



# **EAST WEST PROPERTIES PLC**

**ANNUAL REPORT  
2016- 2017**

## About us

East West Properties PLC (referred to as 'EAST'), is listed on the Colombo Stock Exchange with a market capitalization of LKR 1.8 bn. Its core business is in real estate development, with its main focus on the rental of its warehousing complex in Peliyagoda, Sri Lanka. Together with its real estate investments, EAST also has an interest in destination management, Engineering and Construction related activities and Media.

## Our Vision

To be the number one Developer of Residential,  
Commercial and Hospitality Spaces without  
Compromising on our core values for the benefit of our  
stakeholders.

## Our Mission

To exceed the expectations of our customers, tenants and  
Shareholders through service excellence  
and strategic investment.

## Our Values

- Portfolio : Bring to the world a portfolio of quality real estate and destination management.
- Profit : Maximise long- term return to shareholders.
- Productivity : Be a highly effective, lean and fast moving organization.
- Pioneers : Use our pioneering spirit and past success to be the leader in every market we serve and build value for our shareholders.

## Contents

### Overview & Management Reports

<b>1-2</b>	Financial Highlights
<b>3-4</b>	Chairman's Review
<b>5-6</b>	Board of Directors
<b>7-8</b>	Statement of Directors Responsibilities
<b>9-12</b>	Annual Report of the Board of Directors
<b>13</b>	Audit Committee Report
<b>14</b>	Remuneration Committee Report
<b>15</b>	Related Party Transactions Review Committee Report
<b>17-20</b>	Corporate Governance Report
<b>21-22</b>	Risk Management Report

### Financial Report

<b>23</b>	Auditor's Report
<b>24</b>	Statement of Profit or Loss and Other Comprehensive Income
<b>25-26</b>	Statement of Financial Position
<b>27-28</b>	Statement of Changes Equity
<b>29-30</b>	Statement of Cash Flows
<b>31-96</b>	Notes to the Financial Statements

### Supplementary Information

<b>97-98</b>	Share Information
<b>99</b>	Group Performance - Five Year Summary
<b>100</b>	Company Performance – Five Year Summary
<b>101</b>	Corporate Information
<b>103</b>	Notice of Meeting
<b>Form of Proxy</b>	Attached





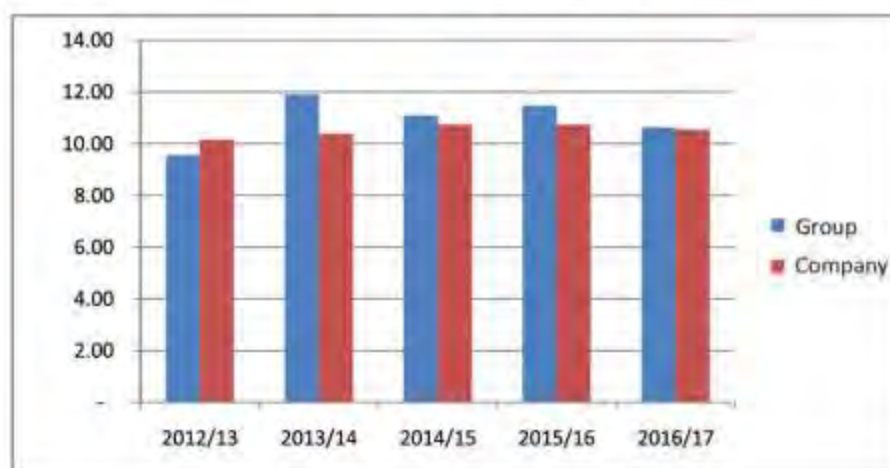
## Financial Highlights

Year ended 31 <sup>st</sup> March	Group		Company	
	2016/2017	2015/2016	2016/2017	2015/2016
<b>Performance</b>				
Revenue	288,214,443	299,497,100	35,355,109	24,443,456
Direct Cost	(115,097,977)	(138,313,350)	-	-
Gross Profit	173,116,466	161,183,750	35,355,109	24,443,456
Profit / (Loss) from operations	(62,072,093)	(65,481,240)	(44,712,697)	(23,122,933)
Profit / (Loss) before tax	(233,514,594)	(252,368,743)	(21,901,050)	(1,936,633)
Income tax expense	(7,727,744)	(5,466,160)	(3,595,807)	1,000,515
Profit / (Loss) for the year	(241,242,338)	(257,834,903)	(25,496,857)	(936,119)
Profit / (Loss) attributable to Equity holders of the Company	(175,893,757)	(194,379,515)	(25,496,857)	(936,119)
Non – controlling Interest	(65,348,581)	(63,455,387)	-	-
<b>Financial Position</b>				
Non-Current Assets	5,590,395,941	4,116,574,301	1,098,387,751	1,138,579,415
Total Assets	6,180,783,414	4,971,232,185	1,504,167,664	1,524,231,525
Stated Capital	1,212,000,000	1,212,000,000	1,212,000,000	1,212,000,000
Capital Reserve	26,571,004	26,571,004	26,571,004	26,571,004
Revenue Reserve	230,648,315	345,854,110	220,592,922	246,089,780
Shareholders Funds	1,469,219,319	1,584,425,113	1,459,163,926	1,484,660,784
Non-controlling Interest	387,942,474	393,979,569	-	-
<b>Market / Shareholder information</b>				
No of Shares in issue	138,240,000	138,240,000	138,240,000	138,240,000
Market price of share as at 31 <sup>st</sup> March	14.10	13.50	14.10	13.50
Market capitalization	1,949,184,000	1,866,240,000	1,949,184,000	1,866,240,000
No of Shareholders	2,388	2,426	2,388	2,426
<b>Key Indicators</b>				
Earnings per Share	(1.27)	(1.41)	(0.18)	(0.01)
Net Asset per Share	10.63	11.46	10.56	10.74

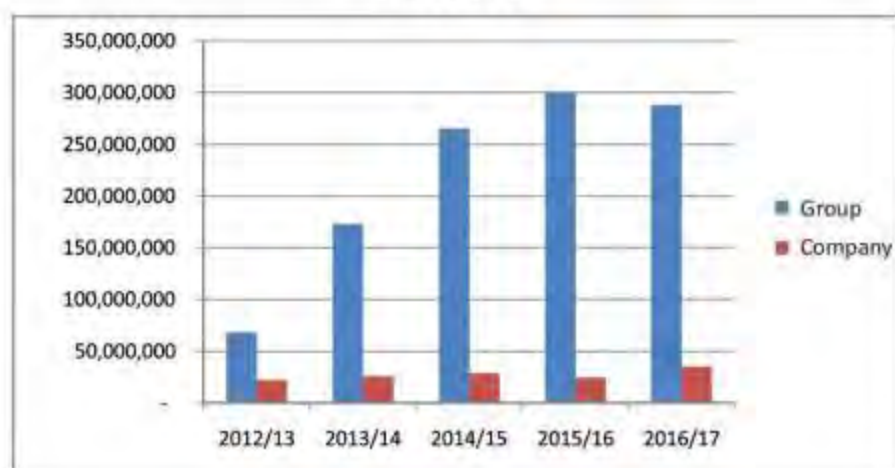


## Financial Highlights (Contd.)

### Net Asset Value per share

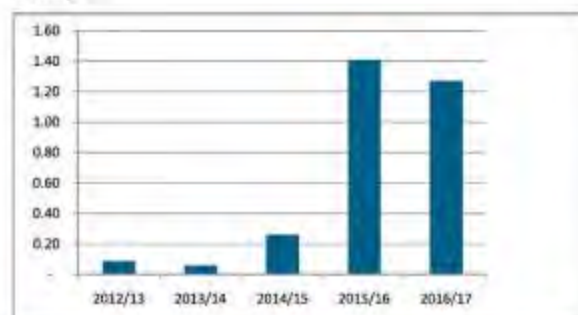


### Revenue

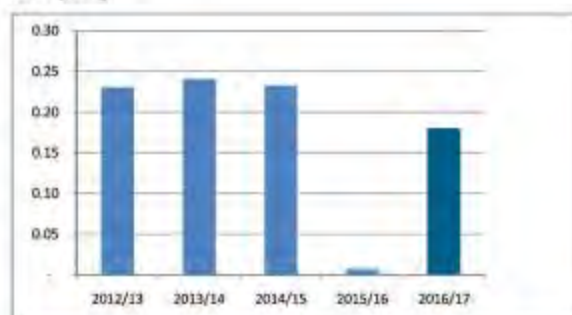


### Earning per Share

#### Group



#### Company



■ Earning ■ Loss

## Chairman's Review



It is with great pleasure that I warmly welcome you to the 36<sup>th</sup> Annual General Meeting of East West Properties PLC, and to present the Annual Report and Audited Financial Statements of the Company and the Group for the year ended 31<sup>st</sup> March 2017. I am pleased to announce that, it has been an exciting year of growth for the Group; we have completed our "Marriott Resort & Spa – Weligama Bay" Hotel Project and commenced its commercial operations on 20<sup>th</sup> July 2017.

### Financial Performance

By recognizing the responsibility mark on us to ensure the growth of our business the Group recorded LKR 288 Mn. revenue for the year ended 31<sup>st</sup> March 2017. This revenue recorded from warehousing, self storage rental, supply of ready mix concrete, broadcasting and media, equipment trading and apartments rental income.

During the financial year under review warehouse were successful with continued tenancy. High occupancy was achieved with revenue of LKR 35.3 Mn., was 45% higher than the last year. As the Hotel Project was over, the Company managed to rent out the area which was utilized by the Hotel Project to Nor Lanka Manufactures Colombo Ltd @ rate of USD 0.205 per sq ft. Self Storage rental income contributed LKR 6.1 Mn. to the Company turnover:

The Group further received LKR 9 Mn. finance income. This includes fixed deposit interest income, interest on FEEA saving account, exchange gain on conversion of foreign currency and fair value change on financial assets. The Group administration expenses also have increased by LKR 13 Mn. It is a 5% increase compared to previous year. Since the Hotel Project was over, we expect that the administration expenses will drop down within the current financial year. During the financial year under review the Group recorded finance expense of LKR 180 Mn. This includes 159.4 Mn of exchange loss incurred by the depreciation of the Sri Lanka Rupee against the US Dollar. However compared to the corresponding periods finance expenses of LKR 214 Mn., which was 16% lower than the last financial year.

### Subsidiary Companies

Since the Weligama Hotel Properties Limited has been completed Hotel Project and commenced its commercial operations we expect 70% occupancy through the year and the Group will receive new revenue streams. The Hotel will be managed by the Marriott International, Luxury Hotel management (BVI) Limited.

Weligama Hotel Properties Limited issued 10,000,000 ordinary shares by way of private placement on 21<sup>st</sup> August 2016. East West Properties PLC has a shareholding of 71.82% in Weligama Hotel Properties Limited as at the reporting date.

As a result of five years of hard work and team effort of the Group, East West Engineering Services (Pvt) Ltd has been constructed and completed "Marriott Resort & Spa – Weligama Bay" and bring it up to income generating level. East West Engineering Services (Pvt) Ltd contributed LKR 237 Mn. to the Group Revenue. East West Properties PLC now has an ownership interest of 99% in East West Engineering Services (Pvt) Ltd as at the reporting date.

