# E. B. Creasy & Company PLC

Annual Report 2020/21

# CONTENTS


Financial Highlights 02
Notice of Meeting 04
Chairman's Review 07
Board of Directors 09


## MANAGEMENT DISCUSSION AND ANALYSIS


Strategic Report 12
Integrating Sustainability 22
Financial Performance and Sector Review 25


## CORPORATE GOVERNANCE


Enterprise Governance 33
Remuneration Committee Report 36
Audit Committee Report 37
Related Party Transactions Review Committee Report 39
Annual Report of the Board of Directors 40
Statement of Directors' Responsibilities 44
Risk Management 45


## FINANCIAL REPORTS

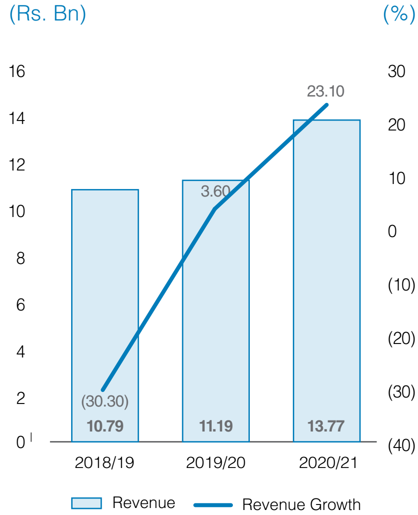

Independent Auditors' Report 49
Statement of Profit or Loss and Other Comprehensive Income 54
Statement of Financial Position 55
Statement of Changes in Equity 56
Statement of Cash Flows 57
Notes to the Financial Statements 59
Share Information 128
Group Financial Summary 130
Form of Proxy 131
Corporate Information **Inner Back Cover**

# Financial Highlights

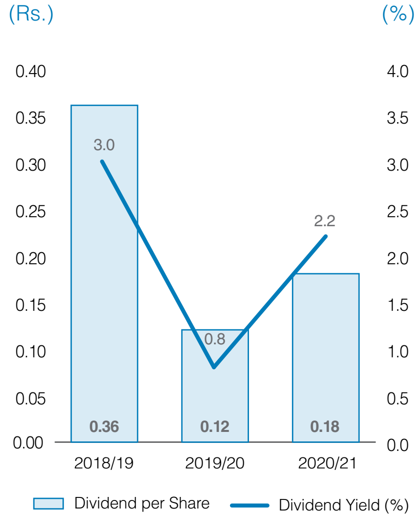
| | | 2020/21 | 2019/20 | 2018/19 Restated |
|---|---|---|---|---|
| **Financial Performance Highlights** | | | | |
| Revenue | Rs'000 | 13,766,848 | 11,186,301 | 10,793,779 |
| Gross Profit | Rs'000 | 4,603,430 | 3,163,493 | 2,591,475 |
| Operating Profit | Rs'000 | 1,587,426 | 520,076 | 111,612 |
| Net Finance Expense | Rs'000 | (474,804) | (585,272) | (606,875) |
| Share of Loss of Equity Accounted Investees | Rs'000 | (280,746) | (301,714) | (334,123) |
| Profit/(Loss) before Tax | Rs'000 | 831,876 | (366,910) | (829,386) |
| Profit/(Loss) after Tax | Rs'000 | 583,628 | (424,508) | (742,420) |
| Profit/(Loss) attributable to equityholders of the Parent | Rs'000 | 510,615 | (393,808) | (715,306) |
| Dividends | Rs'000 | 45,638 | 30,425 | 91,276 |
| | | | | |
| Gross Profit Margin | % | 33% | 28% | 24% |
| Operating Profit Margin | % | 12% | 5% | 1% |
| Interest Cover | Times | 3.34 | 0.89 | 0.18 |
| Net Profit/(Loss) Margin | % | 4% | -4% | -7% |
| | | | | |
| **Financial Position Highlights** | | | | |
| Total Assets | Rs'000 | 13,092,056 | 11,763,992 | 11,989,160 |
| Total Equity attributable to equityholders of the Parent | Rs'000 | 4,154,830 | 3,491,327 | 3,964,710 |
| Total Liabilities | Rs'000 | 8,586,610 | 8,025,653 | 7,745,317 |
| Net Current Assets/(Liabilities) | Rs'000 | (157,746) | (892,074) | (716,889) |
| | | | | |
| Current Ratio | Times | 0.98 | 0.85 | 0.87 |
| Debt/Equity (Long-term Loans to Equity) | % | 13% | 22% | 19% |
| Gearing (Long-term Loans to Capital Employed) | % | 11% | 18% | 16% |
| Return on Capital Employed | % | 33% | 11% | 3% |
| | | | | |
| **Market and Shareholder Information** | | | | |
| No. of Shares in Issue | No.s | 253,545,800* | 2,535,458 | 2,535,458 |
| Market Price per Share | Rs | 30.40* | 816.90 | 1,490.00 |
| Market Capitalisation | Rs'000 | 7,707,792 | 2,071,216 | 3,777,832 |
| Basic Earnings/(Loss) per Share* | Rs | 2.01 | (1.55) | (2.82) |
| Net Assets per Share* | Rs | 16.39 | 13.77 | 15.64 |
| Dividend per Share* | Rs | 0.18 | 0.12 | 0.36 |
| Dividend Payout Ratio | % | 49% | 30% | 42% |
| Dividend Yield | % | 2.2% | 0.8% | 3.0% |

** After subdivision of shares on the basis of subdividing every one (01) existing issued ordinary share into One Hundred (100) issued ordinary shares. Comparative figures of Earnings/(Loss) per Share, Net Assets per Share and Dividend per Share are restated accordingly.*

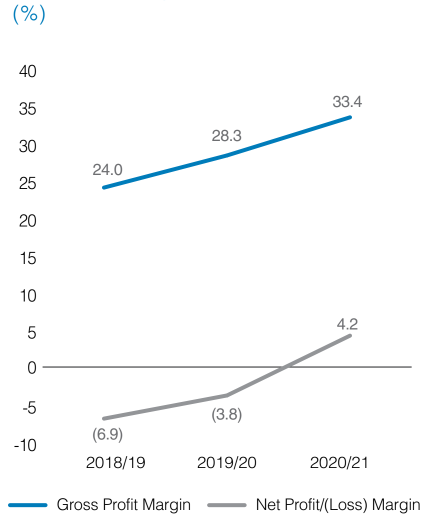
## Revenue



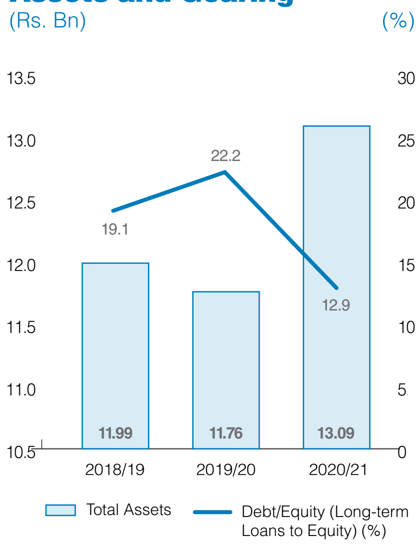

## Dividends



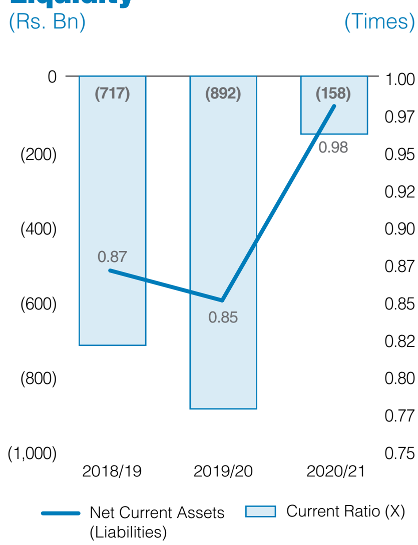

## Profit Margins




## Assets and Gearing




## Liquidity




REVENUE
**Rs. 13.8 Billion**
(2019/20 : Rs. 11.2 BILLION)

OPERATING PROFIT
**Rs. 1.6 Billion**
(2019/20 : Rs. 0.5 BILLION)

PROFIT BEFORE TAX
**Rs. 0.8 Billion**
(2019/20 : LOSS-Rs. 0.4 BILLION)

EARNINGS PER SHARE
**Rs. 2.01**
(2019/20 : LOSS-Rs. 1.55)

GEARING
**11%**
(2019/20 : 18%)

NET ASSETS PER SHARE
**Rs. 16.39**
(2019/20 : Rs. 13.77)

OPERATING PROFIT MARGIN
**12%**
(2019/20 : 5%)

RETURN ON CAPITAL EMPLOYED
**33%**
(2019/20 : 11%)

# Notice of Meeting

Notice is hereby given that the Eighty Eighth Annual General Meeting of E. B. Creasy & Company PLC will be held on 11th November 2021, at 12.00 noon and conducted as a Virtual Meeting from 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01 or 98, Sri Sangaraja Mawatha, Colombo 10, for the following purposes, namely:

1. To receive and consider the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March, 2021 with the Report of the Auditors' thereon.
2. To declare a First and Final Dividend of Rs. 1/- per share as recommended by the Directors.
3. To reappoint Mr. R. N. Bopearatchy who is over seventy years of age as a Director.

   Special Notice has been received from a shareholder of the intention to pass a Resolution which is set out below in relation to his reappointment. (See Note No. 6)
4. To reappoint Mr. A. Rajaratnam who is over seventy years of age as a Director.

   Special Notice has been received from a shareholder of the intention to pass a Resolution which is set out below in relation to his reappointment. (See Note No. 7)
5. To reappoint Mr. A. M. de S. Jayaratne who is over seventy years of age as a Director.

   Special Notice has been received from a shareholder of the intention to pass a Resolution which is set out below in relation to his reappointment. (See Note No. 8)
6. To reappoint Mr. R. Seevaratnam who is over seventy years of age as a Director.

   Special Notice has been received from a shareholder of the intention to pass a Resolution which is set out below in relation to his reappointment. (See Note No. 9)
7. To reappoint Mr. A. R. Rasiah who is over seventy years of age as a Director.

   Special Notice has been received from a shareholder of the intention to pass a Resolution which is set out below in relation to his reappointment (see Note No.10)
8. To reappoint Mr. S. N. P. Palihena who is over seventy years of age as a Director.

   Special Notice has been received from a shareholder of the intention to pass a Resolution which is set out below in relation to his reappointment (see Note No.11)
9. To reappoint Dr. A.M. Mubarak who has attained seventy years of age as a Director.

   Special Notice has been received from a shareholder of the intention to pass a Resolution which is set out below in relation to his reappointment (see Note No.12)
10. To reappoint Mr. S. D. R. Arudpragasam who has attained seventy years of age as a Director.

    Special Notice has been received from a shareholder of the intention to pass a Resolution which is set out below in relation to his reappointment (see Note No.13)
11. To authorise the Directors to determine contributions to charities.
12. To reappoint as Auditors, KPMG, Chartered Accountants and authorise the Directors to determine their remuneration.

By Order of the Board,

Corporate Managers & Secretaries (Private) Limited

Secretaries

Colombo

4th October 2021

Notes:

1. A member of the Company who is entitled to attend and vote may appoint a proxy to attend and vote instead of him or her. A proxy need not be a member of the Company.
2. A Form of Proxy is enclosed for this purpose.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company's Secretaries, Corporate Managers & Secretaries (Pvt) Limited at No. 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 1, not less than forty-eight hours before the time fixed for the meeting.
4. Members are encouraged to vote by Proxy through the appointment of a member of the Board of Directors to represent them and vote on their behalf. Members are advised to complete the Form of Proxy and their voting preferences on the specified resolutions to be taken up at the meeting and submit the same to the Company Secretaries in accordance with the instructions given on the reverse of the Form of Proxy.
5. Please refer the "Circular to Shareholders" dated 4th October 2021 for further instructions relating to the Annual General Meeting and for joining the Meeting virtually.
6. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:

   Resolved -

   "That Mr. R. N. Bopearatchy who is eighty years of age be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director, Mr. R. N. Bopearatchy."
7. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:

   Resolved -

   "That Mr. A. Rajaratnam who is eighty years of age be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said Director, Mr. A. Rajaratnam."
8. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:

   Resolved -

   "That Mr. A. M. de S. Jayaratne who is eighty one years of age, be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said Director, Mr. A. M. de S. Jayaratne."
9. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:

   Resolved -

   "That Mr. R. Seevaratnam who is seventy eight years of age, be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said Director, Mr. R. Seevaratnam."

# Notice of Meeting *Contd.*

10. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:

    Resolved –

    "That Mr. A. R. Rasiah who is seventy five years of age, be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said Director, Mr. A. R. Rasiah."

11. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:

    Resolved –

    "That Mr. S. N. P. Palihena who is seventy four years of age, be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said Director, Mr. S. N. P. Palihena."

12. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:

    Resolved –

    "That Dr. A.M. Mubarak who has attained seventy years of age, be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said Director, Dr. A. M. Mubarak."

13. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:

    Resolved –

    "That Mr. S. D. R. Arudpragasam who has attained seventy years of age, be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said Director, Mr. S. D. R. Arudpragasam."

14. In the event the Company is required to take any further action in relation to the meeting due to COVID - 19 Pandemic, and / or any communications, guidelines, directives or orders issued by the Government of Sri Lanka, Notice of such action shall be given by way of an announcement to the Colombo Stock Exchange.

# Chairman's Review

On behalf of the Board of Directors it gives me great pleasure to welcome you to the Company's Eighty-Eighth Annual General Meeting and to present the Annual Report and Audited Financial Statements of the Company and its subsidiaries for the year ended 31st March 2021.

The outbreak of COVID-19 adversely impacted the local economy with lockdown measures and other health and safety protocols imposed in mid-March 2020 to combat the pandemic. The pandemic further eroded the economic recovery prospects during 2020, which was already suppressed with 2019 Easter attacks. Consequently, the deepest recession since independence was recorded as the GDP growth of the country plunged to a negative 3.6% in 2020 compared to the positive 2.3% recorded in the previous year with unemployment rate rising above 5% following business closures reflecting subdued consumer and investor sentiments. In addition to the above, high levels of government borrowings further worsened the economic landscape of the country.

On the positive side, the financial regulator and the government implemented proactive and timely measures to revive the economy through debt moratoriums and concessionary loan schemes for impacted individuals and businesses. An accommodative monetary policy aimed at stimulating the economy through multiple reductions in the policy rates and statutory reserves ratio led to sustained reductions in market interest rates.

Driven by the low interest rate environment the benchmark All Share Price Index (ASPI) ended the year at 7,121.28, increasing 56% in comparison with the previous year. The import restrictions imposed by the government stabilised the exchange rate for the most part of the year with intermittent volatilities at the beginning of the pandemic and towards the end of the year. Further, the headline inflation moved broadly in the desired range of 4%-6% during the year 2020 while core inflation remained low throughout the year.

Despite the COVID-19 pandemic generating a gamut of challenges and impacting the private consumption, we witnessed resilience and growth in sectors including healthcare, home and personal care. As such, I am pleased to note that the Company recorded a revenue of Rs. 5.3 Billion, demonstrating a strong 27% growth over the preceding year. The Company's strategic initiatives driven towards improving the market share in FMCG segment through brand building and promotional initiatives coupled with realigning the distribution network directly attributed to this strong growth in top-line during the year under review.

In line with the market share expansion efforts, the selling and distribution expenses increased by 63% compared to the previous year while the net finance cost declined by 44% compared to the previous year due to the favorable interest rates that prevailed during the year under review. Thus, the Company concluded the year by reporting a profit before tax of Rs. 511 Million compared to Rs. 113 Million reported during the previous year.

At the Group level, the consolidated turnover reached Rs. 13.8 Billion compared to Rs. 11.2 Billion recorded in the previous year. In addition to the noteworthy contribution by our FMCG sector, we were able to deliver resilient performance through increase in revenue reported from the healthcare and food ingredient sectors due to the strong distribution network presence of Darley Butler & Co. Ltd. Similarly, an impressive performance was reported by the steel wire manufacturing sector of the Group during the year under review. The Group concluded the year with a profit before tax of Rs.832 Million compared to a loss before tax of Rs.367 Million reported in the previous year.

2020 was a challenging year for all of us. Yet it brought opportunities to innovate and inspire, and to work closer as one team to achieve a strong growth in our domestic retail business in this crisis environment. Although we have adapted to the new normal, the year ahead will be yet another challenging one for most of our business sectors across the group on account of many negative externalities prevailing in this highly disruptive business landscape including unprecedented currency devaluation affecting our overall business model adversely. Nevertheless, we will continue to capitalise on numerous strategic initiatives in pursuit of top-line growth, bottom-line performance and improved capital efficiency, to deliver sustainable results with a purpose-driven approach.

# Chairman's Review *Contd.*

Thus, we seek to win market share and improve margins within our existing business verticals. Accordingly, we envisage to unveil new brands in our FMCG category and to invest in extending our existing brands in the home care and personal care segments which we are confident, will enable us to strengthen our brand equity in the medium term. We continue to improve efficiency and productivity in our manufacturing processes across our plants to maintain stringent product quality standards across the entire product portfolio. Further we will escalate and reinforce our distribution network through various strategic investments to accomplish a competitive edge in the market.

To drive our growth, your management is overseeing strategies on ramping up our product portfolio in the healthcare segment by investing in necessary product offerings at affordable prices whilst maintaining stringent product quality standards by partnering with new principals and suppliers. In addition to the above, we look forward to maximising our capacities in the steel wire manufacturing segment. Accordingly, the group will seize opportunities to capitalise in new manufacturing plants with state-of-the-art technology. As part of our diversification strategies, we were able to venture into rooftop solar projects during the year under review through the Group's subsidiary, Laxapana Batteries PLC. A culmination of these strategies will support our future growth and generate value for you, our shareholders, and for the people of this country.

During the year, the Company carried out a subdivision of issued ordinary shares on the basis of subdividing every One (01) existing issued ordinary share into One Hundred (100) issued ordinary shares, thereby increasing the number of shares of the Company from 2,535,458 to 253,545,800 shares. The Directors trust that this subdivision would adequately reward the shareholders who have held their shares for a long period of time, and also increase the liquidity and the market capitalization of the Company.

The Directors have also recommended the payment of a First and Final dividend of Rs. 1/- per share for the year ended 31st March 2021, which amounts to Rs.253.5 Million. This indicates a 60% dividend payout from the distributable profits of the Company for the FY 2020/21, and reflects as an increase of 456% over the previous year's dividend payment.

In conclusion, I wish to extend my sincere appreciation to my colleagues on the Board for the wisdom and guidance which helped us navigate this past year with a steady hand. I am humbled by the loyalty of our treasured employees, customers, many business partners and our valued shareholders for their trust and confidence placed in our business as we forge ahead in our endeavors.

**S. D. R. Arudpragasam**
*Chairman*

4th October 2021

# Board of Directors

## S. D. R. Arudpragasam – FCMA (UK)
*Chairman/Managing Director*

Mr. S. D. R. Arudpragasam was appointed to the Board in 1988 and as Managing Director in 1989. He was appointed Chairman on 1st October, 2017. He serves as Chairman of several subsidiaries of The Colombo Fort Land & Building PLC (CFLB) including Chairman Lankem Ceylon PLC. He holds the position of Deputy Chairman of The Colombo Fort Land & Building PLC (CFLB) in addition to serving on the Boards of other Companies within the CFLB Group.

Mr. Arudpragasam is a Fellow of the Chartered Institute of Management Accountants (U.K.).

## R. Seevaratnam – B.Sc. (Lond.), FCA (Eng. and Wales), FCA (ICASL)
*Deputy Chairman*

Mr. R. Seevaratnam was appointed to the Board as an Independent Non-Executive Director in April 2014 and appointed Deputy Chairman on 1st October, 2017. He was a former senior partner of KPMG. Mr. Seevaratnam is a Director of several listed and unlisted companies.

He is a Fellow of the Institute of Chartered Accountants of England and Wales and of Sri Lanka and holder of a General Science Degree from the University of London.

## S. Rajaratnam – B.Sc. CA
*Joint Managing Director*

Mr. S. Rajaratnam was appointed to the Board as Deputy Managing Director in the year 2006. He was appointed Joint Managing Director on 1st April, 2018. He serves on the Boards of certain subsidiaries of the E. B. Creasy Group and holds several other Directorships including The Colombo Fort Land & Building PLC.

Mr. S. Rajaratnam holds a Bachelor of Science Degree in Business Administration from Boston College, U.S.A. and is a Member of the Institute of Chartered Accountants in Australia.

## A. Rajaratnam – FCA
*Director*

Mr. A. Rajaratnam joined the Board in 1988 and served as Chairman from the year 2003 to September, 2017. He currently serves as Chairman of The Colombo Fort Land & Building PLC (CFLB) and C M Holdings PLC (CMH) in addition to holding other Directorships within the Group.

Mr. Rajaratnam is a Fellow of the Institute of Chartered Accountants of Sri Lanka.

## R. C. A. Welikala
*Director*

Mr. R. C. A. Welikala was appointed to the Board in the year 2000. He has extensive experience in marketing of fast moving consumer goods and has successfully developed key brands in the E. B. Creasy Group to market leadership positions. He also holds other Directorships within the E. B. Creasy Group.

## R. N. Bopearatchy – B.Sc. (Cey), Dip. BM, MBA (Univ. of Col.)
*Director*

Mr. R. N. Bopearatchy was appointed to the Board in the year 2000. He has considerable expertise in product development, manufacturing and marketing of pesticides, pharmaceuticals and consumer products.

Soon after graduation he was employed in Research in the Plant Pathology Division of the Tea Research Institute and subsequently joined Chemical Industries Colombo Limited and was appointed to its Board. He also served on the Boards of Crop Management Services (Pvt) Limited the managing agents for Mathurata Plantations Limited, CIC Fertilizers Limited and Cisco Speciality Packaging (Pvt) Limited. He has held office as the Chairman of the Pesticide Association of Sri Lanka, the Toxicological Society of Sri Lanka and the International Mosquito Spiral Manufacturers Association (IMSMA).

# Board of Directors *Contd.*

Mr. R. N. Bopearatchy serves as a Director in several Companies in The Colombo Fort Land & Building Group.

He holds a Bachelor of Science degree from the University of Ceylon, a Masters in Business Administration from the University of Colombo and a Diploma in Business Management from the NIBM.

### P. M. A. Sirimane – **FCA, MBA**
*Director*

Mr. P. M. A. Sirimane joined the E. B. Creasy Group in October, 2009 and was appointed to the Board in November, 2009. Amongst other senior positions he has functioned as Managing Director/CEO of Mercantile Leasing Ltd., Group Finance Director of United Tractor & Equipment Ltd., Chief Financial Officer, Sri Lanka Telecom Ltd. and Director, SLT Hong Kong Ltd. He has served as a Member of several Committees of the Institute of Chartered Accountants of Sri Lanka and was an ex-officio member of the International Leasing Association.

Mr. Sirimane serves on the Boards of some of the subsidiaries of the E. B. Creasy Group and holds several other Directorships including The Colombo Fort Land & Building PLC (CFLB) on which he serves as Group Finance Director.

He is a Fellow of the Institute of Chartered Accountants of Sri Lanka and also holds a Masters in Business Administration from the University of Swinburne, Victoria, Australia.

### A. R. Rasiah – **B.Sc. (Cey.), FCA**
*Director*

Mr. A. R. Rasiah was appointed to the Board as an Independent Non-Executive Director in June 2010. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and finalist of the Chartered Institute of Management Accountants (UK). He holds a Bachelor of Science Degree from the University of Ceylon.

Mr. A. R. Rasiah's illustrious career both in finance and commerce spans over thirty-five years. He started his career with Ernst and Young and later served at Mercantile Group of Companies and Almulla Group of Companies, Kuwait. Finally, he joined Nestle Lanka PLC as Director Finance in 1994 and was with the Group until his retirement in 2005. He was formerly Chairman of Atlas Axillia (Pvt) Ltd., Chairman of the Sri Lanka Institute of Directors and Senior Director of Nations Trust Bank PLC. Currently Mr. Rasiah functions as the Chairman of Hela Clothing (Pvt) Ltd., Alternate to Chairman of Gestetner of Ceylon PLC and as Non-Executive Director of the E.B. Creasy Group of Companies, on some of the Boards of the Hotels Sector in The Colombo Fort Land & Building Group, Fintek Managed Solutions (Pvt) Ltd, Clindata Lanka (Pvt) Ltd and Sunshine Tea Co (Pvt) Ltd. He is also a keen sportsman who represented Sri Lanka at Table Tennis.

### S. N. P. Palihena – **FCIB (U.K.), FIB (SL), Post Grad. Dip. Bus. & FA**
*Director*

Mr. S. N. P. Palihena was appointed to the Board as an Independent Non-Executive Director in June, 2010. In addition to serving on the Board of E. B. Creasy & Company PLC and some of its subsidiaries he also serves on certain Boards of The Colombo Fort Land & Building Group.

He was a former Chief Executive Officer/General Manager of Bank of Ceylon and has had a distinguished banking career spanning almost forty years at the Bank of Ceylon. He has also worked at the National Development Bank of Sri Lanka for a period of over three years. Mr. Palihena is a former Director of the DFCC Bank and Softlogic Finance PLC.

He is a Fellow of the Chartered Institute of Bankers London, and a Fellow of the Institute of Bankers Sri Lanka. He also has a Postgraduate Diploma in Business and Financial Administration.

**Dr. A. M. Mubarak - B.SC. (SL), Ph.D. (Cantab), FICHEMC, FNASSL**
*Director*

Dr. A.M. Mubarak was appointed to the Board as an Independent Non-Executive Director in September 2013. Dr. Mubarak a Commonwealth Scholar, has a B.Sc. degree from the University of Colombo and a Ph. D. from the University of Cambridge U.K. Dr. Mubarak a former Director and Chief Executive Officer of the Industrial Technology Institute has several years experience in managing industry oriented R&D. Presently he holds the post of Chief of Research and Innovation at the Sri Lanka Institute of Nanotechnology (Pvt) Ltd.

Dr. Mubarak has served as Chairman of National Science Foundation and on the Boards/ Councils of the University of Colombo, Postgraduate Institute of Science, Sri Lanka Accreditation Board, National Engineering Research & Development Centre and National Science and Technology Commission. Currently he is a Member of the University of Sri Jayewardenapura Council and the Sri Lanka Standards Institute Council. He has also held the posts of President of the Institute of Chemistry, Ceylon, Sri Lanka Association for the Advancement of Science and National Academy of Sciences of Sri Lanka.

Dr. Mubarak serves on the Boards of some of the subsidiaries of E. B. Creasy & Company PLC and as Chairman of Union Chemicals Lanka PLC.

**A. M. de S. Jayaratne – B.Sc. (Econ.), FCA (Eng. and Wales), FCA (ICASL)**
*Director*

Mr. A. M. de S. Jayaratne was appointed to the Board as an Independent Non-Executive Director in April, 2014. He is a former Chairman of Forbes & Walker Limited, Colombo Stock Exchange, Ceylon Chamber of Commerce and The Finance Commission. He also served as Sri Lanka's High Commissioner in Singapore. Mr. Jayaratne is a Director of several listed and unlisted companies. He holds a Bachelor of Science Degree in Economics and is a Fellow of the Institute of Chartered Accountants of England and Wales and of Sri Lanka.

**S. W. Gunawardena – B.Sc., MBA**
*Director*

Mr. S. W. Gunawardena joined the Company in 2002 and was appointed to the Board in April, 2014. He also serves on the Boards of some of the subsidiaries of the E. B. Creasy Group.

He is currently the Head of the Home Care Division and has initiated many new businesses.

Prior to joining the Company he had served in leading mercantile establishments in Sri Lanka and overseas.

He serves on the Board of International Household Insecticides Manufacturers BHD and functions as the Treasurer from 2014. He is also a member of the Standing Committee on University Business Linkages (UBL) under University Grants Commission.

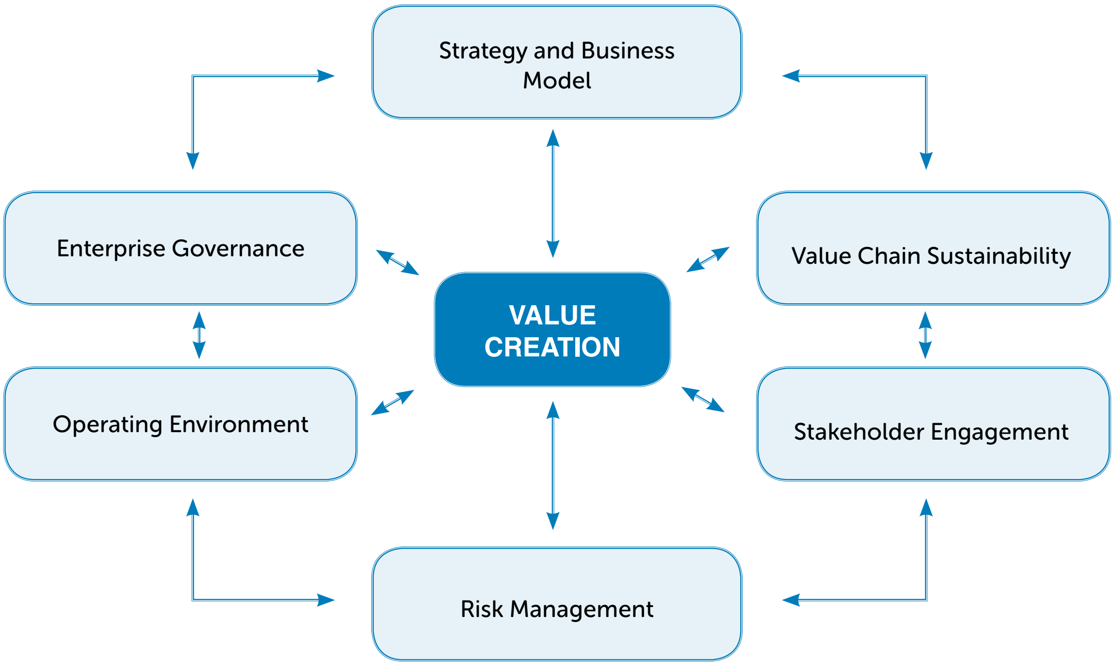
He holds a Bachelor of Science degree from the University of Colombo and a Masters in Business Administration from the Postgraduate Institute of Management, University of Sri Jayewardenapura.

# Management Discussion and Analysis

## Strategic Report

### VALUE CREATION

This section provides insights into how various business processes are integrated to create value for our stakeholders. Having adapted to changes in the operating environment the Group Strategy is executed in a resilient business model with a constructive approach to stakeholder engagement, to make an economic impact and to create value for our stakeholders.




### BUSINESS MODEL

The Group focuses on consolidating and strengthening its core businesses. Our valued consumers are at the centre of our business model as we always strive to deliver the best through our value chain.

As such, the Group deploys its Capitals into its principal activities to create value for all stakeholders.

#### a. Group Capitals

**Financial Capital**

- Prudent Cash Flow Management
- Strategic Investments
- Access to Financial Resources
- Low Geared Capital Structure

**Manufactured Capital**

- State-of-the-art Manufacturing Facilities
- Modern Technology
- Strict Quality Standards

**Intellectual Capital**

- Brand Equity
- Good Governance and Compliance
- Internal Control Systems

**Human Capital**

- Strong Leadership
- Passionate, Loyal and Dedicated Team
- A Diverse Workforce

**Natural Capital**

- Environmental-Friendly Manufacturing Processes
- Responsible Usage of Natural Resources
- Green Energy Generation

**Social and Relationship Capital**

- Consumer Loyalty
- Long Standing Relations with Foreign Principals and Suppliers
- Strong Distributor Network across the Island
- Social Responsibility and Community Support

## b. Principal Activities

The Group invests in sustainable businesses with greater social responsibility to fulfill its vision. Group businesses are classified into key sectors.

| CATEGORY | PRINCIPAL ACTIVITIES |
|---|---|
| FMCG Consumer Brands | Manufactures home care and personal care brands that instill in the minds of consumers |
| Healthcare | Ensures that vital pharmaceutical products and infant milk powder are made available to our local consumers |
| Food and Confectionary | Supplies ingredients to the local bakery sector and manufactures branded confectionary under strict quality standards |
| Steel wires | Manufactures hot dipped galvanized steel wires and nail wires for the construction industry |
| Energy and Lighting | Distributes batteries and CFL and LED bulbs under "Laxapana" brand and invests in green energy generation |
| Solar and Hardware | Supplies solar modules, aerosol paints, and water pumps, and undertakes installations of rooftop solar systems |
| Exports | Manufactures value-added latex sports bands conforming to international standards for export purpose |

## GROUP PROFILE

### E. B. CREASY & COMPANY PLC AND DARLEY BUTLER & COMPANY LIMITED

In 1878, Edward Bennet Creasy established the 'House of E. B. Creasy' – laying the foundation for an enduring business conglomerate that now contributes towards the nation's household and healthcare needs. Incorporated as a limited liability company in 1929, the Company was listed on the Stock Exchange back in 1968.

Operating successfully for over fourteen decades and fulfilling needs of several generations, E. B. Creasy & Co. PLC continues to maintain a growing market presence – providing products that make a significant difference in people's everyday lives. The Company believes in providing functional products manufactured responsibly with no detriment whatsoever on society and the environment. Hence, the Company has painstakingly adopted and implemented several sustainable production methods – ensuring the right practices behind all operational processes and product choices.

The management is accountable for the Company's manufacturing and marketing practices – as they continuously assess conformance to ethical practices whilst elevating business operations to locally and internationally accepted standards, rules, laws and regulations. The Company's success and long-term value creation for stakeholders is based on benchmarks – as it seeks to create and share benefits of economic success with shareholders, investors, employees and communities. Moreover, the Company has a central tenet that governs each decision and strategy – which is based on contributing to the betterment of the economy, environment and people, or the triple bottom-line.

E. B. Creasy & Co. PLC operates across many business lines, representing prominent consumer brands in Sri Lanka. The Company's fully-owned subsidiary Darley Butler also enjoys tantamount, nationwide recognition as a household name – supplying several highly popular retail categories and product offerings. Darley Butler was acquired in 1967 by E. B. Creasy & Co. PLC, becoming one of the Group's main subsidiaries. Darley Butler & Co. Ltd. is engaged in the branding, marketing and distribution of a spread of consumer goods (FMCG). The Company's roots date back to 1848, when it was formed through a partnership between Edward Darley and Samuel Butler. In 1920, the Company was changed to a limited liability enterprise, with a subsequent shift towards importation of goods and distribution of household products.

Darley Butler, being the consumer marketing subsidiary of the Group, has one of the most extensive marketing and distribution systems in the country. Darley Butler is also in possession of a fleet of vehicles dispersed across the island. Decentralising operations, Darley Butler works with more than 100 stock-holding agents enabling the Company to access stocks and facilities for effective means of island-wide distribution to retailers, wholesalers, and other private and state sector enterprises.

The Company markets a diverse range of fast-moving consumer goods, which are some of the most prestigious household brand names in the country. The Company has embarked on several new products under their own proprietary brands, which have been tremendously successful. The Company envisages entering several identified strategic markets in the future.

While end-consumers remain a core category of those served, the Company distributes goods and services through supermarket chains and wholesalers. The Company is in partnership with several foreign principals with access to some of the world's most-used products and international best practices.

Following the formula of strategic acquisitions and prudent business sectors with economic and social benefits, the Company has evolved towards the status of a diversified enterprise with operations extending towards several industries. In addition, the Company has access to a strong dealer network and partners gathered across the years: a sure competitive leverage in attracting the world's best brands and distributing goods and services across the island. Moreover, the Company's logistics services make it more versatile, with access to an international distribution network for importing and exporting goods across the world.

The Company's core business sectors include home care and personal care consumer goods, healthcare, nutrition and food products, logistics, energy and lighting products, manufacturing galvanized steel wires, manufacturing and exportation of value-added latex products and marketing and distribution of industrial and automotive accessories in addition to solar power generation solutions.

### CANDY DELIGHTS LIMITED (FORMERLY KNOWN AS CREASY FOODS LIMITED)

The company manufactures medicated candy 'Hacks' licensed by Cadbury Schweppes PLC, and also produces flavoured candy, under the brand name 'Candyman' for the local market.

