

# E. B. Creasy & Company PLC

Annual Report 2017/18



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# Financial Highlights

	2017/18 Rs. '000	2016/17 Rs. '000 Restated
Group Turnover	15,486,226	16,981,773
Group Profit Before Tax	88,372	364,968
Group Profit/(Loss) from continuing operation	(2,515)	296,038
Profit/(Loss) Attributable to Equity Holders of the Parent	(386,269)	(188,163)
Value Added		4,898,963
Shareholder's Fund	2,361,240	2,630,322
Earnings/(Loss) per Share (Rs.)	(298.29)	(74.42)
Net Assets per Share (Rs.)	931.46	1,037.60
Market Value per Share (Rs.)	1,200.00	1,447.90
Dividend per Share (Rs.)	-	66.00
Dividend Payout % – Company	-	44%

# Notice of Meeting

Notice is hereby given that the Eighty Fifth Annual General Meeting of E. B. Creasy & Company PLC will be held at the Grand Oriental Hotel, No. 02, York Street, Colombo 1, on 7th August 2018, at 10.30 am for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2018 with the Report of the Auditors' thereon.
2. To declare a First and Final Dividend as recommended by the Directors.
3. To re-elect as a Director Dr. A.M. Mubarak who retires in accordance with Articles 84 and 85 of the Articles of Association.
4. 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. 5)
5. 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. 5)
6. 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. 6)
7. 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. 7)
8. 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. 8)
9. 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. 9)
10. To authorize the Directors to determine contributions to charities.
11. 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  
11th July 2018

## 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 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. 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 seventy seven 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. 07 of 2007 shall not apply to the said Director, Mr. R.N. Bopearatchy."
5. 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 as at the date of the Annual General Meeting of the Company, would have attained seventy seven 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.07 of 2007 shall not apply to the said Director, Mr. A. Rajaratnam."
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. A.M. de S. Jayaratne 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. 07 of 2007 shall not apply to the said Director, Mr. A.M. de S. Jayaratne."
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. R. Seevaratnam 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.07 of 2007 shall not apply to the said Director, Mr. R. Seevaratnam."
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.R. Rasiah who is seventy two 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. 07 of 2007 shall not apply to the said Director, Mr. A.R. Rasiah."
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. S.N.P. Palihena who is seventy 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. 07 of 2007 shall not apply to the said Director, Mr. S.N.P. Palihena."

# Chairman's Review

I take great pleasure in welcoming you to the Company's 85th Annual General Meeting and in presenting you with the Annual Report and Audited Financial Statements of the Company and its subsidiaries for the year ended 31st March 2018.

During the year under review the Sri Lankan economy grew at the rate of 3.1% as compared to the growth of 4.4% recorded in the previous year. The economic environment during the period was challenging. The intermittent drought and floods in the wet zone resulted in a decline in the Agricultural output. With almost 30% of the households' income being dependent on agricultural based revenue, the sector's poor performance had impacted adversely on this large market segment. In addition, the full effect of the increase in the Value Added Tax was also experienced during the period. All these factors adversely affected the retail trade sector in which the Company operates.

As a result of the above, the disposable income levels of a vast segment of consumers dropped and the margins across the Company's business sectors came under pressure. The Company was able to maintain a turnover of Rs. 4.2 Billion, remaining at the same level of performance as that of the previous year. The Company in not achieving its anticipated turnover growth resulted in the need for a higher investment in working capital as a consequence of which the finance cost of the Company increased by Rs. 81.0 Million whilst the selling and administration expenses increased only marginally.

All the above, resulted in a drop in profit before tax from Rs. 393 Million achieved in the previous year, to Rs. 292 Million for the year under review. At the Group level, the consolidated turnover was Rs. 15.4 Billion compared to Rs. 17.0 Billion of the previous year, with a profit before tax of Rs. 90.8 Million, against a comparable profit before tax of Rs. 365 Million achieved in the previous year.

The Shareholders are aware that the Company operates predominately in the retail sector of business with its Personal and Home Care products together with trading activities in the Industrial Sector. Out of the six main categories the Company operates in the FMCG sector, it holds a preeminent position in four categories. Accordingly even under difficult business conditions, it is of paramount importance that we continue to invest in our brands. To this end the Company's advertising and promotional budgets were kept maintained on par with the previous year's, with the sole objective of securing

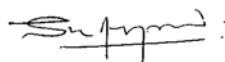
our position strongly in the market place. We continue to launch new variants in these categories, which we are confident, will contribute to enhancing our revenues and profitability in the future.

With the forecasted growth of the economy at a higher rate in the current year than in the previous year, we remain confident that the Company's performance and the Group's performance will witness a healthy growth. Shareholders will note that the Company's dividend payout has progressively grown over the past five years. Notwithstanding the downturn in profitability this year, the Board of Directors have recommended a first and final dividend of Rs. 36 per share, which is the same as that paid in the previous year.

I wish to convey my gratitude to Mr. Alagarajah Rajaratnam who relinquishes his position as the Chairman, for his valuable contribution to the Company during the tenure of his service. He ably steered the Company through many business adversities during this period. The Company benefited from his foresight, mature judgement, skill and experience.

Assuming responsibilities as Chairman, my primary focus would be to improve the financial performance of the Company whilst maintaining the high ethical standards for which the Company is reputed.

Our employees throughout the Group worked with dedication and commitment to achieve the satisfactory results of this year. I extend my thanks to all of them. I also wish to thank all our Stakeholders for their trust and confidence in the Group and to my colleagues on the Board for their valuable support and counsel at all times.



**S. D. R. Arudpragasam**  
*Chairman/Managing Director*

# 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. He has been associated with overseas companies in the field of Finance.

## **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 several listed and unlisted companies within the CFLB Group 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 Colombo Fort Land & Building 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).

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 and a Masters in Business Administration from the University of Colombo and a Diploma in Business Management from NIBM.

## Board of Directors *Contd.*

### **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 Board 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 Science Graduate of the University of Ceylon and a Fellow of the Institute of Chartered Accountants of Sri Lanka. He possesses well over 40 years of experience in Finance at a very senior level both internationally and locally. He currently serves on certain Boards of the E. B. Creasy Group and on some of the Boards of the Hotels Sector in The Colombo Fort Land & Building Group, MTD Walkers PLC, Sunshine Tea (Pvt) Co. Ltd and Fintek (Pvt) Co. Ltd.

He is a former (retired) Finance Director of Nestle (Lanka) PLC. He has been a visiting lecturer on Finance and Accounts for Nestle SA for Africa-Asian and Oceanic Regions. Mr. Rasiah is a past lecturer for MBA students on Finance at the Postgraduate Institute of Management (PIM). He is a former President of the Benevolent Society of the Institute of Chartered Accountants of Sri Lanka and Senior Vice President of the Sri Lanka Institute of Directors.

### **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.

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 former Director and Chief Executive Officer of the Industrial Technology Institute has several years experience in managing industry oriented R&D. He has served as a visiting lecturer at several universities in Sri Lanka.

Dr. Mubarak a Commonwealth Scholar, has a degree from the University of Colombo and a Ph. D. from the University of Cambridge U.K. He had a research stint at the University of Maryland, College Park Campus, USA and Royal Institute of Technology, Stockholm, Sweden. Dr. Mubarak, is a former President of the Institute of Chemistry, Ceylon a past General President of the Sri Lanka Association for the Advancement of Science and the current President of the National Academy of Sciences of Sri Lanka.



## Board of Directors *Contd.*

He has served on the Boards/Councils of the University of Colombo, Postgraduate Institute of Science, Sri Lanka Institute of Advance Technological Education, National Engineering Research & Development Centre, National Science and Technology Commission and National Authority, Chemical Weapons Convention. Currently he is on the Boards of Sri Lanka Accreditation Board and Rehabilitation of Persons, Properties and Industries Authority (REPPIA).

Dr. Mubarak serves on the Boards of some of the subsidiaries of E. B. Creasy & Company PLC.

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 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.

### **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.

# Group Profile

The House of E. B. Creasy was founded in 1878 by Edward Bennet Creasy and incorporated as a limited liability company in 1929, becoming quoted on the local Stock Exchange in 1968. The Company is among the pioneers of The Ceylon Chamber of Commerce having joined in 1890, while Darley Butler – a wholly-owned subsidiary - enjoys the distinction of being one of the three oldest members since 1852.

Over the years E. B. Creasy has expanded by organic growth as well as by strategic acquisitions and now constitutes a diversified Group spanning a wide spectrum of activities ranging from import, export, distribution and freight forwarding.

## E. B. Creasy & Company PLC

The main activities are manufacture of consumer disposables, marketing of hardware and automotive accessories, solar powered lighting systems for rural electrification.

The Hardware and Automotive Accessories Marketing Division has an island-wide dealer network which distributes products imported from well-known foreign principals as well as locally manufactured items comprising automotive batteries, aerosol paints, abrasive papers and water pumps. The renewable Energy Division imports and installs solar home lightening and agro water pumping systems.

The Consumer Products Manufacturing Division produces a range of disposable razors, toothbrushes, mosquito coils and joss sticks which are market leaders.

## Darley Butler & Co. Limited

Being the consumer marketing subsidiary of the Group it has one of the most extensive marketing and distribution systems in the country. It has one of the largest teams of professional sales representatives backed by a fleet of commercial vehicles and a long-established network of distributors.

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 the Laxapana Brand as well as under their own proprietary brands which have been very successful. The company envisages entering several identified strategic markets in the future.

## E. B. Creasy Logistics Limited

The Company is engaged in the movement of commercial cargo as well as household effects on a door-to-door basis utilizing its long-established international agency network of customs house agents.

## Candy Delights Limited (Formerly known as Creasy Foods Limited)

The company is the manufacturer of a range of medicated confectionery under license from Cadbury Schweppes PLC of UK. The company has diversified its activities and now produces flavoured sweets as well under the brand name of Candyman.

## Laxapana Batteries PLC

Elephant Lite Corporation Ltd was incorporated as a Public Limited liability Company in 1956. The Company was the pioneer manufacturer of D size dry cell batteries, namely Torch and Transistor batteries, in Sri Lanka and continued manufacturing the same until the closure of operation in 2012, due to the rapid drop in demand for D size batteries locally as well as globally. In 1982, it was quoted on the Colombo Stock Exchange. In August 2005, the name of the Company was changed to Laxapana Batteries Limited and subsequently re-registered as Laxapana Batteries PLC. The Company continues to market LAXAPANA brand Zinc Chloride AA, AAA and 9V batteries, Alkaline AA batteries, CFL and LED bulbs and Re-chargeable torches.

The Company continues to operate the 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.

## Group Profile *Contd.*

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.

### **Lanka Special Steels Limited**

Lanka Special Steels Limited is in the business of manufacturing, exporting and also a dealer in galvanized wire, nail wire, galvanized barbed 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 to manufacture value added Latex sport bands, clothing from natural rubber latex for local and export markets.

# Enterprise Governance

## Corporate Governance

Corporate Governance create, enhance and sustain value to its stakeholders. The E. B. Creasy Group is committed to upholding the trust placed by the stakeholders. The Corporate Governance processes supports Business Governance enabling companies to focus on Strategic Direction, Implementation and Risk.

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

In addition to Board Meetings, matters are referred to the Board and decided by Resolutions in writing.

#### 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 are focused on and also determining remuneration of senior executives.
- 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 judgment. 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.

# Enterprise Governance *Contd.*

## 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, 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. Mr. Rasiah and Mr. Palihena also serve on the Boards of certain subsidiaries of the Company's Parent Company, The Colombo Fort Land and Building PLC. 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 for a period exceeding nine years. 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 on the Board of a Related Company. 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. 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, 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 of 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 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 13. 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 27 to the Financial Statements on page 92.

# Enterprise Governance *Contd.*

## 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](http://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 17 to 20 in this Report. The Auditor's Report on the Financial Statements is given on page 22 and 26 of this Annual Report. Financial Information of business segments are given on pages 93 to 94.

### Going Concern

The Directors are of the belief that the Company is capable of operating in the foreseeable future after the 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 14 to 15 of this Report.

### Related Party Transactions Review Committee

The Related Party Transactions are disclosed in Note 27 (b) to the Financial Statements.

The Report of the Related Party Transactions Review Committee appear on page 16.

## 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.



**A.R. Rasiah**  
*Chairman*  
Remuneration Committee  
11th July 2018

# 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 5 to 7 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 recognized 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 such as SLFRS 9 – Financial Instruments, SLFRS 15 – Revenue from Contracts with Customers and SLFRS 16 Leases that will come into effect in the next few years and satisfied themselves that the necessary preparation work was being undertaken to enable the Company and the Group to adopt them. The external auditors were also engaged in this process.

## 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 four occasions during the financial year ended 31st March, 2018 and the attendance of the Committee was as follows:

Mr. A.R. Rasiah	-	(4/4)
Mr. A.M. de S. Jayaratne	-	(4/4)
Mr. S.N.P. Palihena	-	(4/4)

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 Auditor 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, 2019 subject to the approval of the shareholders at the Annual General Meeting.

## 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  
11th July 2018

# Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee 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) Limited function as the Secretaries to the Related Party Transactions Review Committee.

## Meetings of the Committee

The Related Party Transactions Review Committee met on three occasions during the financial year ended 31st March, 2018 and the attendance of the Committee was as follows:

Mr. R. Seevaratnam	-	(1/3)
Mr. A.M. De S. Jayaratne	-	(3/3)
Mr. A.R. Rasiah	-	(3/3)
Mr. P.M.A. Sirimane	-	(3/3)

In addition to these meetings certain Related Party Transactions were referred to the RPTRC and have been reviewed and recommended by Resolutions in Writing.

## 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 27 (b) i 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.



**R. Seevaratnam**  
*Chairman*

Related Party Transactions Review Committee  
11th July 2018

# Annual Report of the Board of Directors

The Board of Directors of E. B. Creasy & Company PLC present their Report on the affairs of the Company together with the Audited Financial Statements for the year ended 31st March 2018.

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. 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 Group Profile 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 27 to 98.

## Auditors' Report

The Auditors' Report on the Financial Statements is given on pages 22 to 26.

## Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 32 to 44.

## 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 27 to the Financial Statements on page 91 and 92.

## 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 31.03.2018	No. of Shares as at 31.03.2018
Mr. S.D.R. Arudpragasam	2,000	2,000
Mr. S. Rajaratnam	30	-

## Directors' Remuneration

Directors' remuneration in respect of the Group for the financial year 2017/18 is given in Note 27 to the Financial Statements on page 92 Rs. 308.06 million (2016/17 – Rs.375.98 million) and in respect of the Company for the financial year 2017/18 is Rs. 286.79 million (2016/17 – Rs. 259.81 million).

## Corporate Donations

Donations made by the Group amounted to Rs. 0.5 million (2016/17 – Rs. 2.4 million).

## Directorate

The names of the Directors who held office during the financial year and who are currently in office are listed below. Brief profiles of the Directors appear on pages 5 to 7.

Mr. S.D.R. Arudpragasam	– Chairman/Managing Director
Mr. R. Seevaratnam	– Deputy Chairman
Mr. S. Rajaratnam	– Joint Managing Director
Mr. A. Rajaratnam	– Director
Mr. R.N. Bopearatchy	– Director
Mr. R.C.A. Welikala	– Director
Mr. P.M.A. Sirimane	– Director/Chief Financial Officer
Mr. A.R. Rasiah	– Director
Mr. S.N.P. Palihena	– Director
Dr. A.M. Mubarak	– Director
Mr. A.M. De S. Jayaratne	– Director
Mr. S.W. Gunawardena	– Director

# Annual Report of the Board of Directors *Contd.*

Mr. Alagarajah Rajaratnam relinquished his position as Chairman of the Company with effect from 30th September, 2017. Mr. S.D.R. Arudpragasam Managing Director was appointed Chairman of the Company with effect from 1st October 2017 and functions as Chairman/ Managing Director.

Mr. R. Seevaratnam, Independent Non Executive Director was appointed Deputy Chairman of the Company with effect from 1st October 2017.

Mr. Sanjeev Rajaratnam who functioned as Deputy Managing Director was appointed Joint Managing Director of the Company with effect from 1st April, 2018.

In terms of Articles 84 and 85 of the Articles of Association Dr. A.M. Mubarak retires by rotation and being eligible offers himself for re-election.

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.

## **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 authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.

The Auditors, KPMG were paid Rs. 10.3 million during the year under review (2016/17 – Rs. 9.41 million) as audit fees and fees for audit-related services by the Group. In addition, they were paid Rs. 0.59 million (2016/17 – Rs. 1.82 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. 2.9 million during the year under review (2016/17 – Rs. 1.9 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.

# Annual Report of the Board of Directors *Contd.*

## Revenue

The revenue of the Group for the year was Rs. 15,486.23 million (2016/17 – Rs. 16,981.77 million).

## Results

The Group made a profit before tax of Rs. 88.37 million (2016/17 – Rs. 364.96 million). The detailed results are given in the Statement of Profit or Loss and Other Comprehensive Income on page 27.

## Dividends

The Board of Directors have recommended the payment of a First and Final Dividend of Rs. 36.00 per share on the Ordinary Shares of the Company for the year ended 31st March 2018 for approval by the Shareholders at the Annual General Meeting to be held on 7th August 2018.

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 12.2.2 and 12.4 on pages 61 and 63.

## Property, Plant & Equipment

During 2017/18, the Group invested Rs. 663.75 million in Property, Plant & Equipment (2016/17 – Rs. 987.31 million). Further, your Directors are of the opinion that the net amounts 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, 2018.

## Stated Capital

The Stated Capital of the Company as at 31st March 2018 was Rs. 25.731 million and is represented by 2,535,458 issued and fully-paid ordinary shares. There was no change in the Stated Capital during the year.

## Reserves

The total Group reserves as at 31st March 2018 comprised of general reserve of Rs. 9.55 million and retained earnings of Rs. 2,325.96 million whereas the total Group reserves as at 31st March 2017 comprised of capital reserve on consolidation of Rs. 126.72 million, general reserves of Rs. 21.68 million and retained earnings of Rs. 2,456.20 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. 10 of 2006 and subsequent amendments thereto.

Income Tax and other taxes paid and liable by the Group are disclosed in Notes 5 and 22 on pages 47, 79 and 81.

## Related Party Transactions

During the financial year 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 27 (b) i to the Financial Statements. The Company has complied with the requirements of the Listing Rules on Related Party Transactions.

The Related Party Transactions presented in the financial statements are disclosed in Note 27(b) from page 89.

## Share Information

Information relating to earnings, dividend, net assets, market value per share and share trading is given on pages 100 and 101.

# Annual Report of the Board of Directors *Contd.*

## Events Occurring after the Reporting Date

Events occurring after the Reporting date that would require adjustments to or disclosures are disclosed in Note 32 on page 96.

## Capital Commitments and Contingent Liabilities

Capital commitments and contingent liabilities as at the Reporting date are disclosed in Note 29 and 30 on pages 94 and 95.

## Employment Policy

The Company's recruitment and Employment Policy is non-discriminatory. The occupational, health and safety standards receive substantial attention. Appraisal of individual employees are carried out in order to evaluate their performance and realize 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 minimize 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.

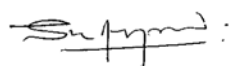
## Internal Control

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 authorized 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**  
Chairman/Managing Director



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

By Order of the Board,



**Corporate Managers & Secretaries (Private) Limited.**  
**Secretaries**  
11th July 2018

# Financial Reports

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# Independent Auditors' Report



**KPMG**  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300, Sri Lanka.

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+94 - 11 244 6058  
Internet : [www.kpmg.com/lk](http://www.kpmg.com/lk)

## 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 31st March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 27 to 98.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st March 2018, 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 judgment, 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, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

M.R. Mihular FCA  
T.J.S. Rajakarier FCA  
Ms. S.M.B. Jayasekara ACA  
G.A.U. Karunaratne FCA  
R.H. Rajan ACA  
P.Y.S. Perera FCA  
W.W.J.C. Perera FCA  
W.K.D.C. Abeyrathne FCA  
R.M.D.B. Rajapakse FCA  
M.N.M. Shameel ACA  
C.P. Jayatilake FCA  
Ms. S. Joseph FCA  
S.T.D.L. Perera FCA  
Ms. B.K.D.T.N. Rodrigo FCA  
**Principals** - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA  
Ms. C.T.K.N. Perera ACA



# Independent Auditors' Report



## 01. Valuation of available for sale investments

Refer note 3.4.7.3 (significant accounting policy) & note 12.2 (notes to the financial statements)

Risk Description	Our Response
<p>The group holds available for sale investments amounting to Rs. 483 million as at 31st March 2018.</p> <p>Available for sale investments are significant to the group due to investments held by its subsidiary companies.</p> <p>We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgment exercised by management in determining the inputs used in the valuation models.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"><li>• Challenging the assumptions used by comparing key underlying financial data inputs and obtaining investee company audited financial statements and management information as applicable.</li><li>• Documenting and assessing the design &amp; implementation of the processes and key controls in place over unlisted investment valuation.</li><li>• Challenging the audit committee, group management &amp; component management responses with regard to recoverability of the investments.</li><li>• Agreeing the valuation of 100% of portfolio investments to externally quoted prices for the level 1 investments.</li><li>• Assessing the adequacy of disclosures in the financial statements.</li></ul>

## 02. Recoverability of deferred tax asset

Refer note 3.6.3.2 (significant accounting policy) & note 22.1 (notes to the financial statements)

Risk Description	Our Response
<p>Group's deferred tax amounts to Rs. 189 million as at 31st March 2018.</p> <p>Group had recognized significant deferred tax assets in respect of the future benefit of deductible temporary differences and accumulated tax losses which management considered would probably be utilised or recovered in through the generation of future taxable profits by the relevant group entities or by set-off against deferred tax liabilities.</p> <p>Deferred tax asset is significant to the group due to accumulated tax losses in the subsidiary companies.</p> <p>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 future reversals of existing taxable temporary differences.</p> <p>We identified the recognition of deferred tax assets as a key audit matter because of its significance to the consolidated financial statements and the significant management judgment and estimation required in the forecasting future taxable profits which could be subject to error or potential management bias.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"><li>• Assessing and challenging the assumptions and judgments exercised by management in respect of the forecasts of future taxable profits by comparing the assumptions adopted by management with our understanding of the group's business and the industry in which the group operates.</li><li>• Challenging the key assumptions underpinning the group's financial projections against historical performance and estimates.</li><li>• Assessing whether the group's disclosures in the consolidated financial statements of the application of judgment in estimating recognised and unrecognised deferred tax asset balances appropriately reflect the group's deferred tax position with reference to requirements to the prevailing accounting standards.</li></ul>

# Independent Auditors' Report



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## 03. Impairment of investment in subsidiaries

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Refer note 3.4.5.1 (significant accounting policy) & note 12.1 (notes to the financial statements)

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Risk Description	Our Response
<p>The Company holds investments in subsidiaries amounting to Rs. 589 million as at 31st March 2018.</p> <p>Investments which doesn't generate adequate returns is an indication of impairment. Due to investments being material to the company it will have a significant impact on financial performance &amp; position of the company.</p>	<p>Our audit procedures included,</p> <ul style="list-style-type: none"><li>• Assessing the recoverability of investments made in subsidiaries.</li><li>• Testing the groups budgeting review and approval procedures up on which the cash flow forecasts are based.</li><li>• Challenging the management's forecasted revenues, growth rates, profit margins, tax rates and discount rates based on our knowledge of the CGUs' operations, and compared them against historical forecasts and performance, regional indices and industry benchmarks. This included obtaining an understanding of management's planned strategies around business expansion, revenue stream growth strategies and cost initiatives, the progress of negotiations with target customers, the review of secured and lost contracts, and the analysis the impact to the recoverable amounts when breakeven or independently derived discount rates were applied.</li><li>• Discussions with audit committee, group management &amp; component management with regard to recoverability of the investments.</li></ul>

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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.

