# E. B. Creasy & Company PLC

Annual Report 2012/13

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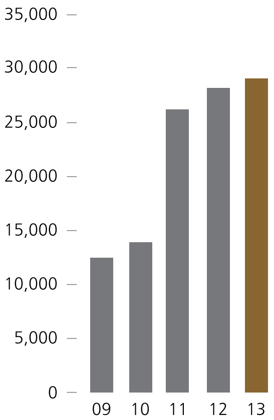
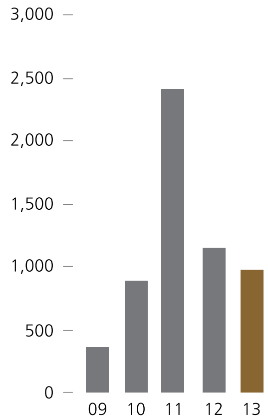
# Financial Highlights

| | 2012/13 Rs. '000 | 2011/12 Rs. '000 |
|---|---|---|
| Group Turnover | 29,093,808 | 27,904,133 |
| Group Profit before Taxation | 991,960 | 1,102,231 |
| Group Profit after Taxation | 744,613 | 797,447 |
| Net Profit Attributable to Equity Holders of the Company | 278,255 | 236,111 |
| Value Added | 8,339,115 | 7,726,239 |
| Shareholders' Funds | 3,258,990 | 2,980,509 |
| Earnings per Share (Rs.) | 109.75 | 93.14 |
| Net Assets per Share (Rs.) | 1,285.36 | 1,175.54 |
| Market Value per Share (Rs.) | 1,090.00 | 1,200.00 |
| Dividend per Share (Rs.) | 10.00 | 6.00 |
| Company Dividend Payout Ratio (%) | 15.09 | 15.18 |

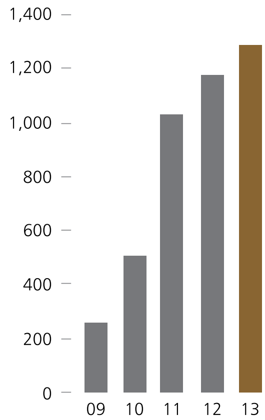
Group Turnover
(Rs. '000)



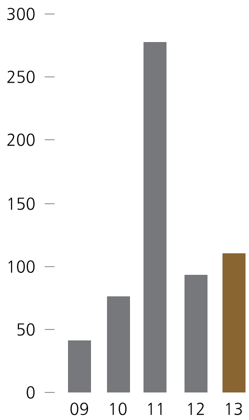

Group Profit Before Tax
(Rs. '000)



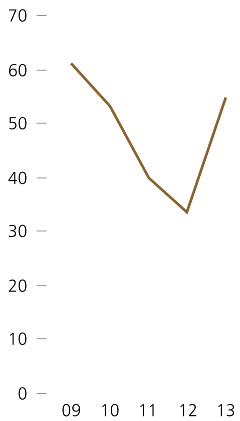

Net Assets per Share
(Rs.)



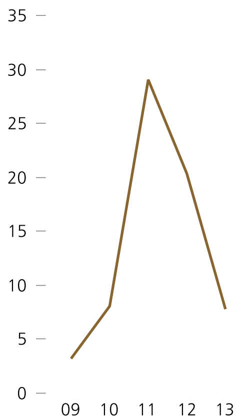

Earnings per Share
(Rs.)




Debt to Equity
(%)




Return on Equity
(%)



# Notice of Meeting

Notice is hereby given that the Eightieth Annual General Meeting of E. B. Creasy & Company PLC will be held at the Grand Oriental Hotel, No. 2, York Street, Colombo 1, on 28th June, 2013, at 11.00 a.m. 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, 2013 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 Mr. A.R. Rasiah who retires in accordance with Articles 91 and 92 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 4 below)

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 5 below)

6. To authorize the Directors to determine contributions to charities.

7. 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
3rd June, 2013

*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 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. 7 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 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. 7 of 2007 shall not apply to the said Director, Mr. A. Rajaratnam."*

# Chairman's Review

I have great pleasure in welcoming you to the 80th Annual General Meeting of the Company and in presenting the Annual Report and Audited Accounts for the year ending 31st March, 2013.

The upward trend in Sri Lanka's economic growth continued this year, following an admirable run in the previous year as well. This pattern is mirrored in the GDP growth percentages which are considerably higher than the performance of our regional counterparts. A slight blemish in this trend is that the growth during the current year is lower than that of the year 2011. The lower growth achievement was mainly due to the adverse weather conditions which affected the agricultural sector. Thus, Sri Lanka's GDP reflected a 6.4% growth by the end of 2012.

In keeping with the commitment of The Institute of Chartered Accountants of Sri Lanka to comply with International Financial Reporting Standards by 01st January, 2012 and our requirement to fall in line with these reporting standards, I am pleased to report that your Group has been able to have a smooth transition in publishing the Annual Report and Accounts in compliance with these new requirements.

The consolidated Group turnover increased by 4.3% over the previous year and reached a turnover of Rs. 29.1 billion. A Group profit before tax of Rs. 992 million was recorded while the achievement of the previous year was Rs. 1,102 million. The Company revenues increased by 22 % to Rs. 2.21 billion, and the profit before tax increased by 65% to Rs. 156.7 million in comparison with the prior year's profits of Rs. 94.8 million. The Company was not subject to any income tax in lieu of its exempt status. This increase in profitability was mainly due to the improved performance of the Home and Personal Care Divisions of the Company. Plans are underway to further expand these divisions through 2013.

Your directors have recommended the payment of a first and final dividend of Rs. 10.00 per share as in the previous year. I remain confident that the Company and the Group businesses will continue to perform satisfactorily in the new financial year, provided there are no unforeseen circumstances.

I wish to express my sincere gratitude to all our employees in each of the Companies within our Group for their commitment and dedication in taking the Group's vision forward. I also wish to thank all our other stakeholders for their trust and confidence in the Group over the years and to my fellow Directors for their invaluable counsel at all times.

**A. Rajaratnam**
*Chairman*

# Board of Directors

### A. Rajaratnam - FCA
*Chairman*

Mr. A. Rajaratnam joined the Board in 1988 and was appointed Chairman in the year 2003. He 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.

### S.D.R. Arudpragasam - FCMA (UK)
*Managing Director*

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

### S. Rajaratnam - B.Sc., CA
*Deputy Managing Director*

Mr. S. Rajaratnam was appointed to the Board and as Deputy Managing Director in the year 2006. He 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. He also serves on several Boards of The Colombo Fort Land & Building Group.

### 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 (University of Colombo)
*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) Ltd. and was appointed to its Board. He also served on the Boards of Crop Management Services (Pvt) Ltd., the managing agents for Mathurata Plantations Ltd., CIC Fertilizers Ltd. and Cisco Speciality Packaging (Pvt) Ltd. 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 currently holds several other Directorships within The Colombo Fort Land & Building Group.

### 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. He also holds several other Directorships.

# Board of Directors

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

Mr. A.R. Rasiah was appointed to the Board as an Independent Non-Executive Director on 1st June, 2010. He possesses well over 30 years of experience in finance at a very senior level both internationally and locally. He currently serves on some of the Boards of The Colombo Fort Land & Building Group, Ceylon Cold Stores PLC, Nations Trust Bank PLC and MTD Walkers PLC. He is a former (retired) Finance Director of Nestlé (Lanka) PLC. He has been a visiting lecturer on Finance and Accounts for Nestlé SA for Africa-Asian and oceanic regions. Mr. Rasiah is also a management consultant for Ceylon Pencil Company and is currently a visiting 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 a Committee Member of Sri Lanka Institute of Directors.

**S.N.P. Palihena** - FCIB (UK), FIB (SL), Postgraduate Dip. Bus. & FA
*Director*

Mr. S.N.P. Palihena was appointed to the Board as an Independent Non-Executive Director on 1st June, 2010. In addition to serving on the Board of E. B. Creasy & Company PLC and some of its subsidiaries he also serves on the Board of a subsidiary of The Colombo Fort Land & Building PLC. Mr. Palihena currently holds Directorships in Softlogic Capital PLC and in several Companies of the Hirdaramani 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.

# 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 to formulating and trading in chemicals, hoteliering and plantation management.

## 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, toothpaste, ball point pens and mosquito coils which are market leaders.

## Darley Butler & Co. Ltd.

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 stockists.

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 Ltd.

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.

## Creasy Foods Ltd.

Is the manufacturer of a range of medicated confectionery under licence 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

The company was incorporated as a public limited liability company in 1956. Carried on business under the name of Elephant Lite Corporation Ltd. previously. It was quoted on the Colombo Stock Exchange in 1982. The Company markets Zinc Chloride and Alkaline type batteries and CFL bulbs. The Company has also introduced GLS Bulbs and Safety Wax Matches under Laxapana brand name.

# Group Profile

## Lankem Ceylon PLC

A leading manufacturer of agrochemicals, bituminous products, decorative and automotive paints and household detergents.

The Agrochemicals Division formulates, packs and distributes a well-accepted range of insecticides, herbicides, fungicides and foliar nutrients. This Division is long established and trusted by the rural community as the 'Farmers' Friend'.

The Paints Division manufactures well-known decorative and automotive paints under the brand name Robbialac.

The product range comprises emulsions, enamels, weather-coats, acrylics, primers, wood preservatives and ancillaries.

The Bitumen Division produces road construction materials, waterproofing compounds and epoxy adhesives.

The Consumer Products Division manufactures domestic detergents, household insecticides and general purpose cleaners. They also trade in dry cell batteries.

The Industrial Chemicals Division markets a variety of imported chemicals meeting the needs of the local rubber, plastic, textile, leather, ceramic, printing and paint industries.

Lankem Paints Ltd. and Lankem Consumer Products Ltd. are subsidiaries of Lankem Ceylon PLC, which market the paints and consumer products respectively.

## Agarapatana Plantations Ltd.

Agarapatana Plantations Ltd. comprises of 25 tea estates with a total area of 10,486 hectares of which 7,621 hectares is planted with tea. The estates can be divided into two groups based on their location - the first group of 13 estates are in the Agarapatana Region while the remaining 12 are situated in Haputale/Bandarawela and all are in the high grown elevation category. Agarapatana Plantations Ltd. currently employs about 14,000 people.

## Kotagala Plantations PLC

Kotagala Plantations PLC has 10 tea estates, 5 tea-cum-rubber estates and 9 rubber estates comprising a total extent of 12,965 hectares of which 3,398 hectares is planted with tea and 6,649 hectares with rubber. The tea estates in the high grown category are located in Kotagala, while the rubber estates and the tea-cum-rubber estates are in Horana/Neboda. Kotagala Plantations PLC presently has, in employment about 12,000 persons.

## Union Commodities (Private) Ltd.

Union Commodities (Private) Ltd. commenced business in 1985, it is one of the largest tea exporters in the country. The firm has state-of-the-art self-sufficient factory with an in-house advance tea bagging facility, on-site purpose built storage facility, packaging facilities and a shipping and a freight forwarding company. The Union Group comprises of Union Commodities Teas (Pvt) Ltd., Unicom Clearing & Forwarding (Pvt) Ltd. and Union Commodities Exports (Pvt) Ltd.

## Lankem Tea & Rubber Plantations (Pvt) Ltd.

Lankem Tea & Rubber Plantations (Pvt) Ltd. are the Managing Agents for the Kotagala Plantations PLC and Agarapatana Plantations Ltd.

# Group Profile

## Lankem Plantation Holdings Ltd.

Lankem Plantation Holdings Ltd. is the holding company of Lankem Tea & Rubber Plantations (Pvt) Ltd., and Kotagala Plantations PLC.

## Sigiriya Village Hotels PLC

Sigiriya Village Hotels PLC is the owner of 120 elegantly-designed cottages, decorated with themes symbolic of village life. The Hotel is situated in close proximity to the Sigiriya 'lion rock' which stands out majestically overlooking the luscious green surroundings. The gardens of Sigiriya Village have been landscaped to merge with the natural environment, complimenting the scenic beauty and enhancing the peaceful aura of a rural village. The Hotel strategically located in the heartland of the Cultural Triangle enables guests to visit other historical cities and see original works of art, archaeological treasures.

## Beruwala Resorts PLC

Colombo Fort Hotels Ltd. is the holding Company of Beruwala Resorts PLC, which owns newly furbished 'The Palms' located by the side of the southern coast of Sri Lanka.

## Waverly Power (Pvt) Ltd.

Waverly Power (Pvt) Ltd. is generating electricity for the national grid. It is the direct subsidiary of Lankem Development PLC.

## Galle Fort Hotel (Pvt) Ltd.

Beruwala Resort PLC is the holding company of the Galle Fort Hotel (Pvt) Ltd.

## Marawila Resorts PLC

This Company owns the Club Palm Bay Hotel situated in a beautifully-landscaped site of around 21 acres at Marawila, with clusters of cabanas located towards the water front. It is run on the Club Concept on an all inclusive basis. It offers a range of facilities including sports, with the largest swimming pool in the country, discotheque, air-conditioned bar and speciality restaurants. Its banquet hall could cater to a wide spectrum of functions.

## Muller & Phipps (Ceylon) PLC

The Company is serving as an agent representative in Sri Lanka for foreign Pharmaceutical companies and operates in importing, wholesale and distribution of pharmaceuticals.

## C. W. Mackie PLC

Main activities of the Company are export and sell locally of thick pale crepe rubber (TPC), ribbed smoked sheet rubber (RSS) and desiccated coconut. Import and wholesale distribution of sugar to industrial users. Import and sale of welding equipment and consumables and light engineering products, refrigeration and air-conditioning components and marine paints and protective coatings. Wholesale distribution of branded consumer products. Bottling of 'Sunquick' range of fruit squashes and bottling of drinking water under 'Scan' brand for internal distribution.

# Enterprise Governance

## Corporate Governance

Corporate Governance is a mechanism that strives to align the interests of a wide range of stakeholders; shareholders, customers, employees, communities and Government Authorities. 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 Managing Director, and five other Directors who possess expertise in the fields of finance, management and marketing.

***Names of Directors***

| | |
|---|---|
| Mr. A. Rajaratnam *(Chairman)* | - *Executive* |
| Mr. S.D.R. Arudpragasam *(Managing Director)* | - *Executive* |
| Mr. S. Rajaratnam *(Deputy Managing Director)* | - *Executive* |
| Mr. R.N. Bopearatchy | - *Non-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* |

***Decision-Making of the Board***

In addition to attending the Board meetings, matters are referred to the Board and decided by resolutions in writing. The Board met four times during the year under review.

The Board is responsible for:

- Determining the strategic direction of the Company and also setting the corporate values.
- Implementation and monitoring of business strategy of the Company.
- 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.
- Ensuring succession arrangements of the Board and top management are focused on and determining remuneration of senior executives.
- Approval of budgets, corporate plans, major capital investments, divestments and acquisitions.

***Company Secretaries and Independent Professional Advice***

The Company and all the Directors may seek advice from Corporate Managers & Secretaries (Pvt) Ltd. 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 the Board deems it necessary.

***Independent Judgment***

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 five finance professionals who possess the knowledge and the competence to offer the Board the necessary guidance on matters of finance.

***Board Balance***

The Board comprises of three Non-Executive Directors of whom two are independent and five Executive Directors.

The Non-Executive Directors have submitted declarations of their independence or non-independence to the Board.
Mr. A.R. Rasiah and Mr. S.N.P. Palihena 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. They 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 and Mr. S.N.P. Palihena are 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.

***Appointments to the Board***

The Board as a whole decides on the appointments of Directors in accordance with the Articles of Association of the Company and in compliance with rules on governance.

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

***Re-election of Directors***

The Company's Articles of Association require any Director appointed by the Board excluding Executive Directors to hold office until the next Annual General Meeting at which he seeks re-election by the shareholders.

The Articles of Association require one-third or a number nearest to one-third of the Directors in office to retire at each Annual General Meeting. The Directors to retire in each year are those who have been longest in office since their last election. Retiring Directors are eligible for re-election by the shareholders.

A Director appointed to the office of Managing Director, Joint Managing Director or Executive Director does not retire by rotation.

**2. Directors Remuneration**

***Remuneration Committee***

The Remuneration Committee of the Company's Parent Company, The Colombo Fort Land and Building PLC functioned as the Company's Remuneration Committee until the Company formed its own Remuneration Committee in December 2012. The Remuneration Committee Report is set out on page 12.

***Disclosures of Remuneration***

Aggregate remuneration paid to Directors is disclosed in Note 27 (d) to the Financial Statements on page 91.

**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 web site (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 15 to 18 in this Report. The Auditor's Report on the Financial Statements is given on page 20 of this Annual Report. Non-financial information of business segments are given on page 93.

### *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 unauthorized 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 time frame.

### *Audit Committee*

The Audit Committee Report is set out on pages 13 to 14 of this Report.

## 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. S.D.R. Arudpragasam | - Member (Managing Director/Executive) |

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 executive director on the committee contributes to the deliberations .

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
03rd June, 2013

# 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 Audit Committee comprises of two Independent Non-Executive Directors of E. B. Creasy & Company PLC (EBC PLC) and an Independent Non-Executive Director of The Colombo Fort Land & Building PLC (CFLB) (Parent Company)

The Committee members are as follows:

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

The members have varied experience, financial knowledge and business acumen to carry out their role effectively and efficiently. Two of the Committee members including the chairman are finance professionals.

The Company's Secretaries, Corporate Managers and Secretaries (Private) Ltd. functions 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 recommended 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 management the readiness for the convergence process of Sri Lanka Accounting Standards with International Financial Reporting Standards (SLFRS/LKAS) which impact Financial Statements of the Group for the year ended 31st March, 2013, and the implications for the Group. The External Auditors were engaged to assist on the process of convergence to International Financial Reporting Standards.

## 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 Risk Manager and the Risk Manager 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.

The Committee ensures the independence of the External Auditors and confirms the compliance with the requirements under the Companies Act No. 7 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 in relation thereto.

# Audit Committee Report

## Meetings and Attendance

The Audit Committee has met on four occasions during the year ended 31st March, 2013 and the attendance of the Committee was as follows:

| | | |
|---|---|---|
| Mr. A.R. Rasiah | - | (4/4) |
| Mr. S.N.P. Palihena | - | (3/4) |
| Mr. A.M. De S. Jayaratne | - | (4/4) |

Senior Management Personnel of the Company are invited to the meeting as and when required. The proceedings of the Audit Committee are reported to the Board of Directors.

## 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 re-appointment of KPMG as Auditors for the financial year ending 31st March, 2014 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

3rd June, 2013

# 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, 2013.

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, Management 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 20 to 106.

## Auditors' Report

The Auditors' Report on the Financial Statements is given on pages 20 and 21.

## Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 27 to 42 and these accounting policies have been consistently applied to all the years presented in these Financial Statements and in preparing the opening SLFRS Statement of financial position as at 01st April, 2011 for purpose of transition to SLFRS, unless otherwise stated in the accounting policies.

## 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 (b) to the Financial Statements on page 90.

## 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 and indirect shareholdings are set out below:

| Name of Director | No. of Shares as at 31.03.2013 | No. of Shares as at 31.03.2012 |
|---|---|---|
| Mr. A. Rajaratnam | 140 | 140 |
| Mr. S.D.R. Arudpragasam | 2,300 | 2,300 |
| Mr. S. Rajaratnam | – | – |
| Mr. R.N. Bopearatchy | – | – |
| Mr. R.C.A. Welikala | – | – |
| Mr. P.M.A. Sirimane | – | – |
| Mr. A.R. Rasiah | – | – |
| Mr. S.N.P. Palihena | – | – |

## Directors' Remuneration

Directors' remuneration in respect of the Group for the financial year 2012/13 is given in Note 27 (d) to the Financial Statements on page 91. (2011/12- Rs. 274.60 million) and in respect of the Company for the financial year 2012/13 is Rs. 98.99 million (2011/12 - Rs. 73.29 million).

## Corporate Donations

Donations made by the Group amounted to Rs. 2.0 million (2011/12 - Rs. 3.70 million).

# Annual Report of the Board of Directors

## 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 4 and 5.

| | |
|---|---|
| Mr. A. Rajaratnam | - *Chairman* |
| Mr. S.D.R. Arudpragasam | - *Managing Director* |
| Mr. S. Rajaratnam | - *Deputy Managing 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* |

In terms of Articles 91 and 92 of the Articles of Association Mr. A.R. Rasiah 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.

## Corporate Governance

Adoption of good governance practices has become an essential requirement in today's corporate culture. The practices carried out by the Company are given in the Corporate Governance Statement on pages 9 to 11.

## Auditors

The Financial Statements of the Company for the year have been audited by Messrs KPMG 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, Messrs KPMG were paid Rs. 14.96 million during the year under review (2011/12 - Rs. 13.15 million) as audit fees and fees for audit-related services by the Group. In addition, they were paid Rs. 2.12 million (2011/12 - Rs. 4.03 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. 8.81 million during the year under review (2011/12 - Rs. 5.52 million).

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

## Revenue

The revenue of the Group for the year was Rs. 29,093.81 million (2011/12 - Rs. 27,904.13 million).

## Results

The Group made a profit before tax of Rs. 991.96 million against a profit of Rs. 1,102.23 million in the previous year. The detailed results are given in the Statement of Comprehensive Income on page 22.

## Dividends

The Board of Directors have recommended the payment of a first and final dividend of Rs. 10/- per share on the ordinary shares of the Company for the year ended 31st March, 2013 for approval by the shareholders at the Annual General Meeting to be held on 28th June, 2013. 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 13.2.2 and 13.3 on pages 58 to 60.

# Annual Report of the Board of Directors

### Property, Plant & Equipment

During 2012/13, the Group invested Rs. 2,798.52 million in Property, Plant & Equipment (2011/12 - Rs. 2,290.25 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, 2013.

### Stated Capital

The stated capital of the Company as at 31st March, 2013 was Rs. 25.73 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, 2013 comprised of capital reserve on consolidation Rs. 126.72 million, general reserve of Rs. 21.68 million and retained earnings of Rs. 3,084.87 million whereas the total Group reserves as at 31st March, 2012 comprised of capital reserve on consolidation of Rs. 126.72 million, general reserves of Rs. 21.68 million and retained earnings of Rs. 2,806.38 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 1, 5 and 22 on pages 43, 45 and 77.

### Share Information

Information relating to earnings, dividend, net assets, market value per share and share trading is given on pages 47 and 108.

### 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 95.

### Capital Commitment and Contingent Liabilities

Capital commitments and contingent liabilities as at the Reporting date are disclosed in Note 29 and 30 on pages 93 and 98.

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

By Order of the Board,

**Corporate Managers & Secretaries (Private) Ltd.**
Secretaries

3rd June, 2013

# 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.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
+94 - 11 230 7345
Internet : www.lk.kpmg.com

## INDEPENDENT AUDITORS' REPORT

## TO THE SHAREHOLDERS OF E. B. CREASY & COMPANY PLC

### Report on the Financial Statements

We have audited the accompanying financial statements of E. B. Creasy & Company PLC (the "Company"), the consolidated financial statements of the Company and its subsidiaries (the "Group") as at 31st March 2013 which comprise the statement of financial position as at 31st March 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 22 to 105 the annual Report.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Scope of Audit and Basis of Opinion*

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

### *Opinion*

#### Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st March 2013 and the financial statements give a true and fair view of the financial position of the Company as at 31st March 2013 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

# Independent Auditors' Report

***Opinion***

Group

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries dealt with thereby as at 31st March 2013, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Emphasis of Matter

Without qualifying our opinion we draw attention to Note 34 to these Financial Statements regarding matters that may cast significant doubt that the respective Group Companies will be able to continue as a going concern

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Sections 153(2) to 153(7) of the Companies Act No. 07 of 2007.

KPMG.

Chartered Accountants

3rd June, 2013
Colombo

# Statement of Comprehensive Income

| *For the Year ended 31st March,* | Note | GROUP 2013 Rs. '000 | GROUP 2012 Rs. '000 | COMPANY 2013 Rs. '000 | COMPANY 2012 Rs. '000 |
|---|---|---|---|---|---|
| Revenue | 1 | 29,093,808 | 27,904,133 | 2,213,801 | 1,813,138 |
| Cost of Sales | | (23,081,240) | (22,727,276) | (1,477,092) | (1,258,664) |
| Gross Profit | | 6,012,568 | 5,176,857 | 736,709 | 554,474 |
| Other Income | 2 | 490,984 | 406,306 | 32,127 | 22,681 |
| Gains/(Loss) on Change in Fair Value of Biological Assets | | 103,472 | (48,529) | – | – |
| Distribution Expenses | | (1,679,132) | (1,638,675) | (248,607) | (189,863) |
| Administrative Expenses | | (2,742,896) | (2,237,294) | (297,059) | (217,198) |
| Other Expenses | | (165,421) | (77,571) | – | – |
| Excess on Acquisition | | 43,296 | 107,104 | – | – |
| Net Finance Expenses | 3 | (1,070,911) | (585,967) | (66,519) | (75,298) |
| Profit before Taxation | 4 | 991,960 | 1,102,231 | 156,651 | 94,796 |
| Income Tax Expenses | 5 | (247,347) | (304,784) | 11,340 | 5,441 |
| Profit after Taxation | | 744,613 | 797,447 | 167,991 | 100,237 |
| **Other Comprehensive Income** | | | | | |
| Net Change in Fair Value of Available-for-sale Financial Assets | | (19,813) | 167,038 | 212 | 83 |
| Defined Benefit Plan Actual Gain/(Losses) | | (1,041) | (45,606) | (37,797) | (8,639) |
| Other Comprehensive Income for the Year Net of Tax | | (20,854) | 121,432 | (37,586) | (8,556) |
| Total Comprehensive Income for the Year | | 723,759 | 918,879 | 130,406 | 91,682 |
| **Profit Attributable to:** | | | | | |
| Equity Holders of the Company | | 278,255 | 236,111 | 167,991 | 100,237 |
| Non-controlling Interest | | 466,358 | 561,336 | – | – |
| Profit for the Year | | 744,613 | 797,447 | 167,991 | 100,237 |
| Total Comprehensive attributable to: | | | | | |
| Equity Holders of the Company | | 230,903 | 375,975 | 130,406 | 91,682 |
| Non-controlling Interest | | 492,856 | 542,904 | – | – |
| Total Comprehensive Income for the Year | | 723,759 | 918,879 | 130,406 | 91,682 |
| Earnings per Share (Rs.) | 6 | 109.75 | 93.14 | 66.27 | 39.54 |
| Dividend per Share (Rs.) | 7 | 10.00 | 6.00 | 10.00 | 6.00 |

The Accounting Policies and Notes on pages 27 to 106 form an integral part of these Financial Statements.

*Figures in brackets indicate deductions.*

# Statement of Financial Position

| *As at 31st March,* | Note | GROUP<br>31st March, 2013 Rs. '000 | GROUP<br>31st March, 2012 Rs. '000 | GROUP<br>01st April, 2011 Rs. '000 | COMPANY<br>31st March, 2013 Rs. '000 | COMPANY<br>31st March, 2012 Rs. '000 | COMPANY<br>01st April, 2011 Rs. '000 |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| **Non-Current Assets** | | | | | | | |
| Property, Plant & Equipment | 8 | 13,951,165 | 11,240,853 | 9,885,442 | 993,800 | 1,040,840 | 1,013,333 |
| Investment Property | 9 | 52,856 | 56,843 | 61,580 | – | – | – |
| Leasehold Right to Land | 10 | 418,142 | 431,130 | 444,118 | – | – | – |
| Biological Assets | 11 | 703,816 | 588,650 | 622,142 | – | – | – |
| Intangible Assets | 12 | 532,880 | 533,258 | 334,373 | – | – | – |
| Investments in Subsidiaries | 13.1 | – | – | – | 614,736 | 614,736 | 616,570 |
| Financial Assets Available-for-Sale | 13.2 | 269,492 | 273,294 | 203,537 | 1,468 | 1,257 | 959 |
| Defined Benefit Obligations Plan Assets | 23 | 118,788 | 112,282 | 107,701 | – | – | – |
| Deferred Tax Asset | 22.1 | 45,632 | 30,913 | 20,091 | – | – | – |
| | | 16,092,771 | 13,267,223 | 11,678,984 | 1,610,004 | 1,656,833 | 1,630,862 |
| **Current Assets** | | | | | | | |
| Inventories | 14 | 4,021,627 | 3,281,818 | 3,245,046 | 580,374 | 433,107 | 351,304 |
| Amount Due from Related Companies | 15 | 1,819,149 | 649,568 | 147,312 | 38,023 | 78,474 | 5,759 |
| Trade and Other Receivables | 16 | 5,848,548 | 4,835,142 | 3,845,720 | 197,489 | 194,980 | 119,780 |
| Income Tax Refund Due | | 60,948 | 159,990 | 98,899 | – | – | – |
| Financial Assets Fair Value through Profit and Loss | 13.3 | 320,519 | 365,291 | 48,733 | – | – | – |
| Cash & Cash Equivalents | 17.1 | 1,474,265 | 1,896,943 | 1,354,891 | 32,501 | 30,398 | 19,317 |
| | | 13,545,056 | 11,188,752 | 8,740,601 | 848,387 | 736,959 | 496,160 |
| **Total Assets** | | 29,637,827 | 24,455,975 | 20,419,585 | 2,458,391 | 2,293,792 | 2,127,022 |
| **EQUITY AND LIABILITIES** | | | | | | | |
| **Equity** | | | | | | | |
| Stated Capital | 18 | 25,731 | 25,731 | 25,731 | 25,731 | 25,731 | 25,731 |
| Capital Reserves | 19.1 | 126,715 | 126,715 | 126,715 | – | – | |
| General Reserves | 19.2 | 21,679 | 21,679 | 21,679 | 9,548 | 9,548 | 9,548 |
| Retained Earnings | | 3,084,865 | 2,806,384 | 2,445,100 | 947,495 | 842,445 | 765,977 |
| Equity Attributable to Equity Holders of the Company | | 3,258,990 | 2,980,509 | 2,619,225 | 982,774 | 877,724 | 801,256 |
| Non-Controlling Interest | | 5,649,676 | 5,337,819 | 5,212,440 | – | – | – |
| **Total Equity** | | 8,908,666 | 8,318,328 | 7,831,665 | 982,774 | 877,724 | 801,256 |
| **Non-Current Liabilities** | | | | | | | |
| Interest-Bearing Loans and Borrowings | 20.1 | 4,238,857 | 2,794,144 | 2,901,944 | 261,224 | 164,248 | 146,093 |
| Deferred Income and Capital Grants | 21 | 570,152 | 553,092 | 560,883 | – | – | – |
| Deferred Tax Liability | 22.2 | 446,637 | 425,310 | 329,714 | 15,290 | 30,818 | 40,235 |
| Retirement Benefit Obligations | 23 | 2,062,388 | 1,927,365 | 1,806,061 | 163,867 | 107,540 | 89,143 |
| | | 7,318,034 | 5,699,911 | 5,598,602 | 440,381 | 302,606 | 275,471 |
| **Current Liabilities** | | | | | | | |
| Interest-Bearing Loans and Borrowings | 20.2 | 4,559,656 | 3,099,309 | 2,466,912 | 288,488 | 322,313 | 305,450 |
| Current Taxation Payable | | 104,688 | 154,753 | 173,950 | 8,088 | 3,946 | 16 |
| Trade and Other Payables | 24 | 4,859,856 | 3,895,730 | 2,916,388 | 430,137 | 399,436 | 358,716 |
| Amount Due to Related Companies | 25 | 676,314 | 502,596 | 108,809 | 106,201 | 279,796 | 283,809 |
| Bank Overdraft | 17.2 | 3,210,613 | 2,785,348 | 1,323,259 | 202,322 | 207,971 | 102,304 |
| **Total Current Liabilities** | | 13,411,127 | 10,437,736 | 6,989,318 | 1,035,236 | 1,213,462 | 1,050,295 |
| **Total Equity and Liabilities** | | 29,637,827 | 24,455,975 | 20,419,585 | 2,458,391 | 2,393,792 | 2,127,022 |

The Accounting Policies and Notes on pages 27 to 106 form an integral part of these Financial Statements.

