000	Rs.000	Rs.000
32.1	**Financial Assets by Categories**					
32.1.1	***Financial Instruments in Non-Current Assets***					
	Non Current Financial Assets	16	323,000	500,000	364,087	532,312
			323,000	500,000	364,087	532,312
32.1.2	***Financial Instruments in Current Assets***					
	Trade & Other Receivables	18	69,738	134,202	217,855	618,357
	Amounts due from Related Parties	20	34,525	5,128	-	-
	Cash in hand & At Bank	21	35,800	105,767	206,829	147,930
			140,063	245,098	424,685	766,288
	Total Financial Assets		463,063	745,098	788,772	1,298,600
32.2	**Financial Liabilities by Categories**					
32.2.1	***Financial Instruments in Non-Current Liabilities***					
	Interest Bearing Borrowings	26	18,894	35,444	91,395	137,945
			18,894	35,444	91,395	137,945
32.2.2	***Financial Instruments in Current Liabilities***					
	Trade & Other Payables	28	3,908	3,625	37,560	151,124
	Amounts due to Related Parties	29	621	158,293	-	2,550
	Current Portion of Interest Bearing Borrowings	26	78,952	46,782	176,152	544,668
	Bank Overdrafts	26.1.2	38,042	36,199	48,776	95,563
	Total Financial Instruments in Current Liabilities		121,525	244,899	262,489	793,905
	Total Financial Liabilities		140,418	280,343	353,884	931,850

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 & Equipment under revaluation model - Note 12
Investment Property - Note 14

Financial Instruments (including those carried at amortized cost)

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

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

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

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

33 FAIR VALUE MEASUREMENT *(CONTD.)*

33.1 Fair Value Measurement Hierarchy - Group

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

FINANCIAL ASSETS	Level 1		Level 2		Level 3		Total	
As at 31st March	2023 Rs.000	2022 Rs.000	2023 Rs.000	2022 Rs.000	2023 Rs.000	2022 Rs.000	2023 Rs.000	2022 Rs.000
Non Current Financial Assets	364,087	532,312	-	-	-	-	364,087	532,312
NON FINANCIAL ASSETS								
Assets Measured at Fair Value	-	-	-	-	-	-	-	-
Land & Buildings	-	-	-	-	912,463	909,948	912,463	909,948
Investment Property	-	-	-	-	-	-	-	-

FAIR VALUE MEASUREMENT HIERARCHY - COMPANY

FINANCIAL ASSETS	Level 1		Level 2		Level 3		Total	
As at 31st March	2023 Rs.000	2022 Rs.000	2023 Rs.000	2022 Rs.000	2023 Rs.000	2022 Rs.000	2023 Rs.000	2022 Rs.000
Non Current Financial Assets	323,000	500,000	-	-	-	-	323,000	500,000
NON FINANCIAL ASSETS								
Assets Measured at Fair Value	-	-	-	-	-	-	-	-
Land & Buildings	-	-	-	-	250,520	253,465	250,520	253,435
Buildings on Leasehold Land	-	-	-	-	-	-	-	-
Investment Property	-	-	-	-	-	-	-	-

Reconciliation of fair value measurements of level 1 Financial Instruments

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

Quoted Securities - Group	2023 Rs.000	2022 Rs.000
Balance at the beginning of the year	532,312	28,344
Sales	-	-
Addition during the year	500,000	500,000
Total gains and losses recognised in OCI	(668,225)	3,968
Balance at the end of the year	364,087	532,312

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) Limited
Mr. J.B.L. De Silva	Y	Y	Y	Y	Y	Y	Y
Mr. H.J. De Silva	Y	Y	Y	Y	Y	Y	Y
Mr. C.S.L. De Silva	Y	Y	Y	Y	Y	Y	Y
Mr. S. Jayakody	Y	Y	Y	-	Y	Y	Y
Mrs. C.I. Thilakaratne	-	Y	-	Y	-	-	-
Mr. R. Pradeep	Y	-	-	-	-	-	-
Mrs. N. Nanayakkara	Y	-	-	-	-	-	-
Mr. F. Mushin	Y	-	-	-	-	-	-
Mrs. G.R.J. De Silva	-	-	-	-	-	-	Y