# Independent Auditors' Report



## 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 the Group's financial reporting process.

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

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

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

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

# Independent Auditors' Report



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 auditor's report is 2618.

A handwritten signature in black ink, appearing to be 'KPMG'.

**CHARTERED ACCOUNTANTS**

Colombo

11th July 2018

# Statement of Profit or Loss and Other Comprehensive Income

For the Year ended 31st March,	Note	GROUP		COMPANY	
		2018 Rs. '000	2017 Rs. '000 Restated	2018 Rs. '000	2017 Rs. '000
<b>Continuing Operations</b>					
Revenue	1	15,486,226	16,981,773	4,161,228	4,146,834
Cost of Sales		(11,084,973)	(11,983,954)	(2,588,167)	(2,655,481)
<b>Gross Profit</b>		<b>4,401,253</b>	<b>4,997,819</b>	<b>1,573,061</b>	<b>1,491,353</b>
Other Income	2	182,248	139,223	129,452	155,757
Share of Results of Equity Accounted Investees		(34,427)	-	-	-
Selling and Distribution Expenses		(2,173,696)	(1,847,475)	(636,876)	(609,799)
Administrative Expenses		(1,779,604)	(2,495,237)	(499,053)	(450,497)
Other Expenses		(18,618)	(40,984)	-	-
Impairment of Goodwill	11.1.2	-	-	-	-
Net Finance Expenses	3	(488,784)	(388,388)	(274,871)	(193,841)
<b>Profit before Tax</b>	4	<b>88,372</b>	<b>364,958</b>	<b>291,713</b>	<b>392,973</b>
Tax Expenses	5	(90,887)	(68,920)	(75,226)	(9,107)
Profit/(Loss) from Continuing Operations		(2,515)	296,038	216,487	383,866
<b>Discontinued Operations</b>					
Profit/(Loss) from Discontinued Operations, net of tax	6	(640,406)	(759,932)	-	-
Profit/(Loss) for the year		(642,921)	(463,894)	-	-
<b>Other Comprehensive Income/(Expense)</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Remeasurement of Retirement Benefit Obligation		(52,326)	54,548	(10,473)	(1,922)
Deferred Tax on Remeasurement of Retirement Benefit Obligation		10,801	(43,108)	2,932	(30,971)
Share of Other Comprehensive Income of Equity Accounted Investees, net of tax		(11,997)	31,281	-	-
<b>Items that are or may be reclassified subsequently to profit or loss</b>					
Net Change in Fair Value of Available-for-Sale – Financial Assets		(59,713)	29,955	41	(261)
<b>Other Comprehensive Income/(Expense) for the Year Net of Tax</b>		<b>(113,235)</b>	<b>72,676</b>	<b>(7,500)</b>	<b>(33,154)</b>
<b>Total Comprehensive Income/(Expense) for the Year</b>		<b>(756,156)</b>	<b>(391,218)</b>	<b>208,987</b>	<b>350,712</b>
<b>Profit/(Loss) Attributable to:</b>					
Equity Holders of the Parent		(386,269)	(188,663)	216,487	383,866
Non-controlling Interest		(256,652)	(275,231)	-	-
<b>Profit/(Loss) for the Year</b>		<b>(642,921)</b>	<b>(463,894)</b>	<b>216,487</b>	<b>383,866</b>
<b>Total Comprehensive Income/ (Expense) Attributable to:</b>					
Equity Holders of the Parent		(512,060)	(149,649)	208,987	350,712
Non-controlling Interest		(244,096)	(241,569)	-	-
<b>Total Comprehensive Income/(Expense) for the Year</b>		<b>(756,156)</b>	<b>(391,218)</b>	<b>208,987</b>	<b>350,712</b>
Basic Earnings/(Losses) per Share (Rs.)	7.1	(152.37)	(74.42)	85.40	151.43
Dividend per Share (Rs.)	7.2	-	66.00	-	66.00

The Accounting Policies and Notes on pages 32 to 98 form an integral part of the Financial Statements. Figures in brackets indicate deductions.

# Statement of Financial Position

As at 31st March,	Note	GROUP		COMPANY	
		2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant & Equipment	8	2,267,741	8,331,782	1,275,351	1,325,510
Investment Property	9	-	190,723	-	-
Leasehold Right to Land	10.1	6,420	6,553	-	-
Biological Assets	10.2	-	-	-	-
Intangible Assets	11	247,918	694,396	49,934	63,882
Investments in Subsidiaries	12.1	-	-	588,866	850,583
Financial Assets Available-for-Sale	12.2	482,258	385,774	1,760	1,321
Loan & Receivables	12.3	158,500	158,500	-	-
Investment in Equity Accounted Investees	13.2	540,159	279,056	261,321	-
Deferred Tax Asset	22.1	188,734	225,730	-	-
		<b>3,891,730</b>	<b>10,272,514</b>	<b>2,177,232</b>	<b>2,241,296</b>
<b>Current Assets</b>					
Inventories	14	2,151,984	4,705,110	838,370	757,061
Amount Due from Related Companies	15	176,941	394,410	1,968,976	1,376,448
Trade and Other Receivables	16	2,293,429	6,237,352	193,821	240,778
Investment Classified as Fair Value through Profit or Loss	12.4	-	127,038	-	-
Investment Classified as Held to Maturity		155	4,116	-	-
Investment Classified as Assets Held for Sales	31	-	207,956	-	-
Cash & Cash Equivalents	17.1	128,846	655,266	97,713	109,525
		<b>4,751,355</b>	<b>12,331,248</b>	<b>3,098,880</b>	<b>2,483,812</b>
<b>Total Assets</b>		<b>8,643,085</b>	<b>22,603,762</b>	<b>5,276,112</b>	<b>4,725,108</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Stated Capital	18	25,731	25,731	25,731	25,731
Capital Reserves	19.1	-	126,715	-	-
General Reserves	19.2	9,548	21,679	9,548	9,548
Retained Earnings		2,325,961	2,456,197	1,787,526	1,664,104
<b>Equity Attributable to Equity Holders of the Company</b>		<b>2,361,240</b>	<b>2,630,322</b>	<b>1,822,805</b>	<b>1,699,383</b>
<b>Non-Controlling Interest</b>		<b>176,990</b>	<b>2,635,145</b>	<b>-</b>	<b>-</b>
<b>Total Equity</b>		<b>2,538,230</b>	<b>5,265,467</b>	<b>1,822,805</b>	<b>1,699,383</b>
<b>Non-Current Liabilities</b>					
Interest-Bearing Loans and Borrowings	20.1	493,797	2,946,454	295,511	317,595
Deferred Income and Capital Grants	21	5,048	17,592	5,048	-
Deferred Tax Liability	22.2	174,667	244,682	109,931	30,285
Retirement Benefit Obligations	23	580,901	649,570	421,119	347,951
		<b>1,254,413</b>	<b>3,858,298</b>	<b>831,609</b>	<b>695,831</b>
<b>Current Liabilities</b>					
Interest-Bearing Loans and Borrowings	20.2	2,173,457	6,209,331	1,267,504	1,166,930
Current Taxation Payable		81,163	176,682	64,305	32,208
Trade and Other Payables	24	1,830,436	4,450,581	770,371	541,713
Amount Due to Related Companies	25	1,776	748,089	65,693	67,885
Deferred Income and Capital Grants	21	-	75	-	-
Bank Overdrafts	17.2	763,610	1,895,239	453,825	521,158
<b>Total Current Liabilities</b>		<b>4,850,442</b>	<b>13,479,997</b>	<b>2,621,698</b>	<b>2,329,894</b>
<b>Total Equity and Liabilities</b>		<b>8,643,085</b>	<b>22,603,762</b>	<b>5,276,112</b>	<b>4,725,108</b>

The Accounting Policies and Notes on pages 32 to 98 form an integral part of these Financial Statements.

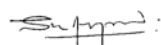
I certify that these Financial Statements are prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



P.M.A. Sirimane  
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

11th July 2018  
Colombo



R.C.A. Welikala  
Director

# Statement of Changes in Equity

## Group

	Attributable to Equity Holders or Parent						
	Stated Capital	Capital Reserves on Consolidation	General Reserve	Retained Earnings	Total	Non-Controlling Interest	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Balance as at 1st April 2016</b>	25,731	126,715	21,679	2,889,054	3,063,179	3,272,389	6,335,568
Adjustment Due to Change in Holding	-	-	-	(115,868)	(115,868)	(243,524)	(359,392)
Final Dividend Paid – 2015/16	-	-	-	(76,050)	(76,050)	(152,151)	(228,201)
Interim Dividend Paid – 2016/17	-	-	-	(91,290)	(91,290)	-	(91,290)
Total Comprehensive Income for the Year							
Profit/(Loss) for the Year	-	-	-	(188,663)	(188,663)	(275,231)	(463,894)
Other Comprehensive Income/(Expense) for the Year	-	-	-	39,014	39,014	33,662	72,676
<b>Balance as at 31st March 2017</b>	25,731	126,715	21,679	2,456,197	2,630,322	2,635,145	5,265,467
Adjustment Due to Change in Holding	-	-	-	12,033	12,033	(107,203)	(95,170)
Dividend Paid	-	-	-	-	-	(116,051)	(116,051)
Loss on Discontinued Operation	-	(126,715)	(12,131)	455,356	316,510	(1,990,805)	(1,674,295)
Deferred Tax Effect on Revaluation of Freehold Land	-	-	-	(85,565)	(85,565)	-	(85,565)
Total Comprehensive Income for the Year							
Profit/(Loss) for the Year	-	-	-	(386,269)	(386,269)	(256,652)	(642,921)
Other Comprehensive Income/(Expense) for the Year	-	-	-	(125,791)	(125,791)	12,556	(113,235)
<b>Balance as at 31st March 2018</b>	25,731	-	9,548	2,325,961	2,361,240	176,990	2,538,230

## Company

	Stated Capital	General Reserve	Retained Earnings	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Balance as at 1st April 2016</b>	25,731	9,548	1,480,732	1,516,011
Total Comprehensive Income for the Year				
Profit for the Year	-	-	383,866	383,866
Other Comprehensive Income/(Expense) for the Year	-	-	(33,154)	(33,154)
Final Dividend Paid – 2015/16	-	-	(76,050)	(76,050)
Interim Dividend paid – 2016/17	-	-	(91,290)	(91,290)
<b>Balance as at 31st March 2017</b>	25,731	9,548	1,664,104	1,699,383
Total Comprehensive Income for the Year				
Profit for the Year	-	-	216,487	216,487
Other Comprehensive Income/(Expense) for the Year	-	-	(7,500)	(7,500)
Deferred Tax Effect on Revaluation of Freehold Land	-	-	(85,565)	(85,565)
<b>Balance as at 31st March 2018</b>	25,731	9,548	1,787,526	1,822,805

The Accounting Policies and Notes on pages 32 to 98 form an integral part of the Financial Statements.

Figures in brackets indicate deductions.

# Statement of Cash Flows

	GROUP		COMPANY	
	2018 Rs. '000	2017 Rs. '000 Restated	2018 Rs. '000	2017 Rs. '000
<i>For the Year ended 31st March,</i>				
<b>A. Cash Generated from Operations</b>				
Profit Before Tax	88,372	364,958	291,713	392,973
<b>Adjustments for:</b>				
Depreciation on Property, Plant and Equipment	185,714	406,763	129,129	116,587
Provision for Impairment on Property Plant & Equipment	2,332	-	-	-
Profit on Disposal of Property, Plant & Equipment	(55,203)	(19,550)	(2,197)	(9,220)
Depreciation on Investment Property	-	3,093	-	-
Gain/(Loss) on Translation of Foreign Currency	14,934	20,370	-	-
Share of Results of Equity Accounted Investees	34,427	43,433	-	-
Provision/(Reversal) for Bad and Doubtful Debts	8,678	38,058	-	-
Provision for Bad and Doubtful Related Party	-	473	-	-
Provision/(Reversal) for Obsolete Inventories	42,459	29,097	(7,463)	9,127
Provision for Retiring Benefit Obligation	112,723	83,948	70,805	56,696
Amortization of Deferred Income and Capital Grants	152	(1,771)	(152)	-
Interest Income	(49,744)	(34,367)	(11,565)	(1,483)
Dividend Received	(8,111)	(28,595)	(113,901)	(139,496)
Interest Expenses	523,594	924,586	285,964	194,966
Fair Value through Profit or Loss Financial Assets	-	401	-	-
Amortization of Software & Trade Mark	22,011	8,982	14,519	7,202
Amortization of Leasehold Right to Land	133	75	-	-
	922,471	1,839,954	656,852	627,352
(Increase)/Decrease in Inventories	358,618	(656,135)	(73,846)	(106,710)
(Increase)/Decrease in Trade and other Receivables	(235,699)	(365,320)	46,957	(8,737)
(Increase)/Decrease in Related Party Receivables	(217,469)	(57,775)	(592,528)	(392,844)
Increase/(Decrease) in Related Party Payables	485,946	69,669	(2,192)	7,386
Increase/(Decrease) in Trade and other Payables	339,900	1,035,846	228,658	(33,687)
	1,653,767	1,866,239	263,901	92,760
<b>Cash Flows from Operating Activities</b>				
Cash generated from operations (Note A)	1,653,767	1,866,239	263,901	92,760
Gratuity paid (Net)	(124,155)	(48,335)	(8,110)	(10,936)
Interest Paid	(523,594)	(1,285,613)	(285,964)	(194,862)
Income Taxes Paid	(128,101)	(293,083)	(46,116)	(63,230)
<b>Net Cash Flows from operating Activities</b>	877,917	239,208	(76,289)	(176,268)



## Statement of Cash Flows *Contd.*

<i>For the Year ended 31st March,</i>	GROUP		COMPANY	
	2018 Rs. '000	2017 Rs. '000 Restated	2018 Rs. '000	2017 Rs. '000
<b>Cash Flows from Investing Activities</b>				
Purchase and construction of Property, Plant & Equipment	(663,753)	(855,960)	(78,970)	(111,782)
Proceeds on Disposal of Property, Plant & Equipment	257,581	52,966	2,197	9,220
Investment in Software	(83,158)	(77,733)	(571)	(70,624)
Acquisition of Subsidiary (Note 31)	(184,156)	-	-	-
Purchase of Lease hold Right to Land	-	(6,670)	-	-
Investment in Subsidiary	-	-	-	(70,000)
Investmet in Held to Maturity Investments	-	(4,116)	-	-
Dividend Received	8,111	44,365	113,901	139,496
Interest Received	49,744	53,319	11,565	1,483
Net payments to Minority Share Holders	(464,290)	(511,541)	-	-
<b>Net Cash flows from Investing Activities</b>	<b>(1,079,921)</b>	<b>(1,305,370)</b>	<b>48,122</b>	<b>(102,207)</b>
<b>Cash flows from financing activities</b>				
Lease Rental Paid	-	(10,790)	-	(2,672)
Long-Term loans Obtained during the Year	1,441,368	2,846,065	176,893	140,000
Payments of Long Term Loan	(966,559)	(1,327,855)	(160,806)	(185,629)
Net movement in Short-Term Loans	327,204	139,290	62,401	199,439
Debenture paid	-	(200,000)	-	-
Capital Grant Received during the year	5,200	475	5,200	-
Dividends paid	-	(167,340)	-	(167,340)
<b>Net Cash flows from Financing Activities</b>	<b>807,213</b>	<b>1,279,845</b>	<b>83,688</b>	<b>(16,202)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>605,209</b>	<b>213,683</b>	<b>55,521</b>	<b>(294,677)</b>
<b>Cash &amp; Cash Equivalents at the Beginning of the Year</b>	<b>(1,239,973)</b>	<b>(1,453,656)</b>	<b>(411,633)</b>	<b>(116,956)</b>
<b>Cash &amp; Cash Equivalents at the End of Period (note B)</b>	<b>(634,764)</b>	<b>(1,239,973)</b>	<b>(356,112)</b>	<b>(411,633)</b>
<b>B. Analysis of Cash &amp; Cash Equivalents</b>				
Bank Borrowings	(763,610)	(1,895,239)	(453,825)	(521,158)
Cash in Hand & at Banks	128,846	655,266	97,713	109,525
	(634,764)	(1,239,973)	(356,112)	(411,633)

The Accounting Policies and Notes on pages 32 to 98 form an integral part of the Financial Statements. Figures in brackets indicate deductions.

# Accounting Policies

## 1. Reporting Entity

E. B. Creasy & Company PLC ('the Company'), is a company incorporated and domiciled in Sri Lanka and 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, 2018 comprises the Company and its subsidiaries (together referred to as the 'Group'). The principal activities of the Company are manufacturing of consumer products, marketing hardware and automotive accessories and freight forwarding.

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.

These Statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS), adopted by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and with the requirements of the Companies Act No. 07 of 2007.

The Consolidated Financial Statements for the year ended 31st March, 2018 were authorised for issue by the Directors on 11th July 2018.

### 2.2 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
- Non-Derivative financial instruments at fair value through profit or loss are measured at fair value.
- Available for sale financial assets are measured at fair value

- Defined benefit asset is recognised as plan assets plus unrecognized past service cost less the present value of the defined benefit obligation.

### 2.3 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 has been rounded to the nearest thousand, unless stated otherwise.

Monetary assets and liabilities denominated in foreign currencies have been translated into local currency as per the exchange rate at the date of the Statement of Financial Position while all non-monetary items are reported at the rate prevailing at the time transactions were affected.

### 2.4 Use of Estimates and Judgments

The preparation of Consolidated Financial Statements in conformity with SLFRS/LKAS 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 recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgments, estimates and assumptions in applying accounting policies that could have a significant effect on the Financial Statements are mentioned below:

	Policy No.
Measurement of Intangible Assets	3.4.2
Measurement of Fair Value of Financial Instruments	3.4.5
Impairment	3.4.7
Valuation of Defined Benefit Plan	3.5.2
Provisions, Contingent Assets & Liabilities	3.5.3
Deferred Tax Assets & Liabilities	3.6.3.2

# Accounting Policies *Contd.*

## 3. Significant Accounting Policies

The accounting policies set out below have been consistently applied to all periods presented in these Financial Statements and the accounting policies have been applied consistently by the Group.

Comparative information has where necessary been reclassified to conform to the current year's presentation. The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future, and they do not foresee a need for liquidation or cessation of trading.

### 3.1 Basis of Consolidation

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 Consolidated Financial Statements have been prepared 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 AFS Financial Assets 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.

#### 3.1.1 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. 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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that 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 12.5 of the Financial Statements.

#### 3.1.2 Investments in Associates

An Associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in joint venture. 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 recognized as goodwill. The goodwill is included within the carrying amount of the investment.

# Accounting Policies *Contd.*

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 recognized in the consolidated profit or loss. Loss of an associate in excess of the Group's interest in that associate are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

### 3.1.3 Acquisitions 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 recognized directly in the profit and loss for the year.

### 3.1.4 Transactions Eliminated on Consolidation

Inter Group balances and transactions and any unrealized income and expenses arising from inter Group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

### 3.1.5 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 transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

### 3.1.6 Loss of Control

On the Loss of control, the Group de-recognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control 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 is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

## 3.2 Foreign Currency

### 3.2.1 Foreign Currency Transactions

In preparing the Financial Statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date.

Non-monetary items measured at fair value are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items measured at historical cost are translated at the rates prevailing on the date of transaction.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period. Exchange differences arising on the translation of non-

# Accounting Policies *Contd.*

monetary items carried at fair value are included in profit or loss for the period except for the differences which are recognized in other comprehensive income.

## 3.3 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.

## 3.4 Assets and Bases of their Valuation

Assets classified as current assets in the Statement of Financial Position are cash and bank balances and those which are expected to be realized in cash during the normal operating cycle of the Company's business, or within one year from reporting date, whichever is shorter. Assets other than current assets are those which the Company intends to hold beyond a period of one year from the reporting date.

### 3.4.1 Property, Plant and Equipment

#### 3.4.1.1 Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

When parts of an item of property, plant & equipment have different useful lives, they are accounted for as separate items (major components) of property, plant & equipment.

#### 3.4.1.2 Owned Assets

The cost of an item of property, plant & 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 capitalized as part of the equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within other income in profit or loss.

#### 3.4.1.3 Leased Assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding principal amount payable to the lessor is shown as a liability. The interest element of the rental obligation applicable to each financial year is charged to the Income Statement over the period of lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

##### 3.4.1.3.1 Operating leases

Leases, where the lessor effectively retains substantially all of the risks and benefits of ownership over the term of the lease, are classified as operating leases. Lease payments are recognised as an expense in the Statement of Profit or Loss over the term of the lease and not recognised in the Statement of Financial Position.