Peoples Media Network (Pvt) Ltd, a Media Company of the Group contributed LKR 30 Mn. to the Group Revenue. We expect to complete Nayabedda development within current financial year and improve infrastructure facilities to its clients.

East West Hotel Developers (Pvt) Ltd contributed LKR 10.4 Mn. to the Group Revenue, with its own apartment and six rented apartments.

## Chairman's Review (Contd.)

### Future Outlook

Our future plans will focus on maintaining 70% occupancy at our Marriott Resort & Spa – Weligama Bay, enhancing profitability of our warehouses, self storage and apartment rental business, by providing maximum service to the clients, expand supply of ready mix concrete by securing a number of new sites and enhance infrastructure facilities of our transmission sites.



Nahil Wijesuriya  
Chairman  
31<sup>st</sup> August 2017.

### Appreciation

This has been a landmark year for the Group; I would like to express my gratitude to all our clients, suppliers, Banks and Business Partners for the loyalty and their continued support and co operation.

I also extend our thanks to the Shareholders of the Company for their continued support, confidence and trust.





## Board of Directors

**M W A D J Nahil Wijesuriya**  
Chairman

Mr.Nahil Wijesuriya is a Professional Engineer Specializing in Mechanical and Production Engineering. He gained his professional qualifications from the Leicester College of Technology (UK). Following his graduation he began working with P&O Shipping Lines (UK), eventually moving on to become the Chief Engineer at Ceylon Shipping Corporation. In 1975 he became Deputy Chief Engineer of the Colombo Dock Yard. In 1977 he founded East West Group of Companies. Through this Parent Company, he founded many successful businesses in Sri Lanka including TV broadcasting channels, ETV1 and ETV2, now known as Swarnavahini; East West Information Systems now known as EWIS. He has also completed several substantial property developments having successfully speculated the London and Singapore property markets.

He pioneered in the setting up the First Off Shore Bunkering facility of Colombo Port by using a 37,000 Ton Storage vessel anchored off the Colombo harbour limits. He also spearheaded the setting up and operations of Offshore Marine Services (Pvt) Ltd doing Salvage and Towage of ships in distress, using the companies own Tugs. In property development, he single handedly project manage the construction of the IBM Building in 1985 the first building to be built in the Nawam Mawatha Business Centre through East West Properties Ltd for Land and Building (Pvt) Ltd.

**M W A D J Vijitha Wijesuriya**  
Managing Director

Mr.Vijitha Wijesuriya holds a Bachelor of Science Degree from Imperial College, London and is an Associate of the Royal College of Science. He is also a Director of Weligama Hotel Properties Ltd, East West Engineering Services (Pvt) Ltd, Peoples Media Network (Pvt) Ltd, Wijesuriya Holdings (Pvt) Ltd and East West Enterprises Ltd.

**M W A D Anika A V Wijesuriya**

Miss. Anika Wijesuriya holds a BA Honors Degree in Finance and Economics from the University of Durham (UK) where she continues to be an Associates of the Durham Business School. She was a Director at Hotel Services PLC where she gained substantial experience in hotel administration, finance, sales and operations. She is also a Director of Weligama Hotel Properties Limited, East West Engineering Services (Pvt) Ltd, East West Enterprises Limited and Wijesuriya Holdings (Pvt) Ltd.

**M W A D J Vajira Wijesuriya**

Mr.Vajira Wijesuriya has a Bachelors degree in Computer Science from the University of Warwick (UK) and also a British Private Pilot License. He has worked at Amba Research as an Associate Vice President specializing in Financial Research. He has gained a vast experience in the field of Real Estate, Aviation, Finance and Travel.

## Board of Directors (Contd.)

### D Sunil AbeyRatne

Mr.Sunil AbeyRatne is a fellow member of the Institute of Management Accountants of (UK), Fellow member of the Institute of Chartered Accountant of Sri Lanka, Member of Certified Management Accountants of Australia and Fellow Society of Certified Management Accountants of Sri Lanka. He has held Directorate of Companies in Sri Lanka. Presently partner of AbeyRatne & Company, Chartered Accountants which is an associate of AGN International Ltd, UK which is the 6<sup>th</sup> largest Accounting Association in the World, appointed to the main UK AGN International Board of Directors.

### Dr Lakshman D Karalliedde

Dr.Lakshman Karalliedde graduated in medicine from the University of Colombo. He is registered as a specialist with the General Medical Council, UK and has worked at Guy's, St Thomas' Teaching hospitals and is currently a Consultant Toxicologist with the Chemical Hazards and Poisons Division London of the Health Protection Agency UK and Visiting Senior Lecturer at Kings College Medical School. He is a founder director of Suwasevana Hospitals (Pvt) Ltd, Kandy, Sri Lanka. He has authored several medical books in the UK.

### Nishantha P Sooriyaarachchi

Mr.Nishantha Sooriyaarachchi holds Higher National Diploma in Accountancy and he is a Certified Business Accountant of the Institute of Chartered Accountant of Sri Lanka. He has 16 years experience in the East West Group of Companies. He is also a Director of Peoples Media Network (Pvt) Ltd, Weligama Hotel Properties Limited and East West Engineering Services (Pvt) Ltd.

### H B G Vijayanthi Jayasinghe

Mrs.Vijayanthi Jayasinghe is a Certified Business Accountant of the Institute of Chartered Accountants of Sri Lanka. She has around 24 working years working experience. She is also a Director of Peoples Media Network (Pvt) Ltd, Weligama Hotel Properties Limited and East West Engineering Services (Pvt) Ltd.

## Statement of Directors Responsibilities

The responsibility of the Directors in relation to the Financial Statements is set out in the following statement. This differs from the responsibilities of the Auditors, which are set out in their report appearing on page 23.

As per the provisions of the Companies Act No.7 of 2007 and other statutes which are applicable in the preparation of financial statements, the Directors are responsible to prepare Financial Statements for each financial year and place before a General Meeting.

The Financial Statements comprise of:

- Income Statement and Statement of Comprehensive Income of the Company and of the Group, which present a true and fair view of the profit and loss of the Company and of the Group for the respective financial year.
- A Statement of the Financial Position, which presents a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year

The Directors confirm that the Financial Statements

- Have been prepared using appropriate accounting policies which have been selected and applied in a consistent manner; and
- Have been presented in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) ; and
- Provide the information required by and or else comply with the Companies Act No. 7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

Furthermore the Directors confirm that the financial statements of the Company and the Group give a true and fair view of;

- the state of affairs of the Company as at 31<sup>st</sup> March 2017 and
- the profit or loss of the company and its subsidiaries for the financial year then ended.

The Directors have taken appropriate steps to ensure that the Company keeps sufficient accounting records, which disclose the financial position of the Company with reasonable accuracy and enable them to ensure that the financial statements have been prepared and presented as aforesaid. They are also reasonable for taking measures to safeguard the assets of the Company and to prevent and detect frauds and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal controls comprising of internal check, internal audit and financial and other controls required to carry on the Company's business in an orderly manner and to safeguard its assets and ensure as far as practicable the accuracy and reliability of the records.

The Financial Statements of the Company has been certified by the Company's Accountant the officer responsible for their preparation as required by the section 150 (1) (b) of the Companies Act. As well the Financial Statements of the Company has been signed by two Directors of the Company on 31<sup>st</sup> of August as required by the section 150 (1) (c) of the Company Act. The Directors' are of the view that the Company and its subsidiaries have adequate resources to continue operations in the foreseeable future and have applied the going concern basis in the preparation of these financial statements.

The Company's External Auditors Messers V.S.& Associates has been appointed in the Section 158 of the Companies' Act and in accordance with resolution passed at the Annual General Meeting. To the best of the knowledge and belief of the Directors, V.S. & Associates carried out reviews and sample check on the effectiveness of the system of internal controls as they consider appropriate and necessary in providing their opinion on the financial statements. V.S.& Associates has examined the financial statements made available together with all other financial records, minutes of shareholders' and Directors' meeting and related information and have expressed their opinion which appears on page 23 of the annual report.



## Statement of Directors Responsibilities (Contd.)

The responsibility of the Directors in relation to the Financial Statements is set out in the following statement. This differs from the responsibilities of the Auditors, which are set out in their report appearing on page 23.

As per the provisions of the Companies Act No.7 of 2007 and other statutes which are applicable in the preparation of financial statements, the Directors are responsible to prepare Financial Statements for each financial year and place before a General Meeting.

By Order of the Board of  
EAST WEST PROPERTIES PLC



M W A D J Wijitha Wijesuriya  
Managing Director



Nishantha Sooriyaarachchi  
Director

Colombo  
31<sup>st</sup> August 2017

## Annual Report of the Board of Directors

In compliance with the provisions of the Companies Act No. 07 of 2007, the Directors present their Report on the state of affairs of the Company together with the Audited Financial Statements for the year ended 31st March 2017. The report also provides information as required by the Listing Rules of the Colombo Stock Exchange, best Accounting Practices and other disclosures deemed relevant to the stakeholders of the Company.

### General

East West Properties PLC is a Public Quoted Company with Limited Liability incorporated in Sri Lanka on 18<sup>th</sup> March, 1981 and re-registered under the Company's Act No.07 of 2007 on 15<sup>th</sup> June 2009. The Company was listed on the main board of the Colombo Stock Exchange in 1983.

### Principal Activities and Nature of Operation

#### The Group Structure

##### East West Properties PLC



The Principal Activities of the Company are renting warehouses and yard for commercial purposes.

The Companies with the Group are engage in:

- a) **East West Engineering Services (Pvt) Ltd**  
Construction, manufacturing and sale of ready-mix concrete, import and sale and distribution of all types of machinery and equipment and the business of all manner of engineering services.
- b) **East West Hotel Developers (Pvt) Ltd**  
Operators, owners, managers and developers of Boutique Hotels, Residential Villas and Hotels and for any purpose to construct, purchase take on lease or otherwise acquire hotels and land for tourism.

- c) **East West Leisure (Pvt) Ltd**  
Conduct inbound tour operations and offer related services to the tourism sector.
- d) **Peoples Media Network (Pvt) Ltd**  
Set up/ conduct and operate television and radio broadcasting stations.
- e) **Weligama Hotel Properties Ltd**  
Construct and operate hotel at Weligama.

### Business Review

The Chairman's message contains a brief review of the operations of the Company during the year ended 31<sup>st</sup> March 2017. The Audited Financial Statements are given on pages 23 to 96 of the Annual Report. These Reports together reflect the state of affairs of the Company and its subsidiaries during the period under review.

### Financial Statements and Auditors Report

The Financial Statements, duly signed by the Directors, is provided from the pages 24 to 96 and the Auditors Report on the Financial Statements is provided on page 23 of this Report.

### Revenue

Revenue generated by the Company amounted to Rs. 35.3 million (Rs.24.4 million in 2016) and Group Revenue amounted to Rs.288.2 million (Rs.299.5 million in 2016). Contributions to Group Revenue from the different business segment are provided in Note 2 to the Financial Statements.