*Figures in brackets indicate deductions.*

I certify that the Financial Statements are prepared in compliance with the requirements of the Companies Act No. 7 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*

R.C.A. Welikala
*Director*

3rd June, 2013
Colombo

# Statement of Changes in Equity

GROUP

| | Attributable to Equity Holders of Parent | | | | | | Non-Controlling Interest | Total |
|---|---|---|---|---|---|---|---|---|
| | Stated Capital | Capital Reserves on Consolidation | Revaluation Reserve | General Reserve | Retained Earnings | Total | | |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Balance as at 31st March 2011 | 25,731 | 100,549 | 782,798 | 148,427 | 971,251 | 2,028,776 | 5,198,600 | 7,227,376 |
| Capitalization of the Borrowing Cost | – | – | – | – | 288 | 288 | 1,018 | 1,306 |
| Fair Valuation of Available-for-Sale Financial Assets (AFS) | – | – | – | – | 155,451 | 155,451 | 7,100 | 162,551 |
| Fair Valuation of Biological Assets | – | – | – | – | 58,372 | 58,372 | 339,950 | 398,322 |
| Fair Valuation of Long-Term Loans | – | – | – | – | 5,840 | 5,840 | 6,321 | 12,161 |
| Recognition of Deferred Tax | – | – | – | – | 4,689 | 4,689 | (441) | 4,248 |
| Retirement Benefit Obligation - Actuarial Gain/(Loss) | – | – | – | – | (3,477) | (3,477) | 24,338 | 20,861 |
| Reversal of Provision made Under Previous GAAP | – | – | – | – | 4,441 | 4,441 | 399 | 4,840 |
| Transfer from Revaluation Surplus to Retained Earnings | – | 26,166 | (782,798) | (126,748) | 883,380 | – | – | – |
| Reversal the Excess on Non-Controlling Interest | | | | | 364,865 | 364,845 | (364,845) | – |
| Balance as at 1st April 2011 | 25,731 | 126,715 | – | 21,679 | 2,445,100 | 2,619,225 | 5,212,440 | 7,831,665 |
| Adjustment Due to Change in Holding | – | – | – | – | 523 | 523 | (523) | – |
| Dividend Payment - Ordinary Shares | – | – | – | – | (15,213) | (15,213) | (199,724) | (214,937) |
| Net of Acquisition/(Disposal) of Subsidiary | – | – | – | – | – | – | (217,278) | (217,278) |
| Total Comprehensive Income for the Year | | | | | | | | |
| Profit for the Year | – | – | – | – | 236,111 | 236,111 | 561,336 | 797,447 |
| Other Comprehensive Income for the Year | – | – | – | – | 139,863 | 139,863 | (18,432) | 121,431 |
| Balance as at 31st March 2012 | 25,731 | 126,715 | – | 21,679 | 2,806,384 | 2,980,509 | 5,337,819 | 8,318,328 |
| Adjustment Due to Change in Holding | – | – | – | – | 72,933 | 72,933 | 2,651 | 75,584 |
| Net of Acquisition/(Disposal) of Subsidiary | – | – | – | – | – | – | (41,494) | (41,494) |
| Dividend Payment - Ordinary Shares | – | – | – | – | (25,355) | (25,355) | (142,155) | (167,510) |
| Total Comprehensive Income for the Year | | | | | | | | |
| Profit for the Year | – | – | – | – | 278,255 | 278,255 | 466,358 | 744,613 |
| Other Comprehensive Income for the Year | – | – | – | – | (47,352) | (47,352) | 26,497 | (20,855) |
| Balance as at 31st March 2013 | 25,731 | 126,715 | – | 21,679 | 3,084,865 | 3,258,990 | 5,649,676 | 8,908,666 |

COMPANY

| | Stated Capital Rs. '000 | Revaluation Reserve Rs. '000 | General Reserve Rs. '000 | Retained Earnings Rs. '000 | Total Rs. '000 |
|---|---|---|---|---|---|
| Balance as at 31st March 2011 | 25,731 | 525,659 | 9,548 | 245,715 | 806,653 |
| Impact of adopting SLFRSs as at 1st April 2011 | – | (525,659) | – | 520,262 | (5,397) |
| Balance as at 1st April 2011 | 25,731 | – | 9,548 | 765,977 | 801,256 |
| Total Comprehensive Income - Profit for the year | – | – | – | 100,237 | 100,237 |
| Total Other Comprehensive income | – | – | – | (8,556) | (8,556) |
| Dividend for the year | – | – | – | (15,213) | (15,213) |
| Balance as at 31st March 2012 | 25,731 | – | 9,548 | 842,445 | 877,724 |
| Total Comprehensive Income - Profit for the year | – | – | – | 167,991 | 167,991 |
| Total Other Comprehensive income | – | – | – | (37,586) | (37,586) |
| Dividend for the year | – | – | – | (25,355) | (25,355) |
| Balance as at 31st March 2013 | 25,731 | – | 9,548 | 947,495 | 982,774 |

The Accounting Policies and Notes on pages 27 to 106 form an integral part of the Financial Statements.

*Figures in brackets indicate deductions.*

# Statement of Cash Flow

| For the year ended 31st March, | GROUP 2013 Rs. '000 | GROUP 2012 Rs. '000 | COMPANY 2013 Rs. '000 | COMPANY 2012 Rs. '000 |
|---|---|---|---|---|
| **A. Cash Generated from Operations** | | | | |
| Profit Before Tax | 991,960 | 1,102,231 | 156,651 | 94,796 |
| **Adjustments for:** | | | | |
| Depreciation on Property, Plant and Equipment | 694,306 | 667,443 | 106,252 | 71,278 |
| Gains/(Loss) on Change in Fair Value of Biological Assets | (103,472) | (48,529) | – | – |
| Provision for Impairment on Property Plant & Equipment | (7,093) | 8,965 | – | – |
| (Profit)/Loss on Disposal of Property, Plant & Equipment | (37,888) | (43,470) | (239) | (3,287) |
| (Profit)/Loss on Disposal of Software | 181 | – | – | – |
| Depreciation on Investment property | 4,751 | 4,024 | – | – |
| Gain/(Loss) on Translation of Foreign Currency | (10,600) | 52,763 | – | – |
| (Profit)/Loss on Disposal of Investments | (269) | (53,101) | – | (212) |
| Provision/(Reversal) for Bad and Doubtful Debts | (44,674) | 11,416 | 102 | 438 |
| Provision/(Reversal) for Bad and Doubtful related party | (38,148) | (60,589) | 270 | 264 |
| Provision for Obsolete Inventories | (1,798) | 20,470 | (166) | 3,014 |
| Provision for Retiring Benefit | 370,812 | 382,640 | 26,109 | 17,490 |
| Amortization of Differed Income & Capital Grants | (17,638) | (19,005) | – | – |
| Interest Income | (74,052) | (6,024) | (22,834) | (22,915) |
| Dividend Received | (4,766) | (6,083) | (27,481) | (15,876) |
| Interest Expenses | 1,361,854 | 646,015 | 120,033 | 93,499 |
| Amortization of Lease Hold Land | 12,988 | 12,988 | – | – |
| Excess on Acquisition | (43,296) | (107,104) | – | – |
| Amortization of Software | 196 | – | | |
| Amortization of Trademark | – | 172 | – | – |
| | 3,053,354 | 2,565,222 | 358,697 | 238,489 |
| (Increase)/Decrease in Inventories | (113,551) | (41,634) | (147,102) | (84,818) |
| (Increase)/Decrease in Trade and Other Receivables | (299,157) | (586,129) | (2,611) | (75,636) |
| (Increase)/Decrease in Related Party Receivables | (1,131,433) | (492,247) | 40,182 | (72,979) |
| Increase/(Decrease) in Related Party Payables | 173,572 | 393,017 | (173,595) | (4,015) |
| Increase/(Decrease) in Trade and Other Payables | 65,574 | 726,304 | 30,700 | 40,721 |
| | 1,748,359 | 2,564,333 | 106,271 | 41,762 |
| **Cash Flows from Operating Activities** | | | | |
| Cash generated from Operations (Note A) | 1,748,359 | 2,564,533 | 106,271 | 41,762 |
| Gratuity paid | (257,519) | (276,215) | (7,579) | (7,731) |
| Interest Paid | (1,249,583) | (541,723) | (111,367) | (83,721) |
| Income Taxes Paid | (207,308) | (214,405) | (46) | (46) |
| **Net Cash Flows from Operating Activities** | 33,949 | 1,531,690 | (12,721) | (49,736) |

# Statement of Cash Flow

| *For the year ended 31st March,* | GROUP 2013 Rs. '000 | GROUP 2012 Rs. '000 | COMPANY 2013 Rs. '000 | COMPANY 2012 Rs. '000 |
|---|---|---|---|---|
| Cash Flows from Investing Activities | | | | |
| Purchase and construction of Property, Plant & Equipment | (2,176,497) | (2,186,795) | (59,252) | (98,800) |
| Purchase of Biological Asset | (11,694) | (15,037) | – | – |
| Proceeds on disposal of Property, Plant & Equipment | 328,097 | 473,918 | 283 | 3,297 |
| Purchase of Investment Property | (764) | – | – | – |
| Acquisition of Subsidiary ( Note 31) | (1,619,682) | (377,611) | – | – |
| Proceeds from sale of Investments | 81,861 | – | – | 2,047 |
| Purchase of Other Long Term / Short term Investment | – | (331,389) | – | (215) |
| Dividend Received | 4,766 | 6,083 | 27,481 | 15,876 |
| Interest Received | 74,052 | 6,025 | 22,834 | 22,915 |
| Net payments to Non-Controlling Interest | (142,155) | (199,724) | – | – |
| Net Cash flows from Investing Activities | (3,462,016) | (2,624,530) | (8,654) | (54,880) |
| | | | | |
| Cash flows from financing activities | | | | |
| Lease Rental Paid | (218,985) | (215,784) | (33,643) | (34,341) |
| Proceed from Long-Term loans | 3,584,589 | 577,081 | 290,000 | 45,000 |
| Payments of Long Term Loan | (1,231,444) | (566,780) | (111,375) | (47,425) |
| Proceeds from Short -Term loans | 471,621 | 182,289 | (90,500) | 62,009 |
| Debentures Borrowed/(Settled) | (35,000) | 200,000 | – | – |
| Capital Grants received | 34,698 | 11,210 | – | – |
| Dividends paid | (25,355) | (15,213) | (25,355) | (15,213) |
| Net Cash flows from Financing Activities | 2,580,124 | 172,803 | 29,127 | 10,030 |
| | | | | |
| Net increase /(decrease) in cash & cash equivalents | (847,943) | (920,037) | 7,752 | (94,586) |
| Cash & cash equivalents at the beginning of the year | (888,405) | 31,632 | (177,573) | (82,987) |
| Cash & cash equivalents at the end of period ( Note B) | (1,736,348) | (888,405) | (169,821) | (177,573) |
| | | | | |
| B. Analysis of Cash & Cash Equivalents | | | | |
| Bank borrowings | (3,210,613) | (2,785,348) | (202,322) | (207,971) |
| Cash in hand & at Bank | 1,474,265 | 1,896,943 | 32,501 | 30,398 |
| | (1,736,348) | (888,405) | (169,821) | (177,573) |

The Accounting Policies and Notes on pages 27 to 106 form an integral part of these 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, 2013 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 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 (ICASL) and with the requirements of the Companies Act No. 07 of 2007.

These Financial Statements for the year ended 31st March, 2013 are the first Financial Statements prepared and presented in accordance with Sri Lanka Accounting Standards immediately effective from 1st January, 2012. Financial Statements were prepared in accordance with Sri Lanka Accounting Standards (SLAS) effective up to 31st March, 2011 reconciled on convergence of the SLAS compliant Financial Statements to SLFRS/LKAS compliant Financial Statements are given in Note 35 to the Financial Statements.

The Consolidated Financial Statements for the year ended 31st March, 2013 were authorized for issue by the Directors on 3rd June, 2013.

### 2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for Short-Term Investments which are measured at fair value and Retirement Benefit Obligations which are measured at the present value of the defined benefit plans as explained in the respective Notes to the Financial Statements.

### 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.

### 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.

## 3. Significant Accounting Policies

The accounting policies set out below have been consistently applied to all periods presented in these Financial Statements and in preparing the opening SLFRS Statement of Financial Position as at 01st April, 2011 for the purpose of transition to SLFRS, unless otherwise stated 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.

# Accounting Policies

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.

As part of its transition to SLFRS, the Group elected to restate only those business combinations that occurred on or after the transition date (01st January, 2011).

#### *3.1.1 Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. 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 13.4 of the Financial Statements.

#### *3.1.2 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.

#### *3.1.3 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.

#### *3.1.4 Transactions and Non-Controlling Interest*

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Disposals to non-controlling interest results in gains and losses for the Group that are recorded in the profit and loss for the year. Purchases of non-controlling interest results in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of subsidiary.

### 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-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 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.

***3.3.1 Property, Plant & Equipment***

3.3.1.1 Recognition and Measurement

Items of Property, Plant & Equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of certain items of property, plant and equipment was determined by reference to a previous GAAP revaluation. The group elected to apply the optional exemption to use this previous revaluation as deemed cost at 01st April 2011, the date of transition.

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.

3.3.1.2 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 for which the commencement date for capitalization is on or after 01st April, 2011. 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.

3.3.1.3 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.

3.3.1.4 Subsequent Costs

The cost of replacing part of an item of Property, Plant & Equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized in accordance with the derecognition policy given below:

The costs of the day-to-day servicing of Property, Plant & Equipment are recognized in profit and loss as incurred.

3.3.1.5 Derecognition

The carrying amount of an item of Property, Plant & Equipment is derecognized on disposal, or when no future economic benefits are expected from its use. Gains and losses on derecognition are recognized in the Income Statement and gains are not classified as revenue.

3.3.1.6 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 profit or loss for the year on a straight-line basis over the estimated useful lives of each part of an item of Property, Plant & 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 | 5-13 years |
| Motor Vehicles | 3.3-10 years |
| Furniture, Fixtures & Fittings | 5-20 years |
| Computers | 4-6 years |
| Laboratory Equipment | 4-5 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 derecognized.

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

### *3.3.2 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.

3.3.2.1 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.

Negative goodwill arising on an acquisition represents the excess of the fair value of the net assets acquired over the cost of acquisition. Negative goodwill is recognized immediately in the Income Statement.

3.3.2.2 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.

3.3.2.3 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.

3.3.2.4 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 profit or loss 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.

3.3.2.5 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 profit or loss for the year as incurred.

### *3.3.3 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.

### *3.3.4 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.

### *3.3.5 Financial Instruments*

#### 3.3.5.1 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 marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset. The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, 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 Comprehensive Income. 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 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 derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the Statement of 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.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the Statement of Comprehensive Income.

#### (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.

#### 3.3.5.2 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.

*(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 derecognized 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 Comprehensive Income.

(c) Derecognition

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

3.3.5.3 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.

3.3.5.4 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.

3.3.5.5 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.

### *3.3.6 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.

### *3.3.7 Impairment of Assets*

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount. A CGU is the smallest identifiable asset group that generates cash flows that are largely independent from other asset groups.

Impairment losses are recognized in profit and loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of other assets in the unit on a *pro rata* basis.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset.

Reversal of impairment losses is recognized only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## 3.4 Retirement Benefit Obligation

### *3.4.1 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.

### *3.4.2 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 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.

#### *3.4.2.1 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.

### *3.4.3 Provisions*

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

## 3.5 Statement of Comprehensive Income

### *3.5.1 Revenue*

#### 3.5.1.1 Revenue Recognition

Revenue principally is recognized on an accrual basis in terms of Sri Lanka Accounting Standard 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.

#### 3.5.1.2 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.

#### 3.5.1.3 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 basis.

### *3.5.2 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.

#### 3.5.2.1 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.

### *3.5.3 Taxation*

#### 3.5.3.1 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.

#### 3.5.3.2 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.

### 3.6 Policies Specific to Plantation Companies

The plantation companies in the Group adopt certain accounting policies, which differ from that of the Group since the nature of operation of the plantation companies is significantly different from that of the rest of the Group.

Those accounting policies of plantation companies that significantly vary from the rest of the Group are given below:

#### *3.6.1 Biological Asset*

Biological assets are classified as mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, rubber, other plantations and nurseries are classified as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological asset includes tea trees, those that are not intended to be sold or harvested, however used to grow for harvesting agricultural produce from such biological assets. Consumable biological assets includes managed timber those that are to be harvested as agricultural produce or sold as biological assets.

#### *3.6.2 Bearer Biological Assets*

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting, fertilising etc. incurred between the time of planting and harvesting (when the planted area attains maturity) are classified as immature plantations.

Further, the general charges incurred on the plantation are apportioned based on the labour days spent on respective replanting and new planting, and capitalized on the immature areas. The remaining portion of the general charges is expensed in the accounting period in which it is incurred.

The cost of areas coming into bearing are transferred to mature plantations and depreciated over their useful life period.

#### *3.6.3 In filling Cost on Bearer Biological Assets*

Where in filling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance, the costs are capitalized in accordance with Sri Lanka Accounting Standard No. 16 and depreciated over the useful life at rates applicable to mature plantation.

Infilling costs that are not capitalized have been charged to the Income Statement in the year in which they are incurred.

#### *3.6.4 Consumable Biological Assets*

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 - 'Property, Plant & Equipment' as per the ruling issued by The Institute of Chartered Accountants of Sri Lanka.

The managed timber is measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer.

*3.6.5 Recognition and measurement*

The entity recognize the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

3.6.5.1 Variables

The main variables in DCF model concerns-

| Variable | Comment |
|---|---|
| Currency valuation | Rs. |
| Timber content | Estimate based on physical verification of girth, height and considering the growth of the each species in different geographical regions. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Company |
| Economic useful life | Estimate based on the normal life span of each species by factoring the forestry plan of the Company |
| Selling price | Estimate based on prevailing Sri Lankan market prices. Factor all the conditions to be fulfilled in bringing the trees in to saleable condition |

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.

The gain or loss arising on initial recognition of biological assets at fair value less cost to sell and from a change in fair value less cost to sell of biological assets are included in profit or loss for the period in which it arises.

## 5. Withdrawal of UITF Rulings

The Urgent Issue Task Force (UITF) rulings issued prior to 01st April, 2012 have been superseded by the Sri Lanka Accounting Standards with effect from 01st April, 2012. Consequently it is now required to treat transactions in which any of UITF rulings applied, in accordance with Sri Lanka accounting framework effective from 01st April, 2012.

The Company has recorded Leasehold Property (Leasehold Right to the Land) and correspondent liability in terms of UITF ruling issued by The Institute of Chartered Accountants of Sri Lanka prior to 01st April, 2012. It has been superseded by the Statement of Recommended Practice (SoRP) for Right-To-Use of Land on Lease which was approved by the Council of The Institute of Chartered Accountants of Sri Lanka on 19th December, 2012. Accordingly, the leasehold property is re-classified as 'Right-To-Use of Land'. Correspondent net liability to lessor re-classified as 'Liability to make lease payment'. If facts or circumstances indicate that there would be a significant change in the Liability to make Lease Payment since the previous reporting period, then the Company would elect to reassess the liability to make lease payment and right to use land then by carried out at sufficient frequency to ensure that such liability and asset does not differ materially from its carrying amount.

***3.6.6 Inventories***

Finish Goods Manufactured from Agricultural Produce of Biological Assets

These are valued at the lower of cost and estimated net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is the estimated selling price at which stocks can be sold in the ordinary course of business after allowing for cost of realization and/or cost of conversion from their existing state to saleable condition.

| | |
|---|---|
| Input Material | At average cost. |
| Growing Crop-Nurseries | At the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads. |
| Spares & Consumables | At actual cost. |

***3.6.7 Retirement Benefit Obligations***

Employees Benefits

*(a) Defined Contribution Plans - Provident Fund and Trust Fund*

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. 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.

The Company contributes 12% on consolidated salary of the employees to Ceylon Planters' Provident Society (CPPS)/Estate Staff Provident Society (ESPS)/ Employees' Provident Fund (EPF).

All the employees of the Company are members of the Employees' Trust Fund, to which the Company contributes 3% on the consolidated salary of such employees.

*(b) Defined Benefit Plan*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognized in the Financial Statements in respect of defined benefit plan is the present value of the defined benefit obligation at the Reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized to the Statement of Other Comprehensive Income in the period in which they arise. Past service costs are recognized immediately in Income Statement.

The provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 - 'Employee Benefits'. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service. The liability is not externally funded.

#### *3.6.8 Grants and Subsidies*

Grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is set up as deferred income. Where the Company receives non-monetary grants, the asset and that grant are recorded at nominal amounts and is released to the Income Statement over the expected useful life of the relevant asset by equal annual installments.

#### *3.6.9 Revenue Recognition*

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific criteria are used for the purpose of recognition of revenue:

(a) Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue is recorded at invoice value net of brokerage, sale expenses and other levies related to revenue.

(b) Gains and losses on disposal of an item of Property, Plant & Equipment are determined by comparing the net sales proceeds with the carrying amounts of Property, Plant & Equipment and are recognized within 'other operating income' in the Income Statement.

(c) Interest is recognized on a time proportion basis that takes in to accounts the effective interest rate on asset.

(d) Rental income is recognized on an accrual basis.

(e) Other income is recognized on cash basis.

## 3.7 Policies Specific to Hotel Sector

Following accounting policies of the hotel companies differ from that of the Group since the nature of the operations of the hotel companies are significantly different from that of the Group.

#### *3.7.1 Property, Plant & Equipment*

##### 3.7.1.1 Recognition and Measurement

Items of Property, Plant & Equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing cost. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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.

### 3.7.1.2 Gains and Losses on Disposal

Gains and losses on disposal of an item of Property, Plant & Equipment are determined by comparing the proceeds from disposal with the carrying amount of Property, Plant & Equipment, and are recognized net within 'other income/other expenses' in profit or loss.

### 3.7.1.3 Subsequent Costs

The cost of replacing a part of an item of Property, Plant & Equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of Property, Plant & Equipment are recognized in profit or loss as incurred.

### 3.7.1.4 Derecognition

The carrying amount of an item of Property, Plant & Equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an item of Property, Plant & Equipment is included in profit or loss when the item is derecognized. When replacement costs are recognized in the carrying amount of an item of Property, Plant & Equipment, the remaining carrying amount of the replaced part is derecognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.

### 3.7.1.5 Depreciation

Items of Property, Plant & Equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write-off the cost of items of Property, Plant & Equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is generally recognized in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative years are as follows:

| Type of Asset | No. of years |
|---|---:|
| Building on Freehold Land | 40 |
| Plant & Machinery | 10 |
| Equipment | 06 |
| Furniture & Fittings | 08 |
| Motor Vehicles | 04 |
| Software | 05 |
| Computer Equipment | 05 |
| Air-Conditioners | 06 |

Linen, Cutlery and Crockery on Replacement Basis.

Depreciation has not been provided on freehold land.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

### 3.7.1.6 Capital Work-in-Progress

Capital expenses incurred during the year which are not completed as at the Balance Sheet date are shown as capital work-in-progress, while the capital assets which have been completed during the year and put to use are transferred to Property, Plant & Equipment.

# Accounting Policies

### *3.7.2 Inventories*

Inventories are valued at the lower of cost and estimated net realizable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories 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. The cost of each category of inventory is determined on the following basis:

Food and Beverages
At actual cost on weighted average basis.

Maintenance and Others
At actual cost on weighted average basis.

### *3.7.3 Revenue and Expenditure Recognition*

Revenue represents the amounts derived from the provision of goods and services, which fall within the Company's ordinary activities, net of trade discounts and revenue related criteria are applied.

#### 3.7.3.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before-revenue is recognized.

#### 3.7.3.2 Income from Hotel

Apartment revenue is recognized on the rooms occupied on a daily basis and food and beverage and other hotel-related sales are recognized at the point of sale. All revenue are recognized on an accrual basis and matched with the related expenditure.

#### 3.7.3.3 Others

Other income is recognized on an accrual basis.
Gains and losses on the disposal of Property, Plant & Equipment have been accounted for in Statement of Comprehensive Income.

#### 3.7.3.4 Expenditure Recognition

All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to revenue in arriving at the profit/(loss) for the year.

### 3.8 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.

### 3.9 Segmental Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (Business/Industry segment) or in providing products or services within a particular economic environment (Geographical segment). Segmental information is presented in respect of the Group's business or Geographical segments. The primary format business segments are based on the Groups management and internal reporting structure.

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

### 3.10 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'.

### 3.11 General

### *3.11.1 Earnings Per Share*

The Group presents 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.

### *3.11.2. Movement of Reserves*

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

#### *3.11.3 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.

#### *3.11.4 Comparative Figures*

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

#### *3.11.5 Capital Commitments and Contingencies*

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

#### *3.11.6 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.

## 4. First-Time Adoption of SLFRS

The Financial Statements, for the year ended 31st March, 2013, are the first the Financial Statement that Company prepared in accordance with SLFRS. For periods up to and including the year ended 31st March, 2012, the Company prepared its Financial Statements in accordance with Sri Lanka Accounting Standards (SLAS).

Accordingly, the Company prepared Financial Statements which comply with SLFRS applicable for periods ending on or after 31st March, 2013, together with the comparative period data as at and for the year ended 31st March, 2012, as described in the accounting policies. In preparing these Financial Statements, the Company's opening Statement of Financial Position was prepared as at 01st April, 2011, the Company's date of transition to SLFRS. This note explains the principal adjustments made by the Company in restating its SLASs Statement of Financial Position as at 01 April, 2011 and its previously published SLASs Financial Statements as at and for the year ended 31st March, 2012.

### 4.1 Exemptions Applied

SLFRS 1 First-Time Adoption of Sri Lanka Financial Reporting Framework and Statements of Recommended Practices allows first-time adopters certain exemptions from the retrospective application of certain SLFRS.

The Company has applied the following exemptions:

- ***Fair Value or Revaluation as Deemed Cost***

Freehold Property, Plant & Equipment, were carried in the Statements of Financial Position prepared in accordance with the SLAS, using the cost model. The Company has not elected to use the fair value as deemed cost.

- **Employee Benefits**

Employee benefit was carried at the Statement of Financial Position prepared in accordance with the LKAS. The Company has not elected to use the corridor approach to recognize the employee benefit.

- Estimates

The estimates at 01st April, 2011 and at 31st March, 2011 are consistent with those made for the same dates in accordance with SLAS (after adjustments to reflect any differences in accounting policies) apart from the following items where application of SLAS did not require estimation:

- Biological assets - managed timber
- Liability to make lease payment
- Available-for-Sale Financial Assets - unquoted equity shares

The estimates used by the Company to present these amounts in accordance with SLFRS reflect conditions at 1st April, 2011, the date of transition to SLFRS and as of 31st March, 2012.

## 5. Standards Issued but not yet Effective

Standards issued but not yet effective up to the date of issuance of the Company's interim Financial Statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these Standards when they become effective.

### SLFRS 9 - Financial Instruments: Classification and Measurement

SLFRS 9 replaces LKAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in LKAS 39. The standard is effective for annual periods beginning on or after 1st January, 2015. The adoption of the first phase of SLFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

### SLFRS 12 - Disclosure of Interests in Other Entities

SLFRS 12 includes all of the disclosures that were previously in LKAS 27 related to Consolidated Financial Statements, as well as all of the disclosures that were previously included in LKAS 31 and LKAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.
This Standard becomes effective for annual periods beginning on or after 1st January, 2014.

### SLFRS 13 - Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not state when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted. The Company is currently assessing the impact that this Standard will have on the financial position and performance. This Standard becomes effective for annual periods beginning on or after 1st January, 2014.

## 6. Explanations to the Transition of SLFRS

To comply with the SLFRS 1, the Company provides explanations to the transition to SLFRS from SLAS. The explanations include a background and quantification of the change. This also includes reconciliation of Company's equity as at the date of transition 1st April, 2011 and end of latest reporting period 31st March, 2012. Reconciliation for total comprehensive income includes only for the financial year ended 31st March, 2012.

# Notes to the Financial Statements

## 1. Revenue

| *For the year ended 31st March* | GROUP 2013 Rs. '000 | GROUP 2012 Rs. '000 | COMPANY 2013 Rs. '000 | COMPANY 2012 Rs. '000 |
|---|---|---|---|---|
| Revenue | 34,443,950 | 32,437,504 | 2,253,570 | 1,843,203 |
| Nations Building Tax | (90,414) | (76,547) | (39,769) | (30,065) |
| | 34,353,536 | 32,360,957 | 2,213,801 | 1,813,138 |
| Intra-Group Sales | (5,259,728) | (4,456,824) | – | – |
| | 29,093,808 | 27,904,133 | 2,213,801 | 1,813,138 |

## 2. Other Income

| *For the year ended 31st March* | GROUP 2013 Rs. '000 | GROUP 2012 Rs. '000 | COMPANY 2013 Rs. '000 | COMPANY 2012 Rs. '000 |
|---|---|---|---|---|
| Profit on Disposal of Property, Plant & Equipment | 37,888 | 43,470 | 239 | 3,287 |
| Sale of Rubber trees | 130,900 | 44,444 | – | – |
| Sale of Timber | 3,220 | 3,214 | – | – |
| Amortisation of Capital Grant/Deferred Income | 17,636 | 19,001 | – | – |
| Sale of Scraps | 2,524 | 12,621 | – | – |
| Rental Income | 69,707 | 67,185 | 3,533 | 1,689 |
| Dividend Income | 4,766 | 6,083 | 27,481 | 15,876 |
| Reversal of Provision made for Investments | 3,218 | – | – | – |
| Reversal of Provision for Related Party Receivables | 38,148 | 46,225 | – | – |
| Reversal of provision for Doubtful Receivables | 44,674 | 218 | – | – |
| Creditors not payable written back | 33,521 | 17,971 | – | – |
| Written back of over provision of Statutory and Other Liabilities | 1,357 | 526 | – | – |
| Profit from Tea Center | 21,156 | 1,649 | – | – |
| Profit/(Loss) on Disposal of Investment | 269 | 53,101 | – | 212 |
| Commission Income | 6,040 | 2,088 | – | – |
| Management Fee Written Back | – | 22,417 | – | – |
| Profit/(Loss) on Disposal of SoftWare | 181 | – | – | – |
| Sundry Income | 75,779 | 66,093 | 874 | 1,617 |
| | 490,984 | 406,306 | 32,127 | 22,681 |

## 3. Net Finance Expenses

| *For the year ended 31st March* | GROUP 2013 Rs. '000 | GROUP 2012 Rs. '000 | COMPANY 2013 Rs. '000 | COMPANY 2012 Rs. '000 |
|---|---|---|---|---|
| Finance Income | 74,052 | 9,070 | 372 | 104 |
| Guarantee Commission on Corporate Guarantees | – | – | 22,462 | 22,811 |
| Exchange Gain/(Loss) | 216,891 | 36,170 | 30,681 | (4,714) |
| Finance Expense (Note 3.1) | (1,361,854) | (631,207) | (120,034) | (93,499) |
| | (1,070,911) | (585,967) | (66,519) | (75,298) |

### 3.1 Finance Expenses

| | GROUP 2013 Rs. '000 | GROUP 2012 Rs. '000 | COMPANY 2013 Rs. '000 | COMPANY 2012 Rs. '000 |
|---|---|---|---|---|
| Interest on Short-Term Loans | 299,508 | 105,680 | 43,278 | 42,286 |
| Interest on Long-Term Loans | 336,554 | 248,826 | 36,533 | 18,229 |
| Interest on Finance Lease Obligations and JEDB/SLPC Estate Lease | 114,449 | 107,738 | 8,075 | 9,778 |
| Guarantee Commission on Corporate Guarantees | 5,341 | 5,694 | 5,341 | 5,694 |
| Overdraft Interest | 466,799 | 164,486 | 26,807 | 17,512 |
| Other Interest | 220,664 | 30,570 | – | – |
| | 1,443,315 | 662,994 | 120,034 | 93,499 |
| Amount Capitalized | (81,461) | (31,787) | – | – |
| | 1,361,854 | 631,207 | 120,034 | 93,499 |

## 4. Profit Before Taxation

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

| *For the year ended 31st March* | GROUP 2013 Rs. '000 | GROUP 2012 Rs. '000 | COMPANY 2013 Rs. '000 | COMPANY 2012 Rs. '000 |
|---|---|---|---|---|
| Auditors Remuneration | | | | |
| KPMG | 14,955 | 13,154 | 1,840 | 1,650 |
| Other Auditors | 8,814 | 5,524 | – | – |
| Fee Paid to Auditors for Non-Audit Services | | | | |
| KPMG | 2,115 | 4,036 | 325 | 259 |
| Depreciation on Property, Plant & Equipment | 581,365 | 561,915 | 106,251 | 71,278 |
| Provision for impairment on Property, Plant & Equipment | – | 30,726 | – | – |
| Depreciation on Investment Property | 4,751 | 4,737 | – | – |
| Amortization of Intangible Assets | 196 | 245 | – | – |
| (Reversal)/Provision for Bad & Doubtful Debts | (44,674) | 11,416 | 102 | 439 |
| (Reversal)/Provision for Doubtful Amounts Due from Related Parties | (38,148) | (60,589) | 270 | 265 |
| Provision for Fall in Value of Inventory | (1,998) | 20,470 | (106) | 3,014 |
| Amortization of Immature/Mature Plantations | 85,499 | 69,212 | – | – |
| Amortization of Leasehold Land | 12,988 | 12,988 | – | – |
| Amortization of Immovable Lease Assets of JEDB/SLSPC Estates | 27,443 | 36,316 | – | – |
| Donations | 2,003 | 3,704 | 334 | 1,368 |
| Staff Cost (Note 4.1) | 5,619,758 | 5,591,767 | 202,517 | 139,388 |

### 4.1 Staff Cost

| | | | | |
|---|---|---|---|---|
| Wages and Salaries | 4,580,433 | 4,773,667 | 118,820 | 95,068 |
| Defined Contribution Plan Cost - EPF/ETF | 526,449 | 347,439 | 17,900 | 15,248 |
| Defined Benefit Plan Cost - Retiring Gratuity | 350,894 | 338,617 | 26,110 | 17,490 |
| Other Staff Cost | 96,184 | 106,779 | – | – |
| Bonus | 65,798 | 25,265 | 39,687 | 11,582 |
| | 5,619,758 | 5,591,767 | 202,517 | 139,388 |

| For the year ended 31st March | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2013 Rs. '000 | 2012 Rs. '000 | 2013 Rs. '000 | 2012 Rs. '000 |

