



Since 1945

Eastern Merchants PLC



Annual Report 2017/18

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Our Journey

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

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

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

Financial Highlights

	2013/14	2014/15	2015/16	2016/17	2017/18
Performance Parameters					
Sales (Rs. Mn.)	1,668	716	682	1,171	1,378
Gross Profit (Rs. Mn.)	100	30	64	101	66
Net Profit Before Taxation (Rs. Mn.)	(55)	311	(12)	14	(24)
Net Profit After Taxation (Rs. Mn.)	(45)	305	(98)	(11)	(20)
Total Comprehensive Income After Taxation (Rs. Mn.)	2	432	(64)	214	(18)
Shareholder Funds (Rs. Mn.)	1,029	1,471	1,440	1,654	1,634
Earnings per Share (Rs.)*	(0.23)	2.68	(0.38)	(0.11)	(0.17)
Dividend per Share (Rs. cents)*	0.00	0.00	0.06	0.00	0.00
P/E Ratio	-	3.51	-	-	-
Net Assets per Share (Rs.)*	9.13	12.53	12.26	14.62	14.80
Current Ratio	0.93	24.17	12.71	2.89	5.49
Share Price					
Highest Recorded (Rs.)	11.50	14.10	13.80	9.10	8.40
Lowest Recorded (Rs.)	5.80	6.40	5.00	4.80	5.10
Value as at Year End (Rs.)	7.00	9.40	6.40	5.00	5.60

* Adjusted for 70:1 share sub-division in 2011/12.

Chairman's Message

Business conditions remained challenging during the fiscal year. The cyclical upswing in global economic activity underway since late 2016 continued to strengthen and revive global trade. However the price of natural rubber, the main commodity traded by the Company, was adversely affected by a combination of faltering demand and increased supply.

The floods experienced towards the end of 2016 in Thailand, the largest producer of natural rubber in the world, seemingly lifted the water tables to such an extent that the peak production season started early and lasted much longer than usual in 2017. This bumper crop together with large extents of land coming into maturity in emerging rubber producing countries such as Vietnam, Cambodia and Myanmar ensured that the international prices remained low.

Locally the prolonged drought, floods and irregular rain fall experienced throughout the fiscal year negatively impacted agricultural production. The adverse conditions reduced the number of tapping days and lowered the quantity of natural rubber produced. These local supply constraints together with the high demand for natural rubber in the local market, resulted in a further increase in Sri Lankan rubber prices making our exports uncompetitive in the global market.

Due to the above factors the Group's direct export volume of Sri Lankan rubber was less than the export volume of internationally sourced rubber – a first in our 73 year history. The Sri Lankan natural rubber industry is facing testing times and we expect the export potential of Sri Lankan natural rubber to further decline in the future.

Our Singapore based subsidiary which is utilized to trade in foreign origin material provided us with much needed respite from the difficult conditions faced in the local industry. During the fiscal year we

have managed to enhance our supply sources and are now able to offer our customers rubber from varying origins such as Vietnam, Cambodia, Myanmar, Thailand, Indonesia and the African continent. Our networks have opened up the possibility of sourcing and trading of other commodities related to the rubber industry goods as well. The increase in our revenue by 18% to reach LKR 1.38 billion in the year under review is a testament to the effectiveness of our trading practices and broadening supply base.

Looking ahead, the looming trade war between the US and its major trading partners appears to be a double edged sword for the natural rubber trade. China is the largest consumer of natural rubber in the world and a reduction in demand through higher import tariffs for its rubber goods will invariably affect demand, but China has never been a significant market for our Company, given the fact that it is predominantly serviced by the world's largest producers in the ASEAN region who enjoy preferential duty access. However, such a scenario will see increased demand for natural rubber in our key traditional markets in the EU and the US which will be favourable to our trading activities. Furthermore, trade wins such as the removal of duty imposed in the US on the import of off-the-road (OTR) rubber tires exported from Sri Lanka offers great hope for the rubber industry as a whole.

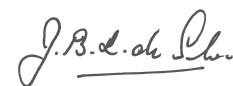
Although the trading business made a slight recovery, we reported an overall loss at the Group level. The Group level loss is largely attributed to our investment

in an associate company involved in the extraction of natural flavours and essences for the food and beverage ingredients industry. Securing commercial scale orders from the major global flavour houses has proven to be difficult and has taken much longer than anticipated. Furthermore, we are in the process of liquidating the two discontinued subsidiaries of the Company, namely Asian Woodware Company (Pvt) Ltd. and Asia Brush (Pvt) Ltd.

In times like these, the need to diversify into adjacent lines of business becomes more pertinent. We have been carefully evaluating several options to diversify into value addition over the last 12 months and have now identified a possible acquisition target in the rubber goods manufacturing space. We believe this would be an ideal opportunity for Eastern Merchants to move up the value chain to reach its full potential as fully-integrated rubber player.

We are optimistic and confident that our efforts to increase business value through diversification will soon bear fruit creating shareholder value.

Last but not least, I take this opportunity to thank our employees, partners, clients and suppliers for their loyalty, hard work and continued support throughout the years.



Mr. J.B.L. de Silva
Chairman

9th August 2018



Board of Directors

Mr. J.B.L. de Silva

LL.B., Attorney-at-law
Chairman

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

Mr. H.J. de Silva

B.Sc.
Deputy Chairman

Having completed his Bachelors' Degree in the US and working at a MAS Holdings company for three years, he is the first of the 3rd generation of the founding family on the Board. Mr. de Silva is predominantly engaged in the trading of commodities for the Company and is currently the Chairman of the Exporters Association of Sri Lanka (EASL).

Mr. C.S.L. de Silva

B.Econ., M.Com.
Managing Director

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

Mr. S. Jayakody

B.Com.Spl., FCA, FCMA
Director - Finance

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

Mr. N.K.L. Tilakaratna

B.Sc., C.Eng., MBA., M.I. Mech.E., M.I.E.
Non-Executive Director

An Engineer by profession, Mr. Tilakaratna heads Asia Brush (Pvt.) Ltd. and Asia Woodware Company (Pvt.) Ltd., both subsidiaries of Eastern Merchants.

Mrs. C.I. Tilakaratna

B.A. (Hons.), M.A.
Non-Executive Director

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

Mr. F. Mushin

MBA
Independent Non-Executive Director

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

Mr. R. Pradeep

B.Sc, M.A.
Independent Non-Executive Director

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

Directors' Report

According to the Central Bank of Sri Lanka, the local economy grew at 3.1% over the year, the lowest rate recorded in the recent past, and the agricultural sector remained in a rut. Plagued by persistent droughts and floods, the agricultural output was adversely affected. The Rubber industry is a key example of this downturn in fortunes. Eastern Merchants, being primarily an exporter of natural rubber, experienced a decrease in its volume of natural rubber exported from Sri Lanka. The tight supply situation and the high price commanded by Sri Lankan rubber (as a result of strong domestic consumption) made it uncompetitive in the global marketplace. During financial year 2016/17 our results were boosted by an increase in local latex production in the last quarter of that year, however the production remained sluggish with little material available for export in 2017/18. Even in the face of these difficult trading conditions, Eastern Merchants was able to increase revenue by 18% this financial year to reach LKR 1.38 billion.

During the year under review there was an upswing in the global economy, but international rubber prices remained at low levels throughout the year. This is largely attributed to the supply glut experienced in Thailand and other emerging Asian rubber producers. However, due to our well placed sourcing networks within the emerging Asian rubber producing nations, we were able to capitalize on the lower prices from these origins and increase our export volumes from our Singapore based subsidiary Eastern Merchants Commodities (Pte) Ltd. (EMC).

At Group level, EMC contributed to 41% of the revenue – the highest ever recorded since the opening of this subsidiary. The volume of exports from EMC was larger than the direct exports from Sri Lanka. Although high volumes contributed to the increase in revenue, the trading margins from EMC were comparatively lower than

those of Sri Lankan exports. At the Group level, the lower EMC margins coupled with the low direct export volumes from Sri Lanka, resulted in the decline in gross profit. Furthermore, the weak performance of our Associate Company Health Ingredients Ceylon (Pvt) Ltd. ("HI"), further contributed to the overall loss at Group level reported for the year. We still believe in the potential of the natural flavour and extracts industry that HI is involved in and are hopeful that the coming year will see a shift in its fortunes.

Operationally we strive to lower costs and the focus has remained on building efficiencies throughout the business. Our prudent financial planning is evidenced by the significant reduction reported in distribution and finance expenses. The Company recognizes that the effective management of its human capital is essential to ensure its long term success and therefore takes every measure to nurture and empower our people.

As a Group, we are focused on the future and are pursuing opportunities to diversify and grow the business to ensure longevity and create stakeholder value. We are continuing on the path of inorganic growth and related diversification and believe that our efforts will come into fruition in the near future.

Corporate Governance

Effective corporate governance is very much dependent on the skills and experience of individuals on the Board and how well they work together as a team. In this regard our Board of Directors not only has the collective skill-set and knowledge to make the correct decisions, they also possess personal qualities required to be effective stewards of the business and have the 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, and for the review, design and effectiveness of the same. There is a perpetual process for identifying, evaluating and managing significant risks by way of elimination or mitigation of the same.

Meetings of the Board of Directors are held quarterly whilst Committee meetings are also held on the same day on most occasions. The Company complies with the Corporate Governance requirements as identified by the Corporate Governance Best Practices by ICASL and SEC in 2008, which was revised in 2011 and 2013; as well as Corporate Governance Compliance Reporting Requirements in CSE Listing Rules Section 7.10.

During the year under review Mr. R. Pradeep and Mr. F. Mushin joined the Board of Eastern Merchants as Independent Non-Executive Directors, filling in the vacancies left by Mrs. R.L. Nanayakkara and Mr. H.P.J. de Silva. In adherence to the Section 7.10.2 (b) of the CSE Listing rules, Mr. R. Pradeep and Mr. F. Mushin have submitted declarations 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 independent non-executive director annually and has determined the independence of its non-executive directors for the year under review.

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

Directors' Responsibilities for the preparation of Financial Statements

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

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

The Financial Statements provide an accurate and impartial view of the state of affairs of the Company and the Group as at the end of the financial year, as well as the Statement of Profit or Loss of the Company and the Group for the financial year. The Financial Statements which are finalized and presented to the shareholders before the Annual General Meeting consist of the

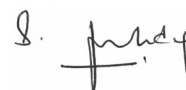
Income Statement, Statement of Other Comprehensive Income and the Statement of Financial Position, in addition to the Financial Notes and Accounting policies.

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

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

Furthermore, the Directors also have to ensure the listing rules of the Colombo Stock Exchange are complied with and that appropriate Accounting Policies have been used in a consistent manner where sensible judgment and estimates have been made when necessary. The Directors confirm that to the best of their knowledge, all statutory payments relating to employees and government and other statutory bodies that were due in respect of the Company have been paid and are up to date.

By order of the Board



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

9th August 2018

Audit Committee Report

In order to safeguard the interests of the shareholders and other stakeholders, the Audit Committee provides assistance to the Board of Directors in fulfilling its oversight responsibility for the Company's financial reporting system, compliance with legal and regulatory requirements, systems of internal controls, internal audit functions, annual independent audit of the Company's financial statements and the risk management process.

The Audit Committee comprises of the two Independent Directors of the Company, Mr. R. Pradeep (Chairman) and Mr. F. Mushin (Member). The Managing Director and the Director - Finance participate in the Audit Committee meetings.

During the 2017/18 financial year, the Audit Committee met four times to evaluate the adequacy and effectiveness of the Company's internal control systems and reviewed all Financial Statements in compliance with the relevant statutory requirements to determine their accuracy.

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

Messrs. D.H.P Munaweera & Co. have been engaged as external auditor to Eastern Merchants for a number of years. The Audit Committee evaluated the qualifications, performance and independence of the Company's independent auditor and the Committee is satisfied that the independence of the external auditor 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 2018 and that the re-appointment be included in the agenda of the Annual General Meeting.