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

For the year ended 31st March	2023 Rs.'000	2022 Rs.'000
34.2.1 Transactions with Subsidiaries		
A Eamel Exports (Pvt) Ltd.		
Current Account Balance - Payables		
Balance at the beginning of the year	14,624	17,224
Fund Transfers	-	-
Acquisition of Share by Eastern Merchants PLC	-	-
Settlement	(14,624)	(2,600)
Balance at the end of the year	-	14,624

For the year ended 31st March	2023 Rs.'000	2022 Rs.'000
B Asia Brush (Pvt) Ltd.		
Current Account Balance - Receivable		
Balance at the beginning of the year	-	29,163
Fund Transfers	-	190
Settlement of Loans	-	-
	-	29,354
Provision for Impairment	-	(29,354)
Balance at the end of the year	-	-

34 DIRECTORS INTEREST IN CONTRACTS / RELATED PARTY TRANSACTIONS *(CONTD.)*

34.2.1 Transactions with Subsidiaries *(Contd.)*

	For the year ended 31st March	2023 Rs.'000	2022 Rs.'000
C	**Eastern Merchants Commodities (Pte) Ltd.**		
	Current Account Balance - Payables		
	Balance at the beginning of the year	(5,128)	773
	Fund Transfers	-	-
	Exchange Gain	-	-
	Reimbursements	(29,397)	(5,901)
	Balance at the end of the year	(34,525)	(5,128)
D	**Asian Woodware Company (Pvt) Ltd.**		
	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.**		
	Current Account Balance - Payable		
	Balance at the beginning of the year	75,924	69,287
	Loan Granted/ (Settled) to Eastern Merchants PLC	(75,303)	6,637
	Interest	-	-
	Payments by Spice Lane (Pvt) Ltd. on behalf of the Company	-	-
	Balance at the end of the year	621	75,924
F	**Microcells (Pvt) Ltd.**		
	Current Account Balance -Trade Receivable		
	Balance at the beginning of the year	(29,176)	(14,237)
	Add: Raw Materials Sales	145,896	75,844
	Fund Transfers	(116,720)	(90,783)
	Interest Charged	-	-
	Less : Settlement	-	-
	Balance at the end of the year	-	(29,176)

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 No 20 and 39.

34.2.4 Provision for impairment on amounts due from related parties disclosed in Note No 35.2.1 have been made due to the recoverability of balances due from subsidiary companies which have incurred substantial losses. Net assets of those companies are disclosed in Note No 9, Discontinued Operations.

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 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Short Term Employee Benefits				
Directors Remuneration	9,017	9,245	22,333	21,772

35 ASSETS PLEDGED

The following Assets have been pledged as Security for Liabilities.

35 ASSETS PLEDGED *(CONTD.)*

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 Rs.'000	Amount as at 31st March 2023 Pledged Rs.'000	Included in
NDB	Primary Mortgage of Stocks and Book Debts.	O/D & Cash Line Facility.	40,000	257,765	Inventory & Trade Receivable
NDB	Solar Power System	Term Loan	10,171	7,563	Property, Plant & Equipment
HNB	Primary Mortgage of 240, Torrington Avenue, Colombo 07.	O/D & Cash Line Facility.	115,000	203,420	Property, Plant & 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 OCCURING 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.

