EASTERN MERCHANTS PLC
ANNUAL REPORT 2016-17

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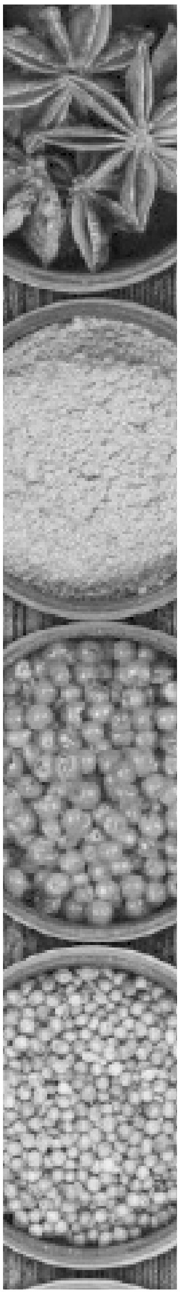
Eastern Merchants PLC
Annual Report 2016-17



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.

Contents

Financial Highlights

Performance Parametres

	2012/13	2013/14	2014/15	2015/16	2016/17
Sales (Rs. Mn.)	2,513	1,668	716	682	**1,171**
Gross Profit (Rs. Mn.)	148	100	30	64	**101**
Net Profit Before Taxation (Rs. Mn.)	(42)	(55)	311	(12)	**14**
Net Profit After Taxation (Rs. Mn.)	(33)	(45)	305	(98)	**(12)**
Total Comprehensive Income After Taxation (Rs. Mn.)	12	2	432	(64)	**214**
Shareholder Funds (Rs. Mn.)	1,009	1,029	1,471	1,440	**1,654**
Earnings per Share (Rs.)	(0.15)	(0.23)	2.68	(0.38)	**(0.11)**
Dividend per Share (Rs. cents)	0.08	0.00	0.00	0.06	**0.00**
P/E Ratio	-	-	3.51	-	**-**
Net Assets per Share (Rs.)	9.12	9.13	12.53	12.26	**14.03**
Current Ratio	1.17	0.93	24.17	12.71	**2.89**
Share Price					
Highest Recorded (Rs.)	11.80	11.50	14.10	13.80	**6.80**
Lowest Recorded (Rs.)	8.20	5.80	6.40	5.00	**4.80**
Value as at Year End (Rs.)	8.50	7.00	9.40	6.40	**5.00**

Chairman's Message

With relatively few exceptions, 2016 unfolded as we expected. The headwinds faced by the global economy last year persisted in the year under review and was characterised by stifled growth, the rise of populism and the unfolding of unexpected events such as Brexit. All these factors resulted in uncertainty and difficult trading conditions in some of our key markets. However we saw a rejuvenation in business conditions for natural rubber, the key commodity traded by the Company, especially in the last quarter of the financial year.

In the recent past the global natural rubber industry has been characterised by an oversupply of material but last year saw the rebalancing of supply and demand. Thailand, which is the largest producer of natural rubber, experienced severe flooding in the rubber growing regions towards the end of 2016, which added to concerns of a temporary global supply shortage. This proved to be a boon for us as the demand for Sri Lanka rubber increased significantly. Eastern Merchants was ably positioned to take advantage of these developments and our export volumes doubled over the last two quarters compared to that of the previous financial year. Despite the rebalancing of global rubber supply and demand, natural rubber prices are expected to remain at lower levels due to the presence of large extents of untapped rubber coming into maturity in countries such as Cambodia and Vietnam.

Locally, the rubber production continued to contract and fell by 10.7% in 2016 to record the lowest production volume in the last 50 years. This low production volume is a result of a reduction in the extent under tapping, bad weather conditions and low prices which act as a deterrent to tapping. Lower production is expected to continue into the future as competition for land from more lucrative agricultural crops and real estate developments intensifies. Consumption of rubber by local industries remains strong and around 87% of the domestic rubber production is consumed locally. This healthy local consumption leaves slim pickings for exports and has resulted in a 55% decline in natural rubber exports in 2016.

Our Singaporean trading arm which focuses on the trading of commodities from foreign origins has helped us insulate ourselves from these difficult conditions experienced in the local market. Considering the dwindling rubber production in Sri Lanka, our ability to trade in foreign origin material and service the demands of the local rubber-based industries has become increasingly more important. Furthermore, our practice of keeping lean stock levels, focusing on operational efficiencies and our prudent trading practices which enable us to strategically take advantage of opportunities as they arise have all proven to be successful, as our Group revenue increased by 72% to reach some LKR 1.18 billion in the year under review.

At the Group level, we posted a LKR 14.5 million profit before taxation, predominantly due to the recovery in our trading business. The potential to reap additional profits was limited as a result of our investment in an Associate Company involved in the extraction of natural flavours and essences for the food and beverage industry. Although the investment is yet to reap financial rewards, we firmly believe that it has great potential given that it is still a sunrise industry. With global consumer preferences switching towards more natural ingredients, the demand for these products will continue to grow in the foreseeable future. Furthermore we are confident that we will regain the dues from our discontinued subsidiary Asia Brush (Pvt) Ltd upon the complete dissolution of the company and sale of its assets.

To ensure that our business remains sound and relevant, we are continually looking for suitable opportunities to expand into new lines of business in the manufacturing sector. We are in the process of evaluating multiple investment options especially in the value-added natural rubber and food sector, and hope that our efforts will bear fruits in the coming financial year.

Credit for the past year's accomplishments should go to all our employees who have demonstrated their commitment to excellence through their hard work. Mr. I. P. de Zoysa who was the Company Director in charge of trading activities, resigned from his post on the 31st of May 2017 and I would like to take this opportunity to extend my sincere thanks and gratitude for his invaluable contribution to the success of the Company. This year our two Independent Directors Mrs. R.L. Nanayakkara and Mr. H.P.J. de Silva will be retiring in accordance with Section 7.10.4(e) of the CSE listing rules. Their input and good counsel as stewards of the Company over the past nine years has been priceless. We are very thankful and highly appreciative of their service. I also take this opportunity to thank our partners, clients and suppliers for their loyalty and support throughout the years. We will continue to focus on optimising our existing business, driving efficiencies and finding avenues to increase business value through diversification. We look forward to the coming year with optimism.

Mr. J.B.L. de Silva

Chairman

29th August 2017

Board of Directors

Currently, the Board of Directors at the Company consists of 9 members, including two Independent Non-executive Directors. Brief descriptions of each Board member are set out below.

Mr. J.B.L. de Silva

LL.B., Attorney-at-law

Chairman

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

Mr. H.J. de Silva

B.Sc.

Deputy Chairman

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

Mr. C.S.L. de Silva

B.Econ., M.Com.

Managing Director

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

Mr. 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. I.P. de Zoysa

Director

Mr. de Zoysa has been closely associated with the Trading activities of the Company for over 20 years. During this time he has developed into a key member of the Organisation possessing an in-depth knowledge of the commodities exported by the Company. He has also been pivotal in establishing several new markets overseas.

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.

Mrs. R.L. Nanayakkara

B.A. (Hons.), FIB, FIM (SL)

Independent Non-executive Director

Mrs. Nanayakkara requires no special introduction. Being a board member of companies too numerous to recount here, she possesses unparalleled corporate and management experience spanning over 50 years.

Mr. H.P.J. de Silva

B.Sc., MBA, FCA, FCMA, FIB

Independent Non-executive Director

Formerly employed in the State Sector as the Deputy General Manager/Corporate Advisor of the Bank of Ceylon, Mr. de Silva thereafter served as the Chief Executive Office/Managing Director of Sampath Bank and Union Bank, as well as the Director of Operations at American Express.

Directors' Report

The year under review ended on a positive note for Eastern Merchants despite the difficult trading conditions across the rubber industry. The LKR 14.5 million profit before tax reported for the Group this year is a clear indication that our diligent planning, careful trading practices and numerous operational strategies implemented over the past three years is slowly but surely paying off. The limited profitability reported at Group level is largely due to the 30% investment made at Health Ingredients Ceylon (Pvt) Ltd., a start-up company that manufactures and exports natural ingredients for the food and beverage industry. This industry has immense potential and we are convinced that we will reap the benefits of this investment in the future.

As an exporter of commodities to a global customer base, our fortunes are closely tied with worldwide economic and market conditions. In the third quarter of the financial year the world economy gained momentum fuelled by resilient financial markets and the recovery in manufacturing and trade. Almost mirroring the resurgence in general economic conditions, the rubber prices which remained at low levels during the year, rallied in the third quarter. This recovery in prices was mainly due to severe flooding in the major rubber growing areas of Thailand, but increases in crude oil prices and optimism in the US markets post presidential election were also catalysts. Currency depreciation of both the Chinese Yuan and Japanese Yen against the US dollar also contributed towards the price rebound.

Sri Lankan rubber is generally more expensive in comparison to the rubber of other South East Asian rubber producing countries. This makes exporting Sri Lankan origin rubber a tough task. However, Eastern Merchants was able to increase export volumes in the last quarter of the year under review due to the temporary short supply experienced in the global market. As a result our revenue at Company level reached almost LKR 1.2 Billion from LKR 682 Million the year before, a 72% increase.

While the IMF expects the global economy to grow by around 3.5% in 2017, we do not expect the rally in global rubber prices to remain. Although we expect demand for natural rubber to increase as advanced economies report higher economic activity, the glut in supply of natural rubber in South East Asian countries will continue unless artificially controlled by governing bodies. This compounded by the shrinking supply of local rubber proves our strategy of diversifying our product offering to include other origins is prudent. Having established strong and reliable sourcing networks, we are now able to source rubber from foreign origins to satisfy local consumption as well as our traditional export markets.

Operationally, our focus has remained in building efficiencies within and we successfully implemented several cost saving practices, which have reduced the administrative and establishment expenses. The Company recognises that the effective management of its human capital is essential to ensure its long term success and therefore take every measure to nurture and empower our people.

As a Company, we continuously pursue opportunities to grow and understand the importance of diversifying our business to ensure longevity. To this end, we have determined the best course of action is to follow an inorganic but related diversification growth strategy. We are examining several opportunities in depth and are keen to find a new path that will help propel us into the future while continuing to create stakeholder value.

Corporate Governance

Corporate Governance is at the core of our business. We perceive good governance as an uncompromising pursuit that provides the platform for growth in a sustainable manner. Eastern Merchants is committed to a policy of transparent, accountable and responsible governance. In doing so, the Board accepts the position of trusteeship, stewardship and accountability that is placed upon it. With the optimal mix of expertise and experience, the Board is equipped to effectively lead and direct the Company's business and strategy, ensuring the long-term success of the Company.

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 and the 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 same.

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

The board consists of nine members in total which includes two non-executive directors and two independent non-executive directors. In adherence to the section 7.10.2 (b) of the CSE Listing rules the two independent non-executive directors Mrs. R.L. Nanayakkara and Mr. H.P.J. de Silva 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 non-executive director annually and have determined the independence of its non-executive directors for the year under review.

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

Directors' Responsibilities for the Preparation of Financial Statements

The responsibilities of the Directors in relation to the Financial Statements of Eastern Merchants PLC are set out in this Statement, whereas the responsibilities of the Auditors are set out in the Auditors' Report in page 12 of this Annual Report.