Mr. R. Pradeep
Chairman – Audit Committee

9th August 2018



Remuneration Committee Report

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 as follows:

Mr F. Mushin

Chairman

Mr. R. Pradeep

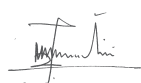
Member

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

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 engraved in our corporate culture. This has ensured a happy and loyal workforce throughout the years, with minimal levels of staff turnover and union activity.

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. The Non-Executive Directors and Independent Directors of the Company do not receive any salary but receive annual Director's fees.

The remuneration committee held three meetings during the 2017/18 financial year to review the remuneration packages of the top management of the Company and considered them to be suitable.



Mr. F. Mushin

Chairman – Remuneration Committee

9th August 2018

Related Party Transactions Review Committee Report

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

Two Independent Non-Executive Directors 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 three meetings for the year under review.

The members of the committee are:

Mr. R. Pradeep

Committee Chairman/Independent Non-executive Director

Mr. F. Mushin

Member/Independent Non-executive Director

Mr. S. Jayakody

Member/Director - Finance

The duties of the Committee are as follows:

- To review in advance all proposed related party transactions of the Group either prior to the transaction being entered into or, if the transaction is expressed to be conditional on such a review, prior to the completion of the transaction.

- Determine whether related party transactions that are to be entered into by the Company require the approval of the Board or Shareholders of the Company.
- Obtain knowledge or expertise to assess all aspects of proposed related party transactions where necessary, including obtaining appropriate professional and expert advice from suitably qualified persons.
- 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.

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 and have communicated their observations to the Board.



Mr. R. Pradeep

Chairman – Related Party Transactions Review Committee

9th August 2018

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 Ltd.	Operation of a villa in Kirinda
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

Directors

I) Eastern Merchants PLC

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

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

II) Eamel Exports Ltd.

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

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

III) Asia Brush (Pvt) Ltd.

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

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

IV) Asian Woodware Company (Pvt) Ltd.

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

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

V) Spice Lane (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. A.I. Pulle.

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

Independent Auditor's Report



D.H.P. MUNAWEERA & CO.

Chartered Accountants

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

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TO THE SHAREHOLDERS EASTERN MERCHANTS PLC

Report on the Audit of the Financial Statements Qualified 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 2018, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and Notes to the Financial Statements, including a summary of Significant Accounting Policies.

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, 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 2018 and of their Financial performance and Cash Flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

The carrying amount of the Group's investment in Health Ingredients Ceylon (Pvt) Limited (an Associate Company) accounted for Rs. 68 Mn as at 31/03/2018. This value was ascertained using the equity method and is shown in Note 15 to the Financial Statements. However, there is a negative net asset of Rs. 18 Mn in this company at the same date.

We were unable to verify the recoverability of this investment. The Board of Directors of the Company is of the opinion that this investment can be realized as the incubation period to succeed in the natural flavour and essences industry is long. Furthermore the management has informed that negotiations are being carried out with a prospective investor.

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

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

Key Audit Matters

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

our description of how our audit addressed the matter is provided in that context.

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

Key Audit Matter

Valuation of Investment Property

As at the reporting date of 31st March 2018, Investment Property carried at fair value amounted to Rs. 255 million. The fair value of such property was determined by the Board of Directors of the Group. The valuation of investment property was significant to our audit due to the use of significant estimates such as per perch price and value per square foot disclosed in Notes 13 to the Financial Statements.

How our Audit Addressed the Key Audit Matter

Our audit procedures focused on the valuations carried out by the Board of Directors of the Group, and included the following;

- Read the valuation report and understood the key estimates made by the Board of Directors and the approach

Independent Auditor's Report



D.H.P. MUNAWEERA & CO.

Chartered Accountants

taken in determining the valuation of each property.

- Compared with the valuation reports as at 31/03/2017 issued by the Professional Valuer and assessed the appropriateness of the valuation techniques used by the Board, for the per perch price and value per square foot.
- Reviewed the adequacy of the disclosures made in Note 13 to the Financial Statements relating to the valuation techniques and estimates used by the Board.

Key Audit Matter

Assets Classified as Held for Sale – Discontinued Operations

Fair value of discontinued operations of the Group as at 31/03/2018 was Rs. 89 Mn, which was Rs. 90 Mn as at 31/03/2017. Recoverability of this value was significant to our audit.

How our Audit Addressed the Key Audit Matter

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

- Physically verified the Non-current Assets and Inventories and assessed the adequacy of impairment provisions recognized against the assets of discontinued operations.
- Scrutinized transactions incurred during the year to ensure that all transactions are recorded properly.
- Reviewed the adequacy of the disclosures made in Note 9 to the Financial Statements relating to the profit or loss, assets and liabilities and cash flows from discontinued operations.

Other Information included in the 2018 Annual Report

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

for the purpose of expressing an opinion on the effectiveness of internal controls of the Company and the Group.

- Evaluate the appropriateness of Accounting Policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures 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
9th August 2018

Ms. C.K. WIJAYARATNA FCA
K.L.J.N. PERERA FCA B.B. MGT.(ACC) SP, R.D.M. WIJETHUNGA ACA Bsc (MGT)

Statement of Profit or Loss

For the Year Ended 31st March	Note	Company		Group	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Continuing Operations					
Revenue	3	772,147	1,014,870	1,378,896	1,171,364
Cost of Sales		(750,391)	(928,345)	(1,312,729)	(1,070,451)
Gross Profit		21,756	86,525	66,167	100,913
Other Operating Income	4	18,949	18,707	19,749	22,524
		40,705	105,232	85,916	123,437
Administrative Expenses		(83,870)	(74,335)	(88,943)	(81,373)
Distribution Expenses		(15,361)	(30,798)	(31,261)	(36,171)
Profit/(Loss) from Operations		(58,524)	99	(34,288)	5,893
Finance Expenses	5	(4,741)	(9,871)	(6,382)	(11,401)
Finance Income	6	25,482	25,562	23,269	26,042
		(37,783)	15,790	(17,401)	20,534
Change in Fair Value of Investment Property	13	6,660	9,740	9,360	13,490
Share of Results of Equity Accounted Investees		(16,706)	(19,480)	(16,706)	(19,480)
Profit/(Loss) before Taxation	7	(47,829)	6,050	(24,747)	14,544
Taxation	8	7,240	(25,440)	5,276	(25,952)
		(40,589)	(19,390)	(19,471)	(11,408)
Profit/(Loss) from Discontinued Operations (Net of Tax)	9	-	-	(1,108)	(893)
Profit/ (Loss) for the year		(40,589)	(19,390)	(20,579)	(12,301)
Attributable to					
Equity Holders of the Parent				(20,412)	(12,846)
Non Controlling Interest				(167)	545
Profit/ (Loss) for the year				(20,579)	(12,301)
Earnings per Share - Basic - Rs.	10	(0.35)	(0.17)	(0.17)	(0.11)
Dividend per Share - Rs.	11	-	-		

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 21 through 67 form an integral part of the Financial Statements.

Statement of Other Comprehensive Income

For the Year Ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Profit/(Loss) for the year	(40,589)	(19,390)	(20,579)	(12,301)
Other Comprehensive Income				
Other Comprehensive Income to be reclassified to Income Statement				
in subsequent periods				
Currency translation of Foreign Operations	-	-	337	2,164
Net Other Comprehensive Income to be reclassified to Income Statement in subsequent periods	-	-	337	2,164
Other Comprehensive Income not to be reclassified to Income Statement in subsequent periods				
Net Gain/(Loss) on available for Sale Financial Assets	-	-	3,319	(7,964)
Revaluation of Land & Buildings	-	230,025	-	237,025
Re-measurement Gain / (Loss) on Defined Benefit Plans	(2,585)	757	(2,585)	757
Net Other Comprehensive Income not to be reclassified to Income Statement in subsequent periods	(2,585)	230,782	734	229,818
Tax on Other Comprehensive Income	936	(5,788)	936	(5,788)
Other Comprehensive Income for the period, net of Tax	(1,649)	224,994	2,007	226,194
Total Comprehensive Income for the period, net of Tax	(42,239)	205,604	(18,573)	213,893
Attributable to				
Equity Holders of the Parent			(20,174)	213,909
Non Controlling Interest			1,601	(16)
Total Comprehensive Income for the year			(18,573)	213,893

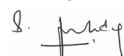
Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 21 through 67 form an integral part of the Financial Statements.

Statement of Financial Position

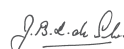
As at 31st March	Note	Company		Group	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Assets					
Non-Current Assets					
Property, Plant & Equipment	12	849,551	870,261	876,061	884,435
Investment Property	13	199,250	192,590	255,150	245,790
Investments in Subsidiaries	14	63,370	63,370	-	-
Investment In Equity Accounted Investees	15	68,014	89,720	68,014	89,720
Available for Sale Investments	16	-	-	32,710	29,394
		1,180,185	1,215,941	1,231,935	1,249,339
Current Assets					
Inventories	17	61,397	75,397	68,460	76,833
Trade & Other Receivables	18	51,285	148,473	114,366	149,329
Other Current Assets	19	31,441	32,986	31,733	33,145
Amounts due from Related Parties	20	101,870	106,089	30,460	27,175
Assets Classified as held for Sale	9.2	-	-	89,264	90,372
Held to Maturity Investment	21	163,026	195,865	163,026	195,865
Cash in hand & At Bank	22	5,905	60,021	12,935	72,555
		414,924	618,831	510,244	645,274
Total Assets		1,595,109	1,834,772	1,742,179	1,894,613
Equity & Liabilities					
Capital & Reserves					
Stated Capital	23	16,778	16,778	16,576	16,576
Revenue Reserves	24	1,017,347	1,059,586	1,078,770	1,100,833
Other Components of Equity	25	501,896	501,896	538,851	536,796
		1,536,021	1,578,260	1,634,197	1,654,205
Non Controlling Interest		-	-	(5,511)	(6,779)
Total Equity		1,536,021	1,578,260	1,628,686	1,647,426
Non-Current Liabilities					
Deferred Tax Liability	26	699	16,296	282	15,578
Interest Bearing Borrowings	27	8,997	-	8,997	-
Retirement Benefit Obligations	28	11,221	8,155	11,221	8,155
		20,917	24,451	20,500	23,733
Current Liabilities					
Trade & Other Payables	29	1,284	3,292	10,779	5,353
Amounts due to Related Parties	30	-	11,642	-	252
Other Current Liabilities	31	3,291	4,021	3,291	4,021
Income Tax Payable	31.1	-	-	1,282	722
Interest Bearing Borrowings	27	7,948	59,107	7,948	59,107
Bank Overdraft	27.1.2	25,648	153,999	69,693	153,999
		38,171	232,061	92,993	223,454
Total Equity & Liabilities		1,595,109	1,834,772	1,742,179	1,894,613

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

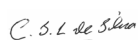


Srinath Jayakody
Director - Finance

The Board of Directors is 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



C.S.L. De Silva
Managing Director

09th August 2018

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 21 through 67 form an integral part of the Financial Statements.

Statement of Changes In Equity - Company

	Stated Capital Rs.'000	Revaluation Reserve Rs.'000	Retained Earnings Rs.'000	Total Rs.'000
Balance as at 1st April 2016	16,778	277,447	1,078,431	1,372,656
Net Profit/ (Loss) for the year	-	-	(19,390)	(19,390)
Comprehensive Income	-	224,448	545	224,993
Total Comprehensive Income	-	224,448	(18,845)	205,603
Dividend Paid	-	-	-	-
Balance as at 31st March 2017	16,778	501,895	1,059,586	1,578,259
Net Profit/ (Loss) for the year	-	-	(40,589)	(40,589)
Comprehensive Income	-	-	(1,649)	(1,649)
Total Comprehensive Income	-	-	(42,239)	(42,239)
Dividend Paid	-	-	-	-
Balance as at 31st March 2018	16,778	501,895	1,017,347	1,536,020

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 21 through 67 form an integral part of the Financial Statements.