##### 3.4.1.4 Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised in accordance with the derecognition policy given below. The costs of the day-to-day servicing of property, plant and equipment are recognized in the Income Statement as incurred.

# Accounting Policies *Contd.*

## 3.4.1.5 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 recognized in the Statement of Profit or Loss and gains are not classified as revenue.

## 3.4.1.6 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 recognized in Income Statement 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.

The estimated useful lives 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 & Machinery	5-20 years
Motor Vehicles	3-4 years
Furniture & 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.

The appropriateness of useful lives of the asset and the depreciation rates are assessed annually.

## 3.4.2 Intangible Assets

An intangible asset is initially recognized 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.

### 3.4.2.1 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 recognized immediately in the Statement of Profit or Loss.

### 3.4.2.2 Software

All computer software cost incurred, which are not internally related to associate hardware, which can be clearly identified, reliably measured and its probable that they will lead to future economic benefits, are included in the Statement of Financial Position under the category of intangible assets.

### 3.4.2.3 Other Intangible Assets

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

### 3.4.2.4 Amortization

Amortization is calculated over the cost of the asset or other amount substituted for cost less its residual value.

Amortization is recognized in the Income Statement for the year on straight-line basis over the estimated useful lives of intangible assets other than goodwill from the date the assets are available-for-use.

### 3.4.2.5 Subsequent Expenditure

Expenditure incurred on software is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the Income Statement for the year as incurred.

## 3.4.3 Investment Property

Investment property is 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 therefore carried at its cost less any accumulated depreciation and any accumulated impairment losses.

# Accounting Policies *Contd.*

## 3.4.4 Inventories

Inventories have been valued at the lower of the cost and the net realizable value. Net realizable 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. In general, cost is determined on a FIFO basis and includes all the expenditure incurred in bringing the inventories to a saleable condition. In the case of finished products, cost includes all direct expenditures and production overheads based on a normal level of activity. Inventories other than produce stocks are valued at lower of cost and estimated net realizable value, after making due allowances for obsolete and slow moving items. Net realizable value is the price at which stocks can be sold in the normal course of business after allowing for cost of realization and/or cost of conversion from their existing state to saleable condition.

## 3.4.5 Financial Instruments

### 3.4.5.1 Financial Assets

#### *(a) Initial Recognition and Measurement*

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset. The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, unquoted equity instruments and derivative financial instruments.

#### *(b) Subsequent Measurement*

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

#### ***Financial assets at fair value through profit or loss***

A financial asset at fair value through profit or loss includes financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired

for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the Statement of Financial Position at fair value with changes in fair value recognized in finance income or finance costs in the Statement of Profit or Loss. The Group has not designated any financial assets upon initial recognition as at fair value through profit or loss. The Group evaluates its financial assets held-for-trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held-to-maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

#### ***Loans and Receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the Statement of Comprehensive Income. The losses arising from impairment are recognized in the Statement of Comprehensive Income in finance costs.

#### ***Held-to-Maturity Investments***

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by

## Accounting Policies *Contd.*

taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the Statement of Comprehensive Income. The losses arising from impairment are recognized in the Statement of Comprehensive Income in finance costs.

### **Available-for-Sale Financial Investments**

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available - for - sale are those, which are neither classified as held - for - trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the Statement of Comprehensive Income in finance costs and removed from the available - for - sale reserve. Interest income on available - for - sale debt securities is calculated using the effective interest method and is recognized in profit or loss.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

### **(c) Derecognition**

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

The rights to receive cash flows from the asset have expired.

The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'passthrough' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

### **(d) Impairment of Financial Assets**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated.

### **3.4.5.2 Financial Liabilities**

#### **(a) Initial Recognition and Measurement**

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, as appropriate.

The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, transaction costs that are directly attributable to the acquisition or issue of such financial liability. The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.



# Accounting Policies *Contd.*

## **(b) Subsequent Measurement**

### ***Financial Liabilities at Fair Value through Profit or Loss***

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

Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Gains or losses on liabilities held-for-trading are recognized in the Statement of Comprehensive Income.

The Group has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

### ***Loans and Borrowings***

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the Statement of Comprehensive Income when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortization process.

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

## **(c) Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

### **3.4.5.3 Financial Guarantee Contracts**

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the

guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

### **3.4.5.4 Fair Value of Financial Instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models. An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 26.

### **3.4.5.5 Offsetting of Financial Instruments**

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

### **3.4.6 Cash & Cash Equivalents**

Cash & cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's Cash Management are included as a component of cash & cash equivalents for the purpose of the Statement of Cash Flows.

### **3.4.7 Impairment**

#### **3.4.7.1 Non-derivative financial assets**

A financial asset not classified as at fair value through profit or loss including an interest in an equity-accounted investee is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

## Accounting Policies *Contd.*

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

### **3.4.7.2 Financial assets measured at amortized cost**

The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and hold to-maturity financial assets) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are, then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are, collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held to maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

### **3.4.7.3 Available-for-sale financial assets**

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The

cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

### **3.4.7.4 Non-financial assets**

The carrying amounts of the Group's Non-financial assets, investment property and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount. An impairment Loss in respect of Goodwill is not reversed.

## **3.5 Retirement Benefit Obligation**

### **3.5.1 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 recognized as an expense in profit and loss in the periods during which services are rendered by employees.

### **3.5.2 Defined Benefit Plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognized in the Statement of Financial Position in

## Accounting Policies *Contd.*

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 recognized in the Statement of Other Comprehensive Income.

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.

### **3.5.2.1 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 recognized as an expense in the Income Statement when incurred.

### **3.5.3 Provisions, Contingent Assets and Contingent Liabilities**

Provisions are made for all obligations existing as at the date of Statement of Financial Position when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow.

All contingent liabilities are disclosed as a note to the Financial Statements unless the outflow of resources is remote. Contingent assets are disclosed in the notes, where inflow of economic benefit is probable.

### **3.5.4 Short-term Benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed at the related service is provided.

## **3.6 Statement of Profit or Loss**

### **3.6.1 Revenue**

#### **3.6.1.1 Revenue Recognition**

Revenue principally is recognized on an accrual basis in terms of LKAS 18. Revenue from sale of goods is recognized in the profit and loss for the year when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognized in the Income Statement on completion of service. Interest income is accounted in the profit and loss for the year on the accrual basis. Dividend income is accounted when the shareholders' right to receive payment is established.

The profit earned by the Company before taxation as shown in the Statement of Comprehensive Income is after making provision for all known liabilities and for depreciation of property, plant & equipment.

Gains and losses of revenue nature on the disposal of property, plant & equipment have been accounted for in the profit or loss for the year.

#### **3.6.1.2 Net Financing Income/Costs**

Net financing costs comprise of interest payable on borrowings and interest receivable on funds invested. Interest income is recognized in the profit or loss for the year as it accrues, taking into account the effective yield on the asset. All interest and other costs incurred in connection with borrowings are expensed as incurred as part of net financing cost.

#### **3.6.1.3 Other Income**

Other income is recognized 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 basic.

# Accounting Policies *Contd.*

## 3.6.2 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.

### 3.6.2.1 Borrowing Costs

Borrowing costs are recognized 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 capitalized as part of the cost of that asset. The amount of borrowing costs to be capitalized is determined in accordance with the allowed alternative treatment in LKAS 23 - Borrowing Costs.

### 3.6.2.2 Operating Lease payment

Where the company has the use of assets under operating leases, payments made under the leases are recognised in the Statement of Comprehensive Income on a straight line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Income as an integral part of the total lease expense over the term of the lease. Contingent rentals are charged to the Statement of Comprehensive Income in the accounting period in which they are incurred

### 3.6.2.3 Finance Costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and losses on disposal of available for sale financial assets, fair value losses on financial assets at fair value through profit or loss and impairment losses recognised on financial assets (other than trade receivables).

## 3.6.3 Taxation

### 3.6.3.1 Current Taxes

Current income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Statement of Financial Position date.

The provision for income tax on Sri Lankan operation is based on the elements of income and expenditures reported in the Financial Statements and computed with in accordance with the provisions of the Inland Revenue Act.

Income tax has been provided on overseas operations in accordance with the relevant statutes in force in the countries in which operations are carried out.

The relevant details are disclosed in the respective Notes to the Financial Statements.

### 3.6.3.2 Deferred Taxation

Deferred taxation is provided, based on the liability method, on temporary differences at the Statement of Financial Position date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The balance in the deferred taxation account represents income tax applicable to the difference between the written down values for tax purposes of the assets on which tax depreciation has been claimed and the net book values of such assets, offset by the provision for retirement benefit which is deductible for income tax purposes only on payment.

Deferred tax assets are recognized for all deductible temporary differences and carry forward of unused tax losses, to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and carry forward of unused tax losses can be utilized.

Deferred tax liabilities are the amounts of income taxes payable in future periods in respect of taxable temporary differences.

The carrying amount of deferred tax assets and deferred tax liabilities are reviewed at each Statement of Financial Position date.

## 3.7 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.

# Accounting Policies *Contd.*

## 3.8 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.

## 3.9 Cash Flow Statement

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 Cash Flow Statement which has been prepared using the 'Indirect Method'.

## 3.10 General

### 3.10.1 Stated Capital

#### *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.

### 3.10.2 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.

### 3.10.3 Movement of Reserves

Movements of reserves are disclosed in the Statement of Changes in Equity.

## 3.11 Comparative Figures

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

## 3.12 Capital Commitments and Contingencies

Capital commitments and contingent liabilities of the Group are disclosed in the respective Notes to the Financial Statements.

## 3.13 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.

## 3.14 Financial Risk Management Policies

The Group's principal financial liabilities comprise of loans and borrowings, trade and other payables and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Group also holds available-for-sale investments and enters into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's Senior Management monitors these risks. The Group's Senior Management is supported by an audit committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The Audit Committee provides assurance to the Group's senior management that the

# Accounting Policies *Contd.*

Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite.

## 4. New Accounting and Interpretations Not Yet Adopted

Standards issued but not yet effective up to the reporting date are listed below. This listing is of standards issued, which the Group reasonably expects to be applicable at the future date. The Group intends to adapt those standards when they become effective.

### (a) *SLFRS 9 Financial Instrument: Classification and Measurement*

SLFRS 9 brings together all three aspects of the accounting for the financial instruments i.e. classification and measurement, impairment and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 1st January 2018, with early application is permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting the requirements are generally applied prospectively with some limited exceptions.

The Directors of the Group anticipate that the application of SLFRS 9 in the future may have no major impact on the amounts reported and disclosures made in these financial statements. This assessment is based on currently available information and may be subject to changes arising from further analysis.

### (b) *SLFRS 15 Financial Instrument Revenue from Contracts with Customers*

SLFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard will supersede the current revenue recognition guidance including LKAS 18 'Revenue' and LKAS 11 'Construction Contracts' and the related Interpretations when they become effective.

The core principle of SLFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange

for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition.

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under SLFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SLFRS 15 to deal with specific scenarios.

The Directors of the Group anticipate that the application of SLFRS 15 in the future may not have a significant impact on the amounts reported and disclosures made in these Financial Statements. This assessment is based on currently available information and may be subject to changes arising from further analysis.

### (c) *SLFRS 16 Leases*

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Standard will replace existing leases guidance, including LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

SLFRS 16 is effective for Annual Reporting periods beginning on or after 1st January 2019. The Impact on the implementation of the above standards has not been quantified yet by the Group.

# Notes to the Financial Statements

## 1. Revenue

For the Year ended 31st March	GROUP						COMPANY	
	Continuing Operations		Discontinued Operations		Total		2018	2017
	2018 Rs. '000	2017 Rs. '000 Restated	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000 Restated	Rs. '000	Rs. '000
Revenue from Sale of Goods	21,737,586	23,430,516	7,928,142	9,203,937	29,665,728	32,634,453	4,848,767	4,769,927
Revenue from Rendering of Services	249,093	224,698	814,645	1,331,494	1,063,738	1,556,192	-	-
	21,986,679	23,655,214	8,742,787	10,535,431	30,729,466	34,190,645	4,848,767	4,769,927
Less: Turnover Related Taxes	(1,787,740)	(1,630,588)	(377,888)	(1,066,824)	(2,165,628)	(2,697,412)	(687,539)	(623,093)
Net Revenue	20,198,939	22,024,626	8,364,899	9,468,607	28,563,838	31,493,233	4,161,228	4,146,834
Less: Intra Group Sales	(4,712,713)	(5,042,853)	(263,593)	(103,501)	(4,976,306)	(5,146,354)	-	-
	15,486,226	16,981,773	8,101,306	9,365,106	23,587,532	26,346,879	4,161,228	4,146,834

## Reportable Segment Revenue

Refer note 28 for the details of the operating segments

## 2. Other Income

For the year ended 31st March	GROUP		COMPANY	
	2018 Rs. '000	2017 Rs. '000 Restated	2018 Rs. '000	2017 Rs. '000
Profit on Disposal of Property, Plant & Equipment	55,203	14,730	2,197	9,220
Rental Income	78,025	93,779	8,039	7,113
Dividend Income	8,111	9,261	113,901	139,496
Commission Income	4,114	15,563	-	-
Amortisation of Deferred Income and Capital Grants	152	-	152	-
Sundry Income/(Expenses)	36,643	5,890	5,163	(72)
	182,248	139,223	129,452	155,757

## 3. Net Finance Expenses

For the year ended 31st March	GROUP		COMPANY	
	2018 Rs. '000	2017 Rs. '000 Restated	2018 Rs. '000	2017 Rs. '000
Interest Income	33,566	15,127	11,565	1,483
Interest from Related Companies				
Debenture Interest Income	16,178	16,159	-	-
Guarantee Commission on Corporate Guarantees	-	-	5,750	6,900
Gain on Translation of Foreign Currency	47	3,330	-	-
Finance Expense (Note 3.1)	(538,575)	(423,004)	(292,186)	(202,224)
	(488,784)	(388,388)	(274,871)	(193,841)

# Notes to the Financial Statements *Contd.*

## 3.1 Finance Expenses

<i>For the year ended 31st March</i>	GROUP		COMPANY	
	2018 Rs. '000	2017 Rs. '000 Restated	2018 Rs. '000	2017 Rs. '000
Interest on Overdrafts and Trust Receipt Loans	358,831	181,454	227,644	142,936
Interest on Term Loans	158,819	228,466	54,075	46,577
Interest on Finance Lease obligations	-	105	-	104
Guarantee Commission on Corporate Guarantees	5,944	5,349	4,245	5,349
Loss on Translation of Foreign Currency	14,981	7,630	6,222	7,258
	538,575	423,004	292,186	202,224

## 4. Profit Before Taxation

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

<i>For the Year ended 31st March,</i>	GROUP		COMPANY	
	2018 Rs. '000	2017 Rs. '000 Restated	2018 Rs. '000	2017 Rs. '000
Auditors Remuneration				
KPMG	10,303	9,410	2,981	2,700
Other Auditors	2,874	1,870	-	-
Fee Paid to Auditors for Non-Audit Services				
KPMG	586	1,816	-	452
Other Auditors	1,162	2,088	-	-
Depreciation on Property, Plant & Equipment	185,714	406,763	129,129	116,587
Provision for Impairment on Property, Plant & Equipment	2,332	-	-	-
Depreciation on Investment Property	-	3,093	-	-
Amortization of Intangible Assets	22,011	8,982	14,519	7,202
Amortization of Leasehold Right to Land	133	117	-	-
Provision for Bad & Doubtful Debts	8,678	38,058	-	-
Provision for Doubtful Amounts				
Due from Related Parties	-	473	-	-
Provision/(Reversal) for Fall in Value of Inventory	42,459	29,097	(7,463)	9,127
Donations	521	2,386	197	659
Staff Cost (Note 4.1)	1,603,941	1,661,312	486,240	476,696

### 4.1 Staff Cost

<i>For the year ended 31st March</i>	GROUP		COMPANY	
	2018 Rs. '000	2017 Rs. '000 Restated	2018 Rs. '000	2017 Rs. '000
Wages and Salaries	1,188,424	1,320,885	290,848	289,001
Defined Contribution Plan Cost - EPF/ETF	176,082	172,354	43,352	41,944
Defined Benefit Plan Cost - Retiring Gratuity	112,723	83,948	70,805	56,696
Other Staff Cost	3,159	3,135	-	-
Bonus	123,553	80,990	81,235	89,055
	1,603,941	1,661,312	486,240	476,696



# Notes to the Financial Statements *Contd.*

## 5. Income Tax Expense

	GROUP		COMPANY	
	2018 Rs. '000	2017 Rs. '000 Restated	2018 Rs. '000	2017 Rs. '000
<i>For the Year ended 31st March,</i>				
a. Amount Recognised in Profit/(Loss)				
Income Tax on Profit for the year	143,279	130,223	78,213	41,017
Transferred to/(from) Deferred Tax (Note 22)	(58,993)	(67,978)	(2,987)	(25,026)
Dividend Tax on Subsidiary Dividend	14,718	12,634	-	-
Under Provision of Current Tax of previous year	(8,117)	(5,959)	-	(6,884)
	90,887	68,920	75,226	9,107
b. Amount Recognised in OCI				
Item that will not be reclassified to Profit/(Loss)				
Remeasurement of Retirement Benefit obligation	(10,801)	43,108	(2,932)	30,971
c. Amount Recognised Directly in Equity				
Tax on Revaluation Surplus of Freehold Land	(85,565)	-	(85,565)	-

### 5.1 Reconciliation of Accounting Profit to Income Tax Expenses

	GROUP		COMPANY	
	2018 Rs. '000	2017 Rs. '000 Restated	2018 Rs. '000	2017 Rs. '000
<i>For the Year ended 31st March,</i>				
Profit Before Tax from Continuing Operation	88,372	364,958	291,713	392,973
Intra-Group Eliminations	113,168	163,977	-	-
Share of Results of Equity Accounted Investees	34,427	-	-	-
	235,967	528,935	291,713	392,973
Disallowable Expenses	867,623	692,808	183,824	286,188
Tax Deductible Expenses	(557,131)	(537,549)	(207,738)	(370,026)
<b>Statutory Income from Business</b>	<b>546,459</b>	<b>684,194</b>	<b>267,799</b>	<b>309,135</b>
Exempt Under Section 13 (ddd)	(4,621)	(11,457)	-	-
<b>Statutory Income</b>	<b>541,838</b>	<b>672,737</b>	<b>267,799</b>	<b>309,135</b>
Add: Other Source of Income	25,797	22,725	11,532	8,382
<b>Total Statutory Income</b>	<b>567,635</b>	<b>695,462</b>	<b>279,331</b>	<b>317,517</b>
Deductions under Section 32	(4,993)	-	-	-
Qualifying Payments	-	(58,413)	-	(44,067)
Tax Loss Claimed during the year	(18,412)	(23,888)	-	-
<b>Taxable Income</b>	<b>544,230</b>	<b>613,161</b>	<b>279,331</b>	<b>273,450</b>
Income Tax @ 28%	120,515	74,421	78,213	-
Income Tax @ 20%	22,764	14,785	-	-
Income Tax @ 15%	-	41,017	-	41,017
<b>Income Tax Expense</b>	<b>143,279</b>	<b>130,223</b>	<b>78,213</b>	<b>41,017</b>

# Notes to the Financial Statements *Contd.*

## 5.1.1 Reconciliation of Tax Losses

For the Year ended 31st March,	GROUP		COMPANY	
	2018 Rs. '000	2017 Rs. '000 Restated	2018 Rs. '000	2017 Rs. '000
Balance at the beginning of the year	210,943	3,017,025	-	-
Adjustments to opening balance	-	(684)	-	-
Tax Loss utilized during the year	(18,412)	(23,888)	-	-
Tax Loss for the year	477,052	156,888	-	-
Transferred to Discontinued Operation	-	(2,938,398)	-	-
<b>Balance at the end of the year</b>	<b>669,583</b>	<b>210,943</b>	<b>-</b>	<b>-</b>

## 5.2 Taxation Rates

Corporate income taxes of the companies resident in Sri Lanka have been computed in accordance with the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto.

E. B. Creasy & Company PLC and other companies within the Group, excluding those which are enjoying a tax holiday or concessionary rate of taxation as referred to below, are liable to income tax at 28%.

- The Company's profit/income (other than any profit and income from the sale of any capital assets) earned in the factory located in Millewa is exempted from income tax for each year of assessment within a period of five years commencing on 01st April 2009 as per the Section 21A of Inland Revenue (Amendment) Act No. 10 of 2006. This exemption was expired during the financial year ended 31st March 2014 and the Company's profit/income earned in the factory located in Millewa during the year ended 31st March 2018 is taxed at 15%.
- Lanka Special Steels Limited is liable for income tax at 20% in terms of the Agreement Registration Number 322 between BOI and Lanka Special Steels Limited under the BOI Law No. 04 of 1978.

**5.3** 'Tax expenses on continuing operations' excludes the Group's share of the tax expense of equity accounted investees of Rs. 37.82 million, which has been included in 'share of profit of equity -accounted investees, net of tax'. The amount also excludes the tax income from the discontinued operation of Rs. 49.55 million (2106/17 – Rs. 93.33 million) this has been included in profit/(loss) from discontinued operation, net of tax'.

## 5.4 Changes Applicable to the Group under Inland revenue Act No. 24 of 2017

**5.4.1** Deferred tax expenses on companies resident in Sri Lanka are calculated based on tax rates specified in the Inland Revenue Act No. 24 of 2017, which are expected to be applied to the temporary difference when they reverse. As per provision of Inland Revenue Act No. 24 of 2017, deferred tax is recognized on the revaluation surplus on freehold land.

### 5.4.2 Revaluation Surplus on freehold land

As per section 6 and Chapter IV of the Inland Revenue Act No. 24 of 2017, free hold lands used for business or investment purpose would be liable to tax at the time of realization. Accordingly, deferred tax is recognized 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 would not be considered for deferred tax, since the Act requires deemed cost of the assets to be equal to market value as at 30th September 2017.

# Notes to the Financial Statements *Contd.*

## 5.4.3 Tax loss Carried forward

As per the Gazette notification issued in relation to the transitional provisions, any unclaimed losses as at 31st March 2018, is deemed to be a loss incurred for the year of assessment commencing on or after 1st April, 2018 and shall be carried forward up to 6 years. Accordingly the Group has evaluated the recoverability of unclaimed losses through taxable profit forecasts and deferred tax assets have been recognized accordingly.