### LAXAPANA BATTERIES PLC

In operation since 1956, Laxapana Batteries PLC (formerly known as Elephant Lite Corporation Ltd.) pioneered the manufacturing of dry cell batteries in Sri Lanka – in addition to AA and AAA batteries, CFL and LED bulbs, as well as rechargeable torches. Elephant Lite Corporation Ltd was incorporated as a public limited liability company in 1956 as one of the first industrial ventures set up in the country and was quoted on the Colombo Stock Exchange in 1982. In August 2005, the name of the company was changed to Laxapana Batteries Limited and subsequently re-registered as Laxapana Batteries PLC.

Laxapana continues to operate a fully-equipped laboratory to ensure the quality of dry cell batteries marketed by the company and also a laboratory testing facility to ensure quality of CFL and LED bulbs. Laxapana ventured into investments in rooftop solar projects. The company's main office is located at 98, Sri Sangaraja Mawatha, Colombo 10 and its 3 ½ acre freehold land at Homagama is rented out to E. B. Creasy & Co. PLC.

### MULLER & PHIPPS (CEYLON) PLC

The Company's fully owned Subsidiary, Pettah Pharmacy (Pvt) Limited is functioning as an agent representative in Sri Lanka for foreign pharmaceutical companies and operates in importing, marketing and distribution of pharmaceuticals. Established in 1964, the Company is listed on the CSE.

### E. B. CREASY LOGISTICS LIMITED

Formerly a division within E. B. Creasy, the company was segregated as a subsidiary of E. B. Creasy and renamed as E. B. Creasy Logistics Ltd. The company now engages in inward cargo clearance and outward forwarding, serving operations of the Group and external companies in transporting personal effects and goods across borders. The Company's outward forwarding operations are conducted through a globally dispersed network of agents.

### LANKA SPECIAL STEELS LIMITED

The company was incorporated in 2003 under the Board of Investment of Sri Lanka and acquired in 2015 by E. B. Creasy & Co. PLC from Tata Steel Ltd., the largest local manufacturer of galvanised wire. The Company produces a diverse range of wire forms from galvanized barbed wire, nail wire, and all other varieties of steel wire, wire rods, and related products.

### CEYFLEX RUBBER LIMITED

Ceyflex Rubber Limited is a limited liability company incorporated and domiciled in Sri Lanka under the Companies Act No. 07 of 2007. The principal activities of the company are manufacturing value added latex sport bands, clothing from natural rubber latex mainly for export markets.

## c. Value Created for our Stakeholders

| STAKEHOLDER | VALUE CREATED |
|---|---|
| Consumers | • Constant supply of home care and personal care brands to ensure the products are available to fulfill our consumer expectations<br>• International brands sourced from foreign principals to our local consumers<br>• Quality healthcare, food ingredients and confectionary products<br>• Input material to construction sector<br>• Investments in green energy generation, and energy and lighting products<br>• Value-added products to overseas consumers that earn foreign exchange |
| Principals and Suppliers | • Shared business growth and knowledge<br>• Market development<br>• Ethical business practices |
| Employees | • Employee training and career development<br>• Inspiring lives of employees<br>• Empowered Workforce<br>• Compensation packages to retain talents<br>• Human attachment |
| Business Partners | • Fair business terms with distributors<br>• Availability of high quality brands<br>• Supporting small and medium entrepreneurs<br>• Meeting return expectations and shared business growth<br>• Ethical business operations |
| Shareholders/Financiers | • Shareholder wealth creation<br>• Return on investment and dividends<br>• Timely repayments<br>• Relationship management<br>• Business growth<br>• Corporate Governance and ethical business operation |
| Environment and Communities | • Responsible consumption of natural resources<br>• Waste management<br>• Environmentally-friendly manufacturing processes<br>• Creating business opportunities to the surrounding communities<br>• Engaging with our communities and supporting the livelihoods of community entrepreneurs<br>• Sponsoring scholarship programmes |

# Management Discussion and Analysis *Contd.*

## Strategic Report

| STAKEHOLDER | VALUE CREATED |
|---|---|
| Government | • Supporting direct and indirect job creation across the country<br>• Direct and indirect tax payments<br>• Saving foreign exchange to the country<br>• Social welfare support<br>• Enriching lives of the nation through supply of needed consumer goods and healthcare products |

### STAKEHOLDER ENGAGEMENT

Key stakeholders are parties that have a significant influence over the Group, or who would be significantly impacted by Group operations. Engaging stakeholders in decisions and business results involves recognising stakeholders, their expectations and maintaining two-way communication, on a regular basis. The Group takes a structured approach to stakeholder engagement to identify their motivations and expectations. As such, the Group takes regular stock of stakeholder concerns, including economic, social and environmental aspects. This enables developing a strategy that aligns to their aspirations. The Company's actions, decisions and strategies are based on these expectations, and they pivot the management to be accountable, transparent and prudent in matters of Corporate Governance and effective internal control mechanisms.

The Company maintains balanced relations with both local and international stakeholders. Criteria that guides in establishing prioritisation between stakeholders entail relationships, mutual contributions and influences on the Group.

The Company recognises several aspects of materiality that has direct impact on key stakeholders of the Group, and importantly, creating short term, medium and long-term value for stakeholders remains at the core of the Group's commitment.

This segment provides a description of our key stakeholders, their concerns identified, Group's response to such concerns and modes of engagement.

| STAKEHOLDER | KEY CONCERNS | GROUP RESPONSE | MODE OF ENGAGEMENT |
|---|---|---|---|
| Consumers | - Quality of products<br>- Affordability and accessibility<br>- Environmental and Social Responsibilities | - Efficient distribution networks with a widespread reach of consumers<br>- Effective Value Chain with a growing portfolio of affordable products | - Ongoing market surveys<br>- Feedback through distributors |
| Principals and Suppliers | - Business growth<br>- Sustainable business relationships<br>- Ethical and transparent business practices<br>- Shared economic gains | - Compliance and good governance<br>- Timely orders and settlements<br>- Knowledge sharing | - Ongoing communications<br>- Renewal of Contracts<br>- Visits and meetings |

| STAKEHOLDER | KEY CONCERNS | GROUP RESPONSE | MODE OF ENGAGEMENT |
|---|---|---|---|
| Employees | - Career growth<br>- Fair remuneration<br>- Safety and respect<br>- Grievance protocols<br>- Concern for employees | - Good HR policies reviewed by the Board of Directors<br>- Empowerment, training and talent development<br>- Human attachment | - Performance reviews<br>- Recognition and Awards |
| Business Partners | - Fair business terms<br>- Availability of high quality brands<br>- Profitability growth | - Fulfilling contractual terms<br>- Meeting return expectations and shared business growth<br>- Ethical business operations and compliance | - Ongoing business meetings<br>- Efficient dispute resolutions<br>- Contracts and compliance<br>- Periodic audits |
| Shareholders/ Financiers | - Sustainable growth and return on investment<br>- Good governance<br>- Risk management<br>- Timely communication<br>- Prudent investments and ethical business conduct | - Maximise wealth through earnings growth and dividends<br>- Adhering to good corporate governance and risk management practices<br>- Timely disclosures and announcements | - Annual and Quarterly financial reports<br>- Timely notices to the Colombo Stock Exchange<br>- Press Releases |
| Environment and Communities | - Corporate Social Responsibility<br>- Environment-friendly business activities<br>- Opportunities for shared growth<br>- Support for community needs | - Engagement with local communities creating job opportunities and business relationships<br>- Sponsoring community activities<br>- Community awareness programmes | - Community meetings<br>- Business activities with small and medium local entrepreneurs |
| Government | - Regulatory Compliance<br>- Partnership in economic development | - Timely payment of taxes and regulatory fees<br>- Compliance with regulatory requirements<br>- Investments in economic development activities in the country<br>- Renewing certifications and licenses<br>- Staff training and operating manuals | - Regulatory reports<br>- Memberships in business associations<br>- Periodic audits |

### OPERATING ENVIRONMENT

At the time of penning this overview, Sri Lanka is experiencing its fourth wave of the COVID-19 pandemic. Everyday life as well as the economy continues to undergo significant shifts impacted by the inimical outcomes of COVID-19, including its impact on main economic sectors of the country.

During 2020, the national economy's growth subdued by a negative 3.6% declining from the 2.3% economic growth recorded in 2019. The contraction is an effect of the pandemic-driven lockdown and measures of restricted movement and social mobility in the second quarter of 2020. The measures were much required to thwart the spread of the virus and in reducing the strains of rising infections on the healthcare system. However, towards the latter half of 2020, economic activity regained momentum.

### KEY HIGHLIGHTS - ECONOMIC SECTORS

Major economic sectors of the country underwent reductions, with agriculture, industry and service sectors contracting by 2.4%, 6.9% and 1.5% respectively. Within the agricultural sector, production of vegetables, rice, fruits and cereals showed notable growth – a positive outcome of Government-backed measures to boost domestic agro production.

Performance of wholesale and retail trade had an upward momentum in addition to financial services and telecommunication; whilst, transportation, warehousing, accommodation, food and beverage based activities contracted during the year. Pandemic-based restrictions including cross-border travel limits had a direct impact on the drawbacks within these subsectors. Moreover, taxes less subsidies declined by 8%, impacted by reduced tax income and increasing production-based subsidies.

The Government and economic stakeholders addressed demand-supply concerns while continuing with social improvement endeavours such as providing allowances, child nutritional support, and with pandemic-based refinancing facilities such as the 'Saubhagya COVID-19 Renaissance Fund' to provide working capital loans to businesses impacted by the pandemic's economic constraints. The Government, together with the financial regulator took measures through banks and financial institutions to provide concessions, as well as debt moratoriums.

Activities related to food manufacturing experienced subdued momentum due to labour reductions as an effect of containment measures. Food distribution faced similar disturbances as logistical channels and markets were controlled by travel limitations and closures. The disruption to food supply impacted rising food prices, further adding to the woes of those within low income groups and with diminished purchasing capacities.

Moreover, manufacture of food items, pharmaceutical products and printing and certain media related activities reported an increase. Due to the pandemic-related requirements of food and pharmaceutical products, activities pertaining to the two sectors increased. Food products such as milk powder, yogurt, wheat flour and biscuits recorded an increased production.

Manufacturing activities experienced subdued momentum, which rebounded in July 2020 – recovering from the effects of travel restrictions. Furthermore, beverage manufacturing experienced subdued activity levels, whilst some apparel factories experienced COVID-19 outbreaks, causing setbacks in production. However, in December 2020, manufacturing activities rebounded with positive indicators in comparison to challenges faced in previous months.

Activities related to transportation – both goods and people, decreased by 6.7% in 2020. The contraction was felt across land, air and water transportation channels, heightened by restricted mobility as a result of island wide and regional lockdowns.

In addition, there was an increase in production of pharmaceutical products and health-based goods alongside expansions in pharmaceutical operations. The growth of the sector is anticipated to maintain this momentum prompted by the State's efforts to increase local medicine production by 2024 – mainly in supplying to meet the local demand.

Further, production of electrical and machinery equipment and furniture underwent contractions in 2020 – as a result of pandemic-based disruptions, and despite increasing consumers and accessibility to locally manufactured consumer durables. Similarly, paper-based goods' production underwent a reduction.

## INDUSTRIAL POLICIES

The Government intends to promote the local industrial sector in the aim of creating a production-centred economy. As a result, the National Enterprise Development Authority launched a portal for e-commerce trade in 2020, which benefits MSME entrepreneurs. The portal is expected to provide enterprises increasing exposure to varying markets – heightening potentials. In addition, various state sector institutions are collaborating to devise and finalise policies that enable industrial and professional growth – alongside vocational training to meet the needs of both local and foreign job demands.

## UNEMPLOYMENT, WAGES AND INFLATION

Unemployment rate spiked to 5.5% against 4.8% in 2019. Labour force participation rate reduced to 50.6% from 52.3% in the previous year, possibly based on restrictions in travel and work conditions. Moreover, the services sector recorded the highest employments with 46%, followed by agriculture sector accounting for 27.1%, while the industry sector employed 26.9%. Inflation remained within target levels, partially due to slow and subdued demand.

Low core inflation persisted across 2020, while headline inflation stood between 4% and 6% – a desirable range. Demand on general prices, as a result of wages subdued in 2020. The formal and informal sector wages deteriorated compared to public sector wages, as the latter increased when compared to 2019. The informal work sector experienced harsh consequences from lockdowns, in addition to meeting with decreased wages in the second quarter of the year, and once again in October as the second lockdown was imposed. The formal private sector too had its burdens as several companies downgraded salary payments. The sector underwent a 4.2% reduction in real wages compared to 2019.

## EXTERNAL SECTOR AND INVESTMENTS

External sector activities and performance faced severe disruptions due to the decline in cross-border trade. As a result, both imports and exports faced drastic drops. However, towards the end of 2020, exports resumed its usual pre-COVID levels. Importation reduction correlates directly with restrictions in the importation of non-essential merchandise, and impacted by these developments, the deficit in the trade account narrowed by over USD 1,989 Million. Moreover, as tourism and transportation sectors' earnings dwindled the service account surplus plummeted in 2020.

Driven by uncertainties triggered by the pandemic, investment declined in 2020 by 6.2%. Investments subdued both locally and globally, alongside a decrease in foreign direct investments to BOI companies - a significant reduction of 42.2% since 2019. Consequences of which was common for all sectors.

## INTEREST RATES AND EXCHANGE RATE

In support of the Central Bank's expansionary monetary policy, interest rates were reduced during the year 2020 resulting in an overall drop in Average Weighted Prime Lending Rates (AWPLR) to 5.7% in March 2021.

The rupee depreciated by 6% year-on-year during the financial year 2020/21. An extreme volatility of 7% depreciation against the USD been experienced in the first quarter of 2020/21. Central Bank's intervention in the domestic foreign exchange market along with import controls and restrictions on forward contract currency agreements helped the economy to stabilise the exchange rate considerably.

## OUTLOOK

As per CBSL reporting, the national economy is expected to rebound in 2021, buffered by policies aimed at fostering growth. Government's policies coupled with the Central Bank's accommodating policy outlook are expected to encourage growth over the medium-term.

*Source – Annual Report 2020: Central Bank of Sri Lanka (CBSL)*

# Management Discussion and Analysis *Contd.*

## Strategic Report

Operating Environment - Impact on the Group

| INDICATOR | IMPACT ON GROUP PERFORMANCE 2020-21 |
|---|---|
| GDP Growth | The pandemic resulted in economic contraction. Nevertheless, the Group is well positioned in essential product categories such as consumer, food and healthcare, which supported performance during the year. |
| Inflation | The Group did not encounter significant impact from inflationary pressure as inflation was contained within the target range. |
| Exchange Rate | The depreciation of the Sri Lankan Rupee impacted negatively on Group's margins due to high dependency on imports of raw material and other products. |
| Interest Rate | The decrease in interest rates supported Group's profitability through reduced borrowing cost. |
| Technology Shifts | In the midst of the pandemic, the Group launched a number of internet based initiatives to connect remotely to carryout business operations. This opened up new ways of business conduct and use of technology more effectively in day-to-day activities. |
| Policy Regulations | Certain import restrictions curbed Group's normal business operation. However, the Group was able to mitigate its impact with alternatives. |

### OUR ECONOMIC IMPACT

Statement of Economic Value Added

| | 2020/21 Rs. Millions | 2019/20 Rs. Millions | Change % |
|---|---|---|---|
| **Value Created** | | | |
| Revenue | 13,767 | 11,186 | 23% |
| Share of Loss of Equity Accounted Investees | (281) | (302) | -7% |
| Other Income/(Expenses) | 32 | 6 | 433% |
| Total Value Created | 13,518 | 10,890 | 24% |
| **Value Distributed** | | | |
| Operating Overheads | 10,845 | 8,815 | 23% |
| Employee Wages and Benefits | 1,093 | 998 | 9% |
| Payments to Lenders | 702 | 1,137 | -38% |
| Payments to Shareholders | 34 | 35 | -3% |
| Payments to Government | 76 | 128 | -41% |
| Total | 12,750 | 11,114 | 15% |
| **Value Retained for Growth/(Deficit)** | | | |
| Depreciation and Amortisation | 230 | 231 | 0% |
| Profit/(Loss) after Dividends | 538 | (455) | -218% |
| Total | 768 | (224) | -443% |
| Total Value Distributed and Retained | 13,518 | 10,890 | 24% |

## GROUP BUSINESS STRATEGY

| STRATEGY | PLANS | PROGRESS | CHALLENGES |
|---|---|---|---|
| Expanding the portfolio of consumer brands that meet the emerging needs of the consumers | - Consolidate and create market leading positions in Home Care and Personal Care sectors<br>- Create brand equity that are close to consumer hearts and minds<br>- Invest in new brands<br>- Invest in efficiency and productivity improvements in our manufacturing processes | - Reinforced brands with new variants and relaunches – Bubble, Teepol and Denta<br>- Channel excellence<br>- Defending and growing market share in a challenging environment<br>- Margin improvements through changes to the value chain<br>- Expanding the distribution network with a focused strategy | - Interruptions to supply chains and value chains due to COVID-19<br>- Decline in disposable income<br>- External pressure on the Sri Lankan Rupee<br>- Shortage of foreign exchange in the market to facilitate imports<br>- Increase in global commodity prices and freight cost |
| Quality healthcare products to our communities at affordable prices | - Focus on new agencies and new products<br>- Ensure on continuous availability of pharmaceutical products<br>- Good rapport with overseas suppliers | - Adding new products to the portfolio<br>- Onboarding of new suppliers<br>- Continuous availability of products amid COVID disruptions | - Disturbances to production and distribution due to COVID-19<br>- Price regulations over certain products<br>- Depreciation of the Sri Lankan Rupee reducing profit margins |
| Invest in Business Growth | - Capacity building in steel wire manufacturing facilities<br>- Invest in rooftop solar projects<br>- Market development for food ingredient sector | - New manufacturing plants for steel wire manufacturing<br>- Initiated rooftop solar investments<br>- Uninterrupted supply chain to ensure availability of products | - Travel restrictions<br>- Import restrictions<br>- Depreciation of the Sri Lankan Rupee making investments unviable |

# Management Discussion and Analysis *Contd.*

## Integrating Sustainability

At E. B. Creasy & Co. PLC, a holistic triple bottom-line-driven perspective guides the Company to create sustainable long-term value for all who share the benefits of its business outcomes. This 3-pillar-based perspective is what has enabled the Group to sustain growth while maintaining the trust and confidence of generations of customers towards its products and services. As a result of this three-pronged approach to managing operations and business, the Group exerts time and effort in ensuring accountability in all areas of business, ensuring positive ramifications from products and practices on the economy, environment and people.

Moreover, in creating value to stakeholders, especially in the long-run, the Company's focus is to ensure its long-term sustainability and growth through strategic transformations and innovations.

### SUSTAINABILITY FRAMEWORK

E. B. Creasy is dedicated to integrating sustainability within its potentials, particularly those which fall within the operational framework and business practices of its subsidiaries. These include responsible manufacturing processes, promoting well-being and health of all its employees and concerned stakeholders, reinforcing gender equality, non-discrimination, and equal opportunities to learning, access to affordable, clean and renewable energy, providing sustainable practices in water management, ensuring hygiene, and sustainable consumption of natural resources, with the more urgent focus on minimising any negative impact to the environment. E. B. Creasy considers itself duty-bound – in ensuring that processes of production and operations carry positive impacts with minimal or no negative consequences on the economy, environment and people. As a result, the Company has aligned operations to make positive contributions towards the triple bottom line.

Since the commencement of operations, the Group has taken great strides to bestow its consumers with products that enhance their quality of life. With healthcare, safety and personal hygiene as focuses across product categories, E. B. Creasy continues to provide quality products, manufactured to rigorous health and safety standards - ensuring the well-being of millions of consumers. With production being a core operation, E. B. Creasy and its manufacturing subsidiaries assure high-quality material, sourced after thorough evaluation of suppliers. The Group's manufacturing facilities contribute to the triple bottom-line in multiple ways – including the assurance of quality products, sustainable green practices and occupational health and safety of employees.

### OPERATIONAL SUSTAINABILITY

While emphasising the Group's commitment to sustainable value creation, it is noted that 'Sustainability' is entrenched in business and manufacturing operations. From product creation to employment opportunities, this philosophy remains as a central tenet in almost everything the Group does. Hence, the Group continuously ensures:

- Quality, safe products that elevate standards of living
- No negative impacts from operations on people and the environment
- Commitment to timely deliveries
- Adherence to customer requirements
- Commitment to supplier expectations
- Compliance with quality standards, and other laws, regulations and policies

Above mentioned aspects gets constantly assessed with corrective action implemented through periodic corporate audits. In addition, the Group conducts assessments to annually renew its quality and environmental management standards – delving deep into issues that need ratification from the management, supervisory staff and employees.

E. B. Creasy & Co. PLC has performed a lead role in sustainable development-oriented activities in its operations aligning with the United Nations Sustainable Development Goals (SDGs). Since 2010, the Company has implemented several projects in the interest of achieving triple bottom line objectives. This, in turn, has brought us much recognition while reiterating our determination to becoming one of the leading organisations to contribute towards the sustainable development of our society. Additionally, the Company's sense of national pride and responsibility is further elevated by becoming one of the forerunners in contributing towards the SDG Goals outlined by the United Nations for our government by the year 2030.

The company is taking a leading role in developing and implementing new approaches to maximise the efficient use of resources, while minimising the risks and impact that we have on our environment. The entire team and management have worked diligently to implement measures that exhibit efficiency in waste management, water management, ventilation, renewable energy and measuring and monitoring systems.

The organisation is in the process of putting in motion several plans to further its contributions to Sustainability. As a good corporate citizen, the Company is also committed to maintaining and elevating efforts towards pollution prevention, health and safety risk prevention, regulatory compliance, and continuous improvement to enrich millions of Sri Lankan lives.

## SUSTAINABLE MANUFACTURING

E. B. Creasy's state-of-the-art manufacturing facilities adopt environmentally safe and secured manufacturing practices. The 3-R concept, which stands for Reduce, Reuse, and Recycle, is practiced at our factories. 3-R focuses on Reduction of water usage, electricity and power consumption, and reduction of damage or defective production, and reuse of damaged production trays and heavy metals, and packaging, and reuse of saw dust that flows out of machines and chemicals, and recycling of water, chemicals and wood powder.

A chemical recycling system has been installed at our homecare factory to ensure zero chemical emission to earth. Water treatment plants, complied with Central Environmental Authority standards, at our factories ensure that the wastewater is not contaminated and are not harmful to the earth or any living being. The Group also invests in disposing waste without any detriment to the environment and the society. External services are procured to safely dispose all forms of waste, while domestic wastewater is treated prior to being reused for gardening and landscaping.

By improving energy efficiency through several projects, E. B. Creasy contributes to ensuring affordable, reliable, sustainable and modern energy. Such schemes include optimising efficiencies in compressed air system, wastewater treatment, solar power generation and grid supply, awareness programs and monitoring carbon emissions from air conditioner and machinery usage. In addition, production-based subsidiaries maintain modern energy saving machinery, indoor plants to absorb internal $CO_2$ emissions and sky-lights to reduce reliance on electrical lighting. Striving towards responsible consumption and production, the Group ensures that packing material used for packaging products and finished goods are mostly renewable. In addition, manufacturing operations practice sustainable consumption and production by minimising wastage and applying lean manufacturing practices.

## ENVIRONMENTAL MANAGEMENT STANDARDS AND CONTINUOUS IMPROVEMENT

The Group complies with international and local standards such as SLS and ISO, which mandate an environmental management system that foster better practices in environmental sustainability. Continuous improvements in production and management practices are an on-going focus across the Group. Maintaining compliance to certifications and standards enables the Group to continually improve its practices, across subsidiaries. Standards and regulatory compliances enable all subsidiaries, especially those in manufacturing to continually improve the quality of its products and improve efficiencies across processes. In maintaining the Group's duty towards sustainability, it maintains relevant documentation pertaining to all ISO environmental standards, with deviations reported and relevant changes implemented judiciously. Internal audits are conducted for SLS and ISO standards in addition to externally conducted assessments by principals.

Continuous improvements and reinforced parameters in environmental friendliness are conducted dedicatedly. The Company's manufacturing plant in Millewa is an example of the Group's growing focus towards reducing overall carbon footprint from operations. The plant measures its carbon footprint, with greenhouse gas emissions audited by a government-certified auditor – certifying compliance to measures that eliminate unwarranted emissions.

Company's SLS and ISO certified manufacturing plants were honored to receive carbon-neutral certification by the Sri Lanka Climate Fund, for offsetting carbon footprint and high eco-friendly processing standards in all aspects of its productions. Green building concepts are also part of the Group's contribution to environment sustainability. In this regard, E. B. Creasy's manufacturing plants adopt indoor gardening, natural illumination, less energy-consuming lighting and solar power usage, which are part of a plethora of green building measures.

### ACCOUNTABILITY AND TRANSPARENCY

As a responsible conglomerate, E. B. Creasy takes proactive steps to maintain transparency of its strategic decisions and transformations amongst shareholders and investors, while also informing and involving middle management and subordinates at all relevant junctures – mainly in critical operational decision-making.

In disseminating information with stakeholders, the Group uses the Annual Report in publishing yearly financial results and strategic actions. In addition, the Group works in unison with its principals to ensure complete abidance with expected standards in manufacturing of franchised products and distribution of imported products, including after sales services. Moreover, the Group maintains all reporting timely and accurately.

### EMPLOYEE DEVELOPMENT AND OCCUPATIONAL SAFETY

Employee development is another central tenet across the Group; hence, employees are provided with regular training programs on areas such as soft skill development, emergency preparedness, first-aid training and opportunities to engage in personality-building initiatives.

Furthermore, employees are recruited on no gender-biases, and are provided with equal opportunities to progress – irrespective of age, gender or social backdrops. The Group also complies with all statutory labour laws and offers competitive salaries and wages.

Ensuring occupational health and safety, trained teams provide assistance during accidents and emergency situations. Employees, especially within manufacturing plants are routinely updated on ensuring a safe workplace and are educated on maintaining personal as well as co-worker safety at all times – especially within factory premises. Employees are trained by qualified and experienced trainers. Ergonomy is also a concern – where monthly complaints are recorded which results in corrective actions for a supportive work-environment.

# Financial Performance and Sector Review

## GROUP FINANCIAL PERFORMANCE

The FY20/21 was confronted by numerous challenges. In spite of COVID-19 restrictions and its consequential impacts, E. B. Creasy & Company PLC witnessed a remarkable growth with revenue up by 27% over FY19/20 and profit before tax growing by Rs.397.87 Million. The Group recorded a consolidated revenue of Rs.13.77 Billion for the FY20/21, 23% higher than last year. Consolidated profit before tax for the financial year was Rs.831.88 Million, a Year-on-Year (YoY) increase of 327% in comparison to previous year. The growth was driven by a notable improvement in our FMCG, Healthcare, Food, Steel wires Manufacturing and Energy and Lighting businesses.

In understanding our financial performance, relative to last year, it is important to note that Q1 FY19/20 was negatively impacted by the aftermath of the 21st April terrorist attacks, with the COVID-19 pandemic significantly impacting Q1 and Q3 FY20/21. Our performance was significantly negative in April and May 2020; however, our core FMCG and Healthcare businesses have shown continued recovery since then until the end of Q2 FY20/21. Especially in Q2 FY20/21, our performance in these sectors was in line with our original plans. We were again hit by the second wave of the COVID-19 during Q3 FY20/21. In addition to these disruptions, the devaluation of the Rupee approximately by 6% against the United States Dollar over the previous year and the increased import freight costs significantly affected our profit margins, whilst the low interest rates applied on our borrowings helped reduce our overall finance cost. The Group finance cost reduced to Rs.529.91 Million for the FY20/21, a decrease of 15% over the last year.

Overall, the Group is ahead of its initial COVID impacted expectations due to a relentless determination to keep our core FMCG and Healthcare businesses operating and providing our essential products and services to our customers across the country. The businesses that account for the majority of our revenues and profitability have recovered strongly. Group's galvanized steel wire manufacturing business which operates under Lanka Special Steels Limited, which is a 100% owned subsidiary of E. B. Creasy & Company PLC, recorded a notable growth in revenues and profits during FY20/21 over the previous year.

We have maintained tight control on costs and cashflows and as a result, have significantly improved our cashflow from operations during the financial year, which were partially reinvested in our growing business sectors, brand equity and increased working capital. Under the health and safety guidelines our teams have done an excellent job in managing the impact of the slowdown in economic activities and supply chain disruptions while addressing the operating challenges to factories and sales and distribution operations. We have made satisfactory progress through the year. However, significant and unpredictable COVID-19 related business risks remain.

# Management Discussion and Analysis *Contd.*

## Financial Performance and Sector Review

### FMCG – CONSUMER BRANDS

The Group's consumer product categories are home to some of Sri Lanka's leading brands – backed by decades of innovations and continued advancements in product development, manufacturing practices and brand management approaches. They are purposeful and of high-quality, and are intended to optimise the quality of the lives for millions of Sri Lankans. The Group's consumer sector continued to expand its portfolio with innovative product launches to cater evolving needs of our consumers through an improved value proposition, reach and accessibility.

The Group's consumer sector delivered a strong performance during the year, reflecting its resilience and agility in responding to disruptions in the external environment. Business experienced overall volume growth across all major categories, with improved revenue from both general trade and modern trade channels. Despite the sharp exchange rate volatility experienced during the year, continuous focus on cost management and efficiency improvements together with value chain improvements secured our Sector margins.

The COVID-19 pandemic and the prevailing foreign exchange constriction have led more attention on the importance of locally produced consumer goods. Thus, the Group's purpose would become even more relevant in the years to come. Nevertheless, the disruptions and challenges are likely to be concerns due to re-emerging waves of the pandemic across the globe.

Our Home Care and Personal Care FMCG businesses have witnessed a steady recovery and growth following restrained performance in the Q1 FY20/21 amid a general economic slowdown and the adverse impact of COVID-19. Our revenues from this segment returned to expected levels starting from Q2 FY20/21 and we report a YoY growth in profit before tax for the financial year under consideration in spite of numerous disturbances witnessed in the market place.

The FMCG sector revenue for the FY20/21 stood at Rs.5.41 Billion, indicating a YoY growth of 26%. Due to increased promotional activities in further strengthening our brands and strategic restructuring made to the value chain, segment profits witnessed a growth of 27% over last year. Recent changes in revenue related indirect taxes too contributed positively towards the earnings growth of the sector.

Our key Homecare brands-Ninja, and Amritha, and Personal care brands Denta and BIC, are manufactured at company's manufacturing facilities under stringent manufacturing standards, and marketed island wide by Darley Butler & Company Limited, significantly contributed towards our growth. Our newly re-launched Homecare brands-Bubble, Teepol, and Fenol, together with Bio Clean and All Out, have been well received in the Homecare domestic market.

# Management Discussion and Analysis *Contd.*

## Financial Performance and Sector Review


### HEALTHCARE AND NUTRITION

The Group successfully runs a large Pharmaceutical Distribution operation. The sector collaborates closely with overseas principals, regulators and medical professionals to ensure the health and wellbeing of all Sri Lankans by supplying important Pharmaceutical brands and infant milk powder through its well-established Distribution network.

The Sector focuses on expanding its product portfolio through inorganic growth initiatives. Though revenues were increased significantly during the year despite logistical challenges caused by the pandemic, exchange rate volatility affected Sector margins.

The revenue from the Healthcare sector which operates under Darley Butler & Company Limited stood at Rs.1.8 Billion for FY20/21, a YoY increase of 4% over last year.

Muller & Phipps (Ceylon) PLC, a subsidiary of E. B. Creasy & Company PLC, our specialised pharmaceutical distribution arm, via its 100% owned subsidiary-Pettah Pharmacy (Pvt) Limited, achieved a revenue of Rs.750.88 Million and a profit before tax of Rs.40.35 Million for the financial year under review, recording a decline of 11% in revenue and a growth of 146% in profit before tax respectively over the previous year.

The Healthcare sector has been at the forefront of meeting multiple challenges of the COVID-19 pandemic. Our Pharmaceutical Distribution business operated at expected levels, despite significant logistical challenges.

## FOOD AND CONFECTIONARY

The food ingredients sector in the Group performed well in the year under review. The bakery ingredients are mainly supplied through our general trade and exclusive bakery channels.

Our food ingredient sector including confectionary business recorded a revenue of Rs.991.25 Million for the financial year, recording a growth of 20% over the previous year.



## STEEL WIRE MANUFACTURING

The Group manufactures Galvanized steel wire through its fully owned subsidiary, Lanka Special Steels Ltd., which is the leading Galvanized steel wire manufacturer in Sri Lanka.

Lanka Special steels Ltd. was incorporated in Sri Lanka in November 2003, after Tata Steel Ltd. India acquired the business of Mascon Wire Industries, which then became a fully owned subsidiary of E. B. Creasy & Company PLC from 1st April 2015.

The Sector witnessed a substantial growth during the financial year. The company plans to invest in new manufacturing plants to expand its business, to achieve its growth aspiration. Lanka Special Steels Limited was awarded the National Gold Award under extra-large category for "Manufacturing Sector" and "Top Ten CNCI Award" at the CNCI Achiever Awards 2020 for Industrial Excellence: organised by the Ceylon National Chamber of Industries (CNCI).

# Management Discussion and Analysis *Contd.*

## Financial Performance and Sector Review

### ENERGY AND LIGHTING

Known famously for decades, 'LAXAPANA' is one of E. B. Creasy Group's signature brands, which first came into being in 1956. Laxapana Batteries PLC ("Laxapana"), a subsidiary of E. B. Creasy, was the pioneer manufacturer of D size dry cell batteries, namely Torch and Transistor batteries in Sri Lanka. Laxapana continues to market Zinc Chloride AA, AAA and 9V batteries, Alkaline AA batteries, CFL and LED bulbs and re-chargeable torches under Laxapana brand. Over the past 64 years, the name Laxapana has become synonymous with high quality dry cell batteries all over the country.

Laxapana ventured into a new strategic business to invest in rooftop solar projects. Having evaluated prospects in this space, the company intends to invest over one billion rupees in generating renewable energy from rooftop solar projects, which has thus far raised more than Rs.400 Million equity funds by way of a Rights Issue during the financial year. The new investment initiative further diversifies Laxapana's business portfolio and is expected to contribute positively to earnings going forward. We believe that revenues from its trading businesses will continue to remain strong with Laxapana branded products experiencing strong market demand.

Laxapana Batteries PLC achieved a revenue of Rs.753.25 Million and a profit before tax of Rs. 111.9 Million for the FY20/21, a growth of 16% and 126% respectively over the FY19/20. In line with many of our other businesses, we have seen a notable improvement in performance of Laxapana Batteries PLC in FY20/21.

## SOLAR AND HARDWARE

The Group's Solar and Hardware Division has an island-wide dealer network which distributes products imported from well-known foreign principals comprising solar modules, aerosol paint and agro water pumping systems.

The Division undertakes engineering, procurement and commissioning (EPC) of rooftop solar systems on turnkey basis. In line with government's policy of increasing the share of renewable energy production for the nation's total energy needs, the Company intends to expand its solar EPC business unit in rooftop solar systems installation. The Company successfully completed installation of more than 3MW of rooftop solar systems during the financial year under review.

# Management Discussion and Analysis *Contd.*

## Financial Performance and Sector Review

### EXPORTS

The Group manufactures value-added latex products for export purpose under its fully owned subsidiary, Ceyflex Rubber Limited. The operation is managed by a team of highly qualified and dedicated staff with significant experience in natural rubber latex product development and quality management. Its product range includes Resistance Loop Bands from natural rubber latex, and Exercise Stretch Bands, which are used for a variety of exercises to increase balance, strength and flexibility, Dental Dam, Oral Dam, and Latex Fashion Sheeting. The Group witnessed a notable growth in its export business sector during the year under review.


### FUTURE OUTLOOK

The Group has delivered resilient performance in the FY20/21, despite the profound impact of the ongoing COVID-19 crisis. Overall, all our business sectors have shown strong recovery from the pandemic challenges along with YoY growth.

We recognise the on-going risks that the pandemic represents to the Group, whether a contracting economy or supply chain disruptions or other constraints. We are adopting a dual strategy recognising increased consumer awareness towards our brands and also aggressively focusing on cost management and cash conservation in order to navigate through these unpredictable times, whilst grabbing new business opportunities to accomplish our growth aspirations.