Statement of Changes in Equity - Group

	Attributable to Equity Holders of Parent							
	Stated Capital	Revaluation Reserves	Available for Sale Reserve	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 2016	16,570	321,639	(9,217)	(2,381)	1,113,678	1,440,289	(6,763)	1,433,526
Profit/(Loss) for the year	-	-	-	-	(12,846)	(12,846)	545	(12,301)
Other Comprehensive Income	-	228,712	(4,121)	2,164	-	226,755	(561)	226,194
Total Comprehensive Income	-	228,712	(4,121)	2,164	(12,846)	213,909	(16)	213,893
Dividend Paid to Equity Holders of the Parent	-	-	-	-	-	-	-	-
Subsidiary Dividend to Non-Controlling Interest	-	-	-	-	-	-	-	-
Effect of Disposal of Shares (Cross Holding)	6	-	-	-	-	6	-	6
Balance as at 31st March 2017	16,576	550,351	(13,338)	(217)	1,100,832	1,654,205	(6,779)	1,647,425
Profit/(Loss) for the year	-	-	-	-	(20,412)	(20,412)	(167)	(20,579)
Other Comprehensive Income	-	-	1,718	337	(1,649)	405	1,601	2,006
Total Comprehensive Income	-	-	1,718	337	(22,062)	(20,007)	1,434	(18,574)
Dividend Paid to Equity Holders of the Parent	-	-	-	-	-	-	-	-
Subsidiary Dividend to Non-Controlling Interest	-	-	-	-	-	-	(166)	(166)
Balance as at 31st March 2018	16,576	550,351	(11,620)	120	1,078,770	1,634,198	(5,511)	1,628,686

Eamel Exports Limited has acquired 25,000 Shares of Eastern Merchants PLC prior to 21st May 1982. Subsequently the number of shares has increased upto 100,000 as a result of a Bonus Issue made by Eastern Merchants PLC on 24th June 1997. After the Sub-division of the Company Shares, whereby one (1) existing share was sub-divided to seventy (70), the number of Ordinary Shares held by Eamel Exports Limited has increased to 7,000,000. Refer Note No. 23.1.

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 21 through 67 form an integral part of the Financial Statements.

Cash Flow Statement

For the Year Ended 31st March	Note	Company		Group	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Cash Flows From Operating Activities					
Operating Profit/(Loss) before Working Capital Changes	A	(25,244)	17,858	(7,769)	25,760
(Increase)/Decrease in Inventories		14,000	(35,259)	8,373	(36,694)
(Increase)/Decrease in Debtors & Other Receivables		97,188	(126,759)	34,963	(127,340)
Increase/(Decrease) in Amounts due from/due to Related Parties		(7,423)	(17,968)	(3,537)	(27,175)
(Increase)/Decrease in Other Current Assets		(222)	2,621	10	2,621
Increase/(Decrease) in Other Current Liabilities		(730)	1,143	(730)	1,143
Increase/(Decrease) in Trade & Other Payables		(2,008)	2,213	5,426	2,706
Cash Generated from Operations		75,561	(156,151)	36,736	(158,979)
Finance Costs Paid		(4,741)	(9,871)	(6,382)	(11,401)
Defined Benefit Plan Cost Paid		(2,778)	(1,533)	(2,778)	(1,533)
Income Tax Paid		(5,656)	(6,315)	(7,012)	(6,485)
Cash Flows From/(Used In) Operating Activities		62,386	(173,870)	20,564	(178,398)
Cash Flows From/(Used In) Investing Activities					
Acquisition of Property, Plant & Equipment		(12,817)	(223,806)	(13,024)	(224,043)
Proceeds from Sale of Property, Plant & Equipment		8,505	4,044	1,548	4,044
Proceeds from Disposal of Assets Held for Sale		-	-	1,820	1,420
Proceeds from Held to Maturity Investments		32,839	247,088	32,839	247,088
Finance Income Excluding Dividend		23,238	13,272	23,238	13,689
Dividend Received		2,244	12,290	31	12,353
Cash Flows From/ (Used In) Investing Activities		54,010	52,888	46,451	54,550
Cash Flows From/ (Used In) Financing Activities					
Subsidiary Dividend to Non-Controlling Interest		-	-	(166)	-
Net Proceed/(Settlement) of Bank Loans		(42,161)	59,107	(42,162)	59,107
Settlement of Lease Rentals		-	-	-	-
Net Cash flows from/(used in) Financing Activities		(42,161)	59,107	(42,328)	59,107
Net Increase/(Decrease) in Cash & Cash Equivalents		74,235	(61,875)	24,687	(64,740)
Cash & Cash Equivalent at the beginning of the year		(93,978)	(32,103)	(81,444)	(16,704)
Cash & Cash Equivalent at the end of the year		(19,743)	(93,978)	(56,758)	(81,444)
Cash & Cash Equivalent					
Cash in hand & At Bank		5,905	60,021	12,935	72,555
Bank Overdrafts		(25,648)	(153,999)	(69,693)	(153,999)
Cash and Cash Equivalents at the end of the year		(19,743)	(93,978)	(56,758)	(81,444)

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 21 through 67 form an integral part of the Financial Statements.

Cash Flow Statement

For the Year Ended 31st March	Note	Company		Group	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Note A - Operating Profit/ (Loss) before Working Capital Changes					
Profit/(Loss) before Tax from Continuing Operations		(47,829)	6,050	(24,747)	14,544
Profit/(Loss) before Tax from Discontinued Operations		-	-	(1,108)	(893)
Adjustments for,					
Share of Results of Equity Accounted Investees		16,706	19,480	16,706	19,480
Dividend Income		(2,244)	(12,290)	(31)	(12,353)
Finance Income		(23,238)	(13,272)	(23,238)	(13,689)
Finance Costs		4,741	9,871	6,382	11,401
Depreciation		19,453	17,787	20,282	18,129
(Profit)/Loss on Sale of Property, Plant & Equipment		5,569	(1,669)	(432)	(1,669)
Gain) /Loss on Disposal of Assets available for Sale		-	-	-	(398)
(Gain) /Loss on Assets Classified as Held for Sale		-	-	(820)	893
(Gain)/ Loss on Currency translation of foreign operations		-	-	337	2,164
Provision for Impairment - Equity Accounted Investees		5,000	-	5,000	-
Change in Fair Value of Investment Property		(6,660)	(9,740)	(9,360)	(13,490)
Provision for Gratuity		3,259	1,641	3,259	1,641
Operating Profit/ (Loss) before Working Capital Changes		(25,244)	17,858	(7,770)	25,760

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 21 through 67 form an integral part of the Financial Statements.

Notes to the Financial Statements

1. CORPORATE INFORMATION

1.1 Reporting Entity

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

1.2 The notes to the Financial Statements on pages 21 to 67 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 non traditional products
Eamel Exports Limited	Operation of a villa in Kirinda
Asia Brush (Pvt) Limited	Operations discontinued
Asian Woodware Company (Pvt) Limited	Operations discontinued
Spice Lane (Private) Limited	Export of non traditional products
Eastern Merchants Commodities (Pte) Limited	Trading of commodities, business and management consultancy services

1.5 Number of Employees

The number of employees at the end of the year was 80 (2017 - 77).

1.6 Approval of Financial Statements

The Financial Statements for year ended 31st March 2018 were authorized for issue by the Board of Directors on 09th August 2018.

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 2018, comprise "the Company" referring to Eastern Merchant PLC as the holding Company and "the Group" referring to the companies that have been consolidated therein.

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 Limited	51.75
Asia Brush (Pvt) Limited	52.26
Asian Woodware Company (Pvt) Limited	56.5
Spice Lane (Private) Limited	91.5
Eastern Merchants Commodities (Pte) Limited	100

Loss of control

If the Group loses control over a subsidiary, it derecognizes 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 in the Statement of Directors' Responsibility report in the Annual Report.

2. BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

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

2.2 Presentation of Functional Currency

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

environment in which they operate as their functional currency.

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

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

Country of Incorporation

Singapore

Functional Currency

Dollar (USD)

Name of the Subsidiary

Eastern Merchants Commodities (Pte) Ltd.

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 recognized in Other Comprehensive Income relating to that particular foreign operation is recognized 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 recognized in the period in which the estimates are revised and in any future period affected. The most significant uses of judgements and estimates are as follows:

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

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

recognised in the consolidated Financial Statements have been discussed in the individual notes of the related Financial Statement line items.

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

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

- (i) Valuation of property, plant & equipment and investment property.
- (ii) Impairment of non-financial assets.
- (iii) Taxes.
- (iv) 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.10 of 2006 and the amendments thereto. Income tax expense comprises current and

Notes to the Financial Statements

deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in Equity or Other Comprehensive Income, in which case it is recognized either in Equity or Other Comprehensive Income respectively.

2.3.2 Going concern

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

2.3.3 Fair value of financial instruments

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

2.4 Current versus Non-current Classification

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

An asset 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

Or

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

All other assets are classified as non-current.

A liability is current when:

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

Or

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

The Company classifies all other liabilities as non-current.

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

2.5 Segment Reporting

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

2.6 Assets Held for Sale & Discontinued Operations

(a) Assets held for sale

Non-current assets and disposal groups classified as held for sale 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.

(b) 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

Acquisitions of subsidiaries 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.

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 acquire 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, 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of Goodwill

Goodwill is tested for impairment annually (as at 31 March) and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the

recoverable amount of each generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than their carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.8 Investment in Equity Accounted Investees

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

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

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

Notes to the Financial Statements

its share of any changes, when applicable, in the Statement of Changes in Equity.

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of results of equity accounted investees' in the Statement of Profit or Loss. Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in Statement of Profit or Loss. The accounting policies of associate companies

and joint ventures conform to those used for similar transactions of the Group. Accounting policies that are specific to the business of associate companies are discussed below. Equity method of accounting has been applied for associate and joint ventures using their corresponding/matching 12 month financial period. In the case of associates, where the reporting dates are different to Group reporting dates, adjustments are made for any significant transactions or events up to 31st March.

Associate companies incorporated in Sri Lanka of the Group, which have been accounted for under the equity method of accounting is given below.

Name of the Associate

Health ingredients Ceylon (Pvt) Limited

Effective Holding

30%

2.9 Assets & Bases of their Valuation

2.9.1 Property, plant and 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 recognized 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 recognized as an expense. In these circumstances, the increase is recognized 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 recognized 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 recognized 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 derecognized. The costs of day-to-day servicing of property, plant & equipment are recognized 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 recognized 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	Rate
Buildings	5%
Plant & Machinery	10%
Electrical Installation	10%
Motor Vehicles	12.5%
Furniture & Fittings	10%
Office Equipment	10%
Stores & Other Equipment	10%
Fax Machine	20%
Computers	15%
Generators	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 derecognized. 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 derecognized 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 recognized net within 'other income' in the Statement of Profit and Loss.

2.9.2 Investment Property

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

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

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property or inventory (WIP), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property or inventory (WIP), the Group accounts for such property

in accordance with the policy stated under property, plant and equipment up to the date of change in use. Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements and accounted using Group accounting policy for property, plant and equipment.

2.9.3 Intangible assets

2.9.3.1 Basis of recognition

An Intangible asset is recognized 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 capitalized development costs, are not capitalized, 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

Notes to the Financial Statements

there is an indication that the intangible asset may be impaired.

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

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

2.9.4 Leases

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

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

accordance with the accounting policy applicable to that asset.

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

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

2.9.5 Inventories

Inventories are measured at the lower of cost and net 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 labour and the appropriate proportion of fixed variable & production overheads based on normal operating capacity.
(c) Packing Materials	At actual cost.
(d) Consumables & Spares	At actual cost.

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 Initial recognition & measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset. 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

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with changes in fair value recognized in finance income or finance costs in the Statement of Profit or Loss. The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

(b) Loans & receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. 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 in finance income in the Statement of Profit or Loss. The losses arising from impairment are recognized in the Statement of Profit or Loss under in finance costs.

(c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest rate method, less impairment. 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 in finance income in the Statement of Profit or Loss. The losses arising from impairment are recognized in the Statement of Profit or Loss in finance costs.