## 5.5 Deferred Taxation

Deferred tax has been computed by using the tax rate of 28% for the Company and subsidiaries which are liable for income tax at the standard rate for the year of assessment 2017/18.

## 6. Discontinued operation

Lankem Ceylon PLC has carried out a right issue on 19th January 2018 and consequent to the said right issue, The Colombo Fort Land & Building PLC being the major shareholder with a shareholding percentage of 45.49% has become the immediate parent company of Lankem Ceylon PLC.

Prior to the right issue of shares E. B. Creasy & Company PLC was the Immediate parent company of Lankem Ceylon PLC. The shareholding percentage of E. B. Creasy & Company PLC in Lankem Ceylon PLC post right issue stands at 32.42%. Accordingly, investment in Lankem Ceylon PLC has been recognised as an equity accounted investee subsequent to the said right issue. Further, as per Sri Lankan Accounting Standard-SLFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the result of Lankem Ceylon PLC (Group) has been recognised under the Discontinued Operation.

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

### 6.1 Result of Discontinued operation

	GROUP	
	2018 Rs.'000	2017 Rs.'000
Revenue	8,364,899	9,468,607
Elimination of Intra Group Sale	(263,593)	(103,501)
External Revenue	8,101,306	9,365,106
Share of Result of Equity Accounted Investees	15,595	(67,386)
Expenses	(8,707,758)	(9,964,324)
Result from Operating Activities	(590,857)	(666,604)
Income Tax	(49,549)	(93,328)
Loss from Discontinued Operation, Net of Taxes	(640,406)	(759,932)
Loss from Discontinued Operation, Net of Taxes Attributable to:		
Equity Holder of the parent	(376,512)	(458,783)
Non-Controlling Interest	(263,894)	(301,149)
Loss from Discontinued Operation, Net of Taxes	(640,406)	(759,932)
Basic Loss per share (Rs.)	(148.52)	(180.98)

# Notes to the Financial Statements *Contd.*

## 7. Basic Earnings/(Losses) Per Share/Dividend Per Share

### 7.1. Basic Earnings/(Losses) Per Share

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

	GROUP						COMPANY	
	Continuing Operations		Discontinued Operations		Total		2018	2017
	2018	2017	2018	2017	2018	2017		
Profit/(Loss) Attributable to Equity Holders of the Parent (Rs. '000)	(9,757)	270,120	(376,512)	(458,783)	(386,269)	(188,663)	216,487	383,866
Weighted Average Number of Ordinary Shares (No. '000)	2,535	2,535	2,535	2,535	2,535	2,535	2,535	2,535
Basic Earnings/(Losses) per Share (Rs.)	(3.85)	106.56	(148.52)	(180.98)	(152.37)	(74.42)	85.40	151.43

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

### 7.2. Dividend Per Share

	GROUP		COMPANY	
	2018	2017	2018	2017
Final Dividend Paid – 2015/16 (Rs. '000)	-	76,050	-	76,050
Interim Dividend Paid – 2016/17 (Rs. '000)	-	91,290	-	91,290
Total Dividend Paid (Rs. '000)	-	167,340	-	167,340
Number of Ordinary Shares (No. '000)	-	2,535	-	2,535
Dividend per Share (Rs.)	-	66.00	-	66.00

# Notes to the Financial Statements *Contd.*

## 8. Property, Plant & Equipment 8.1 Company

	Land		Freehold						Leasehold				Total
	Buildings		Plant & Machinery	Motor Vehicles	Factory Equipment	Office Equipment	Lab Equipment	Computer	Furniture & Fittings	Plant & Machinery	Work-In Progress	Rs. '000	
	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 2017	453,000	430,135	920,296	112,570	20,744	34,150	10,506	73,528	21,241	17,106	52,423	2,145,699	
Additions	-	20,932	29,178	9,137	5,529	891	-	2,948	2,251	-	8,104	78,970	
Transfers during the Year	-	11,558	48,660	-	-	-	-	-	-	(17,106)	(43,112)	-	
Disposals during the Year	-	-	(3,756)	-	-	-	-	-	-	-	-	(3,756)	
<b>Balance as at 31st March 2018</b>	<b>453,000</b>	<b>462,625</b>	<b>994,378</b>	<b>121,707</b>	<b>26,273</b>	<b>35,041</b>	<b>10,506</b>	<b>76,476</b>	<b>23,492</b>	<b>-</b>	<b>17,415</b>	<b>2,220,913</b>	
Accumulated Depreciation													
Balance as at 1st April 2017	-	1,18,082	512,581	77,071	8,177	28,781	8,778	30,761	16,599	9,880	-	810,710	
Depreciation Charge for the Year	-	22,704	65,269	21,124	1,815	830	880	14,098	697	1,712	-	129,129	
Transfers during the Year	-	-	11,592	-	-	-	-	-	-	(11,592)	-	-	
Disposals during the Year	-	-	(3,756)	-	-	-	-	-	-	-	-	(3,756)	
<b>Balance as at 31st March 2018</b>	<b>-</b>	<b>140,786</b>	<b>585,686</b>	<b>98,195</b>	<b>9,992</b>	<b>29,611</b>	<b>9,658</b>	<b>44,859</b>	<b>17,296</b>	<b>-</b>	<b>-</b>	<b>936,083</b>	
Provision for Impairment													
Balance as at 01st April 2017	-	-	1,408	-	-	-	-	-	-	-	8,071	9,479	
<b>Balance as at 31st March 2018</b>	<b>-</b>	<b>-</b>	<b>1,408</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,071</b>	<b>9,479</b>	
Carrying Amount													
As at 31st March 2018	453,000	321,839	407,284	23,512	16,281	5,430	848	31,617	6,196	-	9,344	1,275,351	
As at 31st March 2017	453,000	312,053	406,307	35,499	12,567	5,369	1,728	42,767	4,642	7,226	44,352	1,325,510	

### Company

Plant & Machinery includes the machinery of BIC production plant which is depreciated at the rate of 5% per annum from the financial year 2007/08. From those machinery, BIC Pen production plant has been depreciated at the rate of 10% per annum and from the financial year 2012/13, the rate has been increased to 37% per annum.

Plant & Machinery that has been used in manufacturing of Joss sticks is depreciated at 10% from the financial year 2010/11, from 2011/2012 the machinery of Joss stick production plant has been depreciated at 50% per annum.

### 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 and Rs. 8 Million for impairment of capital work in progress.

# Notes to the Financial Statements *Contd.*

## 8.2 Group

	Freehold				Leasehold						Total	
	Land	Buildings	Plant & Machinery	Motor Vehicles	Furniture & Fittings	Immovable Lease Assets	Plant & Machinery	Motor Vehicles	Furniture & Fittings	Work-in-Progress		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000		Rs.'000
<b>Cost</b>												
Balance as at 1st April 2017	3,090,079	3,637,972	3,065,599	664,229	1,473,892	56,020	15,893	35,227	9,081	384,336	12,432,331	
Additions	3,542	46,325	456,445	9,255	80,066	-	1,213	-	-	66,907	663,753	
Disposals/Transfers	-	147,560	113,259	(22,645)	18,123	-	(17,106)	(22,917)	-	(260,026)	(43,752)	
On Acquisition of Subsidiaries	-	-	189,794	2,659	11,027	-	-	-	-	-	203,480	
Deconsolidation of Subsidiaries	(2,506,946)	(3,131,200)	(2,080,390)	(420,578)	(1,222,600)	(56,020)	-	(6,953)	(9,081)	(168,119)	(9,601,887)	
<b>Balance as at 31st March 2018</b>	<b>586,675</b>	<b>700,657</b>	<b>1,744,707</b>	<b>232,920</b>	<b>360,508</b>	<b>-</b>	<b>-</b>	<b>5,357</b>	<b>-</b>	<b>23,098</b>	<b>3,653,922</b>	
<b>Accumulated Depreciation</b>												
Balance as at 1st April 2017	-	949,174	1,640,678	455,794	890,564	29,107	5,816	31,092	4,528	-	4,006,753	
Depreciation Charge for the Year	-	86,708	195,758	40,491	89,044	-	5,776	456	-	-	418,233	
Disposal/Transfers	-	-	6,760	(25,697)	(7,504)	-	(11,592)	(18,091)	-	-	(56,124)	
On acquisition of Subsidiaries	-	-	151,071	2,421	9,440	-	-	-	-	-	162,932	
Deconsolidation of Subsidiaries	-	(863,033)	(1,220,283)	(274,591)	(760,429)	(29,107)	-	(8,100)	(4,528)	-	(3,160,071)	
<b>Balance as at 31st March 2018</b>	<b>-</b>	<b>172,849</b>	<b>773,984</b>	<b>198,418</b>	<b>221,115</b>	<b>-</b>	<b>-</b>	<b>5,357</b>	<b>-</b>	<b>-</b>	<b>1,371,723</b>	
<b>Provision for Impairment</b>												
Balance as at 1st April 2017	-	-	4,152	-	1,381	-	-	-	-	88,260	93,793	
Charge for the year	-	-	2,332	-	-	-	-	-	-	-	2,332	
Deconsolidation of Subsidiaries	-	-	(97)	-	(1,381)	-	-	-	-	(80,189)	(81,667)	
<b>Balance as at 31st March 2018</b>	<b>-</b>	<b>-</b>	<b>6,387</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,071</b>	<b>14,458</b>	
<b>Carrying Amount</b>												
As at 31st March 2018	586,675	527,808	964,336	34,502	139,393	-	-	-	-	15,027	2,267,741	
As at 31st March 2017	3,090,079	2,688,798	1,420,769	208,435	581,947	26,913	10,077	4,135	4,553	296,076	8,331,782	

# Notes to the Financial Statements *Contd.*

## 8.3 Property, Plant & Equipment

### 8.3.1 Provision for Impairment on Capital work in Progress

Provision for impairment on capital work in progress as at 31st March 2017 include impairment provision of Rs. 80 million made by York Hotels (Kandy) Limited based on a valuation carried out by Messers R.S. Wijesuriya, an independent valuer.

### 8.3.2 C.W. Mackie PLC

Leasehold Immovable asset as at 31st March 2017 include Land & Building of C.W. Mackie PLC, which has premises No. 34 and 36, D.R. Wijewardena Mawatha, Colombo 10, and has been leased for a period of 60 years, 8 months and 10 days (being the residue of the unexpired term under indenture of lease by the Crown dated 10th June, 1925 granting the Company a 99 year lease of the premises from the said date) in terms of the Grants to the Company dated 22nd September, 1964 under the Crown Lands Ordinance. At the time of handing over the possession of the premises, the Company is not entitled to any compensation in respect of the land, buildings or improvements thereon.

### 8.3.3 Buildings as at 31st March 2017 include the following buildings constructed on leased out land.

#### 8.3.3.1 Beruwala Resorts PLC

Beruwala Resorts PLC have constructed a building on a land which was leased out from Sri Lanka Tourism Development Authority for 30 years commencing from 1st August, 2007. The lease period will expire on 31st July, 2037. The Company has paid Rs. 1,836,000/- as lease rent during the year 2016/2017.

#### 8.3.3.2 Sigiriya Village Hotels PLC

Sigiriya Village Hotels PLC have constructed building on a land which was leased out from Sri Lanka Tourism Development Authority for 30 years commencing from 2nd September 2009. The Company has paid Rs. 2,317,476/- in year 2016/17. The Lease period will expire on 1st September 2039.

**8.4** 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 of such indications at the end of the financial year.

**8.5** Property, Plant & Equipment pledged as securities in obtaining loans have been disclosed in Note 20.6 to these Financial Statements.

**8.6** The gross carrying amount of fully depreciated Property, Plant and Equipment of the Group, which are still in use as at 31st March 2018 is Rs. 549 million (31st March 2017 – Rs. 1,325 million). The cost of fully depreciated assets of the Company amounts to Rs. 391 million (31st March 2017 – Rs. 382 million).

**8.7** During the year under review, the Group has not capitalized any borrowing cost.

# Notes to the Financial Statements *Contd.*

## 8.8 Property, Plant & Equipment Extent

Details of Group's land and buildings consist of the following;

Company Name	Location	Extent Perches	No. of Buildings	Effective Date of the Latest Revaluation	Carrying Amount of Land 31st March 2018 Rs.' 000	Market Value of Land Rs.' 000	Carrying Amount of Land 31st March 2017 Rs.' 000	Market Value of Land Rs.' 000
E. B. Creasy & Company PLC	Sri Sanagaraja Mawatha, Colombo 10	238	2	31.03.2016	453,000	994,650	453,000	994,650
Creasy Foods Limited.	Ekala, Ja-Ela	160	-	31.03.2016	32,000	48,000	32,000	48,000
Laxapana Batteries PLC	Homagama	584	3	31.03.2016	101,675	203,700	101,675	203,700
Lankem Ceylon PLC	St. Anthony's Road, Ekala Kuriduwatta	480	11	31.03.2016	-	-	33,600	108,000
	Maithree Mawatha, Ekala	400	4	31.03.2016	-	-	27,000	100,000
	Maguruwila Road, Gonawala	874	8	31.03.2016	-	-	43,198	152,863
	Kandathoduwawa, Puttlam	4,056	-	31.03.2016	-	-	7,350	9,332
	Nawam Mawatha, Colombo 02	40	1	31.03.2016	-	-	302,570	400,000
Marawila Resorts PLC	Marawila	4,714	50	31.03.2016	-	-	880,948	1,620,560
Sigiriya Village Hotels PLC	Freehold: Mankani Trincomalee	1,362	-	31.03.2016	-	-	176,244	204,000
Galle Fort Hotel (Pvt) Limited	Galle Fort, Galle	78	8	31.03.2016	-	-	336,676	775,460
B. O. T. Hotel Services (Pvt) Limited.	Kapparathota Road Weligama	491	2	31.03.2016	-	-	361,805	412,447
Beruwala Resorts PLC	Moragalla Beruwala	1,265	50	31.03.2016	-	-	267	1,112
JF Packaging (Pvt) Limited	Minuwangoda Road, Kotugoda	350	4	31.03.2016	-	-	39,800	270,000
Ceylon Tapes (Pvt) Limited	Samagi Mawatha, Ja-Ela	45	3	31.03.2016	-	-	11,250	12,375
	Franslyn Estate, Andimulla	460	1	16.11.2015	-	-	25,196	46,000
C. W. Mackie PLC	Scan Bottling Plant Munagama, Horana*	924	13					There are no significant changes in the market value of land compared to the book value as at 31st March 2017.
	Ceymac Rubber Company Limited, Industrial Estate Aramanagolla, Horana	800	11					
	Ceymac Rubber Company Limited, Thebuwana, Narthupana	850	8	31.03.2011	-	-	257,500	
	Kelani Valley Canneries Limited Kaluaggala – Hanwella	355	7					

\* Sunquick Factory Land (602 Perches) and four building (4) are classified as assets held for sale as at 31st March 2017.



# Notes to the Financial Statements *Contd.*

## 9. Investment Property

	GROUP	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000
<b>Cost</b>		
At the beginning of the year	219,489	219,489
Acquisition of Subsidiaries	19,150	-
Transferred from Property, Plant & Equipment	217,000	-
Deconsolidation of Subsidiaries	(455,639)	-
<b>At the end of the year</b>	-	219,489
<b>Accumulated Depreciation</b>		
At the beginning of the year	28,766	23,967
Charge for the year	3,948	4,799
Deconsolidation of Subsidiaries	(32,714)	-
<b>At the end of the year</b>	-	28,766
Carrying Amount	-	190,723

The investment property was consisted of investment property held by C.W. Mackie PLC, and York Hotels (Kandy) Limited.

### 9.1 C. W. Mackie PLC

The Company has rented out a part of C. W. Mackie PLC Building Complex and the value of Land, Buildings of that portion has been classified as 'Investment Property' and accounted on 'Cost Model' as required by LKAS 40 – 'Investment Property'.

As per the valuation carried out on 31st March 2016, by Mr. K. T. D. Tissera, an Independent professional Valuer J. P. U. M. Diploma in Valuation (Sri Lanka), F. R. I. C. S (Eng). F. I. V. (Sri Lanka), Chartered Valuation Surveyor, fair value of the investment property as at 31st March 2016 is Rs. 49 million. These properties were valued on an open market value for existing use basis.

### 9.2 York Hotels (Kandy) Limited

As a result of change in the company's business plan, Land recognised as Property, Plant and Equipment previously has been classified as Investment Property and accounted on "Cost Model" as required by LKAS 40 – Investment Property. The company intends to hold the land for capital appreciation. The above investment property is situated at Halloluwa, Katugastota and the extent of the land is 6 A, 1 R & 36 P. The carrying amount of the Investment Property as at 31st March 2017 amounted to Rs. 157.1 Mn

As per the valuation carried out on 31 st March 2016, by Mr. R. S. Wijesuriya, an independent incorporated valuer, fair value of Investment Property as at 31st March 2016 is Rs. 374 Mn.

# Notes to the Financial Statements *Contd.*

Rent income is included in the Statement of Profit or Loss and Other Comprehensive Income as follows:

For the year ended 31st March	GROUP	
	2018 Rs.' 000	2017 Rs.' 000
Rent income	76,938	99,011
Direct operating expenses arising from investment property that generated rental income during the year	14,879	19,839

Location	Extent	No. of Building
No. 56, D R Wijewardane Mawatha, Colombo 10	52,923	2

## 10.1 Leasehold Right to Land

	GROUP	
	31.03. 2018 Rs. '000	31.03. 2017 Rs. '000
<b>Cost</b>		
At the beginning of the year	9,225	2,555
Additional during the year	-	6,670
Deconsolidation of Subsidiaries	(2,555)	-
At the end of the year	6,670	9,225
<b>Accumulated Amortization</b>		
At the beginning of the year	447	330
Amortization during the year	133	117
Deconsolidation of Subsidiaries	(330)	-
At the end of the year	250	447
<b>Accumulated Impairment Loss</b>		
At the beginning of the year	2,225	2,225
Deconsolidation of Subsidiaries	(2,225)	-
At the end of the year	-	2,225
<b>Carrying Amount</b>	<b>6,420</b>	<b>6,553</b>

### 10.1.1 Leasehold Right to Land as at 31st March 2017

#### Sun Agro Farms Limited

Sun Agro Farms Limited, acquired an agricultural land on 21st June, 2010 on a 29 year lease from the Department of Buddhist Affairs is amortized over the period of lease. However, the balance was impaired as at 31st March 2014.

### 10.1.2 Leasehold Right to Land as at 31st March 2018

#### Ceyflex Rubber Limited (Formerly known as Duramedical (Lanka) Limited)

Ceyflex Rubber Limited, a subsidiary of the Company, has entered in to a Lease agreement with 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 annual ground rent of USD 5,000 per annum.

# Notes to the Financial Statements *Contd.*

## 10.2 Biological Assets

	GROUP			
	Mature Plantations	Immature Plantations	Total	Total
	Rs.'000	Rs.'000	31.03.2018 Rs.'000	31.03.2017 Rs.'000
<b>Cost</b>				
At the beginning of the year	3,020	20,460	23,480	23,480
Deconsolidation of Subsidiaries	(3,020)	(20,460)	(23,480)	-
At the end of the year	-	-	-	23,480
<b>Accumulated Depreciation</b>				
At the beginning of the year	3,020	-	3,020	3,020
Deconsolidation of Subsidiaries	(3,020)	-	(3,020)	-
At the end of the year	-	-	-	3,020
<b>Accumulated Impairment Loss</b>				
At the beginning of the year	-	20,460	20,460	20,460
Deconsolidation of Subsidiaries	-	(20,460)	(20,460)	-
At the end of the year	-	-	-	20,460
Carrying amount	-	-	-	-

## 11. Intangible Assets

	Note	GROUP		COMPANY	
		31.03.2018	31.03.2017	31.03.2018	31.03.2017
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Goodwill	11.1	189,361	610,993	-	-
Trade Mark	11.2	2,526	6,860	-	-
Software	11.3	56,031	76,543	49,934	63,882
		247,918	694,396	49,934	63,882

### 11.1 Goodwill (Note 11.1.1)

	GROUP		COMPANY	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
At the beginning of the year	610,993	610,993	-	-
Acquisition through Business Combinations	89,430	-	-	-
Provision for Impairment (Note 11.1.2)	-	-	-	-
Deconsolidation of Subsidiaries	(511,062)	-	-	-
At the end of the year	189,361	610,993	-	-

# Notes to the Financial Statements *Contd.*

## 11.1.1 Goodwill

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

Cost	GROUP	
	31st March 2018 Rs. '000	31st March 2017 Rs.'000
<b>Name of the Subsidiary</b>		
Muller and Phipps (Ceylon) PLC	146,628	146,628
Laxapana Batteries PLC	6,605	6,605
Lanka Special Steels Limited	36,128	36,128
Lankem Ceylon PLC	-	10,760
C. W. Mackie PLC	-	68,815
Galle Fort Hotel (Pvt) Limited	-	183,569
Ceylon Tapes (Pvt) Limited	-	11,267
J.F.Packaging (Pvt) Limited	-	129,323
Sherwood Holidays Limited	-	17,898
	<b>189,361</b>	<b>610,993</b>

## 11.1.2 Impairment of Goodwill

Based on the impairment assessment, the following goodwill were impaired during the 2014 / 2015 year.

	GROUP Rs. '000
Island Consumer Supplies (Pvt) Limited	1,507
Marawila Resorts PLC	3,197
Muller & Phipps (Agencies) Limited	2,053
Sigiriya Village Hotels PLC	2,054
York Hotels (Kandy) Limited	15,733
	<b>24,544</b>

Methods used in estimating recoverable amounts are given below:

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

- (i) Business Growth – Based on historical growth rate and business plan
- (ii) Inflation – Based on current inflation and the percentage of the total cost subjected to the inflation
- (iii) Discount Rate – Average market borrowing rate adjusted for risk premium
- (iv) Margin – Based on current margin and business plan

# Notes to the Financial Statements *Contd.*

## 11.2 Trade Mark (Note 11.2.1)

	GROUP		COMPANY	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
<b>Cost</b>				
At the beginning of the year	14,150	14,150	-	-
At the end of the year	14,150	14,150	-	-
<b>Amortization</b>				
At the beginning of the year	7,290	2,956	-	-
Amortization for the period	4,334	4,334	-	-
At the end of the year	11,624	7,290	-	-
<b>Carrying Amount</b>	<b>2,526</b>	<b>6,860</b>	<b>-</b>	<b>-</b>

### 11.2.1 Trade Mark

Darley Butler & Company Limited, a subsidiary of the Company, has paid an amount of Rs. 1.15 million in the year of 2008/09 to Adamjee Pharma (Pvt) Limited to acquire the agency right of Navana Pharmaceutical Limited, which was amortized over the company's agency right period of 03 Years.