# Enterprise Governance

## CORPORATE GOVERNANCE

The E. B. Creasy Group is committed to conducting the Business Activities ethically and in accordance with high standards of Corporate Governance.

The approach to Corporate Governance is guided by ethical culture, accountability, stewardship, independence, continuous improvement, strategy and risk management.

Given below is a demonstration as to how we adhere to good Corporate Governance practices recommended by the Institute of Chartered Accountants of Sri Lanka and the listing rules of the Colombo Stock Exchange.

## 1. THE BOARD OF DIRECTORS

### BOARD, COMPOSITION AND MEETINGS

The Board comprises of the Chairman/Managing Director, Deputy Chairman, Joint Managing Director and nine other Directors who possess expertise in the fields of Finance, Management and Marketing.

### NAMES OF DIRECTORS

Mr. S. D. R. Arudpragasam
*(Chairman /Managing Director) - Executive*
Mr. R. Seevaratnam
*(Deputy Chairman) - Independent Non-Executive*
Mr. S. Rajaratnam
*(Joint Managing Director) - Executive*
Mr. A. Rajaratnam - *Executive*
Mr. R. N. Bopearatchy - *Executive*
Mr. R. C. A. Welikala - *Executive*
Mr. P. M. A. Sirimane - *Executive*
Mr. A. R. Rasiah - *Independent Non-Executive*
Mr. S. N. P. Palihena - *Independent Non-Executive*
Dr. A. M. Mubarak - *Independent Non-Executive*
Mr. A. M. de S. Jayaratne - *Independent Non-Executive*
Mr. S. W. Gunawardena - *Executive*

### DECISION MAKING OF THE BOARD

The Board has met two times during the year under review. In addition to Board Meetings, matters are referred to the Board and decided by resolutions in writing.

The number of meetings of the Board and the individual attendance by members is shown below:

| Name of the Director | Total (2) |
|---|---|
| Mr. S. D. R. Arudpragasam | 2/2 |
| Mr. R. Seevaratnam | 2/2 |
| Mr. S. Rajaratnam | 2/2 |
| Mr. A. Rajaratnam | 0/2 |
| Mr. R. N. Bopearatchy | 2/2 |
| Mr. R. C. A. Welikala | 1/2 |
| Mr. P. M. A. Sirimane | 2/2 |
| Mr. A. R. Rasiah | 2/2 |
| Mr. S. N. P. Palihena | 1/2 |
| Dr. A. M. Mubarak | 2/2 |
| Mr. A. M. de S. Jayaratne | 2/2 |
| Mr. S. W. Gunawardena | 2/2 |

### RESPONSIBILITIES OF THE BOARD

- Determining the strategic direction of the Company and also setting the corporate values.
- Implementation and review of business strategy.
- Ensuring of an effective internal control system and a proactive risk management system.
- Ensuring compliance with ethical, legal, health, environment and safety standards.
- Approval of Interim and Annual Financial Statements for publication
- Ensuring succession arrangements of the Board and top management.
- Approval of budgets, corporate plans, major capital investments, divestments and acquisitions.
- Ensure all stakeholder interests are considered in corporate decisions.
- Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and compliance with financial regulation.
- Approval of any issue of Equity and Debt Securities of the Company.

### COMPANY SECRETARIES AND INDEPENDENT PROFESSIONAL ADVICE

The Company and all the Directors may seek advice from Corporate Managers & Secretaries (Private) Limited who are qualified to act as Secretaries as per the provisions of the Companies Act No. 07 of 2007. Advice is also sought from independent external professionals whenever Board deems it necessary.

### INDEPENDENT JUDGEMENT

The Board is committed to exhibit high standards of integrity and independence of judgement. Each Director dedicates the time and effort necessary to carry out his responsibilities.

### FINANCIAL ACUMEN

The Board includes seven Finance Professionals who possess the knowledge and the competence to offer the Board the necessary guidance on matters relating to Finance.

### BOARD BALANCE

The Board comprises of five Independent Non-Executive Directors and seven Executive Directors.

The Non-Executive Directors have submitted declarations of their independence or non-independence to the Board.

Mr. A. R. Rasiah and Mr. S. N. P. Palihena and Dr. A. M. Mubarak are Directors on the Boards of some of the subsidiaries of the Company in which a majority of the Directors of the Company are Directors. These Directors also serve on the Boards of certain subsidiaries of the Company's Parent Company, The Colombo Fort Land and Building PLC. Mr. Rasiah and Mr. Palihena have served on the Board of the Listed Entity and on the Boards of some of its subsidiaries for over a period of nine years. However, the Board having taken into consideration all other circumstances listed in the Rules pertaining to the Criteria for defining Independence is of the opinion that Mr. A. R. Rasiah, Mr. S. N. P. Palihena and Dr. A. M. Mubarak are nevertheless Independent.

Mr. A. M. de S. Jayaratne is a Director of the Parent Company, The Colombo Fort Land and Building PLC and on the Boards of some of its subsidiaries. He is also a Director on the Boards of some of the subsidiaries of the Company in which a majority of the Directors of the Company are Directors. He has served on the Board of the Parent Company and on the Boards of some of its subsidiaries, for a period exceeding nine years. However, the Directors having taken into consideration all other circumstances listed in the Rules pertaining to the Criteria for defining Independence is of the opinion that Mr. A. M. de S. Jayaratne is nevertheless Independent.

Mr. R. Seevaratnam is a Director of the Parent Company, The Colombo Fort Land and Building PLC and of a Related Company. He has served on the Board of the Parent Company for over a period of nine years. He is also a Director on the Boards of some of the subsidiaries of the Company in which a majority of the Directors of the Company are Directors. However, the Directors having taken into consideration all other circumstances listed in the Rules pertaining to the Criteria for defining Independence is of the opinion that Mr. R. Seevaratnam is nevertheless Independent.

### SUPPLY OF INFORMATION

Directors are furnished with monthly reports on Performance comprising of Financial Statements and such other Reports and documents as are necessary.

Apart from Board Meetings the Key Management Personnel meet regularly to monitor the performance of the varied business segments, and to review the progress towards achieving the budgets. Prompt corrective action is being taken after discussing the operational issues.

At Board Meetings the Directors are informed of important decisions taken at the aforementioned meetings in relation to routine operational matters for a final decision. Other matters of relevance to the Industries in which the Company operates are also conveyed to the Board.

### NOMINATION COMMITTEE/APPOINTMENTS TO THE BOARD

New Directors are proposed for Appointment by the Nomination Committee in consultation with the Chairman of the Company in keeping with the provisions of the Articles of Association of the Company in relation to same and in compliance with the Rules on Corporate Governance.

The details of new appointments to the Board are made available to the shareholders by making announcements to the Colombo Stock Exchange.

The Company's Nomination Committee comprises of Mr. A. R. Rasiah – Chairman, Mr. S. N. P. Palihena and Mr. A. M. de S. Jayaratne, Independent Non- Executive Directors.

### RE-ELECTION OF DIRECTORS

In terms of the Articles of Association of the Company, a Director appointed to the Board (other than an appointment to an Executive Office) holds office until the next Annual General Meeting and seeks re-election by the shareholders at that meeting. The Articles require one-third of the Directors in office (excluding the office of Chairman, Managing or Joint Managing Director and any other Executive Office) to retire at each Annual General Meeting. The Directors to retire are those who have been longest in office since their last election. Retiring Directors are eligible for re-election by the shareholders.

## 2. DIRECTORS' REMUNERATION

### REMUNERATION COMMITTEE

The Remuneration Committee Report is set out on page 36. The Remuneration Committee comprises of Mr. A. R. Rasiah-Chairman, Mr. S. N. P. Palihena and Mr. A. M. de S. Jayaratne – Independent Non-Executive Directors.

### DISCLOSURE OF REMUNERATION

Aggregate remuneration paid to Directors is disclosed in Note 32 to the Financial Statements on page 122.

## 3. RELATIONS WITH SHAREHOLDERS

### CONSTRUCTIVE USE OF AGM /GENERAL MEETINGS

The Board considers the Annual General Meeting/ General Meetings an opportunity to communicate with shareholders and encourages their participation. The Board offers clarification and responds to concerns shareholders have over the contents of the Annual Report as well as other matters which are relevant to the Company.

### OTHERS

The Company's principal communicator with all its stakeholders are its Annual Report and Quarterly Financial Statements. The Company also maintains a website (www.ebcreasy.com) which offers any individual or a body corporate, information on the Company and its activities.

### MAJOR TRANSACTIONS

There have been no transactions during the year under review which fall within the definition of "Major Transactions" as set out in the Companies Act.

### PRICE SENSITIVE INFORMATION

Due care is exercised with respect to share price sensitive information.

## 4. ACCOUNTABILITY AND AUDIT

### FINANCIAL REPORTING

The Board places emphasis on complete disclosure of financial and non-financial information within the bounds of commercial reality. This enables both existing and prospective shareholders to make fair assessment on the Company's performance and future prospects. The Financial Statements are prepared in accordance with Sri Lanka Accounting Standards.

### DISCLOSURES

The Annual Report of the Board of Directors is given on pages 40 to 43 in this Report. The Auditor's Report on the Financial Statements is given on pages 49 to 53 of this Annual Report. Financial Information of business segments are given on pages 123 to 124.

### GOING CONCERN

The Directors are of the belief that the Company is capable of operating in the foreseeable future after adequate assessment of the Company's financial position and resources. Therefore, the Going Concern principle has been adopted in the preparation of Financial Statements.

### INTERNAL CONTROL

The Board of Directors is responsible for the Company's system of internal controls and for reviewing its effectiveness. The system is designed to safeguard assets against unauthorised use or disposal and to ensure that proper records are maintained. It includes all controls including financial, operational and compliance controls and risk management.

However, any system can ensure only reasonable and not absolute assurance that errors and irregularities are prevented or detected within a reasonable timeframe.

### AUDIT COMMITTEE

The Audit Committee Report is set out on pages 37 to 38 of this Report.

### RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions are disclosed in Note 32(b) to the Financial Statements.

The Report of the Related Party Transactions Review Committee appear on page 39.

## 5. OTHERS

### RIGHTS OF EMPLOYEES/ OTHER STAKEHOLDERS

The Company identifies the rights of employees. Several employee performance enhancing mechanisms such as performance appraisals and training initiatives are in place for the career building of the employees.

The constant responsiveness to all stakeholders' interests will ensure that the Governance process will continue to add value in the future.

# Remuneration Committee Report

The Remuneration Committee consists of the following members:

Mr. A. R. Rasiah
- *Chairman Independent/Non - Executive Director*
Mr. S. N. P. Palihena
- *Member Independent/Non-Executive Director*
Mr. A. M. de S. Jayaratne
- *Member Independent/Non-Executive Director*

The Committee is responsible for recommending remuneration packages for the key management and senior management personnel. In addition, they lay down guidelines and parameters for the compensation structure of the management staff.

The Managing Director assists the Committee by providing relevant information and participating in the deliberations of the Committee.

The key objective of the Committee is to attract, motivate and retain qualified and experienced personnel and to ensure that the remuneration of executives at each level of management is competitive and are rewarded in a fair manner based on their performance.

The Committee has met once during the financial year ended 31st March 2021.

A. R. Rasiah
*Chairman*

Remuneration Committee
4th October 2021

# Audit Committee Report

The Audit Committee Report focuses on the activities of the Company for the year under review, which the Committee has reviewed and monitored as to provide additional assurance on the reliability of the Financial Statements through a process of independent and objective views.

## COMPOSITION

The Company's Audit Committee consists of Independent Non-Executive Directors of E. B. Creasy & Company PLC.

The Committee members are as follows,

Mr. A. R. Rasiah - Chairman
(Independent Non-Executive Director - EBC PLC)
Mr. A. M. de S. Jayaratne - Member
(Independent Non-Executive Director - EBC PLC)
Mr. S. N. P. Palihena - Member
(Independent Non-Executive Director - EBC PLC)

The Chairman of the committee, Mr. A. R. Rasiah, is an Independent Non-Executive Director, and a finance professional with over 40 years of experience in Finance at a very senior level both internationally and locally. He is a Fellow member of the Institute of Chartered Accountants of Sri Lanka.

Brief profiles of each member are given on pages 9 to 11 of this Annual Report. Their individual and collective financial knowledge and business acumen and the independence of the Committee, are brought to bear on their deliberations and judgments on matters that come within the Committee's purview.

The Company's Secretaries, Corporate Managers and Secretaries (Private) Limited function as the Secretaries to the Audit Committee.

## ROLE OF THE AUDIT COMMITTEE

The Audit Committee reviews and advises the Company to ensure that the Financial Reporting system is in adherence with the Sri Lanka Accounting Standards and other regulatory and statutory requirements. It also reviews the adequacy of internal controls and the business risks.

The Committee also reviewed the financial reporting system adopted by the Group in the preparation of its Quarterly and Annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and compliance thereof with the Sri Lanka Accounting Standards laid down by The Institute of Chartered Accountants of Sri Lanka. The methodology included obtaining statement of compliance by the Head of Finance and Directors- in-Charge of operating units. The Committee recommends the Financial Statements to the Board of Directors for its deliberation and issuance. The Committee in its evaluation of the Financial Reporting System also recognised the adequacy of the content and the quality of routine management information and reports forwarded to its members.

The Committee discussed with the Management the readiness for the implementation of several new Sri Lanka Accounting Standards that will come into effect in the next few years and satisfied themselves that the necessary preparation work has been undertaken to enable the Company and the Group to adopt them.

## INTERNAL AUDIT RISK AND CONTROL

The Committee reviews the adequacy of internal audit coverage for the Company and the internal audit plans of the Group. The Company's internal audit function is headed by the Manager Internal Audit and the Manager Internal Audit regularly reports to the Committee on the adequacy and effectiveness of internal controls in the Company and compliance with rules and regulations and established policies of the Company.

## EXTERNAL AUDIT

The Committee ensures the independence of the External Auditors and confirms the compliance with the requirements under the Companies Act No. 07 of 2007 in relation to appointment, reappointment and removal of the External Auditors. The Committee makes recommendations to the Board as appropriate. The External Auditors are duly appointed by the shareholders at the Annual General Meeting of each year. Further, the Audit Committee reviewed the management letter issued by the External Auditors and the management comments.

# Audit Committee Report *Contd.*

## MEETINGS AND ATTENDANCE

The Audit Committee has met on two occasions during the financial year ended 31st March, 2021 and the attendance of the Committee was as follows:

| | |
|---|---|
| Mr. A. R. Rasiah | – 2/2 |
| Mr. A. M. de S. Jayaratne | – 2/2 |
| Mr. S. N. P. Palihena | – 2/2 |

In addition to Audit Committee Meetings, matters are referred to the Committee and reviewed and recommended by Resolution in Writing.

Other members of the Board and Senior Management Personnel of the Company are invited to the meetings regularly. The Proceedings of the Audit Committee are reported to the Board of Directors.

External Auditors were present when appropriate.

## AUDIT COMMITTEES – LISTED SUBSIDIARY COMPANIES

All listed subsidiaries have appointed their own Audit Committees. These Audit Committees function independently of the Audit Committee of E. B. Creasy & Company PLC but have similar terms of reference.

## EXTERNAL AUDIT

The Company has appointed KPMG as its external Auditors and the service provided by them are segregated between audit/assurance services and other advisory services such as tax consultancy.

The Audit Committee has determined that KPMG Auditors are independent on the basis that they do not carry out any management-related functions of the Company. The Audit Committee also reviews the professional fees of the external Auditors.

The Audit Committee has concurred to recommend to the Board of Directors the reappointment of KPMG as Auditors for the financial year ending 31st March, 2022 subject to the approval of the shareholders at the Annual General Meeting.

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## CONCLUSION

The Audit Committee is of the view that adequate controls are in place to safeguard the Company's assets and that the financial position and the results disclosed in the audited accounts are free from any material misstatements.

A. R. Rasiah
*Chairman*

Audit Committee

4th October 2021

# Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee (RPTRC) is entrusted with the responsibility of ensuring compliance with the rules and regulations governing Related Party Transactions for Listed Entities. It focuses on ensuring that the Stakeholders' interests are protected in all related party transactions.

## COMPOSITION

The Company's Related Party Transactions Review Committee comprises of the following members:

Mr. R. Seevaratnam – Chairman
*Independent / Non-Executive Director, EBC PLC*
Mr. A. M. de S. Jayaratne – Member
*Independent / Non-Executive Director, EBC PLC*
Mr. A. R. Rasiah – Member
*Independent / Non-Executive Director, EBC PLC*
Mr. P. M. A. Sirimane – Member
*Executive Director, EBC PLC*

The Company's Secretaries, Corporate Managers & Secretaries (Private) Ltd. function as the Secretaries to the Related Party Transactions Review Committee.

## MEETINGS OF THE COMMITTEE

The Related Party Transactions Review Committee met once during the financial year ended 31st March, 2021 due to the COVID 19 pandemic and the attendance of the Committee was as follows:

| | |
|---|---|
| Mr. R. Seevaratnam | – 1/1 |
| Mr. A. M. de S. Jayaratne | – 1/1 |
| Mr. A. R. Rasiah | – 1/1 |
| Mr. P. M. A. Sirimane | – 1/1 |

Further, during the financial year, the RPTRC has reviewed and recommended several Related Party Transactions by Resolutions in writing which the Committee for purposes hereof construe as equivalent to meetings being held.

## FUNCTIONS OF THE COMMITTEE:

- Review all proposed Related Party Transactions (Except for exempted transactions)
- Determining whether the relevant Related Party Transaction is fair to, and in the best interests of the Company and its stakeholders.
- Obtain updates on previously reviewed Related Party Transactions from Senior Management and approve any material changes.
- Establish guidelines for Senior Management to follow in ongoing dealings with related parties.
- Direct the transactions for Board approval / Shareholder approval as deemed appropriate.
- Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules and regulations are made in a timely and detailed manner.

## CONCLUSION

The Related Party Transactions Review Committee has reviewed the Related Party Transactions entered into during the financial year under review and has communicated its comments and observations to the Board of Directors.

Related Party Transactions have been reviewed and disclosed in a manner consistent with the Listing Rules. The Committee is free to seek external professional advice on matters within their purview when necessary.

The Board of Directors have also declared in the Annual Report that there were no non-recurrent related party transactions which exceeded the respective disclosure thresholds mentioned in Section 9 of the Colombo Stock Exchange Listing Rules. The Board further declares that recurrent related party transactions although exempt which exceeded the respective disclosure threshold are disclosed in Note 32(b) to the Financial Statements and that the Company has complied with the requirements of Section 9 of the Colombo Stock Exchange Listing Rules on Related Party Transactions except for the number of meetings held.

R. Seevaratnam
*Chairman*

Related Party Transactions Review Committee

4th October 2021

# Annual Report of the Board of Directors

The Board of Directors of E. B. Creasy & Company PLC presents their Report on the affairs of the Company together with the Audited Financial Statements for the year ended 31st March, 2021.

The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007 and the Colombo Stock Exchange Listing Rules and are guided by recommended best practices.

### PRINCIPAL ACTIVITIES, BUSINESS REVIEW/ FUTURE DEVELOPMENTS

The principal activities of the Company together with those of its subsidiary companies are described in the Group Profile under Management Discussion and Analysis. A review of the Company's business and its performance during the year with comments on financial results and future developments is contained in the Chairman's Review and Management Discussion and Analysis sections of this Annual Report. These reports together with the Financial Statements reflect the state of affairs of the Company.

The Directors to the best of their knowledge and belief confirm that the Company has not engaged in any activities that contravene laws and regulations.

### FINANCIAL STATEMENTS

The Financial Statements of the Company are given on pages 54 to 127.

### AUDITORS' REPORT

The Auditors' Report on the Financial Statements is given on pages 49 to 53.

### ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Financial Statements are given on pages 59 to 77.

### INTEREST REGISTER

#### DIRECTORS' INTEREST IN TRANSACTIONS

The Directors have made general disclosures as provided for in Section 192 (2) of the Companies Act No. 07 of 2007. Arising from this, details of contracts in which they have an interest are disclosed in Note 32 to the Financial Statements on pages 119 to 122.

#### DIRECTORS' INTEREST IN SHARES

The Directors of the Company who have an interest in the shares of the Company have disclosed their shareholdings and any acquisitions/disposals to the Board in compliance with Section 200 of the Companies Act No. 07 of 2007.

Details pertaining to Directors' direct shareholdings are set out below:

| Name of Director | No. of Shares as at 31.03.2021 | No. of Shares as at 31.03.2020 |
|---|---|---|
| Mr. S. D. R. Arudpragasam | - | 2,000 |
| Mr. S. Rajaratnam | 3,000 | 30 |
| Mr. S. W. Gunawardena | 54,000 | - |

Mr. R. N. Bopearatchy who is over seventy years of age retires and offers himself for reappointment under and by virtue of a Special Notice received from a shareholder of the Company which is referred to in the Notice of Meeting.

Mr. A. Rajaratnam who is over seventy years of age retires and offers himself for reappointment under and by virtue of a Special Notice received from a shareholder of the Company which is referred to in the Notice of Meeting.

Mr. A. M. de S. Jayaratne who is over seventy years of age retires and offers himself for reappointment under and by virtue of a Special Notice received from a shareholder of the Company which is referred to in the Notice of Meeting.

Mr. R. Seevaratnam who is over seventy years of age retires and offers himself for reappointment under and by virtue of a Special Notice received from a shareholder of the Company which is referred to in the Notice of Meeting.

Mr. A. R. Rasiah who is over seventy years of age retires and offers himself for reappointment under and by virtue of a Special Notice received from a shareholder of the Company which is referred to in the Notice of Meeting.

Mr. S. N. P. Palihena who is over seventy years of age retires and offers himself for reappointment under and by virtue of a Special Notice received from a shareholder of the Company which is referred to in the Notice of Meeting.

Dr. A.M. Mubarak who has attained seventy years of age retires and offers himself for reappointment under and by virtue of a Special Notice received from a shareholder of the Company which is referred to in the Notice of Meeting.

Mr. S. D. R. Arudpragasam who has attained seventy years of age retires and offers himself for reappointment under and by virtue of a Special Notice received from a shareholder of the Company which is referred to in the Notice of Meeting.

## AUDITORS

The Financial Statements of the Company for the year have been audited by KPMG, Chartered Accountants, the retiring Auditors who have expressed their willingness to continue as Auditors of the Company and are recommended for reappointment. A resolution to reappoint them and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

The Auditors, KPMG were paid Rs.8.2 Million during the year under review (2019/20 – Rs.7.5 Million) as audit fees and fees for audit-related services by the Group. In addition, they were paid Rs.1.9 Million (2019/20 – Rs.2.3 Million) by the Group for non-audit related work, which consisted mainly of tax related work.

In addition to the above, Group companies are engaged with other audit firms. Audit fees in respect of these firms amounted to Rs.1.9 Million during the year under review (2019/20 – 2.1 Million).

As far as the Directors are aware the Auditors do not have any relationship (other than that of an Auditor) with the Company. The Auditors do not have any interest in the Company.

## REVENUE

The revenue of the Group for the year was Rs.13,766.85 Million. (2019/20 – Rs.11,186.30 Million).

## RESULTS

The Group made a profit before tax of Rs.831.88 Million (2019/20 – loss of Rs.366.91 Million). The detailed results are given in the Statement of Profit or Loss and Other Comprehensive Income on page 54.

## DIVIDENDS

The Board of Directors have recommended the payment of a First and Final Dividend of Rs.1/- per share on the Ordinary Shares of the Company for the year ended 31st March, 2021 for approval by the Shareholders at the Annual General Meeting to be held on 11th November 2021.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for the dividend proposed. A solvency certificate has been sought from the Auditors in respect of the aforementioned dividend.

## INVESTMENTS

Investments made by the Group are given in Notes 17 and 18 on pages 93 to 98.

## PROPERTY, PLANT & EQUIPMENT

During 2020/21, the Group invested Rs.280.94 Million. in Property, Plant & Equipment (2019/20 – Rs.127.16 Million). Further, your Directors are of the opinion that the net amount at which land and other Property, Plant & Equipment appear in the Statement of Financial Position are not greater than their market value as at 31st March, 2021.

## STATED CAPITAL

The Stated Capital of the Company as at 31st March, 2021 was Rs.25,731,000/= and is represented by 253,545,800 issued and fully-paid ordinary shares. There was no change in the Stated Capital during the year.

## SUBDIVISION OF SHARES

At an Extraordinary General Meeting held on 2nd February 2021, the shareholders of the Company approved the subdivision of issued ordinary shares on the basis of subdividing every One (01) existing issued ordinary share into One Hundred (100) issued ordinary shares, thereby increasing the number of shares of the Company from 2,535,458 to 253,545,800 shares without actuating any increase to the Stated Capital of the Company. The said subdivision was effective from 2nd February 2021.

## RESERVES

The total Group reserves as at 31st March, 2021 comprised of general reserves of Rs.9.55 Million, revaluation reserve of Rs.2,965.73 Million and retained earnings of Rs.1,153.82 Million whereas the total Group reserves as at 31st March, 2020 comprised of general reserves of Rs.9.55 Million, revaluation reserve of Rs.2,630.04 Million and retained earnings of Rs.826.01 Million.

The movements are shown in the Statement of Changes in Equity in the Financial Statements.

## TAXATION

The Group's liability to taxation has been computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto.

Income Tax and other taxes paid and liable by the Group are disclosed in Notes 10 and 27 on pages 80 to 82 and 107 to 110.

## RELATED PARTY TRANSACTIONS

In respect of the Financial year ended 31.03.2021 there were no non-recurrent related party transactions which exceeded the respective disclosure thresholds mentioned in Section 9 of the Colombo Stock Exchange Listing Rules.

Recurrent related party transactions although exempt which exceeded the respective disclosure threshold are disclosed in Note 32(b) to the Financial Statements. The Company has complied with the requirements of the Listing Rules on Related Party Transactions except for the number of meetings held during the year.

The Related Party Transactions presented in the financial statements are disclosed in Note 32 from pages 119 to 122.

## SHARE INFORMATION

Information relating to earnings, dividend, net assets, market value per share and share trading is given on pages 128 to 129.

## EVENTS OCCURRING AFTER THE REPORTING DATE

Events occurring after the Reporting date that would require adjustments to or disclosures are disclosed in Note 36 on page 125.

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments and contingent liabilities as at the Reporting date are disclosed in Notes 34 and 35 on pages 124 to 125.

## EMPLOYMENT POLICY

The Company's recruitment and Employment Policy is non-discriminatory. The occupational, health and safety standards receive substantial attention. Appraisals of individual employees are carried out in order to evaluate their performance and realise their potential. This process benefits the Company and the employees.

## SHAREHOLDERS

It is the Company's policy to endeavour to ensure equitable treatment to its shareholders.

## STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all statutory payments due in relation to employees and the Government have been made.

## ENVIRONMENTAL PROTECTION

The Company's business activities can have direct and indirect effects on the environment.

It is the Company's policy to minimise any adverse effect its activities have on the environment and to promote co-operation and compliance with the relevant authorities and regulations. The Directors confirm that the Company has not undertaken any activities which have caused or are likely to cause detriment to the environment.

## INTERNAL CONTROL

The Board of Directors take overall responsibility for the Company's Internal Control System. A separate Internal Audit section has been set up to review the effectiveness of the Company's internal controls in order to ensure reasonable assurance that assets are safeguarded and all transactions are properly authorised and recorded. The Board reviews the recommendations of External Auditors and takes appropriate action to maintain an adequate internal control system.

## GOING CONCERN

The Board of Directors after making necessary inquiries and reviews including reviews of the Company's budget for the subsequent year, capital expenditure requirements, future prospects and risks, cash flows and borrowing facilities have a reasonable expectation that the Company has adequate resources to continue its operations in the foreseeable future. Therefore, the going concern basis has been adopted in the preparation of the Financial Statements.

For and on behalf of the Board,

| | |
|---|---|
| **S.D.R. Arudpragasam** | **R.C.A. Welikala** |
| *Director* | *Director* |

By Order of the Board,

**Corporate Managers & Secretaries (Private) Limited**
Secretaries

4th October 2021

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board of Directors (Board) of the Company is responsible for the adequacy of the Company's system of internal controls and for reviewing its design and effectiveness regularly. However, such a system is designed to manage, rather than eliminate the risk of failure to achieve business objectives of the Group. Accordingly, the system of internal controls can only provide reasonable and not absolute assurance against material misstatements of losses or frauds.

The Board is of the view that the prevalent internal control systems instituted, by them, and which comprise internal checks, internal audits, risk management policies and financial and other controls are so designed that, there is reasonable assurance that all assets are safeguarded and transactions properly authorised and recorded, so that material misstatements and irregularities are either prevented or detected within a reasonable period of time.

The Board has established various Committees, such as the Audit Committee, Remuneration Committee and Related Party Transactions Review Committee to strengthen the process of identifying and reviewing the adequacy and integrity of the system of internal controls and risk management.

The Directors are of the view that the Company and its Group have adequate resources to continue operations in the foreseeable future and have continued to use the going concern basis in the preparation of these Financial Statements.

The Directors have provided the Auditors, KPMG, Chartered Accountants, with every opportunity to carry out reviews and tests that they consider appropriate and necessary for the performance of their responsibilities. The Auditors have examined the Financial Statements together with all financial records and related data and expressed their opinion, which appears as reported by them on pages 49 to 53 of this Report.

The Directors are responsible for:

- Preparing the Annual Report and the Group and Parent Company Financial Statements in accordance with applicable laws and regulations;
- Preparing Financial Statements which give a true and fair view of the state of affairs as at the Balance Sheet date and the Profit or Loss for the period then ended of the Company and the Group in accordance with SLFRSs and LKASs;
- Keeping proper accounting records which disclose, with reasonable accuracy, the financial position of the Group and the Company enabling them to ensure that the Group Financial Statements comply with applicable laws and regulations;
- Establishing an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, and regularly reviewing the effectiveness of such process;
- Taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities; and maintaining the integrity of the statutory and audited information available to the public.
- In addition, the Directors consider that, in preparing the Financial Statements:
    - suitable accounting policies have been selected and applied consistently;
    - judgments and estimates made have been reasonable and prudent;
    - the Financial Statements comply with IFRS as adopted for use in Sri Lanka (SLFRSs/LKASs);
    - all Accounting Standards which they consider applicable have been followed in preparing the Parent Company Financial Statements; and
    - it is appropriate that the Group and Parent Company Financial Statements have been prepared on a "Going Concern" basis

The Directors also confirm that to the best of their knowledge, the Financial Statements are prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group taken as a whole; and this Directors' Report contains a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face.

**S.D.R. Arudpragasam**
*Director*

**R.C.A. Welikala**
*Director*

4th October 2021

# RISK MANAGEMENT

The Board of Directors considers risk identification, assessment and mitigating activities to be vital in maintaining sustainable growth and making steady progress towards achievement of the corporate objectives. In the pursuit of opportunities it is unavoidable that we are subject to various risks. The management ensures that such risks are systematically identified and the procedures are in place to manage and control the same. Hence a well structured Risk Management Framework is in place under which the risks are being assessed. The identified risks are being reviewed by the Audit Committee at the Company level as well as at the Group level. Under the Framework, the risks are then prioritised and business units use both preventive and mitigation controls to manage risk exposures within the prescribed tolerance limits.

The principal foreseeable risks have been identified and are set out below with mitigation strategies. The nature and the scope of risks are subject to change and not all of the factors listed are within the control of the Group.

| DESCRIPTION OF RISK | MITIGATION STRATEGIES |
|---|---|
| **HEALTH AND SAFETY RISK**<br>Likelihood that an individual may be harmed or suffers adverse health effects if exposed to a workplace hazard or viral infection<br>Possibility of a customer facing health and safety risks while consuming a product or service provided by any of the businesses | • The business takes employee safety as the highest priority<br>• Health and Safety related policies and procedures have been implemented across the group and periodically reviewed<br>• Operations and plants are designed considering employee health and safety<br>• Quality policies and frameworks are in place at all our businesses and operations are carried out under strict quality controls<br>• Staff are continuously trained on conducting operations by adhering to quality protocols |
| **BUSINESS INTERRUPTION**<br>Business interruptions due to unforeseen events such as Easter attack and COVID-19 resulting disruptions to supply chain, manufacturing and distribution | • Strengthening the business continuity plan<br>• Risks and opportunities management<br>• Use of technological advancements for remote operations and process automations |
| **PRODUCT/SERVICE QUALITY RISK**<br>Product quality is crucial as the Group's portfolio includes pharmaceutical products, FMCG and infant milk powder | • Adequate business-specific quality control divisions to ensure high quality throughout our processes<br>• Continuous training, quality management and assurance programs to strengthen the product quality<br>• Internal and external quality inspection<br>• Standardised manufacturing processes<br>• Ongoing investment and improvement initiatives in manufacturing facilities |
| **RISK OF POLITICAL INSTABILITY**<br>Adverse impacts arising due to an unstable political environment in the country | • Analysing SWOT and PEST factors and developing appropriate strategies<br>• Business diversification and enter alternate markets |

# Risk Management *Contd.*

| DESCRIPTION OF RISK | MITIGATION STRATEGIES |
|---|---|
| **PANDEMIC RISK**<br>Likelihood that an individual may be harmed or suffered adverse health effects if exposed to COVID-19.<br>Supply chain disruptions due to re-emerging waves of the pandemic across the world. Margins are likely to be impacted by rising raw material prices due to supply chain disruptions and volatile exchange rate.<br>Possible interruption to the IT services through third party malicious activities due to work from home arrangements. | • Increased inventory levels to ensure uninterrupted supply<br>• Health and Safety related policies and procedures have been implemented across the Group, and staff are continuously trained on conducting operations by adhering to quality protocols.<br>• Work from home guidelines were introduced and continuous awareness sessions are conducted |
| **CREDIT RISK**<br>Arising from debtor's bankruptcy or credit quality deterioration of customers | • Adherence to business specific credit control policies and credit worthiness verification procedures<br>• Protection against credit risk through Bank Guarantees and efficient follow up and collection practices<br>• Customer Relationship Management |
| **INFLATION RISK**<br>Rise in prices of raw materials and products resulting higher cost of production | • Use of appropriate financial and hedging strategies<br>• Supplier Relationship Management<br>• Adopt dynamic pricing strategies |
| **INTEREST RATE RISK**<br>Adverse impact on profitability due to increased finance cost resulting from high interest rates on borrowings | • Use of appropriate financial and hedging strategies<br>• Negotiate for concessionary interest rates using Group strength<br>• Effective treasury management |
| **EXCHANGE RATE RISK**<br>Potential losses as a result of adverse movements in the exchange rates | • Managing exchange rates through appropriate financial risk management techniques such as hedging<br>• Centralised treasury advisory<br>• Efficient Pricing negotiation with suppliers<br>• Dynamic pricing strategies |
| **CYBER RISK**<br>A cyber-attack or data center failure resulting in business disruption or breach of corporate or personal data confidentiality | • Safeguard critical IT and operational assets by strict IT protocols, firewalls and business continuity plan<br>• Foster a positive culture of cyber-security through various awareness sessions |

| DESCRIPTION OF RISK | MITIGATION STRATEGIES |
|---|---|
| **REGULATORY AND COMPLIANCE RISK**<br>Risk of introducing of new regulations affecting the business adversely and complexity in complying with regulatory requirements | • Monitor compliance with regulatory requirements<br>• Lobby against regulations that could have a negative impact on business/industry<br>• Look for alternative strategies within the regulatory framework |
| **HUMAN RESOURCE RISK**<br>Impact to business competitiveness due to the difficulties to recruit/retain required talent and issues pertaining to industrial relations | • Build strong employer brand and better industrial relations |
| **OPERATIONAL RISK**<br>Potential losses due to inadequate internal controls, failures of internal processes, people and systems as a result of natural and human activities | • Business continuity plans to ensure the smooth operation of the businesses even at the time of disaster<br>• Internal audits on internal controls and compliance |
| **FUNDING/LIQUIDITY RISK**<br>Difficulty in obtaining required low cost funding and foreign exchange for working capital and business expansion | • Maintain an acceptable retention policy<br>• Use Group's strength as a listed Conglomerate to raise economical funding when required<br>• Leverage on brand equity<br>• Focus on export markets |

The Group did not encounter any material issues pertaining to employees and industrial relations during the financial year under review.