(d) Available-for-sale of financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as Other Comprehensive Income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the Statement of Profit or Loss in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest rate method and is recognized in the Statement of Profit or Loss.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention

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to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly. For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to the Statement of Profit or Loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the Statement of Profit or Loss.

2.9.7.3 De-recognition

A financial asset (or where applicable a part of a financial asset or part of the group of similar financial assets) is derecognized when:

- (i) The right to receive cash flows from the asset has expired
- (ii) The Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received

cash in full without material delay to a third party under a "pass-through" arrangement, and either;

- The Group has transferred substantially all the risks and rewards of the asset, or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognized to the extent of the Group's continuing involvement in it. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.9.7.4 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred

after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(a) Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss

is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the Statement of Profit or Loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the Statement of Profit or Loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the Statement of Profit or Loss.

(b) Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the Statement of Profit or Loss is removed from Other Comprehensive Income and recognized in the Statement of Profit or Loss. Impairment losses on equity investments are not reversed through the Statement of Profit or Loss; increases in their fair value after impairments are recognized directly in Other Comprehensive Income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current

fair value, less any impairment loss on that investment previously recognized in the Statement of Profit or Loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the Statement of Profit or Loss, the impairment loss is reversed through the Statement of Profit or Loss.

2.9.8 Financial Instruments - Financial liabilities

2.9.8.1 Initial recognition & measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

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2.9.8.2 Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(a) Loans & borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method (EIR). Gains and losses are recognized in the Statement of Profit or Loss when the liabilities are derecognized as well as through the effective interest rate method 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 in finance costs in the Statement of Profit or Loss.

2.9.9 Off setting of financial instruments

Financial assets and financial liabilities are off-set and the net amount reported in the consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.9.10 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques.

Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

2.9.11 Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts, interest rate swaps and forward commodity contracts to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The fair value of commodity contracts that meet the definition of a derivative as defined by LKAS 39 are recognized in the Statement of Profit or Loss in cost of sales. Any gains or losses arising from changes in the fair value of derivatives are taken directly to the Statement of Profit or Loss.

2.9.12 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. The

recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash generating unit' or 'CGU'). An impairment loss is recognized if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed, if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.10 Stated Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized 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 recognized 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 recognized 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 the projected unit credit method. Any actuarial gains or losses arising are recognized immediately in Other Comprehensive Income this was previously recognized 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 recognized 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 recognized in the Statement of Profit or Loss except to the extent that it relates to items recognized directly in equity or Other Comprehensive Income, in which case it is recognized 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

Notes to the Financial Statements

establishes provisions where appropriate. The Group recognized 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 recognized 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 recognized 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 realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

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

(c) Turnover based Taxes

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

2.16 Revenue Recognition

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

2.16.1 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 recognized 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 recognized as a reduction of revenue as the sales are recognized.

2.16.2 Rendering of services

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

2.16.3 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 recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.16.4 Dividend income

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

2.16.5 Rental income

Rental income is recognized in the Statement of Profit or Loss on an accrual basis.

2.16.6 Others

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

2.17 Expenditure Recognition

Expenses are recognized in the Statement of Profit or Loss on the basis of a direct association between the costs incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant & equipment in a state of efficiency has been charged to Statement of Profit or Loss. For the purpose

of presentation of the Statement of Comprehensive Income the 'function of expenses' method has been adopted by the Directors of the Group on the basis that it presents fairly the elements of the Group's performance.

2.18 Events after the Reporting Date

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

2.19 Earnings per Share

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

2.20 Comparative Information

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

Notes to the Financial Statements

2.21 Determination of Fair Value

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

2.21.1 Land & Buildings

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

2.21.2 Investments in equity securities

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

2.21.3 Non-derivative financial liabilities

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

2.22 New Accounting Standards (SLFRS/LKAS) issued but not yet effective

The following SLFRs have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRs will have an effect on the Accounting Policies currently adopted by the Group and may have an impact on the future Financial Statements.

The Group intends to adopt these standards, if applicable, when they become effective.

Accounting Standard	Summary of the Requirements	Effective Date	Possible Impact on Consolidated Financial Statements
SLFRS 16 - Leases	SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for the users of financial statements to assess the effect that leases have on the financial position.	On or after 1 January 2019 (early adoption permitted)	The Group plans to assess the potential effect of SLFRS 16 on its consolidated financial statements in the financial year 2018/19.

3 REVENUE

For the Year Ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Exports	772,120	1,014,635	1,374,673	1,167,222
Local Sales	27	235	33	235
Services	-	-	4,190	3,509
Other	-	-	-	398
	772,147	1,014,870	1,378,896	1,171,364

4 OTHER OPERATING INCOME

For the Year Ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Rent	16,989	15,616	17,732	19,281
Profit on Sale of Property, Plant & Equipment	432	1,669	432	1,669
Exchange Gains	1,528	1,422	1,528	1,574
Other Income	-	-	57	-
	18,949	18,707	19,749	22,524

5 FINANCE EXPENSES

For the Year Ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Interest on Borrowings & Charges	4,741	9,871	6,333	11,401
Finance Charges on Lease Liabilities	-	-	49	-
	4,741	9,871	6,382	11,401

6 FINANCE INCOME

For the Year Ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Interest Income	23,238	13,272	23,238	13,689
Dividend	2,244	12,290	31	12,353
	25,482	25,562	23,269	26,042

Notes to the Financial Statements

7 PROFIT BEFORE TAX

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

For the Year Ended 31st March	Note	Company		Group	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Directors' Emoluments		9,919	11,253	12,792	14,126
Costs of Defined Employee Benefits					
Defined Benefit Plan Cost - Gratuity		3,259	1,640	3,259	1,640
Defined Benefit Plan Cost - E.P.F. & E.T.F.		3,589	2,675	3,669	2,755
Staff Expenses		41,654	37,553	42,962	38,861
Depreciation of Property, Plant & Equipment		19,453	17,787	20,282	18,129
Auditors' Remuneration					
Audit		660	660	1,465	1,465
Non-Audit		530	235	530	235
Charity & Donations		159	239	159	239
Provision for Impairment - Associate Company		5,000	-	5,000	-

8 INCOME TAX EXPENSES

For the Year Ended 31st March	Note	Company		Group	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
The major components of Income Tax Expenses are as follows:					
Current Income Tax Charge					
Current Income Tax Charge	8.1	7,321	5,258	8,711	5,980
10% Withholding Tax on Inter Company Dividends		-	-	273	-
Tax Paid for Assessment		100	-	100	-
Deferred Tax Charge /(Release)					
Relating to Origination & Reversal of Temporary Differences	8.2	(14,661)	20,182	(14,360)	19,972
Income Tax Expenses/ (Reversal) Reported in the Income Statement		(7,240)	25,440	(5,276)	25,952

8.1 Reconciliation between Current Tax Charge and the Accounting Profit

For the Year Ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Profit/(Loss) before Tax	(47,829)	6,050	(24,747)	14,544
Share of Results of Equity Accounted Investees	-	-	(16,706)	17,181
Profit after Adjustments	(47,829)	6,050	(41,453)	31,725
Non - Deductible Expenses	55,750	24,045	56,694	24,507
Income not Liabile for Income Tax	(9,337)	(18,671)	(22,128)	(22,484)
Other Sources of Income	(40,227)	(28,889)	(40,227)	(28,889)
Deductible Expenses	(15,012)	(16,588)	(18,030)	(18,620)
Adjusted Profit/ (Loss) on Trade Business	(56,655)	(34,053)	(65,144)	(13,761)
Other Sources of Income	40,227	28,888	40,227	28,888
Adjustments	-	-	-	3,112
Agriculture Income	-	-	-	-
Total Statutory Income	40,227	28,888	40,227	32,000
Set-off against Tax Losses	(14,079)	(10,111)	(14,325)	(11,200)
Assessable Income	26,148	18,777	25,902	20,800
Deduction from Assessable Income	-	-	-	-
Taxable Income	26,148	18,777	25,902	20,800
Tax on Taxable Income				
Tax on qualified Export Profit at 12%	-	-	-	-
Tax on Agriculture Profit at 17%	-	-	1,262	-
Income Tax on Standard Rate 28%	7,321	5,258	7,449	5,824
Deemed Dividend Tax	-	-	-	156
Current Tax Charge	7,321	5,258	8,711	5,980
8.2 Deferred Tax Expenses				
Deferred Tax Expense arising from;				
Accelerated Depreciation for Tax Purposes	(5,049)	18,952	(4,143)	19,791
Revaluation of Investment Property to Fair Value	2,232	24,875	2,232	24,875
Retirement Benefit Obligation	77	(1,439)	77	(1,439)
Reversal/(Benefit) arising from Tax Losses	(11,921)	(22,206)	(12,526)	(23,255)
Deferred Tax charged directly to Income Statement	(14,661)	20,182	(14,360)	19,972
Other Comprehensive Income				
Deferred Tax Expense arising from;				
Actuarial Losses on Defined Benefit Obligations	936	212	936	212
Revaluation of Land & Building to fair value	-	5,576	-	5,576
Total deferred tax charged/ (credited) directly to OCI	936	5,788	936	5,788

Deferred Tax has been computed at 28% 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 28% except for the following companies which enjoy full or partial exemptions and concessions.

Company	Basis	Concession	Period
Eastern Merchants PLC	Exporting Non-traditional Commodities	12%	Open Ended
Spice Lane (Pvt) Limited	Exporting Non-traditional Commodities	12%	Open Ended

Notes to the Financial Statements

9 DISCONTINUED OPERATION

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

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

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

Profit/ (Loss) from Discontinued Operations (Net of Tax)	Asia Brush (Pvt) Limited						Asian Woodware Company (Pvt) Limited			Adjustments			Group				
	2018		2017		2018		2017		2018		2017		2018		2017		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
For the Year Ended 31st March																	
Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost of Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross Profit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Operating Income	1,124	12	12	12	-	-	-	-	-	-	-	-	-	1,124	12	-	12
Administrative Expenses	(1,593)	(728)	(998)	(998)	(998)	(998)	(218)	(218)	(218)	(218)	(218)	(218)	(218)	(2,591)	(946)	(946)	(946)
Distribution Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit / (Loss) from Operations	(469)	(716)	(998)	(998)	(998)	(998)	(218)	(218)	(218)	(218)	(218)	(218)	(218)	(1,467)	(934)	(934)	(934)
Finance Expenses	(22)	(3)	(16)	(16)	(16)	(16)	(12)	(12)	(12)	(12)	(12)	(12)	(12)	(38)	(15)	(15)	(15)
Finance Income	83	47	401	401	401	401	56	56	56	56	56	56	56	484	103	103	103
Profit/ (Loss) before Taxation	(408)	(673)	(613)	(613)	(613)	(613)	(174)	(174)	(174)	(174)	(174)	(174)	(174)	(1,021)	(846)	(846)	(846)
Taxation	(15)	(9)	(72)	(72)	(72)	(72)	(38)	(38)	(38)	(38)	(38)	(38)	(38)	(87)	(47)	(47)	(47)
Profit/ (Loss) for the year	(423)	(682)	(685)	(685)	(685)	(685)	(212)	(212)	(212)	(212)	(212)	(212)	(212)	(1,108)	(893)	(893)	(893)
Revaluation Surplus	-	7,000	-	-	-	-	-	-	-	-	-	-	-	-	7,000	7,000	7,000
	(423)	6,318	(685)	(685)	(685)	(685)	(212)	(212)	(212)	(212)	(212)	(212)	(212)	(1,108)	6,107	6,107	6,107