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

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

The Financial Statements which are finalised and presented to the shareholders before the Annual General Meeting consist of the Statement of Profit or Loss, Statement of Comprehensive Income and the Statement of Financial Position, in addition to the Financial Notes and Accounting policies. The Directors are required to provide the Auditors with every opportunity to take whatever steps necessary to enable them to form their audit opinion and have complied accordingly. Their opinion on the Financial Statements are also detailed in the Auditor's report.

The Directors confirm that in preparing the financial statements, appropriate accounting policies have been selected and applied consistently, except unless otherwise stated in the Notes to the financial statements while reasonable and prudent judgments have been made so that the form and substance of transactions are properly reflected. There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation.

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

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

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

By order of the Board

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

29th August 2017

Audit Committee Report

Two Independent Non-Executive Directors of the Company, namely Mr. H.P.J. de Silva and Mrs. R.L Nanayakkara, both whom have extensive experience in the banking and financial services industry serve in the Audit Committee. The Committee is chaired by Mr. H.P.J. de Silva.

The Audit Committee provides assistance to the Board of Directors in fulfilling its oversight responsibility to the stockholders relating to the Company's (i) financial statements and the financial reporting process, (ii) preparation of the financial reports and other financial information provided by the Company to any governmental or regulatory body, (iii) systems of internal accounting and financial controls, (iv) internal audit functions, (v) annual independent audit of the Company's financial statements, (vi) major risk exposures, (vii) ensuring legal compliance.

During the 2016/17 financial year the Audit Committee met four times to evaluate the adequacy and effectiveness of the Company's internal control system and reviewed all financial statements in compliance with the relevant statutory requirements to determine their accuracy. The Managing Director and the Director - Finance participated in the Audit Committee meetings.

The Audit Committee assures that the corporate information gathering, analysis and reporting systems developed by management represent a good faith attempt to provide 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.

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

The Audit Committee believes it is in the best interest of the Company and the stockholder to retain the services Messrs. D.H.P Munaweera & Co. as the External Auditor of the Company for the financial year commencing 1st April 2017.

Mr. H.P.J. de Silva

Chairman - Audit Committee

29th August 2017

Remuneration Committee Report

The Remuneration Committee is a subcommittee of the Board and consists of two Independent Non-Executive Directors, namely, Mrs. R.L. Nanayakkara and Mr. H.P.J. de Silva. The Committee is chaired by Mrs. R.L. Nanayakkara.

The Company recognises and values its human capital as one of its key assets. Therefore the Remuneration Committee has been established by the board to fulfil the following functions:

- To appraise executive development process and programs.
- To review and recommend matters relating to the top management and Board of the Company.
- To ensure remuneration policy is designed to attract, reward, retain and motivate key personnel.
- To certify that the remuneration levels are compatible with the market and support continued business growth and shareholder value creation.

Staff remuneration comprises a fixed and a variable component, the latter of which is in the form of a 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 Non-executive Directors of the Company do not receive any salary for serving on the board or sub-committees, but receive annual Directors fees.

The Committee conducted a review of Directors' fees which takes into account Directors' contributions and their respective responsibilities, and deemed them to be appropriate and fair. The committee meets as and when the need arises and met thrice during the 2016/17 financial year.

Mrs. R.L. Nanayakkara

Chairwoman – Remuneration Committee

29th August 2017

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, on behalf of the Board ensures compliance with the Code of Best Practices on related party transactions issued by the Securities Exchange Commission (SEC) of Sri Lanka and Section 9 of the Listing Rules of the Colombo Stock Exchange and aims to protect the shareholder interests while maintaining fairness and transparency.

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

The members of the committee are:

Mrs. R.L Nanayakkara

Committee Chairwomen/Independent Non-executive Director

Mr. H.P. J. de Silva

Member/ Independent Non-executive Director

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.

Mrs. R.L. Nanayakkara

Chairwoman – Related Party Transactions Review Committee

29th August 2017

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
I. Eastern Merchants PLC	Export of traditional and non-traditional products
II. Eamel Exports Ltd.	Export of traditional and non-traditional products
III. Asia Brush (Pvt) Ltd.	Ceased operations
IV. Asian Woodware Company (Pvt) Ltd.	Ceased operations
V. Spice Lane (Pvt) Ltd.	Export of spice products
VI. Eastern Merchants Commodities Pte. Ltd.	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. I.P. de Zoysa, Mrs. R.L. Nanayakkara and Mr. H.P.J. de Silva.

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, Mr. S. Jayakody and Mr. I.P. de Zoysa.

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, Mr. I.P. de Zoysa and Mr. A.I. Pulle.

Registered office and principal place of business : #44-02, One Raffles Place Tower 1, Singapore 048616.

Independent Auditor’s Report

D H P

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 OF EASTERN MERCHANTS PLC

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying Financial Statements of Eastern Merchants PLC, (“the Company”), and the Consolidated Financial Statements of the Company and its subsidiaries (“the Group”), which comprise the Statement of Financial Position as at 31st March 2017 and the Statement of Profit or Loss and Statement of other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow for the year then ended and a Summary of Significant Accounting Policies and other explanatory information.

BOARD’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the Financial Statements that give a true and fair view 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 the entity’s internal control. An audit also includes evaluating the appropriateness of Accounting Policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, so far as appears from our examination, the Consolidated Financial Statements give a true and fair view of the Financial Position of the Group as at 31st March 2017 and of its Financial Performance and Cash Flow for the year then ended, in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion and scope and limitations of the audit are as stated above.

b) In our Opinion

- 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; and
- The Financial Statements of the Company give a true and fair view of its Financial Position as at 31st March 2017 and of its Financial Performance and Cash Flows for the year then ended in accordance with Sri Lanka Accounting Standards; and
- The Financial Statements of the Company and Group comply with the requirements of Section 151 and 153 of the Companies Act No.07 of 2007.

DHP Munaweera & Co

D.H.P. MUNAWEERA & COMPANY
CHARTERED ACCOUNTANTS

Colombo

29th August 2017.

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	Notes	COMPANY 2017 Rs.'000	COMPANY Restated 2016 Rs.'000	GROUP 2017 Rs.'000	GROUP 2016 Rs.'000
Continuing Operations					
Revenue	3	**1,014,870**	655,588	**1,171,364**	682,278
Cost of sales		**(928,345)**	(594,855)	**(1,070,451)**	(618,398)
Gross Profit		**86,525**	60,733	**100,913**	63,880
Other operating income	4	**18,707**	15,512	**22,524**	19,993
		105,232	76,245	**123,437**	83,873
Administrative expenses		**(74,335)**	(125,292)	**(81,373)**	(93,066)
Distribution expenses		**(30,798)**	(27,951)	**(36,171)**	(28,980)
Profit /(Loss) from Operations		**99**	(76,998)	**5,893**	(38,173)
Finance expenses	5	**(9,871)**	(1,910)	**(11,401)**	(1,938)
Finance income	6	**25,562**	31,515	**26,042**	30,927
		15,790	(47,393)	**20,534**	(9,184)
Change in fair value of investment property	13	**9,740**	5,533	**13,490**	5,971
Share of results of equity accounted investees		**(19,480)**	(9,156)	**(19,480)**	(9,156)
Profit/(Loss) before Taxation	7	**6,050**	(51,016)	**14,544**	(12,369)
Taxation	8	**(25,440)**	(13,639)	**(25,952)**	(13,402)
		(19,390)	(64,655)	**(11,408)**	(25,771)
Profit/(Loss) from discontinued operations (net of tax)	9	**-**	-	**(893)**	(72,491)
Profit/ (Loss) for the year		**(19,390)**	(64,655)	**(12,301)**	(98,262)
Attributable to					
Equity holders of the parent				**(12,846)**	(44,248)
Non controlling interest				**545**	(54,014)
Profit/ (Loss) for the year				**(12,301)**	(98,262)
Earnings per Share - Basic -Rs.	10	**(0.17)**	(0.55)	**(0.11)**	(0.38)
Dividend per Share - Rs.	11	**-**	0.06	**-**	-

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 20 through 67 form an integral part of the Financial Statements.

Statement of Other Comprehensive Income

For the year ended 31st March	Company		Group	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit/(Loss) for the year	**(19,390)**	(64,655)	**(12,301)**	(98,262)
Other Comprehensive Income				
Other comprehensive income to be reclassified to income statement in subsequent periods				
Currency translation of foreign operations	**-**	-	**2,164**	(2,381)
Net other comprehensive income to be reclassified to income statement in subsequent periods	**-**	-	**2,164**	(2,381)
Other comprehensive income not to be reclassified to income statement in subsequent periods				
Net gain/(loss) on available for sale financial assets			**(7,964)**	(17,810)
Revaluation of land and buildings	**230,025**	-	**237,025**	47,795
Re-measurement gain / (loss) on defined benefit plans	**757**	6,401	**757**	6,401
Net other comprehensive income not to be reclassified to income statement in subsequent periods	**230,782**	6,401	**229,818**	36,386
Tax on other comprehensive income	**(5,788)**	-	**(5,788)**	-
Other comprehensive income for the period, net of tax	**224,994**	6,401	**226,194**	34,005
Total comprehensive income for the period, net of tax	**205,604**	(58,254)	**213,893**	(64,257)
Attributable to				
Equity holders of the parent			**213,909**	(24,055)
Non controlling interest			**(16)**	(40,202)
Total Comprehensive Income for the year			**213,893**	(64,257)

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 20 through 67 form an integral part of the Financial Statements.

Statement of Financial Position

As at 31st March	Notes	Company 2017 Rs.'000	Company Restated 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
Assets					
Non-current assets					
Property, plant & equipment	12	**870,261**	436,592	**884,435**	450,871
Investment property	13	**192,590**	182,850	**245,790**	232,300
Investments in subsidiaries	14	**63,370**	63,370	**-**	-
Investment in equity accounted investees	15	**89,720**	109,200	**89,720**	109,200
Available for sale investment	16	**-**	-	**29,394**	38,377
Deferred tax assets	17	**-**	9,674	**-**	10,182
		1,215,941	801,686	**1,249,339**	840,930
Current assets					
Inventories	18	**75,397**	40,139	**76,833**	40,139
Trade & other receivables	19	**148,473**	21,714	**149,329**	21,988
Other current assets	20	**32,986**	34,550	**33,145**	34,705
Amounts due from related parties	21	**106,089**	86,657	**27,175**	-
Assets classified as held for sale	9.2	**-**	-	**90,372**	84,265
Held to maturity investment	22	**195,865**	442,953	**195,865**	442,953
Cash in hand & at bank	23	**60,021**	13,319	**72,555**	28,718
		618,831	639,332	**645,274**	652,768
Total Assets		**1,834,772**	1,441,018	**1,894,613**	1,493,698
Equity & Liabilities					
Capital & Reserves					
Stated capital	24	**16,778**	16,778	**16,576**	16,570
Revenue reserves	25	**1,059,586**	1,078,431	**1,100,833**	1,113,678
Other components of equity	26	**501,896**	277,447	**536,796**	310,041
		1,578,260	1,372,656	**1,654,205**	1,440,289
Non controlling interest		**-**	-	**(6,779)**	(6,762)
Total Equity		**1,578,260**	1,372,656	**1,647,426**	1,433,527
Non-current Liabilities					
Deferred tax liability	17	**16,296**	-	**15,578**	-
Retirement benefit obligations	27	**8,155**	8,805	**8,155**	8,805
		24,451	8,805	**23,733**	8,805
Current Liabilities					
Trade & other payables	28	**3,292**	1,079	**5,353**	2,647
Amounts due to related parties	29	**11,642**	10,178	**252**	252
Other current liabilities	30	**4,021**	2,878	**4,021**	2,878
Income tax payable	30.1	**-**	-	**722**	167
Interest bearing borrowings	31	**59,107**	-	**59,107**	-
Bank overdraft	31.1.2	**153,999**	45,422	**153,999**	45,422
		232,061	59,557	**223,454**	51,366
Total Equity & Liabilities		**1,834,772**	1,441,018	**1,894,613**	1,493,698

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

29th August 2017

Figures in brackets indicate deductions
The Accounting Policies and Notes on pages 20 through 67 form an integral part of the Financial Statements.