## 5. Income Tax Expense

| | | | | |
|---|---|---|---|---|
| Income Tax on Profit for the Year | 254,955 | 254,540 | 4,143 | 3,946 |
| Transferred to/(From) Deferred Tax (Note 22) | (6,278) | 82,390 | (15,528) | (9,417) |
| (Over)/Under Provision from Previous Year | (1,330) | (32,146) | 45 | 30 |
| | 247,347 | 304,784 | (11,340) | (5,441) |

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

| | | | | |
|---|---|---|---|---|
| Profit before Tax | 991,960 | 1,102,231 | 156,651 | 94,796 |
| Intra-Group Eliminations | 178,395 | 1,372,357 | – | – |
| | 1,170,355 | 2,474,588 | 156,651 | 94,796 |
| Disallowable Expenses | 6,916,487 | 1,214,139 | 183,913 | 136,994 |
| Tax Deductible Expenses | (6,317,771) | (1,576,479) | (97,549) | (99,106) |
| Statutory Income from Business | 1,769,071 | 2,112,248 | 243,015 | 132,684 |
| Statutory Income Exempt under relocation undertakings | (183,796) | (253,551) | – | – |
| Statutory Income Exempt from Taxation under Section 21 A | (272,724) | (142,293) | (263,435) | (150,563) |
| Statutory Income/(Loss) | 1,312,551 | 1,716,404 | (20,420) | (17,879) |
| Add: Other Sources of Income | 199,525 | 142,454 | 22,808 | 22,449 |
| Total Statutory Income | 1,512,076 | 1,858,858 | 22,808 | 22,449 |
| Deductions Under Section 32 | (20,261) | – | (7,983) | (7,857) |
| Qualifying Payments | (16,767) | (10,915) | (30) | (500) |
| Tax Exempt Income | (137,361) | (505,484) | – | – |
| Tax Loss Claimed during the year | (229,012) | (111,433) | – | – |
| Taxable Income/(Loss) | 1,108,675 | 1,231,026 | 14,795 | 14,092 |
| Income Tax @ 28% | 219,340 | 200,623 | 4,143 | 3,946 |
| Income Tax @ 5% | – | 1,257 | – | – |
| Income Tax @ 10% | 20,406 | 32,796 | – | – |
| Income Tax @ 12% | 14,551 | 19,366 | – | – |
| Deemed Dividend Tax | 658 | 489 | – | – |
| Tax on Dividend Income | – | 9 | – | – |
| Income Tax Expense | 254,955 | 254,540 | 4,143 | 3,946 |

### 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 for 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.
- In accordance with the Section 20 of Inland Revenue Act No. 10 of 2006, the profit and income from relocated activities (Lankem Ceylon PLC has relocated its agro chemical and agro seeds operation to Pannala) is exempted from income tax for the period of five years commencing from year of assessment 2009/2010.
- Lankem Exports (Pvt) Ltd., Lankem Technology Services Ltd., Associated Farms Ltd. and Lankem Agro Chemicals Ltd. were non-operating during the year.
- In accordance with the agreement entered into with the Board of Investment (BOI) of Sri Lanka, under Section 17 of the G.C.E.C. Law No. 04 of 1978, profits of York Hotels (Kandy) Ltd. are exempted from income tax for a period of 10 years from the year in which the Company commences to make profits or within 5 years from the year the Company commenced commercial operations whichever is earlier. The Company is also entitled to a concessionary rate of tax at 2% of its turnover for 15 years immediately after the expiry of the said 10 years tax holiday. However, BOI has given a notice of cancellation and termination of all rights, privileges and benefits conferred on the enterprise under the conduct and operation of the project with effect from 23rd November, 2002.
- In accordance with the powers conferred on the Board of Investments (BOI) of Sri Lanka under Section 17 (2) of the BOI Law No. 04 of 1978 and in terms of the Agreement Registration Number 368-29-6-92 between BOI and Marawila Resorts PLC, the Company is not liable for tax on profits from business for a period of 10 years commencing from the year of assessment 2001/02. Accordingly the Company's tax holiday has been over as of 31st March 2011 and currently the Company is liable for income tax at the rate of 12% on profit from business and 28% on other income.
- In accordance with the Section 22 (1) and 22 (2) of the Inland Revenue Act No. 10 of 2006, the profits and income of Lankem Research Ltd. is exempted from Income Tax for a period of five years commencing from the year of assessment 2006/07. The said tax exemption provision expired and the Company is liable for income tax at 5% on its taxable income for the year of assessment 2011/12, 10% for 2012/13, and thereafter 15% as per the Section 48 of the Inland Revenue Act No. 10 of 2006.
- Sigiriya Village Hotels PLC and Beruwala Resorts Ltd. are liable for taxation at the rate of 12%. The income earned from other than the ordinary activities are liable to income tax at the rate of 10%.
- In accordance with the agreement entered in to with the Board of Investment (BOI) of Sri Lanka under section 17 Sun Agro Farms Ltd. is exempted from income tax for a period of 10 years with effect from 31st May 2008.
- The C.W. Mackie PLC and its subsidiaries are liable for income tax at 12% on taxable profits on non-traditional exports and 28% on other profits in accordance with the provisions of Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto.
- The taxable income of the Lankem Development PLC being a Construction company from the year of assessment 2011/12, is liable at 12% on its taxable income, in accordance with the provisions of the Inland Revenue Act No 10 of 2006 and subsequent amendments thereto.
- Profits from any agricultural undertakings falls within section 16 of the Inland Revenue Act No. 10 of 2006 would be exempt from income tax for a period of 5 years from 2006/2007 onwards. After the exemption period, applicable tax rate would be 10%. The corporate rate of tax applicable on other income of Kotagala Plantations PLC and Agarapatana Plantations Limited including the income not covered under section 16 (Profits from manufacture of tea) would be taxed at 28%.

## 6. Basic Earnings 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 | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Profit Attributable to Equity Holders of E. B. Creasy & Company PLC (Rs. '000) | 278,255 | 236,111 | 167,991 | 100,237 |
| Weighted Average Number of Ordinary Shares (No. '000) | 2,535 | 2,535 | 2,535 | 2,535 |
| Basic Earnings per Share (Rs.) | 109.75 | 93.14 | 66.27 | 39.54 |

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

## 7. Dividend Per Share

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Total Final Dividend Paid (Rs. '000) | 25,355 | 15,213 | 25,355 | 15,213 |
| Number of Ordinary Shares (No. '000) | 2,535 | 2,535 | 2,535 | 2,535 |
| Dividend per Share (Rs.) | 10.00 | 6.00 | 10.00 | 6.00 |

### 7.1 Proposed Dividend

The Directors have recommended the payment of a first and final dividend of Rs. 10/- per share (Rs. 10/- in 2011/12) which will be declared at the Annual General Meeting to be held on 28th June, 2013.

In accordance with the Sri Lanka Accounting Standard LKAS 10 - 'Events After the Reporting Period' this proposed first and final dividend has not been recognized as a liability in the Financial Statements for the year ended 31st March, 2013.

## 8. Property, Plant & Equipment

### 8.1 Company

| | Freehold | | | | | Leasehold | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Cost | Land Rs. '000 | Buildings Rs. '000 | Plant & Machinery Rs. '000 | Motor Vehicles Rs. '000 | Furniture & Fittings Rs. '000 | Leased Plant & Machinery Rs. '000 | Leased Motor Vehicles Rs. '000 | Leased Furniture & Fittings Rs. '000 | Work-In-Progress Rs. '000 | Total Rs. '000 |
| Balance as at 1st April 2010 | 453,000 | 220,372 | 223,206 | 4,435 | 54,462 | 118,479 | 23,059 | – | 19,977 | 1,116,990 |
| Additions | – | 60,469 | 96,414 | 13,500 | 2,617 | 4,585 | – | – | 36,820 | 214,405 |
| Disposals/Transfers | – | – | (153) | – | (66) | – | – | – | (56,797) | (57,016) |
| **Balance as at 31st March 2011** | **453,000** | **280,841** | **319,467** | **17,935** | **57,013** | **123,064** | **23,059** | **–** | **–** | **1,274,379** |
| Additions | – | 5,709 | 26,228 | – | 5,728 | 17,107 | 18,000 | 6,880 | 19,148 | 98,800 |
| Disposals/Transfers | – | – | 52,334 | 22,859 | (310) | (54,560) | (23,059) | – | – | (2,736) |
| **Balance as at 31st March 2012** | **453,000** | **286,550** | **398,029** | **40,794** | **62,431** | **85,611** | **18,000** | **6,880** | **19,148** | **1,370,443** |
| Additions | – | 27,780 | 13,396 | 380 | 12,807 | – | – | – | 32,669 | 87,032 |
| Disposals/Transfers | – | – | – | (59) | (3,962) | – | – | – | (27,780) | (31,801) |
| Balance as at 31st March 2013 | 453,000 | 314,330 | 411,425 | 41,115 | 71,276 | 85,611 | 18,000 | 6,880 | 24,037 | 1,425,674 |
| | | | | | | | | | | |
| Accumulated Depreciation | | | | | | | | | | |
| Balance as at 1st April 2010 | – | 3,597 | 103,384 | 4,201 | 45,654 | 32,367 | 22,826 | – | – | 212,029 |
| Charge for the year | – | 11,027 | 21,420 | 2,919 | 2,907 | 10,575 | 233 | – | – | 49,081 |
| Disposal/Transfers | – | – | – | – | (64) | – | – | – | – | (64) |
| **Balance as at 31st March 2011** | **–** | **14,624** | **124,804** | **7,120** | **48,497** | **42,942** | **23,059** | **–** | **–** | **261,046** |
| Charge for the Year | – | 14,113 | 35,285 | 4,095 | 3,155 | 8,472 | 5,390 | 768 | – | 71,278 |
| Disposal/Transfers | – | – | 36,653 | 22,869 | (310) | (38,874) | (23,059) | – | – | (2,721) |
| **Balance as at 31st March 2012** | **–** | **28,737** | **196,742** | **34,084** | **51,342** | **12,540** | **5,390** | **768** | **–** | **329,603** |
| Charge for the Year | – | 14,674 | 68,074 | 4,063 | 3,759 | 8,561 | 5,400 | 1,720 | – | 106,251 |
| Disposal/Transfers | – | – | – | (59) | (3,921) | – | – | – | – | (3,980) |
| Balance as at 31st March 2013 | – | 43,411 | 264,816 | 38,088 | 51,180 | 21,101 | 10,790 | 2,488 | – | 431,874 |
| | | | | | | | | | | |
| Carrying Amount | | | | | | | | | | |
| As at 31st March, 2013 | 453,000 | 270,919 | 146,609 | 3,027 | 20,096 | 64,510 | 7,210 | 4,392 | 24,037 | 993,800 |
| As at 31st March, 2012 | 453,000 | 257,813 | 201,287 | 6,710 | 11,089 | 73,071 | 12,610 | 6,112 | 19,148 | 1,040,840 |
| As at 31st March, 2011 | 453,000 | 266,217 | 194,663 | 10,815 | 8,516 | 80,122 | – | – | – | 1,013,333 |

***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 the machinery of BIC 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%.
- 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%.

## 8.2 Group

| | Freehold | | | | | | Leasehold | | | | Work-In-Progress | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Land | Buildings | Mature/ Immature Plantations | Plant & Machinery | Motor Vehicles | Furniture & Fittings | Immovable Lease Assets | Plant & Machinery | Motor Vehicles | Furniture & Fittings | | |
| | 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 2010 | 1,945,608 | 2,396,729 | 2,921,781 | 1,410,467 | 361,914 | 713,535 | 924,495 | 313,691 | 382,408 | 19,066 | 159,944 | 11,549,638 |
| On Acquisition of Subsidiary | 356,360 | 119,169 | – | – | 1,561 | 19,157 | – | – | 3,475 | – | – | 499,721 |
| Revaluation Reserve | – | (24,842) | – | – | – | – | – | – | – | – | – | (24,842) |
| Additions | 18,959 | 185,325 | 670,823 | 259,809 | 102,753 | 108,679 | – | 27,813 | 154,217 | 183 | 126,557 | 1,655,118 |
| Disposals | – | (159) | (137,221) | (805) | (18,459) | (1,070) | – | – | (30,090) | – | (125,269) | (313,073) |
| SLFRS Adjustment | 110,765 | 63,079 | (79,279) | 1,504 | 182 | (95,766) | (165,009) | – | 32,871 | (14,708) | 22,468 | (123,894) |
| **Balance as at 31st March 2011** | **2,431,692** | **2,739,301** | **3,376,104** | **1,670,975** | **447,951** | **744,535** | **759,486** | **341,504** | **542,880** | **4,541** | **183,700** | **13,242,668** |
| On Acquisition of Subsidiary | 219,800 | 50,450 | – | 17,059 | 628 | 18,420 | – | – | – | – | 8,969 | 315,326 |
| Additions | 27,113 | 243,914 | 798,781 | 297,684 | 112,745 | 151,622 | – | 18,712 | 173,096 | 6,880 | 459,702 | 2,290,248 |
| Disposals | (29,548) | (10,181) | (157,785) | 29,293 | 2,550 | (48,345) | – | (162,528) | (153,646) | – | (220,700) | (750,890) |
| SLFRS Adjustment | – | (7,037) | (15,035) | – | – | – | 7,035 | – | – | – | 3,725 | (11,312) |
| **Balance as at 31st March 2012** | **2,649,057** | **3,016,446** | **4,002,065** | **2,015,011** | **563,873** | **866,233** | **766,521** | **197,687** | **562,330** | **11,421** | **435,396** | **15,086,040** |
| On Acquisition of Subsidiary | 288,000 | 865,453 | – | 242,247 | 38,091 | 19,963 | – | – | – | – | – | 1,453,754 |
| Additions | 104,368 | 518,617 | 894,067 | 210,524 | 34,745 | 195,188 | – | – | 72,636 | – | 768,377 | 2,798,522 |
| Disposals | 20,041 | (37,768) | (266,786) | (47,649) | 16,297 | (11,624) | – | (7,000) | (72,085) | – | (549,389) | (955,963) |
| Balance as at 31st March 2013 | 3,061,466 | 4,362,749 | 4,629,346 | 2,420,133 | 653,007 | 1,069,759 | 766,521 | 190,687 | 562,881 | 11,421 | 654,383 | 18,382,352 |
| **Accumulated Depreciation** | | | | | | | | | | | | |
| Balance as at 1st April 2010 | – | 392,279 | 348,977 | 723,644 | 304,452 | 487,748 | 459,239 | 101,452 | 227,794 | 8,945 | – | 3,054,531 |
| On Acquisition of Subsidiary | – | 5,650 | – | – | 1,215 | 7,059 | – | – | 1,696 | – | – | 15,620 |
| Revaluation Reserve | – | – | (18,044) | – | – | – | (6,798) | – | – | – | – | (24,842) |
| Charge for the Year | – | 76,678 | 61,114 | 109,843 | 57,055 | 51,633 | 37,200 | 28,147 | 59,822 | 2,797 | – | 484,290 |
| Disposal/Transfers | – | – | – | (496) | (18,160) | (772) | – | – | (29,130) | – | – | (48,559) |
| SLFRS Adjustment | – | 1,563 | – | (870) | (2,815) | (76,037) | (56,717) | (6,707) | 19,810 | (9,967) | – | (131,740) |
| **Balance as at 31st March 2011** | **–** | **476,170** | **392,047** | **832,121** | **341,747** | **469,631** | **432,924** | **122,893** | **279,992** | **1,776** | **–** | **3,349,300** |
| On Acquisition of Subsidiary | – | 561 | – | 15,050 | 334 | 16,938 | – | – | – | – | – | 32,882 |
| Charge for the year | – | 88,141 | 69,212 | 193,590 | 108,030 | 72,636 | 36,316 | 16,324 | 81,956 | 1,238 | – | 667,443 |
| Disposal/Transfers | – | (2,834) | – | 14,496 | 9,074 | (47,130) | – | (90,244) | (128,341) | – | – | (244,979) |
| SLFRS Adjustment | – | 6,638 | – | (146) | – | (1,573) | (9,096) | – | 6,063 | – | – | 1,887 |
| **Balance as at 31st March 2012** | **–** | **568,676** | **461,258** | **1,055,111** | **459,185** | **510,501** | **460,144** | **48,972** | **239,670** | **3,014** | **–** | **3,806,533** |
| On Acquisition of Subsidiary | – | – | – | – | – | 15,156 | – | – | – | – | – | 15,156 |
| Charge for the year | – | 116,002 | 85,499 | 202,697 | 39,282 | 100,925 | 27,443 | 16,400 | 103,865 | 2,194 | – | 694,306 |
| Disposal/Transfers | – | (14,368) | – | 46,021 | 19,705 | 10,541 | – | (455) | (64,684) | – | – | (116,365) |
| Balance as at 31st March 2013 | – | 670,310 | 546,757 | 1,211,787 | 518,171 | 616,041 | 487,587 | 64,917 | 278,851 | 5,208 | – | 4,399,630 |
| **Provision for Impairment** | | | | | | | | | | | | |
| Balance as at 1st April 2010 | – | – | – | – | – | – | – | – | – | – | – | – |
| Charge for the year | – | – | – | – | – | 668 | – | 6,545 | – | 712 | – | 7,925 |
| **Balance as at 31st March 2011** | **–** | **–** | **–** | **–** | **–** | **668** | **–** | **6,545** | **–** | **712** | **–** | **7,925** |
| Charge for the year | – | – | – | 37,271 | – | – | – | (6,545) | – | – | – | 30,726 |
| **Balance as at 31st March 2012** | **–** | **–** | **–** | **37,271** | **–** | **668** | **–** | **–** | **–** | **712** | **–** | **38,651** |
| Reversal for the year | – | – | – | (7,093) | – | – | – | – | – | – | – | (7,093) |
| Balance as at 31st March 2013 | – | – | – | 30,178 | – | 668 | – | – | – | 712 | – | 31,558 |
| **Carrying Amount** | | | | | | | | | | | | |
| As at 31st March 2013 | 3,061,466 | 3,692,437 | 4,082,588 | 1,178,168 | 134,836 | 453,050 | 278,934 | 125,770 | 284,030 | 5,502 | 654,383 | 13,951,165 |
| As at 31st March 2012 | 2,649,057 | 2,447,770 | 3,540,806 | 922,628 | 104,688 | 355,063 | 306,377 | 148,714 | 322,660 | 7,695 | 435,396 | 11,240,853 |
| As at 31st March 2011 | 2,431,692 | 2,263,131 | 2,984,057 | 838,854 | 106,203 | 274,236 | 326,562 | 212,065 | 262,888 | 2,053 | 183,700 | 9,885,442 |

**Group**

***(i) Agarapatana Plantations Ltd., and Kotagala Plantations PLC***

(a) Leasehold land includes of leasehold rights to bare land of JEDB/SLSPC estates in Agarapatana Plantations Ltd. and Kotagala Plantations PLC. The leasehold rights to the land on all of these estates have been taken into the books of Companies as of 22nd June, 1992 immediately after the formation of Companies in terms of the ruling obtained from the Urgent Issues Task Force (UITF) of The Institute of Chartered Accountants of Sri Lanka. Immovable Leased Assets consists of immovable JEDB/SLSPC estate assets on finance leases in Agarapatana Plantations Ltd. and Kotagala Plantations PLC. In terms of ruling in the UITF of Institute of Chartered Accountants of Sri Lanka. All immovable assets under these finance leases have been taken into the books of companies retroactive 22nd June, 1992 and is as follows:

| | Rs. '000 |
|---|---|
| Agarapatana Plantations Ltd. | 270,504 |
| Kotagala Plantations PLC | 475,579 |

However, The Institute of Chartered Accountants of Sri Lanka has withdrawn the UITF ruling with the implementation of LKAS/SLFRS and introduced Statement of Recommended Practices (SoRP) on leasehold land on 19th December 2012. As per the SoRP right to use land not permit further revaluation.

(b) Mature immature plantations are investments in mature immature plantations since the formation of these companies. The assets (including plantation assets) taken over by a way of estate leases as set out in 8.2(v) a. Further investment in immature plantation taken over by way of leases are shown under mature/immature plantations. When such plantations become mature, the additional investment since taken over to bring them to maturity are transferred from immature to mature.

(c) Borrowing costs of Kotagala Plantations PLC, a subsidiary, amounting to Rs. 18.7 million (2011/12- Rs. 22.9 million) on tea and Rs. 38.4 million (2011/12 - 54.3 million) on Rubber incurred on term loans and overdrafts utilized to finance replanting expenditure of Tea & Rubber have been capitalized. The average rate of interest for capitalization was 9.4% (2011/12 - 11.4%). The capitalization will cease when crops are ready for harvest.

(d) Borrowing cost of Agarapatana Plantations Ltd., a subsidiary, amounting to Rs. 81.46 million (2011/12 - 31.79 million) incurred on long-term loans obtained to meet expenses relating to immature plantations have been capitalized as part of the cost of the Immature Plantations. The capitalization will cease when crops are ready for harvest.

***(ii) York Hotels (Kandy) Ltd.***

In march 2004, the Company's Land costing Rs. 13.53 million has been revalued by an Independent Valuer, Mr. D.S.A. Seneviratne, Incorporated Valuer and Assessor. The Surplus arising out of such revaluation amount to Rs. 32.47 million has been recognized as a revaluation reserve. Further, the Capital Work-in-Progress costing Rs. 67.07 million has been revalued in March, 2004 by the same valuer and the loss arising out of such revaluation amount to Rs. 12.94 million has been recognized in the Income Statement.

In March 2010, the company's Land and Capital Work in progress have been revalued at Rs. 138 million and Rs. 87 million respectively by Mr. R.S. Wijesuriya, Incorporated Chartered Valuer. Valuation gain related to the land of Rs. 92 million has been dealt through the Statement of Changes in Equity and the increase in the value of capital work-in-progress has been recognized only up to the amount of impairment loss already recognized in the income statement for Rs. 12.94 million.

***(iii) C.W. Mackie PLC***

Leasehold Immovable asset include Land & Building of C.W. Mackies PLC a subsidiary of the company, which has premises No. 34 and 36, D.R. Wijewardena Mawatha, Colombo 10 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 handling over the possession of the premises, the Company is not entitled to any compensation in respect of the land, buildings or improvements thereon.

**Assets Pledged as Securities against Bank Borrowings**

A primary concurrent mortgage bond for the mortgage of the company's lease hold interests on the premises at No. 34 and 36 D.R. Wijewardena Mawatha, Colombo 10 in favour of the lenders consortium composed of NDB Bank PLC (Rs. 64 million), Hatton National Bank PLC (Rs. 54 million) and Commercial Bank of Ceylon PLC (Rs. 47 million) to provide Security for the Company's Borrowings from the said Banks was duly executed in July 2003.

As per the C.W. Mackie PLC's request, the lenders consortium released and discharged the primary concurrent mortgage of the Company's Lease hold interests in the premises and increased their respective share of the primary concurrent mortgage in their favour over stocks and books debts covering their exposure.

***(iv) Beruwala Resorts PLC.***

Beruwala Resorts PLC., a subsidiary, have leased out a land from Sri Lanka tourism development authority from 30 years commencing from 1st August, 2007. The lease period will expire on 31st July, 2037. The Company has paid an amount of Rs. 1,450,000/- in year 2012/13 (2011/12 - Rs. 1,200,000/-).

***(v)*** 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.

***(vi)*** Property, Plant & Equipment pledged as securities in obtaining loans have been disclosed in Note 15.6 to these Financial Statements.

***(vii)*** The cost of fully depreciated assets as at balance sheet date are as follows:

| | 31.03.2013<br>Rs. | 31.03.2012<br>Rs. | 01.04.2011<br>Rs. |
|---|---|---|---|
| Freehold | | | |
| Plant & Machinery | 211,164 | 170,810 | 118,541 |
| Motor Vehicles | 34,485 | 48,044 | 50,244 |
| Furniture & Fittings | 84,159 | 85,016 | 85,016 |
| Leasehold | | | |
| Leased Motor Vehicles | 23,943 | 47,002 | 47,002 |
| | 353,751 | 350,872 | 300,803 |

### 8.3 Property, Plant & Equipment Extent

Details of Group's land, buildings, properties stated at valuation are indicated below:

| Company Name | Location | Extent Perches | No. of Buildings |
|---|---|---|---|
| E. B. Creasy & Company PLC<br>Land | Sri Sanagaraja Mawatha, Maradana | 38 | 2 |
| Creasy Foods Ltd.<br>Land | Ekala, Ja- Ela | 160 | 0 |
| Laxapana Batteries PLC<br>Land | Homagama | 584 | 3 |
| Lankem Ceylon PLC | | | |
| Land | St. Anthony's Road, Ekala Kuriduwatta | 480 | 11 |
| Land | Maithree Mawatha, Ekala | 240 | 4 |
| Land | Maguruwila Road, Gonawala | 881 | 8 |
| Land | Kandathoduwawa, Putlam | 4,055 | 2 |
| Lankem Development PLC<br>Land | Maguruwila Road, Gonawala | 89 | – |
| Marawila Resorts PLC<br>Land | Thalawila and Kuppayawela<br>Nattandiya | 3,259 | 36 |
| Sigiriya Village Hotels PLC<br>Land | Mankanai, Trincomalee | 1,362 | |
| York Hotels (Kandy) Ltd.<br>Land | Halolouwa, Katugastota | 920 | 2 |
| Galle Fort Hotel Services (Pvt) Ltd.<br>Land | Galle Fort, Galle | 37 | 8 |
| B.O.T. Hotels Services (Pvt) Ltd.<br>Land | Kapparathota Road Weligama | 525 | 1 |
| Sun Agro Farms Ltd.<br>Land | Mundalama, Puttlam | 15,390 | |
| C. W. Mackie PLC | | | |
| Land | Scan Bottling Plant<br>Munagama, Horana | 604 | 13 |
| Land | Industrial Estate<br>Aramanagolla, Horana. | 800 | 11 |
| Land | Thebuwana, Narthupana | 850 | 8 |

## 9. Investment Property

| | GROUP | | |
|---|---|---|---|
| | 31st March, 2013<br>Rs. '000 | 31st March, 2012<br>Rs. '000 | 01st April, 2011<br>Rs.'000 |
| **Cost** | | | |
| At the beginning of the year | 61,580 | 61,580 | 68,408 |
| Additions during the year | 764 | – | – |
| Transitional adjustment | – | – | (6,828) |
| At the end of the year | 62,344 | 61,580 | 61,580 |
| **Accumulated Depreciation** | | | |
| At the beginning of the year | 4,737 | – | 12,625 |
| Amortized during the year | 4,751 | 4,737 | 5,030 |
| Transitional adjustment | – | – | (17,655) |
| At the end of the year | 9,488 | 4,737 | – |
| Written down value | 52,856 | 56,843 | 61,580 |

C. W. Mackie PLC , a subsidiary of the Company has rented out a part of C. W. Mackie Building Complex and value of Land and Building of that portion has been classified as 'Investment Property' as required by LKAS 40 - 'Investment Property'.

Rental income earn from investment property by the company amounting to Rs. 68.9 million for the year ended 31st March, 2013 (2011/12 - Rs. 64.9 million) and direct operating expenses incurred for the same year amounting to Rs. 27.7 million (2011/12 - Rs. 33.6 million).

## 10. Leasehold Right to Land

| | GROUP | | |
|---|---|---|---|
| | 31st March, 2013 Rs. '000 | 31st March, 2012 Rs. '000 | 01st April, 2011 Rs. '000 |
| **Cost** | | | |
| At the beginning of the year | 686,430 | 686,430 | 684,022 |
| Additions during the period | – | – | 2,555 |
| Transfers | – | – | (147) |
| At the end of the year (Note 10.1) | 686,430 | 686,430 | 686,430 |
| **Accumulated Amortization** | | | |
| At the beginning of the year | 255,300 | 242,312 | 229,347 |
| Charge for the year | 12,988 | 12,988 | 12,965 |
| At the end of the year | 268,288 | 255,300 | 242,312 |
| Carrying Amount | 418,142 | 431,130 | 444,118 |

### 10.1 Leasehold Right to Land - Cost

| | GROUP | | |
|---|---|---|---|
| | 31st March, 2013 Rs. '000 | 31st March, 2012 Rs. '000 | 01st April, 2011 Rs.'000 |
| Kotagala Plantations PLC (Note 10.1.1) | 342,287 | 342,287 | 342,287 |
| Agarapatana Plantations Ltd. (Note 10.1.1) | 341,588 | 341,588 | 341,588 |
| Sun Agro Farms Ltd. | 2,555 | 2,555 | 2,555 |
| | 686,430 | 686,430 | 686,430 |

#### *10.1.1 Kotagala Plantations PLC and Agarapatana Plantations Ltd.*

Leasehold land consists of leasehold right to bare land of JEDB/SLSPC estates in Agarapatana Plantations Ltd. and Kotagala Plantations PLC.

All the leases executed as at reporting date will be retroactive 22nd June,1992. The leasehold right to bare land on all of the estates have been taken into the books of the Company as at 22nd June,1992 immediately after the formation of the Company in terms of the ruling obtained from the Urgent Issue Task Force (UITF) of the Institute of Charted Accountants of Sri Lanka. For this purpose, the Board decided at its meeting held on 8th March,1995 that these bear land would be revalued at the value established for this lands by valuation specialist, D.R. Wickramasinghe just prior to the formation of the respective companies. The lease hold rights to bare lands are being amortized by equal amounts over the 53 years lease period.

However, The Institute of Chartered Accountants of Sri Lanka has withdrawn the UITF ruling with the implementation of LKAS/SLFRS and introduced Statement of Recommended Practices (SoRP) on leasehold land on 19th December 2012. As per the SoRP right to use land not permit further revaluation.

#### *10.1.2 SunAgro Farms Ltd.*

SunAgro Farms Ltd, a subsidiary of the Company 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.

## 11. Biological Asset

| | GROUP | | |
|---|---|---|---|
| | 31st March, 2013 | 31st March, 2012 | 01st April, 2011 |
| | Rs. '000 | Rs. '000 | Rs. '000 |
| At the beginning of the year | 588,650 | 622,142 | – |
| Additions during the year | 11,694 | 15,037 | 426,871 |
| Gain/(Loss) arising from changes in Fair Value for the year | 103,472 | (48,529) | 195,271 |
| At the end of the year | 703,816 | 588,650 | 622,142 |

Kotagala Plantations PLC and Agarapatana Plantations Ltd. has recognized managed trees as biological assets.

Managed trees include commercial timber plantations cultivate on estates. The cost of immature trees is treated as approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material. When such plantations become mature, the additional investment since taken over to bring them to maturity are transferred from Immature to mature.

The fair value of managed trees was ascertained since the LKAS 41 is only applicable for managed activities in items of the ruling issued by The Institute of Chartered Accountants of Sri Lanka. The valuation was carried by Messers B.J.B. Kariyawasam, Chartered Valuer, using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber, physical verification was carried covering all the estates.

Key assumptions used in valuation

1. The harvesting is approved by the PMMD and Forest Department based on the forestry development plan.
2. The price adopted are net of expenditure.
3. Discount rate is 15.3%.
4. Though the replanting is a conditional precedent for harvesting, yet the cost are not taken in to consideration.

The valuation, as presented in the external valuation models based on net present value, take into account the long term exploitation of the timber plantations . Because of the inherent uncertainty associated with the valuation at the biological assets due to the volatility of the variables, their carrying value may differ from their realizable value. The board of Directors retains their view that commodity markets are inherently volatile and that long term price projections are highly unpredictable. Hence, the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investors to reasonably challenge the financial impact of the assumptions used in the LKAS 41 against his own assumptions.

The biological assets of APL are mainly cultivated in leased lands. When measuring the fair value of the biological assets it was assumed that these concessions can and will be renewed at normal circumstances. Timber content expect to realize in future are included in the calculation of the fair values and takes into account the age of the timber plants and not the expiration date of the lease.