9.2

Major classes of Assets and Liabilities classified as held for sale

	Asia Brush (Pvt) Limited				Asian Woodware (Pvt) Limited				Adjustments				Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
As At 31st March														
Assets														
Amount Due from Related Parties	1,015	7,420	-	-	-	-	(1,015)	(7,420)	-	-	-	-	-	-
Inventory	1,500	3,500	-	200	-	-	-	-	1,500	3,700	-	-	-	3,700
Non Current Assets held for sale														
Land	88,000	88,000	-	-	-	-	-	-	88,000	88,000	-	-	-	88,000
Buildings	9,000	9,000	-	-	-	-	-	-	9,000	9,000	-	-	-	9,000
Plant & Machineries	5,000	6,000	1,400	1,400	-	-	-	-	6,400	7,400	-	-	-	7,400
Motor Vehicle	2,000	-	-	-	-	-	-	-	2,000	-	-	-	-	-
Held to Maturity Investment	-	847	-	-	-	-	-	-	-	847	-	-	-	847
Trade & Other Receivable	-	-	-	200	-	-	-	-	-	200	-	-	-	200
Other Current Assets	65	-	287	625	-	-	-	-	352	625	-	-	-	625
Cash & Bank	383	200	576	6,965	-	-	-	-	959	7,165	-	-	-	7,165
Assets classified as held for sale	106,963	114,967	2,263	9,390	(1,015)	(7,420)	108,211	116,937						
Liabilities														
Interest Bearing Borrowing	-	-	-	3	-	-	-	-	-	3	-	-	-	3
Director Current Accounts	16,338	23,941	-	-	-	-	-	-	16,338	23,941	-	-	-	23,941
Amount due to Related Parties	106,713	106,713	47,717	54,122	(36,467)	(42,872)	117,963	117,963	117,963	117,963	-	-	-	117,963
Trade Payables	59	46	59	92	-	-	118	138	-	138	-	-	-	138
Income Tax Payables	17	9	274	274	-	-	291	283	-	283	-	-	-	283
Liability directly associated with Assets classified as held for sale	123,127	130,709	48,050	54,491	(36,467)	(42,872)	134,710	142,328						
Net Assets of each company and Total	(16,164)	(15,742)	(45,787)	(45,101)	35,452	35,452	(26,499)	(25,391)						
Adjustments with other companies in the Group							117,963	117,963						
Impairment provision for Investment in Subsidiary company							(2,200)	(2,200)						
Net Assets directly associated with disposal group							89,264	90,372						
Cash Flows Generated From/(Used in) Discontinued Operations														
Net Cash Generated from/(used in) Operating Activities	(2,567)	(1,601)	(6,385)	(8,137)	-	-	(8,952)	(9,738)						
Net Cash from Investing Activities	1,902	47	-	10,000	-	-	1,902	10,047						
Net Cash used for Financing Activities	847	(47)	-	-	-	-	847	(47)						
Net Cash Inflow/ (Outflow)	182	(1,601)	(6,385)	1,863	-	-	(6,203)	262						

9.3

Notes to the Financial Statements

10 EARNINGS PER SHARE

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

For the Year Ended 31st March	Company		Group	
	2018 '000	2017 '000	2018 '000	2017 '000
Amount used as the Numerator				
Net Profit/(Loss) Attributable to Ordinary Shareholders (In Rs. '000)	(40,589)	(19,390)	(20,412)	(12,846)
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.)	(0.35)	(0.17)	(0.17)	(0.11)

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

11 DIVIDEND PER SHARE

For the Year Ended 31st March	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Equity Dividend on Ordinary Shares declared and paid during the year	-	-	-	-
Total Dividend	-	-	-	-

12 PROPERTY, PLANT & EQUIPMENT

12.1 Company

As At 31st March	Land	Buildings	Plant & Machinery	Motor Vehicles	Furniture & Fittings	Office Equipment	Stores & Other Equipment	Computer Hardware	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
12.1.1 Cost / Revaluation									
As at 01st April 2017	664,713	137,113	33,577	80,482	4,300	9,239	9,780	6,730	945,934
Additions	-	-	-	240	-	125	12,402	50	12,817
Revaluation	-	-	-	-	-	-	-	-	-
Disposals	-	-	(17,876)	(4,775)	-	-	-	-	(22,651)
As at 31st March 2018	664,713	137,113	15,701	75,947	4,300	9,364	22,182	6,780	936,100
12.1.2 Depreciation									
As at 01st April 2017	-	-	18,107	37,050	4,053	5,496	5,497	5,470	75,673
Charge for the year	-	6,856	1,336	9,635	183	481	654	308	19,453
Revaluation	-	-	-	-	-	-	-	-	-
Disposals	-	-	(4,918)	(3,659)	-	-	-	-	(8,577)
As at 31st March 2018	-	6,856	14,525	43,026	4,236	5,977	6,151	5,778	86,549
12.1.3 Net Book Value									
As at 31st March 2018	664,713	130,257	1,176	32,921	64	3,387	16,031	1,002	849,551
As at 31st March 2017	664,713	137,113	15,470	43,432	247	3,743	4,283	1,260	870,261

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:

As At 31st March	2018		2017	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Class of Asset				
Land	308,263	-	308,263	163,009
Add: Addition during the year	-	-	145,254	-
Less: Disposal during the year	-	-	-	-
	308,263	-	308,263	308,263
Buildings	98,996	(45,506)	53,490	(41,440)
Add: Addition during the year	-	-	57,355	(997)
Less: Cost of Building Disposed	-	-	-	-
	98,996	(45,506)	53,490	(42,437)
Total	407,259	(45,506)	361,753	(42,437)
				369,847

12.1.5 During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs.13Mn (2017 - Rs. 223 Mn). Cash Payments Amounting to Rs.13Mn (2017 - Rs. 223 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. 28Mn (2017 - Rs. 27Mn.)

Notes to the Financial Statements

12 PROPERTY, PLANT & EQUIPMENT

12.2 Group

	Land	Buildings	Plant & Machinery	Motor Vehicles	Furniture & Fittings	Office Equipment	Stores & Other Equipment	Computer Hardware	Total
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
12.2.1 Cost / Revaluation									
As at 01st April 2017	664,713	150,807	33,577	80,482	4,411	9,476	10,342	6,750	960,558
Additions	-	-	-	240	91	125	12,518	50	13,024
Revaluation	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(4,775)	-	-	-	-	(4,775)
As at 31st March 2018	664,713	150,807	33,577	75,947	4,502	9,601	22,860	6,800	968,807
12.2.2 Depreciation									
As at 01st April 2017	-	251	18,106	37,050	4,083	5,518	5,638	5,477	76,123
Charge for the year	-	7,107	1,803	9,635	202	481	743	311	20,282
Transfers/Adjustments	-	-	-	(3,659)	-	-	-	-	(3,659)
As at 31st March 2018	-	7,358	19,909	43,026	4,285	5,999	6,381	5,788	92,746
12.2.3 Net Book Value									
As at 31st March 2018	664,713	143,449	13,668	32,921	217	3,602	16,479	1,012	876,061
As at 31st March 2017	664,713	150,556	15,471	43,432	328	3,958	4,704	1,273	884,435

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	2018		2017	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Land	308,263	-	163,009	-
Add: Addition during the year	-	-	145,254	-
Less: Disposal during the year	-	-	-	-
	308,263	-	308,263	-
Buildings	51,691	(41,440)	51,691	(41,440)
Add: Addition during the year	57,355	(997)	57,355	(997)
Less: Cost of Building Disposed	-	-	-	-
	109,046	(42,437)	109,046	(42,437)
Total	417,309	(42,437)	417,309	(42,437)

12.2.5 During the financial year, the Group acquired Property, Plant & Equipment to the aggregate value of Rs.13Mn (2017- Rs. 224Mn). Cash Payments amounting to Rs.13 Mn (2017 - Rs. 224 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.28Mn (2017- Rs.27 Mn).

**12.4 Details of Property, Plant & Equipment Stated at Valuation are indicated below
Revaluation of Land & Buildings**

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

As At 31st March	Extents		Method of Valuation	Effective date of Valuation	Value Rs.'000	Name of the Chartered Valuation Surveyor
	Buildings in Sq.Ft	Land in Acres				
Property						
Eastern Merchant PLC						
Land						
No.101, Gonawela Rd, Heiyantuduwa, Sapugaskanda.		A.2 - R.2- P:36.10	Open Market Value	31st March 2017	207,147	Dr. Gaminda Haegoda
No.42, Castle Street, Colombo 08.		A.0 - R.0- P:27.90	Open Market Value	31st March 2017	280,665	Dr. Gaminda Haegoda
No. 240, Torrington Avenue, Colombo 7		A.0 - R.0- P:17.69	Open Market Value	31st March 2017	176,900	Dr. Gaminda Haegoda
					664,712	
Buildings						
No.101, Gonawela Rd, Heiyantuduwa, Sapugaskanda.- Five Buildings	33,157		Open Market Value	31st March 2017	75,294	Dr. Gaminda Haegoda
No. 240, Torrington Avenue, Colombo 7 - One Building	6,400		Open Market Value	31st March 2017	61,820	Dr. Gaminda Haegoda
					137,114	
Asia Brush (Pvt) Ltd. - Discontinued with effect from 30/04/2015						
Land						
No.520, A/1 , Susilarama Road, Malabe. Buildings		A.0 - R.0- P:146.2	Open Market Value	31st March 2017	88,000	Dr. Gaminda Haegoda
No.520, A/1 , Susilarama Road, Malabe.		16,135	Open Market Value	31st March 2017	9,000	Dr. Gaminda Haegoda

Valuation Methodology

Open market value method (OMV)

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

Notes to the Financial Statements

13 INVESTMENT PROPERTY

	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
As At:31st March				
Fair Value at the beginning of the year	192,590	182,850	245,790	232,300
Value of Land Transferred from Owner Occupied	-	-	-	-
Value of Building Transferred from Owner Occupied	-	-	-	-
Value of Investment Property Sold during the year	-	-	-	-
Change in Fair Value during the year	6,660	9,740	9,360	13,490
At the end of the year	199,250	192,590	255,150	245,790

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

Property	Name of the Chartered Valuation Surveyor for 2017	Method of valuation	Estimated price per square foot 2017	Estimated price per perch 2018	Estimated price per square foot 2017	Estimated price per square foot 2018	Extent	Value	
								Rs.	Rs.
Eastern Merchants PLC No.101, & No.20, Heiyantuduwa Sepugaskanda Land	Dr. Gaminda Haegoda	Market Value	475,000	475,000	200 Perches			95,000	95,000
One Building	- do -	- do -	2,300		12,800 Sq.Ft	2500		32,000	29,440
One Building	- do -	- do -	2,900		23,500 Sq.Ft	3125		73,438	68,150
								200,438	192,590
Spice Lane (Pvt) Ltd. Land	Dr. Gaminda Haegoda	Market Value	59,975	60,000	642 Perches			38,520	38,504
Building	Dr. Gaminda Haegoda	Market Value			9,350 Sq.Ft	1050		9,817	8,882
- do -	- do -	- do -	750		3,000 Sq.Ft	820		2,460	2,250
- do -	- do -	- do -	275		300 Sq.Ft	350		95	82
- do -	- do -	- do -	400		60 Sq.Ft	455		27	24
- do -	- do -	- do -	600		2,180 Sq.Ft	690		1,504	1,308
- do -	- do -	- do -	1,800		760 Sq.Ft	1940		1,474	1,368
- do -	- do -	- do -	1,000		760 Sq.Ft	1030		783	760
- do -	- do -	- do -	650		42 Sq.Ft	760		32	22
Total No of Buildings - 8								54,712	53,200
								255,150	245,790

The Board of Directors of the Company and its subsidiary have assessed the fair value of investment properties as at 31/03/2018.

As At 31st March	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
B Income and Expenditure on Investment Property				
Rent Income	15,616	15,616	19,281	19,281
Direct Operating Expenses	(167)	(167)	(266)	(266)
Net Income	15,449	15,449	19,015	19,015

13.1 The Board of Directors has adopted the fair value model to value the investment properties of the Company, which was valued at fair value by Dr. Gamini Heagoda as at 31/03/2017. The Board of Directors of the Company and its subsidiary have assessed fair value of investment property as at 31/03/2018.