Statement of Changes in Equity - Company

	Stated Capital 2017 Rs.'000	Revaluation Reserve 2016 Rs.'000	Retained Earnings 2017 Rs.'000	Total 2016 Rs.'000
Balance as at 1st April 2015	**16,778**	277,447	**1,143,732**	1,437,957
Net profit/ (loss) for the year - Restated - Note 41	-	-	**(64,655)**	(64,655)
Comprehensive income	-	-	**6,401**	6,401
Total Comprehensive Income	-	-	**(58,254)**	(58,254)
Dividend paid	-	-	**(7,047)**	(7,047)
Balance as at 31st March 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

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 20 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 2015	16,570	296,250	-	-	1,158,572	1,471,392	36,139	1,507,531
Profit/(Loss) for the year	-	-	-	-	(44,248)	(44,248)	(54,014)	(98,262)
Other comprehensive income	-	25,389	(9,217)	(2,381)	6,401	20,192	13,812	34,004
Total Comprehensive Income	-	25,389	(9,217)	(2,381)	(37,847)	(24,056)	(40,202)	(64,258)
Dividend paid to equity holders of the parent	-	-	-	-	(7,047)	(7,047)	-	(7,047)
Subsidiary dividend to non-controlling interest	-	-	-	-	-	-	(965)	(965)
Acquisition, disposal & changes in non-controlling interest	-	-	-	-	-	-	(1,735)	(1,735)
Balance as at 31st March 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	-	-	-	-	-	-	-	-
Effect of disposal of shares (cross holding)	6	-	-	-	-	6	-	6
Balance as at 31st March 2017	16,576	550,351	(13,338)	(217)	1,100,833	1,654,205	(6,779)	1,647,425

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. 24.1

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 20 through 67 form an integral part of the Financial Statements.

Cash Flow Statement

For the year ended 31st March	Notes	Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
Cash Flows from Operating Activities					
Operating profit/(loss) before working capital changes	A	**17,858**	(19,201)	**25,760**	(103,574)
(Increase)/Decrease in inventories		**(35,259)**	4,331	**(36,694)**	5,431
(Increase)/Decrease in debtors & other receivables		**(126,759)**	(18,381)	**(127,340)**	(17,535)
Increase/(Decrease) in amounts due from/due to related parties		**(17,968)**	(97,355)	**(27,175)**	-
(Increase)/Decrease in other current assets		**2,621**	-	**2,621**	(36)
Increase/(Decrease) in other current liabilities		**1,143**	-	**1,143**	(183)
Increase/(Decrease) in trade & other payables		**2,213**	(3,115)	**2,706**	(1,518)
Cash generated from operations		**(156,151)**	(133,721)	**(158,979)**	(117,415)
Finance costs paid		**(9,871)**	(1,891)	**(11,401)**	(3,780)
Defined benefit plan cost paid		**(1,533)**	(4,594)	**(1,533)**	(4,594)
Income tax paid		**(6,315)**	(2,243)	**(6,485)**	(2,354)
Cash flows from/(used in) operating activities		**(173,870)**	(142,449)	**(178,398)**	(128,143)
Cash Flows from/(used in) Investing Activities					
Acquisition of property, plant & equipment		**(223,806)**	(8,540)	**(224,043)**	(13,565)
Proceeds from sale of property, plant & equipment		**4,044**	4,610	**4,044**	4,610
Proceeds from disposal of assets held for sale			-	**1,420**	6,761
Proceeds from held to maturity investments		**247,088**	183,450	**247,088**	183,450
Acquisition of non-controlling interest		**-**	-	**-**	(88)
Investments in subsidiaries/ associate company		**-**	(119,560)	**-**	(118,356)
Finance income excluding dividend		**13,272**	4,909	**13,689**	4,909
Dividend received		**12,290**	26,606	**12,353**	26,018
Cash flows from/ (used in) investing activities		**52,888**	91,475	**54,551**	93,739
Cash Flows from/ (used in) Financing Activities					
Dividend paid			(7,047)	**-**	(7,047)
Subsidiary dividend to non-controlling interest			-	**-**	(965)
Proceeds from interest bearing loans and borrowings		**59,107**	-	**59,107**	-
Repayment of interest bearing loans and borrowings			(27,085)	**-**	(27,742)
Settlement of lease rentals			(675)	**-**	(657)
Net cash flows from/(used in) financing activities		**59,107**	(34,807)	**59,107**	(36,411)
Net increase/(decrease) in cash & cash equivalents		**(61,875)**	(85,781)	**(64,740)**	(70,815)
Cash & cash equivalent at the beginning of the year		**(32,103)**	53,678	**(16,704)**	54,111
Cash & Cash Equivalent at the end of the year		**(93,978)**	(32,103)	**(81,444)**	(16,704)
Cash & Cash Equivalent					
Cash in hand & at bank		**60,021**	13,319	**72,555**	28,718
Bank overdrafts		**(153,999)**	(45,422)	**(153,999)**	(45,422)
Cash and Cash Equivalents at the end of the year		**(93,978)**	(32,103)	**(81,444)**	(16,704)

Cash Flow Statement

For the year ended 31st March	Notes	Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
Note A - Operating Profit/ (Loss) before Working Capital Changes					
Profit/(Loss) before tax from continuing operations		**6,050**	(51,016)	**14,544**	(12,369)
Profit/(Loss) before tax from discontinued operations		**-**	-	**(893)**	(72,491)
Adjustments for,					
Negative goodwill on changes in holding		**-**	-	**-**	(1,647)
Provision for impairment - investment			11,613	**-**	-
Provision for impairment - inter company current account			27,313	**-**	-
Share of results of equity accounted investees		**19,480**	9,156	**19,480**	9,156
Impairment of goodwill			-	**-**	3,460
Dividend income		**(12,290)**	(26,606)	**(12,353)**	(26,018)
Finance income		**(13,272)**	(4,909)	**(13,689)**	(4,909)
Finance costs		**9,871**	1,910	**11,401**	3,780
Depreciation		**17,787**	16,959	**18,129**	17,466
(Profit)/Loss on sale of property, plant & equipment		**(1,669)**	(18)	**(1,669)**	(18)
Gain) /Loss on disposal of assets held for sale		**-**	-	**(398)**	(1,659)
(Gain) /Loss on assets classified as held for sale		**-**	-	**893**	(68,805)
(Gain)/ Loss on currency translation of foreign operations		**-**	-	**2,164**	-
Provision for impairment - inventories		**-**	-	**-**	19,763
Provision for impairment - fixed assets		**-**	-	**-**	34,758
Change in fair value of investment property		**(9,740)**	(5,533)	**(13,490)**	(5,970)
Provision for gratuity		**1,641**	1,930	**1,641**	1,930
Operating Profit/ (Loss) before working capital changes		**17,858**	(19,201)	**25,760**	(103,574)

Figures in brackets indicate deductions

The Accounting Policies and Notes on pages 20 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 xx to xx 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 and 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 Ltd.	Export of non-traditional products
Asia Brush (Pvt) Ltd.	Operations discontinued
Asian Woodware Company (Pvt) Ltd.	Operations discontinued
Spice Lane (Pvt) Ltd.	Export of non-traditional products
Eastern Merchants Commodities Pte. Ltd.	Trading of commodities, business and management consultancy services

1.5 Number of Employees

The number of employees at the end of the year was 77 (2016 - 69).

1.6 Approval of Financial Statements

The Financial Statements for year ended 31st March 2017 were authorised for issue by the Board of Directors on 29th August 2017.

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 2017, comprise "the Company" referring to Eastern Merchants PLC as the holding Company and "the Group" referring to the companies that have been consolidated therein.

The consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries as at 31st March 2017. The Financial Statements of the subsidiaries are prepared in compliance with the Group's accounting policies unless otherwise stated. All intra-Group balances, income and expenses unrealised gains and losses resulting from intra-Group transactions and dividends are eliminated in full.

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

- Power over the investee (i.e. existing rights that give it the 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 Ltd.	51.75
Asia Brush (Pvt) Ltd.	52.26
Asian Woodware Company (Pvt) Ltd.	56.50
Spice Lane (Pvt) Ltd.	91.50
Eastern Merchants Commodities Pte. Ltd.	100.00

Loss of control

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

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

Non-controlling interest (NCI)

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

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

1.9. Responsibility for Financial Statements

The responsibility of the Board of Directors in relation to the financial statements is set out in the Statement of Directors' Responsibility Report in the Annual Report.

2. BASIS OF PREPARATION AND OTHER SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Measurement

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

2.2 Presentation of Functional Currency

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

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

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

Country of Incorporation	Functional Currency	Name of the Subsidiary
Singapore	Dollar (USD)	Eastern Merchants Commodities Pte. Ltd.

2.2.1 Foreign currency translation, foreign currency transactions and balances

The consolidated Financial Statements are presented in Sri Lankan 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 the 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.

Notes to the Financial Statements

2.2.2 Foreign operations

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

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

2.3 Significant Accounting Judgements, Estimates and Assumptions

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

The preparation of the Financial Statements of the Group require the management to make 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;

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

b) Impairment of non-financial assets

c) Taxes

d) Employee benefit liability

2.3.1 Taxation

The Company and its subsidiaries are subject to income tax and other taxes. The liability to taxation has been computed in accordance with the provisions of the Inland Revenue Act No.10 of 2006 and the amendments thereto. Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or Other Comprehensive Income, in which case it is recognised either in equity or Other Comprehensive Income respectively.

2.3.2 Going concern

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

2.3.3 Fair value of financial instruments

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

2.4 Current versus Non-current Classification

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

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- 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 the 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 and Discontinued Operations

(i) 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.

(ii) Discontinued operations

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

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

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

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

2.8 Investment in Equity Accounted Investees

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

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

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

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

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

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	Effective Holding	Value of Investment As at 31/03/2017
Health Ingredients Ceylon (Pvt) Limited	30%	LKR 89,720,000

2.9 Assets and 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 and valuation

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

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

2.9.1.2 Subsequent costs

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

2.9.1.3 Depreciation

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

The Annual Rates of Depreciation used are as follows:

Assets	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 derecognised. Depreciation methods, useful lives and residual values are reassessed at the reporting date.