38 SEGMENT INFORMATION

Information based on the Primary Segments (Business Segment)

	Export of Traditional & Non Traditional Products		Other		Consolidation Adjustment		Group Total	
As at 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Total Sales	2,854,401	3,462,228	3,118	1,926	(145,895)	(107,727)	2,711,623	3,426,827
Other Income	106,404	684,582	127	127	-	-	106,531	684,710
Segment Revenue	2,960,805	4,146,809	3,245	2,053	(145,895)	(107,727)	2,818,154	4,111,537
Segment Results	116,250	738,270	(1,773)	(2,715)	(448.50)	-	114,029	735,555
Finance Expenses							(49,975)	(48,138)
Finance Income							67,393	1,137
Change in Fair Value of Investment Property							-	-
Profit before Taxation							131,446	688,554
Income Tax							(56,366)	(33,388)
Profit/ (Loss) from Discontinued Operation							-	-
Profit for the year							75,080	655,167
Other comprehensive income							(14,204)	75,214
Total Comprehensive Income							60,876	730,379
Attributable To								
Equity Holders of the Company							48,223	734,041
Minority Interest							12,654	522
Profit for the year							60,877	734,563
Assets								
Segment Assets	3,000,461	3,383,326	33,178	21,030	(843,943)	(830,949)	2,189,696	2,573,407
Other Investments	323,000	500,000	41,087	32,312	-	-	364,087	532,312
Total Assets	3,323,461	3,883,326	74,265	53,342	(843,943)	(830,949)	2,553,783	3,105,719
Liabilities								
Other Segment Liabilities	77,221	389,876	1,462	6,870	(35,145)	(202,260)	43,538	194,486
Interest Bearing Borrowings	316,322	778,176	-	-	-	-	316,323	778,176
Deferred Tax Liabilities	129,526	69,137	2	(107)	-	-	129,528	70,773
Retirement Benefit Obligations	17,176	17,981	-	-	-	-	17,175	17,981
Total Liabilities	540,246	1,255,171	1,464	6,763	(35,145)	(202,260)	506,564	1,061,416

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

a) Interest Rate Risk
b) Currency Risk
c) Equity Price Risk

a) Interest Rate Risk

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

b) Currency Risk

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

c) Equity Price Risk

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

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 maximize shareholders value.

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

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.

	2023						
	Trade & Other Receivables Rs.'000	Short Team Investments Rs.'000	Cash at Bank Rs.'000	Amounts due from Related Parties Rs.'000	Long Term Investment Rs.'000	Total Rs.'000	Percentage of Allocation
Risk Exposure - Group							
Trade & Other Receivables	217,855	-	-	-	-	217,855	27.65%
Long Term Investment	-	-	-	-	364,087	364,087	46.21%
Cash at Bank	-	-	205,956	-	-	205,956	26.14%
Total Credit Risk Exposure	217,855	-	205,956	-	364,087	787,898	100.00%
Risk Exposure - Company							
Trade & Other Receivables	69,738	-	-	-	-	69,738	50.00%
Amounts due from Related Parties	-	-	-	34,525	-	34,525	24.75%
Cash at Bank	-	-	35,224	-	-	35,224	25.25%
Total Credit Risk Exposure	69,738	-	35,224	34,525	-	139,487	100.00%

	2022						
	Trade and Other & Receivables Rs.'000	Short Team Investments Rs.'000	Cash at Bank Rs.'000	Amounts due from Related Parties Rs.'000	Long Term Investment Rs.'000	Total Rs.'000	Percentage of Allocation
Risk Exposure - Group							
Trade & 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	100.00%
Risk Exposure - Company							
Trade & Other Receivables	134,202	-	-	-	-	134,202	54.90%
Amounts due from Related Parties	-	-	-	5,128	-	5,128	2.10%
Cash at Bank	-		105,026	-	-	105,026	43.00%
Total Credit Risk Exposure	134,202	-	105,026	5,128	-	244,356	100.00%

39 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONTD.)*

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.

	COMPANY		GROUP	
As at 31st March	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
NET DEBT/ (CASH)				
Cash in hand & At Bank	35,800	105,767	206,828	147,929
Adjustments to Liquid Assets	-	-	-	-
Total Liquid Assets	35,800	105,767	206,828	147,929
Interest Bearing Loans & Borrowings	78,952	46,782	176,152	544,668
Bank Overdrafts	38,042	36,199	48,776	95,563
Total Liabilities	116,995	82,982	224,928	640,231
Net Debt/ (Cash)	(81,195)	22,786	(18,100)	(492,302)

39.6 Maturity Analysis

The table below summarizes the maturity profile of the Group's financial liabilities at 31st March 2023 based on contractual undiscounted (principal plus interest) payments.