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

As At 31st March	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Land - Cost	16,115	16,115	50,565	50,565
Add: Transferred from Owner Occupied	-	-	-	-
Less: Cost of Disposal Land	-	-	-	-
Book Value	16,115	16,115	50,565	50,565
Building - Cost	47,477	47,477	47,477	47,477
Add: Transferred from Owner Occupied	-	-	-	-
Accumulated Depreciation	(11,079)	(8,706)	(13,016)	(9,581)
Less: Cost of Disposal Building	-	-	-	-
Accumulated Depreciation of Disposal Building	-	-	-	-
Net Book Value	36,398	38,771	34,461	37,896
Net Book Value of Investment Property	52,513	54,886	85,026	88,461

14 INVESTMENT IN SUBSIDIARIES

For the Year Ended 31st March	Notes	Company		Group	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Investments in Subsidiaries	14.1	63,370	63,370	-	-
		63,370	63,370	-	-

Notes to the Financial Statements

14.1 Investment in Subsidiaries

	Company			
	No. of Shares		Book Value	
	2018	2017	2018	2017
Unquoted - Consolidated				
Eamel Exports Ltd.	25,875	25,875	1,203	1,203
Asian Woodware Company (Pvt) Ltd.	487,996	487,996	4,880	
Less:				
Provision for Impairment			(4,880)	-
Asia Brush (Pvt) Ltd.	752,497	752,497	6,733	
Less:				
Provision for Impairment			(6,733)	-
Spice Lane (Pvt) Ltd.	6,105,000	6,105,000	61,050	61,050
Eastern Merchants Commodities (Pte) Ltd.	100	100	1,117	1,117
			63,370	63,370

15 INVESTMENT IN EQUITY ACCOUNTED INVESTEEES

	Company		Group	
	2018	2017	2018	2017
As At 31st March	Rs.'000	Rs.'000	Rs.'000	Rs.'000
15.1 Investments in Associates - Unquoted				
Cost of Equity Accounted Investee				
Health Ingredients Ceylon (Pvt) Ltd.				
Summarised Financial Information of above Company are shown in Note No.41	118,356	118,356	118,356	118,356
	118,356	118,356	118,356	118,356

15.2 Movement of Equity Accounted Investee

	Company		Group	
	2018	2017	2018	2017
As At 31st March	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance brought forward	(28,636)	(9,156)	(28,636)	(9,156)
Current year Share of Profit/(Loss)	(16,706)	(19,480)	(16,706)	(19,480)
Other Comprehensive Income	-	-	-	-
Less: Dividend Received	-	-	-	-
Less: Provision for Impairment	(5,000)	-	(5,000)	-
Total Share of Equity Accounted Investee	(50,342)	(28,636)	(50,342)	(28,636)
Total Carrying Amount of Investment in Equity Accounted Investees	68,014	89,720	68,014	89,720

16 AVAILABLE FOR SALE INVESTMENT

As At 31st March	Group			
	No. of Shares		Fair Value	
	2018	2017	2018	2017
Eastern Merchant PLC	5,668,714	5,668,714	31,537	28,138
Ceylon Leather Products PLC	7,500	7,500	409	405
Piramal Glass PLC	50,000	50,000	290	280
Diesel & Motor Engineering PLC	1,020	1,020	474	571
			32,710	29,394

17 INVENTORIES

As At 31st March	Company		Group	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Finished Goods	58,952	74,111	65,634	75,281
Packing Materials	2,445	1,286	2,826	1,552
	61,397	75,397	68,460	76,833

18 TRADE & OTHER RECEIVABLES

As At 31st March	Company		Group	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade Receivables	46,115	144,011	108,921	144,011
Other Receivables	5,170	4,462	5,445	5,318
	51,285	148,473	114,366	149,329

19 OTHER CURRENT ASSETS

As At 31st March	Notes	Company		Group	
		2018	2017	2018	2017
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Pre-payments & Non Cash Receivables		20,808	21,469	20,808	21,469
Income Tax Refunds	19.1	10,633	11,517	10,925	11,676
		31,441	32,986	31,733	33,145

19.1 INCOME TAX REFUNDS

As At 31st March	Company		Group	
	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance at the beginning of the year	11,517	11,342	11,676	11,497
Income Tax Paid	-	175	261	179
Income Tax Charged for the year	(7,321)	(5,258)	(7,449)	(5,258)
ESC Set-off against Income Tax	4,876	4,296	4,876	4,296
WHT Set-off against Income Tax	1,562	962	1,562	962
Balance at the end of the year	10,633	11,517	10,925	11,676

Notes to the Financial Statements

20 AMOUNTS DUE FROM RELATED PARTIES

	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
As At 31st March				
Eamel Exports (Pvt) Ltd.	-	5,984	-	-
Asia Brush (Pvt) Ltd. - Refer Note No 33.2.1	69,722	69,722	-	-
Eastern Merchants Commodities (Pte) Ltd	-	1,520	-	-
Asian Woodware Company (Pvt) Ltd - Refer Note No 33.2.1	1,688	1,688	-	-
Health Ingredients (Pvt) Ltd	30,460	27,175	30,460	27,175
	101,870	106,089	30,460	27,175

21 HELD TO MATURITY INVESTMENT

	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
As At 31st March				
Fixed Deposits				
HSBC	-	50,402	-	50,402
NDB	-	145,463	-	145,463
Cargils Bank	163,026	-	163,026	-
	163,026	195,865	163,026	195,865

22 CASH IN HAND & AT BANK

	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
As At 31st March				
Cash at Bank	5,338	59,715	12,233	71,685
Cash in hand	567	306	702	870
	5,905	60,021	12,935	72,555

23 STATED CAPITAL

	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
As At 31st March				
Value of Shares				
Fully Paid Ordinary Shares	16,778	16,778	16,576	16,576
	16,778	16,778	16,576	16,576

	Company		Group	
	2018 '000	2017 '000	2018 '000	2017 '000
As At 31st March				
Number of Shares				
Fully Paid Ordinary Shares	117,446	117,446	111,777	111,777
	117,446	117,446	111,777	111,777

- 23.1** A Subsidiary Company Eamel Exports 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 31/03/2018, Eamel Exports Ltd holds 4.83 % of its holding Company (Eastern Merchants PLC) shares 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.

As At 31st March	No of Shares Rs.'000	Value Rs.'000
Stated Capital of the Company	117,446	16,778
Shares Acquired by a Subsidiary before 21st May 1982	(7,000)	(250)
	110,446	16,528
Shares Disposed as at 31/03/2016	1,172	42
Balance as at 31st March 2016	111,618	16,570
Shares Disposed during the year	159	6
Balance as at 31st March 2017	111,777	16,576
Balance as at 31st March 2018	111,777	16,576

24 REVENUE RESERVES

As At 31st March	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Retained Earnings				
Balance - As per Equity Statement	1,017,347	1,059,586	1,078,770	1,100,833
Total Revenue Reserves	1,017,347	1,059,586	1,078,770	1,100,833

25 OTHER COMPONENTS OF EQUITY

As At 31st March	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Capital Reserves				
Revaluation Reserve	501,896	501,896	550,351	550,351
Foreign Currency Translation Reserve	-	-	120	(217)
Available for Sale Reserve	-	-	(11,620)	(13,338)
Total Capital Reserve	501,896	501,896	538,851	536,796

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.

Available for sale reserve includes changes of fair value of financial instruments designated as available for sale financial assets.

Notes to the Financial Statements

26 DEFERRED TAX (LIABILITY) /ASSETS

As At 31st March	Notes	Company		Group	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Balance at the beginning of the year		(16,296)	9,674	(15,578)	10,182
Charge/(Reversal) for the year					
Profit or Loss	8.2	14,661	(20,182)	14,360	(19,972)
OCI	8.2	936	(5,788)	936	(5,788)
Balance at the end of the year		(699)	(16,296)	(282)	(15,578)

26.1 Net Deferred Tax Assets

As At 31st March	Notes	Company		Group	
		2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Deferred Tax Assets	26.2	52,988	40,208	55,377	41,992
Deferred Tax Liabilities	26.2	(53,687)	(56,504)	(55,659)	(57,570)
		(699)	(16,296)	(282)	(15,578)

26.2 Recognized Deferred Tax Assets & Liabilities

Deferred Tax Assets & Liabilities are attributable to the following:

As At 31st March	COMPANY			
	ASSETS		LIABILITIES	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Property, Plant & Equipment	-	-	(28,165)	(31,629)
Employee Benefits	3,142	2,284	-	-
Investment Property	-	-	(25,522)	(24,875)
Adjusted Tax Loss	49,846	37,924	-	-
Net Tax (Assets)/ Liabilities	52,988	40,208	(53,687)	(56,504)

As At 31st March	GROUP			
	ASSETS		LIABILITIES	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Property, Plant & Equipment	-	-	(30,137)	(32,695)
Employee Benefits	3,142	2,284	-	-
Investment Property	-	-	(25,522)	(24,875)
Adjusted Tax Loss	52,235	39,708	-	-
Net Tax (Assets)/ Liabilities	55,377	41,992	(55,659)	(57,570)

27 INTEREST BEARING BORROWINGS

27.1 Company

	Note	2018			2017			
		Amount Re-payable within 1 year Rs.'000	Amount Re-payable after 1 year Rs.'000	Total Rs.'000	Amount Re-payable within 1 year Rs.'000	Amount Re-payable after 1 year Rs.'000	Total Rs.'000	
27.1.1	Bank Loans	27.1.1.1	7,948	8,997	16,945	59,107	-	59,107
			7,948	8,997	16,945	59,107	-	59,107
27.1.2	Bank Overdrafts		25,648	-	25,648	153,999	-	153,999
			25,648	-	25,648	153,999	-	153,999
			33,596	8,997	42,593	213,106	-	213,106

27.1.1.1 Bank Loans

	As at 01/04/2016 Rs.'000	Loans obtained Rs.'000	Re-payment Rs.'000	As at 31/03/2017 Rs.'000	Loans obtained Rs.'000	Re-payment Rs.'000	As at 31/03/2018 Rs.'000
Bank Loans	-	59,107	-	59,107	10,170	(52,332)	16,945
	-	59,107	-	59,107	10,170	(52,332)	16,945

27.2 Group

	Note	2018			2017			
		Amount Re-payable within 1 year Rs.'000	Amount Re-payable after 1 year Rs.'000	Total Rs.'000	Amount Re-payable within 1 year Rs.'000	Amount Re-payable after 1 year Rs.'000	Total Rs.'000	
27.2.1	Bank Loans	27.2.1.1	7,948	8,997	16,945	59,107	-	59,107
			7,948	8,997	16,945	59,107	-	59,107
27.2.2	Bank Overdrafts		69,693	-	69,693	153,999	-	153,999
			69,693	-	69,693	153,999	-	153,999
			77,641	8,997	86,638	213,106	-	213,106

27.2.1.1 Bank Loans

	As at 01/04/2016 Rs.'000	Loans obtained Rs.'000	Re-payment Rs.'000	As at 31/03/2017 Rs.'000	Loans obtained Rs.'000	Re-payment Rs.'000	As at 31/03/2018 Rs.'000
Bank Loans	-	59,107	-	59,107	10,170	(52,332)	16,945
	-	59,107	-	59,107	10,170	(52,332)	16,945

Notes to the Financial Statements

28 RETIREMENT BENEFIT OBLIGATIONS

As At 31st March	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Balance at the Beginning of the year	8,155	8,805	8,155	8,805
Current Service Cost	2,013	628	2,013	628
Interest for the year	1,246	1,013	1,246	1,013
Actuarial Loss/(Gains)	2,585	(758)	2,585	(758)
Payments made during the year	(2,778)	(1,533)	(2,778)	(1,533)
Balance at the end of the year	11,221	8,155	11,221	8,155

28.1 Defined Benefit Plan - Gratuity

The employee benefit liability of the Company 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 makes the defined benefit obligation highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The principal assumptions used in determining the cost of employee benefits were:

As At 31st March	Company	
	2018 Rs.'000	2017 Rs.'000
Discount Rate	10%	13.00%
Future Salary Increases	5%	5%
Retirement Age	55 Years	55 Years

The Gratuity Liability is not externally funded.