2.9.1.4 De-recognition

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

2.9.2 Investment property

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

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

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

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

2.9.3. Intangible assets

2.9.3.1 Basis of recognition

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

2.9.3.2. Basis of measurement

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

2.9.3.3. Useful economic lives, amortisation and impairment

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

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

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

2.9.4 Leases

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

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

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

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

2.9.5 Inventories

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

(a) Raw Materials	At actual cost on weighted average cost basis.
(b) Finished Goods & Work-in-Progress	At the cost of direct materials, direct 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 and 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 recognised 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 recognised 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 recognised 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 and 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 amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Profit or Loss. The losses arising from impairment are recognised 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 amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Profit or Loss. The losses arising from impairment are recognised 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 unrealised gains or losses recognised as Other Comprehensive Income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised 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 recognised 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 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 recognised in equity is amortised to the Statement of Profit or Loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised 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 derecognised when:

a) The right to receive cash flows from the asset has expired

b) 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;

i. The Group has transferred substantially all the risks and rewards of the asset, or

ii. 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 recognised to the extent of the Group's continuing involvement in it. In that case, the Group also recognises 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 reorganisation 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 amortised cost

For financial assets carried at amortised 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, recognised 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 recognised 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 realised 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 recognised, the previously recognised 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 of 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 recognised in the Statement of Profit or Loss is removed from Other Comprehensive Income and recognised 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 recognised 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 amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised 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 recognised 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 and 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 recognised initially at fair value and, in the case of loans and borrowings, carried at amortised 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.

2.9.8.2 Subsequent measurement

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

(a) Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR method amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

The EIR amortisation is included 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 recognised amounts and there is an intention to settle on a net basis, or to realise 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 recognised 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 recognised 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 recognised if the carrying amount of an asset or a CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. In respect of other assets, impairment losses recognised 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 amortisation, if no impairment loss had been recognised.

2.10 Stated Capital

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

2.11 Borrowing Costs

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

2.12 Liabilities and Provisions

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

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

2.13 Capital Commitments and Contingent Liabilities

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

2.14 Employee Benefits

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

(a) Employee defined benefit plan - Gratuity

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

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

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

(b) Defined contribution plans - Employees' Provident Fund and Employees' Trust Fund

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

(c) Short-term benefits

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

2.15 Income Tax

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

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

(a) Current income tax

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

(b) Deferred income tax

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

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

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

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

Notes to the Financial Statements

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

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

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

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

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

(c) Turnover based taxes

Turnover based taxes include Value Added Tax (VAT), 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 recognised when persuasive evidence exists, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

2.16.2 Rendering of services

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

2.16.3 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 recognised 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 recognised in profit and loss on the date the entity's right to receive payment is established.

2.16.5 Rental income

Rental income is recognised in profit and 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 recognised by comparing the net sales proceeds with the carrying amount of the corresponding asset and are recognised net within 'other income' in profit and loss.

2.17 Expenditure Recognition

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

2.18 Events after the Reporting Date

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

2.19 Earnings per Share

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

2.20 Comparative Information

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

2.21 Determination of Fair Value

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

2.21.1 Land and buildings

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

2.21.2 Investments in equity securities

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

2.21.3 Non-derivative financial liabilities

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

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

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 9 - Financial Instruments	SLFRS 9 replaces the existing standard LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from LKAS 39.	On or after 1 January 2018 (early adoption permitted)	The Group expects no significant impact on its financial position and equity.
SLFRS 15 - Revenue from Contracts with Customers	SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition standard and guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes	On or after 1 January 2018 (early adoption permitted)	The Group's current study has not revealed a significant change to the revenue recognition patterns. However, the gaps identified will be addressed during 2017/18 financial year, and any impact to the current systems and processes will be modified where necessary.
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 2017/18.

3 REVENUE

For the year ended 31st March	Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
Export	**1,014,635**	655,562	**1,167,222**	682,278
Local Sales	**235**	26	**235**	-
Services	**-**	-	**3,509**	-
Other	**-**	-	**398**	-
	1,014,870	655,588	**1,171,364**	682,278

4 OTHER OPERATING INCOME

For the year ended 31st March	Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
Rent	**15,616**	13,240	**19,281**	15,483
Profit on sale of property, plant & equipment	**1,669**	18	**1,669**	18
Exchange gain	**1,422**	2,254	**1,574**	2,254
Scrap sales	**-**	-	**-**	398
Other income	**-**	-	**-**	193
Negative goodwill on changes in holding	**-**	-	**-**	1,647
	18,707	15,512	**22,524**	19,993

5 FINANCE EXPENSES

For the year ended 31st March	Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
Interest on borrowings & charges	**9,871**	1,892	**11,401**	1,920
Finance charges on lease liabilities	**-**	18	**-**	18
	9,871	1,910	**11,401**	1,938

6 FINANCE INCOME

For the year ended 31st March	Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
Interest income	**13,272**	4,909	**13,689**	4,909
Dividend	**12,290**	26,606	**12,353**	26,018
	25,562	31,515	**26,042**	30,927

7 PROFIT BEFORE TAX

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

For the year ended 31st March	Company		Group	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Directors' emoluments	**11,253**	13,075	**14,126**	13,075
Costs of defined employee benefits			-	
Defined benefit plan cost - Gratuity	**1,640**	1,929	**1,640**	1,929
Defined benefit plan cost - E.P.F. & E.T.F.	**2,675**	3,680	**2,755**	3,751
Staff expenses	**37,553**	28,314	**38,861**	28,439
Depreciation of property, plant and equipment	**17,787**	16,959	**18,129**	17,466
Auditors' remuneration				
Audit	**660**	640	**1,465**	769
Non-Audit	**235**	235	**235**	235
Charity & donations	**239**	199	**239**	199
Impairment of goodwill	-	-	-	3,460
Impairment of inter company current accounts	-	27,313	-	-
Impairment of investment	-	11,612	-	-

8 INCOME TAX EXPENSES

The major components of income tax expense are as follows:

For the year ended 31st March	Company		Group	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Current income tax charge				
Current income tax charge	**5,258**	3,303	**5,980**	3,470
10% Withholding tax on inter company dividends	-	-	-	104
Deferred tax charge /(release)			-	
Relating to origination and reversal of temporary differences	**20,182**	10,336	**19,972**	9,828
Income tax expenses/ (reversal) reported in the income statement	**25,440**	13,639	**25,952**	13,402

8.1 Reconciliation between current tax charge and The accounting profit

For the year ended 31st March	Company		Group	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit/(Loss) before tax	**6,050**	(51,016)	**14,544**	(12,369)
Share of results of equity accounted investees	**-**	-	**17,181**	9,156
Profit after adjustments	**6,050**	(51,016)	**31,725**	(3,213)
Non - deductible expenses	**24,045**	69,274	**24,507**	73,532
Income not liable for income tax	**(18,671)**	(32,139)	**(22,484)**	(32,921)
Other sources of income	**(28,889)**	(18,149)	**(28,889)**	(18,342)
Deductible expenses	**(16,588)**	(15,898)	**(18,620)**	(17,062)
Adjusted profit/ (loss) on trade business	**(34,053)**	(47,928)	**(13,761)**	1,994
Other sources of income	**28,888**	18,148	**28,888**	18,148
Adjustments	**-**	-	**3,112**	-
Agriculture income	**-**	-	**-**	192
Total statutory income	**28,888**	18,148	**32,000**	18,340
Set-off against tax losses	**(10,111)**	(6,352)	**(11,200)**	(7,117)
Assessable income	**18,777**	11,796	**20,800**	11,223
Deduction from assessable income	**-**	-	**-**	-
Taxable income	**18,777**	11,796	**20,800**	11,223
Tax on Taxable Income				
Tax on qualified export profit at 12%	**-**	-	**-**	148
Tax on agriculture profit at 10%	**-**	-	**-**	19
Income tax on standard rate 28%	**5,258**	3,303	**5,824**	3,303
Deemed dividend tax	**-**	-	**156**	
Current tax charge	**5,258**	3,303	**5,980**	3,470

8 INCOME TAX EXPENSES (CONTD.)

8.2 Deferred Tax Expenses

	Company		Group	
For the year ended 31st March	**2017**	2016	**2017**	2016
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Deferred tax expense arising from;				
Accelerated depreciation for tax purposes	**18,952**	4,091	**19,791**	4,091
Revaluation of investment property to fair value	**24,875**	-	**24,875**	-
Retirement benefit obligation	**(1,439)**	1,088	**(1,439)**	1,088
Reversal/(Benefit) arising from tax losses	**(22,206)**	5,157	**(23,255)**	4,649
Deferred tax charged directly to income statement	**20,182**	10,336	**19,972**	9,828
Other Comprehensive Income				
Deferred tax expense arising from;				
Actuarial losses on defined benefit obligations	**212**	-	**212**	-
Revaluation of land and building to fair value	**5,576**	-	**5,576**	-
Total deferred tax charged/(credited) directly to OCI	**5,788**	-	**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

9 DISCONTINUED OPERATION

Considering the business behaviour and income generation of previous years, the Board of Directors have decided to categorise Asia Brush (Pvt) Ltd and Asian Woodware Company (Pvt) Ltd under discontinued operations.

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:

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

	Asia Brush (Pvt) Limited		Asian Woodware Company (Pvt) Limited		Adjustments		Group	
For the year ended 31st March	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000	**Rs.'000**	Rs.'000	**Rs.'000**	Rs.'000
Revenue	-	2,284	-	1,045	-	(1,045)	-	2,284
Cost of sales	-	(3,114)		(2,332)	-	1,045	-	(4,401)
Gross profit	-	(830)	-	(1,287)	-	-	-	(2,117)
Other operating income	**12**	2,014	-	111	-	-	**12**	2,125
	12	1,184	-	(1,176)	-	-	**12**	8
Administrative expenses	**(728)**	(63,413)	**(218)**	(42,170)	-	35,452	**(946)**	(70,131)
Distribution expenses	-	(335)	-	(193)	-	-	-	(528)
Profit / (Loss) from operations	**(716)**	(62,564)	**(218)**	(43,539)	-	35,452	**(934)**	(70,651)
Finance expenses	**(3)**	(1,659)	**(12)**	(183)	-	-	**(15)**	(1,842)
Finance income	**47**	2	**56**	-	-	-	**103**	2
Profit/ (Loss) before taxation	**(672)**	(64,222)	**(174)**	(43,722)	-	35,452	**(846)**	(72,491)
Taxation	**(9)**	-	**(38)**	-	-	-	**(47)**	-
Profit/ (Loss) for the year	**(681)**	(64,222)	**(212)**	(43,722)	-	35,452	**(893)**	(72,491)
Revaluation surplus	**7,000**	47,795	-	-	-	-	**7,000**	47,795
	6,319	(16,427)	**(212)**	(43,722)	-	35,452	**6,107**	(24,696)