	COMPANY		GROUP	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
All Borrowings are Payable Within One Year				
Interest Bearing Loans & Borrowings	78,952	46,782	176,152	544,668
Trade & Other Payables	3,908	3,625	37,560	151,124
Amounts due to Related Parties	621	158,293	-	2,550
Bank Overdrafts	38,042	36,199	48,776	95,563
	121,523	244,899	262,490	793,906

40 MATERIAL PARTLY - OWNED SUBSIDIARIES

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

40.1 Summarised Income Statement

	Export of Traditional & Non Traditional Products & Others		Others		Total	
For the year ended 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Revenue	-	-	1,504	929	1,504	929
Cost of Sales	-	-	-	-	-	-
Gross Profit	-	-	1,504	929	1,504	929
Other Operating Income	-	-	-	-	-	-
Administrative Expenses	-	39	(2,258)	(2,258)	(2,258)	(2,219)
Distribution Expenses	-	-	(172)	(51)	(172)	(51)
Profit / (Loss) from Operations	-	39	(926)	(1,380)	(926)	(1,341)
Finance Expenses	-	-	(8)	(13)	(8)	(13)
Finance Income	-	-	1,904	-	1,904	-
	-	39	971	(1,393)	971	(1,354)
Change in Fair Value of Investment Property	-	-	-	-	-	-
Profit/ (Loss) before Taxation	-	39	971	(1,393)	971	(1,354)
Taxation	-	-	(52)	(69)	(52)	(69)
Profit/ (Loss) for the year	-	39	919	(1,463)	919	(1,424)
Other comprehensive income /(Loss) for the Period						
Net gain/(loss) on financial instruments at fair value through	-	-	11,666	1,915	11,666	1,915
Other Comprehensive Income	-	-	-	-	-	-
Profit/ (Loss) Allocated to Material NCI	-	39	12,584	452	12,584	491
						-
Dividend Paid to NCI	-	-	-	-	-	-

40 MATERIAL PARTLY - OWNED SUBSIDIARIES *(CONTD.)*

40.2 Summarised Statement of Financial Position

	Export of Traditional & Non Traditional Products & Others		Others		Total	
As at 31st March	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Non-Current Assets	-	-	21,933	17,954	21,933	17,954
Current Assets	109	109	13,900	7,783	14,010	7,893
Total Assets	109	109	35,833	25,738	35,942	25,847
					-	-
Non-Current Liabilities	-	-	-	-	-	-
Current Liabilities	20,197	20,197	705	3,315	20,902	23,512
Total Liabilities	20,197	20,197	705	3,315	20,902	23,512
					-	-
Accumulated Balances of Material NCI	(20,088)	(20,088)	35,127	22,423	15,040	2,336

40.3 Summarised Cash Flow Information For the year ended 31st March

	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
Cash Flows from Operating Activities	(3,959)	(3,959)	38,745	(79)	34,785	(4,038)
Cash Flows from/(used in) Investing Activities	-	-	-	-	-	-
Cash Flows from/(used in) Financing Activities	-	-	-	-	-	-
Net Increase/ (Decrease) in Cash & Cash Equivalents	(3,959)	(3,959)	38,745	(79)	34,785	(4,038)

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:

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

41 RETROSPECTIE RESTATEMENT & CLASSIFICATION CHANGES

Rates of Income tax was changed as per the provisions of Inland Revenue Amendments with effect from 01/10/2022. The Management of the entity has decided to restate the comparative information in respect of Deferred Taxation and do the necessary changes retrospectively in these financial statements in Compliance with Sri Lanka Accounting Standards.