### Stated Capital

In accordance with the Section 58 of the Companies Act No.7 of 2007, share capital and share premium were reclassified as stated capital. The Stated Capital of the Company as at 31<sup>st</sup> March 2017 amounting to Rs.1,212,000,000/- consists of 138,240,000 Ordinary Shares. There was no change in the Stated Capital of the Company during the year.

## Annual Report of the Board of Directors (Contd.)

### Shareholder Information

The distribution of shareholders and information relating to major shareholder of the company as at 31<sup>st</sup> March 2017, are given on pages 97 to 98 in the Annual Report.

The number of registered shareholders of the Company as at 31<sup>st</sup> March 2017 was 2,388. (2016 – 2,426)

### Disclosure as per Colombo Stock Exchange Rule No.8.7

	31.03.2017	31.03.2016
Market price per share	14.10	13.50
Highest share price during		
The year	19.00	19.00
Lowest share price during		
the year	11.00	11.60

### Significant Accounting Policies

The Financial Statements which comprise of the Statement of Profit or Loss and Other Comprehensive Income, Statements of Financial Position, Statement of Changes in Equity and the Statement of the Cash Flows, together with accounting policies and notes ("The Financial Statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS / LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No.7 of 2007.

The Accounting policies adopted in preparation of the Financial Statements are given from pages 31 to 47 of this Report.

### Interest Register

The Company maintains the Director's Interest Register conforming to the provisions of the Companies Act. The Directors of the Company have disclosed their interest in other Companies to the Board and those interests are recorded in the Interest Register conforming to the provisions of the Companies Act.

### Board of Directors and their Shareholding

Directors of the Company who have relevant interest in the shares of the Company have disclosed their shareholding and any acquisition to their respective Boards in compliance with Section 200 of the Companies Act. The shareholding of the Directors who own shares of the Company at the beginning and at the end of the year were as follows;

### Board of Directors and their Shareholding as at

31st March	2017	2016
M W A D J Nahil Wijesuriya	22,362,207	4,800
M W A D J Vijitha Wijesuriya	6,257,000	6,257,000
M W A D J Vajira Wijesuriya	Nil	Nil
M W A D Anika A V Wijesuriya	345,190	345,190
D Sunil AbeyRatne	Nil	Nil
Dr Lakshman D Karalliedde	160	160
H B G Vijayanthi Jayasinghe	Nil	Nil
Nishantha P Sooriyaarachchi	71,746	1,746

### Retirement of Directors by rotation

To re-elect as a Director, Mr. Damian Sunil AbeyRatna who retires by rotation in terms of Article No. 86 of the Articles of Association of the Company.

### Re-election of Directors in terms of Section 211 of Companies Act No.07 of 2007

To re-appoint as a Director, Dr. Lakshman Delgoda Karalliedde who has attained the age of 77 years. The Company has received notice of intention to pass the under noted as an Ordinary Resolution in compliance with Section 211 of the Companies Act No. 07 of 2007.

To re-appoint as a Director, Mr. Muthukuda Wijesuriya Arachchige Don Jayantha Nahil Wijesuriya who has attained the age of 72 years. The Company has received notice of intention to pass the under noted as an Ordinary Resolution in compliance with Section 211 of the Companies Act No. 07 of 2007.

### Directors' interest in contracts

Directors' interest in contracts or proposed contracts are disclosed under Note 28 of the financial statements



## Annual Report of the Board of Directors (Contd.)

### Directors Remuneration

Directors' remuneration in respect of the Group and the Company for the financial year ended March 31, 2016 is given in Note 6 to the financial statements.

### Corporate Governance

The Directors place great emphasis on instituting and maintaining effective corporate governance practices and principles in respect of the management and operations of the Company. Accordingly, systems and structures have been introduced and improves from time to time to enhance risk management measures and to improve accountability and transparency. The Corporate governance report is given on pages 17 to 20 of the Annual Report.

### Audit Committee

Mr D S. AbeyRatne – (Chairman – Audit Committee)  
Independent Non Executive Director

Dr Lakshman D Karalliedde – Independent Non Executive Director

The report of the Audit Committee is given on page No.13 of the Annual Report.

### Remuneration Committee

Mr D S AbeyRatne – (Chairman – Remuneration Committee)  
Independent Non Executive Director

Dr Lakshman D Karalliedde – Independent Non Executive Director

The report of the Remuneration Committee is given on page No 14 of the Annual Report.

### Related Party Transaction Review Committee

Mr D S AbeyRatne – (Chairman – Related Party Transactions Review Committee)  
Independent Non Executive Director

Mr M W A D J Vajira Wijesuriya – Independent Non Executive Director

The report of the Related Party Transaction Review Committee is given on page No 15 of the Annual Report.

### Integrated Risk Management Committee

Mr D S AbeyRatne – (Chairman – Integrated Risk Management Committee)  
Independent Non Executive Director

Dr Lakshman D Karalliedde – Independent Non Executive Director

The report of the Intergrated Risk Management Committee is given on page No 21-22 of the Annual Report.

### Property Plant & Equipment

An analysis of the property plant & equipment of the Company during the year under review is disclosed in note No.9 to the financial statements.

### Investment Property

The land and buildings held to earn rental income or for capital appreciation or both, but for sale in the ordinary course of business, use in the production or supply of goods or services or administrative purposes are classified as "Investment Properties" to be accounted on the cost model.

Details of Investment Properties are given in Note 11 of the financial statements on page 64.

### Dividends

The Director's do not recommend of a dividend to its ordinary shareholders for the year under review.

## Annual Report of the Board of Directors (Contd.)

### Contribution to Charities

Donations made by the Company and the Group during the year amounted to Rs. 1,106,444/-. The Company/Group has not contributed to Government approved charities during the financial year under review.

### Statutory Payments

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

### Taxation

The Company's liability to taxation has been computed according to the provision of the Inland Revenue Act No.10 of 2006 and amendments thereto. Note No 7 to the financial statements describes the method of computation of taxes of the Company and Group.

### Events after the Reporting Period

#### Company

There have not been any material events that occurred subsequent to the date of the statement of financial position of the Company.

#### Group

Subsequent to the reporting period, no circumstances have arisen that would require adjustments to, or disclosure in the Financial Statements, except the following.

- a) As per the Board Resolution dated 14<sup>th</sup> June 2017 Weligama Hotel Properties Ltd has allotted 6,300,000 Ordinary Shares at a price of Rs.12/- per share to Mr.M.W.A.D.J.Nahil Wijesuriya, a Director of the Company for Rs.75,600,000/- and the total consideration was received on the same date. However, shareholders approval has not been obtained to date and therefore still the shares has not been issued.
- b) Weligama Hotel Properties Ltd obtained a Term Loan of Rs.158,000,000/- from Bank of Ceylon on 05<sup>th</sup> July 2017 to finance 75% of the purchase of equipment for beverage services.

- c) Weligama Hotel Properties Ltd completed construction of the new hotel premises consisting of 198 rooms at Matara Road, Pelena during the subsequent year and commenced commercial operations on 20<sup>th</sup> July 2017.

### Going Concern

The Board of Directors are satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Accordingly, the financial statements are prepared based on the going concern concept.

### Auditors

The Audit Committee of the Company has recommended the re-appointment of M/s V.S.& Associates, Chartered Accountants as auditor of the Company for the financial year ending 31<sup>st</sup> March 2018, subject to the approval of the shareholders at the Annual General Meeting.

The Audit Committee reviews the appointment of the auditor, their effectiveness, independence and relationships with or interest in the Company or its subsidiaries.


The Auditors have confirmed that they do not have any relationships with or interest in the Company or its subsidiaries.

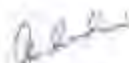
### Annual General Meeting

The Thirty Sixth Annual General Meeting of the Company will be held at the "Pearl Ballroom" Weligama Bay-Marriott Resort & Spa, No.700, Matara Road, Pelena, Weligama, on the 21st November 2017 at 11.00 am. The Notice of the 36<sup>th</sup> Annual General Meeting is on page 103 of the Annual Report.

### By Order of the Board of

  
M W A D J Vijitha Wijesuriya  
Managing Director

  
Nishantha Sooriyaarachchi  
Director

  
SSP CORPORATE SERVICES (PRIVATE) LIMITED  
Secretaries  
Colombo  
31<sup>st</sup> August 2017



## Audit Committee Report

The audit Committee comprises of two Independent Non-Executive Directors of the Company.

### Members of the Committee

Mr D Sunil AbeyRatne

(Chairman – Audit Committee)

-Independent Non Executive Director

Dr Lakshman D Karalliedde

-Independent Non Executive Director

The Finance Director and Chief Finance Officer attend meeting by invitation.

The purpose of Audit Committee to assists the Board of Directors to discharge their responsibility for the preparation of Financial Statements that a true and fair view of the affairs of the Company in accordance with the Company's accounting records and in conformity with Sri Lanka Financial Reporting Standards and Companies Act No.7 of 2007. The Audit Committee duties include reviews of financial statements, internal control procedures and risk management, accounting policies and compliance with Sri Lanka Accounting Standards.

The Committee reviewed the financial reporting system adopted by the Company with particular reference to the preparation, presentation and sufficiency of the disclosures in the Company's annual and interim financial statements in accordance with the Sri Lanka Accounting Standards, the Company's Act No.7 of 2007 and other applicable statutes.

The Audit Committee which reviewed the operations and monitored the effectiveness of internal control and procedures is of the view that adequate controls and procedures are in place to provide reasonable assurance to the Board that the assets of the Company are safeguarded and the financial position is monitored according to information made available. It also examines any matters relating to the financial reporting system, the audit process and the Company's process for monitoring compliance with laws and regulations and also recommended to the Board, the appointment and fees of external auditors.

The Committee also reviewed and approved the Annual and Interim financial statements prior to the final approved by the board.

The Audit Committee has also reviewed the services provided by the External Auditors to the Company to ensure their independence and recommended to the Board of Directors that M/S V.S.& Associates be re-appointed as the auditors of the company for the financial year ending 31<sup>st</sup> March 2018, subject to the approval of the shareholders at the Annual General Meeting.



D.S. AbeyRatne

Chairman-Audit Committee

31<sup>st</sup> August 2017



## Remuneration Committee Report

The Remuneration Committee of the Company consisted of the following Non-Executive Independent Directors.

### Members of the Committee

Mr D Sunil AbeyRatne  
(Chairman – Remuneration Committee)  
Independent Non Executive Director

Dr Lakshman D Karalliedde  
Independent Non Executive Director

The Remuneration Committee is responsible for recommending remuneration payable to Executive Directors, Non Executive Directors and Key managerial personnel based on performance parameters. Also, the Committee recommends to the Board of Directors on remuneration packages, annual increment and bonuses paid to the Directors and other senior level staff.

Once the remuneration policy of the Group as recommended by the Committee is approved by the Board, the Remuneration Committee will then approve and recommended to the Board, and the finalized proposal for the granting of increments to the Directors and senior level staff.

The Company remuneration policy aims to attract qualified and experienced team of managers and professional and reward their performance.

Remuneration policy of the Company and the Group with regard to the increments and bonus is based on the performance parameters and evaluation systems established by the Group.