9 DISCONTINUED OPERATION (CONTD.)

9.2 Major Classes of Assets and Liabilities Classified as Held for Sale

For the year ended 31st March	Asia Brush (Pvt) Limited 2017 Rs.'000	Asia Brush (Pvt) Limited 2016 Rs.'000	Asian Woodware Company (Pvt) Limited 2017 Rs.'000	Asian Woodware Company (Pvt) Limited 2016 Rs.'000	Adjustments 2017 Rs.'000	Adjustments 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
Assets								
Amount due from related parties	**7,420**	7,995	**-**	-	**(7,420)**	(7,995)	**-**	-
Inventory	**3,500**	3,500	**200**	200		-	**3,700**	3,700
Non current assets held for sale								
Land	**88,000**	88,000	**-**	-	**-**	-	**88,000**	88,000
Buildings	**9,000**	2,000	**-**	10,000	**-**	-	**9,000**	13,000
Plant & machineries	**6,000**	6,000	**1,400**	1,500	**-**	-	**9,400**	7,500
Held to maturity investment	**847**	800	**-**	-	**-**	-	**847**	800
Trade & other receivable	**-**	-	**200**	200	**-**	-	**200**	200
Other current assets	**-**	-	**625**	625	**-**	-	**625**	625
Cash & bank	**200**	1,951	**6,965**	5,098	**-**	-	**7,165**	7,049
Assets classified as held for sale	**114,967**	110,246	**9,390**	17,623	**(7,420)**	(7,995)	**116,937**	119,874
Liabilities								
Interest bearing borrowing	**-**	150	**3**	-		-	**3**	150
Director current accounts	**23,941**	25,444	**-**	2,528		-	**23,941**	27,972
Amount due to related parties	**106,713**	106,713	**54,122**	54,697	**(42,872)**	(43,447)	**117,963**	117,963
Trade payables	**46**	-	**92**	5,046		-	**138**	5,046
Income tax payables	**9**	-	**274**	241		-	**283**	241
Liability directly associated with assets classified as held for sale	**130,709**	132,307	**54,491**	62,512	**(42,872)**	(43,447)	**142,328**	151,372
Net assets of each company and total	**(15,742)**	(22,061)	**(45,101)**	(44,889)	**35,452**	35,452	**(25,391)**	(31,498)
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							**90,372**	84,265

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

For the year ended 31st March	Asia Brush (Pvt) Limited 2017 Rs.'000	Asia Brush (Pvt) Limited 2016 Rs.'000	Asian Woodware Company (Pvt) Limited 2017 Rs.'000	Asian Woodware Company (Pvt) Limited 2016 Rs.'000	Adjustments 2017 Rs.'000	Adjustments 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
Net cash generated from/(used in) operating activities	**(1,601)**	46,442	**(8,137)**	8,068	**-**	-	**(9,738)**	54,510
Net cash from investing activities	**47**	6,749	**10,000**	12	**-**	-	**10,047**	6,761
Net cash used for financing activities	**(47)**	(39,985)	**-**	(3,000)	**-**	-	**(47)**	(42,985)
Net cash inflow/ (outflow)	**(1,601)**	13,206	**1,863**	5,080	**-**	-	**262**	18,286

10 EARNINGS PER SHARE

Basic Earnings per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares. The following reflects the income and share data used in the basic earnings per share computation.

	Company		Group	
For the year ended 31st March	**2017**	2016	**2017**	2016
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Amount used as the numerator				
Net profit attributable to ordinary shareholders (In Rs. '000)	**(19,390)**	(64,655)	**(12,846)**	(44,248)
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.)	**(0.17)**	(0.55)	**(0.11)**	(0.38)

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

11 DIVIDEND PER SHARE

	Company			
For the year ended 31st March	**2017**		2016	
	Rs. Per Share	**Rs.'000**	Rs. Per Share	Rs.'000
Equity dividend on ordinary shares declared and paid during the year	-	-	-	-
Final dividend (Previous years' final dividend paid in the current year)	-	-	0.06	7,047
Total dividend	-	-	0.06	7,047

12 PROPERTY, PLANT & EQUIPMENT

12.1 Company

For the year ended 31st March	Land Rs.'000	Buildings	Plant & Machinery Rs.'000	Motor Vehicles Rs.'000	Furniture & Fittings Rs.'000	Office Equipment Rs.'000	Stores & Other Equipment Rs.'000	Computer Hardware Rs.'000	Total Rs.'000
12.1.1 Cost / Revaluation									
As at 01st April 2016	309,350	67,964	33,714	77,957	4,300	6,270	6,000	6,205	511,760
Additions	145,254	57,355	1,973	10,550	-	3,916	4,233	525	223,806
Revaluation	210,108	11,794	-	-	-	-	-	-	221,902
Disposals	-	-	(2,110)	(8,025)	-	(947)	(453)	-	(11,535)
As at 31st March 2017	664,712	137,113	33,577	80,482	4,300	9,239	9,780	6,730	945,933
12.1.2 Depreciation									
As at 01st April 2016	-	3,399	17,746	33,153	3,870	6,078	5,743	5,179	75,168
Charge for the year	-	4,724	2,471	9,547	183	365	206	291	17,787
Revaluation	-	(8,123)	-	-	-	-	-	-	(8,123)
Disposals	-	-	(2,110)	(5,650)	-	(947)	(453)	-	(9,160)
As at 31st March 2017	-	-	18,107	37,050	4,053	5,496	5,496	5,470	75,672
12.1.3 Net Book Value									
As at 31st March 2017	664,712	137,113	15,470	43,432	247	3,743	4,284	1,260	870,261
As at 31st March 2016	309,350	64,565	15,968	44,804	430	192	257	1,026	436,592

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

For the year ended 31st March	2017 Cost Rs.'000	2017 Accumulated Depreciation Rs.'000	2017 Net Book Value Rs.'000	2016 Cost Rs.'000	2016 Accumulated Depreciation Rs.'000	2016 Net Book Value Rs.'000
Class of Asset						
Land	**163,009**	-	**163,009**	163,009	-	163,009
Add: Addition during the year	**145,254**	-	**145,254**	-	-	-
Less: Disposal during the year	-	-	-	-	-	-
	308,263	-	**308,263**	163,009	-	163,009
Buildings	**46,666**	**(41,440)**	**5,226**	46,666	(39,127)	7,539
Add: Addition during the year	**57,355**	**(997)**	**56,358**	-	-	-
Less: Disposal during the year	-	-	-	-	-	-
	104,021	**(42,437)**	**61,584**	46,666	(39,127)	7,539
Total	**412,284**	**(42,437)**	**369,847**	209,675	(39,127)	170,548

12.1.5 During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 223Mn (2016 - Rs. 8.5 Mn). Cash Payments Amounting to Rs.223Mn (2016- Rs. 8.5 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. 27Mn (2016 - Rs. 27Mn .)

12.2 Group

For the year ended 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
12.2.1 Cost / Revaluation									
As at 01st April 2016	307,794	83,215	33,714	77,957	4,411	6,270	6,562	6,225	526,148
Additions	145,254	57,355	1,973	10,550		4,153	4,233	525	224,043
Revaluation	210,108	11,794	-	-	-	-	-	-	221,902
Disposals	-	-	(2,110)	(8,025)	-	(947)	(453)	-	(11,535)
As at 31st March 2017	663,156	152,364	33,577	80,482	4,411	9,476	10,342	6,750	960,558
12.2.2 Depreciation									
As at 01st April 2016	-	3,399	17,745	33,153	3,889	6,079	5,829	5,183	75,277
Charge for the year	-	4,975	2,471	9,547	194	386	262	294	18,129
Transfers/Adjustments	-	(8,123)	(2,110)	(5,650)	-	(947)	(453)	-	(17,283)
As at 31st March 2017	-	251	18,106	37,050	4,083	5,518	5,638	5,477	76,123
12.2.3 Net Book Value									
As at 31st March 2017	663,156	152,113	15,471	43,432	328	3,958	4,704	1,273	884,435
As at 31st March 2016	307,794	79,816	15,969	44,804	522	191	733	1,042	450,871

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:

For the year ended 31st March	2017			2016		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Class of Asset						
Land	**163,009**	-	**163,009**	163,009	-	163,009
Add: Addition during the year	**145,254**	-	**145,254**	-	-	-
Less: Disposal during the year	-	-	-	-	-	-
	308,263	-	**308,263**	163,009	-	163,009
Buildings	**51,691**	**(41,440)**	**10,251**	46,666	(39,107)	7,559
Add: Addition during the year	**57,355**	**(997)**	**56,358**	-	-	-
Less: Disposal during the year	-	-	-	-	-	-
	109,046	**(42,437)**	**66,609**	46,666	(39,107)	7,559
Total	**417,309**	**(42,437)**	**374,872**	209,675	(39,107)	170,568

12 PROPERTY, PLANT & EQUIPMENT (CONTD.)

12.2.5 During the financial year, the Group acquired property, plant & equipment to the aggregate value of Rs. 224Mn (2016- Rs. 13Mn). Cash payments amounting to Rs.224 Mn (2016 - Rs. 13 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.27 Mn (2016- 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.

	Extents					
	Buildings in Sq.Ft	**Land in acres**	**Method of Valuation**	**Effective date of Valuation**	**Value Rs.'000**	**Name of the Chartered Valuation Surveyor**
Property						
Eastern Merchants PLC						
Land						
No.101, Gonawela Rd, Heiyantuduwa, Sapugaskanda.		A.3 - R.3- 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.		A.0 - R.0- P.146.2	Open Market Value	31st March 2017	88,000	Dr. Gaminda Haegoda
Buildings						
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.

13 INVESTMENT PROPERTY

As at 31st March	Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
Fair value at the beginning of the year	**182,850**	138,250	**232,300**	138,250
Value of land transferred from owner occupied	-	14,000	-	48,450
Value of building transferred from owner occupied	-	25,067	-	39,629
Value of investment property sold during the year	-	-	-	-
Change in fair value during the year	**9,740**	5,533	**13,490**	5,971
Fair value at the end of the year	**192,590**	182,850	**245,790**	232,300

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

Property	Name of the Chartered Valuation Surveyor	Method of valuation	Estimated price per perch Rs.'000	Estimated price per square foot Rs.'000	Extent	Value Rs.'000
Eastern Merchants PLC.						
No.101, & No.20 , Heiyantuduwa, Sapugaskanda						
Land	Dr. Gaminda Haegoda	Market Value	475,000		200.0 Perches	95,000
One Building	- do -	- do -		2,300	12,800 Sq.Ft	29,440
One Building	- do -	- do -		2,900	23,500 Sq.Ft	68,150
						192,590
Spice Lane (Pvt) Ltd.						
Land	Dr. Gaminda Haegoda	Market Value	60,000		642.0 Perches	38,504
Building	Dr. Gaminda Haegoda	Market Value		950	9,350 Sq.Ft	8,882
- do -	- do -	- do -		750	3,000 Sq.Ft	2,250
- do -	- do -	- do -		275	300 Sq.Ft	82
- do -	- do -	- do -		400	60 Sq.Ft	24
- do -	- do -	- do -		600	2,180 Sq.Ft	1,308
- do -	- do -	- do -		1,800	760 Sq.Ft	1,368
- do -	- do -	- do -		1,000	760 Sq.Ft	760
- do -	- do -	- do -		650	42 Sq.Ft	22
Total No of Buildings - 8						53,200
						245,790

B. Income and Expenditure on Investment Property

	Company 2017	Company 2016	Group 2017	Group 2016
Rent income	15,616	13,240	19,281	15,483
Direct operating expenses	(167)	(167)	(266)	(266)
Net income	15,449	13,073	19,015	15,217

13 INVESTMENT PROPERTY (CONTD.)

13.1 The Board of Directors has adopted the fair value model to value the investment properties of the Company and Group which were valued at fair value by Dr. Gamini Heagoda as at 31/03/2017.