Effects of the measurement on the respective assets, liabilities and equity in the Statement of Financial Position as at 31 March 2022 and Statement of Profit or Loss for the year ended 31 March, 2022 are given below.

			01st April 2022	
GROUP	Note	Reported Previously	Re - Statement	Restated Balance
		Rs.	Rs.	Rs.
Tax impact of effect of change in tax rates on Revaluation Reserve				
Revaluation Reserve		346,825	(43,405)	303,421
Deferred Tax Liabilities	25	69,607	39,222	108,829
OCI				
Net Income Tax Charge / (Reversal) Relating to Components of Defined Benefit Plan		(979)	(1,119)	(2,097)
Taxation - Deferred Tax		4,638	5,301	9,939
		420,092	-	420,092
Classification Changes				
Revenue				
Export Turnover		584,224	70,401	654,626
Selling & Distribution Expenses		-	70,401	70,401
Other Current Assets				
Pre-payments & Non Cash Receivables	19	126,536	(17,702)	108,834
VAT Receivable	19	-	17,679	17,679
Income Tax Refunds	19	15,566	23	15,589
COMPANY				
Pre-payments & Non Cash Receivables	19	6,897	(5,836)	1,061
VAT Receivable	19	-	5,836	5,836
Income Tax Refunds	19	15,265	-	15,265

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 capitalization, 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 Number 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
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

Rule	Requirements	Reference	Compliance
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
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

42 **CSE CONTINUED LISTING RULES** *(CONTD.)*

Rule	Requirements	Reference	Compliance
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 31st March 2023

Name of Shareholder	No. of Shares	%
J.B.L. De Silva	32,382,280	27.57
H.J. De Silva	15,881,140	13.52
Mrs. C.I. Tilakaratna	15,396,309	12.81
C.S.L. De Silva	14,581,140	12.42
N. S. Karunaratne	12,629,120	10.75
Eamel Exports (Pvt) Ltd.	4,420,000	4.83
J.B.L. De Silva/K.G.A. De Rajapakse/ N. Senanayake	1,400,000	1.19
A.S.A. Fernando	1,000,000	0.83
S.D. De A. Rajapakse	980,000	0.83
DFCC Bank PLC - G.A.C. De Silva	950,000	0.83
Dr. E.D. Rodrigo	861,000	0.83
S.A. De A. Rajapakse	664,699	0.82
S.P. De A. Rajapakse	588,000	0.75
H.M. Udeshi	466,880	0.73
P.L.S. Ariyananda	392,100	0.60
Dr./Mrs. C.A. Suranimala	350,000	0.60
G. Dangampola	325,000	0.51
N.H.K. Chandika Kumara	322,350	0.40
A.M. Nanayakkara	309,258	0.30
U.W.R.M. Weerakoon	285,571	0.26
	104,184,847	

Public Share Holdings

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

	31 March 2023	**31 March 2022**
Ordinary Shares	49,358,773	48,105,882
Public Shareholding	42%	41%
Public Shareholders	1,852	1,290
Float Adjusted Market Capitalization	444,263	432,953

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

Notes to the Financial Statements

Shareholder Analysis as at 31st March 2023

No. of Shares Held	No. of Shareholders	No. of Shares	%
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

Net Assets Per Share	31 March 2023	31 March 2022
	17.13	16.88

Directors' Shareholdings As at 31st March 2023

	As at 31 March 2023		**As at 31 March 2022**	
Name of the Director	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

Share Trading Information

	2023 Rs.	2022 Rs.
Highest	15.40	10.10
Lowest	4.50	4.50
Last Traded	9.40	5.70

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 77th Annual General Meeting of Eastern Merchants PLC will be held on Wednesdays 27th of September, 2023 as a virtual meeting (on a virtual platform) which will be coordinated from the Board Room of Eastern Merchants PLC at 240 Torrington Avenue, Colombo 7, commencing at 11.30 a.m. for the following purposes.