# Financial Reports

Independent Auditors' Report 49

Statement of Profit or Loss and Other Comprehensive Income 54

Statement of Financial Position 55

Statement of Changes in Equity 56

Statement of Cash Flows 57

Notes to the Financial Statements 59

# Independent Auditors' Report

KPMG
(Chartered Accountants)
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## TO THE SHAREHOLDERS OF E. B. CREASY & COMPANY PLC

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of E.B. Creasy & Company 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 31 March 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out in pages 54 to 127 of the Annual Report.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2021, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Company financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

| Impairment assessment of the Group's goodwill and Company's investment in subsidiaries. | |
|---|---|
| Refer significant accounting policies in Notes 4.1 and Note 4.11 and explanatory Notes 16 and Note 17.1 to the financial statements | |
| **Risk Description** | **Our Response** |
| At 31st March 2021, the Group recorded Rs.189 Million as goodwill and the Company recorded Rs.1,916 Million as investments in subsidiaries. As required by relevant accounting standards, at 31 March 2021 the management performed an impairment assessment on goodwill by allocating it to the respective cash generating units and performed the impairment assessment for investments in subsidiaries with indicators of impairment and determined their recoverable amounts based on value in- use calculations.<br><br>We considered the audit of management's impairment assessment of goodwill and investments in subsidiaries to be a key audit matter due to the magnitude of the carrying amounts of goodwill and investment in subsidiaries in the financial statements as at 31 March 2021. In addition, these areas were significant to our audit because the impairment assessment process involved significant management judgment and required management to make various assumptions in the underlying cash flow forecasts. | Our audit responses included;<br>• obtaining an understanding of management's impairment assessment process.<br>• reviewing the robustness of management's budgeting process by comparing the actual financial results against previous projections.<br>• assessing cash flow forecast prepared by the management against our own expectations based on our knowledge of the Company and experience of the industry in which it operates.<br>• testing the mathematical accuracy of the underlying calculations in the discounted cash flow valuation models<br>• with the assistance of our own internal business valuation specialists, challenging the reasonableness of the key assumptions in the valuation models.<br>• assessing the adequacy of disclosures in the financial statements |

| Recognition of deferred tax assets | |
|---|---|
| Refer significant accounting policies in Note 4.8 and explanatory Note 27 to the financial statements | |
| **Risk Description** | **Our Response** |
| The Group recognized deferred tax assets of Rs.358 Mn as at 31st March 2021 in respect of deductible temporary differences and unused tax losses which management considered would be utilized or recovered in the future through the generation of future taxable profits or offset against deferred tax liabilities.<br><br>The recognition of deferred tax assets relies on the exercise of significant judgment by management in respect of assessing the sufficiency of future taxable profits and the probability of such future taxable profit being generated and reversals of existing taxable temporary differences.<br><br>We identified the recognition of deferred tax assets as a key audit matter because of its significance to the financial statements and the significant management judgement and estimation required in forecasting of future taxable profit which could be subject to error or potential management bias. | Our audit procedures included:<br>• using our own tax specialist to evaluate the tax strategies that the Group expects will enable the successful recovery of the recognised tax assets;<br>• reconciling tax losses and expiry dates to tax statements;<br>• assessing the accuracy of forecast future taxable profit by evaluating historical forecasting accuracy and comparing the assumptions, such as projected growth rates, with our own expectations of those assumptions derived from our knowledge of the industry and our understanding obtained during our audit, including where applicable their consistency with business plans and forecasts used for impairment testing purposes;<br>• evaluating the adequacy of the statement disclosures, including disclosures of key assumptions, judgments and sensitivities. |

KPMG

## Carrying value of Inventories

Refer significant accounting policies in Note 4.9 and explanatory Note 19 to the financial statements

| Risk Description | Our Response |
|---|---|
| The Company and Group recorded inventories amounting to Rs. 966.8 Mn and Rs.2,819.4 Mn respectively at 31 March 2021.<br><br>The Company and Group have significant amount of inventory and judgment is exercised with regard to categorisation of stocks as obsolete and/or slow moving to be considered for provision; estimates are then involved in arriving at provisions against cost in respect of slow moving and obsolete inventories to arrive valuation based on lower of cost and net realizable value. Given the level of judgements and estimates involved this is considered to be a key audit matter. | Our audit procedures included:<br>• Obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls over inventory valuation and identify slow moving and obsolete inventories;<br>• comparison of inventory levels, by product group, to sales data to corroborate whether slow moving and obsolete inventories had been appropriately identified and challenge the categorisation as obsolete or slow moving;<br>• on sample basis, physically verify the inventories as at reporting date;<br>• assessing the realisations of inventories during the period and after the period end, in particular of clearance categories, and compare these to the expected recoveries for inventory categorized as obsolete and/or slow moving at the period end date;<br>• assessing whether the accounting policies had been consistently applied and the adequacy of the disclosures in respect of the judgement and estimation made in respect of inventory provisioning; |

## Revenue recognition

Refer significant accounting policies in Note 4.4 and explanatory Note 6 to the financial statements

| Risk Description | Our Response |
|---|---|
| As described in Note 6 to the financial statements, the Company and Group recorded revenue of Rs. 5,323 Mn and Rs.13,767 Mn. respectively for the year ended 31 March 2021.<br><br>Revenue from sale of goods is recognised when control has been transferred to the buyer; and is measured net of trade discounts.<br><br>Based on the Company's/Group's business model, there are many different types of revenues, arising from different types of transactions and events with customers.<br><br>In addition, the Company/Group considers revenue as an important element in the preparation of budgets and measuring management performance. These factors could create an incentive for revenue to be recognised prior to control being transferred.<br><br>Considering above factors, we identified revenue as a key audit matter based on the significant judgment involved in determining point of recognition and inherent risk. | Our audit procedures included:<br>• evaluating the appropriateness of the Group's revenue recognition policies, including the recognition, measurement and classification criteria as well as disclosure requirements as per SLFRS 15.<br>• obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls over the revenue recognition and measurement.<br>• obtaining an understanding of and assessing the design, implementation and operating effectiveness of key IT application controls over revenue, in addition to evaluating the integrity of the general IT control environment.<br>• performing test of details over revenue by inspecting a sample of invoices and credit notes in order to ensure revenue is recognised and measured in accordance with the contractual terms of the contract and the Group accounting policies.<br>• On a sample basis, comparing specific revenue transactions recorded before and after the financial year end with the underlining goods delivery notes and/or invoices to assess whether the related revenue had been recognized in the correct financial period. |

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## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

KPMG

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

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

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

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

## Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this Independent Auditors' Report is 1224.

KPMG

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka
04 October 2021

# Statement of Profit or Loss and Other Comprehensive Income

| For the year ended 31st March, | Note | GROUP 2021 Rs. '000 | GROUP 2020 Rs. '000 | COMPANY 2021 Rs. '000 | COMPANY 2020 Rs. '000 |
|---|---|---|---|---|---|
| Revenue | 6 | 13,766,848 | 11,186,301 | 5,323,615 | 4,178,056 |
| Cost of Sales | | (9,163,418) | (8,022,808) | (3,643,479) | (2,953,001) |
| Gross Profit | | 4,603,430 | 3,163,493 | 1,680,136 | 1,225,055 |
| Other Income/(Expenses) | 7 | 31,675 | 6,419 | 14,683 | 20,570 |
| Selling and Distribution Expenses | | (1,698,397) | (1,341,732) | (511,601) | (314,828) |
| Administrative Expenses | | (1,349,282) | (1,308,104) | (495,966) | (503,879) |
| Finance Expenses | 8.2 | (529,906) | (623,669) | (274,071) | (350,915) |
| Finance Income | 8.1 | 55,102 | 38,397 | 97,930 | 37,236 |
| Share of Results of Equity Accounted Investees | 18.2 | (280,746) | (301,714) | - | - |
| Profit/(Loss) before Tax | 9 | 831,876 | (366,910) | 511,111 | 113,239 |
| Income Tax Expense | 10 | (248,248) | (57,598) | (90,170) | (20,874) |
| Profit/(Loss) for the Year | | 583,628 | (424,508) | 420,941 | 92,365 |
| Other Comprehensive Income/(Expense) | | | | | |
| Items that will not be reclassified to profit or loss | | | | | |
| Remeasurement of Retirement Benefit Obligation | 28.1 | (113,063) | 16,899 | (46,986) | 28,460 |
| Equity Investments at FVOCI - net changes in fair value | | 7,133 | 10,225 | (320) | 174 |
| Deferred Tax on Remeasurement of Retirement Benefit Obligation | 10 | 23,827 | (5,298) | 8,457 | (7,969) |
| Deferred Tax Effect on Revaluation gain due to change in income tax rate | 10 | 291,445 | - | 277,759 | - |
| Share of Other Comprehensive Income of Equity Accounted Investees, Net of Tax | 18.2 | 43,149 | (1,634) | - | - |
| Items that are or may be reclassified subsequently to profit or loss | | | | | |
| Debt investments at FVOCI - net changes in fair value | | (4,660) | 802 | - | - |
| Debt investments at FVOCI - reclassified to Profit or Loss | | (1,330) | 8,749 | - | - |
| Debt investments at FVOCI - Impairment on debt investment derecognised | | - | (1,452) | - | - |
| Other Comprehensive Income for the Year Net of Tax | | 246,501 | 28,291 | 238,910 | 20,665 |
| Total Comprehensive Income/(Expense) for the Year | | 830,129 | (396,217) | 659,851 | 113,030 |
| Profit/(Loss) Attributable to: | | | | | |
| Equity Holders of the Parent | | 510,615 | (393,808) | 420,941 | 92,365 |
| Non-controlling Interest | | 73,013 | (30,700) | - | - |
| Profit/(Loss) for the Year | | 583,628 | (424,508) | 420,941 | 92,365 |
| Total Comprehensive Income/(Expense) Attributable to: Equity Holders of the Parent | | 753,801 | (368,817) | 659,851 | 113,030 |
| Non-controlling Interest | | 76,328 | (27,400) | - | - |
| Total Comprehensive Income/(Expense) for the Year | | 830,129 | (396,217) | 659,851 | 113,030 |
| Basic Earnings/(Loss) Per Share (Rs.) | 11.1 | 2.01 | (1.55) | 1.66 | 0.36 |

The Accounting Policies and Notes on pages 59 to 127 form an integral part of the Financial Statements.

Figures in brackets indicate deductions.

# Statement of Financial Position

| As at 31st March, | Note | GROUP 2021 Rs. '000 | GROUP 2020 Rs. '000 | COMPANY 2021 Rs. '000 | COMPANY 2020 Rs. '000 |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Non-Current Assets | | | | | |
| Property, Plant and Equipment | 12 | 5,043,655 | 4,976,294 | 3,639,867 | 3,612,895 |
| Investment Property | 13 | 2,800 | 2,800 | - | - |
| Right of Use Assets | 14 | 139,463 | 158,704 | 257,467 | 273,763 |
| Intangible Assets | 16 | 240,233 | 272,448 | 42,170 | 79,782 |
| Investments in Subsidiaries | 17.1 | - | - | 1,916,267 | 1,538,754 |
| Other Financial Assets measured at Fair Value through OCI | 17.3 | 503,945 | 501,419 | 1,443 | 1,709 |
| Other Financial Assets measured at Amortised Cost | 17.4.1 | 54,175 | 76,337 | - | - |
| Investments in Equity Accounted Investees | 18 | 198,333 | 465,289 | 261,321 | 261,321 |
| Deferred Tax Assets | 27.1 | 357,796 | 392,760 | - | - |
| Total Non-Current Assets | | 6,540,400 | 6,846,051 | 6,118,535 | 5,768,224 |
| Current Assets | | | | | |
| Inventories | 19 | 2,819,376 | 2,304,788 | 966,819 | 721,336 |
| Trade and Other Receivables | 21 | 2,560,854 | 2,188,013 | 57,204 | 12,356 |
| Amount Due from Related Companies - Trade | 20.1 | - | - | 1,010,043 | 950,215 |
| Amount Due from Related Companies - Non-trade | 20.2 | 279,725 | 204,910 | 741,636 | 489,069 |
| Loans due from Related Parties | 17.4.2 | 164,232 | 88,909 | 131,232 | 42,409 |
| Income Tax Recoverable | | 16,069 | 22,641 | - | - |
| Cash and Cash Equivalents | 22.1 | 711,400 | 100,025 | 8,341 | 9,925 |
| Derivative Financial Assets | | - | 8,655 | - | - |
| Total Current Assets | | 6,551,656 | 4,917,941 | 2,915,275 | 2,225,310 |
| Total Assets | | 13,092,056 | 11,763,992 | 9,033,810 | 7,993,534 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Stated Capital | 23 | 25,731 | 25,731 | 25,731 | 25,731 |
| General Reserves | 24.1 | 9,548 | 9,548 | 9,548 | 9,548 |
| Revaluation Reserve | 24.2 | 2,965,733 | 2,630,038 | 2,057,599 | 1,779,840 |
| Retained Earnings | | 1,153,818 | 826,010 | 2,173,262 | 1,836,808 |
| Equity Attributable to Equity Holders of the Company | | 4,154,830 | 3,491,327 | 4,266,140 | 3,651,927 |
| Non-Controlling Interest | | 350,616 | 247,012 | - | - |
| Total Equity | | 4,505,446 | 3,738,339 | 4,266,140 | 3,651,927 |
| Non-Current Liabilities | | | | | |
| Loans and Borrowings | 25.1 | 143,593 | 320,800 | 44,134 | 129,328 |
| Lease Liabilities | 25.4 | 189,176 | 205,994 | 262,328 | 265,027 |
| Deferred Income and Capital Grants | 26 | 4,268 | 4,528 | 4,268 | 4,528 |
| Deferred Tax Liabilities | 27.2 | 572,090 | 938,531 | 442,769 | 744,969 |
| Retirement Benefit Obligations | 28 | 968,081 | 745,785 | 645,971 | 521,349 |
| Total Non-Current Liabilities | | 1,877,208 | 2,215,638 | 1,399,470 | 1,665,201 |
| Current Liabilities | | | | | |
| Loans and Borrowings | 25.2 | 2,176,732 | 2,292,858 | 1,570,745 | 1,427,552 |
| Lease Liabilities | 25.4 | 30,164 | 28,255 | 25,053 | 28,340 |
| Current Taxation Payable | | 150,126 | 36,734 | 90,582 | 26,870 |
| Trade and Other Payables | 29 | 3,238,218 | 2,307,086 | 943,769 | 656,723 |
| Amount Due to Related Companies | 30 | 13,719 | 9,046 | 58,039 | 57,109 |
| Bank Overdraft | 22.2 | 1,100,443 | 1,136,036 | 680,012 | 479,812 |
| Total Current Liabilities | | 6,709,402 | 5,810,015 | 3,368,200 | 2,676,406 |
| Total Equity and Liabilities | | 13,092,056 | 11,763,992 | 9,033,810 | 7,993,534 |

The Accounting Policies and Notes on pages 59 to 127 form an integral part of these Financial Statements.
I certify that these Financial Statements are prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

R. Rathnasekara

Ravi Rathnasekara
*Chief Financial Officer*

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
These Financial Statements were approved and signed for and on behalf of the Board of Directors of E. B. Creasy & Company PLC.

S.D.R. Arudpragasam
*Director*

R.C.A. Welikala
*Director*

4th October 2021
Colombo

# Statement of Changes in Equity

## GROUP

| | Note | Stated Capital Rs. '000 | General Reserves Rs. '000 | Revaluation Reserve Rs. '000 | Retained Earnings Rs. '000 | Total Rs. '000 | Non-Controlling Interest Rs. '000 | Total Rs. '000 |
|---|---|---|---|---|---|---|---|---|
| | | Attributable to Equity Holders of Parent | | | | | | |
| Balance as at 1st April 2019 | | 25,731 | 9,548 | 2,622,695 | 1,306,736 | 3,964,710 | 279,133 | 4,243,843 |
| Adjustment of Initial application of SLFRS 16 | | - | - | - | (74,141) | (74,141) | - | (74,141) |
| Adjusted balance as at 1st April 2019 | | 25,731 | 9,548 | 2,622,695 | 1,232,595 | 3,890,569 | 279,133 | 4,169,702 |
| Total Comprehensive Income for the Year | | | | | | | | |
| Loss for the Year | | - | - | - | (393,808) | (393,808) | (30,700) | (424,508) |
| Other Comprehensive Income for the Year | | - | - | 7,343 | 17,648 | 24,991 | 3,300 | 28,291 |
| Transactions with owners of the Company | | | | | | | | |
| Dividend declared | 11.2 | - | - | - | (30,425) | (30,425) | - | (30,425) |
| Dividend for Non-Controlling Interest | 17.1.1 | - | - | - | - | - | (4,721) | (4,721) |
| Balance as at 31st March 2020 | | 25,731 | 9,548 | 2,630,038 | 826,010 | 3,491,327 | 247,012 | 3,738,339 |
| Adjustments due to change in holding | 17.1.1 | - | - | - | (15,300) | (15,300) | 15,300 | - |
| Effect Of Acquisition, Disposals and Changes in Percentage in Subsidiaries of Equity Accounted Investees | | - | - | - | (29,360) | (29,360) | - | (29,360) |
| Total Comprehensive Income for the Year | | | | | | | | |
| Profit for the Year | | - | - | - | 510,615 | 510,615 | 73,013 | 583,628 |
| Other Comprehensive Income/(Expense) for the Year | | - | - | 335,695 | (92,509) | 243,186 | 3,315 | 246,501 |
| Transactions with owners of the Company | | | | | | | | |
| Dividend declared | 11.2 | - | - | - | (45,638) | (45,638) | - | (45,638) |
| Rights Issue by Subsidiary | 17.1.1 | - | - | - | - | - | 30,861 | 30,861 |
| Dividend for Non-Controlling Interest | 17.1.1 | - | - | - | - | - | (18,885) | (18,885) |
| Balance as at 31st March 2021 | | 25,731 | 9,548 | 2,965,733 | 1,153,818 | 4,154,830 | 350,616 | 4,505,446 |

## COMPANY

| | Note | Stated Capital Rs. '000 | General Reserves Rs. '000 | Revaluation Reserve Rs. '000 | Retained Earnings Rs. '000 | Total Rs. '000 |
|---|---|---|---|---|---|---|
| Balance as at 1st April 2019 | | 25,731 | 9,548 | 1,779,840 | 1,761,916 | 3,577,035 |
| Adjustment of Initial application of SLFRS 16 | | - | - | - | (7,713) | (7,713) |
| Adjusted balance as at 1st April 2019 | | 25,731 | 9,548 | 1,779,840 | 1,754,203 | 3,569,322 |
| Total Comprehensive Income for the Year | | | | | | |
| Profit for the Year | | - | - | - | 92,365 | 92,365 |
| Other Comprehensive Income/(Expense) for the Year | | - | - | - | 20,665 | 20,665 |
| Transactions with owners of the Company | | | | | | |
| Dividend declared | 11.2 | - | - | - | (30,425) | (30,425) |
| Balance as at 31st March 2020 | | 25,731 | 9,548 | 1,779,840 | 1,836,808 | 3,651,927 |
| Total Comprehensive Income for the Year | | | | | | |
| Profit for the Year | | - | - | - | 420,941 | 420,941 |
| Other Comprehensive Income/(Expense) for the Year | | - | - | 277,759 | (38,849) | 238,910 |
| Transactions with owners of the Company | | | | | | |
| Dividend declared | 11.2 | - | - | - | (45,638) | (45,638) |
| Balance as at 31st March 2021 | | 25,731 | 9,548 | 2,057,599 | 2,173,262 | 4,266,140 |

| For the Year ended 31st March, | Note | GROUP 2021 Rs. '000 | GROUP 2020 Rs. '000 | COMPANY 2021 Rs. '000 | COMPANY 2020 Rs. '000 |
|---|---|---|---|---|---|
| Dividend Per Share (Rs.) | 11.2 | 0.18 | 0.12 | 0.18 | 0.12 |

The Accounting Policies and Notes on pages 59 to 127 form an integral part of the Financial Statements.
Figures in brackets indicate deductions.

# Statement of Cash Flows

| For the year ended 31st March, | Note | GROUP 2021 Rs. '000 | GROUP 2020 Rs. '000 | COMPANY 2021 Rs. '000 | COMPANY 2020 Rs. '000 |
|---|---|---|---|---|---|
| **A. Cash Generated from Operations** | | | | | |
| Profit/(Loss) Before Tax | | 831,876 | (366,910) | 511,111 | 113,239 |
| **Adjustments for:** | | | | | |
| Depreciation on Property, Plant and Equipment and Amortisation of right-of-use assets | 12/14 | 230,245 | 230,666 | 124,109 | 124,841 |
| Provision for Impairment on Property Plant and Equipment | 12 | 216 | 1,691 | - | 1,691 |
| Gain on Disposal of Property, Plant and Equipment | | - | (6,580) | - | (6,617) |
| Share of Results of Equity Accounted Investees | | 280,746 | 301,714 | - | - |
| Provision for fall in value of Investments | | - | - | - | 112 |
| Impairment of Trade Receivables | 20.1/21.1 | 27,920 | 44,652 | (4,133) | (10,397) |
| Impairment of Amounts Due from Related Companies | 20.2 | 35,334 | 21,365 | (8,382) | 20,435 |
| Impairment of Investment in Debt Securities | 17.4.1 | 22,162 | 17,503 | - | - |
| Impairment of Loans Due from Related Parties | 17.4.2 | 16,577 | 7,895 | 3,077 | (805) |
| Impairment/(Reversal of Impairment) of Inventories | 19.1 | 46,138 | (18,601) | 4,710 | (39,334) |
| Provision for Retiring Benefit Obligations | 28 | 133,365 | 130,254 | 89,574 | 88,835 |
| Amortisation of Deferred Income and Capital Grants | 26 | (260) | (260) | (260) | (260) |
| Interest Income | 8.1 | (29,366) | (16,415) | (10,486) | (11,046) |
| Dividend Income | 8.1 | (8,204) | (6,718) | (60,317) | (8,625) |
| Interest Expense | 8.2 | 395,018 | 548,296 | 248,139 | 346,498 |
| Debt investments at FVOCI - reclassified to profit or loss | 8.1/8.2 | (1,330) | 8,749 | - | - |
| Debt investments at FVOCI - Impairment gain on debt investment derecognised | 8.1 | - | (1,452) | - | - |
| Amortisation of Intangible Assets | 16 | 40,864 | 28,200 | 37,612 | 26,061 |
| Fair Value change on Forward Contracts | | 8,655 | (10,587) | - | - |
| Exchange Fluctuation | 25.4 | 787 | 1,229 | - | - |
| | | 2,030,743 | 914,691 | 934,754 | 644,628 |
| (Increase)/Decrease in Inventories | | (560,726) | (47,464) | (250,193) | 147,334 |
| (Increase)/Decrease in Trade and other Receivables | | (469,090) | 99,160 | (100,543) | 510,731 |
| (Increase)/Decrease in Amounts Due from Related Parties | | (59,649) | 8,492 | (128,145) | (166,467) |
| Increase/(Decrease) in Related Party Payables | | 4,673 | 1,095 | 930 | (28,205) |
| Increase/(Decrease) in Trade and other Payables | | 929,126 | 182,202 | 287,357 | (282,295) |
| | | 1,875,077 | 1,158,176 | 744,160 | 825,726 |
| **Cash Flows from Operating Activities** | | | | | |
| Cash generated from operations (Note A) | | 1,875,077 | 1,158,176 | 744,160 | 825,726 |
| Retiring Gratuity Paid | 28 | (24,132) | (16,360) | (11,938) | (8,768) |
| Interest Paid | | (366,403) | (502,144) | (214,472) | (290,687) |
| Income Taxes Paid | | (76,160) | (128,430) | (42,438) | (63,290) |
| **Net Cash Flows from Operating Activities** | | 1,408,382 | 511,242 | 475,312 | 462,981 |

# Statement of Cash Flows *Contd.*

| For the year ended 31st March, | Note | GROUP 2021 Rs. '000 | GROUP 2020 Rs. '000 | COMPANY 2021 Rs. '000 | COMPANY 2020 Rs. '000 |
|---|---|---|---|---|---|
| **Cash Flows from Investing Activities** | | | | | |
| Purchase and construction of Property, Plant and Equipment | 12 | (280,944) | (127,161) | (134,785) | (103,567) |
| Proceeds on Disposal of Property, Plant and Equipment | | 2,363 | 6,661 | - | 6,617 |
| Investment in Intangible Assets | 16 | (8,649) | (71,297) | - | (70,000) |
| Investments in Subsidiaries | | - | - | (377,514) | - |
| Investments in Financial Assets classified as FVOCI | | - | (321) | - | (321) |
| Loans Granted to Related Companies | 17.4.2 | (91,900) | (20,000) | (91,900) | (20,000) |
| Loans Recovered from Related Companies | | - | 72,000 | - | 72,000 |
| Fund Transfers to Related Companies | | (50,500) | (33,000) | (116,040) | - |
| Dividend Income Received | | 8,151 | 6,718 | 60,262 | 8,625 |
| Interest Income Received | | 29,366 | 12,408 | 10,486 | 11,046 |
| Net Cash Flows used in Investing Activities | | (392,113) | (153,992) | (649,491) | (95,600) |
| **Cash Flows from Financing Activities** | | | | | |
| Lease Rentals Paid | 25.4 | (42,306) | (37,425) | (39,965) | (37,754) |
| Long-Term Loans Obtained | 25.1 | - | 144,040 | - | 29,040 |
| Repayments of Long Term Loans | 25.1 | (234,013) | (360,432) | (127,055) | (245,408) |
| Net movement in Short-Term Loans | 25.2 | (59,320) | (237,357) | 185,053 | (112,300) |
| Dividends Paid | 11.2 | (45,638) | (30,425) | (45,638) | (30,425) |
| Net payments to Minority Shareholders | | 11,976 | (4,721) | - | - |
| Net Cash Flows used in Financing Activities | | (369,301) | (526,320) | (27,605) | (396,847) |
| Net Increase/(Decrease) in Cash and Cash Equivalents | | 646,968 | (169,070) | (201,784) | (29,466) |
| Cash and Cash Equivalents at the Beginning of the Year | | (1,036,011) | (866,941) | (469,887) | (440,421) |
| Cash and Cash Equivalents at the End of the Year (Note B) | | (389,043) | (1,036,011) | (671,671) | (469,887) |
| **B. Analysis of Cash and Cash Equivalents** | | | | | |
| Bank Overdraft | 22.2 | (1,100,443) | (1,136,036) | (680,012) | (479,812) |
| Cash in Hand & at Banks | 22.1 | 711,400 | 100,025 | 8,341 | 9,925 |
| Cash and Cash Equivalents at the End of the Year | | (389,043) | (1,036,011) | (671,671) | (469,887) |

The Accounting Policies and Notes on pages 59 to 127 form an integral part of the Financial Statements.
Figures in brackets indicate deductions.

# Notes to the Financial Statements

## 1. REPORTING ENTITY

E. B. Creasy & Company PLC ('the Company'), is a public limited company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange. The Company's registered office and the principal place of business is at No. 98, Sri Sangaraja Mawatha, Colombo 10.

The consolidated financial statements of E. B. Creasy & Company PLC, as at and for the year ended 31st March, 2021 comprises the Company and its subsidiaries (together referred to as the 'Group'). The principal activities of the Company and other entities consolidated with it are disclosed in the "Group Profile" under Management Discussion and Analysis on pages 13 to 15 of the Annual Report.

E. B. Creasy & Company PLC's Parent Entity is The Colombo Fort Land & Building PLC.

## 2. BASIS OF PREPARATION

### 2.1 STATEMENT OF COMPLIANCE

The financial statements of the Company and those consolidated with such comprise of the statements of comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows together with the accounting policies and notes to the financial statements.

The consolidated financial statements of the Group and the separate financial statements of the Company have been prepared in accordance with the Sri Lanka Accounting Standards (herein referred to as SLFRSs/LKASs), laid down by the Institute of Chartered Accountants of Sri Lanka (ICASL) and in compliance with the requirements of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995.

Changes to significant accounting policies are described in Note 3.

### 2.2 RESPONSIBILITY OF FINANCIAL STATEMENTS

The Board of Directors of the Company acknowledges their responsibility for the financial statements, as set out in the "Annual Report of the Board of Directors", "Statement of Directors' Responsibilities for financial statements" and the "Certification on the statement of financial position".

### 2.3 APPROVAL OF FINANCIAL STATEMENTS BY DIRECTORS

The consolidated financial statements for the year ended 31st March 2021 were authorised for issue by the Directors on 4th October 2021.

### 2.4 BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis and applied consistently with an adjustment being made for inflationary factors affecting the financial statements except for the following;

- Derivative financial instruments are measured at fair value.
- Financial assets measured at fair value through other comprehensive income (FVOCI)
- Defined Benefit Obligations are measured at the present value of the defined benefit plans.
- Land in property, plant and equipment are measured at fair value
- Investment properties are measured at fair value

### 2.5 FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in Sri Lankan Rupees, which is the functional currency of the Group. All financial information presented in Sri Lankan Rupees have been rounded to the nearest thousand, unless stated otherwise.

### 2.6 CURRENT VS. NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the statement of financial position based on current/ non-current classification.

An asset is current when it is expected to be realised or intended to be sold or consumed in the normal operating cycle and held primarily for the purpose of trading;

Or

# Notes to the Financial Statements *Contd.*

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

All other assets are classified as non-current.

A liability is current when it is expected to be settled in the normal operating cycle and is held primarily for the purpose of trading and is due to be settled within twelve months after the reporting period.

Or

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

The Group classified all other liabilities as non-current.

### 2.7 USE OF MATERIALITY AND AGGREGATION

Each material class of similar items is presented separately 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'.

Notes to the financial statements are presented in a systematic manner which ensures the understandability and comparability of financial statements of the Group and the Company. Understandability of the financial statement is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

### 2.8 OFFSETTING

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the organised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liabilities simultaneously. Income and expenses are not offset in the income statement, unless required or permitted by Sri Lanka Accounting Standards and as specifically disclosed in the significant accounting policies of the Company.

### 2.9 USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in conformity with Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities at the reporting date. Judgments and estimates are based on historical experience and other factors including expectations that are believed to be reasonable under the circumstances. Actual results may differ from those estimates and judgmental decisions.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

#### 2.9.1 Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes.

- Equity accounted investees: Whether the Group has significant influence over an investee (Note 4.1.2);
- Leases: Whether arrangement contains a lease (Note 4.13);
- Consolidation: Whether the Group has de facto control over an investee (Note 4.1.1)

#### 2.9.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties as at 31st March 2021 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 4.4 – revenue recognition: estimation of expected returns;
- Note 4.5 – measurement of defined benefit obligations: key actuarial assumptions;
- Note 4.8 – recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised;
- Note 4.10 – Property, plant and equipment: determining the fair value of land on the basis of significant unobservable inputs;

- Note 4.11 - impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts, including the recoverability of development costs;
- Note 4.14 – measurement of ECL allowance for trade receivables: key assumptions in determining the weighted average loss rate.
- Note 4.14 –measurement of ECL allowance for related party receivables and other financial assets classified as amortised cost and debt securities classified at FVOCI.

### 2.9.3 Estimation uncertainty in preparation of Financial Statements

The ongoing COVID – 19 pandemic has increased the estimation uncertainty in the preparation of these Financial Statements. The estimation uncertainty is associated with:

- The extent and duration of the disruption to business arising from the actions by government, business and consumers to contain the spread of the virus.
- The extent and the duration of the expected economic downturn (and forecasts for key economic factors including GDP and inflation). This includes the disruption to capital markets, deteriorating credit, liquidity concerns, impact on unemployment and decline in consumer discretionary spending.
- The effectiveness of government and The Central Bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn.

### 2.9.4 Measurement of fair values

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 : inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 : inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

  or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

# Notes to the Financial Statements *Contd.*

### 2.9.5 Going concern

The Directors have made an assessment of the Group's ability to continue as a going concern, and being satisified that it has the resources to continue in business for the foreseeable future confirm that they do not intend either to liquidate or to cease operations of any business unit of the Group other than those disclosed in the notes to the financial statements. Furthermore, when determining the basis of preparing the financial statements for the year ended 31st March 2021, based on the available information, the management has assessed the existing and anticipated effects of COVID-19 on the group companies and the appropriateness of the use of the going concern basis.

## 3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the Accounting Policies to all periods presented in these Financial Statements, except for following policies.

#### Business combination

The Group applied Definitions of a Business (Amendments of SLFRS 3) to business combinations whose acquisitions dates are on or after 1 April 2020 in assessing whether it had acquired a business or a group of assets. There is no material effect on the Group financial statements with this regard. The details of accounting policies are set out in Note 4.1.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all period presented in these financial statements.

### 4.1 BASIS OF CONSOLIDATION

#### BUSINESS COMBINATIONS AND GOODWILL

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The consolidated financial statements (referred to as the 'Group') comprise the financial statements of the Company, its subsidiaries and the Group's interest in equity accounted investees (Associates).

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The consolidated financial statements have been prepared for the same reporting period using uniform accounting policies for like transactions/ events in similar circumstances and where necessary, appropriate adjustments have been made in the consolidated financial statements.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. If the Group loses control over a subsidiary, the group derecognised assets and liabilities of the subsidiary, any non-controlling interest and the other components of entity related to the subsidiary.

Any surplus or deficit arising on the loss of controls is recognised in changes in equity. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control was lost. Subsequently it is accounted as an equity accounted investee or as FVTPL/FVOCI financial asset depending on the level of influence retained.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

In a business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and recognises the resulting gain or loss, if any, in profit or loss.

### 4.1.1 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity, when it is exposed to, 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 entity. The Group controls an investee if, and only if, the Group has:

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which the control ceases.

The interest of the outside shareholders of the Group is disclosed separately under the heading of 'non-controlling interest'.

A listing of the Group's subsidiaries is set out in Note 17.1 to the financial statements.

### 4.1.2 Investments in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not have any control or joint control over those policies.

At the date of acquisition, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate is recognised as goodwill. The goodwill is included within the carrying amount of the investment.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associate less any impairment in the value of the investment. The Group's share of profits or losses after tax is recognised in the consolidated profit or loss. Loss of an associate is recognised up to the extent of the Group's interest in that associate.

### 4.1.3 Acquisition of entities under common control

The purchase method of accounting is used to account for the acquisition of subsidiary by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The excess of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss for the year.

### 4.1.4 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

# Notes to the Financial Statements *Contd.*

### 4.1.5 Non-controlling interest

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- At fair value; or
- At their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

### 4.1.6 Loss of control

When the Group losses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss arising is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

## 4.2 FOREIGN CURRENCY

### 4.2.1 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated into the respective functional currencies of Group's entities at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- An investment in equity securities designated as FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).

## 4.3 DISCONTINUED OPERATION

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 geographic area of operations;

is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or

is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation has been discontinued from the start of the comparative year.

## 4.4 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group generates revenue through sales.

### Performance obligation and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over goods to a customer and adopts following policies.

### (A) Sale of Goods

Customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. Invoices are usually payable within 30/60/90 days based on the product category.

(B). Rendering of Services

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

## 4.5 EMPLOYEE BENEFITS

### 4.5.1 Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### 4.5.2 Defined contribution plans

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. Obligations for contributions to provident and trust funds covering all employees are recognised as an expense in profit and loss in the periods during which services are rendered by employees.

### 4.5.3 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the statement of financial position in respect of defined benefit plan is the present value of defined benefit obligation at the statement of financial position date. The defined benefit obligation is calculated annually by independent actuaries using Project Unit Credit (PUC) method as recommended by LKAS 19 - 'Employee Benefits'. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows. The gratuity liability was based on the actuarial valuation carried out.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the statement of other comprehensive income.

Provisions have been made in the financial statements for defined benefit plan from the first year of service for all employees.

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

#### 4.5.3.1 Defined contribution plans - Employees' Provident Fund and Employees' Trust Fund

All employees who are eligible for Employees' Provident Fund contributions and Employees' Trust Fund contributions are covered by relevant contributions funds in line with the relevant statutes. Employer's contributions to the defined contribution plans are recognised as an expense in the statement of profit or loss when incurred.