The Remuneration Committee ensures that all the decisions are after considering the Company's performance and shareholder return.

The Committee also addresses issues concerning high inflation, payment of Cost of Living Allowance etc. impacting employee remuneration,

D.S. AbeyRatne  
Chairman – Remuneration Committee  
31<sup>st</sup> August 2017

## Related Party Transactions Review Committee Report

The Board of Directors of East West Properties PLC adopted the Code of Best Practices on related party transactions issued by the Securities and Exchange Commission of Sri Lanka (SEC) and established the Related Party Transactions Review Committee. The Committee comprises two Independent Non Executive Directors.

### Members of the Committee

Mr D Sunil AbeyRatne  
(Chairman-Related Party Transactions Review Committee)  
-Independent Non Executive Director

Mr M W A D J Vajira Wijesuriya  
Independent Non Executive Director

The Purpose of RPTRC is to assist the Board of Directors in evaluating all related party transaction carried out by the Company and its subsidiaries of the Group.

### Main objectives of the Related Party Transactions Review Committee

- Build up Related Party Transaction Policy procedure for the Group.
- Evaluate all related party transactions of the Group prior approval by the Board of Directors.
- Update the Board of Directors on the related party transactions carried out by the Group of every quarter.

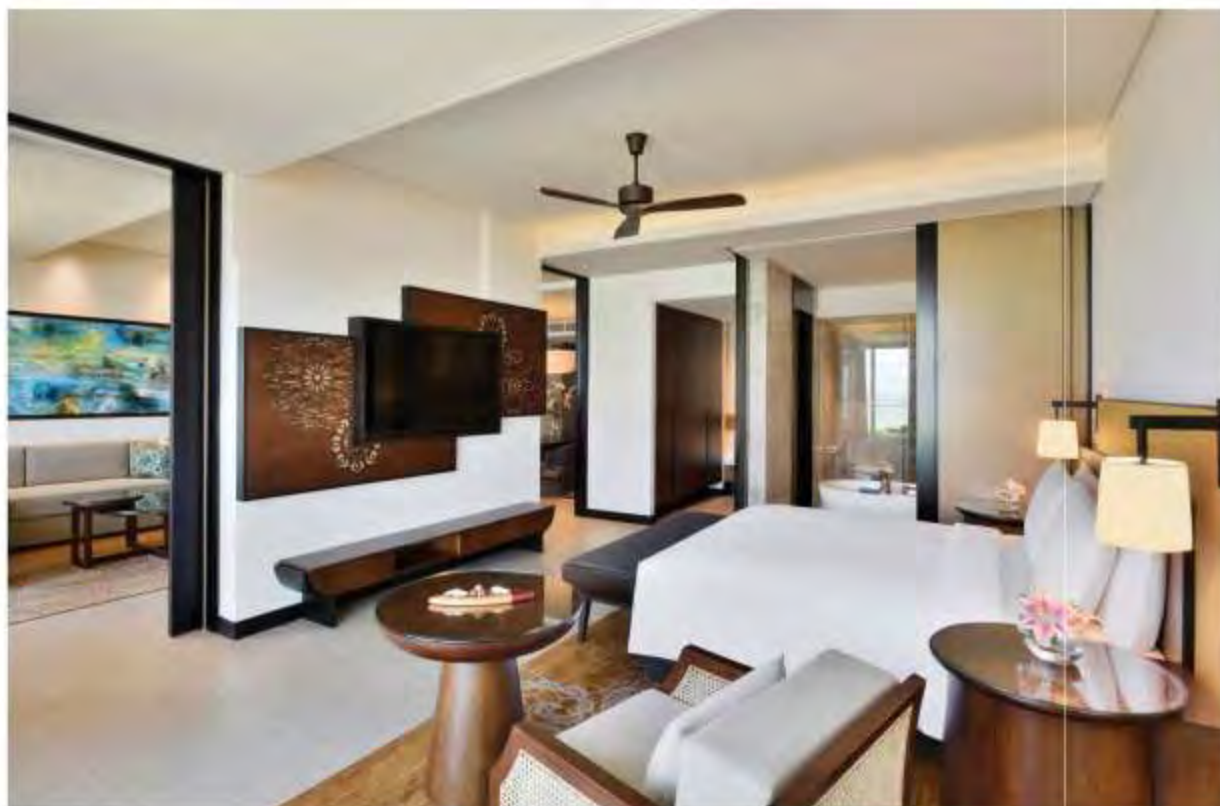
- Making immediate market disclosures on applicable related party transactions as required by the Section 9 of the listing rules of the CSE.
- Making necessary disclosures in the Quarterly Accounts and Annual Report.

The Committee has examined all related party transactions during the period and has established that they are in the best interest of the Company and the Group complies with all standards of best practice and reporting.

Details of the related party transaction entered into by the Company and the Group are disclosed in note 28 of the financial statements on page 77 to 85



D S AbeyRatne  
Chairman – Related Party Transaction Review Committee  
31<sup>st</sup> August 2017





## Corporate Governance Report

The Board of Directors of East West Properties PLC is committed and takes responsibility to maintain highest standards of Corporate Governance practices in conducting the Company's business.

The Board ensures the compliance with the Corporate Governance principles, complying with the Listing Rules of the Colombo Stock Exchange, Securities and Exchange Commission of Sri Lanka and the Companies Act No.7 of 2007 and has adopted "Code of Best Practice on Corporate Governance" published by the Institute of the Chartered Accountants of Sri Lanka.

### Board of Directors

The present Board of Directors comprise of eight Directors including the Chairman as follows:

#### 05 Executive Directors

Mr Muthukuda Wijesuriya Arachchige Don Jayantha Nahil Wijesuriya (Chairman)  
Mr Muthukuda Wijesuriya Arachchige Don Jayantha Vijitha Wijesuriya (Managing Director)  
Miss Muthukuda Wijesuriya Arachchige Dona Anika Anne Vinodhini Wijesuriya  
Mr Nishantha Priyanjith Sooriyaarachchi  
Mrs Hewa Batagoda Gamage Vijayanthi Jayasinghe

#### 03 Independent Non Executive Director

Dr Lakshaman Delgoda Karalliedde  
Mr Muthukuda Wijesuriya Arachchige Don Jayantha Vajira Wijesuriya  
Mr Damian Sunil AbeyRatne

The details of Company's directors and their capacity are given in the Board of Directors Report on pages 5 to 6.

All the Directors have access to the Company Secretaries SSP Corporate Services (Pvt) Ltd who are responsible to the Board in ensuring that the proper Board procedures are followed and that applicable rules and regulations are complied with.

As per the Article of the company the Directors who retire by rotation are eligible for re-election by the shareholders at the Annual General Meeting.

### Responsibilities

The Board of Directors are directly responsible for make of business plans by taking into consideration the Company's strengths and risks. And also the directors are responsible for the Company's system of internal control. A sound system of internal control is maintained in order to safeguard the Company's assets and shareholders investments. As a result proper records are maintained and reliable financial information is generated.

### Secretary to the Board

SSP Corporate Services (Pvt) Ltd functions as Secretary to the Board, it ensures that appropriate Board procedures are adopted and proper records of all proceedings of Board Meetings are maintained.

The Secretaries are present at Board Meetings and officer advice on matters relating to corporate governance, compliance with the Memorandum and Articles and other statutory regulations.

### Financial Acumen

The Board includes one senior Chartered Accountant who possesses the necessary knowledge and competence to offer the Board guidance on matters relating to finance.

### Supply of Information

Directors are provided with quarterly reports and annual accounts on performance and such other reports and documents as necessary.

### Appointments to the Board

The Board as a whole decides on the appointment of Directors.

## Corporate Governance Report (Contd.)

### Re-election of Directors

The provision of the Company's Article requires a Director appointed by the Board to hold office until the next Annual General Meeting, and seek re-appointment by the shareholders at that meeting.

### Remuneration Committee

The Remuneration Committee comprise of two independent non executive directors. The Remuneration Committee is responsible for evaluating the performance of the staff of the group and in reviewing and recommending to the board appropriate remuneration packages.

### Audit Committee

The Company's Audit Committee consists of 02 Independent Non Executive Directors. The External Auditor of the Company has direct access to the Committee, which ensures that their independence is not impaired in any way.

### Related Party Transaction Review Committee

The Related Party Transaction Committee of East West Properties PLC comprise of two independent non executive directors. The objective of this Committee is to assist the Board of Directors in evaluating all related party transaction carried out by the Company and its subsidiaries of the Group.

### Compliance regarding payments

The Board of Directors confirms that all known statutory payments have been paid up to date and retirement gratuities have been provided for in the financial statements. At the same time, all management fees and payments made to related parties have been reflected in the financial statements.

### Constructive use of Annual General Meeting

The Active participation of shareholders at the Annual General Meeting is encouraged. The Board believes the AGM is a means of continuing effective dialogue with shareholders.

The Board offers clarifications and responds to concerns shareholders have over the content of the

Annual Report as well as other matters which are important to them. The AGM is also used to adopt the financial statements for the year.

### Communication with Shareholders

Shareholders are provided with Quarterly Financial Statements and the Annual Report, which the Company considers as its principal communication with them and other stakeholders. These reports are also provided to the Colombo Stock Exchange.

Shareholders may bring up concern they have, either with the Chairman or the secretarial department as appropriate. The Company maintains an appropriate dialogue with them.

### Accounting and Audit

The Board places great emphasis on complete disclosure of financial and non financial information within the boundaries of commercial reality, and on the adoption of sound reporting practices. Financial information is disclosed in accordance with the Sri Lanka Accounting Standards. Revision to existing accounting standards and adoptions of new standards are carefully monitored.

The Statement of Directors' responsibilities for the financial statements is given on page 7 to 8 of this report.

### Going Concern

The Board has adopted the going concern basis in preparing financial statements given that the Company possesses sufficient resources to continue operations into the foreseeable future.



## Level of Compliance with the CSE's Listing Rules

Rule No	Corporate Governance Rule	Compliance Status	Details
7.10.1	Non Executive Directors.	Complied with	Three out of the Eight Directors are Non-Executive Directors.
7.10.2	Independent Directors		
	Two or 1/3 of the Non-Executive Directors whichever is higher shall be Independent.  Each Non-Executive Director should submit a signed and dated declaration annually of his /her independence in the prescribed format.	Complied with	Three out of the eight Directors are Independent Directors.  All Non-Executive Directors have submitted the declaration in the prescribed format.
7.10.3.	Disclosure Relating to Directors		
	The board shall annually make a determination as to the independence of otherwise of the Non-Executive Directors and names of Independent Directors should be disclosed in the Annual Report.	Complied with	Names of the Directors determined to be independent Directors are given on page 17 of the Annual Report. A brief resume of each Director is given on pages 5-6 of the Annual Report.
7.10.4.			
	Criteria for determining Independence of Directors.	Complied with	All Directors listed as Independent satisfy the criteria given in this rule.
7.10.5.	Remuneration Committee		
	A listed company shall have a Remuneration Committee.	Complied with	Comprise of two (02) Non-Executive Directors, both are independent. Chairman of the Committee satisfy the requirement given in Rule 7.10.5. a) Report of the Remuneration Committee is given on page 14.
7.10.6.	Audit Committee		
	The Company shall have an Audit Committee.	Complied with	Names of the members of the Audit Committee are stated in the Audit Committee Report on Page 13.
	The Audit Committee shall comprise of ; (a) A minimum of two Non-Executive Directors (In instance where an entity has only two directors).  (b) Non-Executive Directors a majority of who will be independent, whichever shall be higher.	Complied with	Audit Committee of two Non-Executive Independent Directors.
	A Non-Executive Director shall be appointed as the Chairman of the Committee Meeting.	Complied with	Chairman of the Audit Committee is a Non-Executive Independent Director.
	The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	Complied with	Chairman of the Audit Committee is a Chartered Accountant with vast knowledge on Financial reporting and compliance.