## 12. Intangible Assets

| | GROUP | | |
|---|---|---|---|
| | 31st March, 2013 Rs. '000 | 31st March, 2012 Rs. '000 | 01st April, 2011 Rs.'000 |
| **12.1 Goodwill (Note a)** | | | |
| At the beginning of the year | 532,279 | 332,977 | 162,308 |
| Acquisition through business combination | – | 183,569 | 148,681 |
| Due to changes in Equity Holdings | – | 15,733 | 21,988 |
| At the end of the year | 532,279 | 532,279 | 332,977 |
| **12.2 Trade Mark (Note b)** | | | |
| Cost | | | |
| At the beginning of the year | 1,150 | 1,150 | 1,150 |
| At the end of the year | 1,150 | 1,150 | 1,150 |
| Amortization | | | |
| At the beginning of the year | 1,150 | 978 | 594 |
| Amortized during the year | – | 172 | 384 |
| At the end of the year | 1,150 | 1,150 | 978 |
| Carrying Amount | – | – | 172 |
| **12.3 Software** | | | |
| Cost | | | |
| At the beginning of the year | 2,060 | 2,060 | 2,060 |
| Disposal during the year | (692) | – | – |
| At the end of the year | 1,368 | 2,060 | 2,060 |
| Amortization | | | |
| At the beginning of the year | 1,081 | 836 | – |
| Amortized during the year | 196 | 245 | 836 |
| Disposal during the year | (510) | – | – |
| At the end of the year | 767 | 1,081 | 836 |
| Carrying Amount | 601 | 979 | 1,224 |
| Total | 532,880 | 533,258 | 334,373 |

### (a) 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:

| | 31st March, 2013<br>Rs. '000 | 31st March, 2012<br>Rs. '000 | 01st April, 2011<br>Rs. '000 |
|---|---|---|---|
| **Name of the Subsidiary** | | | |
| Lankem Development PLC | 1,271 | 1,271 | 1,271 |
| Island Consumer Supplies (Pvt) Ltd. | 1,507 | 1,507 | 1,507 |
| Lankem Plantation Holdings Ltd. | 9,544 | 9,544 | 9,544 |
| Lankem Tea & Rubber Plantation (Pvt) Ltd. | 21,802 | 21,802 | 21,802 |
| Agarapatana Plantation Ltd. | 58,741 | 58,741 | 58,741 |
| Marawila Resorts PLC | 3,197 | 3,197 | 3,196 |
| C. W. Mackie PLC | 68,815 | 68,815 | 68,815 |
| Muller and Phipps (Ceylon) PLC | 146,628 | 146,628 | 146,628 |
| Muller and Phipps Agencies Ltd. | 2,053 | 2,053 | 2,053 |
| Laxapana Batteries PLC | 6,605 | 6,605 | 6,605 |
| Lankem Ceylon PLC | 10,760 | 10,760 | 10,760 |
| Sigiriya Village Hotels PLC | 2,054 | 2,054 | 2,055 |
| York Hotels Kandy Ltd. | 15,733 | 15,733 | – |
| Galle Fort Hotel (Pvt) Ltd. | 183,569 | 183,569 | – |
| | 532,279 | 532,279 | 332,977 |

There has been no permanent impairment of intangible assets that requires provision. Methods used in estimating recoverable amounts are given below:

The recoverable value of Lankem Developments PLC, Marawila Resorts PLC & C. W. Mackie PLC was 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 & business plan |
| (ii) Inflation | - Based on current inflation & 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 & business plan |

### (b) Trade Mark

Darley Butler & Company Ltd., a subsidiary of the Company has paid an amount of Rs. 1.15 million in the year of 2008/09 to Adamjee Pharma (Pvt) Ltd. to acquire the agency right of Navanapharmaceutical Ltd. which was amortized over the Company's Agency Right Period - 03 Years.

## 13. Investments

### 13.1 Investments in Subsidiaries

| | COMPANY | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 31st March, 2013 | | | | | 31st March, 2012 | | | | | 01st April, 2011 | | | | |
| | No. of Shares | Company Holding % | Group Holding % | Cost as at 31.03.2013 Rs. '000 | Market Value Rs. '000 | No. of Shares | Company Holding % | Group Holding % | Cost as at 31.03.2012 Rs. '000 | Market Value Rs. '000 | No. of Shares | Company Holding % | Group Holding % | Cost as at 01st April 2011 Rs. '000 | Market Value Rs. '000 |
| Investee | | | | | | | | | | | | | | | |
| Quoted Investments | | | | | | | | | | | | | | | |
| Lankem Ceylon PLC | 10,974,635 | 46 | 48 | 261,321 | 1,585,835 | 10,974,635 | 46 | 48 | 261,321 | 1,975,434 | 10,974,635 | 46 | 48 | 261,321 | 4,406,316 |
| Laxapana Batteries PLC | 20,115,338 | 52 | 52 | 133,857 | 88,507 | 20,115,338 | 52 | 52 | 133,857 | 148,854 | 20,390,438 | 52 | 52 | 135,691 | 166,957 |
| Muller & Phipps (Ceylon) PLC | 145,061,773 | 51 | 51 | 189,385 | 217,593 | 145,061,773 | 51 | 51 | 189,385 | 275,617 | 145,061,773 | 51 | 51 | 189,385 | 348,148 |
| | | | | 584,563 | 1,891,935 | | | | 584,563 | 2,399,905 | | | | 586,397 | 4,921,421 |
| Unquoted Investments | | | | | | | | | | | | | | | |
| Darley Butler & Co. Ltd. | 4,999,964 | 100 | 100 | 2,865 | – | 4,999,964 | 100 | 100 | 2,865 | – | 4,999,964 | 100 | 100 | 2,865 | – |
| Creasy Foods Ltd. | 570,000 | 100 | 100 | 21,333 | – | 570,000 | 100 | 100 | 21,333 | – | 570,000 | 100 | 100 | 21,333 | – |
| Filmpak Ltd. | 150,000 | 100 | 100 | 1,500 | – | 150,000 | 100 | 100 | 1,500 | – | 150,000 | 100 | 100 | 1,500 | – |
| Group Three Associates (Pvt) Ltd. | 1,200 | 100 | 100 | 12 | – | 1,200 | 100 | 100 | 12 | – | 1,200 | 100 | 100 | 12 | – |
| Island Consumer Supplies (Pvt) Ltd. | 120,000 | 100 | 100 | 4,967 | – | 120,000 | 100 | 100 | 4,967 | – | 120,000 | 100 | 100 | 4,967 | – |
| Corporate Systems Ltd. | 10,000 | 100 | 100 | 100 | – | 10,000 | 100 | 100 | 100 | – | 10,000 | 100 | 100 | 100 | – |
| E. B. Creasy Logistics Ltd. | 50,000 | 100 | 100 | 500 | – | 50,000 | 100 | 100 | 500 | – | 50,000 | 100 | 100 | 500 | – |
| York Hotels (Kandy) Ltd. | 396,493 | 0.18 | 26 | 396 | – | 396,493 | 0.18 | 26 | 396 | – | 396,493 | 0.18 | 27 | 396 | – |
| | | | | 31,673 | | | | | 31,673 | | | | | 31,673 | – |
| Less: Provision for Fall-in Value of Investment (Note 13.1.1) | | | | (1,500) | | | | | (1,500) | | | | | (1,500) | – |
| | | | | 30,173 | | | | | 30,173 | | | | | 30,173 | – |
| | | | | 614,736 | | | | | 614,736 | | | | | 616,570 | – |

#### *13.1.1 Provision for fall in value in Investments*

The Company has 100% holding in Filmpak Ltd., as at the reporting date. Filmpak Ltd. has incurred a net loss of Rs. 0.13 million during the, year under review. The Accumulated losses were Rs. 5.9 million, its current liabilities exceeds current assets by Rs. 4.4 million and also the Company has ceased its operations since April 2003. Therefore, E.B. Creasy & Company PLC has made 100% provision on the investment made in Filmpak Ltd.

## 13.2 Financial Assets Available for Sale

### *13.2.1 Company*

| | COMPANY | | | | | |
|---|---|---|---|---|---|---|
| | 31.03.2013 | | 31.03.2012 | | 01.04.2011 | |
| | No. of Shares | Market Value Rs. '000 | No. of Shares | Market Value Rs. '000 | No. of Shares | Market Value Rs. '000 |
| Quoted Investments | | | | | | |
| DFCC Bank | 11,162 | 1,468 | 11,162 | 1,257 | 5,581 | 959 |
| Total Investment | | 1,468 | | 1,257 | | 959 |

### *13.2.2 Group*

| | GROUP | | | | | |
|---|---|---|---|---|---|---|
| | 31.03.2013 | | 31.03.2012 | | 01.04.2011 | |
| | No. of Shares | Market Value Rs. '000 | No. of Shares | Market Value Rs. '000 | No. of Shares | Market Value Rs. '000 |
| Quoted Investments | | | | | | |
| Madulsima Plantations PLC | 100 | 1 | 100 | 1 | 100 | 3 |
| Malwatte Valley Plantations PLC | 100 | – | 100 | 0 | 100 | 11 |
| Horana Plantations PLC | 100 | 3 | 100 | 3 | 100 | 7 |
| Hunas Falls Hotels PLC | 400 | 21 | 400 | 24 | 400 | 20 |
| Pegasus Resorts Ltd. | 960 | 35 | 960 | 38 | 960 | 33 |
| York Arcade Holdings PLC | 65,000 | 975 | 65,000 | 1,092 | 90,000 | 3,423 |
| Colonial Motors PLC | 95,640 | 7,938 | 57,384 | 18,351 | 57,384 | 17,215 |
| Commercial Development Company PLC | 600 | 36 | 600 | 57 | 600 | 46 |
| DFCC Bank PLC | 16,698 | 2,194 | 22,068 | 2,485 | 9,841 | 1,691 |
| Renuka City Hotels PLC | 525 | 144 | 525 | 113 | 525 | 100 |
| Transasia Hotel PLC | 400 | 28 | 200 | 27 | 100 | 80 |
| Pelwatte Sugar Industries PLC | – | – | 1,000 | – | 1,000 | – |
| Hotel Sigiriya PLC | 14,000 | 1,106 | 14,000 | 1,002 | 14,000 | 1,099 |
| Colombo Dockyard PLC | 269 | 58 | 257 | 62 | 257 | 70 |
| Central Finance PLC | 46,500 | 8,370 | – | – | – | – |
| Keells Hotels PLC | 250,000 | 3,300 | – | – | – | – |
| HDFC | 200 | 8,000 | – | – | – | – |
| Hemas Holdings PLC | 440,000 | 11,880 | – | – | – | – |
| Singer Sri Lanka PLC | 30 | 3 | – | – | – | – |
| Others | 15,675 | 4,635 | 1,014 | 5,685 | 1,000 | 9,551 |
| | | | | | | |
| | | 48,727 | | 28,940 | | 33,349 |

| | GROUP | | | | | |
|---|---|---|---|---|---|---|
| | 31.03.2013 | | 31.03.2012 | | 01.04.2011 | |
| | No. of Shares | Directors' Valuation Rs. '000 | No. of Shares | Directors' Valuation Rs. '000 | No. of Shares | Directors' Valuation Rs. '000 |
| **Unquoted Investments** | | | | | | |
| Ceylon Biscuits Ltd. - Ordinary | 5,041,680 | 139,373 | 5,041,680 | 139,373 | 5,041,680 | 120,790 |
| International Manufacturers Ltd. | 3,300 | 23 | 3,300 | 22 | 3,300 | 22 |
| Ceylon Ocean Lines Container Services Ltd. | – | – | – | 250 | – | 250 |
| Ceylon Ocean Lines Container Repair Ltd. | – | – | – | – | – | 75 |
| Lankem Technology Services Ltd. | – | – | – | – | 200 | 5,000 |
| Waverly Power (Pvt) Ltd. | – | – | – | – | 800,000 | 8,000 |
| Dutch Dairy International (Pvt.) Ltd. | – | 5,400 | – | 5,400 | – | – |
| Other | 22,256,460 | 43,879 | 22,256,460 | 68,566 | – | – |
| | | 188,675 | | 213,611 | | 134,137 |
| Less: Provision for fall in Value of Investment | | (5,400) | | (5,400) | | – |
| | | 183,275 | | 208,211 | | 134,137 |
| **Unit Trusts** | | | | | | |
| National Equity Fund (NAMAL) | 339,624 | 8,582 | 150,000 | 7,679 | 150,000 | 9,664 |
| Pyramid Unit Trust | 60,666 | 1,774 | 58,597 | 1,627 | 55,290 | 2,080 |
| Comtrust Equity Fund | 94,856 | 1,734 | 94,856 | 1,609 | 95,856 | 2,391 |
| | | 12,090 | – | 10,915 | – | 14,135 |
| **Investment in Debentures** | | | | | | |
| Bank of Ceylon | – | 25,400 | – | 25,228 | – | 21,916 |
| | | 220,675 | | 244,354 | | 170,188 |
| **Total** | | 269,492 | | 273,294 | | 203,537 |

### 13.3 Financial Assets Available-for-Sale

| | GROUP | | | | | |
|---|---|---|---|---|---|---|
| | 31.03.2013 | | 31.03.2012 | | 01.04.2011 | |
| | No. of Shares | Market Value Rs. '000 | No. of Shares | Market Value Rs. '000 | No. of Shares | Market Value Rs. '000 |
| Dialog Axiata PLC | 1,000 | 9 | 1,000 | 7 | 1,500,000 | 15,750 |
| Raigam Wayamba Salterns PLC | – | – | – | – | 100,000 | 450 |
| Nations Trust Bank PLC | 44,600 | 2,721 | 44,600 | 2,538 | 60,300 | 4,601 |
| Janashakthi Insurance Company PLC | 153,900 | 1,893 | 153,900 | 1,785 | 339,400 | 5,600 |
| Richard Peiris & Company PLC | – | – | – | – | 36,500 | 496 |
| Tokyo Cement Company (Lanka) PLC (Non-Voting) | 93,900 | 1,643 | 93,900 | 2,535 | 100,000 | 4,400 |
| Tokyo Cement Company (Lanka) PLC (Voting) | 285,900 | 6,719 | 285,900 | 10,578 | 285,900 | 17,383 |
| Kotmale Holdings PLC | – | – | 1,000 | 40 | 1,000 | 53 |
| Piramal Glass Ceylon PLC | 250,000 | 1,525 | 250,000 | 1,525 | – | – |
| John Keells Holdings PLC | – | – | 78,100 | 16,089 | – | – |
| Colonial Motors PLC | 382,301 | 31,731 | 224,600 | 71,827 | – | – |
| PC House PLC | 1,249,775 | 3,749 | 810,400 | 6,645 | – | – |
| PC House Holdings PLC | 3,981,629 | 23,492 | – | – | – | – |
| Colombo Fort Investment PLC | 7,250 | 674 | – | – | – | – |
| Citizen Development Bank PLC (Voting) | – | – | 16 | 1 | – | – |
| Citizen Development Bank PLC (Non-Voting) | – | – | 71 | 4 | – | – |
| Capital Alliance Finance PLC | 3,609,969 | 51,623 | 4,175,048 | 157,817 | – | – |
| Infrastructure Developers PLC | 766,397 | 156,498 | 421,900 | 61,005 | – | – |
| Renuka Agri Foods PLC | – | – | 289,600 | 1,738 | – | – |
| Renuka Holdings PLC | 347,589 | 13,876 | 124,937 | 4,811 | – | – |
| Nanda Investment & Finance PLC | – | – | 30,000 | 258 | – | – |
| Orient Garments PLC | 1,452,020 | 11,471 | 550,575 | 10,296 | – | – |
| CAL Finance PLC | 47,474 | 679 | – | – | – | – |
| HVA Foods PLC | 959,500 | 10,746 | 959,500 | 14,386 | – | – |
| J.L. Morisson Sons & Jones (Ceylon) PLC | 8,402 | 1,470 | 6,603 | 1,406 | – | – |
| Total | | 320,519 | – | 365,291 | | 48,733 |

## 13.4 Group Companies Investment in Subsidiaries

| Investor | Investee | % Holding 31.03.2013 | % Holding 31.03.2012 | % Holding 31.03.2011 | No. of Shares as at 31.03.2013 | No. of Shares as at 31.03.2012 | No. of Shares as at 31.03.2011 |
|---|---|---|---|---|---|---|---|
| Darley Butler & Company Ltd | Laxapana Batteries PLC | 0.00 | – | – | 6 | 6 | 6 |
| | Lankem Ceylon PLC | 2.24 | 2.24 | 2.24 | 536,614 | 536,614 | 536,614 |
| | Marawila Resorts PLC | 0.00 | – | – | 94 | 94 | 94 |
| Creasy Foods Ltd. | Lankem Ceylon PLC | 0.10 | 0.10 | 0.10 | 20,420 | 20,420 | 20,420 |
| Island Consumer Supplies (Pvt) Ltd. | Marawila Resorts PLC | 0.06 | 0.06 | 0.06 | 78,000 | 78,000 | 78,000 |
| | Sigiriya Village Hotels PLC | 0.69 | 0.69 | 0.69 | 61,762 | 61,762 | 62,162 |
| | Beruwala Resorts PLC | 0.01 | 0.01 | 8.06 | 30,000 | 30,000 | 48,360,000 |
| | Lankem Plantation Holdings Ltd. | – | – | – | 1 | 1 | 1 |
| | Lankem Ceylon PLC | – | – | – | 536 | 536 | 536 |
| | Colombo Fort Hotels Ltd. | 5.78 | 5.78 | – | 193,320,000 | 193,320,000 | – |
| | Creasy Plantation Management Ltd. | 41.00 | 41.00 | 41.00 | 122,993 | 122,993 | 122,993 |
| Lankem Ceylon PLC | Lankem Developments PLC | 1.51 | 5.45 | 50.13 | 903,680 | 3,270,597 | 3,459,241 |
| | Sigiriya Village Hotels PLC | 23.15 | 53.71 | 53.68 | 2,083,760 | 4,833,760 | 4,831,560 |
| | Colombo Fort Hotels Ltd. | 69.68 | 69.68 | 42.22 | 2,329,326,024 | 2,329,326,024 | 65,753,012 |
| | Lankem Plantation Holdings Ltd. | 47.56 | 47.56 | 47.56 | 19,500,001 | 19,500,001 | 19,500,001 |
| | Lankem Tea & Rubber Plantations (Pvt) Ltd. | 1.00 | 1.00 | 1.00 | 8,342 | 8,342 | 8,342 |
| | Lankem Plantation Services Ltd. | 60.00 | 60.00 | 60.00 | 179,993 | 179,993 | 179,993 |
| | Beruwala Resorts PLC | 0.01 | 0.01 | 19.73 | 83,965 | 30,000 | 118,381,000 |
| | Lankem Exports (Pvt) Ltd. | 99.97 | 99.97 | 99.97 | 9,997 | 9,997 | 9,997 |
| | Marawila Resorts PLC | 13.63 | 13.05 | 31.06 | 16,700,919 | 15,991,271 | 38,043,668 |
| | Lankem Paints Ltd. | 100.00 | 100.00 | 100.00 | 1,999,993 | 2,000,000 | 2,000,000 |
| | Lankem Consumer Products Ltd. | 100.00 | 100.00 | 100.00 | 1,999,993 | 2,000,000 | 2,000,000 |
| | Lankem Chemicals Ltd. | 100.00 | 100.00 | 100.00 | 1,999,993 | 2,000,000 | 2,000,000 |
| | Lankem Research Ltd. | 100.00 | 100.00 | 100.00 | 250,000 | 250,007 | 250,007 |
| | SunAgro LifeScience Ltd. | 100.00 | 100.00 | 100.00 | 199,993 | 200,000 | 200,000 |
| | SunAgro Farms Ltd. | 100.00 | 99.99 | 99.99 | 1,199,996 | 1,200,000 | 1,200,000 |
| | SunAgro Foods Ltd | 100.00 | – | – | 4,999,994 | – | – |
| | Associated Farms Ltd. | 99.99 | 99.99 | 99.99 | 55,398 | 55,398 | 55,398 |
| | Kotagala Plantations PLC | 0.80 | 0.18 | 0.02 | 257,377 | 57,100 | 5,000 |
| | Lankem Technology Services Ltd. | 100.00 | 100.00 | – | 500,000 | 500,000 | – |
| | C. W. Mackie PLC | 39.03 | 39.44 | 33.88 | 14,046,811 | 14,193,453 | 12,193,055 |
| Lankem Plantation Holdings Ltd. | Lankem Tea & Rubber Plantations (Pvt) Ltd. | 98.98 | 98.98 | 98.98 | 826,088 | 826,088 | 826,088 |
| | Kotagala Plantations PLC | 47.27 | 37.81 | 37.81 | 15,125,000 | 12,100,000 | 12,100,000 |
| | Agarapatna Plantations Ltd. | 0.00 | – | 54.05 | – | – | 41,417,276 |
| | Lankem Developments PLC | 56.56 | 56.23 | 0.01 | 33,936,618 | 33,737,702 | 1,000 |
| Sigiriya Village Hotels PLC | Marawila Resorts PLC | 0.00 | – | 0.23 | 281,260 | 281,260 | 281,260 |
| | Beruwala Resorts PLC | 14.23 | 14.23 | 14.23 | 85,384,000 | 85,384,000 | 85,384,000 |
| | York Hotels (Kandy) Ltd. | 41.70 | 41.70 | 41.70 | 90,000,000 | 90,000,000 | 90,000,000 |
| | Colombo Fort Hotels Ltd. | 0.00 | – | 0.19 | – | – | 300,000 |
| Colombo Fort Hotels Ltd.. | Marawila Resorts PLC | 37.59 | 37.39 | 14.54 | 46,043,261 | 45,803,261 | 17,806,261 |
| | Beruwala Resorts PLC | 65.58 | 65.58 | 16.17 | 393,497,345 | 393,497,345 | 97,045,180 |
| | Sigiriya Village Hotels PLC | 41.16 | 10.29 | 10.29 | 3,704,274 | 925,737 | 925,737 |
| | Galle Fort Hotels Ltd. | 100.00 | 100.00 | – | 9,931,512 | 9,931,512 | – |
| | York Hotels (Kandy) Ltd. | 16.41 | 16.41 | 16.41 | 35,430,111 | 35,430,111 | 35,430,111 |
| Lankem Developments PLC | Marawila Resorts PLC | 0.26 | 0.26 | 0.26 | 312,500 | 312,500 | 312,500 |
| | Agarapthana Plantation Ltd. | 56.65 | 56.65 | – | 64,294,802 | 64,294,802 | – |
| | Waverly Power (Pvt) Ltd. | 56.41 | 56.67 | – | 4,400,000 | 3,400,000 | – |
| Lankem Tea & Rubber Plantations (Pvt) Ltd. | Marawila Resorts PLC | 0.53 | 0.53 | 0.50 | 652,500 | 652,500 | 652,500 |
| | Kotagala Plantations PLC | 37.51 | 30.00 | 30.00 | 12,002,625 | 9,602,100 | 9,602,100 |
| | Colombo Fort Hotels Ltd. | 5.09 | 5.09 | 54.67 | 170,274,318 | 170,274,318 | 85,137,159 |
| York Hotels (Kandy) Ltd. | Marawila Resorts PLC | 0.00 | – | – | – | – | 1,042 |
| Kotagala Plantations PLC | Beruwala Resorts PLC | 1.66 | 1.66 | 1.66 | 9,949,991 | 9,949,991 | 9,949,991 |
| | Marawila Resorts PLC | 0.05 | 0.05 | 0.05 | 62,667 | 62,667 | 62,667 |
| | Agarapatana Plantations Ltd. | 17.62 | 17.62 | 7.83 | 20,000,000 | 20,000,000 | 6,000,000 |
| | C. W. Mackie PLC | 19.85 | 19.85 | 19.85 | 7,142,857 | 7,142,857 | 7,142,857 |
| | Lankem Development PLC | 10.03 | 10.03 | 0.01 | 6,016,000 | 6,016,000 | 1,000 |
| | York Hotels (Kandy) Ltd. | 41.70 | 41.70 | 41.70 | 90,000,000 | 90,000,000 | 90,000,000 |
| | Sigiriya Village Hotels PLC | 0.29 | 0.29 | 0.29 | 26,083 | 26,083 | 26,083 |
| | Union Commodities Limited | 100.00 | 0.00 | 0.00 | 6,000,000 | – | – |

| Investor | Investee | % Holding | | | No. of Shares as at | | |
|---|---|---|---|---|---|---|---|
| | | 31.03.2013 | 31.03.2012 | 31.03.2011 | 31.03.2013 | 31.03.2012 | 31.03.2011 |
| Agarapatana Plantations Ltd. | Beruwala Resorts PLC | 1.29 | 1.34 | 1.34 | 7,719,505 | 8,050,000 | 8,050,000 |
| | Waverly Power (Pvt) Ltd. | 43.59 | 43.33 | – | 3,400,000 | 2,600,000 | – |
| | Marawila Resorts PLC | 0.28 | 0.28 | 0.28 | 347,503 | 347,503 | 347,503 |
| Marawila Resorts PLC | Beruwala Resorts PLC | 0.01 | – | 0.88 | 30,000 | 30,000 | 5,294,115 |
| | Colombo Fort Hotels Ltd. | 0.00 | – | 0.19 | – | – | 300,000 |
| C. W. Mackie PLC | Ceymac Rubber Company Ltd. | 98.60 | 98.6 | 98.6 | 3,189,375 | 3,189,375 | 3,189,375 |
| | Ceytra (Pvt) Ltd. | 62.82 | 62.82 | 62.82 | 3,000,000 | 3,000,000 | 3,000,000 |
| | Scan Tours & Travels (Pvt) Ltd. | 100.00 | 100.00 | 100.00 | 600,000 | 600,000 | 600,000 |
| Muller & Phipps (Ceylon) PLC | Pettah Pharmacy (Pvt) Ltd. | 100.00 | 100.00 | 100.00 | 1,500,000 | 1,500,000 | 1,500,000 |
| | Muller & Phipps Agencies (Pvt) Ltd. | 100.00 | 100.00 | 100.00 | 10,007 | 10,007 | 10,007 |
| Pettah Pharmacy (Pvt) Ltd. | Beruwala Resorts PLC | 0.01 | – | 1.00 | 30,000 | 30,000 | 8,000,000 |
| | Colombo Fort Hotels Ltd. | 0.95 | 0.95 | – | 31,880,000 | 31,880,000 | – |
| Beruwala Resorts PLC | BOT Hotel Services Ltd. | 100.00 | 100.00 | 55.00 | 282,876 | 282,876 | 282,876 |

## 14. Inventories

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | 31.03.2013<br>Rs. '000 | 31.03.2012<br>Rs. '000 | 01.04.2011<br>Rs. '000 | 31.03.2013<br>Rs. '000 | 31.03.2012<br>Rs. '000 | 01.04.2011<br>Rs. '000 |
| Raw Materials | 923,015 | 796,624 | 764,905 | 237,221 | 107,701 | 94,760 |
| Food and Beverages | 12,011 | 10,330 | 8,168 | – | – | – |
| Growing Crop-Nurseries | 70,161 | 72,851 | 37,714 | – | – | – |
| Work-in-Progress | 48,295 | 13,900 | 15,676 | 4,238 | 8,040 | 5,057 |
| Finished Goods | 2,636,567 | 2,109,137 | 2,034,768 | 156,774 | 126,443 | 95,682 |
| Consumable Stocks | 96,805 | 104,131 | 101,361 | – | – | – |
| By Product - Zinc Off-cut | – | 34 | 63 | – | – | – |
| General and Others | 28,343 | 20,624 | 15,629 | 25,533 | 18,208 | 10,532 |
| Goods-in-Transit | 293,358 | 211,306 | 323,960 | 165,284 | 191,369 | 160,912 |
| Provision for Unrealized Profit | – | 31,607 | | – | – | |
| | 4,108,555 | 3,370,544 | 3,302,244 | 589,050 | 451,761 | 366,943 |
| Provision for Obsolete Inventories | (86,928) | (88,726) | (57,198) | (8,676) | (18,654) | (15,639) |
| | 4,021,627 | 3,281,818 | 3,245,046 | 580,374 | 433,107 | 351,304 |

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

## 15. Amount Due from Related Companies

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 |
| Filmpak Ltd. | – | – | – | 4,320 | 4,181 | 4,047 |
| E.B. Creasy Logistics Ltd. | – | – | – | 1,845 | – | – |
| Muller & Phipps (Ceylon) PLC | – | – | – | – | – | 7 |
| Pettah Pharmacy (Pvt) Ltd. | – | – | – | 1,066 | – | – |
| Creasy Foods Ltd. | – | – | – | 10,040 | 34,041 | 3,251 |
| Laxapana Batteries PLC | – | – | – | 1,156 | 31,066 | – |
| Lankem Ceylon PLC | – | – | – | 21,767 | 11,250 | – |
| Lankem Developments PLC | – | – | – | 1,517 | 1,517 | 1,401 |
| SunAgro Foods Ltd | – | 27,068 | – | – | – | – |
| Marawila Resorts PLC | – | – | – | – | 972 | 972 |
| Beruwala Resorts Ltd | – | – | – | – | – | 500 |
| C. W. Mackie PLC | – | – | – | 13 | – | – |
| The Colombo Fort Land & Buildings PLC | 539,120 | 585,673 | 174,737 | – | – | – |
| Corporate Managers & Secretaries (Private) Ltd. | 16,051 | 15,982 | 5,484 | 19 | – | – |
| Voyages (Ceylon) Ltd. | – | 3,155 | 3,155 | – | – | – |
| Sherwood Holidays Ltd. | 17,578 | 15,825 | 13,638 | – | – | – |
| Car Plan Ltd. | 47 | 145 | 145 | – | – | – |
| Colonial Motors PLC | 43 | 142 | 81 | – | – | – |
| Dutch Dairy Foods Ltd. | – | 33,234 | 33,234 | – | 1,289 | 1,289 |
| Union Construction Ltd. | – | 302 | 302 | – | 302 | 302 |
| York Hotel Management Services Ltd. | 3,190 | 4,855 | 13,017 | – | – | – |
| Ceylon Tea Brokers PLC | 244,833 | 684 | 1,721 | – | – | – |
| Motor Mart Limited | – | 11 | 11 | – | 11 | 11 |
| Lambretta Ceylon Ltd. | – | 5 | 5 | – | 5 | 5 |
| Oral Care (Pvt) Ltd. | 1,524 | 1,524 | 1,524 | – | – | – |
| Kia Motors Lanka Ltd. | 470 | 206 | 259 | – | – | – |
| York Arcade Holdings PLC | – | 72 | 72 | – | 72 | 72 |
| E.B.C. Milk food | 889 | 756 | 623 | 889 | 757 | 626 |
| Darley Butler Food Products Ltd. | 690 | 690 | 690 | – | – | – |
| Lankem Agro Ltd. | – | 36 | – | – | – | – |
| Ceylon Trading Company Ltd. | 434 | – | – | – | – | – |
| American Lloyd Travels Ltd. | 600 | 600 | 600 | 600 | 600 | 600 |
| Consolidated Rubber Plantations Pvt Ltd. | 916,929 | – | – | – | – | – |
| Financial Trust Ltd. | 80,000 | – | – | – | – | – |
| | 1,822,398 | 690,965 | 249,298 | 43,232 | 86,063 | 13,083 |
| Less: Provision for bad & doubtful debts | 3,249 | 41,397 | 101,986 | 5,209 | 7,589 | 7,324 |
| | 1,819,149 | 649,568 | 147,312 | 38,023 | 78,474 | 5,759 |

The Company do not charge interest on balance due from Related companies. The terms of recovery of the aforesaid balances had not been agreed as at the reporting date.

## 16. Trade and Other Receivables

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 |
| Trade Receivables | 4,043,082 | 3,828,073 | 2,968,620 | 107,121 | 139,941 | 86,197 |
| Provision for Bad and Doubtful Debts | (107,889) | (152,563) | (138,103) | (259) | (14,679) | (14,240) |
| | 3,935,193 | 3,675,510 | 2,830,517 | 106,862 | 125,262 | 71,957 |
| Other Debtors | 61,443 | 50,942 | 197,608 | – | – | – |
| Deposits and Prepayments | 266,406 | 429,531 | 204,428 | 33,775 | 29,410 | 11,247 |
| Employee Advances | 76,683 | 67,774 | 86,144 | – | – | – |
| Other Tax Recoverable | 386,592 | 398,423 | 352,253 | 5,489 | 7,328 | 7,176 |
| Other Receivables (Note 16.1) | 1,122,231 | 212,962 | 174,770 | 51,363 | 32,980 | 29,400 |
| | 5,848,548 | 4,835,142 | 3,845,720 | 197,489 | 194,980 | 119,780 |

### 16.1 Other Receivables

Other receivables include loans over Rs. 20,000/- disbursed to staff and the movement of staff loans are as follows:

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 |
| At the Beginning of the year | 9,252 | 5,666 | 6,264 | 367 | 745 | 1,257 |
| Loans granted during the year | 921 | 7,886 | 1,010 | – | 619 | 327 |
| Recoveries during the year | (1,192) | (4,300) | (1,608) | (325) | (997) | (839) |
| At the end of the year | 8,981 | 9,252 | 5,666 | 42 | 367 | 745 |

## 17. Cash & Cash Equivalents

### 17.1 Favourable Balance

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 |
| Fixed Deposits | 107,968 | 238,081 | 246,341 | – | – | |
| Cash at Bank | 1,335,341 | 1,619,881 | 1,088,334 | 31,887 | 29,847 | 18,771 |
| Cash In Hand | 30,956 | 13,646 | 19,216 | 614 | 551 | 546 |
| Cash In Transit | – | 25,335 | 1,000 | – | – | |
| | 1,474,265 | 1,896,943 | 1,354,891 | 32,501 | 30,398 | 19,317 |
| **17.2 Unfavourable Balance** | | | | | | |
| Bank Overdraft | (3,210,613) | (2,785,348) | (1,323,259) | (202,322) | (207,971) | (102,304) |
| | (1,736,348) | (888,405) | 31,632 | (169,821) | (177,573) | (82,987) |

#### *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 totalling 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. 40 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.