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

	Company		Group	
As at 31st March	**2017**	**2016**	**2017**	**2016**
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
Land - Cost	**16,115**	2,115	**50,565**	2,115
Add: Transferred from owner occupied	**-**	14,000	**-**	48,450
Less: Cost of disposal land	**-**	-	**-**	-
Book value	**16,115**	16,115	**50,565**	50,565
Building - Cost	**47,477**	21,877	**47,477**	21,877
Add: Transferred from owner occupied	**-**	25,600	**-**	40,600
Accumulated depreciation	**(8,706)**	(6,332)	**(9,581)**	(7,207)
Less: Cost of disposal building	**-**	-	**-**	-
Accumulated depreciation of disposal building	**-**	-	**-**	-
Net book value	**38,771**	41,145	**37,896**	55,270
Net book value of investment property	**54,886**	57,260	**88,461**	105,835

14 INVESTMENT IN SUBSIDIARIES

As at 31st March		Company		Group	
		2017	**2016**	**2017**	**2016**
	Note	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Investments in subsidiaries	14.1	**63,370**	63,370	**-**	-
		63,370	63,370	**-**	-

14.1 Investments in Subsidiaries

	Company					Group			
	No. of Shares		Book Value			No. of Shares		Book Value	
As at 31st March	**2017**	2016	**2017**		2016	**2017**	2016	**2017**	2016
			Rs.'000	**Rs.'000**	Rs.'000			**Rs.'000**	**Rs.'000**
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 INVESTEES

	Company		Group	
As at 31st March	**2017**	2016	**2017**	2016
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
		Restated		
Investments in Associates - Unquoted				
15.1 Cost of Equity Accounted Investee				
Health Ingredients Ceylon (Pvt) Ltd.	**118,356**	118,356	**118,356**	118,356
Summarised financial information of above Company are shown in Note No.41				
	118,356	118,356	**118,356**	118,356
15.2 Movement of Equity Accounted Investee				
Balance brought forward	**(9,156)**	-	**(9,156)**	-
Current year share of profit/(loss)	**(19,480)**	(9,156)	**(19,480)**	(9,156)
Other comprehensive income	-	-	-	-
Less: Dividend received	-	-	-	-
Total share of equity accounted investee	**(28,636)**	(9,156)	**(28,636)**	(9,156)
Total carrying amount of investment in equity accounted investees	**89,720**	109,200	**89,720**	109,200

16 AVAILABLE FOR SALE INVESTMENT

	Group			
	No. of Shares		Fair value	
As at 31st March	2017	2016	2017	2016
			Rs.'000	Rs.'000
Eastern Merchants PLC	5,668,714	5,828,214	28,138	37,092
Ceylon Leather Products PLC	7,500	7,500	405	469
Piramal Glass PLC	50,000	50,000	280	255
Diesel & Motor Engineering PLC	1,020	1,020	571	560
			29,394	38,377

17 DEFERRED TAX

		Company		Group	
As at 31st March		2017	2016	2017	2016
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance at the beginning of the year		9,674	20,010	10,182	20,010
Charge/(Reversal) for the year					
Profit or Loss	8.2	(20,182)	(10,336)	(19,972)	(9,828)
OCI	8.2	(5,788)	-	(5,788)	-
Balance at the end of the year		(16,296)	9,674	(15,578)	10,182

17.1 Net Deferred Tax Asset

Deferred tax assets	17.2	40,208	16,774	41,992	17,507
Deferred tax liabilities	17.2	(56,504)	(7,100)	(57,570)	(7,325)
		(16,296)	9,674	(15,578)	10,182

17.2 Recognised Deferred Tax Assets & Liabilities

Deferred tax assets & liabilities are attributable to the following :

	Company			
	Assets		Liabilities	
As at 31st March	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property, plant & equipment	-	-	(31,629)	(7,100)
Employee benefits	2,284	1,057	-	-
Investment property	-	-	(24,875)	-
Adjusted tax loss	37,924	15,717	-	-
Net tax (assets)/ liabilities	40,208	16,774	(56,504)	(7,100)

As at 31st March	Group			
	Assets		Liabilities	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Property, plant & equipment	-	-	(32,695)	(7,325)
Employee benefits	2,284	1,057	-	-
Investment property	-	-	(24,875)	-
Adjusted tax loss	39,708	16,450	-	-
Net tax (assets)/ liabilities	41,992	17,507	(57,570)	(7,325)

18 INVENTORIES

As at 31st March	Company		Group	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Finished goods	74,111	38,768	75,281	38,768
Packing materials	1,286	1,371	1,552	1,371
	75,397	40,139	76,833	40,139

19 TRADE & OTHER RECEIVABLES

As at 31st March	Company		Group	
	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade receivables	144,011	18,995	144,011	18,995
Other receivables	4,462	2,719	5,318	2,993
	148,473	21,714	149,329	21,988

20 OTHER CURRENT ASSETS

As at 31st March		Company		Group	
		2017	2016	2017	2016
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Pre-payments & non cash receivables		21,469	23,208	21,469	23,208
Income tax refunds	20.1	11,517	11,342	11,676	11,497
		32,986	34,550	33,145	34,705

20 OTHER CURRENT ASSETS (CONTD.)

As at 31st March	Note	Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
20.1 Income Tax Refunds					
Balance at the beginning of the year		**11,342**	11,485	**11,497**	11,640
Income tax paid		**175**	-	**179**	-
		11,517	11,485	**11,676**	11,640
Income tax charged for the year		**(5,258)**	(3,303)	**(5,258)**	(3,303)
ESC set-off against income tax		**4,296**	2,688	**4,296**	2,688
WHT set-off against income tax		**962**	472	**962**	472
Balance at the end of the year		**11,517**	11,342	**11,676**	11,497

21 AMOUNTS DUE FROM RELATED PARTIES

As at 31st March	Note	Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
Eamel Exports (Pvt) Ltd.		**5,984**	7,880	**-**	-
Asia Brush (Pvt) Ltd.	33.2.1	**69,722**	69,722	**-**	-
Eastern Merchants Commodities Pte. Ltd.		**1,520**	7,366	**-**	-
Asian Woodware Company (Pvt) Ltd.	34.2.1	**1,688**	1,688	**-**	-
Health Ingredients Ceylon (Pvt) Ltd.		**27,175**	-	**27,175**	-
		106,089	86,657	**27,175**	-

22 HELD TO MATURITY INVESTMENT

As at 31st March	Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
Fixed Deposits				
HSBC	**50,402**	50,293	**50,402**	50,293
NDB	**145,463**	-	**145,463**	-
Investment in Lynear Wealth	**-**	392,660	**-**	392,660
	195,865	442,953	**195,865**	442,953

23 CASH IN HAND AND AT BANK

As at 31st March	Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
Cash at bank	**59,715**	12,742	**71,685**	28,140
Cash in hand	**306**	577	**870**	578
	60,021	13,319	**72,555**	28,718

24 STATED CAPITAL

	Company		Group	
As at 31st March	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Value of shares				
Fully paid ordinary shares	**16,778**	16,778	**16,576**	16,570

	Company		Group	
As at 31st March	2017	2016	2017	2016
Number of shares				
Fully paid ordinary shares (000)	**117,446**	117,446	**111,777**	111,598
	117,446	117,446	**111,777**	111,598

24.1 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 31/03/2017, Eamel Exports Ltd holds 4.83% of its holding company shares, Eastern Merchants PLC in line with above provisions. There is no other subsidiary company within the group which holds shares of Eastern Merchants PLC.

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

As at 31st March	No of Shares	Value
	000	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

25 REVENUE RESERVES

	Company		Group	
As at 31st March	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Retained earnings				
Balance - as per Equity Statement	**1,059,586**	1,078,431	**1,100,833**	1,113,678
Total revenue reserves	**1,059,586**	1,078,431	**1,100,833**	1,113,678

26 OTHER COMPONENTS OF EQUITY

	Company		Group	
As at 31st March	**2017**	2016	**2017**	2016
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
Capital reserves				
Revaluation reserve	**501,896**	277,447	**550,351**	321,639
Foreign currency translation reserve	**-**	-	**(217)**	(2,381)
Available for sale reserve	**-**	-	**(13,338)**	(9,217)
Total capital reserve	**501,896**	277,447	**536,796**	310,041

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.

27 RETIREMENT BENEFIT OBLIGATIONS

	Company		Group	
As at 31st March	**2017**	2016	**2017**	2016
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
Balance at the beginning of the year	**8,805**	17,871	**8,805**	17,871
Current service cost	**628**	740	**628**	740
Interest for the year	**1,013**	1,189	**1,013**	1,189
Actuarial loss/(gains)	**(758)**	(6,401)	**(758)**	(6,401)
Payments made during the year	**(1,533)**	(4,594)	**(1,533)**	(4,594)
Balance at the end of the year	**8,155**	8,805	**8,155**	8,805

27.1 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 make 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:

	Company	
As at 31st March	**2017**	**2016**
	Rs.'000	**Rs.'000**
Discount rate	**13%**	11.50%
Future salary increases	**5%**	5%
Retirement age	**55 Years**	55 Years
The gratuity liability is not externally funded.		
27.2 Net Benefit Expense Categorised Under Personnel Expenses:		
Interest cost	**1,013**	1,189
Current service cost	**628**	740
27.3 Sensitivity of Assumptions Used		
A one percentage change in the assumptions would have the following effects		
Discount rate		
1% increase	**(368)**	(399)
1% decrease	**403**	439
Salary increment rate:		
1% increase	**485**	429
1% decrease	**(449)**	(395)

28 TRADE & OTHER PAYABLES

	Company		Group	
As at 31st March	**2017**	**2016**	**2017**	**2016**
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
Trade creditors including accrued expenses	**3,292**	1,079	**5,353**	2,647
	3,292	1,079	**5,353**	2,647

29 AMOUNTS DUE TO RELATED PARTIES

	Company		Group	
As at 31st March	**2017**	2016	**2017**	2016
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Spice Lane (Pvt) Ltd.	**11,642**	10,178	**-**	-
Director's current account	**-**	-	**252**	252
	11,642	10,178	**252**	252

30 OTHER CURRENT LIABILITIES

	Company		Group	
As at 31st March	**2017**	2016	**2017**	2016
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Other non financial liabilities	**4,021**	2,878	**4,021**	2,878
	4,021	2,878	**4,021**	2,878

30.1 Income Tax Payable

Balance at the beginning of the year	**-**	-	**166**	-
Provision for the year	**-**	-	**722**	167
Tax paid during the year	**-**	-	**(166)**	-
	-	-	**722**	167

31 INTEREST BEARING BORROWINGS

31.1 Company

As at 31st March	Notes	2017 Amount Re-payable within 1 year Rs.'000	2017 Amount Re-payable after 1 year Rs.'000	2017 Total Rs.'000	2016 Amount Re-payable within 1 year Rs.'000	2016 Amount Re-payable after 1 year Rs.'000	2016 Total Rs.'000
31.1.1 **Bank loans**	31.1.1.1	**59,107**	-	**59,107**	-	-	-
Finance leases	31.1.1.2	-	-	-	-	-	-
		59,107	-	**59,107**	-	-	-
31.1.2 **Bank overdrafts**		**153,999**	-	**153,999**	45,422	-	45,422
		153,999	-	**153,999**	45,422	-	45,422
		213,106	-	**213,106**	45,422	-	45,422

31.1.1.1 Bank loans

	As at 01/04/2015 Rs.'000	Loans obtained Rs.'000	Re-payment Rs.'000	As at 31/03/2016 Rs.'000	Loans obtained Rs.'000	Re-payment Rs.'000	As at 31/03/2017 Rs.'000
Bank loans	27,085	-	(27,085)	-	**59,107**	-	**59,107**
	27,085	-	(27,085)	-	**59,107**	-	**59,107**