## Level of Compliance with the CSE's Listing Rules (Contd.)

7,6	Disclosure in the Annual Report		
	All listed entities must includes in its Annual Reports and accounts, inter alia;		
	(a) Names of persons who were directors of the entity during the year.	Complied with	Please refer corporate information on inner back cover of this Report.
	(b) Principal activities of the entity and its subsidiaries during the year and any changes therein.	Complied with	Please refer page 9 of the Board of Directors Report.
	(c) Names and Numbers of the shares held by the 20 largest voting and nonvoting shareholders and percentages.	Complied with	Please refer page 97 to 98 of this Report.
	(d) Public Holding percentage.	Complied with	Please refer page 97 of this Report.
	(e) A statement of each directors holding shares in the entity at the beginning and end of the year.	Complied with	Please refer page 10 of this Report.
	(f) Information relating to material foreseeable risk factors of the entity.	Complied with	Please refer page 21 to 22 of this Report.
	(g) Details of material issues pertaining to employees and industrial relations of the entity.	Complies with	No material issues pertaining to employees and industrial relations.
	(h) Extent, locations valuations and other number of buildings of the entity's land holding and investment property.	Complied with	Please refer page 55-65 of this Report.
	(i) Number of shares representing the entity stated capital.	Complied with	Please refer page 97 of this Report.

## Risk Management Report

Risk arises in all our business activities. Risk management has become an important function of East West Properties PLC. The Board has overall responsibility for the management of risk and for reviewing the effectiveness of the system or internal control and risk management approach. The objective of risk management, shared across the organization, is to support our strategies to build a sustainable, profitable business in the long-term interest of our shareholders. The Audit Committee constantly evaluates risk, its impact and measures taken to manage risk. The risk management policies ensure the identification, measurement, monitoring and controlling of risk. We have put in place a number of key policies, processes and independent controls to provide assurance to the Board on the integrity of our reporting and effectiveness of our systems of internal control and risk management.

Risk faced by the Group are numerous and varied. The risk factors are highlighted as follows;

Risk Type	Factor	Action Plan	Rank
<b>Foreign Currency Risk</b>	Weligama Hotel Properties Limited obtained US \$ 23.344 million from Bank of Ceylon and US \$ 1.371 from Sampath Bank PLC for the part finance of the Marriott Resort & Spa Hotel project at Weligama.	Exchange rate movements are constantly monitored.  The revenue is pegged on the US \$ rate, hence it work therefore it works natural hedge for the loan interest.	High
<b>Occupancy</b>	Demand for rental space from new and existing tenants at Warehouses	External research on warehouses rental market. Monitoring occupancy levels and advance discussion with customers on lease renewals.	High
<b>Financing Risk</b>	The Group has been obtained funds for the hotel under construction, by methods such as borrowing from financial institutions and other methods.	Budgeting day today cash flow requirement. Negotiating favorable conditions with financial institutions.	High
<b>Liquidity Risk</b>	Liquidate risk is linked with the difficulties the Group may face to meet its financial obligations as they become due without affecting normal operations.	The Company's approach to managing liquidate is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and worried conditions without incurring unacceptable losses or damages to the Company's reputations.	Moderate

## Risk Management Report (Contd.)

Risk Type	Factor	Action Plan	Rank
Interest Rate	Interest income and cost of borrowings	During the year Group was able to negotiate better rates than previous occasions to reduce interest rate risk.	Medium
Competition	The Property, Hotel construction and media industry area extremely competitive.	Monitoring of existing and new supply of warehouses Hotel and media industry. Development of technologies and cost reduction.	Medium
Regulatory Framework	Changes to tax and other Regulations, Legal restrictions, requirement for approval for business and investments, custom duties and tariffs, accounting standards and environmental laws.	Regular coordination with relevant regulatory authorities.	Medium
Natural Disaster & Accident at the site	Natural disaster such as Tsunami. Accidents will occur among construction staff.	The Group is entered to various insurance schemes. Establish safety management system, Organizing accident prevention programs.	Low
Fire Risk	The Warehouse Complex, Transmission sites and Hotel.	Group makes an effort to improve the quality of construction product, maintenance programs, specialized equipment and life support system maintained.	Low
Building Condition and safety	The Warehouse Complex, Transmission sites and Hotel.	Group makes an effort to improve the quality of construction product, Maintenance programs, specialized equipment and life support system maintained.	Low
Strategic Risk	Risk if not achieving planned objective and variances.	Company function with a clear business plan and within an approved annual budget and variances reviewed periodically.	
Credit Recovery	Non recovery of receivable.	Obtain customer deposits from lessees of leasehold property. Regular trade debtor balance review and follow up.	Low



## TO THE SHAREHOLDERS OF EAST WEST PROPERTIES PLC

### Report on the Financial Statements

We have audited the accompanying financial statements of East West Properties PLC ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the Statement of Financial Position as at 31st March 2017, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 31 to 96.

### Board's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

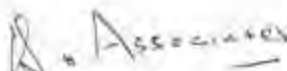
### Emphasis of Matter

We draw attention to Note 35 to the financial statements regarding the events and conditions that may cast significant doubt that People's Media Network (Pvt) Limited, a Subsidiary Company will be able to continue as a going concern. Our opinion is not modified in respect of this matter.

### Report on Other Legal and Regulatory Requirements

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

- The basis of opinion and scope and limitations of the audit are as stated above.
- In our opinion:
  - We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
  - The financial statements of the Company give a true and fair view of its financial position as at 31st March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
  - The financial statements of the Company and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.



**V.S. & ASSOCIATES**  
**CHARTERED ACCOUNTANTS**  
Colombo

31st August 2017

## Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 st March	NOTES	GROUP		COMPANY	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Revenue	2	288,214,443	299,497,100	35,355,109	24,443,456
Direct Costs		(115,097,977)	(138,313,350)	-	-
<b>Gross Profit</b>		<b>173,116,466</b>	<b>161,183,750</b>	<b>35,355,109</b>	<b>24,443,456</b>
Other Income	3	17,909,760	7,489,433	1,894,253	2,664,822
		191,026,226	168,673,183	37,249,363	27,108,278
Administrative Expenses		(239,507,185)	(221,896,963)	(52,142,856)	(50,231,211)
Promotional & Marketing Expenses		(8,939,329)	(7,947,757)	-	-
Other Expenses	3	(4,651,805)	(4,309,703)	(29,819,204)	-
<b>Results from Operating Activities</b>		<b>(62,072,093)</b>	<b>(65,481,240)</b>	<b>(44,712,698)</b>	<b>(23,122,933)</b>
Finance Income	4	9,967,940	27,486,480	23,024,241	25,107,810
Finance Costs	5	(181,410,441)	(214,373,982)	(212,594)	(3,921,510)
<b>Net Finance Income / (Costs)</b>		<b>(171,442,501)</b>	<b>(186,887,502)</b>	<b>22,811,647</b>	<b>21,186,299</b>
<b>Loss before Tax</b>	6	<b>(233,514,594)</b>	<b>(252,368,743)</b>	<b>(21,901,050)</b>	<b>(1,936,634)</b>
Income Tax Expense	7	(7,727,744)	(5,466,160)	(3,595,807)	1,000,515
<b>Loss for the year</b>		<b>(241,242,338)</b>	<b>(257,834,903)</b>	<b>(25,496,857)</b>	<b>(936,119)</b>
<b>Other Comprehensive Income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Other Comprehensive Income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Comprehensive Income / (Expense) for the year</b>		<b>(241,242,338)</b>	<b>(257,834,903)</b>	<b>(25,496,857)</b>	<b>(936,119)</b>
<b>Loss attributable to:</b>					
Equity Holders of the Parent		(175,893,757)	(194,379,515)	(25,496,857)	(936,119)
Non-Controlling Interest		(65,348,581)	(63,455,387)	-	-
<b>Loss for the year</b>		<b>(241,242,338)</b>	<b>(257,834,903)</b>	<b>(25,496,857)</b>	<b>(936,119)</b>
<b>Total Comprehensive Income / (Expense) attributable to:</b>					
Equity Holders of the Parent		(175,893,757)	(194,379,515)	(25,496,857)	(936,119)
Non-Controlling Interest		(65,348,581)	(63,455,387)	-	-
<b>Total Comprehensive Income / (Expense) for the year</b>		<b>(241,242,338)</b>	<b>(257,834,903)</b>	<b>(25,496,857)</b>	<b>(936,119)</b>
<b>Earnings / (Deficit) per Share</b>	8	<b>(1.27)</b>	<b>(1.41)</b>	<b>-</b>	<b>-</b>
<b>Dividend per Ordinary Share</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Statement of Financial Position

As at 31 st March	NOTES	GROUP		COMPANY	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
ASSETS					
Non - Current Assets					
Property, Plant & Equipment	9	5,452,674,387	3,974,040,333	113,166,082	119,842,650
Leasehold Property	10	27,752,425	28,172,916	27,752,425	28,172,916
Investment Property	11	87,255,574	91,444,096	63,385,275	66,667,329
Intangible Assets	12	22,713,555	22,907,599	68,571	117,550
Investments in Subsidiaries	13	-	-	894,015,398	923,778,970
Deferred Tax Asset	23	-	9,358	-	-
Total Non - Current Assets		5,590,395,941	4,116,574,301	1,098,387,750	1,138,579,415
Current Assets					
Inventories	14	26,411,819	31,253,316	-	-
Trade and Other Receivables	15	392,311,537	535,825,452	26,677,056	18,474,085
Amounts due from Related Parties	28	106,727,552	94,555,552	350,665,778	327,011,305
Other Financial Assets	16	26,434,201	171,634,426	26,384,201	39,484,662
Cash and Cash Equivalents	17	38,502,365	21,389,137	2,052,878	682,058
Total Current Assets		590,387,473	854,657,884	405,779,912	385,652,110
Total Assets		6,180,783,414	4,971,232,185	1,504,167,663	1,524,231,526
EQUITY AND LIABILITIES					
Equity					
Stated Capital	18	1,212,000,000	1,212,000,000	1,212,000,000	1,212,000,000
Revaluation Reserve	19	26,571,004	26,571,004	26,571,004	26,571,004
Revenue Reserve		230,648,315	345,854,110	220,592,922	246,089,780
Total Equity attributable to Equity Holders of the Parent		1,469,219,319	1,584,425,113	1,459,163,926	1,484,660,783
Non-Controlling Interest		387,942,474	393,979,569	-	-
Total Equity		1,857,161,792	1,978,404,682	1,459,163,926	1,484,660,783