During the year 2015/2016 the company has purchased the agency right of Intas Pharmaceuticals Limited for Rs. 13 million which is amortised over 03 Years.

## 11.3 Software

	GROUP		COMPANY	
	31.03. 2018 Rs. '000	31.03. 2017 Rs. '000	31.03. 2018 Rs. '000	31.03. 2017 Rs. '000
<b>Cost</b>				
At the beginning of the year	88,597	4,114	71,176	552
Additions during the year	3,740	77,733	571	70,624
Transfer from capital work-in-progress	-	6,750	-	-
Deconsolidation of Subsidiaries	(9,471)	-	-	-
At the end of the year	82,866	88,597	71,747	71,176
<b>Amortization</b>				
At the beginning of the year	12,054	2,453	7,294	92
Amortized during the year	19,550	9,601	14,519	7,202
Deconsolidation of Subsidiaries	(4,769)	-	-	-
At the end of the year	26,835	12,054	21,813	7,294
<b>Carrying Amount</b>	<b>56,031</b>	<b>76,543</b>	<b>49,934</b>	<b>63,882</b>

# Notes to the Financial Statements *Contd.*

## 12. Investments

### 12.1 Investments in Subsidiaries

	COMPANY									
	31.03.2018					31.03.2017				
	No. of Shares	Company Holding %	Group Holding %	Cost as at 31.03.2018 Rs. '000	Market Value Rs. '000	No. of Shares	Company Holding %	Group Holding %	Cost as at 31.03.2017 Rs. '000	Market Value Rs. '000
<b>Investee</b>										
<b>Quoted Investments</b>										
Laxapana Batteries PLC	20,114,838	52	52	133,857	207,183	20,114,838	52	52	133,857	231,321
Muller & Phipps (Ceylon) PLC	145,061,773	51	51	189,385	145,062	145,061,773	51	51	189,385	159,568
Lankem Ceylon PLC	-	-	-	-	-	10,974,635	46	48	261,321	482,884
				323,242	352,245				584,563	873,773
<b>Unquoted Investments</b>										
Darley Butler & Co. Limited	4,999,964	100	100	2,865	-	4,999,964	100	100	2,865	-
Creasy Foods 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	-
Island Consumer Supplies (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	-
York Hotels (Kandy) Limited	-	-	-	-	-	19,825	0.18	26	396	-
				267,124	-				267,520	-
Less: Provision for Fall-in Value of Investment (Note 12.1.1)				(1,500)					(1,500)	
				265,624					266,020	
				588,866					850,583	

#### 12.1.1 Provision for fall in value in Investments

The Company has 100% holding in Filmpak Limited as at the reporting date. Filmpak Limited has reported accumulated losses of Rs. 1.5 million and also has ceased its operations since April 1993. Therefore, E. B. Creasy & Company PLC has made 100% provision on the investment made in Filmpak Limited.

# Notes to the Financial Statements *Contd.*

## 12.2 Financial Assets Available-for-Sale

### 12.2.1 Company

	COMPANY			
	31.03.2018		31.03.2017	
	No. of Shares	Market Value Rs. '000	No. of Shares	Market Value Rs. '000
<b>Quoted Investments</b>				
DFCC Bank PLC	11,162	1,304	11,162	1,272
ACME Printing & Packaging PLC	10,000	59	10,000	49
<b>Unquoted Investments</b>				
York Hotels (Kandy) Limited	19,825	397	-	-
<b>Total Investment</b>		<b>1,760</b>		<b>1,321</b>

### 12.2.2 Group

	GROUP			
	31.03.2018		31.03.2017	
	No. of Shares	Market Value Rs. '000	No. of Shares	Market Value Rs. '000
<b>Quoted Investments</b>				
York Arcade Holdings PLC	9,000	1,035	90,000	1,224
CM Holdings PLC	95,640	7,058	95,640	7,163
Commercial Development Company PLC	600	43	600	40
DFCC Bank PLC	11,162	1,304	11,162	1,272
ACME Printing & Packaging PLC	10,000	59	10,000	49
Hemas Holding PLC	155,355	19,404	155,355	16,887
Beruwala Resorts PLC	60,000	48	-	-
Marawila Resorts PLC	156,188	375	-	-
Sigiriya Village Hotels PLC	62,162	2,538	-	-
Hunas Falls Hotels PLC	-	-	400	19
Pegasus Resorts PLC	-	-	960	30
Renuka City Hotels PLC	-	-	525	155
Lankem Developments PLC	-	-	903,680	2,350
Kotagala Plantations PLC	-	-	615,841	6,220
Royal Palms Beach Hotels PLC	-	-	375	8
Nation Trust Bank PLC	-	-	6,365	471
Chevron Lubricants Lanka PLC	-	-	12,000	2,040
National Development Bank PLC	-	-	5,724	799
Ceylon Hospitals PLC	-	-	130	12
Access Engineering PLC	-	-	400,000	9,520
Others	-	-	-	9,424
		<b>31,864</b>		<b>57,683</b>

# Notes to the Financial Statements *Contd.*

	GROUP			
	31.03.2018		31.03.2017	
	No. of Shares	Market Value Rs. '000	No. of Shares	Market Value Rs. '000
<b>Unquoted Investments</b>				
Ceylon Biscuits Limited - Ordinary	5,041,680	251,328	5,041,680	251,328
International Manufacturers Limited	3,300	23	3,300	23
Agarapathana Plantation Limited	5,575,908	12,546	-	-
York Hotels (Kandy) Limited	19,825	396	-	-
Creasy Plantation Management Limited	122,993	3,894	-	-
Colombo Fort Hotels Limited	265,500,000	134,304	-	-
Sri Lanka Institute of Nano Technology (Pvt) Limited	-	-	3,810,182	17,463
Asia Pasific Golf Courses Limited	-	-	2,500	250
Lankem Tea & Rubber Plantation (Pvt) Limited	-	-	8,342	1,998
		402,491		271,062
<b>Unit Trusts</b>				
National Equity Fund (NAMAL)	-	-	378,908	12,429
		-		12,429
<b>Investment in Debentures</b>				
Kotagala Plantations PLC	-	47,903	-	44,600
		47,903		44,600
<b>Total</b>		<b>482,258</b>		<b>385,774</b>

## 12.3 Loans and Receivable

	GROUP		COMPANY	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
9% Unsecured redeemable debentures of Rs. 100 each (12.3.1)	98,500	98,500	-	-
Term Loan (12.3.2)	60,000	60,000	-	-
	158,500	158,500	-	-

### 12.3.1 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. The debentures are redeemable at Rs. 27 million per year commencing on the expiry of the fifth year from the date of allotment and ending on the expiry of the fourteenth year from the date of allotment. Further, the company would be able to redeem the said debentures from the commencement of the second year on the request made to Lankem Tea and Rubber Plantations (Pvt) Ltd. to this effect. The 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.



# Notes to the Financial Statements *Contd.*

## 12.3.2 Long Term Loans

Darley Butler & Co., Limited a subsidiary of the Company, has granted a loan of Rs. 60,000,000 to Consolidated Tea Plantations Limited on 31st December 2012 and the loan will be settled on demand. An interest of 9% per annum will be charged on the outstanding balance.

	2018 Rs.'000	2017 Rs.'000
Term Loan	60,000	60,000
	60,000	60,000

## 12.4 Investments Classified as Fair Value through Profit or Loss

	GROUP			
	31.03.2018		31.03.2017	
	No. of Shares	Market Value Rs. '000	No. of Shares	Market Value Rs. '000
Nations Trust Bank PLC	-	-	44,600	3,300
Tokyo Cement Company (Lanka) PLC (Non-Voting)	-	-	103,290	5,474
Tokyo Cement Company (Lanka) PLC (Voting)	-	-	314,490	19,184
CM Holdings PLC	-	-	338,547	25,357
Orient Garments PLC	-	-	610,320	4,272
Union Bank of Colombo PLC	-	-	384,000	5,453
MTD Walkers PLC	-	-	87,960	3,079
Serendib Engineering Group PLC	-	-	3,897,859	22,997
Colombo Trust Finance PLC	-	-	3,432,465	34,322
Renuka Agri Foods PLC	-	-	200,000	3,600
Total		-		127,038

## 12.5 Group Companies Investment in Subsidiaries

Investor	Investee	% Holding		No. of Shares as at	
		31.03.2018	31.03.2017	31.03.2018	31.03.2017
Darley Butler & Company Limited	Laxapana Batteries PLC	0.00	0.00	6	6
	Lankem Ceylon PLC	-	2.24	-	536,614
	Marawila Resorts PLC	-	0.00	-	188
Creasy Foods Limited	Lankem Ceylon PLC	-	0.10	-	23,337
Island Consumer Supplies (Pvt) Limited	Marawila Resorts PLC	-	0.06	-	156,000
Supplies (Pvt) Limited	Sigiriya Village Hotels PLC	-	0.69	-	62,162
	Beruwala Resorts PLC	-	0.01	-	30,000
	Lankem Ceylon PLC	-	0.00	-	536
	Colombo Fort Hotels Limited	-	6.91	-	233,620,000
	Creasy Plantation Management Limited	-	41.00	-	122,993

## Notes to the Financial Statements *Contd.*

Investor	Investee	% Holding		No. of Shares as at	
		31.03.2018	31.03.2017	31.03.2018	31.03.2017
Lankem Ceylon PLC	Sigiriya Village Hotels PLC	-	23.15	-	2,083,760
	Colombo Fort Hotels Limited	-	68.84	-	2,329,326,024
	Lankem Plantation Services Limited	-	60.00	-	179,993
	Beruwala Resorts PLC	-	0.01	-	83,965
	Lankem Exports (Pvt) Limited	-	100.00	-	10,000
	Marawila Resorts PLC	-	13.63	-	16,700,919
	Lankem Paints Limited	-	100.00	-	2,000,000
	Lankem Consumer Products Limited	-	100.00	-	2,000,000
	Lankem Chemicals Limited	-	100.00	-	2,000,000
	Lankem Research Limited	-	100.00	-	250,000
	SunAgro LifeScience Limited	-	100.00	-	199,993
	SunAgro Farms Limited	-	100.00	-	1,199,996
	SunAgro Foods Limited	-	100.00	-	4,999,994
	Associated Farms Limited	-	99.99	-	55,398
	Lankem Technology Services Limited	-	100.00	-	5,000,000
	C. W. Mackie PLC	-	55.34	-	19,916,811
	Ceylon Tapes (Pvt) Limited	-	100.00	-	820,000
	J.F. Packaging (Pvt) Limited	-	72.50	-	488,034
	Nature's Link Limited	-	100.00	-	5,000,000
	Sigiriya Village Hotels PLC	Marawila Resorts PLC	-	7.46	-
Beruwala Resorts PLC		-	14.23	-	85,384,000
York Hotels (Kandy) Limited		-	41.70	-	4,500,000
Colombo Fort Hotels Limited	Marawila Resorts PLC	-	41.06	-	93,624,955
	Beruwala Resorts PLC	-	65.58	-	393,497,345
	Sigiriya Village Hotels PLC	-	41.16	-	3,704,274
	Galle Fort Hotels Limited	-	100.00	-	9,931,512
	York Hotels (Kandy) Limited	-	16.41	-	1,771,506
	Lak kraft (Pvt) Limited	-	100.00	-	222
	Sherwood Holidays Limited	-	100.00	-	5,700,000
	BOT Hotel Services Limited	-	34.97	-	18,008,162
Marawila Resorts PLC	Beruwala Resorts PLC	-	0.01	-	30,000
C. W. Mackie PLC	Ceymac Rubber Company Limited	-	98.72	-	3,148,551
	Ceytra (Pvt) Limited	-	62.82	-	1,884,600
	Kelani Valley Canneries Limited	-	88.34	-	30,378,733
Muller & Phipps (Ceylon) PLC	Pettah Pharmacy (Pvt) Limited	100.00	100.00	1,500,000	1,500,000
Pettah Pharmacy (Pvt) Limited	Beruwala Resorts PLC	-	0.01	-	30,000
	Colombo Fort Hotels Limited	-	0.95	-	31,880,000
Beruwala Resorts PLC	BOT Hotel Services Limited	-	65.03	-	33,491,798

# Notes to the Financial Statements *Contd.*

## 13. Investment in Equity Accounted Investees

### 13.1 Investment in Equity Accounted Investees -Cost

#### Investment in Associates

Name of the Investee	Principal Business Activity	As at 31st March 2018			As at 31st March 2017		
		Ownership interest %	Cost Rs.'000	Carrying Value Rs.'000	Ownership interest %	Cost Rs.'000	Carrying Value Rs.'000
Lankem Ceylon PLC	Manufacturing of Chemicals, Paints and Consumer Products	34.01	261,321	261,321	-	-	-
Consolidated Tea Plantation Limited	Investing in Plantations	-	-	-	22.81	220,500	220,500
Waverly Power (Pvt) Limited	Generating Electricity for the National grid	-	-	-	20.91	102,000	102,000
<b>Total</b>			<b>261,321</b>	<b>261,321</b>		<b>322,500</b>	<b>322,500</b>

### 13.2 Investment in Equity Accounted Investees – Equity Method

#### Summarized Financial Information of Equity Accounted investees

	2018		2017		
	Lankem Ceylon PLC Rs.'000	Total Rs.'000	Consolidated Tea Plantations Limited Rs.'000	Waverly Power (Pvt) Limited Rs.'000	Total Rs.'000
<b>Summary of the Statement of Financial Position</b>					
Non-Current Assets	8,308,176	8,308,176	11,367,629	189,706	11,557,335
Current Assets	8,254,873	8,254,873	3,944,141	28,698	3,972,839
<b>Total Assets</b>	<b>16,563,049</b>	<b>16,563,049</b>	<b>15,311,770</b>	<b>218,404</b>	<b>15,530,174</b>
Non-Current Liabilities	(3,084,613)	(3,084,613)	(5,921,525)	(54,487)	(5,976,012)
Current Liabilities	(9,791,958)	(9,791,958)	(7,753,625)	(28,174)	(7,781,799)
<b>Total Liabilities</b>	<b>(12,876,571)</b>	<b>(12,876,571)</b>	<b>(13,675,150)</b>	<b>(82,661)</b>	<b>(13,757,811)</b>
<b>Net Assets</b>	<b>3,686,478</b>	<b>3,686,478</b>	<b>1,636,620</b>	<b>135,743</b>	<b>1,772,363</b>
Non-Controlling Interest	(2,129,658)	(2,129,658)	(739,128)	-	(739,128)
	1,556,820	1,556,820	897,492	135,743	1,033,235
<b>Ownership Interest %</b>	<b>34.01%</b>	<b>34.01%</b>	<b>22.81%</b>	<b>20.91%</b>	
Investee Share of Net Assets	529,399	529,399	204,731	28,378	233,109
Goodwill	10,760	10,760	14,772	31,175	45,947
<b>Carrying Amount of Interest</b>	<b>540,159</b>	<b>540,159</b>	<b>219,503</b>	<b>59,553</b>	<b>279,056</b>

## Notes to the Financial Statements *Contd.*

	2018		2017		
	Lankem Ceylon PLC Rs.'000	Total Rs.'000	Consolidated Tea Plantations Limited Rs.'000	Waverly Power (Pvt) Limited Rs.'000	Total Rs.'000
<b>Summary of the Statement of total comprehensive income</b>					
Revenue	5,288,650	5,288,650	-	-	-
Depreciation and Amortization	(126,343)	(126,343)	-	-	-
Interest Expenses	(299,772)	(299,772)	-	-	-
Expenses	(4,936,567)	(4,936,567)	-	-	-
Elimination of Loss/(Profit) attributable to Non-Controlling Interest	(64,587)	(64,587)	-	-	-
Investees share of Loss and Other Comprehensive Income/(Expense)	(47,137)	(47,137)	-	-	-
Other Comprehensive Income from Consolidated Tea Plantations Limited	713	713	-	-	-
<b>Total</b>	<b>(46,424)</b>	<b>(46,424)</b>			

### 14. Inventories

	GROUP		COMPANY	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Raw Materials	855,039	1,735,573	551,735	519,639
Work-in-Progress	28,095	139,206	11,547	13,643
Finished Goods	1,004,401	2,591,482	190,562	184,420
General and Others	5,335	46,360	-	-
Consumable Stocks	53,611	182,573	51,580	42,619
Goods-in-Transit	247,202	200,176	62,642	33,899
	2,193,683	4,895,370	868,066	794,220
Provision for Obsolete Inventories	(41,699)	(190,260)	(29,696)	(37,159)
	2,151,984	4,705,110	838,370	757,061

Inventories pledged as securities in obtaining loan are disclosed in Note 20.6

### 15. Amount Due from Related Companies

	Relationship	GROUP		COMPANY	
		31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Lankem Developments PLC	Affiliate	1,517	38,794	1,517	1,517
E.B.C. Milk Foods Limited	Subsidiary	1,163	1,163	1,163	1,163
American Lloyd Travels Limited	Affiliate	600	600	600	600
Kotagala Plantations PLC	Affiliate	17,473	33,099	-	-
The Colombo Fort Land & Buildings PLC	Parent	27,162	128,560	27,162	-
Consolidated Tea Plantations Limited	Affiliate	28,361	22,961	-	-
Sherwood Holidays Limited	Affiliate	-	-	-	2,109
York Hotel Management Services Limited	Affiliate	-	35,047	-	-

## Notes to the Financial Statements *Contd.*

	Relationship	GROUP		COMPANY	
		31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Kia Motors (Lanka) Limited	Affiliate	419	338	-	-
Lankem Tea & Rubber Plantations (Pvt) Limited	Affiliate	61,147	52,331	-	-
Agarapathana Plantations Limited	Affiliate	-	23,946	-	-
SunAgro Life Science Limited	Affiliate	610	-	-	-
Oral Care (Pvt) Limited	Affiliate	3	3	-	-
Cosmopoly (Private) Limited	Affiliate	-	6,905	-	-
J.F.Barrier Films (Private) Limited	Affiliate	-	66,569	-	-
J.F.Lanka Hotels & Tours (Pvt) Limited	Affiliate	-	1,353	-	-
Filmpak Limited	Subsidiary	-	4,695	4,709	4,695
Corporate Systems Limited	Subsidiary	-	-	777	678
E. B. Creasy Logistics Limited	Subsidiary	-	-	14,233	31,259
Pettah Pharmacy (Pvt) Limited	Subsidiary	-	-	6,877	4,333
Creasy Foods Limited	Subsidiary	-	-	120,605	39,031
Darley Butter & Company Limited	Subsidiary	-	-	1,704,662	1,248,894
Lankem Ceylon PLC	Associate	34,409	-	30,220	37,282
Marawila Resorts PLC	Affiliate	-	-	-	112
Beruwala Resorts PLC	Affiliate	-	-	-	75
Union Commodities Export (Pvt) Limited	Affiliate	-	3,443	-	-
Colombo Fort Group Services (Private) Limited	Affiliate	5,148	7,838	5,148	7,838
Ceylon Trading Company Limited	Affiliate	-	397	-	-
Waverly Power (Pvt) Limited	Affiliate	-	3,444	-	-
Laxapana Batteries PLC	Subsidiary	-	-	-	1,353
Sigiriya Village Hotels PLC	Affiliate	83	-	77	2
Lankem Consumer Products Limited	Affiliate	-	-	-	1
Ceytape (Pvt) Limited	Affiliate	-	230	-	-
York - Hotels (kandy) Limited	Affiliate	9	-	9	2
Ceyflex Rubber Limited (Formerly known as Duramedical (Lanka) Limited)	Subsidiary	-	-	57,579	1,866
		178,104	431,716	1,975,338	1,382,810
Less: Provision for bad & doubtful debts		(1,163)	(37,306)	(6,362)	(6,362)
		176,941	394,410	1,968,976	1,376,448

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

# Notes to the Financial Statements *Contd.*

## 16. Trade and Other Receivables

	GROUP		COMPANY	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Trade Receivables	1,799,436	5,632,407	130,067	148,016
Provision for Bad and Doubtful Debts	(9,226)	(263,095)	(259)	(259)
	1,790,210	5,369,312	129,808	147,757
Other Debtors	-	16,975	-	-
Deposits and Prepayments	27,587	121,945	-	-
Employee Advances	2,520	25,745	-	-
Other Tax Recoverable	112,945	236,553	16,145	39,266
Other Receivables	360,167	466,822	47,868	53,755
	2,293,429	6,237,352	193,821	240,778

## 17. Cash & Cash Equivalents

### 17.1 Favourable Balance

	GROUP		COMPANY	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Cash In Hand	1,038	14,509	461	1,213
Cash at Bank	127,808	461,269	97,252	108,312
Fixed Deposits	-	179,488	-	-
Cash and Cash Equivalents in the Statement of Financial Position	128,846	655,266	97,713	109,525

### 17.2 Unfavourable Balance

	GROUP		COMPANY	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Bank Overdrafts used for Cash Management Purpose	(763,610)	(1,895,239)	(453,825)	(521,158)
Cash and Cash Equivalents in the Statement of Cash Flow	(634,764)	(1,239,973)	(356,112)	(411,633)

#### 17.2.1 Security Details Over Bank Overdraft Facilities

##### Company

The bank overdraft facility of Hatton National Bank PLC is secured by existing primary concurrent floating mortgage totaling to Rs. 36 million over land & building situated at No. 98, Sri Sangaraja Mawatha, Colombo 10.

The bank overdraft facilities of Sampath Bank PLC is secured by Lankem Ceylon PLC shares to the value Rs. 20 million lodged in the custodial accounts.

The bank overdraft facilities of Bank of Ceylon is secured by 2.5 million numbers of Lankem Ceylon PLC shares.