31.1.1.2 Finance leases

	As at 01/04/2015 Rs.'000	New Leases Obtained Rs.'000	Re-payment Rs.'000	As at 31/03/2016 Rs.'000	New Leases Obtained Rs.'000	Re-payment Rs.'000	As at 31/03/2017 Rs.'000
N.D.B	657	-	(657)	-	-	-	-
	657	-	(657)	-	-	-	-
Gross liability	675			-			-
Finance charges allocated to future periods	(18)			-			-
	657			-			-

31 INTEREST BEARING BORROWINGS (CONTD.)

31.2 Group

As at 31st March		Notes	2017 Amount Re-payable within 1 year Rs.'000	2017 Amount Re-payable after 1 year Rs.'000	2017 Total Rs.'000	2016 Amount Re-payable within 1 year Rs.'000	2016 Amount Re-payable after 1 year Rs.'000	2016 Total Rs.'000
31.2.1	**Bank loans**	31.2.1.1	**59,107**	-	**59,107**	-	-	-
	Finance leases	31.2.1.2	-	-	-	-	-	-
			59,107	-	**59,107**	-	-	-
31.2.2	**Bank overdrafts**		**153,999**	-	**153,999**	45,422	-	45,422
			153,999	-	**153,999**	45,422	-	45,422
			213,106	-	**213,106**	45,422	-	45,422

31.2.1.1 Bank loans

	As at 01/04/2015 Rs.'000	Loans obtained Rs.'000	Re-payment Rs.'000	As at 31/03/2016 Rs.'000	Loans obtained Rs.'000	Re-payment Rs.'000	As at 31/03/2017 Rs.'000
Bank loans	27,085	-	(27,085)	-	**59,107**	-	**59,107**
	27,085	-	(27,085)	-	**59,107**	-	**59,107**

31.2.1.2 Finance lease

	As at 01/04/2015 Rs.'000	New Leases Obtained Rs.'000	Re-payment Rs.'000	As at 31/03/2016 Rs.'000	New Leases Obtained Rs.'000	Re-payment Rs.'000	As at 31/03/2017 Rs.'000
N.D.B	657	-	(657)	-	-	-	-
	657	-	(657)	-	-	-	-
Gross liability	675			-			-
Finance charges allocated to future periods	(18)			-			-
	657			-			-

32 FINANCIAL INSTRUMENTS

Financial assets & liabilities are split into categories in accordance with LKAS 39 as follows.

As at 31st March	Notes	Company 2017 Rs.'000	Company 2016 Rs.'000	Group 2017 Rs.'000	Group 2016 Rs.'000
32.1 Financial Assets by Categories					
32.1.1 Financial instruments in non-current assets					
Available for sale investment	16	**-**	-	**29,394**	38,377
		-	-	**29,394**	38,377
32.1.2 Financial instruments in current assets					
Trade & other receivables	19	**148,473**	21,714	**149,329**	21,988
Amounts due from related parties	21	**106,089**	86,657	**27,175**	-
Assets classified as held for sale	9.2	**-**	-	**90,372**	84,265
Held to maturity investment	22	**195,865**	442,953	**195,865**	442,953
Cash in hand & at bank	23	**60,021**	13,319	**72,555**	28,718
		510,448	564,643	**535,297**	577,923
Total financial assets		**510,448**	564,643	**564,691**	616,300
32.2 Financial Liabilities by Categories					
32.2.1 Financial instruments in non-current liabilities		**-**	-	**-**	-
		-	-	**-**	-
32.2.2 Financial instruments in current liabilities					
Trade & other payables	28	**3,292**	1,079	**5,353**	2,647
Amounts due to related parties	29	**11,642**	10,178	**252**	252
Current portion of interest bearing borrowings	31	**59,107**	-	**59,107**	-
Bank overdrafts	31.1.2	**153,999**	45,422	**153,999**	45,422
Total financial instruments in current liabilities		**228,040**	56,679	**218,711**	48,321
Total financial liabilities		**228,040**	56,679	**218,711**	48,321

33 DIRECTORS INTEREST IN CONTRACTS / RELATED PARTY TRANSACTIONS

33.1 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. Thilakaratna	Y	Y	Y	-	-	-
Mrs. C.I. Thilakaratna	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
Mr. I.P. De Zoysa	-	-	-	Y	-	Y

33.2 Details of Significant Related Party Transactions are Disclosed as Follows;

For The Year Ended 31st March	2017 Rs.'000	2016 Rs.'000
33.2.1 Transactions with subsidiaries		
A Eamel Exports Ltd.		
Current account balance - Receivable		
Balance at the beginning of the year	**7,880**	339
Fund transfers	**-**	7,000
Interest on advances	**804**	
Reimbursements	**(2,700)**	540
Balance at the end of the year	**5,984**	7,880
B Asia Brush (Pvt) Ltd.		
Current account balance - Receivable		
Balance at the beginning of the year	**87,471**	19,817
Fund transfers	**-**	68,999
Settlement of loans	**-**	(1,344)
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	**7,366**	-
Fund transfers	**(6,142)**	7,366
Exchange gain	**296**	-
Provision for impairment	**-**	-
Balance at the end of the year	**1,520**	7,366

	For The Year Ended 31st March	2017 Rs.'000	2016 Rs.'000
D	**Asian Woodware Company (Pvt) Ltd.**		
	Current account balance - Receivable		
	Balance at the beginning of the year	**11,250**	-
	Fund transfers	**-**	11,250
	Provision for Impairment	**(9,562)**	(9,563)
	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	**10,178**	13,719
	Loan granted/ (settled) to Eastern Merchants PLC	**(31,332)**	(6,000)
	Interest	**1,221**	-
	Payments by Spice Lane (Pvt) Ltd. on behalf of the Company	**31,574**	2,459
	Balance at the end of the year	**11,641**	10,178
F	**Health Ingredients Ceylon (Pvt) Ltd.- Associate Company**		
	Current account balance -Receivable		
	Balance at the beginning of the year	**-**	-
	Fund transfers	**25,391**	-
	Interest charged	**1,784**	-
	Balance at the end of the year	**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. During the year, the Company has granted short term loans at interest rate of 12% & 14% per annum. The interest charged for the year was Rs. 1,784,219.87.

33.2.2 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.

33.2.3 Outstanding amounts due from related parties and due to related parties are disclosed in Notes No 21 and 29

33.2.4 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 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.

33.2.5 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 33.2.1

Notes to the Financial Statements

33.2.6 The Board of Directors of the Company are in the opinion that no further provision for impairment is required for the assets classified as held for sale (Discontinued Operation) disclosed in Note No 09.

33.2.7 Provision for impairment on amounts due from related parties disclosed in Note No 33.2.1 have been made due to the irrecoverability of balances due from subsidiary companies which have incurred substantial losses. Net assets of those companies are disclosed in Note No 09, Discontinued Operations.

33.3 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 include the Board of Directors of the Company and of its subsidiary and other personnel who involve in above activities. Transactions with close family members of the KMPs, if any, have also been taken into consideration in the following disclosure.

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

The following is the compensation of Directors and Key Management

	Company		Group	
For the year ended 31st March	**2017**	**2016**	**2017**	**2016**
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**
Short term employee benefits				
Directors remuneration	**11,253**	13,075	**14,126**	13,075

34 ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

34.1 Eastern Merchants PLC - Parent Company

The following assets have been pledged as security for liabilities.

Name of Institution	Nature of Assets	Nature of Liability	Amount of Facility Rs.'000	Amount as at 31/03/2017 Pledged Rs.'000	Included in
NDB	Primary mortgage of stocks and book debts.	Export finance and short term loan	40,000	219,409	Inventories & Trade Debtors
HSBC	Fixed deposit of Rs. 50 Mn	O/D & cash line facility.	45,000	50,402	Held to Maturity Investment

35 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.

36 EVENTS OCCURRING AFTER THE REPORTING DATE

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

37 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	
	2017	2016	2017	2016	2017	2016	2017	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Total sales	1,167,457	682,278	3,907	-	-	-	1,171,364	682,278
Other income	22,524	-	-	18,346	-	1,648	22,524	19,993
Segment revenue	1,189,981	682,278	3,907	18,346	-	1,648	1,193,888	702,271
Segment results	4,382	(73,690)	1,511	(12,545)	-	48,062	5,893	(38,173)
Finance expenses							(11,401)	(1,938)
Finance income							26,042	30,927
Change in fair value of investment property							13,490	5,971
Share of results of equity accounted investees							(19,480)	(9,156)
Profit before taxation							14,545	(12,369)
Tax provision							(25,952)	(13,402)
Profit/ (loss) from discontinued operation							(893)	(72,491)
Profit for the year							(12,300)	(98,261)
Other comprehensive income							226,194	34,005
Total comprehensive income							213,894	(64,256)
Attributable to								
Equity holders of the Company							213,909	(24,055)
Minority interest							(16)	(40,202)
Profit for the year							213,893	(64,257)
Assets	1,890,384	1,464,167	27,399	20,975	(142,284)	(131,693)	1,775,499	1,353,448
Segment assets	89,515	63,370	29,599	44,585	-	39,622	119,114	147,577
Other investments								
Total assets	1,979,899	1,527,537	56,998	65,560	(142,284)	(92,071)	1,894,613	1,501,025
Liabilities								
Other segment liabilities	28,465	13,909	6,497	7,969	(24,614)	(16,100)	10,348	5,778
Interest bearing borrowings	213,106	45,422	-	-	-	-	213,106	45,422
Deferred tax liabilities	15,578	7,327	-	-	-	-	15,578	7,327
Retirement benefit obligations	8,155	8,805	-	-	-	-	8,155	8,805
Total liabilities	265,304	75,462	6,497	7,969	(24,614)	(16,100)	247,187	67,332

Notes to the Financial Statements

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

38.1 Credit Risk

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

38.2 Market Risk

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

a) Interest rate risk
b) Currency risk
c) Equity price risk

a) Interest rate risk

The Group has cash and bank balances including deposits placed with government and credit worthy banks.

The Group monitors interest rate risks by actively monitoring the yield curve trends and interest rate movements.

b) Currency risk

The Group is primarily exposed to fluctuations in the value of US Dollar (USD) 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 USD can impact the group operating results through it's impact on costs.

c) Equity price risk

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

38.3 Risk Management

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

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

38.4 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.

	2017					
	Trade and 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
Risk exposure - Group						
Trade & other receivables	149,329	-	-	-	149,329	35.82%
Held to maturity investment	-	195,865	-		195,865	46.98%
Cash at bank	-		71,685	-	71,685	17.20%
Total credit risk exposure	149,329	195,865	71,685	-	416,879	100%
Risk exposure - Company						
Trade & other receivables	148,473	-	-	-	148,473	29.10%
Held to maturity investment	-	195,865	-		195,865	38.39%
Amounts due from related parties	-	-	-	106,089	106,089	20.80%
Cash at bank	-		59,715	-	59,715	11.71%
Total credit risk exposure	148,473	195,865	59,715	106,089	510,142	100%

	2016					
	Trade and 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
Risk exposure - Group						
Trade & other receivables	21,988	-	-	-	21,988	4.5%
Held to maturity investment	-	442,953	-		442,953	89.8%
Cash at bank	-	-	28,140	-	28,140	5.7%
Total credit risk exposure	21,988	442,953	28,140	-	493,081	100%
Risk exposure - Company						
Trade & other receivables	21,714	-	-	-	21,714	3.8%
Held to maturity investment	-	442,953	-		442,953	78.5%
Amounts due from related parties	-	-	-	86,657	86,657	15.4%
Cash at bank	-		12,742	-	12,742	2.3%
Total credit risk exposure	21,714	442,953	12,742	86,657	564,066	100%

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTD.)