## 4.6 GOVERNMENT GRANTS

The Group recognises an unconditional government grant related to a biological asset in profit or loss as other income when the grant becomes receivable. Other government grants related to assets are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

## 4.7 FINANCE INCOME AND FINANCE COSTS

The Group's net finance expense includes:

- interest income;
- interest expense;
- dividend income;
- the net gain or loss on the disposal of investments in debt securities measured at FVOCI;
- the net gain or loss on financial assets at FVTPL;
- the foreign currency gain or loss on financial assets and financial liabilities;
- impairment losses (and reversals) on investments in debt securities carried at amortised cost or FVOCI;
- the gain on the remeasurement to fair value of any pre-existing interest in an acquire in a business combination.

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

The 'effective interest rate' is the rate exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments to:

- The gross carrying amount of the financial assets; or
- The amortised cost of the financial liability.

  In calculating interest income and expenses, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

### 4.8 INCOME TAX

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in the statement of other comprehensive income or statement of changes in equity, in which case it is recognised directly in the respective statements.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 Provisions, contingent liabilities and contingent assets.

#### 4.8.1 Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of tax payable and receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantially enacted at the reporting date.

Current tax assets and liabilities are offset only if certain criteria are met.

#### 4.8.2 Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for;

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which can be used. Future taxable profits are determined based on the relevant taxable temporary differences. If the amount of taxable temporary difference is insufficient to recognise the deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will realised; such deductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

## 4.9 INVENTORIES

Inventories are measured at the lower of the cost and the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated selling expenses, and where applicable, cost of conversion from their existing state to a finished condition. The cost of inventories is based on the average cost principle. In the case of manufactured inventories, cost includes an appropriate share of production overhead based on normal operating capacity.

## 4.10 PROPERTY, PLANT AND EQUIPMENT

### 4.10.1 Recognition and measurement

#### 4.10.1.1 Cost model

The Group applies cost model to Property, Plant and Equipment except for lands and records at cost of purchase or construction together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

#### 4.10.1.2 Revaluation model

The Group applies the revaluation model for the entire class of lands. Such lands are carried at a revalued amount, being their fair value at the date of revaluation, less subsequent accumulated impairment losses. Land of the Group are revalued at once in every three years on a roll over basis to ensure that the carrying amounts do not differ materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognised in Other Comprehensive Income and accumulated in equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of profit or loss. In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the Statement of profit or loss or debited in the Other Comprehensive Income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognised in Other Comprehensive Income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

#### 4.10.1.3 Owned assets

The cost of an item of property, plant and equipment comprise its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to the working condition for its intended use. This also includes cost of dismantling and removing the items and restoring in the site on which they are located and borrowing costs on qualifying assets, Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

### 4.10.2 Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of profit or loss as incurred.

### 4.10.3 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost less its residual value.

Depreciation is recognised in statement of profit or loss for the year on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless that it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

| Type of assets | No. of years |
|---|---|
| Freehold building | 10-50 years |
| Building on leasehold land | 40 years or period of the lease whichever is less |
| Plant and machinery | 5-20 years |
| Motor vehicles | 3-4 years |
| Furniture and fittings | 4-5 years |
| Computers | 4-6 years |
| Lab equipment | 4-10 years |

Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the 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 reviewed at each reporting date and adjusted if appropriate.

### 4.10.4 Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss. However, to the extent that an amount is included in the revaluation surplus for that property, the loss is recognised in other comprehensive income and reduces the revaluation surplus within equity.

### 4.10.5 Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits are expected from its use. Gains and losses on derecognition are recognised in the statement of profit or loss.

## 4.11 INTANGIBLE ASSETS

An intangible asset is initially recognised at cost, if it is probable that future economic benefit will flow to the enterprise, and the cost of the asset can be measured reliably.

### 4.11.1 Recognition and measurement

#### 4.11.1.1 Goodwill

Goodwill arising on an acquisition represents the excess of the cost of acquisition over the fair value of net assets acquired. Goodwill is measured at cost less accumulated impairment losses.

Gain from bargain purchase arising on an acquisition represents the excess of the fair value of the net assets acquired over the cost of acquisition. Gain from bargain purchase is recognised immediately in the statement of profit or loss.

#### 4.11.1.2 Software

All computer software cost incurred, which are not internally related to associate hardware, which can be clearly identified, reliably measured and it's probable that they will lead to future economic benefits, are included in the statement of financial position under the category of intangible assets.

#### 4.11.1.3 Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

### 4.11.2 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

### 4.11.3 Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over the estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives on Intangible Assets for current and comparative periods are as follows:

| | |
|---|---|
| Software | 3 years |

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### 4.12 INVESTMENT PROPERTY

Investment property is a property held to either earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is initially measured at its cost including related transaction cost and is therfore carried at its cost less any accumulated depreciation and any accumulated impairment losses.

### 4.13 LEASES

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

The Group has applied this approach to contracts entered into, or changed, on or after 01st April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

#### As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines the incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right of use assets that do not meet the definition of investment property in "right-of-use asset" and lease liabilities in "Interest Bearing Loans and borrowings" in the statement of financial position.

#### Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## 4.14 FINANCIAL INSTRUMENTS

### 4.14.1 Recognition and initial measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provision of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

### 4.14.2 Classification and subsequent measurement

#### Financial assets - classification

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI – debt investment; and FVOCI – equity instrument), or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This assessment is referred to as the SPPI test and it is performed at an instrumental level. The Group's financial assets classified under amortised cost includes trade and other receivables and cash and cash equivalents.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### Financial assets - Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

#### Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permit or requires prepayment at an annual amount that substantially represent the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets - Subsequent measurement and gains and losses

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses including any interest or dividend income, are recognised in profit or loss. |
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition gains and losses accumulated in OCI are reclassified to profit or loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss |

### 4.14.3 Derecognition

#### 4.14.3.1 Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the, contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

#### 4.14.3.2 Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit it or loss.

### 4.14.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### 4.14.5 Impairment

#### Non-derivative financial assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;
- debt investments measured at FVTOCI

The Group measures loss allowance at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equals to life time ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligation to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

#### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

#### Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data;

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

#### Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

#### Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

### 4.15 NON-FINANCIAL ASSETS

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indicator exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

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 risks-specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

For impairment testing, assets 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 CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds it recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 4.16 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal and constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

### 4.17 FAIR VALUE MEASUREMENT

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

### 4.18 OTHER INCOME

Other income is recognised on an accrual basis. Net gains and losses of a revenue nature on the disposal of property, plant & equipment and other non-current assets including investment have been accounted for in the profit or loss for the year, having deducted from proceeds on disposal, the carrying amount of the assets and related expenses.

Gains and losses arising from incidental activities to main revenue-generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

### 4.19 EXPENDITURE RECOGNITION

All expenditure incurred in running the business and in maintaining the capital assets in a state of efficiency have been charged to profit or loss for the year. Expenditure incurred for the purpose of acquiring and extending or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

### 4.20 BORROWING COSTS

Borrowing costs are recognised as an expense in profit and loss in the period in which they are incurred, except to the extent that they are attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset. The amount of borrowing costs to be capitalised is determined in accordance with the allowed alternative treatment in LKAS 23 - Borrowing Costs.

### 4.21 RELATED PARTY TRANSACTIONS

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is being charged or not.

### 4.22 SEGMENTAL REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Segmental results assets and liabilities include items directly attributable to segment as well as these can be allocated on a reasonable basis.

### 4.23 STATEMENT OF CASH FLOWS

Interest received and dividends received are classified as investing cash flows, while dividend paid and interest paid, is classified as financing cash flows for the purpose of presentation of statement of cash flows which has been prepared using the 'indirect method'.

### 4.24 STATED CAPITAL

#### 4.24.1 Ordinary shares

Ordinary shares are classified as equity. As per the Companies Act No. 07 of 2007, section 58(1), stated capital in relation to a Company means the total of all amounts received by the Company or due and payable to the Company in respect of the issue of shares and in respect of call in arrears.

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

#### 4.24.2 Preference shares

Non-redeemable preference shares are classified as equity, because they bear discretionary dividends, do not contain any obligations to deliver cash or other financial assets and do not require settlements in a variable number of the Group's equity instruments. Discretionary dividends thereon are recognised as equity distributions on approval by the Company's shareholders.

### 4.25 EARNINGS PER SHARE

The Group presents basic earnings per share and diluted 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 average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### 4.26 MOVEMENT OF RESERVES

Movements of reserves are disclosed in the statement of changes in equity.

### 4.27 COMPARATIVE FIGURES

Where necessary comparative figures have been reclassified to conform to the current year's presentation.

### 4.28 CAPITAL COMMITMENTS AND CONTINGENCIES

Capital commitments and contingent liabilities of the Group are disclosed in the respective Notes to the financial statements.

### 4.29 EVENTS OCCURRING AFTER THE REPORTING DATE

The materiality of the events occurring after the statement of financial position date is considered and appropriate adjustments to or disclosures are made in the financial statements, where necessary.

## 5. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements:

- Onerous Contracts - Cost of fulfilling a contract (Amendments to LKAS 37);
- Interest Rate Benchmark Reform - Phase 2 (Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4, SLFRS 16);
- Other standards

- Covid-19 Related Rent Concessions (Amendments to SLFRS 16)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16)
- Reference to Conceptual Framework (Amendments to SLFRS 3)
- Classification of Liabilities as Current or Noncurrent (Amendments to LKAS 1)
- Annual improvements to SLFRS standards 2018 - 2020, which are not effective as at reporting date
- IFRS 17 Insurance contracts and amendments to IFRS 17 Insurance Contracts

# Notes to the Financial Statements *Contd.*

## 6. REVENUE

| For the year ended 31st March | GROUP 2021 Rs. '000 | GROUP 2020 Rs. '000 | COMPANY 2021 Rs. '000 | COMPANY 2020 Rs. '000 |
|---|---|---|---|---|
| Revenue from Sale of Goods | 20,319,260 | 17,193,812 | 5,691,070 | 4,734,585 |
| Revenue from Rendering of Services | 221,396 | 210,744 | - | - |
| Other Services | 2,000 | 2,000 | - | - |
| | 20,542,656 | 17,406,556 | 5,691,070 | 4,734,585 |
| Less: Turnover Related Taxes | (1,039,985) | (1,514,705) | (367,455) | (556,529) |
| Net Revenue | 19,502,671 | 15,891,851 | 5,323,615 | 4,178,056 |
| Less: Intra Group Sales | (5,735,823) | (4,705,550) | - | - |
| | 13,766,848 | 11,186,301 | 5,323,615 | 4,178,056 |

### REPORTABLE SEGMENT REVENUE

Refer note 33 for the details of operating segments.

## 7. OTHER INCOME/(EXPENSES)

| For the year ended 31st March | GROUP 2021 Rs. '000 | GROUP 2020 Rs. '000 | COMPANY 2021 Rs. '000 | COMPANY 2020 Rs. '000 |
|---|---|---|---|---|
| Gain on Disposal of Property, Plant and Equipment | - | 6,580 | - | 6,617 |
| Rental Income & Service Income | 5,073 | - | 8,316 | 7,523 |
| Commission Income | 10,669 | 2,483 | - | - |
| Amortisation of Deferred Income and Capital Grants | 260 | 260 | 260 | 260 |
| Sundry Income | 15,673 | 13,002 | 6,107 | 6,170 |
| Other Expenses | - | (15,906) | - | - |
| | 31,675 | 6,419 | 14,683 | 20,570 |

## 8. NET FINANCE EXPENSES

### 8.1 FINANCE INCOME

| For the year ended 31st March | GROUP 2021 Rs. '000 | GROUP 2020 Rs. '000 | COMPANY 2021 Rs. '000 | COMPANY 2020 Rs. '000 |
|---|---|---|---|---|
| Interest Income | 22,608 | 12,408 | 10,486 | 11,046 |
| Debenture Interest Income | 6,758 | 4,007 | - | - |
| Guarantee Commission on Corporate Guarantees | 15,486 | 12,461 | 27,127 | 17,565 |
| Dividend Income - Equity Securities - FVOCI | 8,204 | 6,718 | 60,317 | 8,625 |
| Gain on Translation of Foreign Currency | 716 | 1,351 | - | - |
| Impairment gain on debt investment derecognition reclassified to profit and loss | - | 1,452 | - | - |
| Reversal/(impairment) on debt securities | 1,330 | - | - | - |
| Total Finance Income | 55,102 | 38,397 | 97,930 | 37,236 |

## 8.2 FINANCE EXPENSES

| For the year ended 31st March | GROUP 2021 Rs. '000 | GROUP 2020 Rs. '000 | COMPANY 2021 Rs. '000 | COMPANY 2020 Rs. '000 |
|---|---|---|---|---|
| Interest on Short Term Borrowings | 310,127 | 419,301 | 187,935 | 260,249 |
| Interest on Term Loans | 58,282 | 101,429 | 26,225 | 52,227 |
| Impairment Loss/(Reversal) of Financial Assets Measured at Amortised Cost | 38,739 | 27,183 | 3,077 | (805) |
| Interest on Lease Liabilities | 26,610 | 27,566 | 33,979 | 34,022 |
| Guarantee Commission on Corporate Guarantees | 4,177 | 2,884 | 1,978 | 1,797 |
| Loss on Translation of Foreign Currency | 91,971 | 36,557 | 20,877 | 3,425 |
| Impairment charge reclassified to profit and loss | - | 8,749 | - | - |
| Total Finance Expenses | 529,906 | 623,669 | 274,071 | 350,915 |
| Net Finance Expenses | (474,804) | (585,272) | (176,141) | (313,679) |

## 9. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before tax is stated after charging all expenses including the following:

| For the year ended 31st March | GROUP 2021 Rs. '000 | GROUP 2020 Rs. '000 | COMPANY 2021 Rs. '000 | COMPANY 2020 Rs. '000 |
|---|---|---|---|---|
| Auditors' Remuneration | | | | |
| KPMG | 8,215 | 7,480 | 3,750 | 3,400 |
| Other Auditors | 1,936 | 2,084 | - | - |
| Fees Paid to Auditors for Non-Audit Services | | | | |
| KPMG | 1,944 | 2,303 | 1,086 | 1,390 |
| Other Auditors | - | - | - | - |
| Depreciation on Property, Plant and Equipment | 211,004 | 213,207 | 107,813 | 110,324 |
| Provision for Impairment on Property, Plant and Equipment | 216 | 1,691 | - | 1,691 |
| Amortisation of Right of Use Assets | 19,241 | 17,459 | 16,296 | 14,516 |
| Amortisation of Intangible Assets | 40,864 | 28,200 | 37,612 | 26,061 |
| Impairment of Trade Receivables and Amounts due from Related Companies | 63,254 | 66,017 | (12,515) | 10,038 |
| Impairment Loss/(Reversal) of Financial Assets Measured at Amortised Cost | 16,577 | 7,895 | 3,077 | (805) |
| Impairment Provision for Investment in Debt Securities | 22,162 | 17,503 | - | - |
| Impairment/(Reversal of Impairment) of Inventories | 46,138 | (18,601) | 4,710 | (39,334) |
| Donations | 64 | 95 | 63 | 79 |
| Staff Cost (Note 9.1) | 1,092,561 | 998,044 | 516,891 | 465,248 |

# Notes to the Financial Statements *Contd.*

### 9.1 STAFF COST

| For the year ended 31st March | GROUP 2021 Rs. '000 | GROUP 2020 Rs. '000 | COMPANY 2021 Rs. '000 | COMPANY 2020 Rs. '000 |
|---|---|---|---|---|
| Wages and Salaries | 731,038 | 680,518 | 323,542 | 303,264 |
| Defined Contribution Plan Cost - MSPS/EPF/ETF | 127,356 | 119,139 | 48,061 | 45,914 |
| Defined Benefit Plan Cost - Retiring Gratuity | 133,365 | 130,254 | 89,574 | 88,835 |
| Other Staff Cost | 35,893 | 35,876 | - | - |
| Bonus | 64,909 | 32,257 | 55,714 | 27,235 |
| | 1,092,561 | 998,044 | 516,891 | 465,248 |

### 10. INCOME TAX EXPENSE

| For the year ended 31st March | GROUP 2021 Rs. '000 | GROUP 2020 Rs. '000 | COMPANY 2021 Rs. '000 | COMPANY 2020 Rs. '000 |
|---|---|---|---|---|
| a. Amount Recognised in Profit or Loss | | | | |
| Current Tax Expense | | | | |
| Income Tax on Profit for the year (Note 10.1) | 200,744 | 73,867 | 110,607 | 43,724 |
| Over Provision of Current Tax of previous years | (4,620) | (1,746) | (4,453) | (1,299) |
| Dividend Tax on Subsidiary Dividend | - | 1,404 | - | - |
| Economic Service Charge written-off | 68,329 | 40,211 | - | - |
| | 264,453 | 113,736 | 106,154 | 42,425 |
| Deferred Tax Expense | | | | |
| Origination/(Reversal) of Temporary Differences | (41,297) | (56,138) | (27,682) | (21,551) |
| Recognition of Tax Effect of previously Unrecognised Tax Losses (Note 10.6) | (27,851) | - | - | - |
| Due to reduction in the Income Tax rate | 52,943 | - | 11,698 | - |
| | (16,205) | (56,138) | (15,984) | (21,551) |
| Total Income Tax Expense in Profit or Loss | 248,248 | 57,598 | 90,170 | 20,874 |
| b. Amount Recognised in Other Comprehensive Income | | | | |
| Deferred Tax Expense/(Reversal) on Remeasurement of Retirement Benefit Obligations | (23,827) | 5,298 | (8,457) | 7,969 |
| Deferred Tax Expense/(Reversal) due to reduction in the Income Tax rate | (291,445) | - | (277,759) | - |
| | (315,272) | 5,298 | (286,216) | 7,969 |

## 10.1 RECONCILIATION OF ACCOUNTING PROFIT TO INCOME TAX EXPENSE

| For the year ended 31st March | GROUP 2021 Rs. '000 | GROUP 2020 Rs. '000 | COMPANY 2021 Rs. '000 | COMPANY 2020 Rs. '000 |
|---|---|---|---|---|
| Profit Before Tax | 831,876 | (366,910) | 511,111 | 113,239 |
| Intra-Group Eliminations | 36,894 | - | - | - |
| Share of Results of Equity Accounted Investees | 280,746 | 301,714 | - | - |
| | 1,149,516 | (65,196) | 511,111 | 113,239 |
| Aggregate Non-business Income | (84,279) | (58,214) | (60,317) | (59,609) |
| Aggregate Disallowable Expenses | 865,910 | 928,131 | 487,010 | 249,728 |
| Aggregate Allowable Expenses | (668,581) | (524,067) | (378,861) | (174,760) |
| Aggregate Tax Losses from Business | 11,327 | 144,699 | - | - |
| Taxable Profit from Business | 1,273,893 | 425,353 | 558,943 | 128,598 |
| Income from Other Sources | 81,704 | 42,752 | 60,317 | 42,752 |
| Total Statutory Income | 1,355,597 | 468,105 | 619,260 | 171,350 |
| Tax Losses Claimed | (277,810) | (31,614) | - | - |
| Total Taxable Income | 1,077,787 | 436,491 | 619,260 | 171,350 |
| Income Tax @ 28% | - | 46,680 | - | 35,984 |
| Income Tax @ 24% | 36,879 | 3,174 | 6,322 | 119 |
| Income Tax @ 20% | - | 12,609 | - | - |
| Income Tax @ 18% | 155,194 | 11,404 | 95,745 | 7,621 |
| Income Tax @ 14% | 8,671 | - | 8,540 | - |
| Income Tax on Profits for the Year | 200,744 | 73,867 | 110,607 | 43,724 |

### 10.1.1 RECONCILIATION OF TAX LOSSES

| For the year ended 31st March | GROUP 2021 Rs. '000 | GROUP 2020 Rs. '000 | COMPANY 2021 Rs. '000 | COMPANY 2020 Rs. '000 |
|---|---|---|---|---|
| Balance at the beginning of the year | 1,078,219 | 1,344,514 | - | - |
| Adjustments | 81,433 | (379,380) | - | - |
| Tax Loss utilised during the year | (277,810) | (31,614) | - | - |
| Tax Loss for the year | 11,327 | 144,699 | - | - |
| Balance at the end of the year | 893,169 | 1,078,219 | - | - |

### 10.2 TAXATION RATES

As per the latest amendments to the Inland Revenue Act No. 24 of 2017 reading together with the Institute of Chartered Accountants of Sri Lanka (ICASL) guideline on application of tax rates, the tax rate given in the Inland Revenue (Amendment) Act No. 10 of 2021 has been considered to be substantially enacted as at reporting date for current tax and deferred tax computations for the year ended 31st March 2021. Accordingly, E. B. Creasy & Co. PLC is liable for tax at 18% on profits from business whereas other Companies within the Group, excluding those which are enjoying tax holidays or concessionary rates of taxation as referred to below are liable for tax at 24%. Dividend income is liable for tax at 14%. The taxable income for the first three quarters was calculated at a tax rate of 28% and at 24% for the final quarter for the year ended 31st March 2020.

Lanka Special Steels Limited is liable for income tax at 18% in terms of the Agreement Registration Number 322 between Board of Investments of Sri Lanka and Lanka Special Steels Limited under the BOI Law No. 04 of 1978.

In accordance with the agreement entered into with the Board of Investment of Sri Lanka (BOI) under Section 17 of the BOI Act No. 04 of 1978, the profits of Ceyflex Rubber Ltd is exempted from income tax for a period of seven years starting from the year in which the enterprise commence to make profits or on any year of assessment not later than two years reckoned from the date of commencement of commercial operations, whichever year is earlier. After the expiration of above tax exemption period, the profits and income of the enterprise shall be charged at 10% for a period of two years. After the expiration of aforesaid concessionary tax period, profits and income of the enterprise shall be charged for any year of assessment at a rate of 15% or at such rate that may prevail under the Inland Revenue Law, whichever is less.

### 10.3 REVALUATION SURPLUS ON FREEHOLD LAND

As per section 6 and Chapter IV of the Inland Revenue Act No. 24 of 2017, freehold lands used for business or investment purpose are liable to tax at the time of realisation. Accordingly, deferred tax is recognised on the revaluation surplus of freehold lands which are treated as capital assets used in the business for tax purpose.

Freehold lands which are treated as investment assets for tax purposes are not considered for deferred tax, since the Act required the deemed cost of the assets to be equal to market value as at 30th September 2017.

### 10.4 TAX LOSS CARRIED FORWARD

As per the Gazette notification issued in relation to Transitional Provisions, any unclaimed tax losses carried forward under the Inland Revenue Act No. 10 of 2006 and amendments thereto are deemed to be losses incurred in the Year of Assessment 2018/19 and will be carried forward as per the provisions of the Inland Revenue Act No. 24 of 2017 and amendments thereto. Further, the Section 19 of the Inland Revenue Act No. 24 of 2017 and amendments thereto stipulate that, any unrelieved tax losses can be carried forward for 6 years, from the year of assessment such losses had been incurred.

### 10.5 DEFERRED TAXATION

Deferred tax has been computed by using applicable tax rates liable for income tax for the Company and subsidiaries for the year of assessment 2020/21.

### 10.6 RECOGNITION OF TAX EFFECTS OF PREVIOUSLY UNRECOGNISED TAX LOSSES

The Subsidiary Company, Pettah Pharmacy (Private) Limited recorded taxable income of Rs. 53 Mn during the year under review. Based on the business plan in the ensuing financial years, the Company is projected to record taxable profit and recoup the tax loss carried forward. Hence, the Company recorded the tax effect of the previously unrecognised tax loss of Rs.27.85 Mn during the year under review.

## 11. BASIC EARNINGS/(LOSS) PER SHARE AND DIVIDEND PER SHARE

### 11.1 BASIC EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the year.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| *For the year ended 31st March* | 2021 | 2020 | 2021 | 2020 |
| Profit/(Loss) Attributable to the Equity Holders of the Parent (Rs. '000) | 510,615 | (393,808) | 420,941 | 92,365 |
| Weighted Average Number of Ordinary Shares in issue (No. '000) | 253,546 | 253,546 | 253,546 | 253,546 |
| Basic Earnings/(Loss) per Share (Rs.) | 2.01 | (1.55) | 1.66 | 0.36 |

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

The Company carried out a subdivision of issued ordinary shares on 2nd February 2021, on the basis of subdividing every One (01) existing issued ordinary share into One Hundred (100) issued ordinary shares, thereby increasing the number of shares of the Company from 2,535,458 to 253,545,800 shares. Comparative Earnings/(Loss) per Share is restated accordingly.

### 11.2 DIVIDEND PER SHARE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| *For the year ended 31st March* | 2021 | 2020 | 2021 | 2020 |
| Total Dividend Paid (Rs. '000) | 45,638 | 30,425 | 45,638 | 30,425 |
| Number of Ordinary Shares (No. '000) | 253,546 | 253,546 | 253,546 | 253,546 |
| Dividend per Share (Rs.) | 0.18 | 0.12 | 0.18 | 0.12 |

The Company carried out a subdivision of issued ordinary shares on 2nd February 2021, on the basis of subdividing every One (01) existing issued ordinary share into One Hundred (100) issued ordinary shares, thereby increasing the number of shares of the Company from 2,535,458 to 253,545,800 shares. Comparative Dividend per Share is restated accordingly.

## 12. PROPERTY, PLANT AND EQUIPMENT
### 12.1 COMPANY

| | Freehold | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Land | Buildings | Plant and Machinery | Motor Vehicles | Factory Equipment | Office Equipment | Lab Equipment | Computers | Furniture and Fittings | Work-In Progress | Total |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| **Cost** | | | | | | | | | | | |
| Balance as at 1st April 2019 | 2,925,000 | 403,946 | 1,008,389 | 124,181 | 27,964 | 35,077 | 10,506 | 78,208 | 26,821 | 34,128 | 4,674,220 |
| Additions during the year | - | 4,075 | 82,105 | - | 133 | 485 | 660 | 2,470 | 139 | 13,499 | 103,566 |
| Transfers during the year | - | - | 12,690 | - | 348 | - | - | - | - | (13,038) | - |
| Disposals during the year | - | - | - | (9,430) | - | - | - | - | - | (8,071) | (17,501) |
| Balance as at 31st March 2020 | 2,925,000 | 408,021 | 1,103,184 | 114,751 | 28,445 | 35,562 | 11,166 | 80,678 | 26,960 | 26,518 | 4,760,285 |
| Balance as at 1st April 2020 | 2,925,000 | 408,021 | 1,103,184 | 114,751 | 28,445 | 35,562 | 11,166 | 80,678 | 26,960 | 26,518 | 4,760,285 |
| Additions during the year | - | 3,164 | 7,006 | - | 678 | 2,390 | 359 | 6,979 | 3,176 | 111,033 | 134,785 |
| Transfers during the year | - | 7,661 | 5,267 | - | - | - | - | - | - | (12,928) | - |
| Balance as at 31st March 2021 | 2,925,000 | 418,846 | 1,115,457 | 114,751 | 29,123 | 37,952 | 11,525 | 87,657 | 30,136 | 124,623 | 4,895,070 |
| **Accumulated Depreciation** | | | | | | | | | | | |
| Balance as at 1st April 2019 | - | 143,810 | 653,602 | 116,168 | 12,345 | 30,481 | 10,299 | 58,309 | 18,383 | - | 1,043,397 |
| Depreciation charge for the year | - | 20,553 | 67,496 | 4,610 | 2,478 | 881 | 296 | 12,830 | 1,180 | - | 110,324 |
| Disposals during the year | - | - | - | (9,430) | - | - | - | - | - | - | (9,430) |
| Balance as at 31st March 2020 | - | 164,363 | 721,098 | 111,348 | 14,823 | 31,362 | 10,595 | 71,139 | 19,563 | - | 1,144,291 |
| Balance as at 1st April 2020 | - | 164,363 | 721,098 | 111,348 | 14,823 | 31,362 | 10,595 | 71,139 | 19,563 | - | 1,144,291 |
| Depreciation charge for the year | - | 20,962 | 71,038 | 3,014 | 2,534 | 933 | 258 | 7,790 | 1,284 | - | 107,813 |
| Balance as at 31st March 2021 | - | 185,325 | 792,136 | 114,362 | 17,357 | 32,295 | 10,853 | 78,929 | 20,847 | - | 1,252,104 |
| **Provision for Impairment** | | | | | | | | | | | |
| Balance as at 1st April 2019 | - | - | 1,408 | - | - | - | - | - | - | 8,071 | 9,479 |
| Impairment during the year | - | - | - | - | - | - | - | - | - | 1,691 | 1,691 |
| Written off during the year | - | - | - | - | - | - | - | - | - | (8,071) | (8,071) |
| Balance as at 31st March 2020 | - | - | 1,408 | - | - | - | - | - | - | 1,691 | 3,099 |
| Balance as at 1st April 2020 | - | - | 1,408 | - | - | - | - | - | - | 1,691 | 3,099 |
| Balance as at 31st March 2021 | - | - | 1,408 | - | - | - | - | - | - | 1,691 | 3,099 |
| **Carrying Amount** | | | | | | | | | | | |
| As at 31st March 2021 | 2,925,000 | 233,521 | 321,913 | 389 | 11,766 | 5,657 | 672 | 8,728 | 9,289 | 122,932 | 3,639,867 |
| As at 31st March 2020 | 2,925,000 | 243,658 | 380,678 | 3,403 | 13,622 | 4,200 | 571 | 9,539 | 7,397 | 24,827 | 3,612,895 |

### Impairment Loss
During 2014/15, the Company made a provision of Rs. 1.4 Million for impairment of mosquito coil manufacturing machinery at Homagama factory.
During 2019/20, the company made a provision of Rs.1.69 Million for impairment of capital work in progress.
Impairment provisions were recognised as the assets were not in the intended physical condition to generate expected future cash flows.
Recoverable values for determination of above impairment provisions were based on fair value less costs to sell by reference to the market values.

## 12.2 GROUP

| | Freehold | | | | | Leasehold | | |
|---|---|---|---|---|---|---|---|---|
| | Land | Buildings | Plant and Machinery | Motor Vehicles | Furniture and Fittings | Motor Vehicles | Work-in-Progress | Total |
| | Rs.'000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| **Cost** | | | | | | | | |
| Balance as at 1st April 2019 | 3,432,450 | 700,062 | 1,791,534 | 285,204 | 378,022 | 5,357 | 50,827 | 6,643,456 |
| Additions during the year | - | 6,150 | 85,276 | - | 10,900 | - | 24,835 | 127,161 |
| Disposals during the year | - | - | (265) | (9,430) | (421) | - | (8,071) | (18,187) |
| Transfers | - | 12,884 | 14,063 | - | 866 | - | (27,813) | - |
| Balance as at 31st March 2020 | 3,432,450 | 719,096 | 1,890,608 | 275,774 | 389,367 | 5,357 | 39,778 | 6,752,430 |
| Balance as at 1st April 2020 | 3,432,450 | 719,096 | 1,890,608 | 275,774 | 389,367 | 5,357 | 39,778 | 6,752,430 |
| Additions during the year | - | 7,711 | 34,545 | - | 34,924 | - | 203,764 | 280,944 |
| Disposals during the year | - | - | (6,817) | - | - | - | - | (6,817) |
| Transfers | - | 7,661 | 15,360 | 5,357 | 817 | (5,357) | (23,838) | - |
| Balance as at 31st March 2021 | 3,432,450 | 734,468 | 1,933,696 | 281,131 | 425,108 | - | 219,704 | 7,026,557 |
| **Accumulated Depreciation** | | | | | | | | |
| Balance as at 1st April 2019 | - | 185,187 | 888,831 | 221,659 | 260,529 | 5,357 | - | 1,561,563 |
| Depreciation charge for the year | - | 33,477 | 128,205 | 14,750 | 36,775 | - | - | 213,207 |
| Disposals during the year | - | - | (185) | (9,430) | (421) | - | - | (10,036) |
| Balance as at 31st March 2020 | - | 218,664 | 1,016,851 | 226,979 | 296,883 | 5,357 | - | 1,764,734 |
| Balance as at 1st April 2020 | - | 218,664 | 1,016,851 | 226,979 | 296,883 | 5,357 | - | 1,764,734 |
| Depreciation charge for the year | - | 34,143 | 134,697 | 12,314 | 29,850 | - | - | 211,004 |
| Disposals during the year | - | - | (4,454) | - | - | - | - | (4,454) |
| Transfers | - | - | - | 5,357 | - | (5,357) | - | - |
| Balance as at 31st March 2021 | - | 252,807 | 1,147,094 | 244,650 | 326,733 | - | - | 1,971,284 |
| **Provision for Impairment** | | | | | | | | |
| Balance as at 1st April 2019 | - | - | 9,356 | - | 355 | - | 8,071 | 17,782 |
| Impairment during the year | - | - | | - | - | - | 1,691 | 1,691 |
| Written off during the year | - | - | | - | - | - | (8,071) | (8,071) |
| Balance as at 31st March 2020 | - | - | 9,356 | - | 355 | - | 1,691 | 11,402 |
| Balance as at 1st April 2020 | - | - | 9,356 | - | 355 | - | 1,691 | 11,402 |
| Charge for the year | - | - | - | - | 216 | - | - | 216 |
| Balance as at 31st March 2021 | - | - | 9,356 | - | 571 | - | 1,691 | 11,618 |
| **Carrying Amount** | | | | | | | | |
| As at 31st March 2021 | 3,432,450 | 481,661 | 777,246 | 36,481 | 97,804 | - | 218,013 | 5,043,655 |
| As at 31st March 2020 | 3,432,450 | 500,432 | 864,401 | 48,795 | 92,129 | - | 38,087 | 4,976,294 |

# Notes to the Financial Statements *Contd.*

### 12.3 CAPITAL WORK IN PROGRESS

Capital Work-in-Progress of Rs. 219.7 Mn in the Group Financial Statements include a sum of Rs. 90.1 Mn attributable to Laxapana Batteries PLC.

During the year under review, Laxapana Batteries PLC (hereafter referred to as "Laxapana") ventured into the business of investing in solar power and renewable energy projects to generate, supply and sell electricity to the national grid through the Ceylon Electricity Board. Laxapana carried out a rights issue during the year under review to fund the new venture, and the salient features of the business model followed is as follows:

Laxapana enters into lease agreements with third pay roof-top owners to install roof-stop solar power plants. The roof-top owners will enter into Net-Plus agreements with Ceylon Electricity Board to sell the entirety of electricity generated from the said roof-top solar power plant for a period of 20 years. As per the lease agreement, the roof-top owner has given the right to Laxapana to recognize the entire revenue generated from the solar power plant for the first seven (07) years from the Date of Commissioning of the Power Plant. Laxapana would depreciate the cost of the solar power plant over the 7 years from the Date of Commissioning of the plant. At the conclusion of the 7th year from the Date of Commissioning of the power plant, the legal unencumbered ownership of the roof-top solar power plant shall be transferred from Laxapana to the roof-top owner at zero consideration and the roof-top owner is entitled to the entire revenue generated from the solar power plant for the remaining 13years of the agreement with the Ceylon Electricity Board.

As at the reporting date, Laxapana had entered into agreements to lease roof-top space of the factory premises of Related Companies – E. B. Creasy & Co. PLC and Ceyflex Rubber (Private) Limited and installed roof-top solar power plants at a cost of Rs. 90.1 Mn which is included under Capital Work-in-Progress. The power plants had not been commissioned as at the reporting date. .

12.4 During the year ended 31st March 2019, Laxapana Batteries PLC decided to discontinue assembly of CFL bulbs due to a change in the business model. Assets used in the assembly process were tested for impairment and recognised an impairment loss of Rs. 216,010/- with respect to factory equipment during the year under review.

12.5 Each Company in the Group has evaluated both internal and external indications of impairment of long-lived assets and has not identified presence of any such indications at the end of the financial year.

12.6 Property, Plant and Equipment pledged as securities in obtaining loans have been disclosed in Note 25.3 to these Financial Statements.

12.7 The cost of fully depreciated Property, Plant and Equipment of the Group, which are still in use as at 31st March 2021 is Rs.911 Million (31st March 2020 – Rs.728 Million). The cost of fully depreciated assets of the Company amounts to Rs.649 Million (31st March 2020 – Rs.482 Million).