The bank overdraft facility of Commercial Bank of Ceylon PLC is secured by primary mortgage for Rs. 91.8 million over the property at No. 53 1/1, 53 2/1, & 57, Sir Baron Jayatilake Mawatha, Colombo 01, belonging to Colombo Fort Land & Building PLC (Parent Company) and secondary mortgage bond for Rs. 83 Mn executed over the same.

# Notes to the Financial Statements *Contd.*

## Group

### Creasy Foods Limited

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

## 18. Stated Capital

	GROUP		COMPANY	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Issued and Fully Paid				
2,535,458 Ordinary Shares	25,731	25,731	25,731	25,731

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.

## 19. Capital Reserves and General Reserves

### 19.1 Capital Reserves

Capital reserve is the reserve arising from the consolidation.

### 19.2 General Reserve

General reserve is the reserve set aside for general purposes.

## 20. Interest-Bearing Loans and Borrowings

### 20.1. Amount Payable after one year

	GROUP		COMPANY	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Finance Lease Obligations (Note 20.3)	-	458	-	-
Long-Term Loans (Note 20.4)	493,797	2,945,996	295,511	317,595
Debenture (Note 20.5)	-	-	-	-
	493,797	2,946,454	295,511	317,595

### 20.2 Amount Payable within One Year

	GROUP		COMPANY	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Short-Term Loans	1,056,793	2,474,889	658,180	562,252
Finance Lease obligations (Note 20.3)	-	2,775	-	-
Long Term Loans ( Note 20.4)	291,260	1,136,588	169,005	130,833
Debenture (Note 20.5)	-	-	-	-
Trust Receipt Loan (Note 20.7)	825,404	2,595,079	425,319	273,845
Loan from Lanka Special Steels Limited (Note a)	-	-	15,000	200,000
	2,173,457	6,209,331	1,267,504	1,166,930

Note a: The company has obtained a short term loan from Lanka Special Steels Limited, a subsidiary of the Company. This loan is payable on demand and the applicable interest rate is AWPLR + 0.25%.

# Notes to the Financial Statements *Contd.*

## 20.3 Finance Lease Obligations

	GROUP		COMPANY	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
At the beginning of the Year	3,484	14,274	-	2,672
Leases obtained during the Year	1,854	-	-	-
Repayments made during the Year	(2,883)	(10,790)	-	(2,672)
At the end of the Year	2,455	3,484	-	-
Finance Charge Unamortized	(571)	(251)	-	-
Deconsolidation of Subsidiaries	(1,884)	-	-	-
Net Lease Obligations	-	3,233	-	-

Analysis of finance lease obligations by year of repayment.

	GROUP		COMPANY	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2018 Rs. '000
<b>Net Lease Obligations Repayable within One Year from Year end</b>				
Gross Liability	-	2,981	-	-
Finance Charge Unamortized	-	(206)	-	-
Net Lease Obligations Repayable within One Year from Year end	-	2,775	-	-
<b>Finance Lease Obligation Repayable after One year from year end</b>				
Gross liability	-	503	-	-
Finance Charge Unamortized	-	(45)	-	-
Net Lease Obligations Repayable after One Year from Year end	-	458	-	-



# Notes to the Financial Statements *Contd.*

## 20.4 Long Term Loan

	GROUP		COMPANY	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
At the beginning of the Year	4,082,584	2,532,770	448,428	494,057
Obtained during the Year	1,441,368	2,846,065	176,894	140,000
Repayment during the Year	(966,559)	(1,327,855)	(160,806)	(185,629)
Exchange Fluctuation	2,040	31,604	-	-
Deconsolidation of Subsidiaries	(3,774,376)	-	-	-
Balance at the end of the Year	785,057	4,082,584	464,516	448,428
Loan Repayable within One Year	(291,260)	(1,136,588)	(169,005)	(130,833)
Loan Repayable after One Year	493,797	2,945,996	295,511	317,595

## 20.5 Debentures

	GROUP		COMPANY	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Unsecured Unlisted Redeemable Debentures	-	200,000	-	-
	-	200,000	-	-
Payments made during the year	-	(200,000)	-	-
Balance at end of the year	-	-	-	-
Payable within one year	-	-	-	-
Payable after one year	-	-	-	-

### 20.5.1 Debentures

Lankem Ceylon PLC has issued Rs.200 million Rated Unsecured Unlisted Redeemable Debentures of the value of Rs.1,000/- each on 5th April 2011 to Sri Lanka Insurance Corporation Limited at the rate of AWPLR+1%. These debentures are redeemable after 5 years from the date of issue. The purpose of the issue was to fund long term working capital requirement.

# Notes to the Financial Statements *Contd.*

## 20.6 Group

E. B. Creasy & Company PLC and Group have Obtained following Long Term Loan

Company	Lender	31.03.2018 Rs. million	31.03.2017 Rs. million	Repayment	Security
E. B. Creasy & Company PLC	Hatton National Bank PLC	73.08	106.48	In 59 equal monthly installments of Rs. 3,340,000/- and a final installment of Rs. 2,940,000	Quintic Floating Mortgage Bond for Rs.200 Million over Commercial Property Situated at No.98 Sri Sangaraja Mawatha, Colombo 10.
	Sampath Bank PLC				
	Loan 1	-	0.66	In 47 equal monthly installments of Rs. 416,666/- each and final installment of Rs. 416,698	Loan agreement for Rs.20.0 Mn & mortgage over machinery for manufacturing division of mosquito coils for Rs 20.0 Mn
	Loan 2	8.14	-	In 71 equal monthly installment 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	34.93	55.78	In 59 equal monthly installment of Rs.1,670,000 each and a final installment Rs.1,470,000	Primary Mortgage Bond for Rs. 100.0 Mn over industrial machinery imported through the Bank for the expansion of the personal care unit and installed at Millewa, Padukka to be executed.
	Loan 2	53.24	73.28	In 59 equal monthly installment of Rs.1,670,000 each and a final installment Rs.1,470,000	Primary Mortgage Bond for Rs. 100.0 Mn over the machinery to be imported by the Company
	Loan 3	121.21	-	In 59 equal monthly installment of Rs.2,350,000 and a final installment Rs.1,350,000	Primary Mortgage Bond to be executed for Rs. 140,000,000/- over machinery
	Nations Trust Bank PLC				
	Loan 1	99.99	142.23	47 monthly equal capital installments of Rs.4,167,000/- and a final capital installment of Rs. 4,151,000/-	Loan Agreement for Rs. 200 Mn
	Loan 2	48.55	70.00	Monthly installments Rs.1,950,000/-	Term loan agreement for Rs. 70 million
	Loan 3	25.38	-	46 equal monthly installments of Rs. 702,000 and final installment of Rs. 708,000	Term loan agreement
		464.52	448.43		

## Notes to the Financial Statements *Contd.*

Company	Lender	31.03.2018 Rs. million	31.03.2017 Rs. million	Repayment	Security
Lankem Ceylon PLC	Commercial Bank of Ceylon PLC				
	Loan 1	-	18.00	In 35 monthly installments of Rs. 3.4 Mn each and a final installment of Rs. 1.0 Mn	Primary Mortgage for Rs. 200 Mn. Installment over land at Ja ela and Gonawala
	Loan 2	-	256.40	In 57 monthly installments of Rs. 8.4 Mn each and a final installment of Rs. 4.4 Mn	-
	Loan 3	-	208.00	In 57 monthly installments of Rs. 4.2 Mn each and a final installment of Rs. 2.2 Mn together with interest payable monthly on reducing balance of capital.	Additional Mortgage Bond for Rs.250Mn over stocks and assignment of book debts to be executed by the Company.
	National Development Bank PLC	-	304.25	Payable Quarterly on or before the last banking day of each quarter. Year 1 to Year 4-Q1-Q3 equal installments of Rs.15.25Mn and Q4-26.5Mn. Year 5-Q1-Q4 equal installments Rs.15.25Mn.	Sixteen Million Shares of C.W. Mackie PLC Shares.
	Bank of Ceylon	-	600.00	In 84 monthly installments of Rs. 7.143Mn each.	Primary Mortgage Bond for Rs. 600Mn. Over the property named Lanbil Building Situated at Nawam Mawatha depicted as Lots A & B in plan No.482 Dated 08/05/1987 in extent of 40 perches owned by the Company.
	People's Bank	-	802.17	In 47 monthly installments of Rs. 20.5 Mn together with interest payable monthly on reducing balance of capital.	Mortgage over stocks and Book debts on crystallization basis.
		-	2,188.82		
Beruwala Resorts PLC	Pan Asia Banking Corporation PLC	-	194.97	Repayable over 102 monthly installments. Repayments to commence after a grace period of 18 months from the first draw down	Primary Mortgage over land and building of B.O.T. Hotel Services (Pvt) Limited. situated at Weligama.
	Cargills Bank PLC	-	25.03	Repayable over 48 monthly installments	Laundry Machine and Equipments and Mazda Car for Rs. 4.2Mn.
		-	220.00		

## Notes to the Financial Statements *Contd.*

Company	Lender	31.03.2018 Rs. million	31.03.2017 Rs. million	Repayment	Security
Sigiriya Village Hotels PLC	Pan Asia Banking Corporation PLC	-	17.36	Repayable over 48 monthly installments	Rs. 50 mn worth of shares of Marawila Resorts PLC has been lodged Rs. 25 Mn corporate guarantee from The Colombo Fort Land & Building PLC.
	Sampath Bank PLC	-	127.29	Repayable over 35 monthly installments	Lien over Beruwala Resorts PLC Shares totaling to 85,384,000 numbers lodged in Sampath Bank PLC custodian account and Rs. 17.5 million mortgage over hotel Kitchen equipment and other accessories
		-	144.65		
Marawila Resorts PLC	Hatton National Bank	-	274.61	Total of existing USD term loan outstanding is USD 1.83 mn which should be repaid in five year.	Existing secondary floating mortgage bonds totaling US\$ 5.37 million over the hotel premises at Marawila.
		-	274.61		
Galle Fort Hotel (Pvt) Limited	Hatton National Bank PLC	-	41.16	Repayable over 60 monthly installments	Corporate guarantee of Rs.0. 75 Mn from Lankem Ceylon PLC and hotel property at No. 28 Church Street, Galle.
	Cargils Bank PLC	-	72.91	-	-
	Cargils Bank PLC	-	33.93	-	-
		-	148.00		
Creasy Foods Limited	Hatton National Bank PLC				
	Loan 1	1.56	5.24	To be repaid in 59 equal monthly installments of Rs. 0.334 Mn each and a final installment of Rs. 0.294 Mn.	Existing registered primary floating mortgage bond for Rs. 50 Mn over Land & Buildings Situated at No.26. Agaradaguru Mawatha. EKala.
	Loan 2	60.00	-	To be repaid in 48 equal monthly installments of Rs. 1.25 Mn	Primary Floating Mortgage Bond for Rs. 60.00 Mn over the new movable machinery and equipment imported at a cost of Rs. 82 Mn and Lying at candy Delight Ltd; Unit 3, Industrial Estate, Ekala.

## Notes to the Financial Statements *Contd.*

Company	Lender	31.03.2018 Rs. million	31.03.2017 Rs. million	Repayment	Security
	Loan 3	90.00	-	To be repaid in 48 equal monthly installment of Rs. 1.875 Mn	Registered Primary Floating Mortgage Bond for Rs. 120 Mn. Over land, immovable machinery situated at 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, fitting, services and such other rights attached or appertaining
		151.56	5.24		
Sun Agro Foods Limited	Sampath Bank PLC	-	34.85	In 47 equal monthly installments of Rs. 2,084,000 and a final installment of Rs. 2,052,000 on 26th day of each month commencing after a grace period of 12 months. Interest to be paid during the grace period.	Corporate guarantee from Lankem Ceylon PLC amounting to Rs. 110 Mn.
	Commercial Bank of Ceylon PLC	-	10.04	In 35 equal monthly installments of Rs.695,000 and a final installment of Rs.675,000	Corporate guarantee from Lankem Ceylon PLC amounting to for Rs. 75 Mn
		-	44.89		
BOT Hotel Services (Pvt) Limited.	Pan Asia Bank Corporation PLC	-	83.15	Loan has been obtained under two installments of Rs. 50 Mn and Rs. 75 Mn 1. Rs. 50 Mn - 30 monthly repayment 2. Rs. 75 Mn - 48 monthly repayment	Pledge of property the property of the Hotel premises which is situated in Kapparithota, Weligama for Rs.50 million Corporate guarantee from Beruwala Resorts PLC for Rs. 75 Mn
		-	83.15		
Ceylon Tapes (Pvt) Limited	DFCC Bank PLC	-	3.79	Repayable over 60 monthly installments after a grace period of 6 months from the 1st disbursement.	Land worth of Rs. 12.5 Mn and Machinery worth Rs. 0.3 Mn, have been pledged when obtaining the loan.
	Hatton National Bank PLC	-	2.26	Repayable over 59 monthly installments.	-
	Commercial Bank PLC	-	41.25	Repayable over 60 monthly installments.	Floating primary mortgage bond for Rs. 50Mn over the property called fralyn estate and morefully as lot A in plan No. 7221 dated 26.11.2015 made by Mr. P.A.K.J. Perera in extent of A2 : R3 : P18 : 25 to be executed by the Company.
		-	47.30		

## Notes to the Financial Statements *Contd.*

Company	Lender	31.03.2018 Rs. million	31.03.2017 Rs. million	Repayment	Security
J.F Packaging (Pvt) Limited	Sampath Bank PLC				
	Loan 03	-	0.57	Repayable over 5 years in 59 monthly installments of Rs.83,500/-and a final installment of Rs.73,500/-	Primary Mortgage of property at Nivasipura, Ja ela depicted as lot No. P7 plan no. 2036 dated July 07, 2003 and primary mortgage of property at Etambawela estate, mathale depicted as lot A in plan No. 6968 dated 30.11.2009
	Loan 05	-	2.15	Repayable over 5 years in 60 monthly installments.	
	Loan 08	-	15.01	Repayable over 5 years in 60 equal monthly installments of Rs.422,000/-	
	Loan 09	-	6.7	Repayable over 5 years in 59 monthly installments of Rs.192,000/- and a final installments of Rs.172,000/-	
	Bank of Ceylon				
	Loan 02	-	27.89	Repayable over 8 years in equal monthly installments of Rs.1,032,967/-	Primary Mortgage of Land, building and machinery situated at No. 306, Minuwangoda Road, Kotugoda.
	Loan 03	-	8.43	Repayable over 5 years in 60 equal monthly installments of Rs.337,079/-	
	Loan 06	-	142.21	Repayable over 48 years monthly installments	-
	Loan 07	-	42.05	Repayable over 72 years monthly installments	-
	Loan 10	-	6.67	Repayable over 3 years in 36 equal monthly installments of Rs.1,666,667/-	
Loan 11	-	14.86	Repayable over 5 years in 60 equal monthly installments of Rs.500,000/-		
DFCC Bank PLC	-	0.54	Repayable over 4 years in 48 equal monthly installments of Rs.130,730/-	Personal guarantee of the 1) Mr.Lakshman De Fonseka 2) Mr.Rathnayake	
Sampath Bank PLC	-	51.33	Repayable over 59 years monthly installments	Hypothecation Bond for Rs. 105Mn over stocks and book debts held at factory premises at No.306, Minuwangoda Road, Kotugoda. Mortgage over drylaminating machine and related equipments.	
Loan V, Loan VI	-	18.83	Repayable over 59 years monthly installments	-	
		-	337.24		
Lanka Special Steel Limited	Nation Trust Bank PLC	93.75	106.31	48 monthly equal capital installments of Rs. 3,125,000/-	Secondary Mortgage over plant & machinery of the company
		93.75	106.31		

## Notes to the Financial Statements *Contd.*

Company	Lender	31.03.2018 Rs. million	31.03.2017 Rs. million	Repayment	Security
Ceyflex Rubber Limited	Nation Trust Bank PLC	59.73	33.94	First 06 Months - Interest to be serviced on a monthly basis (Grace period on the capital) 07th Month to 54th Month - 47 equal monthly capital installments of Rupees 2,700,000/- and a final capital installment of Rupees 3,100,000/- Interest to be serviced separately on a monthly basis.	Primary Mortgage for Rupees 150,000,000/- over Rights under the Board of Investment Agreement No.28 dated 12/05/2016, Buildings and Machinery on the project property at Horana Export Processing Zone - (To be executed) (Mortgage details should be notified to the Bank and such details will be included in a separated Addendum Letter) Simple lodgment of 100,000 Nos (unquoted) shares of Duramedical (Lanka) Limited owned by E. B. Creasy and Company PLC.
		59.73	33.94		
E. B. Creasy Logistics Limited	Sampath Bank PLC				
	Loan 1	10.22	-	In 48 equal monthly installment of Rs. 307,604/-	Mortgage executed over movable machinery and racking equipment import under facility
	Loan 2	3.08	-	In 48 equal monthly installment of Rs. 88,510/-	
	Loan 3	2.20	-	In 48 equal monthly installment of Rs. 65,201/-	
		15.50	-		
		785.06	4,082.58		

### 20.7 Trust Receipt Loan

The Company and the Group have obtained following Trust Receipt Loans.

	GROUP	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000
E. B. Creasy & Company PLC	425,319	273,845
Lankem Ceylon PLC	-	1,788,957
Darley Butler & Company Limited	245,049	218,845
Laxapana Batteries PLC	114,856	85,210
Creasy Foods Limited	40,180	75,907
Sun Agro Life Science Limited	-	152,315
	825,404	2,595,079

### Company

Company's trust receipt loan is secured by existing mortgage bonds to banks over the stocks in trade and an assignment of book debts.

# Notes to the Financial Statements *Contd.*

## Group

### 20.7.1 Trust Receipt Loan as at 31st March 2018

#### 20.7.1.1 Creasy Foods Limited

Trust receipt loan is secured by floating charge on imported inventories at Unit Three Industrial Estate, Ekala, Ja- Ela. and book debt.

#### 20.7.1.2 Laxapana Batteries PLC

Lender	Facility	Outstanding as at 31.03.2018 Rs. 000	Outstanding as at 31.03.2017 Rs. 000	Repayment Terms	Security
Sampath Bank PLC	Revolving Trust Receipt loan of Rs. 80 million	93,241	82,048	Each loan to be settled within 120 days from the date of grant.	Existing Primary Mortgage bond of Rs. 66.5 million over the property situated in Panagoda, Homagama with an extent of 50,886 sq.ft.
Union Bank of Colombo PLC	Revolving Trust Receipt loan of Rs. 20 million	-	3,162	Each loan to be settled within 120 days from the date of grant.	Primary floating Mortgage bond of Rs. 30 million over stocks at Company premises in Panagoda, Homagama and warehouse at Sapugaskanda and assignment over book debts.
DFCC Bank PLC	Revolving Trust Receipt loan of Rs. 40 million	21,615	-	Each loan to be settled within 120 days from the date of grant	Mortgage for Rs. 40 Million over stock kept at company premises at Panagoda, Homagama and warehouse at Sapugaskanda.
Total		114,856	85,210		

20.7.1.3 The portion of the long-term loan repayable within one year from the reporting date is shown as Current Liabilities.

## 21. Deferred Income and Capital Grants

	GROUP		COMPANY	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
At the beginning of the Year	17,667	19,940	-	-
Addition during the Year	5,200	475	5,200	-
Amortized during the Year	(2,270)	(2,748)	(152)	-
Deconsolidation of subsidiaries	(15,549)	-	-	-
At the end of the Year	5,048	17,667	5,048	-
Non-Current	5,048	17,592	5,048	-
Current	-	75	-	-



# Notes to the Financial Statements *Contd.*

## E. B. Creasy and Company PLC

The Company has received a grant of Rs. 5.2 million during the year in relation to setting up of solar roof top power project on net metering basis under ADB funded clean energy and network efficiency improvement projects.

## Sun Agro Foods Limited

Sun Agro Foods Limited has received grant from the USAID/CORE Project amounting to Rs. 27,497,000/- for the purpose of establishing an outgrower cereal cultivation with 1,000 farmers and set up a processing facility for cereal legume mixture manufacturing in the Trincomalee. The grant has been amortized over the useful life time of the assets.

## Kelani Valley Canneries Limited

Kelani Valley Canneries Limited has been awarded a government grant in December 2016 from Industrial Development Board of Ceylon, amounted to Rs. 0.5 million for the acquisition of a fully automated jam cup filling machine worth Rs. 1.3 million. The government grant recognised as deferred income is amortised over the useful life of the machinery.

The Company shall not sell, assign, pledge, mortgage, gift, let or rent the machinery for a period of five years from the date of purchase of the machinery.

## 22. Deferred Tax Asset/(Liability)

### 22.1 Deferred Tax Asset

	GROUP		COMPANY	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
At the beginning of the Year	225,730	146,990	-	-
Recognized in the profit or loss	76,092	88,203	-	-
Recognized / (Reversed) in the other comprehensive income	7,925	(9,463)	-	-
On Acquisition of Subsidiaries	441	-	-	-
Deconsolidation of Subsidiaries	(121,454)	-	-	-
At the end of the Year	188,734	225,730	-	-

### 22.2 Deferred Tax Liability

	GROUP		COMPANY	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
At the beginning of the Year	244,682	237,636	30,285	24,340
Recognized/(Reversed) in the Profit or Loss	17,377	(26,599)	(2,987)	(25,026)
Recognized in the Other Comprehensive Income	(2,876)	33,645	(2,932)	30,971
Amount Recognize Directly in Equity (Note 22.5)	85,565	-	85,565	-
On Acquisition of Subsidiaries	406	-	-	-
Deconsolidation of Subsidiaries	(170,487)	-	-	-
At the end of the Year	174,667	244,682	109,931	30,285

# Notes to the Financial Statements *Contd.*

## 22.3 Deferred Tax Assets/(Liabilities)

Deferred tax liability has been recognized in respect of the following and it has been calculated by applying the tax rate of 28% for the Company and subsidiaries which are liable for income tax at the standard rate for the year of assessment 2017/2018. The subsidiaries which are liable for income tax at reduced rates (below the standard rate) for the year of assessment 2017/2018 have computed the deferred tax at the reduced rates.