28.2 Net Benefit Expenses categorized under Personnel Expenses:

Interest Cost	1,246	1,013
Current Service Cost	2,013	628

28.3 Sensitivity of Assumptions Used

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

	Company	
	2018	2017
Discount Rate		
1% Increase	(439)	(368)
1% Decrease	483	403
Salary Increment Rate:		
1% Increase	460	485
1% Decrease	(424)	(449)

29 TRADE & OTHER PAYABLES

	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
As At 31st March				
Trade Creditors including Accrued Expenses	1,284	3,292	10,779	5,353
	1,284	3,292	10,779	5,353

30 AMOUNTS DUE TO RELATED PARTIES

	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
As At 31st March				
Spice Lane (Pvt) Ltd.	-	11,642	-	-
Director's Current Account	-	-	-	252
	-	11,642	-	252

31 OTHER CURRENT LIABILITIES

	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
As At 31st March				
Other Non Financial Liabilities	3,291	4,021	3,291	4,021
	3,291	4,021	3,291	4,021

31.1 INCOME TAX PAYABLE

	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
As At 31st March				
Balance at the Beginning of the year	-	-	722	166
Provision for the year	-	-	1,409	722
Tax Paid during the year	-	-	(983)	(166)
Transferred to Overpayment	-	-	134	-
	-	-	1,282	722

Notes to the Financial Statements

32 FINANCIAL INSTRUMENTS

Financial Assets and Liabilities are split into categories in accordance with LKAS 39 as follows.

As At 31st March	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
32.1 Financial Assets by Categories				
32.1.1 Financial Instruments in Non-Current Assets				
Available for Sale Investment	16	-	32,710	29,394
		-	32,710	29,394
32.1.2 Financial Instruments in Current Assets				
Trade & Other Receivables	18	51,285	148,473	114,366
Amounts due from Related Parties	20	101,870	106,089	30,460
Assets Classified as held for Sale	9.2	-	-	89,264
Held to Maturity Investment	21	163,026	195,865	163,026
Cash in hand & At Bank	22	5,905	60,021	12,935
		322,086	510,448	410,051
Total Financial Assets		322,086	510,448	442,761
32.2 Financial Liabilities by Categories				
32.2.1 Financial Instruments in Non-Current Liabilities				
Interest Bearing Borrowings		8,997	-	8,997
		8,997	-	8,997
32.2.2 Financial Instruments in Current Liabilities				
Trade & Other Payables	29	1,284	3,292	10,779
Amounts due to Related Parties	30	-	11,642	-
Current Portion of Interest Bearing Borrowings	27	7,948	59,107	7,948
Bank Overdrafts	27.1.2	25,648	153,999	69,693
		34,880	228,040	88,420
Total Financial Instruments in Current Liabilities		34,880	228,040	88,420
Total Financial Liabilities		43,877	228,040	97,417

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 13

Available for Sale Investments - Note 16

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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

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

The Group determines the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted AFS financial assets, and for non-recurring measurement, such as assets held for sale in 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 values, which valuation techniques and inputs to use for individual assets. For the purpose of fair value disclosures, the Group has determined classes of assets on the basis of the nature, characteristics and risks of the asset and the level of the fair value hierarchy as explained above

Notes to the Financial Statements

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

As At 31st March	Level 1		Level 2		Level 3		Level 4	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Available for Sale Investment	32,710	29,394	-	-	-	-	32,710	29,394
NON FINANCIAL ASSETS								
Assets Measured at Fair Value	-	-	-	-	-	-	-	-
Land & Buildings	-	-	-	-	808,162	815,520	808,162	815,520
Investment Property	-	-	-	-	255,150	245,790	255,150	245,790
Assets Classified as held for Sale	-	-	-	-	89,264	90,372	89,264	90,372

FAIR VALUE MEASUREMENT HIERARCHY - COMPANY

As At 31st March	Level 1		Level 2		Level 3		Level 4	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Available for Sale Investment	-	-	-	-	-	-	-	-
NON FINANCIAL ASSETS								
Assets Measured at Fair Value	-	-	-	-	-	-	-	-
Land & Buildings	-	-	-	-	794,970	801,826	794,970	801,826
Buildings on Leasehold Land	-	-	-	-	-	-	-	-
Investment Property	-	-	-	-	199,250	192,590	199,250	192,590

As At 31st March	2018 Rs.'000	2017 Rs.'000
Available-for-sale Financial Assets - Group		
Balance at the beginning of the year	29,394	38,585
Sales	-	(1,021)
Total gains and losses recognized in OCI	3,316	(7,964)
Balance at the end of the year	32,710	29,600

34 DIRECTORS INTEREST IN CONTRACTS / RELATED PARTY TRANSACTIONS

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

Name of the Directors	Asia Brush (Pvt) Ltd.	Eamel Exports Ltd.	Asian Woodware Company (Pvt) Ltd.	Spice Lane (Pvt) Ltd.	Health Ingredients Ceylon (Pvt) Ltd.	Eastern Merchants Commodities (Pte) Ltd.
Mr. J.B.L. de Silva	Y	Y	Y	Y	Y	Y
Mr. N.K.L. Tilakaratna	Y	Y	Y	-	-	-
Mrs. C.I. Tilakaratna	Y	-	Y	-	-	-
Mr. S. Jayakody	-	Y	-	Y	-	Y
Mr. H.J. de Silva	Y	Y	Y	Y	-	Y
Mr. C.S.L. de Silva	Y	Y	Y	Y	Y	Y

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

	2018 Rs.'000	2017 Rs.'000
34.2.1 Transactions with subsidiaries		
A Eamel Exports Ltd.		
Current Account Balance - Receivable		
Balance at the beginning of the year	5,984	7,880
Fund Transfers	180	-
Interest on Advances	-	804
Settlement	(6,164)	(2,700)
Balance at the end of the year	-	5,984
B Asia Brush (Pvt) Ltd.		
Current Account Balance - Receivable		
Balance at the beginning of the year	87,472	19,817
Fund Transfers	-	68,999
Settlement of Loans	-	(1,344)
	87,472	87,472
Provision for Impairment	(17,750)	(17,750)
Balance at the end of the year	69,722	69,722
C Eastern Merchants Commodities (Pte) Ltd.		
Current Account Balance - Receivable		
Balance at the beginning of the year	1,520	7,366
Fund Transfers	12,604	(6,142)
Exchange Gain	-	296
Reimbursements	(14,124)	-
Balance at the end of the year	-	1,520

Notes to the Financial Statements

	2018	2017
	Rs.'000	Rs.'000
D Asian Woodware Company (Pvt) Ltd.		
Current Account Balance - Receivable		
Balance at the beginning of the year	11,250	11,250
Fund Transfers	-	-
Provision for Impairment	(9,562)	(9,562)
Balance at the end of the year	1,688	1,688
E Spice Lane (Pvt) Ltd.		
Current Account Balance - Payable		
Balance at the beginning of the year	11,641	10,178
Loan Granted/ (Settled) to Eastern Merchants PLC	(31,884)	(31,332)
Interest	-	1,221
Payments by Spice Lane (Private) Limited on behalf of the Company	20,242	31,574
Balance at the end of the year	-	11,641
F Health Ingredients Ceylon (Pvt) Ltd. (Associate Company)		
Current Account Balance -Receivable		
Balance at the beginning of the year	27,175	-
Fund Transfers	-	25,391
Interest Charged	3,285	1,784
Balance at the end of the year	30,460	27,175

The Company has invested sum of Rs. 118,356,502 in shares of Health Ingredients Ceylon (Pvt) Ltd. (30 % Holding) in previous years. The Company has granted short term loans at interest rate of 12 % & 14 % per annum. The interest charged for the year was Rs.3,284,942 /=(2017 - 1,784,219.87).

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 amounts due from Asia Brush (Pvt) Ltd and Asian Woodware Company (Pvt) Ltd due to the fact that there is a impairment of these balances.

(b) No interest has been paid on loans granted to the companies in the group by the Directors.

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

34.2.4 Outstanding current account balances at year end are unsecured except to the funds advanced to Health Ingredients Ceylon (Pvt) Ltd. In order to secure the loans granted from Eastern Merchants PLC, Health Ingredients Ceylon (Pvt) Ltd. has pledged the following assets as collateral:

(a) All plant and equipment owned by Health Ingredients Ceylon (Pvt) Ltd.

(b) The factory upgrades & production facility completed by Health Ingredients Ceylon (Pvt) Ltd in Ampegama.

34.2.5 There is no change in the impairment provision as at the reporting date nor have any bad or doubtful debts written off during the year in respect of related party balances disclosed in Note No 34.2.1

34.2.6 Provision for Impairment on Amounts Due from Related Parties disclosed in Note No 34.2.1 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 09, Discontinued Operations.

34.3 Transactions with Key Managerial Persons.

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

(a) Compensation of Key Management Persons of the Company.

The following is the compensation of Directors and Key Management

31.1 INCOME TAX PAYABLE

As At 31st March	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Short Term Employee Benefits				
Directors Remuneration	9,919	11,253	12,792	14,126

35 ASSETS PLEDGED

The following Assets have been pledged as security for Liabilities.

35.1 Eastern Merchants PLC - Parent Company

The following Assets have been pledged as security for Liabilities.

Name of Institution Granting Facility	Nature of Assets	Nature of Liability	Amount of Facility Rs.'000	Amount as at 31/03/2018	
				Pledged Rs.'000	Included in
NDB	Primary Mortgage of stocks and book debts.	O/D & Cash Line Facility.	40,000	107,512	Inventory & Trade Receivable
NDB	Solar Power System	Loan for Solar Power System	10,500	12,247	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 OCCURRING AFTER THE REPORTING DATE

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

Notes to the Financial Statements

38 SEGMENT INFORMATION

Information based on the Primary Segments (Business Segment)

As At 31st March	Export of Traditional & Non Traditional Products				Other				Consolidation Adjustment				Group Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Total Sales	1,374,706	1,167,457	4,190	3,907	-	-	-	-	1,378,896	-	-	-	1,378,896	1,171,364
Other Income	19,749	22,524	-	-	-	-	-	-	19,749	-	-	-	19,749	22,524
Segment Revenue	1,394,455	1,189,981	4,190	3,907	-	-	-	-	1,398,645	-	-	-	1,398,645	1,193,888
Segment Results	(39,806)	4,382	560	1,511	4,958	-	-	-	(34,288)	-	-	-	5,893	5,893
Finance Expenses									(6,382)				(6,382)	(11,401)
Finance Income									23,269				23,269	26,042
Change in Fair Value of Investment Property									9,360				9,360	13,490
Share of Results of Equity Accounted Investees									(16,706)				(16,706)	(19,480)
Profit before Taxation									(24,746)				14,544	14,544
Income Tax									5,276				5,276	(25,952)
Profit/(Loss) from Discontinued Operation									(1,108)				(1,108)	(893)
Profit for the year									(20,578)				(20,578)	(12,300)
Other Comprehensive Income									2,007				2,007	226,194
Total Comprehensive Income									(18,571)				(18,571)	213,894
Attributable To														
Equity Holders of the Company									(20,174)				(20,174)	213,909
Minority Interest									1,601				1,601	(16)
Profit for the year									(18,573)				(18,573)	213,893
Assets														
Segment Assets	1,673,041	1,890,384	26,744	27,399	(58,330)	(142,284)	1,641,455	1,775,499						
Other Investments	68,014	89,515	32,918	29,599	(208)	-	100,724	119,114						
Total Assets	1,741,055	1,979,899	59,662	56,998	(58,538)	(142,284)	1,742,179	1,894,613						
Liabilities														
Other Segment Liabilities	14,805	28,465	5,547	6,497	(4,999)	(24,614)	15,353	10,348						
Interest Bearing Borrowings	86,638	213,106	-	-	-	-	86,638	213,106						
Deferred Tax Liabilities	457	15,578	(176)	-	-	-	282	15,578						
Retirement Benefit Obligations	11,222	8,155	-	-	-	-	11,221	8,155						
Total Liabilities	113,121	265,304	5,371	6,497	(4,999)	(24,614)	113,494	247,187						

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 Credit Risk, Market 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 transactions) 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.