12.8 During the year under review, the Group has not capitalised any borrowing cost.

### 12.9 IMPAIRMENT

In light of current operational and economic conditions due to the ongoing COVID-19 pandemic, the Group has reassessed the expected future business performance relating to cash generating units where the management has concluded that the recoverable value of CGUs exceeds its carrying values.

## 12.10 THE PORTFOLIO OF LANDS OWNED BY GROUP COMPANIES ARE AS FOLLOWS;

| | | | | | | As at 31st March 2021 | | | | As at 31st March 2020 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Company Name | Location | Extent Perches | Name of the Valuer | No. of Buildings | Effective Date of the Latest Revaluation | Carrying Amount of Land under cost model Rs.' 000 | Carrying Amount of Land under revaluation model | Level of Fair Value Hierarchy | Market Value of Land Rs.' 000 | Carrying Amount of Land under cost model Rs.' 000 | Carrying Amount of Land under revaluation model | Level of Fair Value Hierarchy | Market Value of Land Rs.' 000 |
| E. B. Creasy & Company PLC | No. 98, Sri Sanagaraja Mawatha, Colombo 10 | 238 | Mr. P. P. T. Mohideen - Independent Chartered Valuer | 2 | 31.03.2019 | 100 | 2,925,000 | Level 3 | 2,925,000 | 100 | 2,925,000 | Level 3 | 2,925,000 |
| Candy Delights Limited. | No. 26, Agaradaguru Mawatha, Ekala, Ja-Ela | 160 | Mr. P. B. Kalugalagedara - Independent Chartered Valuer | - | 31.03.2019 | 32,000 | 68,000 | Level 3 | 68,000 | 32,000 | 68,000 | Level 3 | 68,000 |
| Laxapana Batteries PLC | No. 398, Panagoda, Homagama | 577 | Mr. P. P. T. Mohideen - Independent Chartered Valuer | 4 | 31.03.2019 | 103,256 | 439,450 | Level 3 | 439,450 | 103,256 | 439,450 | Level 3 | 439,450 |

### 12.11 SENSITIVITY ANALYSIS

Possible changes at the reporting date to one of the significant unobservable inputs, holding the other inputs constant, would have the following impacts.

| | | Impact on the carrying value of Land | |
|---|---|---|---|
| Market price per perch (10% movement) | Market Price Per Perch as at 31st March 2021 Rs.' 000 | Increase +10% of Market Price Per Perch Rs.' 000 | Decrease -10% of Market Price Per Perch Rs.' 000 |
| E. B. Creasy & Company PLC | 12,290 | 292,500 | (292,500) |
| Candy Delights Limited | 425 | 6,800 | (6,800) |
| Laxapana Batteries PLC | 806 | 46,498 | (46,498) |

#### Market Comparable Method

This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, and condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for, since the price may not adequately reflect the fair market value.

| | GROUP | COMPANY |
|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2021 Rs. '000 |
| Land | 3,432,450 | 3,432,450 |
| Total | 3,432,450 | 3,432,450 |

12.12 All above revaluations are based on market values and the valuation was carried out on 31st March 2019 by independent chartered valuers. The Directors are of the view that market values as at 31st March 2021 have not materially changed from the values determined as at 31st March 2019.

12.13 Land area of 27.63 perches belonging to Laxapana Batteries PLC has been gazetted to be acquired by the Government. Company made a claim on 28.04.2016 for Rs.218.6 Million, which includes 27.63 perches of land, 3,885 cubic feet of retaining wall and other miscellaneous items. No adjustment has been made in the financial statements pending finalisation of the claim.

12.14 There were no material contractual commitments for acquisitions of property plant and equipment and no idle assets as at the Reporting date.

### 13. INVESTMENT PROPERTY

| | GROUP | |
|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| **Deemed Cost** | | |
| At the beginning of the year | 2,800 | 2,800 |
| At the end of the year | 2,800 | 2,800 |
| **Accumulated Depreciation** | | |
| At the beginning of the year | - | - |
| At the end of the year | - | - |
| At the end of the year Carrying Amount | 2,800 | 2,800 |

Laxapana Batteries PLC, a subsidiary of the Company, transferred a land of 0A-0R-07P to investment property during the year 2018/19, because the land was regarded as held for capital appreciation.

Immediately before the transfer, the Company remeasured the property to fair value and recognised a gain of Rs.1,581,293/- in OCI and transferred to Investment Property at a fair value of Rs.2.8 Mn. The valuation technique and significant unobservable inputs used in measuring the fair value of the investment property were as follows;

LKAS 40.79(e) requires to disclose the fair value of investment property since the Group's policy for subsequent measurement of investment property is 'cost model'. Fair values of the investment property are as follows.

Measurement of Fair Values

*(i) Fair value hierarchy*

The fair value of the transferred property was determined by Mr. P. P. T. Mohideen, an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and the category of the property being valued. The property is valued in an open market value for existing use basis.

*(ii) Valuation Technique and Significant Unobservable Inputs*

The following table shows the valuation technique used in measuring the fair value of the land;

| *Valuation technique* | *Date of Valuation* | *Significant Unobservable Inputs* | *Revalued Amount* | *Sensitivity to Unobservable Inputs* |
|---|---|---|---|---|
| Market Comparable Method | 31.03.2021 | Rs.471,429 Per Perch | Rs.3,300,000 | Positively Correlated |

The fair value measurement for the land has been categorised as level 3 fair value, based on the inputs to the valuation technique used. The revaluation is based on market values and the valuation was carried out on 31 March 2021.

There were no direct operating expenses incurred during the year in respect of above investment property.

### 14. RIGHT OF USE ASSETS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| **Cost** | | | | |
| At the beginning of the year | 176,546 | - | 288,279 | - |
| Transferred to right-of-use asset (SLFRS 16 initial recognition) | - | 159,976 | - | 278,379 |
| Transferred from previously recognised lease rentals paid in advance | - | 6,670 | - | - |
| Additions during the year | - | 9,900 | - | 9,900 |
| At the end of the year | 176,546 | 176,546 | 288,279 | 288,279 |
| **Accumulated Amortisation** | | | | |
| At the beginning of the year | 17,842 | - | 14,516 | - |
| Transferred from previously recognised lease rentals paid in advance | - | 383 | - | - |
| Amortisation during the year | 19,241 | 17,459 | 16,296 | 14,516 |
| At the end of the year | 37,083 | 17,842 | 30,812 | 14,516 |
| Carrying Amount | 139,463 | 158,704 | 257,467 | 273,763 |

### 15. LEASEHOLD RIGHT TO LAND

#### Lease rentals paid in advance

| | GROUP | |
|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| **Cost** | | |
| At the beginning of the year | - | 6,670 |
| Transferred to right-of-use asset | - | (6,670) |
| At the end of the year | - | - |
| **Accumulated Amortisation** | | |
| At the beginning of the year | - | 383 |
| Amortisation during the year | - | - |
| Transferred to right-of-use asset | - | (383) |
| At the end of the year | - | - |
| Carrying Amount | - | - |

Ceyflex Rubber Limited, a subsidiary of the Company, has entered in to a Lease agreement with the Board of Investment of Sri Lanka to hold the land for a period of 50 years commencing from 12th May 2016 to 11th May 2066 for a sum of USD 40,000 of non refundable lease premium and an annual ground rent of USD 5,000 per annum.

The carrying value of lease rentals paid in advance was transferred to right-of-use asset in accordance with provisions in SLFRS - 16 during 2019/20.

## 16. INTANGIBLE ASSETS

| | Note | GROUP 31.03.2021 Rs. '000 | GROUP 31.03.2020 Rs. '000 | COMPANY 31.03.2021 Rs. '000 | COMPANY 31.03.2020 Rs. '000 |
|---|---|---|---|---|---|
| Goodwill | 16.1 | 189,361 | 189,361 | - | - |
| Trade Mark | 16.2 | 41,560 | 58,270 | 34,924 | 58,270 |
| Software | 16.3 | 9,312 | 24,817 | 7,246 | 21,512 |
| | | 240,233 | 272,448 | 42,170 | 79,782 |

### 16.1 GOODWILL

This represents the excess of the cost of acquisition over the net assets of the following companies. The aggregated carrying amount of goodwill allocated to each company is as follows:

| Name of Subsidiary | GROUP 31.03.2021 Rs. '000 | GROUP 31.03.2020 Rs. '000 |
|---|---|---|
| Muller and Phipps (Ceylon) PLC | 146,628 | 146,628 |
| Laxapana Batteries PLC | 6,605 | 6,605 |
| Lanka Special Steels Limited | 36,128 | 36,128 |
| | 189,361 | 189,361 |

#### 16.1.1 Recoverable values measured with reference to the value in use

Methods used in estimating recoverable amounts are given below:

The recoverable value of Laxapana Batteries PLC was based on fair value less cost to sell and Muller and Phipps (Ceylon) PLC and Lanka Special Steels Ltd. were based on value in use. Value in use is determined by discounting future cash flows generated from the investment. Key assumptions used are given below:

| Investee | Significant unobservable inputs | Value of the input |
|---|---|---|
| Muller & Phipps (Ceylon) PLC | Average Growth Rate | 18% CAGR for first 5 years and 3% terminal growth rate |
| | Margin | Current Margin |
| | Discount Rate | WACC of 12.18% |
| | Term | 5 years (terminal value thereafter) |
| Lanka Special Steels Limited | Average Growth Rate | 10% for first 5 years and 3% terminal growth rate |
| | Margin | Current Margin |
| | Discount Rate | WACC of 10% |
| | Term | 5 years (terminal value thereafter) |

In light of current operational and economic conditions due to the ongoing COVID-19 pandemic, the Group has reassessed the expected future business performance relating to cash generating units where the management has concluded that the recoverable values of CGUs exceed its carrying values.

# Notes to the Financial Statements *Contd.*

### 16.2 TRADE MARK

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| **Cost** | | | | |
| At the beginning of the year | 84,150 | 14,150 | 70,000 | - |
| Additions during the year | 7,805 | 70,000 | - | 70,000 |
| At the end of the year | 91,955 | 84,150 | 70,000 | 70,000 |
| **Amortisation** | | | | |
| At the beginning of the year | 25,880 | 14,150 | 11,730 | - |
| Amortisation for the period | 24,515 | 11,730 | 23,346 | 11,730 |
| At the end of the year | 50,395 | 25,880 | 35,076 | 11,730 |
| Carrying Amount | 41,560 | 58,270 | 34,924 | 58,270 |

#### 16.2.1 Trade Mark

During the year 2015/2016, Darley Butler & Company Limited has purchased the agency right of Intas Pharmaceuticals Limited for a consideration of Rs.13 Million which was amortised over 03 Years.

During the year 2019/2020, E.B.Creasy & Co. PLC paid an amount of Rs.70 Million to Lankem Ceylon PLC to acquire Lankem brands which is amortised over 03 Years.

During the year 2020/2021, an amount of Rs. 7,804,878/- was paid to Brown & Company PLC to acquire the agency right of Unosource Pharma Ltd by Darley Butler & Co, Ltd. which is amortised over 03 years.

### 16.3 SOFTWARE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| **Cost** | | | | |
| At the beginning of the year | 84,666 | 83,369 | 72,145 | 72,145 |
| Additions during the year | 844 | 1,297 | - | - |
| At the end of the year | 85,510 | 84,666 | 72,145 | 72,145 |
| **Amortisation** | | | | |
| At the beginning of the year | 59,849 | 43,379 | 50,633 | 36,302 |
| Amortisation during the year | 16,349 | 16,470 | 14,266 | 14,331 |
| At the end of the year | 76,198 | 59,849 | 64,899 | 50,633 |
| Carrying Amount | 9,312 | 24,817 | 7,246 | 21,512 |

## 17. INVESTMENTS

### 17.1 INVESTMENTS IN SUBSIDIARIES

| | COMPANY | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 31.03.2021 | | | | | 31.03.2020 | | | | |
| | No. of Shares | Company Holding % | Group Holding % | Cost Rs. '000 | Market Value Rs. '000 | No. of Shares | Company Holding % | Group Holding % | Cost Rs. '000 | Market Value Rs. '000 |
| Quoted Investments | | | | | | | | | | |
| Laxapana Batteries PLC | 45,282,378 | 68.38 | 68.38 | 511,370 | 629,425 | 20,114,838 | 51.58 | 51.58 | 133,857 | 201,148 |
| Muller & Phipps (Ceylon) PLC | 145,061,773 | 51.26 | 51.26 | 189,385 | 159,568 | 145,061,773 | 51.26 | 51.26 | 189,385 | 116,049 |
| | | | | 700,755 | 788,993 | | | | 323,242 | 317,197 |
| Unquoted Investments | | | | | | | | | | |
| Darley Butler & Co. Limited | 9,999,964 | 100 | 100 | 952,865 | - | 9,999,964 | 100 | 100 | 952,865 | - |
| Candy Delights Limited | 570,000 | 100 | 100 | 21,333 | - | 570,000 | 100 | 100 | 21,333 | - |
| Filmpak Limited | 150,000 | 100 | 100 | 1,500 | - | 150,000 | 100 | 100 | 1,500 | - |
| Group Three Associates (Pvt) Limited | 1,200 | 100 | 100 | 12 | - | 1,200 | 100 | 100 | 12 | - |
| E. B. Creasy Ceylon (Pvt) Limited | 120,000 | 100 | 100 | 4,967 | - | 120,000 | 100 | 100 | 4,967 | - |
| Corporate Systems Limited | 10,000 | 100 | 100 | 100 | - | 10,000 | 100 | 100 | 100 | - |
| E. B. Creasy Logistics Limited | 50,000 | 100 | 100 | 500 | - | 50,000 | 100 | 100 | 500 | - |
| Lanka Special Steels Limited | 1,823,074 | 100 | 100 | 164,847 | - | 1,823,074 | 100 | 100 | 164,847 | - |
| Ceyflex Rubber Limited | 7,100,000 | 100 | 100 | 71,000 | - | 7,100,000 | 100 | 100 | 71,000 | - |
| | | | | 1,217,124 | | | | | 1,217,124 | |
| Less: Provision for Fall-in Value of Investment (Note 17.1.2) | | | | (1,612) | | | | | (1,612) | |
| | | | | 1,215,512 | | | | | 1,215,512 | |
| | | | | 1,916,267 | | | | | 1,538,754 | |

# Notes to the Financial Statements *Contd.*

### 17.1.1 Investments with Significant Non-Controlling Interests

| | Laxapana Batteries PLC | | Muller & Phipps (Ceylon) PLC | |
|---|---|---|---|---|
| | 31.03.2021 | 31.03.2020 | 31.03.2021 | 31.03.2020 |
| % Holding of Non-Controlling Interest | 31.62 | 48.42 | 48.74 | 48.74 |
| Profit/(Loss) attributable to Non-Controlling Interest | 40,513 | 20,000 | 32,500 | (50,700) |
| Other Comprehensive Income/(Expense) attributable to Non-Controlling Interest | 6,208 | 86 | (2,893) | 3,214 |
| Proceeds from Non-Controlling Shareholders on issue of new shares | 30,861 | - | - | - |
| Adjustments due to change in holding | 15,300 | - | - | - |
| Dividend paid to Non-Controlling Shareholders | 18,885 | 4,721 | - | - |
| Summarised Financial Information | | | | |
| Non-Current Assets | 568,448 | 480,978 | 89,171 | 62,556 |
| Current Assets | 776,190 | 407,180 | 428,047 | 597,290 |
| Non-Current Liabilities | 95,208 | 94,514 | 11,595 | 53,276 |
| Current Liabilities | 357,414 | 355,076 | 419,302 | 583,060 |
| Revenue | 753,250 | 652,843 | 750,876 | 847,098 |
| Profit/(Loss) for the year | 84,777 | 41,303 | 68,433 | (103,953) |
| Total Comprehensive Income/(Expense) for the year | 84,072 | 41,481 | 62,994 | (97,360) |

Above summarised financial information reflect the amounts attributable to shareholders of E. B. Creasy & Company PLC based on Group's consolidation policy on revaluation of land. As such, there is a gap between the figures shown above and published financial statements of Laxapana Batteries PLC.

Principal place of business of Laxapana Batteries PLC and Muller & Phipps (Ceylon) PLC are carried out at No. 98, Sri Sangaraja Mawatha, Colombo 10.

### 17.1.2 Provision for fall in value in Investments

The Company has made 100% provision on the investments in Filmpak Limited, Group Three Associates (Pvt) Limited and Corporate Systems Limited as they have reported losses and ceased their operations.

### 17.2 GROUP COMPANIES' INVESTMENT IN SUBSIDIARIES

| Investor | Investee | % Holding | | No. of Shares as at | |
|---|---|---|---|---|---|
| | | 31.03.2021 | 31.03.2020 | 31.03.2021 | 31.03.2020 |
| Muller & Phipps (Ceylon) PLC | Pettah Pharmacy (Pvt) Limited | 100 | 100 | 2,033,618 | 2,033,618 |

### 17.3 OTHER FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group designated the investments shown below as Other Financial Assets measured at Fair Value Through Other Comprehensive Income because the Group intends to hold these investments for strategic purposes.

### 17.3.1 Company

| | COMPANY | | | |
|---|---|---|---|---|
| | 31.03.2021 | | 31.03.2020 | |
| | No. of Shares | Market Value Rs. '000 | No. of Shares | Market Value Rs. '000 |
| **Quoted Investments** | | | | |
| DFCC Bank PLC | 16,464 | 981 | 15,626 | 1,277 |
| ACME Printing & Packaging PLC | 10,000 | 65 | 10,000 | 35 |
| **Unquoted Investments** | | | | |
| Imperial Hotels Ltd. | 19,825 | 397 | 19,825 | 397 |
| Total Investment | | 1,443 | | 1,709 |

### 17.3.2 Group

| | GROUP | | | |
|---|---|---|---|---|
| | 31.03.2021 | | 31.03.2020 | |
| | No. of Shares | Market Value Rs. '000 | No. of Shares | Market Value Rs. '000 |
| **Quoted Investments** | | | | |
| York Arcade Holdings PLC | 9,000 | 1,288 | 9,000 | 648 |
| CM Holdings PLC | 95,640 | 7,938 | 95,640 | 5,891 |
| Commercial Development Company PLC | 600 | 64 | 600 | 46 |
| DFCC Bank PLC | 16,464 | 981 | 15,626 | 1,277 |
| ACME Printing & Packaging PLC | 10,000 | 65 | 10,000 | 35 |
| Hemas Holding PLC | 161,053 | 13,432 | 161,053 | 11,193 |
| Beruwala Resorts PLC | 60,000 | 48 | 60,000 | 42 |
| Marawila Resorts PLC | 156,188 | 296 | 156,188 | 250 |
| Sigiriya Village Hotels PLC | 61,762 | 2,211 | 61,762 | 2,186 |
| | | 26,323 | | 21,568 |

Due to the COVID-19 outbreak and the closure of the Exchange, the fair values disclosed as at 31st March 2020 are based on closing trading prices that existed as at 28th February 2020 as recommended in the Guidance Notes on Accounting Consideration on the COVID-19 outbreak issued by the Institute of Chartered Accountants of Sri Lanka.

| | GROUP | | | |
|---|---|---|---|---|
| | 31.03.2021 | | 31.03.2020 | |
| | No. of Shares | Market Value Rs. '000 | No. of Shares | Market Value Rs. '000 |
| **Unquoted Investments** | | | | |
| Ceylon Biscuits Limited | 5,041,680 | 329,423 | 5,041,680 | 321,508 |
| International Manufacturers Limited | 3,300 | 23 | 3,300 | 23 |
| Agarapatana Plantations Limited | 5,575,908 | 10,958 | 5,575,908 | 10,538 |
| Imperial Hotels Ltd. | 19,825 | 397 | 19,825 | 397 |
| Colombo Fort Hotels Limited | 10,620,000 | 117,032 | 10,620,000 | 122,936 |
| | | 457,833 | | 455,402 |
| **Investment in Debentures** | | | | |
| Kotagala Plantations PLC (Note 17.3.2.1) | - | 19,789 | - | 24,449 |
| | | 19,789 | | 24,449 |
| **Total** | | 503,945 | | 501,419 |

17.3.2.1 During the year 2014/15 Muller & Phipps (Ceylon) PLC subscribed to following Debentures of Kotagala Plantations PLC with a par value of Rs.100/- each and renewed the same during the year under review.

| Category | No. of Debentures | Terms of Debentures | Coupon Rate p. a. | Maturity |
|---|---|---|---|---|
| Type C (Restructured) | 125,000 | 06 Years | 7.50% | 31-Aug.-2026 |
| Type D (Restructured) | 125,000 | 06 Years | 7.50% | 31-Aug.-2026 |

## 17.4 OTHER FINANCIAL ASSETS MEASURED AT AMORTISED COST

### 17.4.1 Investment in Debentures

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| 9% Unsecured redeemable debentures of Rs.100 each (17.4.1.1) | 98,500 | 98,500 | - | - |
| | 98,500 | 98,500 | - | - |
| Impairment | (44,325) | (22,163) | - | - |
| | 54,175 | 76,337 | - | - |

17.4.1.1 Investment in Debentures

Darley Butler & Co. Limited, a subsidiary of the Company, has purchased debentures amounting to Rs.270,000,000/- from Lankem Tea and Rubber Plantations (Pvt) Ltd. (LTR) during the year ended 31st March 2005. LTR has redeemed debentures amounting to Rs.30 Million in year 2007/2008, Rs.20 Million in year 2008/2009, Rs.9 Million in year 2009/2010 and Rs.112.5 Million in year 2010/2011. Subsequently there were no redemptions made by LTR.

The Company made a provision of Rs.22.16 Million during the year under review and Rs.17.5 Million in 2019/20 on the said investment in debentures.

From the financial year 2019/20 onwards, the Company terminated recognition of debenture interest income.

### 17.4.2 Loans Due from Related Parties

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| Term Loans (17.4.2.1) | 196,900 | 105,000 | 136,900 | 45,000 |
| Impairment | (32,668) | (16,091) | (5,668) | (2,591) |
| | 164,232 | 88,909 | 131,232 | 42,409 |

17.4.2.1 Term Loans

| | Note | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| Consolidated Tea Plantations Limited | a | 105,000 | 60,000 | 45,000 | - |
| Lankem Ceylon PLC | b | 41,400 | - | 41,400 | - |
| Agarapatana Plantations Limited | c | 45,000 | 45,000 | 45,000 | 45,000 |
| Kotagala Plantations PLC | d | 5,500 | - | 5,500 | - |
| | | 196,900 | 105,000 | 136,900 | 45,000 |

#### a) Loan Granted to Consolidated Tea Plantations Limited

E. B. Creasy & Co. PLC and Darley Butler & Co. Limited granted collateral-free short term loans of Rs.45 Mn and Rs. 60 Mn respectively to Consolidated Tea Plantations Limited at an interest rate of AWPLR plus 2% per annum payable on demand. The Group made a provision during the year of Rs.13.5 Million.

#### b) Loan granted to Lankem Ceylon PLC

E. B. Creasy & Co PLC granted a collateral-free short-term loan of Rs.41.4 Million during the year under review to Lankem Ceylon PLC at the interest rate of AWPLR plus 2% per annum, payable on demand.

#### c) Loan granted to Agarapatana Plantations Limited

During the year 2018/19, the Company granted a collateral-free loan of Rs.25 Million to Agarapatana Plantations Limited and the loan will be settled on demand. During the year 2019/20, the Company granted an additional collateral-free loan of Rs.20 Million to Agarapatana Plantations Limited and the loan will be settled on demand. An Interest of 16% per annum will be charged on the outstanding amount.

#### d) Loan granted to Kotagala Plantations PLC

During the year, E. B. Creasy & Company PLC granted a collateral-free short-term loan of Rs.6.0 Million to Kotagala Plantations PLC at an interest rate of AWPLR plus 2%, out of which, Rs.0.5 Million was settled during the year.

## 18. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

### 18.1 INVESTMENTS IN EQUITY ACCOUNTED INVESTEE - COST

### Investment in Associates

| | | | As at 31st March 2021 | | | | | As at 31st March 2020 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Name of the Investee | Principal Business Activity | Principal Place of Business | Number of Shares Held | Ownership interest % | Cost Rs.'000 | Carrying Value Rs.'000 | Market Value Rs.'000 | Number of Shares Held | Ownership interest % | Cost Rs'000 | Carrying Value Rs'000 | Market Value Rs.'000 |
| Lankem Ceylon PLC | Manufacturing of Chemicals, Paints and Consumer Products | No.98, Sri Sangaraja Mawatha, Colombo 10 | 10,974,635 | 32.42 | 261,321 | 261,321 | 297,413 | 10,974,635 | 32.42 | 261,321 | 261,321 | 187,666 |
| Total | | | | | 261,321 | 261,321 | 297,413 | | | 261,321 | 261,321 | 187,666 |

# Notes to the Financial Statements *Contd.*

### 18.2 INVESTMENT IN EQUITY ACCOUNTED INVESTEE – EQUITY METHOD

Summarised Financial Information of Equity Accounted investee

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Lankem Ceylon PLC Rs.'000 | Total Rs.'000 | Lankem Ceylon PLC Rs.'000 | Total Rs.'000 |
| **Summary of the Statement of Financial Position** | | | | |
| Non-Current Assets | 10,308,546 | 10,308,546 | 10,893,861 | 10,893,861 |
| Current Assets | 9,007,059 | 9,007,059 | 7,462,630 | 7,462,630 |
| Total Assets | 19,315,605 | 19,315,605 | 18,356,491 | 18,356,491 |
| Non-Current Liabilities | (4,875,943) | (4,875,943) | (4,523,769) | (4,523,769) |
| Current Liabilities | (11,243,832) | (11,243,832) | (9,898,973) | (9,898,973) |
| Total Liabilities | (16,119,775) | (16,119,775) | (14,422,742) | (14,422,742) |
| Net Assets | 3,195,830 | 3,195,830 | 3,933,749 | 3,933,749 |
| Non-Controlling Interest | (2,644,228) | (2,644,228) | (2,597,099) | (2,597,099) |
| | 551,602 | 551,602 | 1,336,650 | 1,336,650 |
| Group Ownership Interest % | 34.01% | 34.01% | 34.01% | 34.01% |
| Investee Share of Net Assets | 187,573 | 187,573 | 454,529 | 454,529 |
| Goodwill | 10,760 | 10,760 | 10,760 | 10,760 |
| Carrying Amount of Interest | 198,333 | 198,333 | 465,289 | 465,289 |
| **Summary of the Statement of Total Comprehensive Income/(Expense)** | | | | |
| Revenue | 17,468,490 | 17,468,490 | 15,423,082 | 15,423,082 |
| Depreciation and Amortisation | (473,580) | (473,580) | (491,233) | (491,233) |
| Interest Expenses | (1,017,610) | (1,017,610) | (1,212,126) | (1,212,126) |
| Expenses | (16,942,586) | (16,942,586) | (14,745,246) | (14,745,246) |
| Other Comprehensive Income/(Expense) | 161,804 | 161,804 | (6,552) | (6,552) |
| Elimination of Loss/(Profit) attributable to Non-Controlling Interest | 139,688 | 139,688 | 138,263 | 138,263 |
| Investee share of Loss and Other Comprehensive Income/(Expense) | (237,597) | (237,597) | (303,348) | (303,348) |
| Total | (237,597) | (237,597) | (303,348) | (303,348) |
| Share of Profit/(Loss) Net of Tax | (280,746) | (280,746) | (301,714) | (301,714) |
| Share of Other Comprehensive Income/(Expense) | 43,149 | 43,149 | (1,634) | (1,634) |
| | (237,597) | (237,597) | (303,348) | (303,348) |
| **Summary of the Statement of Cash Flows** | | | | |
| Cash Flows used in Operating Activities | 60,685 | 60,685 | (766,962) | (766,962) |
| Cash Flows used in Investing Activities | (26,816) | (26,816) | (132,245) | (132,245) |
| Cash Flows used in Financing Activities | 229,141 | 229,141 | 717,735 | 717,735 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | 263,010 | 263,010 | (181,472) | (181,472) |

The above figures have been extracted from the audited financial statements of Lankem Ceylon PLC. However, in the context of the group accounting policy of E. B. Creasy & Co PLC relating to revaluation of property, plant and equipment, buildings are not revalued. Therefore, there is a gap between the figures shown in the above note and the published financial statements of Lankem Ceylon PLC for the year ended 31st March 2021.

## 19. INVENTORIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| Raw Materials | 1,154,050 | 676,026 | 610,873 | 379,906 |
| Work-in-Progress | 47,505 | 29,498 | 16,527 | 13,323 |
| Finished Goods | 1,309,555 | 914,231 | 190,597 | 131,723 |
| General and Others | 2,928 | 2,910 | - | - |
| Consumable Stocks | 49,031 | 54,792 | 46,404 | 52,647 |
| Goods-in-Transit | 225,855 | 528,229 | 98,151 | 137,865 |
| Right to Recover Returned Goods | 143,410 | 165,922 | 24,360 | 21,255 |
| | 2,932,334 | 2,371,608 | 986,912 | 736,719 |
| Impairment of Inventories (Note 19.1) | (112,958) | (66,820) | (20,093) | (15,383) |
| | 2,819,376 | 2,304,788 | 966,819 | 721,336 |

### 19.1 Impairment of Inventories

| | | | | |
|---|---|---|---|---|
| Balance at the beginning of the year | 66,820 | 85,421 | 15,383 | 54,717 |
| Charge/(Reversals) during the year | 46,138 | (18,601) | 4,710 | (39,334) |
| Balance at the end of the year | 112,958 | 66,820 | 20,093 | 15,383 |

Inventories pledged as securities in obtaining loans are disclosed in Note 25.2.

On adoption of SLFRS 15, an asset for right to recover returned goods is recognised in relation to products sold with a right to return.

## 20. AMOUNTS DUE FROM RELATED COMPANIES

### 20.1 AMOUNTS DUE FROM RELATED COMPANIES - TRADE

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Relationship | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| Darley Butler & Company Limited | Subsidiary | - | - | 967,059 | 850,101 |
| Laxapana Batteries PLC | Subsidiary | - | - | 46,547 | 105,252 |
| Impairment of amounts due from related companies (Note 20.1.1) | | - | - | (3,563) | (5,138) |
| | | - | - | 1,010,043 | 950,215 |
| **20.1.1 Impairment of amounts due from related companies - Trade** | | | | | |
| Balance at the beginning of the year | | - | - | 5,138 | 13,454 |
| Reversals during the year | | - | - | (1,575) | (8,316) |
| Balance at the end of the year | | - | - | 3,563 | 5,138 |

# Notes to the Financial Statements *Contd.*

## 20.2 AMOUNTS DUE FROM RELATED COMPANIES – NON-TRADE

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Relationship | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| Lankem Developments PLC | Affiliate | 1,517 | 1,517 | 1,517 | 1,517 |
| E.B.C. Milk Foods Limited | Subsidiary | - | - | 1,163 | 1,163 |
| American Lloyd Travels Limited | Affiliate | 600 | 600 | 600 | 600 |
| Kotagala Plantations PLC | Affiliate | 1,276 | 61,135 | 402 | - |
| The Colombo Fort Land & Building PLC | Parent | 6,000 | 18 | 6,000 | 18 |
| Consolidated Tea Plantations Limited | Affiliate | 92,521 | 33,761 | 1,503 | - |
| Lankem Tea & Rubber Plantations (Pvt) Limited | Affiliate | 87,742 | 70,012 | - | - |
| Agarapatana Plantations Limited | Affiliate | 56,205 | 27,150 | 14,391 | 8,475 |
| Oral Care (Pvt) Limited | Affiliate | 3 | 3 | - | - |
| Filmpak Limited | Subsidiary | - | - | 4,753 | 4,735 |
| Corporate Systems Limited | Subsidiary | - | - | 1,389 | 1,116 |
| E. B. Creasy Logistics Limited | Subsidiary | - | - | 50,062 | 31,048 |
| Pettah Pharmacy (Pvt) Limited | Subsidiary | - | - | 1,671 | 3,648 |
| Lanka Special Steels Limited | Subsidiary | - | - | 12,517 | - |
| Laxapana Batteries PLC | Subsidiary | - | - | 33,605 | 16,089 |
| E. B. Creasy Ceylon (Pvt) Limited | Subsidiary | - | - | 153 | 58 |
| Candy Delights Limited | Subsidiary | - | - | 408,573 | 262,922 |
| Lankem Ceylon PLC | Associate | 97,588 | 39,453 | 97,588 | 39,453 |
| Marawila Resorts PLC | Affiliate | 391 | 262 | - | - |
| Beruwala Resorts PLC | Affiliate | 757 | 697 | 757 | 697 |
| Sigiriya Village Hotels PLC | Affiliate | 972 | 701 | 162 | 124 |
| York Hotel Management Services Limited | Affiliate | 28 | 142 | 28 | 22 |
| Ceyflex Rubber Limited | Subsidiary | - | - | 140,267 | 161,231 |
| | | 345,600 | 235,451 | 777,101 | 532,916 |
| Less: Impairment of Amounts due from Related Companies (Note 20.2.1) | | (65,875) | (30,541) | (35,465) | (43,847) |
| | | 279,725 | 204,910 | 741,636 | 489,069 |

The Group do not charge interest on balances due from related companies. The terms of the recovery of the aforesaid balances are based on general terms.

### 20.2.1 Impairment of Amounts due from Related Companies – Non-Trade

| | | | | |
|---|---|---|---|---|
| Balance at the beginning of the year | 30,541 | 9,176 | 43,847 | 23,412 |
| Charge/(Reversals) during the year | 35,334 | 21,365 | (8,382) | 20,435 |
| Balance at the end of the year | 65,875 | 30,541 | 35,465 | 43,847 |

## 21. TRADE AND OTHER RECEIVABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| Trade Receivables - Others | 2,431,939 | 2,002,475 | 47,835 | 13,754 |
| Less: Impairment of Trade Receivables (Note 21.1) | (142,795) | (114,875) | (9,020) | (11,578) |
| | 2,289,144 | 1,887,600 | 38,815 | 2,176 |
| Deposits and Prepayments | 30,907 | 38,689 | - | - |
| Employee Advances | 7,765 | 4,658 | - | - |
| Other Tax Recoverables | 53,680 | 104,632 | 338 | 7,172 |
| Other Receivables | 179,358 | 152,434 | 18,051 | 3,008 |
| | 2,560,854 | 2,188,013 | 57,204 | 12,356 |

### 21.1 IMPAIRMENT OF TRADE RECEIVABLES

| | | | | |
|---|---|---|---|---|
| Balance at the beginning of the year | 114,875 | 70,223 | 11,578 | 13,659 |
| Charge/(Reversals) during the year | 27,920 | 44,652 | (2,558) | (2,081) |
| Balance at the end of the year | 142,795 | 114,875 | 9,020 | 11,578 |

## 22. CASH AND CASH EQUIVALENTS

### 22.1 FAVOURABLE BALANCE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| Cash in Hand | 1,722 | 1,760 | 712 | 520 |
| Cash at Bank | 490,553 | 98,265 | 7,629 | 9,405 |
| Investment in Repurchase Agreements | 200,000 | - | - | - |
| Fixed Deposit | 19,125 | - | - | - |
| Cash and Cash Equivalents in the Statement of Financial Position | 711,400 | 100,025 | 8,341 | 9,925 |

### 22.2 UNFAVOURABLE BALANCE

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| Bank Overdraft used for Cash Management Purpose | (1,100,443) | (1,136,036) | (680,012) | (479,812) |
| Cash and Cash Equivalents in the Statement of Cash Flows | (389,043) | (1,036,011) | (671,671) | (469,887) |

#### 22.2.1 Security Details Over Bank Overdraft Facilities

Company

(a) The bank overdraft facility from Hatton National Bank PLC is secured by

1. Existing primary concurrent floating mortgage totaling to Rs.36.2 Million over land & building situated at No. 98, Sri Sangaraja Mawatha, Colombo 10.
2. Existing tertiary mortgage bond totaling to Rs.100 Million over property at No. 98, Sri Sangaraja Mawatha, Colombo 10.