### Group

	31.03.2018		31.03.2017	
	Temporary Difference Rs.'000	Tax Effect Rs.'000	Temporary Difference Rs.'000	Tax Effect Rs.'000
<b>Deferred Tax Liability</b>				
Property, Plant & Equipment	923,377	237,660	2,109,144	462,997
Defined Benefit Obligation	(435,864)	(121,063)	(446,352)	(121,554)
Tax Loss Carried Forward	(88,082)	(24,663)	(537,965)	(96,223)
On Revaluation Surplus on Land	305,558	85,565		
On Remeasurement of Retirement Benefit Obligation	(10,108)	(2,831)	(1,922)	(538)
	694,881	174,668	1,122,905	244,682
<b>Deferred Tax Asset</b>				
Property, Plant & Equipment	5,202	1,456	(259,747)	(72,639)
Defined Benefit Obligation	106,063	29,698	250,358	69,705
Impairment of Debtors	-	-	48,671	13,628
Tax Loss Carried Forward	581,501	149,469	799,866	217,419
On Remeasurement of Retirement Benefit Obligation	28,961	8,109	(8,790)	(2,383)
	721,727	188,732	830,358	225,730

### Company

	31.03.2018		31.03.2017	
	Temporary Difference Rs.'000	Tax Effect Rs.'000	Temporary Difference Rs.'000	Tax Effect Rs.'000
On Property, Plant & Equipment	508,143	142,279	456,116	127,712
On Retirement Benefit Obligations	(410,647)	(114,981)	(346,030)	(96,889)
On Revaluation Surplus on Freehold Land	305,588	85,565	-	-
	403,084	112,863	110,086	30,823
On Remeasurement of Retirement Benefit Obligations	(10,473)	(2,932)	(1,922)	(538)
	392,611	109,931	108,164	30,285

## 22.4 Deferred Tax on Revaluation Surplus on Freehold Land

The company/Group has considered the freehold land as capital asset used in the business as per the inland revenue Act No. 24 of 2017. The company/group has considered the revalued amount of lands as deemed and the revaluation surplus has been transferred to retained earnings as at 1st April 2011, which was the date of transition from SLASs to SLFRSs/LKASs. Accordingly, the Company/Group has recognised the revaluation surplus on freehold land upto 1st April 2011 in retained earnings there for the related deferred tax has also been recognised directly in retained earnings as at the reporting date.

# Notes to the Financial Statements *Contd.*

## 22.5 Unrecognized Deferred Tax Assets

	31.03.2018 Rs. Million	31.03.2017 Rs. Million
Sun Agro Farms Limited	-	16.6
Lankem Exports (Pvt) Limited	-	7.8
Lankem Consumer Products Limited	-	53.8
Lankem Research Limited	-	3.4
Lankem Paints Limited	-	25.0
Sun Agro Foods Limited	-	89.1
Colombo Fort Hotels Limited	-	3.9
Lankem Ceylon PLC	-	386.0
Kelani Valley Canneries Limited	-	64.0
Muller & Phipps (Ceylon) PLC	-	26.2
Sun Agro Life Science Limited	-	6.9
Ceytra (Pvt) Limited	-	15.0
Lankem Chemicals Limited	-	0.6
	-	698.3

## 23. Retirement Benefit Obligations

	GROUP		COMPANY	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Present Value of Defined Benefit Obligation (Note 23.2)	580,901	756,950	421,119	347,951
Fair Value of Plan Assets (Note 23.1)	-	(107,380)	-	-
	580,901	649,570	421,119	347,951

### 23.1 Movement in Fair Value of Plan Assets

	GROUP		COMPANY	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Fair Value of Plan Assets at the Beginning of the Year	107,380	95,538	-	-
Contribution Paid in to the Plan	5,641	10,548	-	-
Benefits Paid by the Plan	(75,802)	(8,763)	-	-
Expected Return on Plan Assets	3,708	13,759	-	-
Actuarial Losses on Plan Assets	(385)	(3,702)	-	-
Deconsolidation of Subsidiaries	(40,542)	-	-	-
Fair Value of Plan Assets at the end of the Year	-	107,380	-	-

# Notes to the Financial Statements *Contd.*

## 23.2 Movement in the Present value of Defined Benefit Obligations

	GROUP		COMPANY	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
At the Beginning of the Year	756,950	717,748	347,951	300,269
Current Service Cost	72,890	73,150	27,311	23,653
Interest Cost	64,001	70,852	43,494	33,043
On Remeasurement of Retirement Benefit Obligation	51,941	(58,250)	10,473	1,922
On Acquisition of Subsidiaries	10,486	-	-	-
Payments During the Year	(124,155)	(46,550)	(8,110)	(10,936)
Deconsolidation of Subsidiaries	(251,212)	-	-	-
At the end of the Year	580,901	756,950	421,119	347,951

## 23.3 The Amount Recognized in the Statement of Financial Position as Follows:

	GROUP		COMPANY	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Present Value of Unfunded Obligations	580,901	616,996	421,119	347,951
Present Value of Funded Obligations	-	139,954	-	-
Total Present Value of Obligations	580,901	756,950	421,119	347,951
Fair Value of Plan Assets	-	(107,380)	-	-
Present Value of Net Obligations	580,901	649,570	421,119	347,951
Recognized Liability for Defined Benefit Obligation	580,901	649,570	421,119	347,951

## 23.4 The Key Actuarial Assumptions

### (a) Company

An actuarial valuation has been carried out as at 31st March 2018 by Messrs. Piyal. S. Goonathilake and Associates (Actuarial Valuer) as required by Sri Lanka Accounting Standard.

The key assumptions used by actuary include the following:

- (a) Discount Rate                      11.0% p.a.
- (b) Rate of increase of Salaries    Executive 10%  
Non Executive 10%
- (c) Retirement Age                      Workers - 60 Years

The actuarial present value of the accrued benefit as at 31st March, 2018 is Rs. 421.11 million. This item is grouped under retirement benefit obligation in the Statement of Financial Position. The liability is not externally funded.

# Notes to the Financial Statements *Contd.*

## (b) Group

### Retirement Benefit Obligations

#### Present Value of the 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 were made in arriving at the retirement benefit obligation as at 31st March 2018 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 31/03/2018 Rs.'000
E. B.Creasy & Co. PLC	10%	11%	60	421,119
Darley Butler & Company Limited	10%	11%	55	123,560
Creasy Foods Limited	10%	11%	55	11,514
E. B. Creasy Logistics Limited	10%	11%	55	1,105
Laxapana Batteries PLC	10%	11%	55	5,478
Pettah Pharmacy (Pvt) Limited	10%	11%	55	5,895
Lanka Special Steels Limited	10%	11%	55	12,234

Company Name	Expected Salary Increment Rate Per Annum	Discount Rate Per Annum	Retirement Age - Years	Liability as at 31/03/2017 Rs.'000
E. B.Creasy & Co. PLC	10%	12.5%	60	347,951
Lankem Ceylon PLC	10%	12.5%	55	75,468
Darley Butler & Company Limited	10%	12.5%	55	84,744
Creasy Foods Limited	10%	12.5%	55	10,379
SunAgro Life Science Limited	10%	12.5%	55	1,336
Lankem Consumer Products Limited	10%	12.5%	55	501
Galle Fort Hotel (Pvt) Limited	10%	12.5%	55	3,322
B.O.T Hotel Services (Pvt) Limited	7.5%	12.5%	55	3,302
E. B. Creasy Logistics Limited	10%	12.5%	55	989
SunAgro Foods Limited	10%	12.5%	55	288
Lankem Paints Limited	10%	12.5%	55	5,712
Laxapana Batteries PLC	10%	12.5%	55	4,893
Pettah Pharmacy (Pvt) Limited	10%	12.5%	55	6,917
C.W.Mackie PLC	12%	12.5%	60	42,471
Beruwala Resorts PLC	7.5%	12.5%	55	5,268
Sigiriya Village Hotels PLC	7.5%	12.5%	55	10,165
Marawilla Resorts PLC	7.5%	12.5%	55	5,995
Ceylon Tapes (Pvt) Limited	10%	12.5%	55	7,812
J. F. Packaging (Pvt) Limited	10%	12.5%	55	21,230
Lanka Special Steels Limited	10%	12.5%	55	9,470
Lak Kraft (Pvt) Limited	10%	12.5%	60	440
Sherwood Holidays Limited	10%	12.5%	60	588
SunAgro Farms Limited	10%	12.5%	55	329

# Notes to the Financial Statements *Contd.*

## 23.5 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:

#### (A) Company

	2018 Rs.'000	2017 Rs.'000
<b>Effect on the defined benefit obligation liability;</b>		
Increase by one percentage point in discount rate	(11,263)	(8,697)
Decrease by one percentage point in discount rate	13,052	10,139
<b>Effect on the defined benefit obligation liability;</b>		
Increase by one percentage point in salary increment rate	12,560	9,968
Decrease by one percentage point in salary increment rate	(11,058)	(8,702)

## 24. Trade and Other Payables

	GROUP		COMPANY	
	31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Trade Payables	1,042,948	2,488,511	556,544	295,227
Unclaimed Dividend	3,860	157,542	1,666	90,875
Bills Payable	348,085	284,976	62,642	33,899
Other Taxes Payable	10,952	182,904	-	-
Deposits from Dealers	72,877	75,293	-	-
Accrued Expenses and Other Payables	351,714	1,261,355	149,519	121,712
	1,830,436	4,450,581	770,371	541,713

## 25. Amount Due to Related Companies

	Relationship	GROUP		COMPANY	
		31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
The Colombo Fort Land & Buildings PLC	Parent	-	500,889	-	-
CM Holdings PLC	Affiliate	-	387	-	-
York Hotel Management Services Limited	Affiliate	-	34,723	-	-
Carplan Limited	Affiliate	-	588	-	-
Muller & Phipps (Ceylon) PLC	Subsidiary	-	-	37,996	59,921
Island Consumer Supplies (Pvt) Limited	Subsidiary	-	-	5,179	5,222
Group Three Associates (Pvt) Limited	Subsidiary	-	-	995	1,010
Union Commodities (Pvt) Limited	Affiliate	-	98,861	-	-
York Arcade Holdings PLC	Affiliate	-	950	-	-
Oracle Packaging (Pvt) Limited	Affiliate	-	1,986	-	-
L.D.F. Packaging (Pvt) Limited	Affiliate	-	2,438	-	-
Cosmopoly (Pvt) Limited	Affiliate	-	4,871	-	-

## Notes to the Financial Statements *Contd.*

	Relationship	GROUP		COMPANY	
		31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
J.F.Barries Films (Pvt) Limited	Affiliate	-	370	-	-
J.F.Lanka Hotels & Tours (Pvt) Limited	Affiliate	-	1,750	-	-
J.F. Innovations (Pvt) Limited	Affiliate	-	187	-	-
Agarapathana Plantations Limited	Affiliate	-	12,050	-	-
Lankem Developments PLC	Affiliate	-	12,896	-	-
Lankem Tea & Rubber Plantations (Pvt) Limited	Affiliate	-	50,946	-	-
Kotagala Plantations PLC	Affiliate	-	8,462	-	-
Waverly Power (Pvt) Limited	Affiliate	-	11,752	-	-
Colombo Fort Group Services (Pvt) Limited	Affiliate	-	3,948	-	-
CM Holdings PLC	Affiliate	-	35	-	-
Lanka Special Steels Limited	Subsidiary	-	-	15,344	1,732
Laxapana Batteries PLC	Subsidiary	-	-	6,179	-
Beruwala Resorts PLC	Affiliate	311	-	-	-
Lankem Ceylon PLC	Associate	964	-	-	-
Marawila Resorts PLC	Affiliate	12	-	-	-
Sigiriya Village Hotels PLC	Affiliate	370	-	-	-
BOT Hotel Services (Pvt) Limited	Affiliate	119	-	-	-
		1,776	748,089	65,693	67,885

## 26. Financial Instruments

### 26.1 Financial Instruments - Statement of Financial Position (SFP)

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

	Note	GROUP		COMPANY	
		31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Financial Assets					
Available-for-Sale Financial Assets (AFS)					
Quoted Investments	12.2.2	31,864	57,683	1,363	1,321
Unquoted Investments	12.2.2	450,394	328,091	397	-
<b>Total</b>		482,258	385,774	1,760	1,321
Current Assets					
Trade & Other Receivables	16	2,293,429	6,237,352	193,821	240,778
Investments	12.4	-	127,038	-	-
Amounts due from Related Companies	15	176,941	394,410	1,968,976	1,376,448
<b>Total</b>		2,470,370	6,758,800	2,162,797	1,617,226
Cash & Cash Equivalents	17.1	128,846	655,266	97,713	109,525
<b>Total Financial Assets</b>		3,081,474	7,799,840	2,262,270	1,728,072

## Notes to the Financial Statements *Contd.*

	Note	GROUP		COMPANY	
		31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Financial Liabilities					
Non-Current Liabilities					
Interest-Bearing Borrowings	20.1	493,797	2,946,454	295,511	317,595
Current Liabilities					
Interest-Bearing Borrowings	20.2	2,173,457	6,209,331	1,252,504	1,166,930
Trade & Other Payables	24	1,830,436	4,450,581	770,371	541,713
Amounts due to Related Companies	25	1,776	748,089	80,693	67,885
Bank Overdrafts	17.2	763,610	1,895,239	453,825	521,158
<b>Total Financial Liabilities</b>		<b>5,263,076</b>	<b>16,249,694</b>	<b>2,852,904</b>	<b>2,615,281</b>

### 26.2 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 have 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 analyses 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.

#### 26.2.1 Credit Risk

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

Group's credit exposure is closely monitored. Credit given is reviewed worth the predetermine approval procedures and contractual agreement made for every high value transaction.

	Note	GROUP		COMPANY	
		31.03.2018 Rs. '000	31.03.2017 Rs. '000	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Amount Due from Related Companies	15	176,941	394,410	1,968,976	1,376,448
Trade & Other Receivables	16	2,293,429	6,237,352	193,821	240,778
		<b>2,470,370</b>	<b>6,631,762</b>	<b>2,162,797</b>	<b>1,617,226</b>



## Notes to the Financial Statements *Contd.*

The aging of amount due from related companies and trade and other receivable at the reporting date was:

	GROUP				COMPANY			
	Gross 31.03.2018 Rs. '000	Impairment 31.03.2018 Rs. '000	Gross 31.03.2017 Rs. '000	Impairment 31.03.2017 Rs. '000	Gross 31.03.2018 Rs. '000	Impairment 31.03.2018 Rs. '000	Gross 31.03.2017 Rs. '000	Impairment 31.03.2017 Rs. '000
Not Past Due	1,315,543	-	1,299,499	-	1,150,439	-	601,446	-
Past due 0-365 days	1,125,634	1,163	5,001,242	136,803	984,364	259	1,005,935	259
More than one year	39,582	9,226	631,422	163,598	34,615	6,362	16,466	6,362
	2,480,759	10,389	6,932,163	300,401	2,169,418	6,621	1,623,847	6,621

### Investment in Debentures

Investment in debentures includes investments made in Rated, Listed, Secured, Redeemable Debentures of Kotagala Plantations PLC, amounts to Rs.50 million. The details of the maturities and interest rates of debenture investment as follow.

Category	No.of Debentures	Term of Debentures	Interest Rate (per annum payable semi annually)
Type A	125,000	4 Years	14.25% (AER of 14.76%)
Type B	125,000	5 Years	14.50% (AER of 15.03%)
Type C	125,000	6 Years	14.75% (AER of 15.29%)
Type D	125,000	7 Years	15.00% (AER of 15.56%)

### 26.2.2 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligation associated with its financial liabilities that are settled by delivering cash or another financial asset.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding of netting agreements.

	GROUP							
	31.03.2018				31.03.2017			
	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
Non-Derivative Financial Liabilities								
Temporary Loans Bank Loans/ Interest-Bearing Borrowings	2,667,254	2,667,254	2,173,457	493,797	9,155,785	9,155,785	6,209,331	2,946,454
Amount Due to Related Companies	1,776	1,776	1,776	-	748,089	748,089	748,089	-

# Notes to the Financial Statements *Contd.*

## GROUP

	31.03.2018				31.03.2017			
	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
Other Financial Liabilities/Trade & Other Payables	1,911,600	1,911,600	1,911,600	-	4,627,338	4,627,338	4,627,338	-
Bank Overdrafts	763,610	763,610	763,610	-	1,895,239	1,895,239	1,895,239	-
<b>Total</b>	<b>5,344,240</b>	<b>5,344,240</b>	<b>4,850,443</b>	<b>493,797</b>	<b>16,426,451</b>	<b>16,426,451</b>	<b>13,479,997</b>	<b>2,946,454</b>

## COMPANY

	31.03.2018				31.03.2017			
	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
Non-Derivative Financial Liabilities								
Temporary Loans/ Bank Loans/ Interest-Bearing Borrowings	1,563,015	1,563,015	1,267,504	295,511	1,484,525	1,484,525	1,166,930	317,595
Amount Due to Related Companies	65,693	65,693	65,693	-	67,885	67,885	67,885	-
Other Financial Liabilities/ Trade & Other Payables	834,676	834,676	834,676	-	573,891	573,891	573,891	-
Bank Overdrafts	453,825	453,825	453,825	-	521,158	521,158	521,158	-
<b>Total</b>	<b>2,917,209</b>	<b>2,917,209</b>	<b>2,621,698</b>	<b>295,511</b>	<b>2,647,459</b>	<b>2,647,459</b>	<b>2,329,864</b>	<b>317,595</b>

### 26.2.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates etc. will affect the Group's income or the value of its holdings of financial instruments. The objective of the market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the returns

#### 26.2.3.1 Currency Risk

The Group is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the functional currency which is Sri Lankan Rupees.

### Sensitivity Analysis

A strengthening or weakening of Sri Lankan Rupee, as indicated below, against the USD at 31st March 2016 would have increased/ (decreased) the equity and profit or loss 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.

Increase/(Decrease) in Exchange rate USD	Effect on Profit Before Tax	
	2018 Rs.'000	2017 Rs.'000
+ 10%	(7,152)	(7,989)
- 10%	7,152	7,989

# Notes to the Financial Statements *Contd.*

## 26.2.3.2 Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instruments fluctuate 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 obligation 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 results a material interest rate risk.

The Group utilize various financial instruments to manage exposures to interest rate risks arising due to financial instruments.

The following table demonstrates the Group sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the profit before tax:

As at 31 March	Effect on Profit Before Tax	
	2018 Rs.'000	2017 Rs.'000
Variable rate instrument ( 1% decrease)	39,894	19,380
Variable rate instrument ( 1% Increase)	(39,894)	(19,380)

## 26.2.4 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, as well as the level of dividends to ordinary shareholders.

The board of directors seeks to maintain balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position.

## 27. Related Party Transactions

### (a) Parent and Ultimate Controlling Party

The Company's parent Company is The Colombo Fort Land & Building PLC

### (b) Details of significant related party transactions are given below:

	Transaction with Group		Transaction with Company	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
<b>Transaction with Subsidiary Companies Listed in Note 12.4</b>				
Sales of Goods	-	-	4,428,683	4,361,337
Fund Transfer and Settlements	-	-	3,817,189	-
Incurred Reimbursable Expenses	-	-	503,402	256,832
Service Charges	-	-	14,067	8,167
Guarantee Commission Income on Corporate Guarantee	-	-	6,745	7,999
Office Rent	-	-	9,430	8,247
Interest Charge	-	-	14,280	11,797
Loan Obtain During the Year	-	-	206,400	-
Dividend Income	-	-	7,207	-

## Notes to the Financial Statements *Contd.*

	Transaction with Group		Transaction with Company	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
<b>Transactions with Associates</b>				
Loan Obtain During the Year	174,376	-	174,376	-
Sales of Goods	67	-	67	-
Fund Transfer and settlement	182,771	-	182,771	-
(Receipt) / Payment of Outstanding Balances	264	(4,300)	264	(4,300)
Interest (Expenses) / Income	2,209	7,159	2,208	8,510
(Reimbursement) / Charging of Expenses	-	34	-	34
<b>The Transaction with The Colombo Fort Land and Building PLC (Ultimate Parent Company)</b>				
Guarantee Commission	4,432	5,574	4,432	5,574
Loan Interest Income & Expenses	326	-	326	-
Rent Expenses	956	1,205	956	1,205
Incurred Reimbursable Expenses	5,225	-	5,225	-
Settlements of Loans, Current Account & Expenses	3,000	6,146	3,000	6,146
Loan obtained during the Year	30,000	-	30,000	-
<b>The Transaction with Other Related Companies</b>				
Sales of Goods	217,811	-	-	-
Settlement of Clearing Invoices & Agency Fees	3,339	3,082	-	-
Guarantee Commission	6,437	-	-	-
Fund Transfers & Settlements	11,031	3,026	-	-
Incurred Reimbursement of expenses	17,005	823	-	-
Interest on Loan	75,444	9,724	-	-

There were no non - recurrent related party transaction entered in to by the company during the financial year, the value of which exceeded 10% of shareholders equity or 5% of the total assets of the group or recurrent related party transaction other than exempted related party transaction, the value of which exceeded 10% of gross revenue of the group during the year ended 31st March 2018.