## Statement of Financial Position (Contd.)

As at 31 st March	NOTES	GROUP		COMPANY	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>Non - Current Liabilities</b>					
Interest Bearing Borrowings	20	3,804,180,088	2,681,493,108	-	-
Finance Lease Obligations	21	5,041,347	10,043,011	-	-
Employee Benefits	22	2,796,147	2,130,035	2,239,496	1,730,539
Deferred Tax Liability	23	9,448,026	9,439,131	2,477,821	2,589,665
Rent Received in Advance	24	14,556,194	15,880,539	14,556,194	15,880,539
<b>Total Non - Current Liabilities</b>		<b>3,836,021,801</b>	<b>2,718,985,823</b>	<b>19,273,511</b>	<b>20,200,743</b>
<b>Current Liabilities</b>					
Trade and Other Payables	25	110,751,521	101,778,475	15,510,742	8,410,543
Provisions	26	-	968,085	-	-
Amounts due to Related Parties	28	154,586,074	53,347,824	57,434	-
Finance Lease Obligations	21	5,001,664	4,059,222	-	-
Rent Received in Advance	24	1,324,345	1,324,345	1,324,345	1,324,345
Income Tax Liability	27	8,139,648	9,157,286	4,402,773	4,479,358
Bank Overdrafts	17	207,796,570	103,206,442	4,434,932	5,155,753
<b>Total Current Liabilities</b>		<b>487,599,821</b>	<b>273,841,680</b>	<b>25,730,226</b>	<b>19,369,999</b>
<b>Total Liabilities</b>		<b>4,323,621,622</b>	<b>2,992,827,503</b>	<b>45,003,737</b>	<b>39,570,742</b>
<b>Total Equity and Liabilities</b>		<b>6,180,783,414</b>	<b>4,971,232,185</b>	<b>1,504,167,663</b>	<b>1,524,231,526</b>

The Accounting Policies and Noted from pages 31 to 96 from an integral part of these Financial Statements.

I certify that these financial statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



Vijayanthi Jayasinghe  
**GROUP FINANCIAL OFFICER**

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the Board by,



Vijitha Wijesuriya  
**MANAGING DIRECTOR**



Nishantha Sooriyaarachchi  
**FINANCE DIRECTOR**

Colombo  
31<sup>st</sup> August 2017

## Statement of Changes in Equity

GROUP	Attributable to Equity Holders of the Parent				Non-Controlling	Total
	Stated	Revaluation	Revenue	Total	Interest	Equity
	Capital	Reserve	Reserve			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Restated Balance as at 31st March 2015</b>	1,212,000,000	26,571,004	295,289,147	1,533,860,150	172,243,735	1,706,103,885
Loss for the year	-	-	(194,379,515)	(194,379,515)	(63,455,387)	(257,834,903)
Other Comprehensive Income	-	-	-	-	-	-
<b>Total Comprehensive Income / (Expense) for the year</b>	-	-	(194,379,515)	(194,379,515)	(63,455,387)	(257,834,903)
<b>Transaction with owners of the Company, recognised directly in equity</b>						
Changes in Group Holding on new Share issue of Weligama Hotel Properties Ltd.	-	-	246,906,298	246,906,298	285,893,702	532,800,000
Direct Cost on issue of Subsidiary Shares	-	-	(1,961,819)	(1,961,819)	(702,481)	(2,664,300)
<b>Total transaction with owners of the Company</b>	-	-	244,944,479	244,944,479	285,191,222	530,135,700
<b>Balance as at 31st March 2016</b>	1,212,000,000	26,571,004	345,854,110	1,584,425,113	393,979,569	1,978,404,682
Loss for the year	-	-	(175,893,757)	(175,893,757)	(65,348,581)	(241,242,338)
Other Comprehensive Income	-	-	-	-	-	-
<b>Total Comprehensive Income / (Expense) for the year</b>	-	-	(175,893,757)	(175,893,757)	(65,348,581)	(241,242,338)
<b>Transaction with owners of the Company, recognised directly in equity</b>						
Changes in Group Holding on new Share issue of Weligama Hotel Properties Ltd.	-	-	60,687,962	60,687,962	59,312,038	120,000,000
Purchase of Weligama Hotel Properties Ltd shares from non-controlling interests	-	-	-	-	(552)	(552)
<b>Total transaction with owners of the Company</b>	-	-	60,687,962	60,687,962	59,311,486	119,999,448
<b>Balance as at 31st March 2017</b>	1,212,000,000	26,571,004	230,648,315	1,469,219,319	387,942,474	1,857,161,792

Details of the Revaluation Reserve are given in Note 19.1 to the Financial Statements.

Figures in brackets indicate deductions.

The Accounting Policies and Notes from pages 31 to 96 form an integral part of these Financial Statements.

## Statement of Changes in Equity

COMPANY	Stated Capital Rs.	Revaluation Reserve Rs.	Revenue Reserve Rs.	Total Rs.
<b>Balance as at 31st March 2015</b>	1,212,000,000	26,571,004	247,025,899	1,485,596,902
Loss for the year	-	-	(936,119)	(936,119)
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	-	-	(936,119)	(936,119)
<b>Balance as at 31st March 2016</b>	1,212,000,000	26,571,004	246,089,780	1,484,660,783
Loss for the year	-	-	(25,496,857)	(25,496,857)
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income / (Expense)</b>	-	-	(25,496,857)	(25,496,857)
<b>Balance as at 31st March 2017</b>	<u>1,212,000,000</u>	<u>26,571,004</u>	<u>220,592,922</u>	<u>1,459,163,926</u>

Details of the Revaluation Reserve are given in Note 19.1 to the Financial Statements.

Figures in brackets indicate deductions.

The Accounting Policies and Notes from pages 31 to 96 form an integral part of these Financial Statements.



## Statement of Cash Flows

For the year ended 31 st March	GROUP		COMPANY	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss before Interest & Tax	(218,707,325)	(260,394,453)	(42,115,736)	(20,465,992)
Adjustment for:				
Depreciation on Property, Plant & Equipment	66,811,297	74,268,452	7,796,442	9,613,419
Depreciation on Investment Property	4,188,522	4,188,522	3,282,055	3,282,055
Amortisation of Leasehold Property	420,491	420,491	420,491	420,491
Amortisation of Intangible Assets	194,044	194,044	48,979	48,979
(Profit) / Loss from Disposal of Plant & Equipment	(3,170,187)	(640)	-	-
Gratuity	815,612	(170,971)	658,457	(232,984)
Dividend Income	(985,525)	(1,785,707)	(985,525)	(1,785,707)
(Profit) / Loss on Disposal of Financial Assets	-	(4,747,482)	-	(4,747,482)
Fair Value Changes on Financial Assets	(1,659,819)	3,840,390	(1,659,819)	3,840,390
Provision for Diminution in Value of Investment	-	-	29,819,204	-
Provision for Warranties	-	391,162	-	-
Reversal of Warranty Provision	(968,085)	-	-	-
<b>Loss before Working Capital Changes</b>	<b>(153,060,975)</b>	<b>(183,796,192)</b>	<b>(2,735,452)</b>	<b>(10,026,831)</b>
<b>Changes in Working Capital</b>				
(Increase) / Decrease in Inventories	4,841,497	(2,613,556)	-	-
(Increase) / Decrease in Trade and Other Receivables	143,513,915	(169,797,806)	(8,202,970)	(11,733,495)
(Increase) / Decrease in Amounts due from Related Parties	89,066,249	(964,294)	(23,597,039)	(101,724,134)
Increase / (Decrease) in Trade and Other Payables	8,973,046	1,189,601	7,100,199	2,949,315
Increase / (Decrease) in Finance Lease Obligations	(4,059,222)	(3,294,361)	-	-
Increase / (Decrease) in Rent Received in Advance	(1,324,345)	(1,324,345)	(1,324,345)	(1,324,345)
<b>Cash Generated from / (used in) Operating Activities</b>	<b>87,950,165</b>	<b>(360,600,953)</b>	<b>(28,759,607)</b>	<b>(121,859,490)</b>
Tax Paid	(8,727,129)	(10,136,041)	(3,784,236)	(4,718,030)
Interest Paid	(22,129,706)	(12,927,580)	(164,052)	(45,263)
Gratuity Paid	(149,500)	-	(149,500)	-
Warranty Claims Paid	-	(13,494)	-	-
<b>Net Cash Flows from / (used in) Operating Activities</b>	<b>56,943,830</b>	<b>(383,678,068)</b>	<b>(32,857,396)</b>	<b>(126,622,783)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of Property, Plant & Equipment	(13,823,887)	(32,698,043)	(1,119,874)	(1,312,710)
Increase in Capital Work in Progress	(1,540,085,455)	(1,660,989,617)	-	-
Proceeds from Disposal of Property, Plant & Equipment	11,634,178	12,800	-	-
Increasing in Holding in a Subsidiary	-	-	(55,080)	-
Purchase of subsidiary shares from non-controlling interests	(552)	-	(552)	-
Acquisition of Financial Assets - Scrip Dividend	(426,871)	(117,045)	(426,871)	(117,045)
Proceeds from Disposal of Financial Assets	-	88,037,851	-	88,037,851
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
(Purchase) / Disposal of Short Term Investments	147,285,915	34,686,723	15,187,151	16,577,491
Interest Received	7,322,437	20,953,291	20,378,738	18,574,621
Dividend Income Received	985,525	1,785,707	985,525	1,785,707
<b>Net Cash Flows from / (used in) Investing Activities</b>	<b>(1,387,107,709)</b>	<b>(1,548,328,334)</b>	<b>34,949,037</b>	<b>123,545,914</b>

## Statement of Cash Flows (Contd.)

For the year ended 31 st March	GROUP		COMPANY	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from Issue of Subsidiary Shares	120,000,000	532,800,000	-	-
Direct Cost on Issue of Subsidiary Shares	-	(2,664,300)	-	-
Proceeds form Interest Bearing Borrowings	1,122,686,980	1,389,197,596	-	-
<b>Net Cash Flows from / (used in) Financing Activities</b>	<b>1,242,686,980</b>	<b>1,919,333,296</b>	<b>-</b>	<b>-</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>(87,476,900)</b>	<b>(12,673,107)</b>	<b>2,091,641</b>	<b>(3,076,859)</b>
Cash and Cash Equivalents at the beginning of the year	(81,817,305)	(69,144,198)	(4,473,695)	(1,396,826)
<b>Cash and Cash Equivalents at the end of the year</b>	<b>(169,294,205)</b>	<b>(81,817,305)</b>	<b>(2,382,054)</b>	<b>(4,473,695)</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>				
<b>Favourable balances</b>				
Savings Accounts	30,043,780	12,443,524	1,369,929	-
Cash in Hand & at Bank	5,458,585	8,945,614	682,949	682,058
<b>Un-favourable balances</b>				
Bank Overdrafts	(207,796,570)	(103,206,442)	(4,434,932)	(5,155,753)
	<b>(169,294,205)</b>	<b>(81,817,305)</b>	<b>(2,382,054)</b>	<b>(4,473,695)</b>

## Notes to the Financial Statements

### 1. CORPORATE INFORMATION

#### 1.1. Reporting Entity

##### 1.1.1. General

East West Properties PLC ("Company") is a Public Quoted Company with Limited Liability Incorporated and domiciled in Sri Lanka. The registered office of the Company and the principal place of business is located at # 12-01, East Tower, World Trade Center, Colombo 01.