(b) The bank overdraft facilities from Sampath Bank PLC is secured by Lankem Ceylon PLC shares to the value of Rs.20 Million lodged in the custodial accounts.
(c) The bank overdraft facilities from Bank of Ceylon is secured by 2,500,000 numbers of Lankem Ceylon PLC shares.
(d) The bank overdraft facilities from DFCC Bank PLC is secured by a tri-partite agreement for Rs.50 Million entered into between the bank, the Company and the stock broker to assign up to 10,000,000 ordinary shares of Laxapana Batteries PLC held by the Company in favour of DFCC Bank PLC.

Group

*Candy Delights Limited*

The bank overdraft is secured on the land, buildings and stocks at Unit Three - Industrial Estate, Ekala, Ja-Ela.

## 23. STATED CAPITAL

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| Issued and Fully Paid | | | | |
| 253,545,800 Ordinary Shares | 25,731 | 25,731 | 25,731 | 25,731 |

At an Extraordinary General Meeting held on 2nd February 2021, the shareholders of the Company approved the subdivision of issued ordinary shares on the basis of subdividing every One (01) existing issued ordinary share into One Hundred (100) issued ordinary shares, thereby increasing the number of shares of the Company from 2,535,458 to 253,545,800 shares without actuating any increase to the Stated Capital of the Company. The said subdivision was effective from 2nd February 2021.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at meetings of the shareholders or one vote per share in the case of a poll.

## 24. CAPITAL RESERVES AND GENERAL RESERVES

### 24.1 GENERAL RESERVE

General reserve is the reserve set aside for general purposes.

### 24.2 REVALUATION RESERVE

The revaluation reserve relates to the surplus (net of tax effect) on revaluation on land.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| Balance at the beginning of the year | 2,630,038 | 2,622,695 | 1,779,840 | 1,779,840 |
| Recognised in Other Comprehensive Income | 335,695 | 7,343 | 277,759 | - |
| Balance at the end of the year | 2,965,733 | 2,630,038 | 2,057,599 | 1,779,840 |

## 25. INTEREST-BEARING LOANS AND BORROWINGS

### 25.1 LOANS AND BORROWINGS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| Balance at the beginning of the year | 595,166 | 811,558 | 273,982 | 490,351 |
| Obtained during the year | - | 144,040 | - | 29,040 |
| Repayment during the year | (234,013) | (360,432) | (127,055) | (245,409) |
| Balance at the end of the year | 361,153 | 595,166 | 146,927 | 273,982 |
| Repayable within one year | (217,560) | (274,366) | (102,793) | (144,654) |
| Repayable after one year | 143,593 | 320,800 | 44,134 | 129,328 |

### 25.2 AMOUNTS PAYABLE WITHIN ONE YEAR

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| Short-Term Loans | 930,245 | 891,617 | 930,245 | 760,094 |
| Current portion of Long Term Loans (Note 25.1) | 217,560 | 274,366 | 102,793 | 144,654 |
| Trust Receipt Loans (Note 25.2.1) | 1,028,927 | 1,126,875 | 537,707 | 480,710 |
| Loan from Lanka Special Steels Limited | - | - | - | 42,094 |
| | 2,176,732 | 2,292,858 | 1,570,745 | 1,427,552 |

#### 25.2.1 Trust Receipt Loans

The Company and the Group have obtained following Trust Receipt Loans and outstanding as at the reporting date.

| | GROUP | |
|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| E. B. Creasy & Company PLC | 537,707 | 480,710 |
| Darley Butler & Company Limited | 388,575 | 439,567 |
| Laxapana Batteries PLC | 42,205 | 63,657 |
| Candy Delights Limited | 8,024 | 4,473 |
| Pettah Pharmacy (Pvt) Limited | 52,416 | 138,468 |
| | 1,028,927 | 1,126,875 |

#### Company

The Company's trust receipt loans are secured by existing mortgage bonds to banks over the property situated at No. 98, Sri Sangaraja Mawatha, Colombo 10 and stocks in trade and assignment of book debts.

#### Group

#### Darley Butler & Company Limited

Trust receipt loans are secured by existing mortgage bonds to banks over the property situated at No. 98, Sri Sangaraja Mawatha, Colombo 10 and stocks in trade and assignment of book debts.

#### Laxapana Batteries PLC

Trust receipt loans are secured by existing mortgage bonds to banks over the property situated at Panagoda, Homagama and stocks in trade and assignment of book debts.

### Candy Delights Limited

Trust receipt loans are secured by floating charge on inventories at Unit Three, Industrial Estate, Ekala, Ja-Ela. and book debts.

### Pettah Pharmacy (Pvt) Limited

Trust receipt loans are secured by existing mortgage bonds to banks over pharmaceutical stocks in trade and assignment of book debts.

## 25.3 TERM LOANS

E. B. Creasy & Company PLC and its Subsidiaries have obtained following Long Term Loans:

| Company | Lender | 31.03.2021 Rs. Mn. | 31.03.2020 Rs. Mn. | Interest Rate | Repayment | Security |
|---|---|---|---|---|---|---|
| E. B. Creasy & Company PLC | Sampath Bank PLC | | | | | |
| | Loan 1 | 51.54 | 69.57 | AWPLR + 3% | Each sub loan to be paid in 60 monthly installments along with interest. | Loan agreement for respective sub loan amounts and mortgage over respective machinery imported and installed at the factory premises at Millewa estate Millewa. |
| | Loan 2 | 4.05 | 5.45 | 6.0% p.a | 71 equal monthly installments of Rs.117,000/- and a final installment of Rs.186,000/- | Term loan Agreement for Rs.8,493,000/- and a promissory Note for Rs.8,493,000/-. |
| | Commercial Bank of Ceylon PLC | | | | | |
| | Loan 1 | - | 14.83 | AWPLR + 1.0% | 25 equal monthly installments of Rs.1,670,000/- each and a final installment Rs.1,470,000/- | Primary Mortgage Bond for Rs.100 Million over the machinery. |
| | Loan 2 | 36.60 | 64.80 | AWPLR + 3% | 44 equal monthly installments of Rs.2,350,000/- each and a final installment Rs.1,350,000/- | Primary Mortgage Bond for Rs.140 Million over machinery. |
| | Nations Trust Bank PLC | | | | | |
| | Loan 1 | - | 4.15 | AWPLR + 1.25% | 30 equal monthly installments of Rs.4,167,000/- each and a final capital installment of Rs.4,151,000/- | Loan agreement for Rs.200 Million. |
| | Loan 2 | - | 3.70 | AWPLR+2.0% | 32 equal monthly installments of Rs.1,950,000/- each and a final capital installment of Rs.1,750,000/ | Loan agreement for Rs.70 Million. |
| | Loan 3 | 6.65 | 11.48 | AWPLR+3.0% | 46 equal monthly installments of Rs.702,000/- and a final installment of Rs.708,000/- | Loan agreement for Rs.33 Million. |

| Company | Lender | 31.03.2021 Rs. Mn. | 31.03.2020 Rs. Mn. | Interest Rate | Repayment | Security |
|---|---|---|---|---|---|---|
| | DFCC BANK PLC | | | | | |
| | Loan 1 | 48.09 | 100.00 | AWPLR+2.5% | 36 equal monthly installments after a grace period of 01 month from the date of first disbursement. | A promissory note for Rs.200 Million. |
| | | 146.93 | 273.98 | | - | |
| Candy Delights Limited | Hatton National Bank PLC | | | | | |
| | Loan 1 | 37.61 | 44.16 | AWPLR+2.0% | 48 equal monthly installments of Rs.1.25 Million each | Primary Floating Mortgage Bond for Rs.60 Million over movable machinery and equipment imported at a cost of Rs.82 Million and installed at Candy Delights Ltd., Unit 3, Industrial Estate, Ekala. |
| | Loan 2 | 53.79 | 65.12 | AWPLR+2.0% | 48 equal monthly installments of Rs.1.875 Million each | Registered Primary Floating Mortage Bond for Rs.120 Million over land, immovable machinery situated at No. 26, Agaradaguru Mawatha, Ekala and everything standing thereon (including the existing buildings and/or the buildings which are to be constructed in the future together with any further developments, modifications thereto) with all fixtures, fittings, services and such other rights attached. |
| | | 91.40 | 109.28 | | | |
| Lanka Special Steels Limited | Commercial Bank of Ceylon PLC | 58.13 | 71.90 | AWPLR+1.5% | 59 equal monthly installments of Rs.1,530,000/- and a final installment of Rs.1,519,145/-. | Primary mortgage bond for Rs.91.8 Million over wire drawing plant with accessories. |
| | DFCC BANK PLC | 7.29 | 19.79 | AWPLR+1.5% | 24 equal monthly installments of Rs.1,041,667/- each | Primary mortgage bond for Rs.25 Million over movable machinery in the plant & a mortgage for Rs.300 Million over stocks in the plant. |
| | | 65.42 | 91.69 | | | |

| Company | Lender | 31.03.2021 Rs. Mn. | 31.03.2020 Rs. Mn. | Interest Rate | Repayment | Security |
|---|---|---|---|---|---|---|
| Ceyflex Rubber Limited | Nation Trust Bank PLC | 15.83 | 27.68 | AWPLR+3.0% | 47 equal monthly installments of Rs.2,700,000/- each and a final installment of Rs.3,100,000/- after a grace period of 6 months | Primary mortgage bond for Rs.150 Million over Rights under the Board of Investments Agreement No.28 dated 12/05/2016, Buildings and Machinary on the project property at Horana Export Processing Zone. Lodgment of 100,000 Nos (unquoted) shares of Ceyflex Rubber Limited owned by E. B. Creasy & Company PLC |
| | | 15.83 | 27.68 | | | |
| E. B. Creasy Logistics Limited | Sampath Bank PLC | | | | | |
| | Loan 1 | 2.50 | 5.49 | 16.5% p.a | 48 equal monthly installments of Rs.307,604/- each | Mortgage over movable machinery and racking equipment imported under the facility |
| | Loan 2 | 0.97 | 1.79 | 16.5% p.a | 48 equal monthly installments of Rs.88,510/- each | |
| | Loan 3 | 0.60 | 1.22 | 16.5% p.a | 48 equal monthly installments of Rs.65,201/- each | |
| | | 4.07 | 8.50 | | | |
| Muller & Phipps (Ceylon) PLC | Hatton National Bank PLC | | | | | |
| | Loan 1 | 37.50 | 84.04 | AWPLR+1.5% | 24 equal monthly installments of Rs.3.75 Million each. | Letter of awareness from Muller & Phipps (Ceylon) PLC |
| | | 37.50 | 84.04 | | | |
| | | 361.15 | 595.17 | | | |

## 25.4 LEASE LIABILITIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| Balance at the beginning of the year | 234,249 | - | 293,367 | - |
| Initial Recognition of SLFRS 16 | - | 234,871 | - | 289,090 |
| Additions | - | 8,009 | - | 8,009 |
| Interest Expense | 26,610 | 27,565 | 33,979 | 34,022 |
| Payments | (42,306) | (37,425) | (39,965) | (37,754) |
| Exchange Fluctuation | 787 | 1,229 | - | - |
| Balance at the end of the year | 219,340 | 234,249 | 287,381 | 293,367 |
| | | | | |
| Repayable within one year | 30,164 | 28,255 | 25,053 | 28,340 |
| Repayable after one year | 189,176 | 205,994 | 262,328 | 265,027 |

#### 25.4.1 Amounts recognised in profit or loss

| | | | | |
|---|---|---|---|---|
| Interest on lease liabilities | 26,610 | 27,565 | 33,979 | 34,022 |
| Exchange Fluctuation | 787 | 1,229 | - | - |

#### 25.4.2 Amounts recognised in statement of cash flows

| | | | | |
|---|---|---|---|---|
| Repayments of lease liabilities | (42,306) | (37,425) | (39,965) | (37,754) |

## 26. DEFERRED INCOME AND CAPITAL GRANTS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| At the beginning of the year | 4,528 | 4,788 | 4,528 | 4,788 |
| Amortised during the year | (260) | (260) | (260) | (260) |
| At the end of the year | 4,268 | 4,528 | 4,268 | 4,528 |
| Non-Current | 4,268 | 4,528 | 4,268 | 4,528 |
| Current | - | - | - | - |

E. B. Creasy & Co. PLC received a grant of Rs.5.2 Million during the year ended 31st March 2018 in relation to setting up of a roof top solar power project on net metering basis under ADB funded clean energy and network efficiency improvement projects.

## 27. DEFERRED TAX ASSETS/(LIABILITIES)

### 27.1 DEFERRED TAX ASSETS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| At the beginning of the year | 392,760 | 331,223 | - | - |
| Transferred to Deferred Tax Liabilities | (726) | (15,897) | - | - |
| Amount recognised in changes in equity due to initial application of SLFRS 16 | - | 1,775 | - | - |
| Reversed/(Charged) in the Profit or Loss | (20,125) | 72,751 | - | - |
| Amount recognised during the year due to reduction in tax rate - Profit or Loss | (56,033) | - | - | - |
| Recognition of previously unrecognised tax losses | 27,851 | - | - | - |
| Reversed/(Charged) in Other Comprehensive Income | 14,069 | 2,908 | - | - |
| At the end of the year | 357,796 | 392,760 | - | - |

# Notes to the Financial Statements *Contd.*

### 27.2 DEFERRED TAX LIABILITIES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| At the beginning of the year | 938,531 | 930,239 | 744,969 | 761,550 |
| Transferred from Deferred Tax Assets | (726) | (15,897) | - | - |
| Amount recognised in changes in equity due to initial application of SLFRS 16 | - | (630) | - | (2,999) |
| (Reversed)/Charged in the Profit or Loss | (61,422) | 16,613 | (27,682) | (21,551) |
| Amount recognised during the year due to reduction in tax rate - Profit or Loss | (3,090) | - | 11,698 | - |
| Amount recognised during the year due to reduction in tax rate - OCI | (291,445) | - | (277,759) | - |
| (Reversed)/Charged in Other Comprehensive Income | (9,758) | 8,206 | (8,457) | 7,969 |
| At the end of the year | 572,090 | 938,531 | 442,769 | 744,969 |

### 27.3 DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets/(liabilities) have been recognised in respect of the following and it has been calculated by applying effective tax rates of respective companies in the group which are liable for income tax.

#### Group

| | 31.03.2021 | | 31.03.2020 | |
|---|---|---|---|---|
| | Temporary Difference Rs.'000 | Tax Effect Rs.'000 | Temporary Difference Rs.'000 Restated | Tax Effect Rs.'000 Restated |
| Deferred Tax Liabilities | | | | |
| Property, Plant and Equipment | 812,814 | 146,786 | 814,571 | 205,278 |
| Retirement Benefit Obligation | (682,101) | (123,342) | (547,498) | (151,707) |
| Tax Loss Carried Forward | (5,315) | (1,276) | - | - |
| Revaluation surplus of land | 3,118,163 | 581,704 | 3,118,163 | 873,086 |
| Impairment of debtors and amount due from related companies | (47,791) | (9,037) | 54,782 | 4,594 |
| Provision for warranty | (18,798) | (4,436) | (27,365) | (7,662) |
| Impairment of Inventories | (35,510) | (7,178) | (26,244) | (7,153) |
| Lease Liabilities | (132,005) | (20,723) | 152,791 | 32,613 |
| Right-of-Use Assets | 67,780 | 11,579 | (65,486) | (12,857) |
| Right to recover returned goods | 10,104 | 2,312 | (13,352) | (3,738) |
| Refund Liabilities | (18,603) | (4,299) | 50,555 | 6,077 |
| | 3,068,738 | 572,090 | 3,510,917 | 938,531 |

| | 31.03.2021 | | 31.03.2020 | |
|---|---|---|---|---|
| | Temporary Difference Rs.'000 | Tax Effect Rs.'000 | Temporary Difference Rs.'000 Restated | Tax Effect Rs.'000 Restated |
| **Deferred Tax Assets** | | | | |
| Property, Plant and Equipment | (5,732) | (1,376) | 202 | 56 |
| Retirement Benefit Obligation | 271,375 | 65,130 | 174,254 | 48,791 |
| Impairment of debtors and amount due from related companies | 164,225 | 39,120 | 129,324 | 36,210 |
| Tax Loss Carried Forward | 760,932 | 182,625 | 1,002,530 | 280,709 |
| Finance Cost Carried Forward | 109,873 | 26,369 | - | - |
| Impairment of Inventories | 74,690 | 17,926 | 22,851 | 6,398 |
| Impairment of Financial Assets | 71,325 | 17,118 | 35,663 | 9,986 |
| Right-of-Use Assets | (69,297) | (16,632) | 93,218 | 26,101 |
| Lease Liabilities | 81,927 | 19,663 | (81,458) | (22,808) |
| Right to recover returned goods | (133,306) | (31,993) | (130,158) | (36,444) |
| Refund Liabilities | 166,024 | 39,846 | 156,288 | 43,761 |
| | 1,492,036 | 357,796 | 1,402,714 | 392,760 |

## Company

| | 31.03.2021 | | 31.03.2020 | |
|---|---|---|---|---|
| | Temporary Difference Rs.'000 | Tax Effect Rs.'000 | Temporary Difference Rs.'000 Restated | Tax Effect Rs.'000 Restated |
| Property, Plant and Equipment | 444,866 | 80,075 | 513,981 | 143,915 |
| Retirement Benefit Obligation | (645,971) | (116,275) | (521,349) | (145,978) |
| Revaluation surplus of freehold land | 2,777,588 | 499,966 | 2,777,588 | 777,725 |
| Impairment of Inventories | (20,093) | (3,617) | (15,383) | (4,307) |
| Provision for warranty | (1,275) | (230) | (1,894) | (530) |
| Impairment of financial assets | (53,715) | (9,668) | (63,154) | (17,684) |
| Lease liabilities | (287,381) | (51,728) | (293,367) | (82,143) |
| Right of Use Assets | 257,467 | 46,344 | 273,763 | 76,654 |
| Right to recover returned goods | 24,360 | 4,385 | 21,255 | 5,951 |
| Refund Liabilities | (36,014) | (6,483) | (30,835) | (8,634) |
| | 2,459,832 | 442,769 | 2,660,605 | 744,969 |

### 27.4 UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised in respect of following:

| | GROUP | | | |
|---|---|---|---|---|
| | 31.03.2021 Rs.'000 | | 31.03.2020 Rs.'000 | |
| | Temporary Difference | Tax Effect | Temporary Difference | Tax Effect |
| Tax Loss Carried Forward | 126,922 | 25,075 | 129,551 | 36,274 |

## 28. RETIREMENT BENEFIT OBLIGATIONS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| Present value of Defined Benefit Obligation (Note 28.1) | 968,081 | 745,785 | 645,971 | 521,349 |
| | 968,081 | 745,785 | 645,971 | 521,349 |

### 28.1 MOVEMENT IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| At the beginning of the year | 745,785 | 648,790 | 521,349 | 469,742 |
| Current service cost | 59,882 | 58,213 | 37,439 | 34,815 |
| Interest cost | 73,483 | 72,041 | 52,135 | 54,020 |
| Remeasurement of Retirement Benefit Obligations recognised in OCI | 113,063 | (16,899) | 46,986 | (28,460) |
| Payments during the year | (24,132) | (16,360) | (11,938) | (8,768) |
| At the end of the year | 968,081 | 745,785 | 645,971 | 521,349 |

### 28.2 THE KEY ACTUARIAL ASSUMPTIONS

#### (a) Company

An actuarial valuation has been carried out as at 31st March 2021 by Messrs. Piyal. S. Goonathilake & Associates (Actuarial Valuer) as required by the Sri Lanka Accounting Standard LKAS 19 - 'Employee Benefits'.

The key assumptions used by the Actuary include the following:

| | |
|---|---|
| (a) Discount Rate | 7.5% p.a. |
| (b) Rate of increase of Salaries | Executive – 10%<br>Non-Executive – 10% |
| (c) Retirement Age | 55 Years |

The actuarial present value of the accrued benefit as at 31st March, 2021 is Rs.645.97 Million. This item is grouped under retirement benefit obligation in the Statement of Financial Position. The liability is not externally funded.

### (b) Group

### Retirement Benefit Obligations

LKAS 19 - 'Employee Benefits' requires to apply Projected Unit Credit Method to make a reliable estimate of the obligation in order to determine the present value of the retirement benefit obligation. The key assumptions made in arriving at the retirement benefit obligation as at 31st March 2021 in respect of following companies are stated below:

| Company Name | Expected Salary Increment Rate Per Annum | Discount Rate Per Annum | Retirement Age - Years | Liability as at 31.03.2021 Rs.'000 |
|---|---|---|---|---|
| E. B. Creasy & Co. PLC | 10.0% | 7.5% | 55 | 645,971 |
| Darley Butler & Company Limited | 10.0% | 7.5% | 55 | 260,749 |
| Candy Delights Limited | 10.0% | 7.5% | 55 | 14,605 |
| E. B. Creasy Logistics Limited | 10.0% | 7.5% | 55 | 3,420 |
| Laxapana Batteries PLC | 10.0% | 7.5% | 55 | 6,148 |
| Pettah Pharmacy (Pvt) Limited | 10.0% | 7.5% | 55 | 10,625 |
| Lanka Special Steels Limited | 10.0% | 7.5% | 55 | 26,291 |
| Ceyflex Rubber Limited | 10.0% | 7.5% | 55 | 272 |

| Company Name | Expected Salary Increment Rate Per Annum | Discount Rate Per Annum | Retirement Age - Years | Liability as at 31.03.2020 Rs.'000 |
|---|---|---|---|---|
| E. B. Creasy & Co. PLC | 10% | 10.0% | 55 | 521,349 |
| Darley Butler & Company Limited | 10% | 10.0% | 55 | 174,254 |
| Candy Delights Limited | 10% | 10.0% | 55 | 13,257 |
| E. B. Creasy Logistics Limited | 10% | 10.0% | 55 | 1,843 |
| Laxapana Batteries PLC | 10% | 10.0% | 55 | 4,482 |
| Pettah Pharmacy (Pvt) Limited | 10% | 10.0% | 55 | 10,778 |
| Lanka Special Steels Limited | 10% | 10.0% | 55 | 19,705 |
| Ceyflex Rubber Limited | 10% | 10.0% | 55 | 117 |

### Discount rate change

The reduction in the discount rate is due to the reduction in yield of the matching Government Bonds for the given duration of the liability as at the reporting date. Assumptions regarding valuation of the retirement benefit obligation is based on published statistics.

### 28.3 SENSITIVITY ANALYSIS

**Sensitivity of assumptions used**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| **Effect on the defined benefit obligation:** | | | | |
| Increase by one percentage point in discount rate | (53,827) | (34,639) | (29,273) | (18,187) |
| Decrease by one percentage point in discount rate | 60,036 | 40,281 | 34,658 | 21,211 |
| Increase by one percentage point in salary increment rate | 59,907 | 38,678 | 32,382 | 20,353 |
| Decrease by one percentage point in salary increment rate | (54,489) | (33,975) | (29,491) | (17,835) |

## 29. TRADE AND OTHER PAYABLES

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| Trade Payables | 1,496,778 | 622,180 | 500,715 | 292,669 |
| Unclaimed Dividend | 4,454 | 4,298 | 1,680 | 1,666 |
| Bills Payable | 887,908 | 994,477 | 98,152 | 137,865 |
| Refund Liability | 184,627 | 215,327 | 36,014 | 30,835 |
| Other Taxes Payable | 1,433 | 38,526 | - | 16,918 |
| Deposits from Dealers | 91,399 | 77,562 | - | - |
| Warranty Provision | 18,798 | 27,365 | 1,275 | 1,894 |
| Accrued Expenses and Other Payables | 312,600 | 221,746 | 68,612 | 69,853 |
| Provision for advertisement expense | 215,844 | 83,234 | 215,844 | 83,234 |
| Interest expense payable | 24,377 | 22,371 | 21,477 | 21,789 |
| | 3,238,218 | 2,307,086 | 943,769 | 656,723 |

On adoption of SLFRS 15, a refund liability and a contract liability are recognised in relation to products sold with a right to return.

## 30. AMOUNTS DUE TO RELATED COMPANIES

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Relationship | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| Muller & Phipps (Ceylon) PLC | Subsidiary | - | - | 41,330 | 38,839 |
| Group Three Associates (Pvt) Limited | Subsidiary | - | - | 778 | 880 |
| Colombo Fort Group Services (Private) Limited | Affiliate | 208 | 1,175 | 194 | 1,175 |
| Laxapana Batteries PLC | Subsidiary | - | - | 15,737 | 16,215 |
| Lankem Ceylon PLC | Associate | 13,511 | 7,871 | - | - |
| | | 13,719 | 9,046 | 58,039 | 57,109 |

The Company has not provided any guarantees against above related party payables. Above related party transactions were carried out on terms equivalent to those that prevail in arm's length basis.

## 31. FINANCIAL INSTRUMENTS

### 31.1 FINANCIAL INSTRUMENTS - STATEMENT OF FINANCIAL POSITION (SOFP)

The Financial Instruments recognised in the Statement of Financial Position are as follows:

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Note | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| **Financial Assets** | | | | | |
| **Investments Classified as Fair Value through OCI** | | | | | |
| Quoted Investments | 17.3 | 26,323 | 21,568 | 1,046 | 1,312 |
| Unquoted Investments | 17.3 | 477,622 | 479,851 | 397 | 397 |
| Total | | 503,945 | 501,419 | 1,443 | 1,709 |
| **Investments Classified as Fair Value through Profit or Loss** | | | | | |
| Unquoted Debentures | 17.4.1 | 54,175 | 76,337 | - | - |
| Total | | 54,175 | 76,337 | - | - |
| **Current Assets** | | | | | |
| Trade & Other Receivables | 21 | 2,476,267 | 2,044,692 | 56,866 | 5,184 |
| Loans Due from Related Parties | 17.4.2 | 164,232 | 88,909 | 131,232 | 42,409 |
| Amounts due from Related Companies | 20 | 279,725 | 204,910 | 1,751,679 | 1,439,284 |
| Derivative Financial Assets | | - | 8,655 | - | - |
| Total | | 2,920,224 | 2,347,166 | 1,939,777 | 1,486,877 |
| Cash and Cash Equivalents | 22.1 | 711,400 | 100,025 | 8,341 | 9,925 |
| Total Financial Assets | | 4,189,744 | 3,024,947 | 1,949,561 | 1,498,511 |

| | | GROUP | | COMPANY | |
|---|---|---|---|---|---|
| | Note | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| **Financial Liabilities** | | | | | |
| **Non-Current Liabilities** | | | | | |
| Interest-Bearing Borrowings | 25 | 332,769 | 526,794 | 306,462 | 394,355 |
| **Current Liabilities** | | | | | |
| Interest-Bearing Borrowings | 25 | 2,206,896 | 2,321,113 | 1,595,798 | 1,455,892 |
| Trade & Other Payables | 29 | 2,720,760 | 1,804,122 | 837,868 | 537,223 |
| Amounts due to Related Companies | 30 | 13,719 | 9,046 | 58,039 | 57,109 |
| Bank Overdrafts | 22.2 | 1,100,443 | 1,136,036 | 680,012 | 479,812 |
| Total Financial Liabilities | | 6,374,587 | 5,797,111 | 3,478,179 | 2,924,391 |

### 31.2 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of Financial Instruments;

1. Credit Risk
2. Liquidity Risk
3. Market Risk (including currency risk and interest rate risk)

This note represents qualitative and quantitative information about the Groups' exposure to each of the above risks, the Group's objectives, policies and procedure for measuring and managing risk.

### Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit Department. Internal Audit Department undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

### 31.2.1 Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or a counter party to a financial instrument fails to meet its contractual obligation, and arises principally from the Group's receivables from customers, related parties and investments.

The carrying amounts of financial assets represent the maximum credit exposure.

Impairment losses on financial assets and contract assets recognised in Profit or Loss and Other Comprehensive Income were as follows.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021<br>Rs. '000 | 31.03.2020<br>Rs. '000 | 31.03.2021<br>Rs. '000 | 31.03.2020<br>Rs. '000 |
| Impairment loss on trade receivables and related party receivables | 63,254 | 66,017 | (12,515) | 10,038 |
| Impairment loss on debt securities at amortised cost | 38,739 | 25,398 | 3,077 | (805) |
| Impairment loss/(reversal) on debt securities at FVOCI | (1,330) | 8,099 | - | - |
| | 100,663 | 99,514 | (9,438) | 9,233 |

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows;

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021<br>Rs. '000 | 31.03.2020<br>Rs. '000 | 31.03.2021<br>Rs. '000 | 31.03.2020<br>Rs. '000 |
| Balance at the beginning | 114,875 | 70,223 | 16,716 | 27,113 |
| Net remeasurement of loss allowance | 27,920 | 44,652 | (4,133) | (10,397) |
| Balance at the end | 142,795 | 114,875 | 12,583 | 16,716 |

The movement in the allowance for impairment in respect of amounts due from related parties during the year was as follows;

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| Balance at the beginning | 30,541 | 9,176 | 43,847 | 23,412 |
| Net remeasurement of loss allowance | 35,334 | 21,365 | (8,382) | 20,435 |
| Balance at the end | 65,875 | 30,541 | 35,465 | 43,847 |

Financial Assets

The exposure to credit risk for financial assets at amortised cost and FVOCI as at the reporting date was as follows,

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| Financial assets at Fair value through Other Comprehensive Income | 503,945 | 501,419 | 1,443 | 1,709 |
| Investments in Debentures | 54,175 | 76,337 | - | - |
| Loans Due from Related Parties | 164,232 | 88,909 | 131,232 | 42,409 |
| Total | 722,352 | 666,665 | 132,675 | 44,118 |

The movement in the allowance for impairment for debt securities at amortised cost during the year was as follows;

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| Balance at the beginning | 38,254 | 12,856 | 2,591 | 3,395 |
| Net remeasurement of loss allowance | 38,739 | 25,398 | 3,077 | (804) |
| Balance at the end | 76,993 | 38,254 | 5,668 | 2,591 |

The movement in the allowance for impairment for debt securities at Fair Value through Other Comprehensive Income during the year was as follows;

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
| Balance at the beginning | 11,971 | 4,674 | - | - |
| Net remeasurement of loss allowance | (1,330) | 8,749 | - | - |
| Financial assets derecognised | - | (1,452) | - | - |
| Balance at the end | 10,641 | 11,971 | - | - |

The following table provides information about the exposure to credit risk and ECLs for Trade Receivables.

| | GROUP | | | |
|---|---|---|---|---|
| | 31.03.2021 | | 31.03.2020 | |
| | Trade Receivable Rs. '000 | Provision for Impairment Rs. '000 | Trade Receivable Rs. '000 | Provision for Impairment Rs. '000 |
| 1-90 days past due | 1,896,452 | 18,563 | 1,534,665 | 21,873 |
| 91-180 days past due | 213,382 | 18,769 | 150,998 | 5,572 |
| 181-365 days past due | 193,613 | 46,483 | 294,855 | 70,192 |
| More than 365 days past due | 128,492 | 58,981 | 21,957 | 17,239 |
| Total | 2,431,939 | 142,795 | 2,002,475 | 114,875 |

| | COMPANY | | | |
|---|---|---|---|---|
| | 31.03.2021 | | 31.03.2020 | |
| | Trade Receivable Rs. '000 | Provision for Impairment Rs. '000 | Trade Receivable Rs. '000 | Provision for Impairment Rs. '000 |
| 1-90 days past due | 24,706 | 854 | 1,663 | 1,127 |
| 91-180 days past due | 329 | 15 | 2,647 | 2,054 |
| 181-365 days past due | 1,665 | 369 | 2,696 | 2,128 |
| More than 365 days past due | 21,135 | 7,782 | 6,748 | 6,268 |
| Total | 47,835 | 9,020 | 13,754 | 11,578 |

Cash and cash equivalents

The Group held cash and cash equivalents of Rs.711.4 Million at 31 March 2021 (2020 - Rs.100.0 Million) which represents its maximum credit exposure on these assets.

Respective credit ratings of banks which group cash balances held are as follows;

Hatton National Bank PLC – AA-(lka)
Standard Chartered Bank – AAA (lka)
Commercial Bank of Ceylon PLC – AA-(lka)
Bank of Ceylon – CCC(lka)
National Development Bank PLC – A+ (lka)
Pan Asia Banking Corporation PLC – BBB- (lka)
Union Bank of Colombo PLC – BBB- (lka)
People's Bank – AA-(lka)
Seylan Bank PLC – A(lka)
Sampath Bank PLC – AA- (lka)
Nations Trust Bank PLC – A (lka)
DFCC Bank PLC – A+(lka)

### 31.2.2 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations associated with its financial liabilities that are to be settled by cash or another financial asset.

The following are the contractual maturities of financial liabilities, excluding of netting agreements.

| GROUP | 31.03.2021 | | | | 31.03.2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying Amount Rs. '000 | Contractual Cash Flows Rs. '000 | Less than one Year Rs. '000 | More than one Year Rs. '000 | Carrying Amount Rs. '000 | Contractual Cash Flows Rs. '000 | Less than one Year Rs. '000 | More than one Year Rs. '000 |
| Interest-Bearing Loans and Borrowings | 2,539,665 | 2,539,665 | 2,206,896 | 332,769 | 2,847,907 | 2,847,907 | 2,321,113 | 526,794 |
| Amounts Due to Related Companies | 13,719 | 13,719 | 13,719 | - | 9,046 | 9,046 | 9,046 | - |
| Other Financial Liabilities/Trade & Other Payables | 2,720,760 | 2,720,760 | 2,720,760 | - | 1,804,122 | 1,804,122 | 1,804,122 | - |
| Bank Overdrafts | 1,100,443 | 1,100,443 | 1,100,443 | - | 1,136,036 | 1,136,036 | 1,136,036 | - |
| Total | 6,374,587 | 6,374,587 | 6,041,818 | 332,769 | 5,797,111 | 5,797,111 | 5,270,317 | 526,794 |

| COMPANY | 31.03.2021 | | | | 31.03.2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Carrying Amount Rs. '000 | Contractual Cash Flows Rs. '000 | Less than one Year Rs. '000 | More than one Year Rs. '000 | Carrying Amount Rs. '000 | Contractual Cash Flows Rs. '000 | Less than one Year Rs. '000 | More than one Year Rs. '000 |
| Interest-Bearing Loans and Borrowings | 1,902,260 | 1,902,260 | 1,595,798 | 306,462 | 1,850,247 | 1,850,247 | 1,455,892 | 394,355 |
| Amounts Due to Related Companies | 58,039 | 58,039 | 58,039 | - | 57,109 | 57,109 | 57,109 | - |
| Other Financial Liabilities/Trade & Other Payables | 837,868 | 837,868 | 837,868 | - | 537,223 | 537,223 | 537,223 | - |
| Bank Overdrafts | 680,012 | 680,012 | 680,012 | - | 479,812 | 479,812 | 479,812 | - |
| Total | 3,478,179 | 3,478,179 | 3,171,717 | 306,462 | 2,924,391 | 2,924,391 | 2,530,036 | 394,355 |

### 31.2.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates etc. which will affect the Group's income or the value of its holdings in financial instruments. The objective of the market risk management is to manage and control market risk exposures within acceptable parameters while optimising returns.

#### 31.2.3.1 Currency Risk

The Group is exposed to currency risk on purchases and borrowings that are denominated in currencies other than the functional currency which is Sri Lankan Rupee.

### Sensitivity Analysis

A strengthening or weakening of Sri Lankan Rupee, as indicated below, against the United States Dollar would have increased/(decreased) profit before tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

| | Effect on Profit Before Tax | |
|---|---|---|
| | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| + 10% | (62,944) | (58,785) |
| - 10% | 62,944 | 58,785 |

The summarised quantitative data about the Group's exposure to currency risk as at the reporting date are as follows:

| | Group | |
|---|---|---|
| | 31.03.2021<br>USD | 31.03.2020<br>USD |
| Foreign Debtors | 1,298,887 | 954,717 |
| Foreign Creditors | (9,119,245) | (5,896,151) |
| Net Statement of Financial Position Exposure | (7,820,358) | (4,941,434) |

| | Company | |
|---|---|---|
| | 31.03.2021<br>USD | 31.03.2020<br>USD |
| Foreign Debtors | 266,977 | 122,236 |
| Foreign Creditors | (827,087) | (744,635) |
| Net Statement of Financial Position Exposure | (560,110) | (622,399) |

### 31.2.3.2 Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market interest rates. The exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations and investments with floating interest rates.

However, the Company does not have material long-term floating rate borrowings or deposits as at the reporting date which result in a material interest rate risk.