Group

*Creasy Foods Ltd.*

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

*Agarapatana Plantations Ltd.*

Bank overdraft facilities of Agarapatana Plantations Ltd., a subsidiary of the Company are secured by pledging the following:

(a) Mortgage of an immovable property of the New Portmore Estate.

(b) Primary mortgage over leasehold rights to bare land and building of Glenanore and Haputale Estates.

(c) Primary mortgage over the leasehold rights of Holmwood Estate.

(d) Primary mortgage over leasehold rights to bare land and building of Torrington Estate.

(e) Concurrent mortgage for Rs. 54 million over movable assets of the Company consisting of Stock in trade, work-in-progress and motor vehicles and an assignment of book debts. (Also secure the facility at Indian Bank for Rs. 20 million)

*Kotagala Plantations PLC*

*Bank Overdraft*

Bank : Seylan Bank

Purpose : To finance working capital requirements

Facility : Rs. 130,000,000/-

Securities Pledged:

Primary mortgage over leasehold right of the estate lands and buildings, fixed and floating assets of Yuillifield and Chryslers Farm Estates.

Primary mortgage over leasehold right of the estate lands and buildings of Eduragala and Sorana Estates.

## 18. Stated Capital

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 |
| Issued and Fully Paid | | | | | | |
| 2,535,458 Ordinary Shares | 25,731 | 25,731 | 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

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 |
| **20.1. Amount Payable after one year** | | | | | | |
| Long-Term Loans (Note 20.5) | 3,262,037 | 1,691,287 | 2,015,862 | 234,964 | 117,588 | 129,075 |
| Debenture | 365,000 | 415,000 | 250,000 | – | – | – |
| JEDB/SLSPC Estates (Note 20.4) | 391,657 | 397,923 | 403,951 | – | – | – |
| Finance Lease Obligations (Note 20.3) | 220,163 | 289,934 | 232,131 | 26,260 | 46,660 | 17,018 |
| | 4,238,857 | 2,794,144 | 2,901,944 | 261,224 | 164,248 | 146,093 |
| **20.2 Amount Payable within One Year** | | | | | | |
| Short-Term Loans | 1,715,332 | 1,243,711 | 1,283,471 | – | 165,718 | 147,794 |
| Debenture | 50,000 | 35,000 | – | – | – | – |
| Long Term Loans ( Note 20.5) | 1,631,633 | 859,838 | 472,198 | 108,362 | 47,112 | 38,050 |
| Trust Receipt Loan (Note 20.7) | 1,018,494 | 815,444 | 593,395 | 157,038 | 81,821 | 106,368 |
| JEDB/SLSPC Estates (Note 20.4) | 6,265 | 6,024 | 5,793 | – | – | – |
| Finance Lease Obligations (Note 20.3) | 137,932 | 139,292 | 112,055 | 23,088 | 27,662 | 13,238 |
| | 4,559,656 | 3,099,309 | 2,466,912 | 288,488 | 322,313 | 305,450 |
| **20.3 Finance Lease Obligations** | | | | | | |
| At the beginning of the Year | 532,628 | 437,662 | 314,527 | 90,578 | 38,541 | 63,634 |
| Accrued Default Interest during the Year | 107 | – | – | – | – | – |
| Leases obtained during the Year | 101,087 | 298,339 | 221,470 | – | 86,425 | 6,293 |
| Repayments made during the Year | (196,804) | (203,373) | (98,335) | (33,643) | (34,388) | (31,386) |
| At the end of the Year | 437,018 | 532,628 | 437,662 | 56,935 | 90,578 | 38,541 |
| Finance Charge Unamortized | (78,923) | (103,402) | (93,476) | (7,587) | (16,256) | (8,285) |
| Net Lease Obligations | 358,095 | 429,226 | 344,186 | 49,348 | 74,322 | 30,256 |

Note - A
Analysis of Finance Lease Obligations by Year of Repayment
Finance Lease Obligation Repayable within 1 Year from Year end

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 |
| **Gross Liability** | 176,738 | 190,577 | 155,427 | 27,896 | 37,027 | 18,070 |
| **Finance Charge Unamortized** | (38,806) | (51,285) | (43,372) | (4,808) | (9,365) | (4,832) |
| Net Lease Obligations Repayable within One Year from Year end | 137,932 | 139,292 | 112,055 | 23,088 | 27,662 | 13,238 |
| Finance Lease Obligation Repayable after One Year end | | | | | | |
| Gross liability | 260,280 | 342,051 | 282,235 | 29,039 | 53,551 | 20,471 |
| Finance Charge Unamortized | (40,117) | (52,117) | (50,104) | (2,779) | (6,891) | (3,453) |
| Net Lease Obligations Repayable after One Year from Year end | 220,163 | 289,934 | 232,131 | 26,260 | 46,660 | 17,018 |

### 20.4 Lease Obligations JEDB/SLSPC Estates

| | GROUP | | |
|---|---|---|---|
| | 31.03.2013<br>Rs. '000 | 31.03.2012<br>Rs. '000 | 01.04.2011<br>Rs. '000 |
| At the beginning of the Year | 753,648 | 775,831 | 798,000 |
| Repayments Made during the Year | (22,181) | (22,183) | (22,169) |
| At the end of the Year | 731,467 | 753,648 | 775,831 |
| Finance Charge Unamortized | (333,545) | (349,701) | (366,087) |
| Net Lease Obligations (Note - 20.4A) | 397,922 | 403,947 | 409,744 |

Note - 20.4A

Analysis of Finance Lease Obligations by Year of Repayment

| | | | |
|---|---|---|---|
| **Lease Obligation Repayable within 1 Year from Year end** | | | |
| Gross Liability | 22,170 | 22,170 | 22,170 |
| Finance Charge Unamortized | (15,905) | (16,146) | (16,377) |
| Net Lease Obligations Repayable within One Year from Year end | 6,265 | 6,024 | 5,793 |
| **Payable within Two to Five Years** | | | |
| Gross lease Obligations | 89,083 | 89,096 | 89,108 |
| Less: Financial Charges Allocated to Future Periods | (62,325) | (62,337) | (63,372) |
| Net Lease obligations | 26,758 | 26,759 | 25,736 |
| **Lease Obligation Repayable after 5 Years** | | | |
| Gross lease Obligations | 620,214 | 642,382 | 664,553 |
| Less: Financial Charges Allocated to Future Periods | (255,315) | (271,218) | (286,338) |
| Net Lease Obligations | 364,899 | 371,164 | 378,215 |
| Net Lease Liability Repayable after 1 Year | 391,657 | 397,923 | 403,951 |

***20.4.1*** Net obligation to lessor represents amounts payable to JEDB/SLSPC in relation to the estates leased by Kotagala Plantations PLC and Agarapatana Plantations Ltd.

#### *20.4.2 Agarapatana Plantations Ltd.*

Net liability to lessor is the Net Present Value of annual lease rental over the life of the leases at a nominal discount rate of 8.16% per annum, consisting of real discount rate of 4% per annum and projected inflation of 4% per annum.

#### *20.4.3 Kotagala Plantations PLC*

In terms of the leases, Rs. 22.2 million is payable each year as lease rental, commencing from 22nd June, 1996 till the end of the lease on 21st June, 2045. This amount is to be inflated annually by the Gross Domestic Product (GDP) deflated in the form of contingent rent.

Consequent to the agreement signed on 4th August, 2003, by the Company with the Ministry of Plantations Industries, JEDB and SLSPC, for the capping of management fees and freezing of lease rental in respect of the Privatized Regional Plantation Companies relating to the Plantation Development Project, the aforesaid lease rental will be frozen for a period of six years commencing from fiscal year 2002/03. Accordingly, the all inclusive lease rental payable by the Company for a fiscal year is Rs. 59.6 million.

The charge to the Income Statement for the current financial year on account of interest is Rs. 57.1 million (2011/12 - Rs. 46.5 million).

### 20.5 Term Loan

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 |
| At the beginning of the Year | 2,551,125 | 2,488,060 | 2,208,167 | 164,700 | 167,125 | 61,190 |
| Obtained during the Year | 3,584,589 | 577,081 | 1,019,674 | 290,000 | 45,000 | 175,307 |
| Repayment during the Year | (1,231,444) | (566,780) | (726,388) | (111,374) | (47,425) | (69,372) |
| Exchange Fluctuation | (10,600) | 52,764 | (13,393) | – | – | – |
| Balance at the end of the Year | 4,893,670 | 2,551,125 | 2,488,060 | 343,326 | 164,700 | 167,125 |
| Loan Repayable within One Year | (1,631,633) | (859,838) | (472,198) | (108,362) | (47,112) | (38,050) |
| Loan Repayable after One Year | 3,262,037 | 1,691,287 | 2,015,862 | 234,964 | 117,588 | 129,075 |

### 20.6 Group

E. B. Creasy & Company PLC and Group have Obtained following Term Loans:

| Company | Lender | 31.03.2013 Rs. million | 31.03.2012 Rs. million | 01.04.2011 Rs. million | Repayment | Security |
|---|---|---|---|---|---|---|
| E. B. Creasy & Company PLC | Commercial Bank of Ceylon PLC | – | – | 2.19 | In 48 equal monthly installments of Rs. 546,875/- | Primary mortgage of property of The Colombo Fort Land & Building Company PLC. |
| | Commercial Bank of Ceylon PLC "Gamata Karmantha" | 45.82 | 58.32 | 70.83 | In 71 equal monthly installments of Rs. 1,042,000/- and final installment, of Rs. 1,018,000/- | Primary mortgage bond No. 1134 dated 18th December, 1998 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 Co. PLC (Parent Company). |
| | Hatton National Bank PLC | 44.73 | 63.15 | 83.25 | In 59 Equal monthly installments of Rs. 1,675,000/- and final installment of Rs. 1,175,000/- | Existing secondary mortgage bond for Rs. 100 million over property situated at No. 98 Sri Sangaraja Mawatha, Colombo 10. |
| | Lanka Orix Leasing Company PLC | 4.34 | 7.60 | 10.86 | By way of 72 installments of Rs. 271,512/- | An on demand Promissory Note for Rs. 16.9 million with interest @ 6.5% p.a together with any taxes which may be imposed by the Government from time to time.<br>Mortgage over 01 No. Wood Fired Thermal Oil Heater with Accessories. |
| | Sampath Bank PLC | 25.31 | 35.62 | – | In 48 equal monthly installments of Rs. 937,500/- after one month from the date of grant | Primary mortgage for Rs. 45 million over land & building (constructed and to be constructed) of property situated at E95/162, Millawa Estate, Millawa, Horana. |
| | Hatton National Bank PLC | 35.63 | – | – | In 48 equal monthly installments of Rs. 937,500/- | Existing Tertiary Mortgage Bond totalling Rs. 100 million, over property at No. 98, Sri Sangaraja Mawatha, Colombo 10 will secure this facility up to Rs. 10 million (also secures overdraft facility of Rs. 25 million and Term Loan outstanding of Rs. 64.83 million). |
| | National Development Bank PLC | 187.50 | – | – | In 48 equal monthly installments of Rs. 4,166,666/- and installments payable monthly on or before the last banking day of each month. | A primary mortgage over 2,777,000 ordinary shares of Lankem Ceylon PLC (owned by the Borrowers) and Power of Attorney together with blank Share Transfer Form. |
| | | 343.33 | 164.69 | 167.13 | | |

# Notes to the Financial Statements

| Company | Lender | 31.03.2013 Rs. million | 31.03.2012 Rs. million | 01.04.2011 Rs. million | Repayment | Security |
|---|---|---|---|---|---|---|
| Lankem Ceylon PLC | Sampath Bank PLC | 75.00 | 100.00 | 100.00 | In 4 years in 16 equal quarterly installments of Rs. 18,750,000/-. | Primary mortgage for Rs. 300 million over land & building situated in Fort, owned by The Colombo Fort Land & Building Company PLC. |
| | PABC Bank PLC | – | 8.60 | 24.58 | In 47 equal monthly installments of Rs. 1,230,000/- each and final installments of Rs. 1,190,000/- together with interest payable monthly on reducing balance of capital. | (a) Primary Mortgage Bond for Rs. 87.0 million installments over land including factory building at 113/10, Maithree Mawatha, Ekala, Ja-Ela. (b) Overdraft Agreement |
| | Lanka Puthra Development Bank Ltd. | | | | | |
| | Loan 1 | – | – | 1.36 | In 60 equal monthly installments | (a) Mortgage over Primary Bond of Rs. 5.7 million which pledges some machinery of the Company. |
| | Loan 2 | – | – | 0.20 | In 60 equal monthly installments | |
| | Commercial Bank of Ceylon PLC | 178.60 | 62.20 | 85.30 | In 47 equal monthly installments of Rs. 2,100,000/- each and final installments of Rs. 1,310,000/- together with interest payable monthly on reducing balance of capital. | Primary mortgage for Rs. 145 million. Installments over land at Ja-ela & Gonawala. |
| | Indian Bank AWPLR +1.20% | 133.20 | 200.00 | – | In 3 years in 12 equal quarterly installments of Rs. 16,666,666/-. | |
| | Hatton National Bank PLC | 39.98 | 50.00 | – | In 59 monthly installment of Rs. 835,000/- each and a final installments of Rs. 735,000/- together with interest payable monthly on reducing balance of capital | |
| | | 426.78 | 420.80 | 211.44 | | |
| Beruwala Resorts PLC | Sampath Bank PLC | 86.05 | 30.00 | 30.00 | – | Primary mortgage of Rs. 100 million over land and building of B.O.T. Hotel Services Ltd. situated at Weligama. |
| | | 86.05 | 30.00 | 30.00 | | |
| Sigiriya Village Hotels PLC | Commercial Bank of Ceylon PLC | – | – | 7.11 | Equal monthly installments of Rs. 166,666/- | Corporate Guarantee of Lankem Ceylon PLC for Rs. 10 million by Lankem Ceylon PLC. |
| | | – | – | 7.11 | | |
| Kotagala Plantation PLC | National Development Bank PLC Approved facility - Rs. 103 million | – | – | 4.31 | Repayable over 10 years from 30th May, 2003, 30th June, 2003 and 30th August, 2003 in equal monthly installments of Rs. 618,745/-, Rs. 41,250/- and Rs. 248,333/- respectively. | Secondary mortgage over lease hold rights of Stonycliff, Vogan, Gikiyanakande and Dalkeith Estates and all immovable properties of these estates. |
| | Approved facility - Rs. 124 million | 1.69 | 12.59 | 23.49 | Repayable over 10 years from 30th May, 2003, 30th June, 2003 and 30th August, 2003 in equal monthly installments of Rs. 618,745/-, Rs. 41,250/- and Rs. 248,333/- respectively. | Secondary mortgage over leasehold rights of Stonycliff, Vogan, Gikiyanakande and Dalkeith Estates and all immovable properties of these Estates. |
| | Approved facility - Rs. 215 million | 193.50 | 215.00 | 215.00 | Terms of repayment repayable over 5 years from 31st December, 2012, in equal monthly installments of Rs. 3,300,000/- and Rs. 283,400/- respectively. (After the re-finance is received, interest rate would be 15.58%.) | Secondary mortgage over leasehold rights of Stonycliff, Vogan Gikiyanakanda and Dalkeith Estates and all immovable properties of theses Estates. |

| Company | Lender | 31.03.2013 Rs. million | 31.03.2012 Rs. million | 01.04.2011 Rs. million | Repayment | Security |
|---|---|---|---|---|---|---|
| | Approved facility - Rs. 150 million | 26.00 | 88.00 | 133.00 | Repayable over 45 months starting from 29th September, 2010 in 32 installments ending in 29th July, 2013 | Securitisation of Kotagala Tea receivable over a period of 45 months. |
| | Approved facility - Rs. 250 million | 116.60 | 180.00 | 244.00 | Payable over 4 years in first monthly installment of Rs. 900,000/- and 47 monthly installments of Rs. 3,300,000/-. | Primary mortgage over 12 million Ordinary shares of C. W. Mackie PLC. Further mortgage over leasehold rights buildings,plant & Machinery in Stonycliff, Vogan, Gikiyanakande & Dalkeith Estates. |
| | Approved facility - Rs. 300 million | 163.50 | 256.00 | 300.00 | Payable over 38 installment Starting from 24th October, 2011. | Securitization of Kotagala Tea receivable. |
| | Approved facility - Rs. 500 million | 443.00 | – | – | Payable over 46 installments starting from 20th August, 2012. | Payable over 46 instalments strating from 20th August, 2012. |
| | Approved facility - Rs. 204 million | 204.47 | – | – | Repayable over 89 installments of (USD 41,110) and one installment of USD 41,210 from 7th month after the disbursement. | Primary mortgage over lease hold rights of building and machinery of Millewa estate. Secondary mortgage leased hold rights of Stonycliff, Vogan, Gikiyanakanda and Dalkeith Estates and all immovable properties of these estates.<br>Secondary mortgage over 8.57 million Shares of C. W. Mackie PLC. |
| | DFCC Bank PLC Approved facility - Rs. 211 million | 6.398 | 19.19 | 31.98 | Repayable over 10 years from 15th September, 2003 in equal monthly installments of Rs. 1,067,614/- each. | Primary mortgage over leasehold rights of Drayton, Rayigam and Padukka Estates. |
| | Approved facility - Rs. 50 million | 12.91 | 17.92 | 22.92 | Repayable over 10 years from 23rd June, 2005 in equal monthly installments of Rs. 416,667/- each. | a. Primary mortgage over leasehold rights to the land and buildings of Craigie Lea and Bogahawatte Estates.<br>b. A Corporate Guarantee of Rs. 50 million from Lankem Tea & Rubber Plantations (Pvt) Ltd. |
| | Approved facility - Rs. 7.5 million | 0.15 | 1.09 | 2.02 | Repayable over 8 years from 25th June, 2005 in equal monthly installments of Rs. 77,781/- each. | a. Primary mortgage over leasehold rights to the land and buildings of Craigie Lea and Bogahawatte Estates.<br>b. A Corporate Guarantee of Rs. 7.467 million from Lankem Tea & Rubber Plantations (Pvt) Ltd. |
| | Approved facility - Rs. 49.7 million | 30.65 | 40.59 | 49.70 | Payable over 5 years in equal 60 monthly installments. Grace period is 18 months. | Secured under the existing Mortgage Bond No. 1068 dated 08th September 1998 attested by R.S. Wijesekara NP over the leasehold rights of Drayton, Padukka and Raigam Estates. |
| | Sampath Bank PLC Approved facility - Rs. 50 million | 34.65 | 40.62 | 46.87 | In 95 equal monthly installments of Rs. 521,000/- and a final installment of Rs. 505,000/- (Capital) together with interest after a grace period of 48 months commencing from the date of 1st disbursement. (The interest will be recovered on a monthly basis during the grace period also). | Loan Agreement for Rs. 50,000,000/- Primary Mortgage Bond for Rs. 50,000,000/- over leasehold rights of Arapolakande Rubber Estate at Kalutara together with factory buildings therein. |

| Company | Lender | 31.03.2013 Rs. million | 31.03.2012 Rs. million | 01.04.2011 Rs. million | Repayment | Security |
|---|---|---|---|---|---|---|
| | Lanka Orix Leasing Company PLC Approved facility - Rs. 40 million | 17.14 | 22.38 | 28.10 | Repayable over 7 years from 30th March 2009 in 84 equal monthly installments of Rs. 476,191/- each. | a. An on demand Promissory Note for Rs. 40,000,000/- with interest @ 18% p.a. b. Until the receipt of refinance of the subsidiary loan from DFCC Bank, and thereafter at the rate of 10.56% p.a. and the interest shall be paid together with any rates which may be imposed by the Government from time to time Primary Mortgage Bond over the unexpired Leasehold Rights created by the indenture of Lease bearing No. 293 dated 2nd March, 1995 attested by D.C. Peiris, Notary Public and the amendment thereto bearing indenture No. 1522 dated 4th July, 1995 attested by M.H.D. Amaratunga, Notary Public Corporate Guarantees of M/S Lankem Plantations Holdings Ltd. and M/S Lankem Tea & Rubber Plantation (Pvt) Ltd. |
| | People's Leasing Company PLC Approved facility - Rs. 13 million | – | 3.61 | 7.09 | Interest monthly at the rate of 24% from the time of disbursement of funds till the time the re-finance is received from DFCC. Thereafter, Rs. 147,070/- within the capital grace period of 12 months and Rs. 350,826/- (Capital + Interest) to be paid within 48 months. | Primary mortgage over two colour separators, Corporate Guarantee of a Lankem Tea & Rubber Plantations (Pvt) Ltd, and Promissory Notes. |
| | People's Leasing Company PLC Approved facility - Rs. 27.71 million | 19.56 | 24.54 | 27.71 | Interest monthly at the rate of 21% from the time of disbursement of funds till the time the re-finance is received from DFCC. Thereafter, payable within 60 months with a capital grace period of 12 months. | Primary mortgage over two colour separators, Corporate Guarantee of a Lankem Tea & Rubber Plantations (Pvt) Ltd, and Promissory Notes. |
| | People's Leasing Company PLC E-Friends Approved facility - Rs. 1.768 million | 0.84 | 1.15 | 1.50 | Interest monthly at the rate of 25% from the time of disbursement of funds till the time the re-finance is received from PMU. Thereafter, Rs. 9,760/- within the capital grace period of 12 months and Rs. 41,924/- (Capital + Interest) to be paid within 60 months. | Loan Agreement, acceptance and receipt and Corporate Guarantee from Lankem Tea & Rubber Plantations (Pvt) Ltd. |
| | People's Leasing Company PLC E-Friends Approved Facility - Rs. 1.5 million | 0.72 | 0.98 | 1.27 | Interest monthly at the rate of 25% from the time of disbursement of funds till the time the re-finance is received from PMU. Thereafter, Rs. 8,281/- within the capital grace period of 12 months and Rs. 35,573/- (Capital + Interest) to be paid within 60 months. | Loan agreement, acceptance and receipt and Corporate Guarantee from Lankem Tea & Rubber Plantations (Pvt) Ltd. |
| | People's Leasing Company PLC E-Friends Approved facility - Rs. 10.235 million | 5.24 | 7.32 | 9.67 | Interest rate of 25% from the time of disbursement of funds till the time the re-finance is received from PMU. There's capital grace period of 12 months and the loan period is 60 months. | Loan Agreement, acceptance and receipt and Corporate Guarantee from Lankem Tea & Rubber Plantations (Pvt) Ltd. |
| | People's Leasing Company PLC E-Friends Approved facility - Rs. 9.60 million | 4.91 | 6.87 | 9.07 | Interest rate of 25% from the time of disbursement of funds till the time the re-finance is received from PMU. Thereafter, Rs. 8,281 within the capital grace period to 12 months and Rs. 35,573 (capital interest) to be paid within 60 months. | Loan Agreement, acceptance and receipt and Corporate Guarantee from Lankem Tea & Rubber Plantations (Pvt) Ltd. |

# Notes to the Financial Statements

| Company | Lender | 31.03.2013 Rs. million | 31.03.2012 Rs. million | 01.04.2011 Rs. million | Repayment | Security |
|---|---|---|---|---|---|---|
| | People's Leasing Company PLC E-Friends Approved facility - Rs. 9.60 million | 4.91 | 6.87 | 9.07 | Interest rate of 25% from the time of disbursement of funds till the time the re-finance is received from PMU. There's a capital grace period of 12 months and the loan period is 60 months. | Loan Agreement, acceptance and receipt and Corporate Guarantee from Lankem Tea & Rubber Plantations (Pvt) Ltd. |
| | People's Leasing Company PLC E-Friends Approved facility - Rs. 3.775 million | – | – | 3.78 | Interest rate of 25% from the time of disbursement of funds till the time the re-finance is received from PMU. There's a capital grace period of 12 months and the loan period is 60 months. | Loan Agreement, acceptance and receipt and Corporate Guarantee from Lankem Tea & Rubber Plantations (Pvt) Ltd. |
| | People's Leasing Company PLC E-Friends Approved facility - Rs. 2.016 million | – | – | 2.02 | Interest rate of 25% from the time of disbursement of funds till the time the re-finance is received from PMU. There's a capital grace period of 12 months and the loan period is 60 months. | Loan Agreement, acceptance and receipt and Corporate Guarantee from Lankem Tea & Rubber Plantations (Pvt) Ltd. |
| | People's Bank Approved facility - Rs. 100 million | – | 29.17 | 79.17 | Repayable within 24 installments of Rs. 4,166,666/- each | Securitized Tea Sales of Mayfields Estates. |
| | People's Bank Approved facility - Rs. 300 million | 285.00 | – | – | Repayable within 60 installments of Rs. 5,000,000/- each. | Immovable properties and lease hold right of Mount Vernon and Mayfield Estate. |
| | Hatton National Bank | 889.00 | – | – | Payable in 20 equal quarterly installments of USD 0.35 million each. | Mortgage of immovable property situated at Talwatte village belonging to Union Commodities (Pvt) Ltd. |
| | Short-Term Standard Chartered Bank | 250.00 | – | – | Short term loan payable in full within a month. | |
| | | 2,710.85 | 973.89 | 1,251.74 | | |
| Agarapatana Plantations Ltd. | DFCC Bank PLC - ADB Loan Disbursement 1 - 97/98 (14046) | – | 5.93 | 13.83 | 1st installment of Rs. 691,884/- and 119 monthly installments of Rs. 691,429/- payable commencing from 01st November, 2002. | Primary mortgage over leasehold rights to the bare land & buildings of Balmoral, Hauteville and Nayabedde Estates. |
| | Disbursement 1 - 97/98 (16251 B) | – | 2.32 | 7.01 | 1st installment of Rs. 390,917/- and 119 monthly installments of Rs. 344,538/- payable commencing from 01st December, 2003. | Further mortgage over leasehold rights to the land & buildings of Balmoral, Hauteville and Nayabedde Estates. |
| | Disbursement 1 - 97/98 (16251 C) | 0.67 | 1.67 | 2.67 | 1st installment of Rs. 86,373/- and 119 monthly installments of Rs. 83,333/- payable commencing from 01st December, 2003. | Further mortgage over leasehold rights to the land & buildings of Balmoral, Hauteville and Nayabedde Estates. |
| | Disbursement 1 - 00/01 (21566) | 6.45 | 9.06 | 11.67 | 1st installment of Rs. 217,545/- and 119 monthly installments of Rs. 217,432/- payable commencing from 01st October, 2005. | A further mortgage of leasehold right to the land & buildings of Balmoral, Hauteville & Nayabedde Estates. |
| | Disbursement 1 - 01/02 (238895) | | 0.93 | 1.87 | 1st installment of Rs. 77,805/- and 95 monthly installments of Rs. 77,781/- payable commencing from 01st June, 2005. | A Guarantee from Lankem Tea & Rubber Plantations (Pvt) Ltd. |
| | Hatton National Bank PLC Disbursement 1 - 07/08 | 9.58 | | 0.94 | 47 equal monthly installments of Rs. 210,000/- and final installment of Rs. 130,000/-. | Corporate Guarantee of Lankem Plantations Holdings Ltd. for Rs. 45 million, Primary mortgage over leasehold right to the land & buildings of Kahagalle Estates. |
| | Lanka Orix Leasing Company PLC (E-friends Loans Scheme) Disbursement 1-07/08 | 0.39 | 1.15 | 1.90 | 60 monthly installments commencing from 30th October, 2008. | Loan agreements and Corporate Guarantee from Lankem Tea & Rubber Plantations (Pvt) Ltd. |
| | Peoples Leasing Company PLC Disbursement 1 - 08/09 | 3.22 | 6.53 | 9.63 | 60 monthly installments commencing from 13th March, 2010 | Loan agreements and Corporate Guarantee from Lankem Tea & Rubber Plantations (Pvt) Ltd. |

| Company | Lender | 31.03.2013 Rs. million | 31.03.2012 Rs. million | 01.04.2011 Rs. million | Repayment | Security |
|---|---|---|---|---|---|---|
| | Disbursement 1 - 08/09 | 4.18 | 6.61 | 8.88 | 60 monthly installments commencing from 12th November, 2010 | Loan agreement acceptance from Lankem Tea & Rubber Plantations (Pvt) Ltd. |
| | Disbursement 1 - 08/09 | 4.18 | 6.61 | 8.88 | 60 monthly installments commencing from 12th November, 2010 | Loan agreement acceptance and receipts of Corporate Guarantee from Lankem Tea and Rubber Plantations (Pvt) Ltd. |
| | Disbursement 1 - 08/09 | 3.80 | 6.01 | 8.09 | 60 monthly installments commencing from 12th November, 2010 | |
| | People's Leasing Company PLC - Rs. 15 million Loan | 11.02 | 14.08 | – | 48 monthly installments commencing from 01st December, 2011 | |
| | Bank of Ceylon Relief Package Loan | – | – | 25.67 | 24 monthly installments commencing from 17th July, 2009 | A primary mortgage over leasehold right to bare land & buildings of Glenanore and Haputale Estates including machinery fixed each of these estates, Treasury guarantee and loan agreement. |
| | National Development Bank PLC Disbursement 1-2010/11 | – | 24.00 | 50.00 | 38 monthly installments commencing from 24th October, 2011. | Loan Agreement and acceptance and Broker Certificate from John Keells PLC-Produced Brokers. |
| | Disbursement 2-2010/11 | 121.50 | 177.50 | 200.00 | 14 monthly installments commencing from 15th July, 2011. | Loan Agreement and acceptance and Broker Certificate from Forbes & Walkers Tea Brokers. |
| | Disbursement 2-2011/12 | – | 60.00 | – | 12 monthly installments commencing from 15th November, 2011. | |
| | Disbursement 2-2011/12 | 24.00 | 100.00 | – | 14 monthly installments commencing from 15th May, 2012. | |
| | 95 million Loan | 95.00 | – | – | 36 monthly installments commencing from 23rd September, 2013 | |
| | 100 million Loan | 100.00 | – | – | 36 monthly installments commencing from 08th May, 2013 | |
| | | 383.99 | 422.40 | 351.04 | | |
| Marawila Resorts PLC | Hatton National Bank PLC Loan - I | 47.78 | 61.74 | 68.25 | Outstanding balance to be settled as follows: Financial year 2013/14 - US$ 1 million and the balance by 2014/15 and interest payable on a monthly basis. | Existing secondary floating mortgage bond totalling US$ 5.1 million over the hotel premises at Marawila. |
| | Loan - II | 156.81 | 181.99 | 172.75 | | |
| | Loan - III | 105.42 | 138.84 | 135.24 | | |
| | Loan - IV | 75.06 | – | – | US$ 23,960 in year 2013/14 and US$ 47,920 in year 2014/15. US$ 239,600 in year 2015/06 and 2016/17 and US$ 47,920 in year 2017/18. | Primary concurrent mortgage over existing land and secondary mortgage to be enhanced by US$ 0.27 million. Additional security to be executed over the new property where the new rooms are constructed and plant and machinery installed there. |
| | Loan - V | 237.46 | – | – | US$ 76,040 in year 2013/14 and US$ 152,080 in year 2014/15. US$ 760,400 in year 2015/16 and 2016/17 and US$ 152,080 in year 2017/18. | |
| | | 622.53 | 382.57 | 376.24 | | |
| Lankem Tea & Rubber Plantations (Pvt) Ltd. | Indian Bank Ltd. | – | 16.67 | 36.49 | – | – |
| | NDB | 108.00 | – | – | | Pledged for 4,600,525 shares held by the Company in Kotagala Plantations PLC and 3,025,000 shares held by Lankem Plantations Holdings Ltd. In Kotagala Plantations PLC. |
| | | 108.00 | 16.67 | 36.45 | | |

| Company | Lender | 31.03.2013 Rs. million | 31.03.2012 Rs. million | 01.04.2011 Rs. million | Repayment | Security |
|---|---|---|---|---|---|---|
| C. W. Mackie PLC | The Industrial Fund (IFU) for Developing Countries | – | 32.11 | 56.91 | 8 years | |
| | | – | 32.11 | 56.91 | | |
| Waverly Power (Pvt) Ltd. | DFCC Bank PLC | 69.57 | 54.00 | – | – | The Company has pledged its own share certificates issued to its shareholders (Lankem Developments PLC and Agarapathana Plantation Ltd.) |
| | Hatton National Bank PLC | 69.57 | 54.00 | – | | The Company has pledged its own share certificates issued to its shareholders (Lankem Developments PLC and Agarapathana Plantation Ltd.) |
| | | 139.14 | 108 | – | | |
| Lankem Plantations Holdings Ltd. | National Development Bank PLC | 73.00 | – | – | | Pledged 3,025,000 shares held by company in Kotagala Plantations PLC. |
| | | 73.00 | – | – | | |
| | | 4,893.67 | 2,551.13 | 2,488.06 | | |

## 20.7 Trust Receipt Loan

| | GROUP | | |
|---|---|---|---|
| | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 |
| E. B. Creasy & Company PLC and Group have obtained following Trust Receipt Loans: | | | |
| Lankem Ceylon PLC | 743,915 | 585,971 | 361,109 |
| E. B. Creasy & Company PLC | 157,038 | 81,821 | 106,368 |
| Darley Butler & Company Limited | 85,287 | 122,067 | 78,070 |
| Laxapana Batteries PLC | 26,737 | 20,769 | 40,745 |
| Creasy Foods Limited | 5,517 | 4,816 | 7,103 |
| At the end of the Year | 1,018,494 | 815,444 | 593,395 |

***E. B. Creasy & Company PLC***

Company's Trust Receipt Loan is secured by Existing Primary Floating Mortgage Bond of Rs. 20 million over stock in trade and an assignment of book debts.