Notes to the Financial Statements

39.4 Risk Exposure

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

	2018					
	Trade & Other Receivables Rs.'000	Held to Maturity Investments Rs.'000	Cash at Bank Rs.'000	Amounts due from Related Parties Rs.'000	Total Rs.'000	Percentage of Allocation 2018
Risk Exposure - Group						
Trade & Other Receivables	114,366	-	-	-	114,366	35.48%
Amounts due from Related Parties	-	-	-	32,710	32,710	10.15%
Held to Maturity Investment	-	163,026	-	-	163,026	50.58%
Cash at Bank	-	-	12,233	-	12,233	3.80%
Total Credit Risk Exposure	114,366	163,026	12,233	32,710	322,335	100%
Risk Exposure - Company						
Trade & Other Receivables	51,285	-	-	-	51,285	15.95%
Held to Maturity Investment	-	163,026	-	-	163,026	50.70%
Amounts due from Related Parties	-	-	-	101,870	101,870	31.68%
Cash at Bank	-	-	5,338	-	5,338	1.66%
Total Credit Risk Exposure	51,285	163,026	5,338	101,870	321,519	100%
	2017					
	Trade & Other Receivables Rs.'000	Held to Maturity Investments Rs.'000	Cash at Bank Rs.'000	Amounts due from Related Parties Rs.'000	Total Rs.'000	Percentage of Allocation 2018
Risk Exposure - Group						
Trade & Other Receivables	149,329	-	-	-	149,329	33.5%
Amounts due from Related Parties	-	-	-	29,394	29,394	6.59%
Held to Maturity Investment	-	195,865	-	-	195,865	43.9%
Cash at Bank	-	-	71,685	-	71,685	16.1%
Total Credit Risk Exposure	149,329	195,865	71,685	29,394	446,273	100%
Risk Exposure - Company						
Trade & Other Receivables	148,473	-	-	-	148,473	29.1%
Held to Maturity Investment	-	195,865	-	-	195,865	38.4%
Amounts due from Related Parties	-	-	-	106,089	106,089	20.8%
Cash at Bank	-	-	59,715	-	59,715	11.7%
Total Credit Risk Exposure	148,473	195,865	59,715	106,089	510,142	100%

39.5 Liquidity Risk

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

As At 31st March	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
NET DEBT/ (CASH)				
Short Term Investments	163,026	195,865	163,026	195,865
Cash in hand & At Bank	5,905	60,021	12,935	72,555
Adjustments to Liquid Assets	-	-	-	-
Total Liquid Assets	168,931	255,886	175,961	268,420
Interest Bearing Loans & Borrowings	7,948	59,107	7,948	59,107
Bank Overdrafts	25,648	153,999	69,693	153,999
Total Liabilities	33,596	213,106	77,641	213,106
Net Debt/ (Cash)	135,335	42,780	98,320	55,314

39.6 Maturity Analysis

The table below summarizes the maturity profile of the Group's financial liabilities as at 31 March 2018 based on contractual undiscounted (principal plus interest) payments.

As At 31st March	Company		Group	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
All Borrowings are Payable Within One Year				
Interest Bearing Loans & Borrowings	7,948	59,107	7,948	59,107
Trade & Other Payables	1,284	3,292	10,779	5,353
Amounts due to Related Parties	-	11,642	-	252
Bank Overdrafts	25,648	153,999	69,693	153,999
	34,880	228,040	88,420	218,711

Notes to the Financial Statements

40 MATERIAL PARTLY - OWNED SUBSIDIARIES

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

40.1 SUMMARISED INCOME STATEMENT

As At 31st March	Export of Traditional & Non Traditional Products & Others		Other		Total	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Revenue	2,736	3,203	2,021	1,886	4,758	5,089
Cost of Sales	(2,551)	(3,019)	-	-	(2,551)	(3,019)
Gross Profit	185	184	2,021	1,886	2,206	2,070
Other Operating Income	594	324	-	-	594	324
Administrative Expenses	(1,522)	(715)	(1,680)	(1,092)	(3,202)	(1,808)
Distribution Expenses	(56)	(42)	(71)	(63)	(127)	(105)
Profit / (Loss) from Operations	(800)	(249)	270	730	(530)	481
Finance Expenses	(21)	(17)	119	30	98	13
Finance Income	208	148	(6)	(389)	203	(241)
	(612)	(118)	384	371	(228)	253
Change in Fair Value of Investment Property	225	313	-	-	225	313
Profit/ (Loss) before Taxation	(387)	195	384	371	(3)	566
Taxation	(55)	(72)	(108)	52	(163)	(20)
Profit/ (Loss) for the year	(441)	123	276	423	(166)	546
Other Comprehensive Income /(Loss) for the Period						
Net Gain/(Loss) on Available for Sale Financial Assets	-	-	1,601	(3,843)	1,601	(3,843)
Revaluation Surplus	-	3,282	-	-	-	3,282
Profit/ (Loss) Allocated to Material NCI	(441)	3,405	1,877	(3,420)	1,436	(15)
Dividend Paid to NCI	-	-	-	-	-	-

40.2 SUMMARISED STATEMENT OF FINANCIAL POSITION

	Export of Traditional & Non Traditional Products & Others		Other		Total	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
As At 31st March						
Non-Current Assets	5,354	4,523	28,680	27,166	34,034	31,688
Current Assets	52,146	59,728	192	337	52,338	60,066
Total Assets	57,500	64,251	28,872	27,503	86,372	91,753
Non-Current Liabilities	-	-	-	-	-	-
Current Liabilities	78,397	84,473	2,676	3,135	81,074	87,608
Total Liabilities	78,397	84,473	2,676	3,135	81,074	87,608
Accumulated Balances of Material NCI	(20,897)	(20,222)	26,195	24,367	5,298	4,145

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

Cash Flows from Operating Activities	(3,617)	(4,663)	(179)	(511)	(3,796)	(5,174)
Cash Flows from/(used in) Investing Activities	224	4,254	19	600	242	4,854
Cash Flows from/(used in) Financing Activities	163	(22)	(48)	-	115	(22)
Net Increase/ (Decrease) in Cash & Cash Equivalents	(3,230)	(431)	(209)	89	(3,439)	(342)

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

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

Eamel Exports Ltd	8.25%
Spice Lane (Pvt) Ltd	8.35%
Asia Brush (Pvt) Ltd	46.88%
Asian Woodware (Pvt) Ltd	42.32%

41 SUMMARISED FINANCIAL INFORMATION OF EQUITY ACCOUNTED INVESTEEES

For The Year Ended 31st March	2018 Rs.'000	2017 Rs.'000
Revenue	-	431
Expenses	(55,685)	(65,363)
Profit/ (Loss) after Tax	(55,685)	(64,932)
Non-Current Assets	53,384	66,556
Current Assets	7,038	19,972
Total Assets	60,422	86,528
Non-Current Liabilities	3,003	4,022
Current Liabilities	75,898	51,085
Total Liabilities	78,901	55,107
Net Assets	(18,479)	31,421

Shareholder Information

Top twenty shareholders as at 31st March 2017

Name	No. of shares	%
J. B. L. de Silva	32,382,280	27.57
H. J. de Silva	16,121,140	13.73
Mrs. C. I. Tilakaratna	15,045,469	12.81
C. S. L. de Silva	14,581,140	12.42
N. S. Karunaratne	12,629,120	10.75
Eamel Exports Ltd.,	5,668,714	4.83
S. de A. Rajapakse	2,940,000	2.50
J.B.L.de Silva/K.G.A. de Rajap/N. Senanayake	1,400,000	1.19
A. Karunaratne	960,000	0.82
Mrs. D. E. Perera	1,000,000	0.85
K. N. De A. Rajapakse	980,000	0.83
K. B. De A. Rajapakse	880,000	0.75
Dr. E. D. Rodrigo	861,000	0.73
N. K. L. Tilakaratna	701,680	0.60
Mrs. K. A. G. Ranasinghe	700,000	0.60
H. M. Udeshi	466,880	0.40
Dr./Mrs. C. A. Suranimala	350,000	0.30
Mrs. U. W. R. M. Weerakoon	280,000	0.24
E. N. J. N. P. Kuranage	280,000	0.24
M. M. Senaratne	280,000	0.24
	108,507,423	

Public shareholding

32,122,910 ordinary shares were held by 1,306 shareholders as at 31 March 2018, representing 27.35% of the total ordinary shares issued. The corresponding figure for the ending 31st March 2017 was 31,536,078 ordinary shares held by 1,317 shareholders, which represented 26.85% of the total number of ordinary shares in issue as at that date.

Shareholder analysis as at 31st March 2018

Nos. of Shares Held	No. of Shareholders	No. of Shares	%
	2018	2018	
1-1,000	710	233,896	0.20
1,001 - 10,000	400	1,642,585	1.40
10,001 - 100,000	171	4,962,421	4.22
100,001 - 1,000,000	26	9,839,235	8.38
Over 1,000,000	8	100,767,863	85.80
	1,315	117,446,000	100

Name of Director	As at 31.03.18		As at 31.03.17	
	Shares	%	Shares	%
J. B. L. de Silva	32,382,280	27.57	32,382,280	27.57
H. J. de Silva	16,121,140	13.73	16,121,140	13.73
Mrs. C. I. Tilakaratna	15,045,469	12.81	15,134,219	12.89
C. S. L. de Silva	14,581,140	12.42	14,581,140	12.42
N. K. L. Tilakaratna	701,680	0.60	701,680	0.60
S. Jayakody	6,000	0.01	103,064	0.09
I. P. de Zoysa (Resigned from the Board during financial year 2016/17)	-	0.00	401,018	0.34
F. Mushin	-	0.00		
R. Pradeep	-	0.00		
	79,424,541		79,424,541	

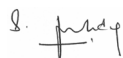
Notice of Meeting

NOTICE IS HEREBY GIVEN that the 72nd Annual General Meeting of Eastern Merchants PLC will be held at the Ground Floor Auditorium, The Ceylon Chamber of Commerce, No. 50 Navam Mawatha, Colombo 2, on 21st September 2018 at 2.30 pm.

AGENDA

1. To read the notice convening the meeting.
2. To confirm the minutes of the 71st Annual General Meeting held on 29th September, 2017.
3. To receive, consider and adopt the Report of the Directors and the Statement of Accounts and Balance Sheet of the Company for the year ended 31st March 2018.
4. To resolve that Mr. N.K.L. Tilakratna and Mr. S. Jayakody who retire in terms of Article Nos. 83 and 84 of the Articles of Association of the Company be re-elected as Directors of the Company.
5. To re-appoint Messers. D. H. P. Munaweera & Co. as Auditors of the Company and authorize the Directors to determine their remuneration.
6. To transact any other business of which due notice has been given.

By order of the Board



S. Jayakody

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

Director – Finance / Company Secretary

Notes:

- (a) A member who is entitled to attend and vote at a meeting may appoint a proxy to do so instead, and such a proxy need not be a shareholder of the Company. The Form of Proxy of the Company is attached on the last page of this report.
- (b) Shareholders/proxy holders should bring with them their National Identity Card or any form of valid identification when attending

Form of Proxy

I/We, of
..... being a member/
members of Eastern Merchants PLC hereby appoint:

J. B. L. de Silva of Colombo 03,	Whom failing
H. J. de Silva of Colombo 03,	Whom failing
C. S. L. de Silva of Colombo 03,	Whom failing
S. Jayakody of Kelaniya,	Whom failing
N. K. L. Tilakaratna of Colombo 05,	Whom failing
C. I. Tilakaratna of Colombo 05,	Whom failing
R. Pradeep of Colombo 06,	Whom failing
F. Mushin of Nawala,	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 21st September, 2018 at 2.30 pm and at any
adjournment thereof. As witness my/our hand (s) this day of
2018.

.....
Signature of the Shareholder

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

Instructions for the completion of the Form of Proxy

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

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

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

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

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

Corporate Information

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