Agenda

1. To read the notice convening the meeting.

2. To confirm the minutes of the 76th Annual General Meeting held on 30th September 2022.

3. To receive, consider and adopt the Report of the Directors and the Statement of Accounts and Statement of Financial Position of the Company for the year ended 31st March 2023.

4. To resolve that Mr. R. Pradeep and Mr. F. Mushin who retire in terms of Article Nos. 83 and 84 of the Articles of Association of the Company be re-elected as Directors of the Company.

5. To resolve that the age limit referred to in Sec. 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. J. B. L. de Silva, who reached 70 years of age on 12th July 2016.

6. To re-appoint Messers. D. H. P. Munaweera & Co. as Auditors of the Company and authorize the Directors to determine their remuneration.

7. To transact any other business of which due notice has been given.

By order of the Board

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

31st August 2023

Notice of Meeting

Notes:

1. The Annual Report of the Company for FY 2022/23 is available on the corporate website https://easternmerchants.net/news-info/ and on the Colombo Stock Exchange website: www.cse.lk

2. The 77th 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 11.30 a.m. on Wednesday, 27th September 2023.

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 in the meeting through audio or audio- visual means **only**.

iii. The shareholders who wish to participate in the meeting will be able to attend 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"** which is available in the company website https://easternmerchants.net/news-info/ and forward same to reach Company Secretaries via e-mail to srinathj@easternmerchants.net or fax to +94 11 2448474/ +94 11 2303204, or by post to the registered address of the Company 240, Torrington Avenue, Colombo 7 **not less than five (05) days before to the date of the meeting** so that the **meeting login** information could be forwarded to the e-mail addresses so provided.

iv. To facilitate the appointment of proxies, the Form of Proxy is attached hereto and is also available in the company website https://easternmerchants.net/news-info/. The duly filled Forms of Proxy should be sent to reach the Company Secretaries via e-mail to **srinathj@easternmerchants.net** or fax to +94 11 2448474/ +94 11 2303204, 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 e-mail to srinathj@easternmerchants.net or fax to +94 11 2448474/ +94 11 2303204, 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 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.

The Board wishes to thank the Shareholders of the Company for their unwavering co-operation.

Form of Proxy

I/We, …………………………………………………………………………… of ……………………………………………………. being a shareholder/shareholders' of Eastern Merchants PLC hereby appoint:

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

………………………………………………………………of…………………………… as my /our proxy to represent me/us and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 27th of September, 2023 at 11.30 a.m. virtually, and at any adjournment thereof and at every poll which may be taken in consequence thereof.

I/we the undersigned hereby authorize my/our proxy to vote on my/our behalf in accordance with the preference indicated below:

Resolution	For	Against
1. To receive, consider and adopt the Report of the Directors and the Statement of Accounts and Statement of Financial Position of the Company for the year ended 31st March 2023.		
2. To reappoint Mr. R. Pradeep and Mr. F. Mushin 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 re-appoint Messers. D. H. P. Munaweera & Co. as Auditors of the Company and authorize the Directors to determine their remuneration.		

As witness my/our hand (s) this …………………………… day of ………………………………………………. 2023.

……………………………………
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.

Instructions for the completion of the Form of Proxy

1. 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.
2. The completed Form of Proxy should be deposited at the Head Office of the Company at 240, Torrington Avenue, Colombo 7, not less than 48 hours before the meeting commences.
3. 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.
4. 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.
5. If there is any doubt as to how the vote is to be exercised, by reason of the manner in which the Form of Proxy has been completed, no vote will be recorded by the Form of Proxy.

Corporate Information

Company Name
Eastern Merchants PLC

Company Number
PQ 153

Registered Office
240, Torrington Avenue, Colombo 07.

Stores Complex
131 Bim Pandura, Pamunugama.

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
N. Nanayakkara

Secretary
S. Jayakody

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

Bankers
Hatton National Bank PLC
National Development Bank
Bank of Ceylon
Standard Chartered Bank
Nations Trust Bank PLC
Cargills Banks Ltd.
DFCC Bank PLC

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