***Creasy Foods Ltd.***

Bank facilities represents Trust Receipt loan is secured by floating charge on imported inventories at unit three Industrial Estate, Ekala, Ja- Ela. and book debt.

***Laxapana Batteries PLC.***

Laxapana Batteries PLC's Trust Receipt Loan is secured by Existing Primary Mortgage Bond of Rs. 66.5 million over the property situated in Panagoda, Homagama with an extent of 3A,2R,24P and building an extent of 50,886 Sq.ft.

***Group***

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

(ii) Marawila Resorts PLC (MRPLC) has obtained loans denominated in foreign currency from Hatton National Bank PLC to fund the construction of the hotel at the rate of 5% per annum.

This loan is secured by the land and other movable & immovable properties of MRPLC.

In terms of rescheduling arrangement made with Hatton National Bank PLC in 15th September 2011, the Company has to settle the outstanding.

Reschedulement of term loan facility outstanding of US$ 1.25 million, US$ 1.93 million and US$ 1.59 million outstanding balance to be repaid near 2013/14 - US$ 1 million and balance by 2014/15.

***(iii) C. W. Mackie PLC***

With the disposal of shareholding of The Industrialization Fund for Developing Countries (IFU) in the Company in February 2010 Aarhus United A/S, Denmark (AU) having disposed of its entire holding in January 2010 in keeping with an undertaking to IFU that until the loan has been fully paid (AU) will no divest its interest in the Company took over the remaining portion of the loan from IFU on the same terms and conditions of the restructured repayment plan of 2005. The balance portion of the term loan owned by the Company to IFU was transferred to AU in August, 2010.

The balance of the IFU long-term loan taken over by AU is DKK 1.3 million and is repayable by December, 2012 together with interest.

The restructured subordinated loan which is outstanding is denominated and payable in DKK and converted into Sri Lankan Rupees at the exchange rate prevailing as at the Balance Sheet date.

**20.8 Debentures**

The Kotagala Plantations PLC, a subsidiary of the Company issued Rs. 35 million and Rs. 65 million guaranteed redeemable debentures (unquoted) on 23rd April 2009 and 17th July ,2009 respectively to the Plantations Trust Fund at the interest rate of 15.86%. These debentures are redeemable in 2012 (Rs. 35 million), 2013 (Rs. 50 million) and 2014 (Rs. 15 million).

Lankem Ceylon PLC, a subsidiary of the Company has issued Rs. 150 million, rated unsecured unlisted redeemable debentures of the value of Rs. 1,000/- each on 30th December, 2010 to DFCC Bank PLC 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.

Lankem Ceylon PLC has issued Rs. 200 million rated unsecured unlisted redeemable debentures of the value of Rs. 1,000/- each on 8th April, 2011 to Sri Lanka Insurance Corporation Ltd. 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.

## 21. Deferred Income and Capital Grants

| | GROUP | | |
|---|---|---|---|
| | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 31.04.2011 Rs. '000 |
| At the beginning of the Year | 553,092 | 560,883 | 510,092 |
| Addition during the Year | 34,698 | 11,210 | 69,144 |
| Amortized during the Year | (17,638) | (19,001) | (18,353) |
| At the end of the Year | 570,152 | 553,092 | 560,883 |

**Agarapatana Plantations Ltd.**

The Company has received funding from the Plantation Housing and Social Welfare Trust, Asian Development Bank, Plantations Reform Project and Ministry of Livestock Development for the development of workers welfare facilities such as re-roofing of line rooms, latrines, water supply and sanitation, etc.

The amounts spent are included under the relevant classification of Property, Plant & Equipment and the grant component is reflected under Deferred Income and Capital Grants.

**Kotagala Plantations PLC**

The Company's Grants and Subsidies represents the followings:
(i) Asian Development Bank - Plantation Reform Project (ADB - PRP).

The funds received are utilized for construction of staff quarters, water projects, latrines, farm roads and purchase of forestry equipment.

(ii) Plantation Development Support Programme (PDSP).

The funds received are utilized for construction of dispensaries, staff quarters, water projects and upgrading creches-

(iii) Plantation Human Development Trust (PHDT).

The funds received are utilized for construction of worker housing, water projects and purchase of ambulance-

(iv) Others.

(a) Ministry of Livestock Development and Estate Infrastructure

The funds received are utilized for construction of community centres, agency post offices and upgrading of farm roads and creches-

(b) Sri Lanka Tea Board.

Funds received are utilized for the construction of the CTC Tea Factory at Mount Vernon Estate.

The amounts spent are capitalized under the relevant classification of Property, Plant & Equipment and the corresponding grant component is reflected under deferred income and capital grants, and amortized over useful life span of the asset.

**Sun Agro Foods Ltd.**

During the year Company has received grant from the USAID amounting to Rs. 22.49 million 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 District.

## 22. Deferred Tax Asset/(Liability)

### 22.1 Deferred Tax Asset

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 |
| At the beginning of the Year | 30,913 | 20,091 | 18,529 | – | – | – |
| Organization and Reversal of Temporary Differences | 14,719 | 10,822 | 145 | – | – | – |
| On acquisition of Subsidiary | – | – | 1,000 | – | – | – |
| Deferred Tax Asset on the Transitional Liability of Retirement Benefit Obligation | – | – | 417 | – | – | – |
| At the end of the Year | 45,632 | 30,913 | 20,091 | – | – | – |

### 22.2 Deferred Tax Liability

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 |
| At the beginning of the Year | 425,310 | 329,714 | 232,625 | 30,818 | 40,235 | 44,956 |
| Deferred Tax Asset on the Transitional Liability of Retirement Benefit Obligation | – | – | 34,932 | – | – | – |
| Balance at the beginning of the Year (Restated) | 425,310 | 329,714 | 267,557 | 30,818 | 40,235 | 44,956 |
| Transferred from/(to) Income Statement | 8,441 | 93,212 | 56,182 | (15,528) | (9,417) | (4,721) |
| On Acquisition of Subsidiary | 12,886 | 2,384 | – | – | – | – |
| Charge to the Changes in Equity Statement | – | – | 5,975 | – | – | – |
| At the end of the Year | 446,637 | 425,310 | 329,714 | 15,290 | 30,818 | 40,235 |

### 22.3 Deferred Tax Assets/(Liabilities)

***E. B. Creasy & Company PLC***

Deferred tax liability has been recognized in respect of the following; Deferred tax has been calculated by applying the effective tax rate of 28%.

| | 31.03.2013 | | 31.03.2012 | | 01.04.2011 | |
|---|---|---|---|---|---|---|
| | Temporary Difference Rs. | Tax Effect Rs. | Temporary Differ ence Rs. | Tax Effect Rs. | Temporary Difference Rs. | Tax Effect Rs. |
| On PPE | 218,474,858 | 61,172,960 | 202,825,940 | 56,791,263 | 226,698,942 | 63,4 75,704 |
| On Retirement Benefit Obligation | (163,867,554) | (45,882,915) | (92,761,682) | (25,973,271) | (83,003,084) | (23,240,864) |
| | 54,607,304 | 15,290,045 | 110,064,258 | 30,817,992 | 143,695,858 | 40,234,840 |

***Laxapana Batteries PLC***

The deferred tax assets/liabilities has been calculated as follows:

| | 31.03.2013 | | 31.03.2012 | | 01.04.2011 | |
|---|---|---|---|---|---|---|
| | Temporary Difference | Tax Effect | Temporary Difference | Tax Effect | Temporary Difference | Tax Effect |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Deferred Tax Assets | | | | | | |
| Defined Benefit Obligation | 1,813,724 | 507,843 | 11,469,511 | 3,211,463 | 13,426,453 | 3,759,408 |
| Tax Loss Carried Forward | 29,474,947 | 8,252,985 | 14,074,313 | 3,940,808 | 6,358,543 | 1,780,392 |
| | 31,288,671 | 8,760,828 | 25,543,824 | 7,152,271 | 19,784,996 | 5,539,800 |
| Deferred Tax Liability | | | | | | |
| Temporary Deferred on Revaluation | 31,288,670 | 8,760,828 | 25,543,824 | 7,152,271 | 31,233,225 | 8,745,303 |
| | 31,288,670 | 8,760,828 | 25,543,824 | 7,152,271 | 31,233,225 | 8,745,303 |

Deferred tax has been computed taking into consideration the effective tax rate of 28%.

Deferred tax asset has not been recognized on the tax losses carried forward amounting to Rs. 20,807,558/-. Because it is not probable that future taxable profit will be available against which the Company can utilize the benefit thereon.

| | 2013 | 2012 |
|---|---|---|
| | Rs. '000 | Rs. '000 |
| Tax losses carried forward | 74,312,707 | 53,525,513 |
| Tax effect thereon 28% | 20,807,558 | 14,987,144 |

***C. W. Mackie PLC***

The tax rate of 28% (2012 -26%), 15% (2012 -18%), 19% ( 2012 - 12%) and 28% (2012 - 28%) were applied respectively by the Company and subsidiaries. Ceymac Rubber Company Ltd., Ceytra (Private) Ltd and Scan Tours and Travels (Private)Ltd., for calculation of deferred tax asset/liability for the current year.

| | 31.03.2013 | | 31.03.2012 | | 01.04.2011 | |
|---|---|---|---|---|---|---|
| | Temporary Difference | Tax Effect | Temporary Difference | Tax Effect | Temporary Difference | Tax Effect |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Property Plant & Equipment | 276,139,000 | 60,752,000 | 266,886,000 | 55,860,000 | 269,581,000 | 63,966,000 |
| Defined Benefit Obligation | (39,236,000) | (8,950,000) | (45,840,000) | (8,132,000) | (41,423,000) | (9,744,000) |
| Tax Loss Carried Forward | (97,028,000) | (16,009,000) | (41,421,000) | (4,971,000) | (68,952,000) | (11,120,000) |
| | 139,875,000 | 35,793,000 | 179,625,000 | 42,757,000 | 159,206,000 | 43,102,000 |

***Lankem Developments PLC***

Deferred tax liability have been recognized in respect of following. Deferred tax has been calculated by applying the effective income tax rate of 12% (for Construction companies):

| | 31.03.2013 | | 31.03.2012 | | 01.04.2011 | |
|---|---|---|---|---|---|---|
| | Temporary Difference | Tax Effect | Temporary Difference | Tax Effect | Temporary Difference | Tax Effect |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Property, Plant & Equipment | 38,400 | 4,608 | 77,875 | 9,345 | 57,725 | 6,927 |

### Unrecognized Deferred Tax Asset

Deferred tax asset have not been recognized in respect of following items:

| | Rs. |
|---|---|
| Retirement Benefit Obligations | 147,275 |
| Tax Loss Carried Forward | 112,331,356 |
| | 112,478,631 |
| | |
| Tax effect there on @ 12% | 13,497,436 |

Deferred Tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the company can utilize the benefit thereon.

### *SunAgro Farms Ltd.*

Deferred Tax asset is arrived by applying the future income tax rate of 5% after expiry of tax holiday period to the temporary differences of the Company as at 31st March, 2013.

| | Temporary Difference Rs. | Tax Effect Rs. |
|---|---|---|
| Property Plant & Equipment | 4,213,508 | 210,675 |
| Tax Loss Carried Forward | 50,959,667 | 2,547,983 |
| | 55,173,175 | 2,758,658 |

The Company has not recognized the deferred tax asset amounting Rs. 2,758,658 million for the year ended 31st March, 2013 as the management was of the view that the asset will not be crystallized in the foreseeable future.

### *Muller & Phipps (Ceylon) PLC*

| | 31.03.2013 | | 31.03.2012 | | 01.04.2011 | |
|---|---|---|---|---|---|---|
| | Temporary Difference Rs. | Tax Effect Rs. | Temporary Difference Rs. | Tax Effect Rs. | Temporary Difference Rs. | Tax Effect Rs. |
| Tax Loss Carried Forward | 104,569,000 | 29,279,320 | 110,049,000 | 30,814,000 | 113,401,000 | 36,690,000 |

The Muller & Phipps (Ceylon) PLC had not recognized the deferred tax asset amounting to Rs. 29.2 million for the year ended 31st March, 2013 as the management was of the view that the asset will not be crystallized in the foreseeable future.

### *SunAgro Foods Ltd.*

The deferred tax asset is arrived by applying the effective rate of 28% to the temporary difference of the company as at 31st March, 2013.

| | 31.03.2013 | |
|---|---|---|
| | Temporary Difference Rs. | Tax Effect Rs. |
| Property, Plant & Equipment | 499,088 | 139,745 |
| Retirement Benefit Obligations | (45,122) | (12,634) |
| Tax Loss Carried Forward | 39,445,071 | 11,044,620 |
| Net Deferred Tax Liability | 39,899,037 | 11,171,731 |

The Company had not recognized the deferred tax asset amounting to Rs. 11.17 million for the year ended 31st March, 2013 as the management was of the view the assets will not be crystallized in the foreseeable future.

***Galle Fort Hotels (Pvt) Ltd.***

Deferred tax liability have been recognized in respect of following temporary differences:

| | 31.03.2013 | | 31.03.2012 | | 01.04.2011 | |
|---|---|---|---|---|---|---|
| | Temporary Difference | Tax Effect | Temporary Difference | Tax Effect | Temporary Difference | Tax Effect |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Property, Plant & Equipment | 23,681,183 | 2,841,742 | 23,571,948 | 2,828,634 | – | – |
| Retirement Benefit Obligation | (1,440,270) | (172,832) | (581,781) | (69,814) | – | – |
| | 22,240,913 | 2,668,910 | 22,990,167 | 2,758,820 | – | – |

***Marawila Resorts PLC***

| | 31.03.2013 | 31.03.2012 | 01.04.2011 |
|---|---|---|---|
| | Rs. | Rs. | Rs. |
| Defined Benefit Obligations | (724,568) | (485,507) | – |
| Property, Plant & Equipment | 44,300,270 | 30,627,541 | – |
| Provision for Doubtful Receivable | – | (60,470) | – |
| Tax Loss Carried Forward | (481,294) | – | – |
| Net Deferred Tax Liability | 43,094,408 | 30,081,564 | – |

Deferred tax is provided using the Balance Sheet liability method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences associated with the Company for which a deferred tax has been calculated at 12%, are disclosed above.

***Darley Butler & Co. Ltd.***

The deferred tax asset is arrived by applying the income tax rate of 28% to the temporary differences of the Company as at 31st March, 2013 and temporary differences are as follows:

| | 31.03.2013 | | 31.03.2012 | | 01.04.2011 | |
|---|---|---|---|---|---|---|
| | Temporary Difference | Tax Effect | Temporary Difference | Tax Effect | Temporary Difference | Tax Effect |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| On Plant & Equipment | (1,237,287) | (346,440) | (524,331) | (146,813) | 1,260,228 | 352,864 |
| On Retirement Benefit Obligation | 38,986,315 | 10,916,167 | 48,786,169 | 13,660,127 | 43,407,501 | 12,154,100 |
| On General Provision | – | – | – | – | (256,452) | (71,806) |
| On Tax Loss | 35,457,535 | 9,928,110 | – | – | – | – |
| | 73,206,563 | 20,497,837 | 48,261,838 | 13,513,314 | 44,411,277 | 12,435,158 |

***SunAgro Lifescience Ltd.***

| | 31.03.2013 | | 31.03.2012 | | 01.04.2011 | |
|---|---|---|---|---|---|---|
| | Temporary Difference | Tax Effect | Temporary Difference | Tax Effect | Temporary Difference | Tax Effect |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Property, Plant & Equipment | 1,072,405 | 300,273 | 863,687 | 241,832 | 394,029 | 97,728 |
| Retirement Benefit Obligation | (780,212) | (218,459) | (368,676) | (103,229) | (287,111) | (80,391) |
| Net Deferred Tax Liability | | | | | | |
| | 292,193 | 81,814 | 495,011 | 138,603 | 106,918 | 17,337 |

***Kotagala Plantations PLC***

| | 31.03.2013 | | 31.03.2012 | | 01.04.2011 | |
|---|---|---|---|---|---|---|
| | Temporary Difference | Tax Effect | Temporary Difference | Tax Effect | Temporary Difference | Tax Effect |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Temporary Differences on: | | | | | | |
| Tangible Assets | 2,609,713 | 447,566 | 2,609,713 | 447,566 | 2,244,181 | 322,279 |
| Gratuity | (568,897) | (97,566) | (568,897) | (97,566) | (550,226) | (79,016) |
| Tax Loss Carried Forward | (426,187) | (73,077) | (426,187) | (73,077) | (455,224) | (65,373) |
| | 1,614,629 | 276,923 | 1,614,629 | 276,923 | 1,238,731 | 177,890 |

***Creasy Foods Ltd.***

The deferred tax liability is arrived by applying the income tax rate of 28% to the temporary differences of the Company as at 31st March, 2013:

| | 31.03.2013 | | 31.03.2012 | | 01.04.2011 | |
|---|---|---|---|---|---|---|
| | Temporary Difference | Tax Effect | Temporary Difference | Tax Effect | Temporary Difference | Tax Effect |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Deferred Tax Liability | | | | | | |
| PPE | (19,190,836) | (5,373,434) | (16,941,921) | (1,694,192) | (14,669,106) | (4,107,350) |
| Defined Benefit Obligation | 7,523,710 | 2,106,639 | 6,717,609 | 671,761 | 6,867,656 | 1,922,944 |
| | (11,667,126) | (3,266,795) | (10,224,312) | (1,022,431) | (7,801,450) | (2,184,406) |

## 23. Retirement Benefit Obligations

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | 31.03.2013 | 31.03.2012 | 01.04.2011 | 31.03.2013 | 31.03.2012 | 01.04.2011 |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Present Value of Defined Benefit Obligation | 2,062,388 | 1,927,365 | 1,806,061 | 163,867 | 107,540 | 89,143 |
| Fair Value of Plan Assets (Note 23.1) | 118,788 | 112,282 | 107,701 | – | – | – |
| | 1,943,600 | 1,815,083 | 1,698,360 | 163,867 | 107,540 | 89,143 |

### 23.1 Movement in Fair Value of Plan Assets

| | | | | | | |
|---|---|---|---|---|---|---|
| Fair Value of Plan Assets at the Beginning of the Year | 112,283 | 107,701 | 104,099 | – | – | – |
| Recognition of Plan Assets | – | – | 7,577 | – | – | – |
| Contribution Paid in to the Plan | 7,581 | 6,904 | 7,010 | – | – | – |
| Benefits Paid by the Plan | (13,788) | (13,579) | (12,763) | – | – | – |
| Expected Return on Plan Assets | 12,591 | 5,187 | | – | – | – |
| Actuarial Gains/Losses on Plan Assets | 121 | 6,070 | 1,778 | – | – | – |
| Fair Value of Plan Assets at the end of the Year | 118,788 | 112,283 | 107,701 | – | – | – |

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

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 |
| At the Beginning of the Year | 1,927,365 | 1,806,061 | 1,527,470 | 107,540 | 89,143 | 70,390 |
| Surplus on Actuarial Valuation of Retirement Benefit Obligations as at the Beginning of the Year | – | – | 206 | – | – | – |
| Current Service Cost | 141,830 | 134,543 | 110,657 | 12,865 | 6,909 | 6,018 |
| Interest Cost | 209,514 | 204,074 | 162,539 | 13,245 | 10,581 | 9,270 |
| Actuarial Losses/(Gains) | 1,162 | 51,676 | 114,942 | 37,796 | 8,638 | 6,140 |
| Under/Over Provision in Previous Year | 3,261 | 1,621 | – | – | – | – |
| Arrears Payable to Non-Contributory Gratuity Fund | – | – | 9,152 | – | – | – |
| Provision for the Year | 7,483 | 12,128 | 11,946 | – | – | – |
| On Acquisition of Subsidiary | 15,650 | 567 | – | – | – | – |
| | 2,306,265 | 2,210,670 | 1,936,912 | 171,446 | 115,271 | 91,818 |
| Transfer of Employees to Related Companies | (146) | (415) | 225 | – | – | – |
| Payments During the Year | (243,731) | (282,890) | (131,076) | (7,579) | (7,731) | (2,675) |
| At the end of the Year | 2,062,388 | 1,927,365 | 1,806,061 | 163,867 | 107,540 | 89,143 |

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

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 |
| Present Value of Unfunded Obligations | 1,890,545 | 1,368,512 | 1,493,547 | 163,867 | 107,540 | 89,143 |
| Present Value of Funded Obligations | 171,843 | 158,854 | 199,350 | – | – | – |
| Total Present Value of Obligations | 2,062,388 | 1,927,366 | 1,692,897 | 163,867 | 107,540 | 89,143 |
| Fair Value of Plan Assets | (118,788) | (112,283) | (107,701) | – | – | – |
| Present Value of Net Obligations | 1,943,600 | 1,815,083 | 1,585,196 | 163,867 | 107,540 | 89,143 |
| Recognized Liability for Defined Benefit Obligation | 1,943,600 | 1,815,083 | 1,698,360 | 163,867 | 107,540 | 89,143 |

### 23.4 Expense Recognized in Profit or Loss

| | | | | | | |
|---|---|---|---|---|---|---|
| Current Service Costs | 141,380 | 134,543 | 110,657 | 12,865 | 6,909 | 6,018 |
| Interest on Obligations | 209,514 | 204,074 | 162,539 | 13,245 | 10,581 | 9,270 |
| | 350,894 | 338,617 | 273,196 | 26,110 | 17,490 | 15,288 |

### 23.5 The Key Actuarial Assumptions

***a. Company***

The key assumptions used by actuary include the following:

| | | |
|---|---|---|
| Discount Rate | | 11% (Per annum) |
| Rate of increase of Salaries | - Executives | 10% (Per annum) |
| | - Non-Executives | 10% (Per annum) |
| Retirement Age | | 60 years |

The actuarial present value of the accrued benefit as at 31st March, 2013 is Rs. 164 million. This item is grouped under retirement benefit obligation in the Statement of Financial Position. The liability is not externally funded.

***b. Group***

A significant portion of the gratuity of the Group relates to Agarapatana Plantations Ltd. (APL) and Kotagala Plantations PLC (KPPLC) which have provisions amounting to Rs. 950.18 million and Rs. 568.89 million respectively.

(i) The gratuity liability of Agarapatana Plantations Ltd. amounting to Rs. 950.18 million as at 31st March, 2013 is based on the full actuarial valuation carried out by Professionally Qualified Actuary Firm, Messrs Actuarial & Management Consultants (Pvt) Ltd. If Agarapatana Plantations Ltd. had provided gratuity for employees on the basis of Gratuity Act No. 12 of 1983, 14 days wages for workers and half a month's salary for staff each completed year of service, for the year ended 31st March, 2013, the liability would have been Rs. 1,206.93 million (2011/12 - Rs. 1,267.61 million). Hence, there is a contingent liability of Rs. 256.76 million (2011/12 - Rs. 368.85 million) which would crystallize only if APL ceases to be a going concern.

| | |
|---|---|
| (a) Discount Rate | 11% p.a. |
| (b) Salary Increment Rate | Workers - 16% every two years and for other categories office staff - 10% per annum |
| (c) Retirement Age | Workers - 60 Years |
| | Staff - 60 Years |

(ii) The gratuity liability of Kotagala Plantations PLC (KPPLC) amounting to Rs. 593.13 million as at 31st March, 2013 is the amount advised by Actuarial & Management Consultants (Pvt) Ltd. If Kotagala Plantations PLC had provided for gratuity for employees on the basis of Gratuity Act No. 12 of 1983, 14 days wages and half a month's salary for each completed year of service, the liability would have been Rs. 758.76 million (2011/12 - Rs. 753.64 million). Hence, there is a contingent liability of Rs. 165.62 million (2011/12 - Rs. 184.74 million) which would crystallize only if KPPLC ceases to be a going concern.

The key assumptions used by the actuary include the following:

| | |
|---|---|
| (a) Discount Rate | 11% p.a. (Net of tax) |
| (b) Rate of Salary Increase | Workers - 16% every two years |
| | For other categories of staff - 10% p.a. |
| (c) Retirement Age | Workers - 60 Years |
| | For other categories of staff - 60 years |
| (d) Daily Wage Rate | Rs. 380/- per worker |
| (e) The Company will continue in business as a going concern. | |

The liability is not externally funded.

(iii) The gratuity liability of Lankem Ceylon PLC, Darley Butler & Company Ltd. and Beruwala Resorts Ltd. based on actuarial valuation carried out by professionally qualified Actuary Firm and the key assumptions used by the actuary includes the followings:

| | |
|---|---|
| (a) Rate of Interest | 11% |
| (b) Rate of Salary Increment | 10% |
| (c) Retirement Age | 55 Years |

(iv) Marawila Resorts PLC, Creasy Foods Ltd., Sun Agro Life Science Ltd., Lankem Consumer products Ltd. and Lankem Paints Ltd. subsidiaries of the Company, has adopted LKAS 19 - Employee Benefits which requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods and discount that benefit using the Projected Unit Credit method in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic and financial variables that will influence the cost of the benefit.

The following key assumptions were made in arriving at the above figure:

| | |
|---|---|
| (a) Rate of Interest | 11% |
| (b) Salary Increment Rate | 10% |
| (c) Retirement Age | Age 55 |

The present value of the accrued benefit as at 31st March, 2013 of above companies respectively Rs. 6.0 million, Rs. 7.5 million, Rs. 0.78 million, Rs. 0.58 million and Rs. 3 million.

(v) Laxapana Batteries PLC, a subsidiary of the Company has adopted LKAS 19 - 'Employee Benefits' which requires the use of actuarial techniques to make reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods and discount that benefit using the Projected Unit Credit method in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure using the gratuity formula as per LKAS 19 - 'Employee Benefits'.

| | |
|---|---|
| (a) Rate of Interest | 11% |
| (b) Salary Increment Rate | 6% |
| (c) Retirement Age | 55 Years |
| (d) Staff Turnover Ratio | 6% |

(vi) Pettah Pharmacy (Pvt) Ltd., a subsidiary of the Company. The following key assumptions were made in arriving at the retirement benefit obligation as at 31st March, 2013:

| | |
|---|---|
| (a) Rate of Interest | 12% |
| (b) Salary Increment Rate | 10% |
| (c) Retirement Age | Age 55 |

(vii) C. W. Mackie PLC, Ceymac Rubber Co. Ltd. and Ceytra (Pvt) Ltd. subsidiaries of the Company adopted LKAS 19 - 'Employee Benefits', which applies to Financial Statements covering annual periods beginning on or after 1st July, 2007. The above companies measure the present value of defined benefit obligation using the Projected Unit Credit method defined by the Actuary.

The Key Assumptions used by the Actuary are as follows:

| | |
|---|---|
| (a) Discount Rate | 10% p.a. |
| (b) Salary Increment Rate | 12% p.a. |
| (c) Expected return on planned assets | 10% p.a. |
| (d) Retirement Age - Management Staff 60 Years | Allied Staff 60 Years |
| | Other Staff 55 Years |

Actuarial gains/losses are recognized based on the application of the 10% Corridor Method.

The contributions of the C. W. Mackie PLC, Ceymac Rubber Company Ltd. and Ceytra (Private) Ltd. to the defined benefit plan are determined by a formula stated in the indenture establishing the CWM Group Staff Non-Contributory Gratuity Fund.

The Group had provided an additional provision in the financial statements as retirement benefit obligation for the difference between the provision required for retirement benefits according to the SLAS 16 and the actual funds available in the Gratuity.

As required by LKAS 19 - Employee Benefits, the fund was actuarially valued by Mr. Piyal S. Goonetilleke, fellow of the society of Actuaries, Consulting actuary of Messrs. Piyal S. Goonetilleke and Associates, as at 31st March, 2013 and the adjustments have been effected in the Financial Statements.

## 24. Trade and Other Payables

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 |
| Trade Payables | 1,965,876 | 1,583,623 | 1,062,914 | 58,165 | 32,977 | 74,452 |
| Unclaimed Dividend | 40,133 | 24,805 | 30,568 | 7,222 | 1,657 | 15,170 |
| Bills Payable | 383,101 | 386,230 | 362,865 | 259,983 | 298,723 | 233,146 |
| Other Taxes Payable | 56,706 | 65,859 | 115,417 | – | – | – |
| Deposits from Dealers | 39,214 | 33,662 | 61,718 | – | – | – |
| Payable to Employees | 248,490 | 239,837 | 225,970 | – | – | – |
| Accrued Expenses and Other Payables | 2,126,336 | 1,561,714 | 1,056,936 | 104,767 | 66,079 | 35,948 |
| | 4,859,856 | 3,895,730 | 2,916,388 | 430,137 | 399,436 | 358,716 |

***Kotagala Plantations PLC***

The Company's other payables and accrued charges includes unpaid JEDB/SLSPC lease rentals on new lease agreements amounting to Rs. 15.3 million (2007/08 - Rs. 10.7 million).

## 25. Amount Due to Related Companies

| | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|
| | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 | 01.04.2011 Rs. '000 |
| The Colombo Fort Land & Buildings PLC | 514,747 | 480,325 | 92,456 | 15,242 | 11,514 | 3,822 |
| Colonial Motors PLC | 6,261 | 2,177 | 2,165 | – | – | – |
| York Hotel Management Services Ltd. | 28,490 | 17,458 | 6,242 | – | – | – |
| Carplan Ltd. | 1,031 | 43 | 257 | – | – | – |
| Darley Butler & Company Ltd. | – | – | – | 84,232 | 261,439 | 263,322 |
| Island Consumer Supplies (Pvt) Ltd. | – | – | – | 5,376 | 5,416 | 5,455 |
| Group Three Associates (Pvt) Ltd. | – | – | – | 1,248 | 1,261 | 1,276 |
| Corporate Systems Ltd. | – | – | – | 28 | 166 | 306 |
| E.B. Creasy Logistics Ltd. | – | – | – | – | – | 4,009 |
| Laxapana Batteries PLC | – | – | – | – | – | 1,199 |
| Lankem Ceylon PLC | – | – | – | – | – | 2,170 |
| Lankem Consumer Products Ltd. | – | – | – | 75 | – | – |
| Ceylon Trading Company Ltd. | – | 2,043 | – | – | – | – |
| Guardian Assets Mgt. Ltd. | – | – | 2,250 | – | – | 2,250 |
| Corporate Managers & Secretaries (Pvt) Ltd. | 20 | 101 | – | – | – | – |
| Kia Motors (Lanka) Ltd. | 90,849 | – | – | – | – | – |
| Harissons Malayalam Finance Services Ltd. | – | 270 | 270 | – | – | – |
| Sherwood Holdings Ltd. | 189 | 179 | 194 | – | – | – |
| Colombo Fort Investments PLC | 21,795 | – | – | – | – | – |
| Lankem Technology Services Ltd. | – | – | 4,975 | – | – | – |
| Ceylon Tea Brokers PLC | 12,932 | – | – | – | – | – |
| | 676,314 | 502,596 | 108,809 | 106,201 | 279,796 | 283,809 |

## 26. Financial Instruments

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

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

| | | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|---|
| | Note | 31st March, 2013 Rs. '000 | 31st March, 2012 Rs. '000 | 01st April, 2011 Rs. '000 | 31st March, 2013 Rs. '000 | 31st March, 2012 Rs. '000 | 01st April, 2011 Rs. '000 |
| Financial Assets | | | | | | | |
| Available-for-Sale Financial Assets (AFS) | | | | | | | |
| Quoted Investments | 13.2 | 48,727 | 28,940 | 33,345 | 1,468 | 1,257 | 959 |
| Unquoted Investments | 13.2 | 220,765 | 244,353 | 170,190 | | | |
| Total | | 269,492 | 273,293 | 203,535 | 1,468 | 1,257 | 959 |
| Current Assets | | | | | | | |
| Trade & Other Receivables | 16 | 5,848,548 | 4,835,142 | 3,845,720 | 192,000 | 187,652 | 112,605 |
| Income Tax Recoverable | | 60,748 | 159,991 | 98,899 | 5,489 | 7,328 | 7,176 |
| Financial Assets FVTPL | | 320,519 | 365,291 | 48,733 | – | – | – |
| Amounts due from Related Companies | 14 | 1,819,149 | 649,568 | 147,312 | 38,023 | 78,474 | 5,759 |
| Total | | 8,048,964 | 6,009,992 | 4,140,664 | 235,512 | 273,454 | 125,540 |
| Cash & Cash Equivalents | 17.1 | 1,474,265 | 1,896,943 | 1,354,891 | 32,501 | 30,398 | 19,317 |
| Total Financial Assets | | 9,792,721 | 8,180,228 | 5,699,090 | 269,481 | 305,109 | 145,816 |

| | | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|---|
| | Note | 31st March, 2013 Rs. '000 | 31st March, 2012 Rs. '000 | 01st April, 2011 Rs. '000 | 31st March, 2013 Rs. '000 | 31st March, 2012 Rs. '000 | 01st April, 2011 Rs. '000 |
| **Financial Liabilities** | | | | | | | |
| **Non-Current Liabilities** | | | | | | | |
| Interest-Bearing Borrowings | 20.1 | 4,238,857 | 2,794,144 | 2,901,944 | 261,224 | 164,248 | 146,093 |
| **Current Liabilities** | | | | | | | |
| Interest-Bearing Borrowings | 20.2 | 4,559,656 | 3,099,309 | 2,466,912 | 288,488 | 322,313 | 305,450 |
| Income Tax Payable | | 104,689 | 154,753 | 173,951 | 8,088 | 3,946 | 16 |
| Trade & Other Payables | 24 | 4,859,856 | 3,895,730 | 2,916,388 | 430,137 | 399,436 | 358,716 |
| Amounts due to Related Companies | 25 | 676,314 | 502,596 | 108,809 | 106,201 | 279,796 | 283,809 |
| Bank Overdraft | 17.2 | 3,210,613 | 2,785,348 | 1,323,259 | 202,322 | 207,971 | 102,304 |
| **Total Financial Liabilities** | | 17,649,985 | 13,231,880 | 9,891,263 | 1,296,460 | 1,377,710 | 1,196,388 |

### 26.2 Financial Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- Credit Risk

- Liquidity Risk

- Market Risk (including currency risk and interest rate risk)

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

***Risk Management Framework***

The Board of Directors has overall responsibilities for the establishment and oversight of the Group's risk management framework. The Group risk management policies are established to identify and analyze 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.