38.5 Liquidity Risk

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

	Company		Group	
As at 31st March	**2017**	2016	**2017**	2016
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
Net debt/(cash)				
Short term investments	**195,865**	442,953	**195,865**	442,953
Cash in hand & at bank	**60,021**	13,319	**72,555**	28,718
Adjustments to liquid assets	**-**	-	**-**	-
Total liquid assets	**255,886**	456,272	**268,420**	471,671
Interest bearing loans & borrowings	**59,107**	-	**59,107**	-
Bank overdrafts	**153,999**	45,422	**153,999**	45,422
Total liabilities	**213,106**	45,422	**213,106**	45,422
Net debt/ (cash)	**42,780**	410,850	**55,314**	426,249

38.6 Maturity Analysis

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2017 based on contractual undiscounted (principal plus interest) payments.

As at 31st March	Company		Group	
	2017	2016	**2017**	2016
	Rs.'000	Rs.'000	**Rs.'000**	Rs.'000
All borrowings are payable within one year				
Interest bearing loans & borrowings	**59,107**	-	**59,107**	-
Trade & other payables	**3,292**	1,079	**5,353**	2,647
Amounts due to related parties	**11,642**	10,178	**252**	252
Bank overdrafts	**153,999**	45,422	**153,999**	45,422
	228,040	56,679	**218,711**	48,321

39 MATERIAL PARTLY - OWNED SUBSIDIARIES

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

39.1 Summarised Income Statement

	Export of Traditional & Non Traditional Products & Others		Others		Total	
For the year ended 31st March	**2017 Rs.'000**	2016 Rs.'000	**2017 Rs.'000**	2016 Rs.'000	**2017 Rs.'000**	2016 Rs.'000
Revenue	**3,203**	3,742	**1,886**	-	**5,089**	3,742
Cost of Sales	**(3,019)**	(4,413)	**-**	-	**(3,019)**	(4,413)
Gross Profit	**184**	(671)	**1,886**	-	**2,070**	(671)
Other operating income	**324**	1,201	**-**	157	**324**	1,357
Administrative expenses	**(715)**	(47,727)	**(1,092)**	(5,994)	**(1,808)**	(53,721)
Distribution expenses	**(42)**	(318)	**(63)**	(36)	**(105)**	(355)
Profit / (Loss) from operations	**(249)**	(47,516)	**730**	(5,874)	**481**	(53,390)
Finance expenses	**(17)**	(857)	**30**	166	**13**	(692)
Finance income	**148**	1	**(389)**	-	**(241)**	1
	(118)	(48,372)	**371**	(5,708)	**253**	(54,080)
Change in fair value of investment property	**313**	36	**-**	-	**313**	36
Profit/ (Loss) before taxation	**195**	(48,336)	**371**	(5,708)	**566**	(54,044)
Taxation	**(72)**	28	**52**	-	**(20)**	28
Profit/ (Loss) for the year	**123**	(48,307)	**423**	(5,708)	**546**	(54,015)
Other Comprehensive Income /(Loss) for the period						
Net Gain/(Loss) on available for sale financial assets	**-**	-	**(3,843)**	(8,594)	**(3,843)**	(8,594)
Revaluation surplus	**3,282**	22,406	**-**	-	**3,282**	22,406
Profit/ (Loss) allocated to material NCI	**3,405**	(25,901)	**(3,420)**	(14,302)	**(15)**	(40,203)
						-
Dividend paid to NCI	**-**	-	**-**	(965)	**-**	(965)

39 MATERIAL PARTLY - OWNED SUBSIDIARIES (CONTD.)

39.2 Summarised Statement of Financial Position

As at 31st March	Export of Traditional & Non Traditional Products & Others 2017 Rs.'000	2016 Rs.'000	Others 2017 Rs.'000	2016 Rs.'000	Total 2017 Rs.'000	2016 Rs.'000
Non-current assets	**4,523**	4,220	**27,166**	20,440	**31,688**	24,660
Current assets	**59,728**	60,769	**337**	246	**60,065**	61,015
Total assets	**64,251**	64,989	**27,503**	20,686	**91,753**	85,675
					-	-
Non-current liabilities	-	-	-	-	-	-
Current liabilities	**84,473**	88,584	**3,135**	3,853	**87,608**	92,437
Total liabilities	**84,473**	88,584	**3,135**	3,853	**87,608**	92,437
					-	-
Accumulated balances of material NCI	**(20,222)**	(23,595)	**24,367**	16,833	**4,145**	(6,762)

39.3 Summarised Cash Flow Information

For the year ended 31st March						
Cash flows from operating activities	**(4,663)**	25,920	**(511)**	3,273	**(5,174)**	29,193
Cash flows from/(used in) investing activities	**4,254**	3,173	**600**	(2,263)	**4,854**	910
Cash flows from/(used in) financing activities	**(22)**	(20,013)	-	(967)	**(22)**	(20,980)
Net increase/ (decrease) in cash & cash equivalents	**(431)**	9,081	**89**	43	**(342)**	9,123

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 Limited	48.25%
Spice Lane (Pvt) Limited	8.35%
Asia Brush (Pvt) Limited	46.88%
Asian Woodware Company (Pvt) Limited	42.32%

40 SUMMARISED FINANCIAL INFORMATION OF EQUITY ACCOUNTED INVESTEES

For the year ended 31st March	2017 Rs.'000	2016 Rs.'000
Revenue	**431**	179
Expenses	**(65,363)**	(30,699)
Profit/ (Loss) after tax	**(64,932)**	(30,520)
Non-current assets	**66,556**	62,908
Current assets	**19,972**	43,814
Total assets	**86,528**	106,722
Non-current liabilities	**4,022**	4,870
Current liabilities	**51,085**	13,161
Total liabilities	**55,107**	18,031
Net assets	**31,421**	88,691

41 RESTATEMENT TO THE FINANCIAL STATEMENTS

The Company has decided to measure the investment in Associates Companies using equity method in accordance with the amendments made to para 10 of LKAS 27-"Separate Financial Statements". Accordingly, the company has restated the comparative information as at 31 March 2016 as required by LKAS 8-"Accounting policies, changes in accounting estimates and errors"

The amendments to LKAS 27 allow entities to use the equity method in the separate financial statements of the company as described in LKAS 28. The application of equity method in the Separate Financial Statements of the Company is expected to result in the same net assets and profit or loss attributable to the owners as in the Company's Consolidated Financial Statements.

The Company has adjusted the opening balance of each attached component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

Effects of the measurement on the respective assets, liabilities and equity in the Statement of Financial Position as at 31 March 2016 and Statement of Profit or Loss for the year ended 31 March, 2016 are given in the Note 15 to the financial statements.

Reconciliations on re-statement statement are as follows;

For the year ended 31st March	31st March 2016		
	Previously Reported Rs.'000	Re-statement Rs.'000	Restated Balance
Statement of Financial Position			
Investment in equity accounted investees	118,355	(9,156)	109,199
Retained earning	(55,499)	(9,156)	(64,655)
Statement of Profit or Loss			
Share of profit of equity- accounted investees, (net of tax)	-	(9,156)	(9,156)
Earnings per share	(0.47)		(0.55)

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	15,134,219	12.89
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
A. Karunaratne	1,463,000	1.25
J.B.L.de Silva/K.G.A. de Rajap/N. Senanayake	1,400,000	1.19
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
I. P. De Zoysa	401,018	0.34
Dr./Mrs. C. A. Suranimala	350,000	0.30
E. N. J. N. P. Kuranage	280,000	0.24
M. M. Senaratne	280,000	0.24
	109,220,191	

Public shareholding

31,536,078 ordinary shares were held by 1,317 shareholders as at 31 March 2017, representing 26.85% of the total ordinary shares issued. The corresponding figure for the ending 31st March 2016 was 31,447,326 ordinary shares helped by 1,309 shareholders, which represented 26.75% of the total number of ordinary shares in issue as at that date.

SHAREHOLDER ANALYSIS AS AT 31ST MARCH 2017

Nos. of Shares Held	No. of Shareholders 2017	No. of Shares 2017	%
1-1,000	721	234,883	0.20
1,001 -10,000	411	1,705,167	1.45
10,001 - 100,000	162	4,383,746	3.73
100,001 - 1,000,000	23	8,802,591	7.50
Over 1,000,000	9	102,319,613	87.12
	1,326	117,446,000	100

DIRECTORS SHAREHOLDINGS AS AT 31 MARCH 2017

Name of Director	As at 31.03.17 Shares	%	As at 31.03.16 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	15,134,219	12.89	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
I. P. de Zoysa	401,018	0.34	401,018	0.34
S. Jayakody	103,064	0.09	32,316	0.03
H. P. J. de Silva	-	0.00	-	0.00
Mrs. R. Nanayakkara	-	0.00	-	0.00
	79,424,541		79,353,793	

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 71st Annual General Meeting of Eastern Merchants PLC will be held at the ground floor Auditorium at the Ceylon Chamber of Commerce, 50 Navam Mawatha, Colombo 2, on 29th September 2017 at 2.30 pm.

AGENDA

1. To read the notice convening the meeting.

2. To confirm the minutes of the 70th Annual General Meeting held on 30th September, 2016.

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 2017.

4. To resolve that Mrs. C.I. Thilakaratna and Mr. H.J. de Silva 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 notify that Mrs. R.L.N. and Mr. H.P.J. Silva will retire from the board in compliance with Section 7.10.4(e) of CSE listing rules, on completion of 9 consecutive years of service. Both directors were appointed on 4th August, 2008.

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

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

By order of the Board

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

Notes:

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

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

Form of Proxy

I/We, ………

…………………………………………………………………….……………. of …………………………………………………...………………

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

J. B. L. de Silva of Colombo 03,	Whom failing
H. J. de Silva of Colombo 03,	Whom failing
C.S.L. de Silva of Colombo 03,	Whom failing
S. Jayakody of Kelaniya,	Whom failing
I.P. de Zoysa of Thalawathugoda,	Whom failing
N. K. L. Tilakaratna of Colombo 05,	Whom failing
C. I. Tilakaratna of Colombo 05,	Whom failing
R. Nanayakkara of Rajagiriya,	Whom failing
H. P. J. de Silva of Rajagiriya,	Whom failing

....

of .... as my /our proxy to represent me/us and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 29th September, 2017 at 2.30 pm and at any adjournment thereof. As witness my/our hand (s) this ....day of ....2017.

………………………………………
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 public quoted company with limited liability incorporated in Sri Lanka and listed with the Colombo Stock Exchange.

Principal Activities
Export of traditional and non-traditional commodities.

Subsidiaries
Asia Brush (Pvt) Ltd.
Eamel Exports 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
I. P. de Zoysa
R. L. Nanayakkara
H. P. J. de Silva

Secretary
S. Jayakody

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

Bankers
Hongkong and Shanghai Banking Corporation Ltd.
Hatton National Bank PLC
Nations Trust Bank PLC
National Development Bank PLC
DFCC Bank PLC
Bank of Ceylon
Deutsche Bank, Sri Lanka

Designed & produced by
emagewise
Printed by Karunaratne & Sons (Pvt) Ltd

www.easternmerchants.net