The Ordinary Shares of the Company are listed on the Colombo Stock Exchange.

##### 1.1.2. Consolidated Financial Statements

The Consolidated Financial Statements, "the Company" refers to East West Properties PLC as the Parent Company and "the Group" refers to the companies whose accounts have been consolidated therein.

East West Properties PLC's Parent Entity is Asia 2000 Investments INC.

##### 1.1.3. Principal Activities and Nature of Operations

The principal activities of the Company are renting warehouses and yard for commercial purposes.

The principal activities of the Subsidiaries are disclosed in Note 13 to the Financial Statements.

There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

##### 1.1.4. Date of Authorisation for issue

The Consolidated Financial Statements of the Group for the year ended 31<sup>st</sup> March 2017 were authorised for issue, in accordance with a resolution of the Board of Directors on 31<sup>st</sup> August 2017.

### 1.2. BASIS OF PREPARATION

#### 1.2.1. Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS / LKASs) adopted by The Institute of Chartered Accountants of Sri Lanka (CA) and in compliance with the Companies Act, No. 07 of 2007 and Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.

The financial statements of the Company and those consolidated with such comprise the Statement of Profit or Loss and Other 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.

#### 1.2.2. Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the measurement of the following material items in the Statement of Financial Position.

- a) Items of Property, Plant & Equipment which are measured at cost at the time of acquisition and construction and subsequently at revalued amounts, which are the fair values at the date of revaluation less accumulated depreciation and impairment loss.
- b) Financial instruments reflected as fair value through profit or loss financial assets are measured at fair value.
- c) Defined benefit plans which are measured at the present value of the Employee Benefits.



## Notes to the Financial Statements (Contd.)

### 1.2. BASIS OF PREPARATION (CONTD.)

#### 1.2.2. Basis of Measurement (Contd.)

##### Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value of an asset or liability, the Group uses observable market data as far as possible. Fair Values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

Level 1: inputs are unadjusted quoted prices in active markets for identical assets or liabilities

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

Level 3: inputs are inputs that are not based on observable market data (unobservable inputs)

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

### 1.2.3. Functional and Presentation Currency

The financial statements are presented in Sri Lankan Rupees, which is the Group's functional currency.

### 1.2.4. Use of Estimates, Judgements and Assumptions

The presentation of the financial statements of the Group and the Company in conformity with Sri Lanka Accounting Standards (SLFRS / LKAS) requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the Note 22 - measurement of Employee Benefits.

### 1.2.5. Materiality and Aggregation

Each material class of similar items is presented separately in the Consolidated Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

## Notes to the Financial Statements (Contd.)

### 1.2. BASIS OF PREPARATION (CONTD.)

#### 1.2.6. Going Concern

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 intend either to liquidate or cease trading.

### 1.3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

#### 1.3.1. Basis of Consolidation

The consolidated financial statements (referred to as the Group), comprise of the financial statement of the Company and its Subsidiaries. Subsidiaries are disclosed in Note 13 to the Financial Statements.

##### 1.3.1.1. Business Combination and Goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to groups of cash-generating units that are expected to benefit from the synergies of the combination.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit.

##### 1.3.1.2. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of Subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date when control ceases.

##### 1.3.1.3. Transactions with Non-controlling Interests

The profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Parent, directly or indirectly through subsidiaries, is disclosed separately under the heading "Non-Controlling Interest".



## Notes to the Financial Statements (Contd.)

### 1.3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 1.3.1.3. Transactions with Non-controlling Interests (Contd.)

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

The acquisition of an additional ownership interest or a disposal of ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the non-controlling interests is recognised in equity of the parent. No adjustment is made to goodwill as a result of such transactions.

#### 1.3.1.4. Loss of Control

On the loss of control, the Group derecognises the assets including goodwill and liabilities of the subsidiary, any non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the Statement of Profit or Loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

#### 1.3.1.5. Profits and Losses

The total profits and losses of the Company and its subsidiaries for the period are included in the consolidation. The proportion of the profit or loss after taxation attributable to Non Controlling Interest shareholders of the subsidiaries is shown as a component of profit for the period in the Consolidated Statement of Profit or Loss.

#### 1.3.1.6. Assets and Liabilities

All assets and liabilities of the Company and its subsidiaries are included in the Consolidated Statement of Financial Position. Non controlling interest which represents the proportion of interest attributable to non controlling interest of subsidiaries in the net assets employed by the Group is disclosed as a component of equity in the Consolidated Statement of Financial Position, separately from the Parent shareholders' equity.

#### 1.3.1.7. Transactions Eliminated on Consolidation

All intra group balances and transactions, income and expenses, profits and losses resulting from intra group transactions that are recognised in assets, liabilities, income and expenses are eliminated in preparing the consolidated financial statements.

#### 1.3.1.8. Financial Period

All Subsidiaries of the Group have a common financial year as the Parent Company.

#### 1.3.2. Foreign Currency Transactions

All foreign currency transactions are translated to Sri Lankan Rupees at the exchange rates prevailing at the dates of the transactions.



## Notes to the Financial Statements (Contd.)

### 1.3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 1.3.2. Foreign Currency Transactions

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into local currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in the Statement of Profit or Loss.

#### 1.3.3. Property, Plant & Equipment

##### 1.3.3.1. Recognition and Measurement

Items of Property, Plant & Equipment are measured at cost (or at valuation in the case of certain items) less accumulated depreciation and accumulated impairment losses.

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

##### 1.3.3.2. Owned Assets

The cost of Property, Plant & Equipment include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, and any other costs directly attributable to bringing the 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.

Revaluation of condominium apartment is done with sufficient frequency to ensure that the fair value of the condominium apartment does not differ materially from its carrying amount, and is undertaken by professionally qualified valuers.

Increases in the carrying amount on revaluation is recognised in other comprehensive income and accumulated in equity in the revaluation reserve, unless it reverses a previous revaluation decrease relating to the same asset, which was previously recognised as an expense. In these circumstances the increase is recognised as income to the extent of the previous write down.

Decrease in the carrying amount on revaluation that offset previous increases of the same individual assets are charged against revaluation reserve directly in equity. All other decreases are recognised in profit or loss.

##### 1.3.3.3. Subsequent Costs

The cost of replacing component of an item of property, plant & equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised in accordance with the derecognition policy given below.

The costs of the day-to-day servicing of property, plant & equipment are recognised in statement of profit or loss as incurred.

## Notes to the Financial Statements (Contd.)

### 1.3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 1.3.3. Property, Plant & Equipment (Contd.)

##### 1.3.3.4. Derecognition

The carrying amount of an item of property, plant & equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Gains and losses arising on derecognition of the assets determined by comparing the proceeds from disposal with the carrying amount of property, plant & equipment and are recognised net within 'Other Income' in profit or loss.

##### 1.3.3.5. Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant & equipment, since this most closely reflected the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows.

Buildings	Over	30	Years
Condominium Apartments (Re-valued / Cost)	Over	30	Years
Site Buildings	Over	10	Years
Furniture & Fittings	Over	5 - 8	Years
Fixtures & Fittings	Over	5	Years
Office Equipment	Over	5 - 8	Years
Computers & Accessories	Over	4 - 5	Years
Communication Equipment	Over	8	Years
Air Conditioners	Over	5 - 8	Years
Generators	Over	5	Years
Plant & Machinery	Over	5	Years
Tools & Equipment	Over	5	Years
Electrical Equipment	Over	5	Years
Kitchen Equipment	Over	5	Years
Water Tanks	Over	5	Years
CCTV Camera System	Over	5	Years
Equipment			
- Radio Studio	Over	8	Years
- TV2 Studio	Over	8	Years
Encoder & Decoder	Over	8	Years
UPS System	Over	4	Years

Studio Broadcast System	Over	5	Years
Digital Audio Router	Over	5	Years
Transmitter Towers	Over	8	Years
Transmitters	Over	8	Years
Transformers	Over	5 - 10	Years
Antenna	Over	8	Years
Cables & Connectors	Over	8	Years
Gongala Cabin	Over	8	Years
Motor Vehicles	Over	5	Years
Heavy Vehicles	Over	5	Years

No depreciation is 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 derecognised.

##### 1.3.3.6. Finance Leases

Plant & equipment on finance leases, which effectively transfer to the Group substantially all the risk and benefits incidental to ownership of the leased items, are classified as leasehold assets under the property, plant & equipment and stated at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception of the lease, less the accumulated depreciation. Depreciation is made over the period the Group is expected to benefit from the use of the leased assets.

##### 1.3.3.7. Capital Work in Progress

Capital expenses incurred during the period which are not completed as at the reporting date are shown as capital work-in-progress, whilst the capital assets which have been completed during the period and put to use have been transferred to property, plant and equipment, if any.



## Notes to the Financial Statements (Contd.)

### 1.3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 1.3.4. Leasehold Property

Leasehold Property includes of leasehold rights to land of Urban Development Authority situated at 3rd Lane, New Nuge Road, Peliyagoda which is on a 99 years lease. Leasehold Property is amortised over their remaining period of leases.

##### 1.3.4.1. Lease Rentals paid in Advance

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term. Details of the leasehold property are given in note 10 to the financial statements.

#### 1.3.5. Investment Property

Investment property is property held either to 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.

The Group adopts cost model to measure investment property. Investment property is measured at cost on initial recognition and subsequently carried at its cost less any accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use.

Depreciation is recognised on a straight-line basis over the estimated useful life of the investment property. The estimated useful life of investment property of the Group is as follows.

Warehouse No. I	Over 30 Years
Warehouse No. II	Over 30 Years
Warehouse No. III	Over 30 Years
Condominium Apartments	
- Unit BA/FZ/U3	Over 30 Years

Investment property is derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### 1.3.6. Intangible Assets

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

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets with finite lives are amortised over the useful economic life, from the date that they are available for use and assessed for impairment whenever there is an indication that the intangible asset may be impaired.



## Notes to the Financial Statements (Contd.)

### 1.3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 1.3.6. Intangible Assets (Contd.)

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least once at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level.

##### 1.3.6.1. Intangible assets recognised by the Group

###### a) Computer Software

All computer software cost incurred and licensed for use by the Group, which does not form an integral part of related hardware, which can be clearly identified and reliably measured with the probability of leading to future economic benefits, are capitalised under intangible assets. The Group amortises the computer software over period of 5 years.

###### b) Goodwill

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

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

#### 1.3.6.2. Derecognition of Intangible Assets

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in the Statement of Profit or Loss when the asset is derecognised.

#### 1.3.7. Financial Instruments

##### 1.3.7.1. Non-Derivative Financial Assets

The Group recognises financial assets in its statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or a liability (other than financial assets at fair value through profit or loss) are added or deducted from the fair value of the financial asset, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in the statement of profit or loss.