### *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.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31st March 2013 Rs. '000 | 31 March 2012 Rs. '000 | 31 March 2013 Rs. '000 | 31 March 2012 Rs. '000 |
| FVTPL | 320,519 | 365,291 | – | – |
| Trade & Other Receivables | 5,848,548 | 4,835,142 | 192,000 | 187,652 |
| Fixed Deposits | 107,968 | 238,081 | – | – |
| Income Tax Recoverable | 60,948 | 159,990 | 5,489 | 7,328 |
| Amount Due from Related Companies | 1,819,149 | 649,568 | 38,023 | 78,474 |
| Cash & Cash Equivalents | 1,366,297 | 1,658,862 | 32,501 | 30,398 |
| | 9,523,429 | 7,906,944 | 268,013 | 303,852 |

The aging of amount due from related companies at the reporting date was:

| | GROUP | | | | COMPANY | | | |
|---|---|---|---|---|---|---|---|---|
| | Gross 31.03.2013 Rs. '000 | Impairment 31.03.2013 Rs. '000 | Gross 31.03.2012 Rs. '000 | Impairment 31.03.2012 Rs. '000 | Gross 31.03.2013 Rs. '000 | Impairment 31.03.2013 Rs. '000 | Gross 31.03.2012 Rs. '000 | Impairment 31.03.2012 Rs. '000 |
| Past due 0-365 days | 1,283,278 | – | 105,292 | – | 23,788 | – | 73,223 | – |
| More than one year | 539,120 | 3,429 | 585,673 | 41,397 | 14,235 | – | 5,251 | – |
| | 1,822,398 | 3,429 | 690,965 | 41,397 | 38,023 | – | 78,474 | – |

Based on historic default rates, the Company believes that, apart from the above, no impairment allowance is necessary in respect of amount due from related companies for past dues or past due by up 365 days.

### *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. The Group early applied the exemption in SLFRS 1 that allows an entity not to provide comparative information for periods ending 31st March, 2012 in respect of the liquidity disclosures below:

| *As at 31st March, 2013* | GROUP | | | | COMPANY | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 8,798,513 | 8,798,513 | 4,559,656 | 4,238,857 | 549,712 | 549,712 | 288,488 | 261,224 |
| Amount Due to Related Companies - Current | 676,314 | 676,314 | 676,314 | – | 106,201 | 106,201 | 106,201 | – |
| Other Financial Liabilities/ Trade & Other Payables | 4,964,544 | 4,964,544 | 4,964,544 | – | 438,223 | 438,223 | 438,223 | – |
| Bank Overdrafts | 3,210,613 | 3,210,613 | 3,210,613 | – | 202,322 | 202,322 | 202,322 | – |
| Total | 17,649,984 | 17,649,984 | 13,411,127 | 4,238,857 | 1,296,458 | 1,296,458 | 1,035,234 | 261,224 |

### *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.

#### 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.

## 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 | |
|---|---|---|---|---|
| | 2013 Rs. '000 | 2012 Rs. '000 | 2013 Rs. '000 | 2012 Rs. '000 |
| **Transaction with Subsidiary Companies Listed in Note 13.4** | | | | |
| Sales of Goods | – | – | 2,069,725 | 1,545,168 |
| Incurred Reimbursable Expenses | – | – | 199,149 | 246,131 |
| Service Charges | – | – | 33,047 | 36,402 |
| Guarantee Commission Income on Corporate Guarantee | – | – | 22,462 | 22,361 |
| **The Transaction with The Colombo Fort Land and Building PLC (Ultimate Parent Company)** | | | | |
| Loans Paid | 47,300 | 20,589 | – | |
| Guarantee Commission Expense on Corporate Guarantee | 26,075 | 1,210 | 6,196 | 6,441 |
| Incurred Reimbursable Expenses | 15,660 | 9,929 | 2,468 | 1,250 |
| Rent Expenses | 13,635 | 13,650 | – | |
| Loans Obtained | 300 | 1,158,000 | – | |
| Rent Income | – | – | 1,299 | 1,689 |
| **The Transaction with Other Related Companies** | | | | |
| Sales of Goods | 160,691 | 101,364 | – | |
| Broker Advance paid | 110,778 | – | – | |
| Loan Obtained | 82,115 | 51,009 | – | |
| Management Fee Paid | 45,272 | 35,783 | – | |
| Loan Paid | 30,000 | 20,000 | – | |
| Rent Expenses | 20,349 | 19,776 | – | |
| Incurred Reimbursable Expenses | 16,190 | 21,547 | 151 | 134 |
| Secretarial Fees Paid | 8,492 | 1,453 | – | |
| Net Finance Charges | 7,630 | 1,497 | – | |
| Vehicle Hire & Repair Expenses | 2,965 | 4,497 | – | |
| Service Charges | 2,310 | 1,900 | – | |
| Other | 3,557 | 183 | – | |

**(c)** The Directors of the Company are also Directors of the following companies:

| | EBC | DBCL | EBL | FPL | CSL | GTA | CFL | LBP | LPHL | LTR | APL | KPP | SVH | MRP | BRL | LDP | SALS | LCPL | LC | LPL | ICSL | LCP | LEL | LRL | CFHL | YHK | AFL | LPSL | SAF | CPML | MPL | PPL | WPL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Mr. A. Rajaratnam | ✓ | ✓ | | | | | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | | | | ✓ | ✓ | ✓ | ✓ | | ✓ | | | ✓ |
| Mr. S.D.R. Arudpragasam | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Mr. R.N. Bopearatchy | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | ✓ | | ✓ | ✓ | |
| Mr. S. Rajaratnam | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | | | ✓ | ✓ | ✓ | | | | | | ✓ | | | | ✓ | ✓ | | | | | | | ✓ |
| Mr. R.C.A. Welikala | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | | | | | | | | ✓ | | | | | | | | | | ✓ | ✓ | |
| Mr. P.M.A. Sirimane | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | | | | | | | | | | | | ✓ | | | | | | | | | | ✓ | ✓ | |
| Mr. A.R. Rasiah | ✓ | ✓ | | | | | ✓ | | | | | | | | | | | | | | | | | | | | | | | | ✓ | ✓ | |
| Mr. S.N.P. Palihena | ✓ | ✓ | | | | | ✓ | | | | | | | | | | | | | | | | | | | | | | | | ✓ | ✓ | |

The above Notes should be read in conjunction with Note Nos. 13.1, 15, 23, 25 and 30 to the Financial Statements.

### (d) Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard LKAS - 24 - 'Related Party Disclosures', Key Management Personnel, are those having and 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

| | 2012/13 Rs. '000 | 2011/12 Rs. '000 | 2010/11 Rs. '000 |
|---|---|---|---|
| Salaries/Other Employee Benefits | 98,988 | 73.292 | 61,933 |

(iii) Other Transactions with Key Management Personnel

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

| | 2012/13 Rs. '000 | 2011/12 Rs. '000 | 2010/11 Rs. '000 |
|---|---|---|---|
| Salaries/Other Employee Benefits | 301,576 | 274,599 | 227,249 |

(iii) Other Transactions with Key Management Personnel

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

## 28. Operating Segment

| | Industrial Products | | Consumer | | Leisure | | Plantations | | Plantation Trading | | Agricultural Inputs | | Other | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 Rs. '000 | 2012 Rs. '000 | 2013 Rs. '000 | 2012 Rs. '000 | 2013 Rs. '000 | 2012 Rs. '000 | 2013 Rs. '000 | 2012 Rs. '000 | 2013 Rs. '000 | 2012 Rs. '000 | 2013 Rs. '000 | 2012 Rs. '000 | 2013 Rs. '000 | 2012 Rs. '000 | 2013 Rs. '000 | 2012 Rs. '000 |
| External revenue | 6,238,668 | 6,973,784 | 9,626,111 | 8,689,823 | 926,695 | 832,422 | 6,666,301 | 6,592,711 | 4,405,125 | 3,552,733 | 1,274,945 | 1,249,183 | 46,377 | 90,020 | 29,184,222 | 27,980,680 |
| Nation Building tax | – | – | (82,967) | (66,020) | (7,137) | (9,449) | – | – | – | – | – | – | (311) | (1,078) | (90,414) | (76,547) |
| Inter Segment revenue | 1,371,089 | 1,428,502 | 2,597,679 | 1,960,883 | 5,571 | – | 364,403 | 213,359 | – | – | 780,692 | 811,545 | 140,294 | 42,535 | 5,259,728 | 4,456,824 |
| Total revenue for reportable segments | 7,609,757 | 8,402,286 | 12,140,823 | 10,584,686 | 925,129 | 822,974 | 7,030,704 | 6,806,072 | 4,405,125 | 3,552,733 | 2,055,637 | 2,060,728 | 186,361 | 131,478 | 34,353,536 | 32,360,957 |
| Interest revenue | 82,366 | 6,703 | 57,375 | 3,203 | 10,055 | 5,096 | 47,456 | 12,003 | 22,945 | 8,328 | 66,899 | 8,539 | 3,847 | 1,368 | 290,943 | 45,240 |
| Interest Expenses | 293,108 | 90,928 | 258,909 | 208,464 | 35,598 | 72,567 | 481,638 | 127,190 | 112,485 | 36,762 | 170,350 | 92,699 | 9,766 | 2,597 | 1,361,854 | 631,207 |
| Depreciation and Amortization | 85,457 | 143,275 | 168,487 | 163,304 | 77,771 | 90,452 | 267,822 | 254,131 | 92,160 | 29,545 | 33,450 | 63,195 | 2,250 | 5,119 | 727,397 | 749,021 |
| Reportable segment | | | | | | | | | | | | | | | | |
| Profit before income tax | 62,808 | 363,272 | 247,774 | 284,631 | 130,406 | 54,335 | 528,740 | 123,348 | 45,740 | 183,721 | (32,054) | 63,988 | 8,546 | 28,936 | 991,960 | 1,102,231 |
| Total Assets | 3,853,394 | 3,334,628 | 4,948,279 | 4,375,132 | 3,758,136 | 3,504,767 | 11,032,964 | 9,781,663 | 3,537,477 | 1,218,027 | 1,948,422 | 1,499,400 | 559,155 | 742,358 | 29,637,827 | 24,455,975 |
| Total Liabilities | 2,777,027 | 2,958,649 | 3,648,892 | 3,139,246 | 1,620,175 | 892,275 | 9,294,529 | 6,870,074 | 1,287,148 | 645,478 | 1,960,603 | 1,567,274 | 140,787 | 64,652 | 20,729,161 | 16,137,647 |
| Capital expenditure | 179,495 | 278,251 | 296,467 | 190,955 | 1,068,716 | 532,807 | 1,031,007 | 956,762 | 1,504,345 | 56,945 | 93,195 | 135,125 | 79,049 | 454,727 | 4,252,276 | 2,605,572 |

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

***Revenue***

| | 2013<br>Rs. | 2012<br>Rs. |
|---|---|---|
| Total revenue for reportable segments | 34,353,536 | 32,360,957 |
| Elimination of Inter Segment revenue | (5,259,728) | (4,456,824) |
| Consolidated revenue | 29,093,808 | 27,904,133 |

***Profit before tax***

| | | |
|---|---|---|
| Total revenue for reportable segments | 1,170,354 | 2,474,587 |
| Elimination of Inter Segment revenue | (178,394) | (1,372,356) |
| Consolidated Profit before tax | 991,960 | 1,102,231 |

***Assets***

| | | |
|---|---|---|
| Total assets for reportable segment | 17,452,319 | 14,148,545 |
| Investment in equity accounted investee | 12,185,436 | 10,307,429 |
| | 29,637,827 | 24,455,975 |

***Liabilities***

| | | |
|---|---|---|
| Total Liabilities for reportable segment | 20,729,161 | 16,137,647 |

***Other material items***

| | | |
|---|---|---|
| Interest revenue | 290,943 | 45,240 |
| Interest Expenses | 1,361,854 | 631,207 |
| Capital expenditure | 4,252,276 | 2,605,572 |
| Depreciation and amortization | 727,201 | 748,775 |

## 29. Capital Expenditure & Commitments

**Group**

There are no material capital or financial commitments as at the Balance Sheet date other than those disclosed below:

(i) Capital commitments approved by Agarapatana Plantations Ltd. are Rs. 186.34 million for Field Development and Rs. 85.86 million for Machinery and Factory Development.

(ii) The Beruwala Resorts PLC, a subsidiary of the Company, has budgeted Rs. 9.1 million to build a water treatment plant and 60% advance payment has been made as at 31st March, 2013.

(iii) Budgeted capital development programmes of Kotagala Plantations PLC for the next financial year amounts to approximately Rs. 561.1 million (2011/12 - Rs. 654.5 million).

(iv) The York Hotels (Kandy) Ltd., a subsidiary of the Company has committed capital expenditure amounting to Rs. 3.53 million to Sierra Constructions (Pvt) Ltd.

## 30. Contingent Liabilities

### 30.1 Company

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

| | 31.03.2013 Rs. '000 | 31.03.2012 Rs. '000 |
|---|---|---|
| Darley Butler & Co. Ltd. | 365,000 | 365,000 |
| Laxapana Batteries PLC | 8,720 | 8,720 |
| Lankem Ceylon PLC | 375,000 | 375,000 |
| | 748,720 | 748,720 |

### 30.2 Group

(i) Lankem Ceylon PLC has given guarantees to third parties for facilities obtained by its subsidiaries and outstanding as at 31st March, 2013 on account of Lankem Paints Ltd. amounted to Rs. 125 million, Sun Agro Life Sceince Ltd. Rs. 55 million, Agarapatana Plantations Ltd. Rs. 50 million, Darley Butler and Company Ltd. Rs. 145 million, Sigiriya Village Hotels PLC 7.2 million and Waverly Power (Pvt) Ltd. Rs. 70 million.

(ii) Contingent liabilities exist in relation to the following for Lankem Tea & Rubber Plantations (Pvt) Ltd.:

(a) A contingent liability of Rs. 50 million exists as at the Balance Sheet date in relation to the various regulatory and legal matters. In addition to which penalties may be imposed on certain statutory payments. However, the Company is confident that these liabilities may not be materialize in future.

(b) Lankem Tea & Rubber Plantations (Pvt) Ltd. have given a corporate guarantee to DFCC Bank on behalf of Agarapatana Plantations Ltd. to secure loan of Rs. 7.47 million on ADB credit line.

(c) Guarantee to DFCC Bank PLC on behalf of Kotagala Plantations PLC, to secure loans of Rs. 50 million and Rs. 7.5 million under ADB credit line.

(d) Lankem Tea & Rubber Plantations (Pvt) Ltd. have given a corporate guarantee to People's Leasing Company PLC on behalf of Kotagala Planations PLC, to secure Term Loans of Rs. 13 million, Rs. 27.7 million and E-friends loans of Rs. 1.7 million, Rs. 1.5 million, Rs. 10.2 million, Rs. 9.6 million, Rs. 9.6 million, Rs. 3.7 million and Rs. 2 million.

(e) Lankem Tea & Rubber Plantations (Pvt) Ltd. have given a corporate guarantee to Lanka ORIX Leasing Company PLC on behalf of Kotagala Plantations PLC, to secure Term Loans of Rs. 40 million.

(f) Lankem Tea & Rubber Plantations (Pvt) Ltd. have given a corporate guarantee to People's Leasing Company PLC on behalf of Agarapatana Plantations Ltd., to secure Term Loans of Rs. 9.7 million, Rs. 12.8 million, Rs. 8.9 million and Rs. 9.7 million.

(iii) Contingent liabilities exist in relation to the following for C. W. Mackie & Company PLC: Letters of comfort and guarantees of Rs. 83 million have been provided to banks providing facilities to Ceytra (Private) Ltd. and Ceymac Rubber Company Ltd.

## 31. Acquisition of Union Commodities Ltd.

The Company is subsidiary with its indirect subsidiary Kotagala Plantations PLC purchased 6,000,000 shares representing 100% issued number of shares of Union Commodities (Pvt) Ltd. on 31st December, 2012.

| | Rs. '000 |
|---|---|
| Property, Plant & Equipment | 1,438,598 |
| Other Investment | 33,018 |
| Inventories | 624,460 |
| Trade and Other Receivables | 669,575 |
| Deferred Liabilities | (15,650) |
| Deferred Taxation | (12,887) |
| Trade and Other Payables | (898,552) |
| Bank Overdraft | (44,682) |
| Net Identifiable Assets and Liabilities | 1,793,880 |
| Non-Controlling Interest | (175,584) |
| Goodwill of Subsidiary/Excess on Acquisition | (43,296) |
| Cash Flow on Acquisition of Subsidiary | 1,575,000 |
| Add: Bank Overdraft | 44,682 |
| Net Cash Flow on Acquisition of Subsidiary | 1,619,682 |

## 32. Events Occurring After the Reporting Date

### 32.1 Company

***32.1.1*** The Directors have recommended the payment of a first and final dividend of Rs. 10/- per share for the year ended 31st March, 2013 which will be declared at the Annual General Meeting to be held on 28th June, 2013. In accordance with the Sri Lanka Accounting Standard 10 - 'Events Occurring After the Reporting Date' this proposed first and final dividend has not been recognized as a liability in the Financial Statements for the year ended 31st March, 2013.

***32.1.2*** Subsequent to the Balance Sheet date, no circumstances have arisen that would require adjustments to/or disclosure in the Financial Statements other than those disclosed above.

## 33. Comparative Information

To facilitate comparison and where relevant, balances pertaining to the previous year have been reclassified, as follows:

| | GROUP | | | | | |
|---|---|---|---|---|---|---|
| | 31.03.2012 | | | 31.03.2011 | | |
| | Reclassified Rs. '000 | As per Audited Accounts Rs. '000 | Change Rs. '000 | Reclassified Rs. '000 | As per Audited Accounts Rs. '000 | Change Rs. '000 |
| Cost of Sales | (22,760,371) | (22,702,728) | (57,643) | – | – | – |
| Other Income | 569,737 | 1,378,718 | (808,981) | – | – | – |
| Distribution Expense | (1,638,681) | (1,656,162) | 17,481 | – | – | – |
| Administrative Expense | (2,228,883) | (2,234,892) | 6,009 | – | – | – |
| Net Finance Expense | (610,562) | (607,000) | (3,562) | – | – | – |
| Non-controlling Interest (Note 33.1) | (569,274) | (1,415,969) | 846,695 | – | – | – |
| | | | | | | |
| Inventories | 3,426,035 | 3,322,615 | 103,420 | 3,388,023 | 3,293,356 | 94,667 |
| Amount Due from Related Companies | 649,568 | 700,643 | (51,075) | 147,312 | 147,807 | (495) |
| Trade & Other Receivables | 4,834,748 | 4,852,957 | (18,208) | 3,840,881 | 4,227,953 | (387,072) |
| Income Tax Refund | – | – | – | 98,899 | 26,269 | 72,641 |
| Cash and Cash Equivalents | 1,896,943 | 1,871,696 | 25,247 | – | – | – |
| Trade & Other Payables | 3,901,694 | 3,868,328 | 33,366 | 2,916,388 | 3,136,647 | (220,259) |
| Amount Due to Related Companies | 502,596 | 501,826 | 770 | – | – | – |
| Bank Overdraft | 2,785,348 | 2,760,101 | 25,247 | – | – | – |

| | COMPANY | | | | | |
|---|---|---|---|---|---|---|
| | 31.03.2012 | | | 31.03.2011 | | |
| | Reclassified Rs. '000 | As per Audited Accounts Rs. '000 | Change Rs. '000 | Reclassified Rs. '000 | As per Audited Accounts Rs. '000 | Change Rs. '000 |
| Cost of sales | 1,258,664 | 1,201,021 | 57,643 | – | – | – |
| Administration expenses | 217,198 | 262,604 | (45,406) | – | – | – |
| Distribution expenses | 189,863 | 207,344 | (17,481) | – | – | – |
| Net Finance Income | 97,659 | 92,415 | 5,244 | – | – | – |
| | | | | | | |
| Cash balance - Favourable | 30,398 | 5,151 | 25,247 | – | – | – |
| Bank Overdraft | (207,971) | (182,724) | (25,247) | – | – | – |
| Other Receivables | 194,980 | 213,187 | (18,207) | 351,304 | 340,772 | 10,532 |
| Inventory | 433,107 | 414,900 | 18,207 | 119,781 | 130,312 | (10,532) |
| Amounts Due to related Companies | | | | | | |
| Non-current Balance | – | 153,962 | (153,962) | – | 153,962 | (153,962) |
| Current Balance | 290,299 | 136,337 | 153,962 | 283,812 | 129,850 | 153,962 |

**33.1** Profit attributable to the non-controlling interest which was recognized and adjusted in the profit or loss has been reclassified and adjusted through the statement of changes in equity.

## 34. Going Concern

The Financial Statements of the Group do not include any adjustments in relation to the recoverability and classification of recorded asset amounts or and classification of liabilities that may be necessary, if any of the following companies are unable to continue as a going concern:

(i) Associated Farms Ltd. a subsidiary has ceased its operations due to the environmental issues and will be looking for a suitable place to continue the business. However, there is no any long-term liability or fixed assets belonging to the Company. The Directors have made an assessment of Company's ability to continue as a going concern and they don't intend to liquidate the Company.

(ii) Lankem Consumer Products Ltd. (LCPL), The Company has incurred a loss of Rs. 36.62 million (2011/12 - Rs. 11.97 million) during the year ended 31st March, 2013 and as at that date accumulated loss was Rs. 114.55 million (2011/12 - Rs. 77.92 million). Further total liability exceeds the total assets by Rs. 94.55 million (2011/12 - Rs. 57.92 million) and the current liabilities exceeds the current assets by Rs. 93.97 million (2011/12 - Rs. 57.44 million). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as going concern. Hence, Company's ability to continue as a going concern depends on the financial supporting of the Parent Company, Lankem Ceylon PLC. However, the Financial Statements are prepared on going concern assumption.

(iii) York Hotels (Kandy) Ltd. - (YHKL), a subsidiary which was incorporated on 11th February, 1993 has not get commenced its operations. Further YHKL has not continued the construction work since 1996. But the Board of Directors of YHKL is confident that the construction work will be recommenced in the next financial year.

(iv) SunAgro Farms Ltd. - The Company has incurred a loss of Rs. 12.31 million (2011/12 - Rs. 18.24 million) during the year ended 31st March, 2013, as at the date accumulated loss was Rs. 24.02 million (2011/12 - Rs. 11.70 million), current liabilities exceeded the current assets by Rs. 40.76 million (2011/12 - Rs. 28.73 million) and its total liabilities exceed its total assets by Rs. 12.02 million. Further, Company's net assets are less than half of the stated capital and face a serious loss of capital situation. These factors have effects on company's ability to continue as going concern. However, the management has set a action plan which is monitored by the Board to prevent further such losses or to recoup the losses incurred. Accordingly the Directors of the Company are of the view that the Company is able to continue as a going concern.

(v) Agarapatana Plantations Ltd. - The Company's current liabilities exceeded its current assets by Rs. 1,012.23 million (2011/12 - Rs. 894.67 million) and net assets are less than the half of stated capital of the company which is a serious loss of capital as per Section 220 of the companies Act No. 07 of 2007. The Directors of the company are confident that the financial position of the company will significantly improve in the near future in view of the finance facilities available from the banks and related companies.

(vi) Lankem Developments PLC, the Company incurred a net loss of Rs. 360.88 million during the year ended 31st March, 2013 and as of that date the company's current liabilities exceeded its current assets by Rs. 101.57 million. These factors raised significant doubts of the company's ability to continue as a going concern. However, the management in the view that the investments in plantation sector and hydro power plants will generate profits in the future. Accordingly, the Directors of the company are of the view that company is able to continue as a going concern and the financial statements of the company have been prepared on the assumption that the company is a going concern.

## 35. Explanation of Transition to SLFRS/LKAS

As stated in Note 2 (1), these are the Group's first Consolidated Financial Statements prepared in accordance with SLFRS. The accounting policies set out in Note 3 have been applied in preparing the Financial Statements for the year ended 31st March, 2013. The comparative information presented in these Financial Statements for the year ended 31st March, 2012 and in the preparation of an opening SLFRS Statement of Financial Position as at 1st April, 2011 (the Group's date of transition). In preparing its opening SLFRS statement of financial position, the Group has adjusted amount reported previously in Financial Statements prepared in accordance with SLAS. (Previous GAAP). An explanation of how the transition from previous SLASs to SLFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

### 35.1 Reconciliation of Comprehensive Income

| *For the year ended 31st March, 2012* | | GROUP | | | COMPANY | | |
|---|---|---|---|---|---|---|---|
| | Note | SLAS 2012 Rs. | Effect of Transition Rs. | SLFRS Rs. | SLAS 2012 Rs. | Effect of Transition Rs. | SLFRS Rs. |
| **Revenue** | b | 27,861,318 | 42,815 | 27,904,133 | 1,813,138 | NIL | 1,813,138 |
| Cost of Sales | b,i,l | (22,760,371) | 33,095 | (22,727,276) | (1,258,664) | NIL | (1,258,664) |
| **Gross Profit** | | 5,100,947 | 75,910 | 5,176,857 | 554,474 | NIL | 554,474 |
| Other Income | f,g | 569,737 | (163,431) | 406,306 | 22,681 | NIL | 22,681 |
| Gains/(Loss) on Change in Fair Value of Biological Assets | | – | (48,529) | (48,529) | – | – | – |
| Distribution Expense | i | (1,638,681) | 5 | (1,638,675) | (189,863) | NIL | (189,863) |
| Administrative Expense | b,i | (2,228,883) | (8,410) | (2,237,294) | (217,198) | NIL | (217,198) |
| Other Expenses | | (60,701) | (16,870) | (77,571) | – | | – |
| Excess on Acquisition | | 107,104 | – | 107,104 | – | | – |
| Net Finance Expense | b | (610,562) | 24,596 | (585,967) | (97,659) | 22,361 | (75,298) |
| **Profit before Taxation** | | 1,238,961 | 136,730 | 1,102,231 | 72,435 | 22,361 | 94,796 |
| Income Tax Expenses | j | (299,924) | (4,860) | (304,784) | 9,387 | (3,946) | 5,441 |
| **Profit after Taxation** | | 939,037 | 141,590 | 797,447 | 81,822 | 18,415 | 100,237 |
| **Other Comprehensive Income** | | | | | | | |
| Net Change in Fair Value of Available-for-Sale Financial Assets | | | | 167,038 | | | 83 |
| Defined Benefit Plan Actual Gain/(Losses) | | | | (45,606) | | | (8639) |
| **Other Comprehensive Income for the year Net of Tax** | | | | 121,432 | | | (8,556) |
| **Total Comprehensive Income for the Year** | | | | 918,879 | | | 91,681 |
| **Profit Attributable to:** | | | | | | | |
| Equity Holders of the Parent | | 369,763 | | 236,111 | 81,822 | | 100,237 |
| Non-Controlling Interest | | 569,274 | | 561,336 | – | | – |
| | | 939,037 | | 797,447 | 81,822 | | 100,237 |
| **Total Comprehensive Attributable to:** | | | | | | | |
| Equity Holders of the Parent | | | | 375,975 | | | 91,681 |
| Non-Controlling Interest | | | | 542,904 | | | – |
| | | | | 918,879 | | | 91,681 |
| **Earnings per Share (Rs.)** | | 145.86 | | 93.14 | 32.28 | | 39.54 |
| **Dividend Per share (Rs.)** | | 6.00 | | 6.00 | 6.00 | | 6.00 |

*Figures in brackets indicate deductions.*

### 35.2 (a) Reconciliation of Financial Position As at 31st March, 2012 & 31st March, 2011

GROUP

| | Note | SLAS 2012 Rs. | Effect of Transition Rs. | SLFRS Rs. | SLAS 2011 Rs. | Effect of Transition Rs. | SLFRS Rs. |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| **Non-Current Assets** | | | | | | | |
| Property, Plant & Equipment | a,b,c,d,h | 11,246,209 | (5,352) | 11,240,853 | 9,877,596 | 7,846 | 9,885,442 |
| Investment Property | e | 46,729 | 10,114 | 56,843 | 50,753 | 10,827 | 61,580 |
| Leasehold Right | | 431,130 | – | 431,130 | 444,118 | – | 444,118 |
| Biological Assets | b | – | 588,650 | 588,650 | – | 622,142 | 622,142 |
| Intangible Assets | d | 532,279 | 979 | 533,258 | 333,149 | 1,224 | 334,373 |
| Financial Assets Fair Value through Profit and Loss | f | 53,696 | 219,598 | 273,294 | 40,365 | 163,172 | 203,537 |
| Defined benefit obligations plan assets | a | 112,283 | | 112,282 | 107,701 | – | 107,701 |
| Deferred Tax Asset | | 30,429 | 484 | 30,913 | 19,674 | 417 | 20,091 |
| | | 12,452,755 | 814,473 | 13,267,223 | 10,873,356 | 805,627 | 11,678,984 |
| **Current Assets** | | | | | | | |
| Inventories | b | 3,426,035 | (144,218) | 3,281,818 | 3,388,023 | (142,977) | 3,245,046 |
| Amount Due from Related Companies | | 649,568 | – | 649,568 | 147,312 | – | 147,312 |
| Trade & Other Receivables | g | 4,834,748 | 394 | 4,835,142 | 3,840,881 | 4,839 | 3,845,720 |
| Income Tax Refund Due | | 159,991 | – | 159,990 | 98,899 | – | 98,899 |
| Financial Assets Available-for-Sale - Short-Term | f | 365,067 | 224 | 365,290 | 47,008 | 1,725 | 48,733 |
| Cash and Cash Equivalents | | 1,896,943 | – | 1,896,943 | 1,354,891 | – | 1,354,891 |
| | | 11,332,352 | (143,600) | 11,188,752 | 8,877,015 | (136,413) | 8,740,601 |
| **Total Assets** | | 23,785,107 | 670,873 | 24,455,975 | 19,750,371 | 669,215 | 20,419,585 |
| **EQUITY AND LIABILITIES** | | | | | | | |
| **Equity** | | | | | | | |
| Stated Capital | | 25,731 | | 25,731 | 25,731 | | 25,731 |
| Capital Reserves | b | 873,492 | (746,777) | 126,715 | 883,348 | (756,632) | 126,715 |
| General Reserve | b | 148,427 | (126,748) | 21,679 | 148,427 | (126,748) | 21,679 |
| Accumulated Profit/(Accumulated Loss) | c,e,f,g,h | 1,599,585 | 1,107,804 | 2,806,384 | 971,250 | 1,108,983 | 2,445,100 |
| **Equity Attributable to Equity Holders of the Parent** | | 2,647,235 | 234,279 | 2,980,509 | 2,028,756 | 225,603 | 2,619,225 |
| **Non-Controlling interest** | c,e,f,g,h | 5,075,138 | 361,678 | 5,337,819 | 5,198,621 | 378,684 | 5,212,440 |
| **Total Equity** | | 7,722,373 | 595,957 | 8,318,328 | 7,227,377 | 604,287 | 7,831,665 |
| **Non-Current Liabilities** | | | | | | | |
| Interest Bearing Loans and Borrowings | h | 2,782,802 | 11,342 | 2,794,144 | 2,882,522 | 19,422 | 2,901,944 |
| Deferred Income | | 553,092 | | 553,092 | 560,883 | | 560,883 |
| Deferred Tax Liability | a | 416,419 | 8,891 | 425,310 | 327,788 | 1,926 | 329,714 |
| Retirement Benefit Obligations | i | 1,879,807 | 47,558 | 1,927,365 | 1,767,849 | 38,212 | 1,806,061 |
| | | 5,632,120 | 67,791 | 5,699,911 | 5,539,043 | 59,560 | 5,598,602 |
| **Current Liabilities** | | | | | | | |
| Interest Bearing Loans and Borrowings | h | 3,092,184 | 7,125 | 3,099,309 | 2,461,544 | 5,368 | 2,466,912 |
| Current Taxation Payable | | 148,792 | - | 154,753 | 173,951 | - | 173,950 |
| Trade & Other Payables | | 3,901,694 | - | 3,895,730 | 2,916,388 | - | 2,916,388 |
| Amount Due to Related Companies | | 502,596 | - | 502,596 | 108,809 | - | 108,809 |
| Bank Over Draft | | 2,785,348 | - | 2,785,348 | 1,323,259 | - | 1,323,259 |
| **Total Current Liabilities** | | 10,430,614 | 7,125 | 10,437,736 | 6,983,951 | 5,368 | 6,989,318 |
| **Total Equity and Liabilities** | | 23,785,107 | 670,873 | 24,455,975 | 19,750,371 | 669,215 | 20,419,585 |