The following table demonstrates the Group's sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the profit before tax:

| | Effect on Profit Before Tax | |
|---|---|---|
| | 2021<br>Rs.'000 | 2020<br>Rs.'000 |
| Variable rate instruments (1% decrease) | 66,377 | 50,298 |
| Variable rate instruments (1% Increase) | (66,377) | (50,298) |

The break down of fixed rate of interest and variable rate of interest bearing loans as at the reporting date is as follows.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31.03.2021 Rs. Mn | 31.03.2020 Rs. Mn | 31.03.2021 Rs. Mn | 31.03.2020 Rs. Mn |
| Fixed interest rate bearing Loans | 8.12 | 13.95 | 4.05 | 5.45 |
| Variable interest rate bearing Loans | 353.03 | 581.22 | 142.88 | 268.53 |
| Total | 361.15 | 595.17 | 146.93 | 273.98 |

### 31.2.4 Capital Management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital employed, gearing and financial distress levels, as well as the level of dividends to ordinary shareholders.

## 32. RELATED PARTY TRANSACTIONS

### 32. (a) PARENT AND ULTIMATE CONTROLLING PARTY

The Company's Parent and Ultimate Controlling Party is The Colombo Fort Land & Building PLC.

### 32. (b) i. DETAILS OF SIGNIFICANT RELATED PARTY TRANSACTIONS ARE GIVEN BELOW:

| | Transactions with Group | | Transactions with Company | |
|---|---|---|---|---|
| | 2021 Rs. '000 | 2020 Rs. '000 | 2021 Rs. '000 | 2020 Rs. '000 |
| Transactions with Subsidiary Companies Listed in Note 17.1 | | | | |
| Sales of Goods | - | - | 5,308,855 | 4,393,808 |
| Fund Transfers and Settlements | - | - | 5,918,150 | 5,862,510 |
| Incurred Reimbursable Expenses | - | - | 815,994 | 517,088 |
| Service Charges | - | - | 47,414 | 116,346 |
| Guarantee Commission Income on Corporate Guarantees | - | - | 11,326 | 6,152 |
| Interest Charge | - | - | 8,245 | 10,144 |
| Purchases | - | - | 1,734 | 2,216 |
| Rent Income | - | - | 3,503 | 8,530 |
| Rent Expense | - | - | 47,918 | 51,992 |
| WHT Receivable on Rent | - | - | - | 612 |
| WHT Payable on Rent | - | | (2,245) | 2,245 |
| Transactions with Associates | | | | |
| Loans Granted During the Year | 41,400 | - | 41,400 | - |
| Sales of Goods | 38 | - | 38 | - |
| Fund Transfers and settlements | 33,500 | 11,762 | 33,500 | 11,762 |
| Recovery of loans | - | 72,000 | - | 72,000 |
| Interest Income | 6,653 | 20,117 | 6,653 | 20,117 |
| Commission on Corporate Guarantees | 17,971 | 11,413 | 17,971 | 11,413 |

| | Transactions with Group | | Transactions with Company | |
|---|---|---|---|---|
| | 2021<br>Rs. '000 | 2020<br>Rs. '000 | 2021<br>Rs. '000 | 2020<br>Rs. '000 |
| **Transaction with The Colombo Fort Land and Building PLC (Ultimate Parent Company)** | | | | |
| Sale of Goods | - | 18 | - | 18 |
| Settlements of Loans, Current Account & Expenses | 18 | - | 18 | - |
| Loans obtained during the Year | 6,000 | - | 6,000 | - |
| **Transactions with Other Related Companies** | | | | |
| Sale of Goods | 104 | 556 | 104 | 556 |
| Settlements | - | 160 | - | 160 |
| Interest on Loans | 7,820 | 5,133 | 7,820 | 5,133 |
| Purchases | - | 457 | - | 457 |
| Loans Granted during the Year | 50,500 | 20,000 | 50,500 | 20,000 |
| Fund Transfers during the year | 17,000 | 33,000 | 82,540 | - |

### 32. (b) ii. RELATED PARTY TRANSACTIONS DISCLOSURE

#### Recurrent Transactions

The recurrent related party transactions entered into, for which the value exceeded 10% of Group revenue, during the financial year ended 31st March 2021 are detailed below;

| Name of Related Party | Relationship | Nature of the Transaction | Aggregate Value of Related Party Transactions Entered into during the Financial Year Rs.'000 | Aggregate Value of Related Party Transactions as a % of Group Revenue | Terms and Conditions of Related Party Transactions | Net Revenue Rs.'000 |
|---|---|---|---|---|---|---|
| Darley Butler & Company Limited | Subsidiary | Sale of Goods (without turnover related taxes) | 4,672,331 | 34% | On Credit | 13,766,848 |

#### Non-recurrent Transactions

There were no non-recurrent related party transactions entered into in respect of the financial year ended 31st March 2021, the value of which exceeded 10% of shareholders' equity or 5% of total assets of the Group.

## 32. (c) THE DIRECTORS OF THE COMPANY ARE ALSO DIRECTORS OF THE FOLLOWING COMPANIES

| | A.Rajaratnam | S.D.R.Arudpragasam | R.N.Bopearatchy | S.Rajaratnam | R.C.A.Welikala | P.M.A.Sirimane | A.R.Rasiah | S.N.P.Palihena | A.M.Mubarak | A.M. de. S. Jayaratne | R.Seevaratnam | S.W.Gunawardena |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| E. B. Creasy & Company PLC | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ |
| Corporate Systems Limited | | √ | √ | √ | √ | | | | | | | √ |
| Filmpak Limited | | √ | √ | √ | √ | | | | | | | |
| E. B. Creasy Logistics Limited | | √ | √ | √ | √ | √ | | | | | | √ |
| Muller & Phipps (Ceylon) PLC | | √ | √ | | √ | √ | √ | √ | √ | | | |
| Pettah Pharmacy (Pvt) Limited | | √ | √ | | √ | √ | √ | √ | √ | | | |
| Darley Butler & Co. Limited | | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ |
| Candy Delights Limited | | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ | √ |
| E. B. Creasy Ceylon (Pvt) Limited | | √ | √ | √ | √ | √ | | | | | | √ |
| Group Three Associates (Pvt) Limited | | √ | √ | √ | √ | | | | | | | √ |
| Lanka Special Steels Limited | | √ | √ | √ | √ | √ | | | | | | √ |
| Laxapana Batteries PLC | | √ | √ | √ | √ | √ | √ | √ | √ | | | √ |
| Lankem Ceylon PLC | | √ | √ | | | √ | | | | | √ | |
| Lankem Developments PLC | | √ | √ | | | √ | | √ | | | | |
| Lankem Paints Limited | | √ | √ | | | | | | | | | |
| Lankem Consumer Products Limited | | √ | √ | | | | | | | | | |
| Lankem Chemicals Limited | | √ | √ | | | | | | | | | |
| Lankem Exports (Pvt) Limited | | √ | | | | | | | | | | |
| Lankem Plantation Services Limited | √ | √ | | | | | | | | | | |
| SunAgro LifeScience Limited | | √ | √ | | | | | | | | | |
| SunAgro Farms Limited | | √ | √ | | | | | | | | | |
| SunAgro Foods Limited | | √ | √ | | | | | | | | | |
| Lankem Technology Services Limited | | √ | √ | | | | | | | | | |
| Lankem Research Limited | | √ | √ | | | | | | | | | |
| Associated Farms (Pvt) Limited | | √ | | | | | | | | | | |
| B.O.T Hotel Services (Pvt) Limited | | √ | | √ | | | | | | √ | | |
| Galle Fort Hotel (Pvt) Limited | | √ | | √ | | | | | | | | |
| Colombo Fort Hotels Limited | | √ | | √ | | | | | | | | |
| Lak Kraft (Pvt) Limited | | √ | | √ | | | | | | | | |
| Sherwood Holidays Limited | | √ | | √ | | | | | | | | |
| Sigiriya Village Hotels PLC | | √ | | √ | | | √ | | | | | |
| Marawila Resorts PLC | | √ | | √ | | | √ | | | | | |
| Beruwala Resorts PLC | | √ | | √ | | | √ | | | | | |
| Imperial Hotels Limited | | √ | | √ | | | | | | | | |
| Consolidated Tea Plantations Limited | √ | √ | | | | | | | | √ | | |
| Creasy Plantation Management Limited | √ | √ | | | | | | | | | | |
| Lankem Tea & Rubber Plantations (Pvt) Limited | √ | √ | | | | | | | | | | |
| Kotagala Plantations PLC | | √ | | | | | | | | √ | | |
| Agarapatana Plantations Limited | | √ | | | | √ | | | | | | |
| Waverly Power (Pvt) Limited | | √ | | √ | | | | | | | | |
| Union Commodities (Pvt) Limited | | √ | | | | | | | | | | |
| C. W. Mackie PLC | | √ | | | | | | | | √ | | |
| The Colombo Fort Land & Building PLC | √ | √ | | √ | | √ | | | | √ | √ | |
| Colombo Fort Group Services (Pvt) Limited | | √ | | | | √ | | | | | | |

Mr. R. N. Bopearatchy retired from the Board of Lankem Ceylon PLC with effect from 31.07.2020.

Mr A. M. de S. Jayaratne was appointed to the Board of Consolidated Tea Plantations Limited with effect from 27.01.2021.

Mr. P. M. A. Sirimane resigned from the Board of Agarapatana Plantations Limited with effect from 31.03.2021.

The above Notes should be read in conjunction with Note No. 6, 20, 21 and 32 to the Financial Statement.

## 32. (d) TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

According to Sri Lanka Accounting Standard LKAS - 24 - 'Related Party Disclosures', Key Management Personnel are those having the responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including Executive and Non-Executive Directors) have been classified as Key Management Personnel of the Company/Group.

### Company

(i) Loans to the Directors

No Loans have been granted to the Directors of the Company.

(ii) Compensation Paid to Key Management Personnel

| | 2020/21<br>Rs. '000 | 2019/20<br>Rs. '000 |
|---|---|---|
| Short term Employee Benefits | 320,210 | 243,455 |

(iii) Other Transactions with Key Management Personnel

There were no other transactions with Key Management Personnel other than those disclosed in Note 32 (d) to these Financial Statements.

### Group

(i) Loans to the Directors

No loans have been granted to the Directors of the Group.

(ii) Compensation paid to Key Management Personnel

| | 2020/21<br>Rs. '000 | 2019/20<br>Rs. '000 |
|---|---|---|
| Salaries/Other Employee Benefits | 355,263 | 271,130 |

(iii) Other Transactions with Key Management Personnel

There were no other transactions with Key Management Personnel other than those disclosed in Note 32 (d) to these Financial Statements.

## 33. OPERATING SEGMENTS

| | Trading Consumer Products | | Trading Industrial Products | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs'000 |
| External Revenue | 9,827,119 | 8,493,588 | 3,750,871 | 2,562,392 | 188,858 | 130,321 | 13,766,848 | 11,186,301 |
| Inter Segment Revenue | 5,628,022 | 4,619,511 | - | - | 107,801 | 86,039 | 5,735,823 | 4,705,550 |
| Total Revenue for Reportable Segments | 15,455,141 | 13,113,099 | 3,750,871 | 2,562,392 | 296,659 | 216,360 | 19,502,671 | 15,891,851 |
| Interest Income | 42,091 | 27,737 | 13,011 | 10,660 | - | - | 55,102 | 38,397 |
| Interest Expenses | 451,575 | 555,837 | 78,331 | 67,832 | - | - | 529,906 | 623,669 |
| Depreciation and Amortisation | 217,119 | 208,319 | 33,546 | 29,485 | 20,444 | 21,062 | 271,109 | 258,866 |
| Profit/(Loss) before Income Tax | 541,134 | (434,693) | 302,921 | 116,328 | (12,179) | (48,545) | 831,876 | (366,910) |
| Total Assets | 11,052,552 | 10,270,288 | 1,782,319 | 1,244,682 | 257,185 | 249,022 | 13,092,056 | 11,763,992 |
| Total Liabilities | 6,965,182 | 6,737,832 | 1,323,539 | 1,007,890 | 297,889 | 279,931 | 8,586,610 | 8,025,653 |
| Capital Expenditure | 242,051 | 112,239 | 31,301 | 14,823 | 7,592 | 1,099 | 280,944 | 127,161 |

### 33.1 SEGMENTS

Segmentation has been determined based on the operating activities of the company or the sector, where multiple activities fall within one company or sector has been based on the core activities of that particular sector.

Trading Consumer Products – Manufacturing, Selling and Distribution of Consumer Products
Trading Industrial Products – Manufacturing, Selling and Distribution of Industrial Products
Others – Special Projects and Other Services

### 33.2 RECONCILIATION OF REPORTABLE SEGMENT REVENUE, PROFIT OR LOSS, ASSETS AND LIABILITIES AND OTHER MATERIAL ITEMS

#### Revenue

| | 2020/21 Rs.'000 | 2019/20 Rs.'000 |
|---|---|---|
| Total revenue for reportable segments | 19,502,671 | 15,891,851 |
| Elimination of Inter Segment revenue | (5,735,823) | (4,705,550) |
| Consolidated revenue | 13,766,848 | 11,186,301 |

#### Profit/(Loss) before tax

| | 2020/21 Rs.'000 | 2019/20 Rs.'000 |
|---|---|---|
| Total Profit/ (Loss) before Tax for reportable segments | 831,876 | (366,910) |

# Notes to the Financial Statements *Contd.*

### Assets

| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
|---|---|---|
| Total assets for reportable segment | 12,893,723 | 11,298,703 |
| Investment in equity accounted investee | 198,333 | 465,289 |
| | 13,092,056 | 11,763,992 |

### Liabilities

| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
|---|---|---|
| Total Liabilities for reportable segment | 8,586,610 | 8,025,653 |

### Other material items

| | 2020/21 Rs. '000 | 2019/20 Rs. '000 |
|---|---|---|
| Interest Income | 55,102 | 38,397 |
| Interest Expenses | 529,906 | 623,669 |
| Capital Expenditure | 280,944 | 127,161 |
| Depreciation and Amortisation | 271,109 | 258,866 |

## 34. CAPITAL EXPENDITURE AND COMMITMENTS

### 34.1 COMPANY

The Company had no material capital commitments as at the date of the Statement of Financial Position.

### 34.2 GROUP

There were no material capital commitments as at the date of the Statement of Financial Position.

## 35. CONTINGENT LIABILITIES

### 35.1 COMPANY

There are no material contingent liabilities outstanding as at the date of the Statement of Financial Position, other than those disclosed below.

Contingent liabilities in relation to guarantees issued by E. B. Creasy & Company PLC to financial institutions on behalf of its Subsidiaries and Associate to obtain facilities from Financial Institutions, were as follows:

| | 31.03.2021 Rs. '000 | 31.03.2020 Rs. '000 |
|---|---|---|
| Darley Butler & Co. Limited | 460,000 | 460,000 |
| Ceyflex Rubber Limited | 64,353 | 64,353 |
| Lankem Ceylon PLC | 832,000 | 832,000 |
| | 1,356,353 | 1,356,353 |

### 35.2 GROUP

#### 35.2.1 Lanka Special Steels Limited

Lanka Special Steels Limited has given a guarantee of Rs. 15,500,000/- to Sri Lanka Custom and USD 10,000/- to Bureau of Indian Standards, which were outstanding as at 31st March 2021.

## 36. EVENTS OCCURRING AFTER THE REPORTING DATE

The Directors have recommended the payment of a First and Final dividend of Rs. 1.00 per share for the year ended at 31st March, 2021 which will be declared at the Annual General Meeting to be held on 11th November 2021. In accordance with the Sri Lanka Accounting Standard 10 – "Event Occurring after the Reporting Date", this proposed First and Final dividend has not been recognised as a liability in the Financial Statements for the year ended 31st March 2021.

On 24th September 2021, the Company purchased a property situated at Gonawala, Sapugaskanda (Depicted in Plan as "Alubogahawatta" and "Batadombagahawatta") containing a total extent of A5-R1-P27.90 from Lankem Ceylon PLC, a related company for a total consideration of Rs.600 Million for expansion of production facilities.

The Company's and Group's stakes in Lankem Ceylon PLC were diluted to 18.89% and 19.98% respectively with effect from 30th June 2021. As such, the Group ceased recognition of investment in Lankem Ceylon PLC as an equity accounted investee with effect from 30th June 2021, and classified the same as Fair Value through Other Comprehensive Income.

On 7th and 9th September 2021 the Company acquired 8,200,000 shares of ACME Printing & Packaging PLC at a price of Rs.12/- per share for a total consideration of Rs.98.4 Million. The total shares held by E. B. Creasy & Company PLC in ACME Printing & Packaging PLC represents 19.97% of the issued shares of ACME Printing & Packaging PLC.

Subsequent to the reporting period, no circumstances have arisen that would require adjustments to, or disclosure in the Financial Statements other than those disclosed above.

## 37. IMPACT OF COVID-19 ON THE BUSINESS OPERATION

The Group’s businesses mainly comprise of sale of consumer goods, pharmaceutical items, confectionery products, batteries, CFL and LED bulbs, manufacture of steel related products and value added latex sports bands.

The COVID-19 outbreak since early 2020 has brought about additional uncertainties in the Group’s operating environment. Curfew restrictions imposed as a measure to control the spread of the pandemic caused disruptions to the business operations. However, the Group's overall business was not significantly impacted. No significant increase in credit risk was identified in respect of receivables.

As the situation is evolving, the effect of the outbreak is subject to uncertainty, with the full range of possible effects still unknown. However, the management is vigilant on social and economic variables, and will continue to monitor and assess the impact and likelihood of both risks and opportunities.

# Notes to the Financial Statements *Contd.*

### 38. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level I : Quoted market price (unadjusted) in an active market for an identical instrument.

Level II : Valuation techniques based on observable inputs, either directly – i.e. as prices or indirectly – i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level III : Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

| Type | Valuation technique | Significant unobservable inputs | Inter-relation between significant unobservable inputs and fair value measurements |
|---|---|---|---|
| Contingent consideration | Discounted cash flows: The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the possible scenarios of forecasted EBITDA, the amount to be paid under each scenario and the probability of each scenario. | Forecast EBITDA margin 15% (2020:15%) Risk-adjusted discount rate 15% (2020: 16.1%). | The estimated fair value would increase (decrease), if the EBITDA margin was higher (lower); or the risk-adjusted discount rate was lower (higher). Generally, a change in the annual revenue growth rate is accompanied by a directionally similar change in EBITDA margin. |
| Equity Securities | Market comparison technique: The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee and the expected revenue and EBITDA of the investee. The estimate is adjusted for the effect of the non-marketability of the equity securities. | Forecast EBITDA margin 15-20% (2020:15%). | The estimated fair value would increase (decrease), if the EBITDA margin was higher (lower). Generally, a change in the annual revenue growth rate is accompanied by a directionally similar change in EBITDA margin. |
| Corporate debt Securities | Market comparison/discounted cash flows: The fair value is estimated considering (i) current or recent quoted prices for identical securities in the markets that are not active and (ii) a net present value calculated using discount rates derived from quoted prices of securities with similar maturity and credit rating that are traded in active markets, adjusted by an liquidity factor | Not applicable. | Not applicable. |

## FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

### Group

| | Level I | | Level II | | Level III | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| Other Financial Assets measured at Fair Value through OCI | 26,323 | 21,568 | 19,789 | 24,449 | 457,833 | 455,402 | 503,945 | 501,419 |
| Total | 26,323 | 21,568 | 19,789 | 24,449 | 457,833 | 455,402 | 503,945 | 501,419 |

## FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

### Company

| | Level I | | Level II | | Level III | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| Other Financial Assets measured at Fair Value through OCI | 1,046 | 1,312 | - | - | 397 | 397 | 1,443 | 1,709 |
| Total | 1,046 | 1,312 | - | - | 397 | 397 | 1,443 | 1,709 |

# Share Information

## 1. MARKET VALUE

The market value of the Company's ordinary shares was

| | 2021 Rs. | 2020 Rs. |
|---|---|---|
| Highest | 8,390.00 | 1,450.00 |
| Lowest | 29.20 | 813.00 |
| Market value as at the year end | 30.40 | 816.90 |

## 2. PUBLIC HOLDING

The Percentage of shares held by the public as at 31st March 2021 was 25.76 %. (31st March 2020 - 25.78%.)

The applicable option under CSE Rule 7.13.1 on minimum public holding is option 5 and the Float Adjusted Market Capitalisation as of 31.03.2021 was Rs.1.985 Billion.

### PUBLIC SHAREHOLDERS

The number of Public Shareholders as at 31st March 2021 was 1,482. (31st March 2020 - 615).

## 3. DISTRIBUTION OF ORDINARY SHARES

| No. of Shares Held | 31st March 2021 | | | 31st March 2020 | | |
|---|---|---|---|---|---|---|
| | No. of Shareholders | Total Holding | % of Total Shares | No. of Shareholders | Total Holding | % of Total Shares |
| 1 - 1,000 | 826 | 282,350 | 0.11 | 596 | 55,919 | 2.20 |
| 1,001 - 10,000 | 444 | 1,905,865 | 0.75 | 25 | 68,270 | 2.70 |
| 10,001 - 100,000 | 197 | 4,881,538 | 1.93 | 6 | 311,864 | 12.30 |
| 100,001 - 1,000,000 | 22 | 5,669,295 | 2.24 | 3 | 756,210 | 29.82 |
| Over - 1,000,000 | 10 | 240,806,752 | 94.97 | 1 | 1,343,195 | 52.98 |
| | 1,499 | 253,545,800 | 100.00 | 631 | 2,535,458 | 100.00 |

### CATEGORIES OF SHAREHOLDERS

| | 31st March 2021 | | | 31st March 2020 | | |
|---|---|---|---|---|---|---|
| | No. of Shareholders | Total Holdings | % of Total Shares | No. of Shareholders | Total Holdings | % of Total Shares |
| Individuals | 1,424 | 19,004,520 | 7.50 | 579 | 181,726 | 7.17 |
| Institutions | 75 | 234,541,280 | 92.50 | 52 | 2,353,732 | 92.83 |
| | 1,499 | 253,545,800 | 100.00 | 631 | 2,535,458 | 100.00 |

## 4. TOP 20 SHAREHOLDERS

| Position | Name | 31st March 2021 No. of Shares | 31st March 2021 % | 31st March 2020 No. of Shares | 31st March 2020 % |
|---|---|---|---|---|---|
| 1 | The Colombo Fort Land and Building PLC | 134,319,500 | 52.98 | 1,343,195 | 52.98 |
| 2 | Seylan Bank PLC/Senthilverl Holdings (Pvt) Ltd | 42,609,752 | 16.81 | 429,394 | 16.94 |
| 3 | Union Investments (Private) Ltd | 16,770,000 | 6.61 | 167,700 | 6.61 |
| 4 | Colombo Fort Investments PLC | 15,911,600 | 6.28 | 159,116 | 6.28 |
| 5 | C M Holdings PLC | 10,000,000 | 3.94 | 100,000 | 3.94 |
| 6 | Colombo Investment Trust PLC | 7,550,500 | 2.98 | 75,410 | 2.97 |
| 7 | Miss Meenambigai Priyadarshini Radhakrishnan | 3,548,500 | 1.40 | 35,485 | 1.40 |
| 8 | Mr. Radhakrishnan Maheswaran | 3,548,500 | 1.40 | 35,485 | 1.40 |
| 9 | Miss Andal Radhakrishnan | 3,548,400 | 1.40 | 35,484 | 1.40 |
| 10 | Commercial Bank of Ceylon PLC/Colombo Investment Trust PLC | 3,000,000 | 1.18 | 30,000 | 1.18 |
| 11 | Tranz Dominion,L.L.C. | 700,100 | 0.28 | 7,001 | 0.28 |
| 12 | Photokina Ltd | 680,400 | 0.27 | 6,804 | 0.27 |
| 13 | Sisira Investors Limited. | 576,473 | 0.23 | 6,138 | 0.24 |
| 14 | Sampath Bank PLC/ Dr. T. Senthilverl | 410,000 | 0.16 | 4,100 | 0.16 |
| 15 | Mr. Mohamed Hussain Mohammed Sanoon | 350,000 | 0.14 | 3,500 | 0.14 |
| 16 | T R L Holdings (Pvt) Limited | 289,500 | 0.11 | 3,345 | 0.13 |
| 17 | The Incorporated Trustees of the Church of Ceylon | 282,800 | 0.11 | 2,828 | 0.11 |
| 18 | Consolidated Holdings (Private) Limited | 259,600 | 0.10 | 2,596 | 0.10 |
| 19 | Mr. Udayathilaka Indrapala Suriyabandara | 236,222 | 0.09 | 2,336 | 0.09 |
| 20 | Hatton National Bank PLC/Sri Dhaman Rajendram Arudpragasam | 200,000 | 0.08 | - | - |
| | Total | 244,791,847 | 96.55 | 2,449,917 | 96.62 |

# Group Financial Summary

| | 2011/12 Rs. '000 | 2012/13 Rs. '000 | 2013/14 Rs. '000 | 2014/15 Rs. '000 | 2015/16 Rs. '000 Restated | 2016/17 Rs. '000 Restated | 2017/18 Rs. '000 | 2018/19 Rs. '000 Restated | 2019/20 Rs. '000 | 2020/21 Rs. '000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Trading Results** | | | | | | | | | | |
| Revenue | 27,904,133 | 29,093,808 | 20,477,356 | 20,386,004 | 24,924,382 | 26,346,879 | 15,486,226 | 10,793,779 | 11,186,301 | 13,766,848 |
| Profit/(Loss) before Tax | 1,102,231 | 991,960 | 182,043 | 255,456 | 452,664 | (301,647) | 88,372 | (829,386) | (366,910) | 831,876 |
| Income Tax Expense | (304,784) | (247,347) | (162,248) | (212,297) | (209,780) | (162,247) | (90,887) | 86,966 | (57,598) | (248,248) |
| Profit/ (Loss) for the Year | 797,447 | 744,613 | 19,795 | 43,159 | 242,884 | (463,894) | (642,921) | (742,420) | (424,508) | 583,628 |
| Non-controlling Interest | 561,336 | 466,358 | (18,073) | (45,941) | 129,821 | (275,231) | (244,096) | 98,709 | (27,400) | 76,328 |
| Equity Holders of the Parent | 236,111 | 278,255 | 37,868 | 89,100 | 113,063 | (188,663) | (512,060) | 1,829,522 | (368,817) | 753,801 |
| Assets Employed Property, Plant & Equipment | 11,728,826 | 14,422,163 | 6,863,311 | 8,285,179 | 8,344,246 | 8,331,782 | 2,267,741 | 5,064,111 | 4,976,294 | 5,043,655 |
| Investments | 273,294 | 269,492 | 640,012 | 536,601 | 514,319 | 544,274 | 482,258 | 596,937 | 577,756 | 558,120 |
| Biological Assets | 588,650 | 703,816 | - | - | - | - | - | - | - | - |
| Intangible Assets | 533,258 | 532,880 | 441,206 | 594,108 | 623,848 | 694,396 | 247,918 | 229,351 | 272,448 | 240,233 |
| Investment in Associate | - | - | 646,521 | 420,499 | 315,163 | 279,056 | 540,159 | 768,638 | 465,289 | 198,333 |
| Other Non-Current Assets | 143,195 | 164,420 | 199,672 | 138,312 | 342,512 | 423,006 | 353,654 | 340,310 | 554,264 | 500,059 |
| Net Current Assets/ (Liabilities) | 751,015 | 133,929 | 76,355 | (1,009,914) | (1,133,153) | (1,148,749) | (99,087) | (716,889) | (892,074) | (157,746) |
| | 14,018,238 | 16,226,700 | 8,867,077 | 8,964,785 | 9,006,935 | 9,123,765 | 3,792,643 | 6,282,458 | 5,953,977 | 6,382,654 |
| **Equity** | | | | | | | | | | |
| Stated Capital | 25,731 | 25,731 | 25,731 | 25,731 | 25,731 | 25,731 | 25,731 | 25,731 | 25,731 | 25,731 |
| Reserves | 148,394 | 148,394 | 148,394 | 148,394 | 148,394 | 148,394 | 9,548 | 2,632,243 | 2,639,586 | 2,975,281 |
| Retained Earnings | 2,806,384 | 3,079,617 | 3,040,809 | 2,807,692 | 2,889,054 | 2,456,197 | 2,325,961 | 1,306,736 | 826,010 | 1,153,818 |
| **Non-controlling** | | | | | | | | | | |
| Non-controlling Interest | 5,337,819 | 5,621,908 | 3,388,168 | 3,196,767 | 3,272,389 | 2,635,145 | 176,990 | 279,133 | 247,012 | 350,616 |
| | 8,318,328 | 8,875,650 | 6,603,102 | 6,178,584 | 6,335,568 | 5,265,467 | 2,538,230 | 4,243,843 | 3,738,339 | 4,505,446 |
| Long-Term Liabilities | 3,347,236 | 4,809,011 | 1,608,661 | 2,134,221 | 1,811,521 | 2,964,046 | 1,079,746 | 1,103,588 | 1,272,579 | 1,300,850 |
| Deferred Liabilities | 2,352,674 | 2,509,023 | 655,314 | 651,980 | 859,846 | 894,252 | 174,667 | 935,027 | 943,059 | 576,358 |
| | 5,699,910 | 7,318,034 | 2,263,975 | 2,786,201 | 2,671,367 | 3,858,298 | 1,254,413 | 2,038,615 | 2,215,638 | 1,877,208 |
| | 14,018,238 | 16,226,700 | 8,867,077 | 8,964,785 | 9,006,935 | 9,123,765 | 3,792,643 | 6,282,458 | 5,953,977 | 6,382,654 |

# Form of Proxy

I/We.................................................................................................................................................................................................... of

................................................................................................ being a member/members of E. B. Creasy & Company PLC,

herebyappoint .......................................................................................................................................................................................of

.............................................................................................................. whom failing

1. Sri Dhaman Rajendram Arudpragasam of Colombo or failing him
2. Ranjeevan Seevaratnam of Colombo or failing him
3. Sanjeev Rajaratnam of Colombo or failing him
4. Alagarajah Rajaratnam of Colombo or failing him
5. Rohan Chrisantha Anil Welikala of Colombo or failing him
6. Ranjit Noel Bopearatchy of Colombo or failing him
7. Parakrama Maithri Asoka Sirimane of Colombo or failing him
8. Albert Rasakantha Rasiah of Colombo or failing him
9. Shanthikumar Nimal Placidus Palihena of Colombo or failing him
10. Azeez Mohamed Mubarak of Colombo or failing him
11. Ajit Mahendra de Silva Jayaratne of Colombo or failing him
12. Sanjeewa Wijesiri Gunawardena of Colombo

as my/our proxy to represent me/us and to speak and vote on my/our behalf at the Eighty Eighth Annual General Meeting of the Company to be held on 11th November 2021 at 12.00 noon and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting.

| | For | Against |
|---|---|---|
| 01. To receive the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2021 with the Report of the Auditors thereon | | |
| 02. To declare a First and Final Dividend of Rs.1/- per share as recommended by the Directors. | | |
| 03. To reappoint Mr. R. N. Bopearatchy as a Director | | |
| 04. To reappoint Mr. A. Rajaratnam as a Director | | |
| 05. To re appoint Mr. A. M. de S. Jayaratne as a Director | | |
| 06. To reappoint Mr. R. Seevaratnam as a Director | | |
| 07. To re appoint Mr. A. R. Rasiah as a Director | | |
| 08. To reappoint Mr. S. N. P. Palihena as a Director | | |
| 09 To reappoint Dr. A. M. Mubarak as a Director | | |
| 10 To reappoint Mr. S. D. R. Arudpragasam as a Director | | |
| 11. To authorise the Directors to determine contributions to charities | | |
| 12. To reappoint as Auditors KPMG and authorise the Directors to determine their remuneration. | | |

The proxy may vote as he/she thinks fit on any resolution brought before the meeting.

As witness my /our hands this ............................................. day of ............................................. Two Thousand and Twenty One.

...............................................

Signature

Note:

A proxy need not be a member of the Company. If no words are deleted or there is in the view of the proxy doubt (by reason of the manner in which the instructions contained in the Form of Proxy have been completed) as to the way in which the proxy should vote, the proxy may vote as he/she thinks fit. Instructions for completion appear overleaf.

# Form of Proxy *Contd.*

## INSTRUCTIONS AS TO COMPLETION

1. Perfect the Form of Proxy, after filling in legibly your full name and address by signing in the space provided and filling in the date of signature.
2. In the case of Corporate Members the Form of Proxy must be under the Common Seal of the Company or under the hand of an Authorised Officer or Attorney.
3. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of the same, or a copy certified by a Notary Public must be lodged with the Company's Secretaries, along with the Form of Proxy.
4. The completed Form of Proxy should be deposited at the Registered Office of the Company's Secretaries, Corporate Managers & Secretaries (Private) Limited., 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01, not less than forty-eight (48) hours before the time appointed for the meeting.

# Corporate Information

## NAME OF THE COMPANY

E. B. Creasy & Company PLC (EBC PLC)

## LEGAL FORM

Public Quoted Company with Limited Liability incorporated in Sri Lanka under the Joint Stock Companies Ordinance 1861

## COMPANY NUMBER

PQ 182

## PRINCIPAL ACTIVITIES

The principal activities are manufacture of consumer disposables and marketing of hardware and automotive accessories and installation of solar power systems

## STOCK EXCHANGE LISTING

The Ordinary Shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka

## REGISTERED OFFICE

P.O. Box 37, No. 98, Sri Sangaraja Mawatha, Colombo 10.
Telephone : 94 (11) 2421311, Fax: 94 (11) 2448534

## BOARD OF DIRECTORS

## CHAIRMAN / MANAGING DIRECTOR

Mr. S. D. R. Arudpragasam, *FCMA (UK)*

## DEPUTY CHAIRMAN

Mr. R. Seevaratnam, *B.Sc. (Lond.), FCA (Eng. and Wales), FCA (ICASL)*

## JOINT MANAGING DIRECTOR

Mr. S. Rajaratnam, *B.Sc. CA*

## DIRECTORS

Mr. A. Rajaratnam, *FCA*
Mr. R. N. Bopearatchy, *B.Sc. (Cey), Dip. BM, MBA (Univ. of Col.)*
Mr. R. C. A. Welikala
Mr. P. M. A. Sirimane, *FCA, MBA*
Mr. A. R. Rasiah, *B.Sc. (Cey.), FCA*
Mr. S. N. P. Palihena, *FCIB (U.K.), FIB (SL), Post Grad. Dip. Bus. & FA*
Dr. A. M. Mubarak, *B.Sc. (SL), Ph.D. (Cantab), FICHEMC, FNASSL*
Mr. A. M. de S. Jayaratne, *B.Sc. (Econ.), FCA (Eng. and Wales), FCA (ICASL)*
Mr. S. W. Gunawardena, *B.Sc., MBA*

## SECRETARIES

Corporate Managers & Secretaries (Private) Limited
No. 8-5/ 2, Leyden Bastian Road, York Arcade Building,
Colombo 01.

## AUDITORS

KPMG
Chartered Accountants
P.O. Box 186, Colombo 03.

## LEGAL ADVISERS

Julius & Creasy
P.O. Box 154, Colombo 01.

## BANKERS

Hatton National Bank PLC
Standard Chartered Bank
Commercial Bank of Ceylon PLC
Bank of Ceylon
National Development Bank PLC
Pan Asia Banking Corporation PLC
Union Bank of (Colombo) Limited
People's Bank
Seylan Bank PLC
Nations Trust Bank PLC
Sampath Bank PLC

## SUBSIDIARIES

Darley Butler & Co. Limited (DBCL)
Candy Delights Limited (CDL)
Laxapana Batteries PLC (LBP)
E. B. Creasy Ceylon (Private) Limited (EBCC)
Group Three Associates (Pvt) Limited (GTA)
Corporate Systems Limited (CSL)
E. B. Creasy Logistics Limited (EBL)
Muller & Phipps (Ceylon) PLC (MPP)
Pettah Pharmacy (Pvt) Limited (PPL)
Lanka Special Steels Limited (LSSL)
Ceyflex Rubber Limited (CRL)

## ASSOCIATES

Lankem Ceylon PLC

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www.ebcreasy.com