### 27. (b) i Related Party Transactions Disclosure

Name of Related Party	Relationship	Nature of the Transaction	Aggregate Value of Related Party Transactions Entered into during the Financial Year	Aggregate Value of Related Party Transactions as a % of Net Revenue/Income	Terms and Conditions of the Relate Party Transactions
Darley Butler & Company Ltd.	Subsidiary	Sales of Goods (without turnover related taxes)	3,798,772	22%	On Credit
		Settlements	4,275,528	25%	On Credit

# Notes to the Financial Statements *Contd.*

## (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.Weikala	P.M.A.Sirimane	A.R.Rasiah	S.N.P.Palithena	A.M.Mubarak	A.M.De.S.Jayarathne	R.Seevaratnam	S.W.Gunawardena
E. B. Creasy & Company PLC	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Corporate Systems Limited		✓	✓	✓	✓	✓						✓
Filmpak Limited		✓	✓	✓	✓	✓						
E. B. Creasy Logistics Limited		✓	✓	✓	✓	✓						✓
Muller & Phipps (Ceylon) PLC		✓	✓		✓	✓	✓	✓				
Muller & Phipps (Agencies) Limited		✓										
Pettah Pharmacy (Pvt) Limited		✓	✓		✓	✓	✓	✓	✓			
Darley Butler & Co. Limited	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Creasy Foods Limited	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Island Consumer Supplies (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	✓	✓		✓			✓					
York Hotels (Kandy) Limited		✓		✓								
Consolidated Tea Plantations Limited (Formerly Lankem Plantation Holdings Ltd.)	✓	✓										
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		✓				✓						

# Notes to the Financial Statements *Contd.*

- Mr. S. Rajaratnam and Mr. P.M.A. Sirimane were appointed to the Board of The Colombo Fort Land & Building PLC with effect from 25th May 2017.
- Mr. P.M.A Sirimane and Mr. S.N.P. Palihena were appointed to the Board of Lankem Developments PLC with effect from 19th June 2017 and 14th August 2017 respectively.
- Mr. P.M.A Sirimane was appointed to the Board of Lankem Ceylon PLC with effect from 1st September 2017.
- Mr. S. Rajaratnam resigned from the Board of Lankem Tea & Rubber Plantations (Pvt) Ltd. with effect from 31st December 2017.

The above Notes should be read in conjunction with Note No. 12, 1, 15, 25, 30 and 31 to the Financial Statement.

## 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

	2017/18 Rs. '000	2016/17 Rs. '000
Short term Employee Benefits	286,791	259,813
Post-Employment Benefits	-	-
Other Long Term Benefits	-	-
Termination Benefits	-	-
Share based Benefits	-	-

#### (iii) Other Transactions with Key Management Personnel

There were no other transactions with Key Management Personnel other than those disclosed in Note 27 (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

	2017/18 Rs. '000	2016/17 Rs. '000
Salaries/Other Employee Benefits	308,058	375,976
Post-Employment Benefit	-	-
Other Long Term Benefits	-	-
Termination Benefits	-	-
Share based Benefits	-	-

# Notes to the Financial Statements *Contd.*

## (i) Other Transactions with Key Management Personnel

There were no other transactions with Key Management Personnel other than those disclosed in Note 27 (d) to these Financial Statements.

## 28. Operating Segment

	Trading Consumer Products		Trading Industrial Products		Leisure		Other		Total	
	2018 Rs'000	2017 Rs'000	2018 Rs'000	2017 Rs'000	2018 Rs'000	2017 Rs'000	2018 Rs'000	2017 Rs'000	2018 Rs'000	2017 Rs'000
External Revenue	12,809,703	15,634,172	2,448,492	1,262,724	-	-	228,031	86,877	15,486,226	16,981,773
Inter Segment Revenue	4,712,713	4,901,961	-	19,784	-	-	-	121,108	4,712,713	5,042,853
<b>Total Revenue for Reportable Segments</b>	<b>17,522,416</b>	<b>20,536,133</b>	<b>2,448,492</b>	<b>1,282,508</b>	-	-	<b>228,031</b>	<b>205,985</b>	<b>20,198,939</b>	<b>22,024,626</b>
Interest Income	49,494	32,946	204	-	-	-	93	1,670	49,791	34,616
Interest Expenses	513,207	405,963	24,476	17,041	-	-	892	-	538,575	423,004
Depreciation and Amortisation	188,835	402,102	13,887	12,798	-	-	5,136	4,055	207,858	418,955
Profit/(Loss) before Income Tax	(68,733)	281,357	149,673	75,317	-	-	7,432	8,284	88,372	364,958
Total Assets	7,066,022	11,576,321	872,745	5,601,037	-	4,432,883	164,159	714,465	8,102,926	22,324,706
Total Liabilities	5,450,435	7,183,597	636,702	6,143,467	-	3,492,523	17,718	518,708	6,104,855	17,338,295
Capital Expenditures	523,271	803,753	144,222	68,574	-	108,021	-	91,367	667,493	1,071,715

## 28.1 Segments

Segmentation has been determined based on the operating activities of the companies 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
Leisure	-	Owning and Operation of Resort Hotels
Others	-	Special Projects and Other Services

# Notes to the Financial Statements *Contd.*

## 28.2 Reconciliation of reportable segment revenue, profit or loss, assets and liabilities and other material items

### Revenue

	2017/18 Rs.	2016/17 Rs.
Total revenue for reportable segments	20,198,939	22,024,626
Elimination of Inter Segment revenue	4,712,713	5,042,853
Consolidated revenue	15,486,226	16,981,773

### Profit/ (Loss) before tax

	2017/18 Rs.	2016/17 Rs.
Total Profit/ (Loss) before Tax for reportable segments	88,372	364,958

### Assets

	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Total assets for reportable segment	8,102,926	22,324,706
Investment in equity accounted investee	540,159	279,056
	8,643,085	22,603,762

### Liabilities

	2017/18 Rs.	2016/17 Rs.
Total Liabilities for reportable segment	6,104,855	17,338,295

### Other material items

	2017/18 Rs.	2016/17 Rs.
Interest Income	49,791	34,616
Interest Expenses	538,575	423,004
Capital expenditure	667,493	1,071,715
Depreciation and amortization	208,858	418,855

## 29. Capital Expenditure & Commitments

### 29.1 Company

The Company had no material capital or financial commitment as at the date of the Statement of Financial Position.

### 29.2 Group

There are no material capital or financial commitments as at the reporting date of the Statement of Financial Position.



# Notes to the Financial Statements *Contd.*

## 30. Contingent Liabilities

### 30.1 Company

There are no materials contingent liabilities outstanding as at the date of the Statement of the Financial Position, other than those disclosed below.

Contingent liabilities exist in relation to guarantees issued by E. B. Creasy & Company PLC to financial institutions on behalf of its subsidiary to obtain facilities from Financial Institutions are as follows:

	31.03.2018 Rs. '000	31.03.2017 Rs. '000
Darley Butler & Co. Limited	130,000	230,000
	130,000	230,000

### 30.2 Group

#### 30.2.1 Lanka Special Steels Limited

Lanka Special Steels Limited has given a guarantee of Rs. 25,100,000 to Sri Lanka Custom and it was outstanding as at 31st March 2017.

## 31. Assets Held for Sale

C.W. Mackie PLC and Co-Ro A/S from Denmark has entered in to a joint venture agreement on 24th February 2017, with the purpose of manufacturing, processing and marketing Co-Ro's products in the form of concentrates and ready to drink (RTD) products.

Accordingly, assets relating to Concentrate Squashes manufacturing and bottling factory is presented as assets held for sale and expected sale of assets will commence by June 2017, once the joint venture Company is formed and commences its operations.

As at 31st March 2017 assets held for sale stated at cost and comprises of the following assets :

	Cost Rs.000's	Accumulated Depreciation Rs. 000's	Written Down Value Rs.000's
Freehold land	139,499	-	139,499
Buildings on freehold land	77,211	13,596	63,615
Plant and machinery	114,354	111,418	2,936
Freehold motor vehicles	15,278	14,758	520
Factory equipment	4,603	3,397	1,206
Office equipment	200	200	-
Lab equipment	394	394	-
Computers	1,009	829	180
	352,548	144,592	207,956

There is no Indication of impairments that the carrying value of the assets may not be recovered.

## Cumulative income or expenses included in Other Comprehensive Income

There are no cumulative income or expenses included in Other Comprehensive Income relating to the disposal group.

# Notes to the Financial Statements *Contd.*

## 32. Events Occurring After the Reporting Date

### 32.1 Company

The Directors have recommended the payment of a first and final dividend of Rs. 36.00 per share for the year end at 31st March, 2018 which will be declared at the Annual General Meeting to be held on 7th August 2018. In accordance with the Sri Lanka Accounting Standard 10 – "Event Occurring after the Reporting Date" this propose first and final dividend has not been recognised as a liability in the Financial Statements for the year ended 31st March 2018.

### 32.2 Group

#### Creasy Foods Limited

The name of the company was changed to Candy Delights Limited with effects from 6th April 2018.

Subsequent to the reporting period no circumstances have arisen that would require adjustment to/or disclosure in the Financial Statements other than those disclose above.

## 33. 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.

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

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.

Fair valuation carried at 31 March 2017 for all unquoted equity shares classified as Level 3 within the fair value hierarchy using discounted cash flow valuation methodology. Fair value would not significantly vary if one or more of the inputs were changed.

## Notes to the Financial Statements *Contd.*

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 payment, discounted using a risk-adjusted using rate. The expected payment is determined by considering the possible scenarios of forecast EBITDA, the amount to be paid under each scenario and the probability of each scenario.	Forecast EBITDA margin (2017:15%) Risk-adjusted discount rate (2017: 22.82%)	The estimated fair value would increase (decrease) if: The EBITDA margin were higher (lower): or The risk-adjusted discount rate were 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 (2017:15%)	The estimated fair value would increase (decrease) if : the EBITDA margin were 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 flow : 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 illiquidity factor.	Not applicable.	Not applicable.

### Financial Instruments carried at Fair Value

#### Group

	Level I		Level II		Level III		Total	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Financial Assets Available for sale	31,864	57,683	47,903	57,029	402,491	271,062	482,258	385,774
Financial Assets Fair Value Through Profit and Loss	-	127,038	-	-	-	-	-	127,038
Total	31,864	184,721	47,903	57,029	402,491	271,062	482,258	512,812

# Notes to the Financial Statements *Contd.*

## Level III fair values

### Reconciliation of the Level III fair value

The following table shows a reconciliation from the operating balances to the closing balances level III fair values.

	Group	
	31.03.2018 Rs.'000	31.03.2017 Rs.'000
Balance at the beginning of the Year	271,062	244,421
Net change in fair value (Unrealized)	151,140	37,049
Disposal	(19,711)	(10,408)
Balance at the end of the Year	402,491	271,062

## Financial Instruments carried at Fair Value

### Company

	Level I		Level II		Level III		Total	
	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000	2018 Rs.'000	2017 Rs.'000
Financial Assets Available for sale	1,760	1,321	-	-	-	-	1,760	1,321
Financial Assets Fair Value Through Profit and Loss	-	-	-	-	-	-	-	-
Total	1,760	1,321	-	-	-	-	1,760	1,321

## 36. Acquisition of Subsidiaries

JF Packaging (Pvt) Ltd. has acquired 100% stake in Kiffs (Private) Limited on 4th May 2017 & Alliance Five (Pvt) Ltd. on 25th May 2017 for a Consideration of Rs. 230 Mn. & Rs. 153, respectively.

	Rs. '000	Rs. '000
<b>ASSETS</b>		
Property, Plant & Equipment	40,549	
Deferred Tax Assets	441	
Inventories	85,304	
Trade and Other Receivables	129,655	
Deposit and prepayments	10,071	
Amount Due from Related Parties	14,107	
Cash & Cash Equivalents	42,808	322,935
<b>Liabilities</b>		
Employee Benefit Obligation	10,699	
Deferred Tax Liabilities	406	
Trade and Other Payables	94,540	
Amount Due to Related Parties	16,444	
Income Tax Payable	1,744	
Bank Overdrafts	1,293	(125,126)
Net Identifiable Assets and Liabilities		197,809
Non-Controlling Interest		102,933
Net Assets Acquired		94,877
Net Cash Consideration Paid		184,156
Goodwill on Acquisition		89,279
<b>Analysis of Net Outflow of Cash and Cash Equivalents in Respect of the Acquisition of Subsidiaries</b>		
Net Cash Consideration		184,156
Cash & Cash Equivalents		(42,808)
Bank Overdrafts		1,293
Net Cash Outflow on Acquisition of Subsidiaries		142,641

# Statement of Value Added

	%	2017/18 Rs. '000	%	2016/17 Rs. '000
Turnover from Operations		15,486,226		16,981,773
Cost of Goods and Services		(13,377,359)		(14,240,960)
		2,108,867		2,740,813
Other Income Including Exceptional Items		182,248		139,223
Total Value Added		2,291,115		2,880,036
Distribution of Value Added				
To Employees				
Salaries, Wages and Other Related Costs	71	1,603,941	58	1,661,312
Compensation to Key Management Personnel	13	308,058	13	375,976
	84	1,911,999	71	2,037,288
To Government				
Corporate tax	4	90,887	2	68,920
		90,887		68,920
To Lenders of Capital				
Net Interest	21	488,784	14	388,388
To Share Holders				
Dividend	-	-	5	167,340
Retained for Growth				
Depreciation	8	185,714	14	406,763
Retained Earnings	(17)	(386,269)	(6)	(188,663)
	(9)	(200,555)	8	218,100
	100	2,291,115	100	2,880,036

# Share Information

## 1. Market Value

The market value of the Company's ordinary shares was

	2018 Rs.	2017 Rs.
Highest	1,499.00	1,450.00
Lowest	1,031.00	950.10
Close	1,200.00	1,447.90

## 2. Public Holding

The Percentage of shares held by the public as at 31st March 2018 was 25.86%. (31st March 2017 – 25.87%)

The applicable option under CSE Rule 7.13.1 on minimum public holding is option 5 and the Float Adjusted Market Capitalisation as at 31st March 2018 was Rs. 786,803,326.56.

### Public Shareholders

The number of Public Shareholders as at 31st March 2018 was 587 (31st March 2017 – 607)

## 3. Distribution of Ordinary Shares

No. of Shares Held	31st March, 2018			31st March, 2017		
	No. of Shareholders	Total Holding	% of Total Shares	No. of Shareholders	Total Holding	% of Total Shares
1 - 1,000	570	57,057	2.25	588	58,584	2.31
1,001 - 10,000	22	56,877	2.24	23	58,873	2.32
10,001 - 100,000	7	326,752	12.89	7	324,716	12.81
100,001 - 1,000,000	3	751,602	29.64	3	750,115	29.58
Over - 1,000,000	1	1,343,170	52.98	1	1,343,170	52.98
	603	2,535,458	100.00	622	2,535,458	100.00

### Categories of Shareholders

	31st March, 2018			31st March, 2017		
	No. of Shareholders	Total Holding	% of Total Shares	No. of Shareholders	Total Holding	% of Total Shares
Individuals	548	188,270	7.43	563	189,515	7.47
Institutions	55	2,347,188	92.57	59	2,345,943	92.53
	603	2,535,458	100.00	622	2,535,458	100.00

## Share Information *Contd.*

### 4. Twenty Major Shareholders

Name	31.03.2018		31.03.2017	
	No. of Shares	%	No. of Shares	%
The Colombo Fort Land and Building PLC	1,343,170	52.98	1,343,170	52.98
Seylan Bank PLC/ Dr. Thirugnanasambandar Senthilverl	424,786	16.75	424,235	16.73
Union Investments (Private) Ltd.	167,700	6.61	167,700	6.61
Colombo Fort Investments PLC	159,116	6.28	158,180	6.24
C.M. Holdings PLC	100,000	3.94	100,000	3.94
Colombo Investment Trust PLC	75,410	2.97	74,472	2.94
Mr. Radhakrishnan Maheswaran	35,485	1.40	35,485	1.40
Miss. Meenambigai Priyadarshini Radhakrishnan	35,485	1.40	35,485	1.40
Miss. Andal Radhakrishnan	35,484	1.40	35,484	1.40
Commercial Bank of Ceylon PLC/Colombo Investment Trust PLC	30,000	1.18	30,000	1.18
Mr. Thotawattage Rohan Lakshana Perera	14,888	0.59	13,790	0.54
Tranz Dominion, L.L.C.	7,001	0.28	7,001	0.28
Photokina Ltd.	6,804	0.27	6,804	0.27
Sisira Investors Limited	6,138	0.24	6,138	0.24
Sampath Bank PLC/Dr. T. Senthilverl	4,100	0.16	4,100	0.16
Mr. Mohamed Hussain Mohammed Sanoon	3,500	0.14	3,500	0.14
People's Leasing & Finance PLC/Mr. M.A.N. Yoosufali	3,100	0.12	-	-
The Incorporated Trustees of the Church of Ceylon	2,828	0.11	2,828	0.11
Consolidated Holdings (Private) Limited	2,596	0.10	2,596	0.10
Mr. Sri Dhaman Rajendram Arudpragasam	2,000	0.08	2,000	0.08
<b>Total</b>	<b>2,459,591</b>	<b>97.00</b>	<b>2,452,968</b>	<b>96.74</b>

# Group Financial Summary

	2008/09*	2009/10*	2010/11*	2011/12*	2012/13*	2013/14*	2014/16*	2015/16	2016/17	2017/18
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
								Restated	Restated	
Trading Results										
Revenue	12,479,798	13,955,375	28,250,587	27,904,133	29,093,808	20,477,356	20,386,004	24,924,382	26,346,879	15,486,226
Profit/(Loss) before Tax	353,722	882,217	2,404,908	1,102,231	991,960	182,043	255,456	452,664	-301,647	88,372
Income Tax Expense	-207,121	-298,738	-286,167	-304,784	-247,347	-162,248	-212,297	-209,780	-162,247	(90,887)
Profit/ (Loss)for the Year	146,601	583,479	2,118,741	797,447	744,613	19,795	43,159	242,884	-463,894	(642,921)
Non-controlling Interest	42,893	390,834	1,413,960	561,336	466,358	-18,073	-45,941	129,821	-275,231	(244,096)
Equity Holders of the Parent	103,708	192,645	704,781	236,111	278,255	37,868	89,100	113,063	-188,663	(512,060)
Assets Employed										
Property, Plant & Equipment	6,708,814	9,005,741	10,391,140	11,728,826	14,422,163	6,863,311	8,285,179	8,344,246	8,331,782	2,267,741
Investments	54,157	55,715	203,537	273,294	269,492	640,012	536,601	514,319	544,274	482,258
Biological Assets	-	-	622,142	588,650	703,816	-	-	-	-	-
Intangible Assets	93,458	162,863	334,373	533,258	532,880	441,206	594,108	623,848	694,396	247,918
Investment in Associate	-	-	-	-	-	646,521	420,499	315,163	279,056	540,159
Other Non-Current Assets	68,564	122,628	127,792	143,195	164,420	199,672	138,312	342,512	423,006	195,154
Net Current Assets/ (Liabilities)	-789,394	-95,578	1,751,280	751,015	133,929	76,355	-1,009,914	-1,133,153	-1,148,749	(99,087)
	6,135,599	9,251,369	13,430,264	14,018,238	16,226,700	8,867,077	8,964,785	9,006,935	9,123,765	3,634,143
Equity										
Stated Capital	25,731	25,731	25,731	25,731	25,731	25,731	25,731	25,731	25,731	25,731
Reserves	628,999	1,266,912	148,394	148,394	148,394	148,394	148,394	148,394	148,394	148,394
Retained Earnings	654,730	1,292,643	2,445,098	2,806,384	3,079,617	3,040,809	2,807,692	2,889,054	2,456,197	176,125
Non-controlling Interest	2,112,173	3,248,587	5,212,440	5,337,819	5,621,908	3,388,168	3,196,767	3,272,389	2,635,145	176,990
	2,766,903	4,541,230	7,831,663	8,318,328	8,875,650	6,603,102	6,178,584	6,335,568	5,265,467	527,240
Long-Term Liabilities	2,115,654	2,931,466	3,462,827	3,347,236	4,809,011	1,608,661	2,134,221	1,811,521	2,964,046	498,845
Deferred Liabilities	1,253,042	1,778,673	2,135,774	2,352,674	2,509,023	655,314	651,980	859,846	894,252	755,568
	3,368,696	4,710,139	5,598,601	5,699,910	7,318,034	2,263,975	2,786,201	2,671,367	3,858,298	1,254,413
	6,135,599	9,251,369	13,430,264	14,018,238	16,226,700	8,867,077	8,964,785	9,006,935	9,123,765	1,781,653

\* The impact of adoption of SLFRS 10, as more fully described in Note No. 33 to the Financial Statements, the mandatory restatement of comparative figures, are limited to two years (i.e limited to 2014/15 & 2015/16)







# Form of Proxy

I/We.....of.....  
 ..... being a member/members of E.B. Creasy & Company PLC, hereby appoint  
 .....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 Paliheena | 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. Sanjeeva Wijesiri Gunawardena        | of Colombo                |

as my/our proxy to represent me/us and to speak and vote on my/our behalf at the Eighty Fifth Annual General Meeting of the Company to be held on 7th August, 2018 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 2018 with the Report of the Auditors thereon	<input type="checkbox"/>	<input type="checkbox"/>
02. To declare a First and Final Dividend as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
03. To re-elect Dr. A.M. Mubarak as a Director	<input type="checkbox"/>	<input type="checkbox"/>
04. To reappoint Mr. R.N. Bopearatchy as a Director	<input type="checkbox"/>	<input type="checkbox"/>
05. To reappoint Mr. A. Rajaratnam as a Director	<input type="checkbox"/>	<input type="checkbox"/>
06. To re appoint Mr. A.M. de S. Jayaratne as a Director	<input type="checkbox"/>	<input type="checkbox"/>
07. To reappoint Mr. R. Seevaratnam as a Director	<input type="checkbox"/>	<input type="checkbox"/>
08. To re appoint Mr. A.R. Rasiah as a	<input type="checkbox"/>	<input type="checkbox"/>
09. To reappoint Mr. S.N.P. Paliheena as a Director	<input type="checkbox"/>	<input type="checkbox"/>
10. To authorize the Directors to determine contributions to charities	<input type="checkbox"/>	<input type="checkbox"/>
11. To reappoint as Auditors KPMG and authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

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 Eighteen.

.....  
 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 Authorized 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 (EBCPLC)

## 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

## 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

### Director

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 (formerly Known as Creasy Foods Limited)  
Laxapana Batteries PLC (LBP)  
Island Consumer Suppliers (Pvt) Limited (ICSL)  
Filmpak Limited (FPL)  
Group Three Associates (Pvt) Limited (GTA)  
Corporate System Limited (CSL)  
E. B. Creasy Logistics Limited (EBL)  
Muller & Phipps (Ceylon) PLC (MPP)  
Pettah Pharmacy (Pvt) Limited (PPL)  
Muller & Phipps Agencies Limited  
Lanka Special Steel Limited  
Ceyflex Rubber Limited (formerly Known as Duramedical (Lanka) Limited)

## Associates

Lankem Ceylon PLC

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Printed by mediaWIZE Integrated (Pvt) Ltd.

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[www.ebcreasy.com](http://www.ebcreasy.com)