### 35.2 (b) Reconciliation of Financial Position As at 31st March, 2012 & 31st March, 2011

COMPANY

| | Note | 31.03.2012 Rs. | Effect of Transition SLFRS Rs. | 31.03.2012 Rs. | 01.04.2011 Rs. | Effect of Transition SLFRS Rs. | 01.04.2011 Rs. |
|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | |
| **Non-Current Assets** | | 1,040,840 | – | 1,040,840 | 1,013,333 | – | 1,013,333 |
| Property, Plant & Equipment | | 614,736 | – | 614,736 | 616,570 | – | 616,570 |
| Investments in Subsidiaries | f | 430 | 827 | 1,257 | 215 | 744 | 959 |
| Financial Assets Available-for-Sale | | 1,656,006 | 827 | 1,656,833 | 1,630,118 | 744 | 1,630,862 |
| **Current Assets** | | | | | | | |
| Inventories | | 433,107 | – | 433,107 | 351,304 | – | 351,304 |
| Amount Due from Related Companies | h | 66,613 | 11,860 | 78,473 | 5,759 | – | 5,759 |
| Trade & Other Receivables | | 194,980 | – | 194,980 | 119,780 | – | 119,780 |
| Cash and Cash Equivalents | | 30,398 | – | 30,398 | 19,317 | – | 19,317 |
| | | 725,098 | 11,860 | 736,958 | 496,160 | – | 496,160 |
| **Total Assets** | | 2,381,104 | 12,687 | 2,393,791 | 2,126,278 | 744 | 2,127,022 |
| **EQUITY AND LIABILITIES** | | | | | | | |
| **Equity** | | | | | | | |
| Stated Capital | | 25,731 | – | 25,731 | 25,731 | – | 25,731 |
| Capital Reserves | a | 525,659 | (525,659) | – | 525,659 | (525,659) | – |
| General Reserve | f | 9,548 | 827 | 10,375 | 9,548 | 744 | 10,292 |
| Accumulated Profit/(Accumulated Loss) | f,h,a | 312,324 | 529,295 | 841,619 | 245,712 | 519,519 | 765,231 |
| **Equity Attributable to Equity Holders of the Parent** | | 873,262 | 4,463 | 877,725 | 806,650 | (5,396) | 801,254 |
| **Minority Interest** | | | | | | | |
| **Total Equity** | | 873,262 | 4,463 | 877,725 | 806,650 | (5,396) | 801,254 |
| **Non-Current Liabilities** | | | | | | | |
| Interest Bearing Loans and Borrowings | | 164,248 | – | 164,248 | 146,093 | – | 146,093 |
| Deferred Tax Liability | | 30,818 | – | 30,818 | 40,235 | – | 40,235 |
| Retirement Benefit Obligations | i | 92,762 | 14,779 | 107,541 | 83,003 | 6,140 | 89,143 |
| | | 287,828 | 14,779 | 302,607 | 269,331 | 6,140 | 275,471 |
| **Current Liabilities** | | | | | | | |
| Interest Bearing Loans and Borrowings | | 322,313 | – | 322,313 | 305,450 | – | 305,450 |
| Current Taxation Payable | h | – | 3,946 | 3,946 | 16 | – | 16 |
| Trade & Other Payables | | 399,433 | – | 399,433 | 358,716 | – | 358,716 |
| Amount Due to Related Companies | h | 290,296 | (10,500) | 279,796 | 283,811 | – | 283,811 |
| Bank Over Draft | | 207,971 | – | 207,971 | 102,304 | – | 102,304 |
| **Total Current Liabilities** | | 1,220,014 | (6,554) | 1,213,459 | 1,050,297 | – | 1,050,297 |
| **Total Equity, Minority Interest and Liabilities** | | 2,381,104 | 12,687 | 2,393,791 | 2,126,278 | 744 | 2,127,022 |

### 35.2 (c) Notes to the Explanation

**(a)** Following are the exemptions granted under 'SLFRS 1 - First-time Adoption of International Financial Reporting Standards', the group has changed its accounting policy and elected to apply the optional exemption to use the previous revaluation as deemed cost under SLFRSs. Accordingly revaluation reserve pertaining to freehold land and building and leased building reclassified to retained earnings.

The impact arising from the change is summarised as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31st March, 2012 Rs. | 01st April, 2011 Rs. | 31st March, 2012 Rs. | 01st April, 2011 Rs. |
| **Statement of Financial Position** | | | | |
| Revaluation reserve | (476,777) | (756,632) | 525,560 | 525,560 |
| Deferred Tax | 484 | 417 | | |
| **Adjustment to the retained earnings** | (476,293) | (756,215) | | |
| **Statement of Financial Position** | | | | |
| Revaluation of Deemed Cost | 64,644 | 87,125 | | |
| Transfer to Biological Assets | (94,317) | (79,279) | | |
| Capitalization of Borrowing Cost | 24,596 | – | | |
| Adjustment to Depreciation | (1,019) | – | | |
| Administration | 744 | | | |
| **Adjustment to Property, Plant & Equipment** | (5,352) | 7,846 | | |

**(b)** Under the SLFRS Biological assets are measured at fair value less cost to sell. Under the previous GAAP Biological assets are measured at cost.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31 March, 2012 Rs. '000 | 01st April, 2011 Rs. '000 | 31 March, 2012 Rs. '000 | 01st April, 2011 Rs. '000 |
| **Statement of Financial Position** | | | | |
| Gain on Fair value of biological assets | 494,333 | 542,863 | – | – |
| Transferred from Property, Plant & Equipment | 94,317 | 79,279 | – | – |
| **Recognition of Biological Assets** | 588,650 | 622,142 | – | – |

**(c)** Under previous GAAP the Group expensed borrowing costs as incurred. At the date of transition, the Group elected to capitalise borrowing costs only in respect of qualifying assets for which the commencement date for capitalisation was on or after the date of transition.

The impact arising from the change is summarised as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31st March, 2012 Rs. '000 | 01st April, 2011 Rs. '000 | 31st March, 2012 Rs. '000 | 01st April, 2011 Rs. '000 |
| **Statement of comprehensive income** | | | | |
| Capitalization of Borrowing Cost | 24,596 | – | | |
| **Adjustment before income tax** | 24,596 | – | | |

**(d)** As per LKAS 38 - 'Intangible Assets' the software of the company has been categorized as intangible assets.

The impact arising from the change is summarised as follows :

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31st March, 2012 Rs. '000 | 1st April, 2011 Rs. '000 | 31st March, 2012 Rs. '000 | 1st April, 2011 Rs. '000 |
| Statement of Financial Position | | | | |
| Recording Software as Intangible Assets | 979 | 1,224 | – | – |
| Increased in Intangible assets | 979 | 1,224 | – | – |

**(e)** Following the exemptions granted under SLFRS 1 - 'First-time Adoption of International Financial Reporting Standards', the group has changed its accounting policy and elected to apply the optional exemption to use the previous revaluation as deemed cost under SLFRSs.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31st March, 2012 Rs. '000 | 1st April, 2011 Rs. '000 | 31st March, 2012 Rs. '000 | 1st April, 2011 Rs. '000 |
| Fair value as per SLFRS/LKAS | 56,843 | 61,580 | – | – |
| Carrying Vale as per SLAS | 46,729 | 50,753 | – | – |
| | 10,114 | 10,827 | – | – |
| Statement of comprehensive income | | | | |
| Administrative expenses | (713) | – | – | – |
| Adjustments to the profit before income tax | (713) | – | – | – |
| Statement of Financial Position | | | | |
| Investment Property | 10,114 | 10,827 | – | – |
| Adjustments to retained earnings | 10,114 | 10,827 | – | – |

**f)** In accordance with SLFRSs, financial assets designated as available for sale and fair value through profit or loss FVTPL have been recognised at fair value. These assets were previously carried at cost.

The impact arising from the change is summarised as follows :

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31st March, 2012 Rs. '000 | 1st April, 2011 Rs. '000 | 31st March, 2012 Rs. '000 | 1st April, 2011 Rs. '000 |
| Statement of other comprehensive income | | | | |
| Available-for-sale financial assets - (Quoted/ Unquoted) | (160,388) | – | 83 | 744 |
| | | | | |
| **Adjustments to the profits** | (160,388) | – | 83 | 744 |
| | | | | |
| **Statement of Financial Position** | | | | |
| Available-for-Sale financial assets - (Quoted/ Unquoted) - Long-Term | 219,598 | 163,172 | 83 | 744 |
| FVTPL | 224 | 1,725 | – | – |
| | 219,822 | 164,897 | 83 | 744 |

**(g)** Under SLASs, the provision for trade receivables consists of both specific amount for incurred losses and general amount for expected future losses. SLFRSs does not permit recognition of provision for expected future losses and this amount has been eliminated against retained earnings at April 1st 2011 (Transition date). The effect on earnings for the year ended 31st March, 2012 is also recognised in profit for the year under SLFRSs.

The impact arising from the change is summarised as follows :

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31st March, 2012 Rs. '000 | 1st April, 2011 Rs. '000 | 31st March, 2012 Rs. '000 | 1st April, 2011 Rs. '000 |
| Statement of other comprehensive income | | | | |
| Other Income | (3,043) | – | – | – |
| Administration Expenses - Reversal of Provisions | 394 | 4,839 | – | – |
| | | | | |
| **Adjustments to the profit** | (2,649) | 4,839 | – | – |
| | | | | |
| **Statement of Financial Position** | | | | |
| Trade & Other receivables | 394 | 4,839 | | |
| **Adjustments to Retained Earnings** | 394 | 4,839 | – | – |

**(h) Interest Bearing Borrowings**

Under previous GAAP certain leases were classified as operating leases based on the fact that legal title did pass by the end of the lease. Under SLFRSs those leases are classified as finance leases and the related assets recognised in the Statement of financial position of the Group. Effects are to increase the property plant & Equipment, loans and Borrowings and to decrease the finance cost.

The impact arising from the change is summarised as follows :

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31st March, 2012<br>Rs. '000 | 1st April, 2011<br>Rs. '000 | 31st March, 2012<br>Rs. '000 | 1st April, 2011<br>Rs. '000 |
| Statement of other comprehensive income | | | | |
| Finance expenses | 7,337 | – | 22,361 | – |
| Income Tax Payable - Corporate Guarantee | | | (3,946) | |
| **Adjustments to the profit** | 7,337 | – | 18,415 | – |
| **Statement of Financial Position** | | | | |
| Interest Bearing Borrowings - Non-Current Fair Valuation of Long-Term Loans | 11,342 | (12,161) | – | – |
| Interest Bearing Borrowings - Non-Current Capitalization of Borrowing cost | – | (1,306) | – | – |
| Interest Bearing Borrowings - Non-Current | – | (5,955) | – | – |
| Interest Bearing Borrowings - Current | 7,125 | (5,368) | – | – |
| Amounts due from Related Companies | | | 11,861 | – |
| Amounts due to Related Companies | – | – | 10,500 | – |
| Income Tax Payable on Corporate Guarantee | | | (3,946) | – |
| **Adjustments to Retained Earnings** | 18,467 | (24,790) | 18,415 | – |

**(i) Retirement Benefit Obligation**

"Under previous GAAP the Group's obligation in respect of employees' post-employment medical benefits was calculated based on the Group's best estimate of the amount payable at each year end. Under SLFRSs the obligation is determined using the projected unit credit method, and actuarial valuations are obtained at each year end."

The impact arising from the change is summarised as follows :

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31st March, 2012<br>Rs. '000 | 1st April, 2011<br>Rs. '000 | 31st March, 2012<br>Rs. '000 | 1st April, 2011<br>Rs. '000 |
| **Statement of other comprehensive income** | | | | |
| Cost of Sales | (35,878) | – | (8,639) | (6,140) |
| Administrative Expenses | (9,154) | – | – | – |
| Distribution Expenses | 5 | – | – | – |
| | | | | |
| **Adjustments to the profit** | (45,032) | – | (8,639) | (8,140) |
| | | | | |
| **Statement of Financial Position** | | | | |
| Defined benefit plan actual gain/(losses) | (47,557) | 38,212 | (8,639) | (8,140) |
| | | | | |
| **Adjustments to Retained Earnings** | (47,557) | 38,212 | (8,639) | (8,140) |

**(j) Deferred Tax Asset/Liability**

The above changes decreased/(Increased the deferred tax liability as follows:

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31st March, 2012 Rs. '000 | 1st April, 2011 Rs. '000 | 31st March, 2012 Rs. '000 | 1st April, 2011 Rs. '000 |
| **Statement of other comprehensive income** | | | | |
| Income Tax | 4,861 | – | | |
| | | | | |
| **Adjustments to the profit** | 4,861 | – | – | – |
| | | | | |
| **Statement of Financial Position** | | | | |
| Defined benefit plan actuarial gains/(losses) | (46) | – | – | – |
| Deferred tax on revaluation | (4,002) | 6,038 | – | – |
| Tax effect due to change in Cost of sales | 3,083 | – | – | – |
| Tax effect Capitalization of Finance Cost | – | 411 | – | – |
| Reversal of Deferred tax liability of a hotel company | (7,926) | (8,375) | – | – |
| | | | | |
| **Adjustment to Retained Earnings** | (8,891) | (1,926) | – | – |

**(k) Produce Stock**

The produce stock of biological assets that is teas were valued at their actual or estimated realisable values, net of direct selling expenses in terms of SLAS 32. With the conversion to new accounting standards, the agricultural products that are harvested from biological assets that is green leaf is required to measure at its fair value less cost to sell at the point of harvest. Thereafter it is scoped under LKAS 2 and said fair value is the cost at the date of applying this standard. Finally the measurement of inventory is carried at the lower of cost and estimated net realizable value in accordance with LKAS.

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31st March, 2012 Rs. '000 | 1st April, 2011 Rs. '000 | 31st March, 2012 Rs. '000 | 1st April, 2011 Rs. '000 |
| Valuation of tea & rubber stock at lower of cost or NRV | 144,218 | 142,977 | – | – |
| Adjustment to Retained Earnings | 144,218 | 142,977 | – | – |

**(l) Revenue Recognition on Produce Stock**

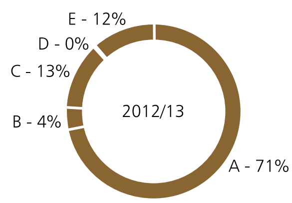
Profit & Loss of the perennial crop has been recognized in the financial period of harvesting in terms of SLAS 32. Thus the unsold stocks were treated as a part of revenue. The scope of revenue recognition was changed to LKAS 18. Accordingly, the revenue is recognized based on the date of auction where the recognition criterias are met and therefore the quantity which is sold at auction is treated as sales.

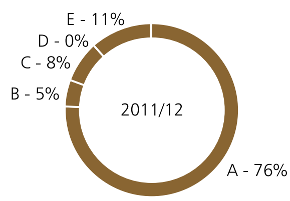
| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 31st March, 2012 Rs. '000 | 1st April, 2011 Rs. '000 | 31st March, 2012 Rs. '000 | 1st April, 2011 Rs. '000 |
| Statement of comprehensive income | | | | |
| Revenue recognition on produce stocks | 42,818 | | | |
| Cost of sales | (3,802) | – | – | – |
| Adjustment to Profit and loss Account | 39,016 | – | – | – |

# Statement of Value Added

| | % | 2012/13 Rs. '000 | % | 2011/12 Rs. '000 |
|---|---|---|---|---|
| Turnover from Operations | | 29,093,808 | | 27,904,133 |
| Cost of Goods and Services | | (21,245,677) | | (20,584,200) |
| | | 7,848,131 | | 7,319,933 |
| Other Income Including Exceptional Items | | 490,984 | | 406,306 |
| Total Value Added | | 8,339,115 | | 7,726,239 |
| **Distribution of Value Added** | | | | |
| **To Employees** | | | | |
| Salaries, Wages and Other Related Costs | 67.48 | 5,630,952 | 72.66 | 5,605,515 |
| Compensation to Key Management Personnel | 3.62 | 301,576 | 3.54 | 274,599 |
| | 71.10 | 5,932,528 | 76.20 | 5,880,114 |
| **To: Government** | | | | |
| Nation Building Tax | 1.09 | 90,414 | 0.99 | 76,548 |
| Corporate Tax | 2.97 | 247,347 | 3.93 | 304,785 |
| | 4.06 | 337,761 | 4.92 | 381,333 |
| **To Lenders of Capital** | | | | |
| Net Interest | 12.86 | 1,070,911 | 7.55 | 585,967 |
| **To Shareholders** | | | | |
| Dividend | 0.30 | 25,355 | 0.20 | 15,213 |
| **Retained for Growth** | | | | |
| Depreciation | 8.34 | 694,306 | 8.09 | 627,501 |
| Retained Earnings | 3.34 | 278,254 | 3.04 | 236,111 |
| | 11.68 | 972,560 | 11.13 | 863,612 |
| | 100.00 | 8,339,115 | 100.00 | 7,726,239 |

## Statement of Value Added




A - To Employees
B - To Government
C - To Lenders of Capital
D - To Shareholders
E - Retained for Growth

# Share Information

## 1. Market Value

The market value of the Company's shares was

| | 2013<br>Rs. | 2012<br>Rs. | 2011<br>Rs. |
|---|---|---|---|
| Highest | 1,500.00 | 3,650.00 | 4,000.00 |
| Lowest | 900.20 | 750.00 | 290.00 |
| Close | 1,090.00 | 1,200.00 | 2,498.00 |

### Public Holding

The percentage of shares held by the public as at 31st March, 2013 was 9.87% (31st March, 2012 - 9.87%).

## 2. Distribution of Ordinary Shares

| | 31st March, 2013 | | | 31st March, 2012 | | | 31st March, 2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| No. of Shares Held | No. of Shareholders | Total Holdings | % of Total Shares | No. of Shareholders | Total Holdings | % of Total Shares | No. of Shareholders | Total Holdings | % of Total Shares |
| 1 - 1,000 | 675 | 74,922 | 2.95 | 647 | 77,717 | 3.07 | 584 | 76,162 | 3 |
| 1,001 - 10,000 | 26 | 61,260 | 2.41 | 25 | 58,284 | 2.30 | 25 | 61,639 | 2.43 |
| 10,001 - 100,000 | 2 | 110,200 | 4.34 | 2 | 110,400 | 4.35 | 3 | 142,800 | 5.64 |
| 100,001 - 1,000,000 | 5 | 945,906 | 37.31 | 5 | 945,958 | 37.31 | 5 | 911,758 | 35.96 |
| Over 1,000,000 | 1 | 1,343,170 | 52.99 | 1 | 1,343,099 | 52.97 | 1 | 1,343,099 | 52.97 |
| | 709 | 2,535,458 | 100.00 | 680 | 2,535,458 | 100.00 | 618 | 2,535,458 | 100.00 |

### Categories of Shareholders

| | 31st March, 2013 | | | 31st March, 2012 | | | 31st March, 2011 | | |
|---|---|---|---|---|---|---|---|---|---|
| | No. of Shareholders | Total Holdings | % of Total Shares | No. of Shareholders | Total Holdings | % of Total Shares | No. of Shareholders | Total Holdings | % of Total Shares |
| Individuals | 655 | 212,115 | 8.37 | 618 | 209,890 | 8.28 | 558 | 239,835 | 9.46 |
| Institutions | 54 | 2,323,343 | 91.63 | 62 | 2,325,568 | 91.72 | 60 | 2,295,623 | 90.54 |
| | 709 | 2,535,458 | 100.00 | 680 | 2,535,458 | 100.00 | 618 | 2,535,458 | 100.00 |

## 3. Twenty Major Shareholders

| | As at 31.03.2013 | | As at 31.03.2012 | | As at 31.03.2011 | |
|---|---|---|---|---|---|---|
| | No. of Shares | % | No. of Shares | % | No. of Shares | % |
| The Colombo Fort Land and Building PLC | 1,343,170 | 52.98 | 1,343,099 | 52.97 | 1,343,099 | 52.97 |
| Seylan Bank PLC/Thirugnanasambandar Senthilverl | 409,100 | 16.14 | 409,100 | 16.14 | 374,900 | 14.79 |
| Union Investments (Private) Ltd. | 167,700 | 6.61 | 167,700 | 6.61 | 167,700 | 6.61 |
| Colombo Fort Investments PLC | 158,180 | 6.24 | 158,195 | 6.24 | 158,195 | 6.24 |
| Est of Late Mariapillai Radhakrishnan (Deceased) | 106,454 | 4.20 | 106,454 | 4.20 | 106,454 | 4.20 |
| Colombo Investment Trust PLC | 104,472 | 4.12 | 104,509 | 4.12 | 104,509 | 4.12 |
| Colonial Motors PLC | 100,000 | 3.94 | 100,000 | 3.94 | 100,000 | 3.94 |
| Mr. Thotawattage Rohan Lakshana Perera | 10,200 | 0.40 | 10,400 | 0.41 | 10,400 | 0.41 |
| Photokina Ltd. | 6,804 | 0.27 | 6,804 | 0.27 | 6,804 | 0.27 |
| Tranz Dominion, L.L.C. | 6,681 | 0.26 | 5,000 | 0.20 | 4,300 | 0.17 |
| Sisira Investors Ltd. | 6,138 | 0.24 | 6,138 | 0.24 | 6,138 | 0.24 |
| Mr. Harsha Nilantha De Silva | 3,500 | 0.14 | 3,500 | 0.14 | 3,500 | 0.14 |
| Mr. Mohamed Hussain Mohammed Sanoon | 3,500 | 0.14 | 3,500 | 0.14 | 3,500 | 0.14 |
| Waldock Mackenzie Ltd./ Mr. M.A.N. Yoosufali | 3,100 | 0.12 | 3,100 | 0.12 | 2,300 | 0.09 |
| The Incorporated Trustees of The Church of Ceylon | 2,828 | 0.11 | 2,828 | 0.11 | 2,828 | 0.11 |
| Consolidated Holdings (Private) Ltd. | 2,596 | 0.10 | 2,596 | 0.10 | 2,596 | 0.10 |
| Dr. Hettiarachchige Walter Elliot Tissera | 2,017 | 0.08 | 2,007 | 0.08 | 1,978 | 0.07 |
| Mr. Sri Dhaman Rajendram Arudpragasam | 2,000 | 0.08 | 2,000 | 0.08 | 2,000 | 0.08 |
| Mr. Arunasalam Sithampalam | 2,000 | 0.08 | 2,000 | 0.08 | 1,000 | 0.04 |
| Mr. Semasinghe Navaratne Chandrasekera Wanninayake Mudiyanselage Bandara Chandrasekera Kandegedara | 1,800 | 0.07 | 1,800 | 0.07 | – | – |
| Total | 2,442,240 | 96.32 | 2,440,730 | 96.26 | 2,402,201 | 94.73 |

# Group Financial Summary

| | 2003/04 Rs. '000 | 2004/05 Rs. '000 | 2005/06 Rs. '000 | 2006/07 Rs. '000 | 2007/08 Rs. '000 | 2008/09 Rs. '000 | 2009/10 Rs. '000 | 2010/11 Rs. '000 | 2011/12 Rs. '000 | 2012/13 Rs. '000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Trading Results** | | | | | | | | | | |
| Turnover | 6,905,008 | 7,985,351 | 9,976,254 | 10,797,072 | 12,155,452 | 12,479,798 | 13,955,375 | 28,250,587 | 27,904,133 | 29,093,808 |
| Profit before Tax | 221,571 | 553,582 | 478,222 | 573,875 | 899,162 | 353,722 | 882,217 | 2,404,908 | 1,102,231 | 991,960 |
| Income Tax Expense | (59,654) | (70,425) | (115,343) | (145,281) | (217,048) | (207,121) | (298,738) | (286,167) | (304,784) | (247,347) |
| Profit for the Year | 161,917 | 483,157 | 362,879 | 428,594 | 682,115 | 146,601 | 583,479 | 2,118,741 | 797,447 | 744,613 |
| Non-controlling Interest | (75,020) | (140,173) | (93,832) | (305,119) | (620,494) | (42,893) | (390,834) | 1,413,960 | 561,336 | 466,358 |
| Equity Holders of the Company | 86,897 | 342,984 | 269,047 | 123,475 | 61,620 | 103,708 | 192,645 | 704,781 | 278,255 | 236,111 |
| **Assets Employed** | | | | | | | | | | |
| Property, Plant & Equipment | 4,121,480 | 4,473,506 | 4,948,425 | 5,804,020 | 6,098,209 | 6,708,814 | 9,005,741 | 10,391,140 | 11,728,826 | 14,422,163 |
| Investments | 5,304 | 4,727 | 3,984 | 3,780 | 89,037 | 54,157 | 55,715 | 203,537 | 273,294 | 269,492 |
| Biological Assets | – | – | – | – | – | – | – | 622,142 | 588,650 | 703,816 |
| Intangible Assets | 77,977 | 3,110 | 15,260 | 15,260 | 82,026 | 93,458 | 162,863 | 334,373 | 533,258 | 532,880 |
| Non-Current Assets | – | – | – | 476 | 276 | 68,564 | 122,628 | 127,792 | 143,195 | 164,420 |
| Net Current Assets | (1,433,106) | (1,302,599) | (1,383,216) | (1,044,776) | (692,278) | (789,394) | (95,578) | 1,751,280 | 751,015 | 133,929 |
| | 2,771,655 | 3,178,744 | 3,584,453 | 4,778,760 | 5,577,270 | 6,135,599 | 9,251,369 | 13,430,264 | 14,018,238 | 16,226,700 |
| **Equity** | | | | | | | | | | |
| Stated Capital | 25,355 | 25,355 | 25,355 | 25,731 | 25,731 | 25,731 | 25,731 | 25,731 | 25,731 | 25,731 |
| Reserves | (233,570) | 166,476 | 604,783 | 326,821 | 383,753 | 628,999 | 1,266,912 | 148,394 | 148,394 | 148,394 |
| Equity Attributable to Parent | (208,215) | 191,831 | 630,138 | 352,522 | 409,484 | 654,730 | 1,292,643 | 2,445,098 | 2,806,384 | 3,084,865 |
| Non-controlling Interest | 247,956 | 381,780 | 496,710 | 1,707,955 | 2,363,964 | 2,112,173 | 3,248,587 | 5,212,440 | 5,337,819 | 5,649,676 |
| | 39,741 | 573,611 | 1,126,848 | 2,060,507 | 2,773,448 | 2,766,903 | 4,541,230 | 7,831,663 | 8,318,328 | 8,908,666 |
| **Long-Term Liabilities** | 2,126,093 | 1,944,215 | 1,731,274 | 1,847,870 | 1,758,887 | 2,115,654 | 2,931,466 | 3,462,827 | 3,347,236 | 4,809,011 |
| Deferred Liabilities | 605,821 | 660,918 | 726,331 | 870,383 | 1,044,935 | 1,253,042 | 1,778,673 | 2,135,774 | 2,352,674 | 2,509,023 |
| | 2,731,914 | 2,605,133 | 2,457,605 | 2,718,253 | 2,803,822 | 3,368,696 | 4,710,139 | 5,598,601 | 5,699,910 | 7,318,034 |
| | 2,771,655 | 3,178,744 | 3,584,453 | 4,778,760 | 5,577,270 | 6,135,599 | 9,251,369 | 13,430,264 | 14,018,238 | 16,226,699 |

# Form of Proxy

I/We ..........................................................................................................................................................

of ..............................................................................................................................................................

being a member/members of E. B. Creasy & Company PLC hereby appoint ................................................................

.................................................................. of ..................................................................................whom failing

| | | |
|---|---|---|
| 1. | Alagarajah Rajaratnam | of Colombo or failing him |
| 2. | Sri Dhaman Rajendram Arudpragasam | of Colombo or failing him |
| 3. | Sanjeev Rajaratnam | of Colombo or failing him |
| 4. | Rohan Chrisantha Anil Welikala | of Colombo or failing him |
| 5. | Ranjit Noel Bopearatchy | of Colombo or failing him |
| 6. | Parakrama Maithri Asoka Sirimane | of Colombo or failing him |
| 7. | Albert Rasakantha Rasiah | of Colombo or failing him |
| 8. | Shanthikumar Nimal Placidus Palihena | of Colombo |

as my/our proxy to represent me/us to speak and vote on my/our behalf at the Eightieth Annual General Meeting of the Company to be held on 28th June, 2013 at 11.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid Meeting.

| | For | Against |
|---|---|---|
| • To receive the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March, 2013 with the Report of the Auditors thereon. | | |
| • To declare a first and final dividend as recommended by the Directors. | | |
| • To re-elect Mr. A.R. Rasiah as a Director | | |
| • To reappoint Mr. R.N. Bopearatchy as a Director | | |
| • To reappoint Mr. A. Rajaratnam as a Director | | |
| • To authorize the Directors to determine contributions to charities | | |
| • To reappoint as Auditors Messrs KPMG and authorize the Directors to determine their remuneration. | | |

The proxy may vote as he/she thinks fit on any resolution brought before the meeting.

As witness my/our hands this ......................... day of ........................ Two Thousand and Thirteen.

...................................................

Signature of Shareholder

***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

### 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, No. 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01, not less than forty-eight (48) hours before the time appointed for the holding of the meeting.

**Please provide the following details to update our records:**

Full Name of Shareholder: ......................................................

..............................................................................................

Address:.................................................................................

..............................................................................................

..............................................................................................

..............................................................................................

N.I.C. No.:..............................................................................

Signature: ..............................................................................

## Corporate Information

**Name of the Company**
E. B. Creasy & Company PLC

**Legal Form**
Public quoted company with limited liability incorporated in Sri Lanka under the Joint Stock Companies Ordinance 1861.

**Company Number**
PQ 182

**Principal Activities**
The principal activities are manufacture of consumer disposables and marketing of hardware and automotive accessories.

**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: 2421311, Fax: 94 (11) 2448534

**Board of Directors**
A. Rajaratnam, FCA - *Chairman*
(Alternate - Anushman Rajaratnam)
S.D.R. Arudpragasam, FCMA, (UK) - *Managing Director*
S. Rajaratnam, B.Sc. CA - *Deputy Managing Director*

**Directors**
R.C.A. Welikala
R.N. Bopearatchy, B.Sc. (Cey.), Dip. BM, MBA
P.M.A. Sirimane, FCA, MBA
A.R. Rasiah, B.Sc. (Cey.), FCA
S.N.P. Palihena, F.C.I.B. (U.K.), F.I.B., Post Gr. Dip. Bus. & FA

**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) Ltd.
People's Bank
Seylan Bank PLC
Indian Bank
Sampath Bank PLC

**Subsidiaries**
Darley Butler & Co. Ltd.
Creasy Foods Ltd.
Laxapana Batteries PLC
Island Consumer Supplies (Pvt) Ltd.
Filmpak Ltd.
Group Three Associates (Pvt) Ltd.
Corporate Systems Ltd.
E. B. Creasy Logistics Ltd.
Muller & Phipps (Ceylon) PLC
Lankem Ceylon PLC
Lankem Developments PLC
Lankem Paints Ltd.
Lankem Consumer Products Ltd.
Lankem Chemicals Ltd.
Lankem Technology Services Ltd.
SunAgro Farms Ltd.
SunAgro Foods Ltd.
SunAgro LifeScience Ltd.
Lankem Research Ltd.
Lankem Export (Pvt) Ltd.
Sigiriya Village Hotels PLC
Marawila Resorts PLC
Colombo Fort Hotels Ltd.
Beruwala Resorts PLC
York Hotels (Kandy) Ltd.
Associated Farms Ltd.
C. W. Mackie PLC
Lankem Plantation Holdings Ltd.
Lankem Tea & Rubber Plantations (Pvt) Ltd.
Kotagala Plantations PLC
Agarapatana Plantations Ltd.
Creasy Plantation Management Ltd.
Lankem Plantation Services Ltd.
Pettah Pharmacy (Pvt) Ltd.
Muller & Phipps Agency (Pvt) Ltd.
B.O.T. Hotel Services Ltd.
Galle Fort Hotel (Pvt) Ltd.
Waverly Power (Pvt) Ltd.
Union Commodities Ltd.

P.O. Box 37,
No. 98,
Sri Sangaraja Mawatha,
Colombo 10,
Sri Lanka.

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