The Group derecognises financial assets when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial assets in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

## Notes to the Financial Statements (Contd.)

### 1.3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 1.3.7.1. Non-Derivative Financial Assets (Contd.)

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

The Group classifies non-derivative financial assets into the following categories; financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets.

##### a) Financial Assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the Statement of Profit or Loss.

##### b) Loans and Receivables

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment losses.

A provision for impairment of trade receivable is established when there is objective evidence that the Group will not

be able to collect all amounts due according to the receivables.

Loans and receivables comprise of amounts due from related parties, cash and cash equivalents and trade and other receivables.

#### Cash and Cash Equivalents

Cash and Cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

##### c) Held-to-maturity Financial Assets

A non-derivate financial asset with fixed or determinable payments with fixed maturity where Group intends to hold to maturity is classified under this category.

Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Held-to-maturity financial assets comprise of fixed deposits

##### d) Available-for-sale Financial Assets

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are not classified in any of the other categories. 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.



## Notes to the Financial Statements (Contd.)

### 1.3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 1.3.7.1. Non-Derivative Financial Assets (Contd.)

##### d) Available-for-sale Financial Assets (Contd.)

Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction cost.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented in the available-for-sale reserve in equity until the investment is derecognised. When an investment is derecognised, the gain or loss accumulated in the equity is reclassified to the Statement of Profit or Loss and Other Comprehensive Income.

#### 1.3.7.2. Non-Derivative Financial Liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date which the Group becomes a party to the contractual provisions of the instrument.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group's other financial liabilities comprise loans and borrowings, debt securities issued, bank overdrafts, and trade and other payables. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the statement of cash flows.

##### a) Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of profit or loss.

#### 1.3.8. Stated Capital

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

As per the Companies Act No. 07 of 2007, Section 58(1), Stated Capital in relation to a Company means the total of all amounts received by the Company or due and payable to the Company in respect of the issue of shares and in respect of calls in arrears.



## Notes to the Financial Statements (Contd.)

### 1.3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 1.3.9. Impairment

##### 1.3.9.1. Impairment of Non-Derivative Financial Assets

Financial assets, other than those measured at fair value are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash from the asset have been affected.

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

##### a) Impairment Losses on Financial Assets Carried at Amortised Cost

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### b) Impairment Losses on Available-for-Sale Financial Assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through other comprehensive income.

##### 1.3.9.2. Impairment of Non Financial Assets

The carrying amounts of the Group's non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, or when annual impairment testing for an asset is required, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets or other cash-generating unit (CGU). Goodwill arising from business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of combination.

## Notes to the Financial Statements (Contd.)

### 1.3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 1.3.9.2. Impairment of Non-Financial Assets (Contd.)

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

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 1.3.10. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price less estimated costs of completion and estimated costs necessary to make the sale. Accordingly, the costs of inventories are accounted for as follows.

Transmission Equipment	-	at actual cost
Construction Material	-	at purchase cost on a first in first out basis
Machinery Spare Parts	-	at purchase cost on weighted average basis

#### 1.3.11. Provisions

A provision is recognised in the Statement of Financial Position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably in accordance with LKAS 37 – 'Provisions, Contingent Liabilities and Contingent Assets'. The amount recognised is the best estimate of the consideration required to settle the present obligation at the Reporting date, taking into account the risks and uncertainties surrounding the obligation at the date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows.

##### 1.3.11.1. Provisions for Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provisions based on the historical warranty date and a weighing of all possible outcomes against their associated probabilities. Provision is utilised to settle the actual claims made by the customers.

##### 1.3.11.2. Commitments and Contingencies

Capital commitments and contingent liabilities of the Company are disclosed in respective notes to the Financial Statements.



## Notes to the Financial Statements (Contd.)

### 1.3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 1.3.12. Employee Benefits

##### a) Defined Benefit Plan – Retirement Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Statement of Financial Position in respect of defined benefit plans is the present value of the defined benefit obligation as at the reporting date. The defined benefit obligation is calculated by the Group using the projected unit credit method based on the formula prescribed in "LKAS 19 - Employee Benefits".

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using 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.

Provision has been made for retirement gratuities for 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 key assumptions used in the computation are stated in the note 22 to the financial statements.

No provision has been made for Retiring Gratuity in the accounts of East West Hotel Developers (Pvt) Limited and East West Leisure (Pvt) Limited as these companies do not employ any staff. All operational services are provided by Crescat Investments (Pvt) Limited, a related party of the Company.

##### b) Defined Contribution Plans - Employees Provident Fund & Employees Trust Fund

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

All employees who are eligible for Employees Provident Fund Contributions and Employees Trust Fund Contributions are covered by relevant contribution funds in line with respective statutes and regulations. Contribution plans are recognised as an expense in the statement of profit or loss when incurred.

#### 1.3.13. Statement of Profit or Loss and Other Comprehensive Income

##### 1.3.13.1. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and value added taxes, after eliminating sales within the group.

Revenue is generally accounted for on an accrual basis and following specific criteria are used for recognition of revenue.



## Notes to the Financial Statements (Contd.)

### 1.3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 1.3.13. Statement of Profit or Loss and Other Comprehensive Income (Contd.)

##### 1.3.13.1. Revenue Recognition (contd.)

###### a) Rental Income

Rent Income is recognised in the Statement of Profit or Loss as it accrues.

###### b) Lease Rental Income

The Company has sub leased part of the Land lease owned by the Company for a period of thirty years. The lease Rentals have been collected in advance and will be accounted as income as per the provisions of the lease agreement.

###### c) Construction Revenue

When the outcome of the contract can be measured reliably, contract revenue is recognised by reference to the stage of completion of the contract activity as at the reporting date. When the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

###### d) Rendering of Services

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

###### e) Sale of Goods

Revenue is recognised on sale of goods when all significant risks and rewards of ownership have been transferred to the buyer which normally occurs on delivery of goods.

###### f) Finance Income and Finance Costs

Finance income comprises interest income on funds invested, dividend income and gains on the disposal of financial assets at fair value through profit or loss.

Interest income is recognised on an accrual basis. Dividend Income is recognised when the Shareholders right to receive such dividend is established. Profit or Losses on disposal of Financial Assets are accounted for in the Statement of Profit or Loss on the basis of realised net profit or loss.

Finance costs comprises of interest expense on borrowings and the changes in the fair value of financial assets. Interest expenses are recognised using the effective interest method. All borrowing costs are recognised as an expense in the period in which they are incurred other than for what is stated in note no. 1.3.13.3 (a).

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

###### g) Others

Other income is recognised on an accrual basis.

Net gains and losses of a revenue nature on disposal of an item of property, plant & equipment and other non-current assets including investments have been accounted for in profit or loss, having deducted from proceeds from disposal, the carrying amount of the assets and related selling expenses.

##### 1.3.13.2. Segmental Reporting

A segment is a distinguishable component of an enterprise that is engaged in either providing products or services (Business Segments) or in providing products or services within a particular economic environment (Geographic Segment) which is subject to risks and rewards that are different from those of other segments.

## Notes to the Financial Statements (Contd.)

### 1.3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 1.3.13.2. Segmental Reporting (Contd.)

Segment information is presented in respect of the Group's business activities. The business segment has been identified as the primary segment of the Group as there are no distinguishable components to be identified as geographical segments for the Group. The business segments are reported based on the Group's management and internal reporting structure.

#### 1.3.13.3. 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 statement of profit or loss in arriving at the 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.

#### a) Borrowing Costs

As per LKAS 23 on "Borrowing costs", the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset. A qualifying asset is an asset which takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are recognised in the profit or loss in the period it is incurred.

Borrowing costs incurred in respect of loans that are utilised for the construction of the hotel has been capitalised as a part of the cost of the hotel. The capitalisation will cease when the hotel construction is completed.

#### b) Income Tax Expense

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date.

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

#### Current Tax

The provision for Income Tax is based on the elements of Income & Expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto.

#### Deferred Tax

Deferred Tax is provided in full, using the liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the Financial Statements. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability settled.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects either accounting nor taxable profit, and difference relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.



## Notes to the Financial Statements (Contd.)

### 1.3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

#### 1.3.13.3. Expenditure Recognition (Contd)

##### b) Income Tax Expense (Contd.) Deferred Tax (Contd.)

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### 1.4. STATEMENT OF CASH FLOWS

The Statement of Cash Flows has been prepared using 'indirect method'. Interests paid are classified as operating cash flows while dividends paid are classified as financing cash flows. Interests and dividends received are classified as investing cash flows for the purpose of presentation of Statement of Cash Flows.

For the purpose of Statement of Cash Flows, cash & cash equivalents consist of savings accounts, cash in hand, cash at banks net of outstanding bank overdrafts.

### 1.5. EARNINGS PER SHARE

The Group presents Earnings per Share (EPS) data for its ordinary shares. 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.

### 1.6. RELATED PARTY TRANSACTIONS

Disclosures 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 charged.

Related Party Receivables and Payables are treated as Current Assets and Current Liabilities as they are deemed to be of a temporary nature.

### 1.7. EVENTS AFTER THE REPORTING PERIOD

All material events occurring after the reporting period have been considered and appropriate adjustments to or disclosures have been made in the financial statements.

### 1.7. FINANCIAL RISK MANAGEMENT POLICIES

The Group's principal financial liabilities comprise of loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management monitors these risks. The Group's senior management is supported by an Audit Committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The Audit Committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite.



## Notes to the Financial Statements (Contd.)

### 1.7. FINANCIAL RISK MANAGEMENT POLICIES (CONTD)

The Group's objectives, policies and processes for measuring and managing risk from financial instruments and the management of capital are reported separately in Note 37 in conformity with Sri Lanka Financial Reporting Standards.

### 1.8. NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued the following standards which become effective for annual periods beginning after the current financial year. Accordingly these standards have not been applied in preparing these financial statements. The Group expects that these standards when applied will have substantial impact on the financial performance, financial position and disclosures. The Group will be adopting these standards when they become effective.

#### SLFRS 9 - Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 - Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

#### SLFRS 15 - Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 - 'Revenue', LKAS 11 - 'Construction Contracts', IFRIC13 - 'Customer Loyalty Programmes'.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

## Notes to the Financial Statements (Contd.)

	GROUP		COMPANY	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>2 REVENUE</b>				
Net Revenue	<u>288,214,443</u>	<u>299,497,100</u>	<u>35,355,109</u>	<u>24,443,456</u>

### 2.1 Segments

Segmentation has been determined based on the operating activities of the companies or the sector, where multiple activities fall within one company or sector has been based on the core activities of that particular sector.

Rental	- Warehouses, Yard, Apartments and Infrastructure Rental
Leisure	- Hotel Reservation, Tour and Transport
Construction	- Construction of Weligama Bay
Trading	- Selling & Distribution of Transmission Equipment and Machinery Items
Others	- Concrete Sales

### 2.2 Business Segment Analysis

Rental	66,701,997	51,888,925	35,355,109	24,443,456
Leisure	358,452	949,273	-	-
Construction	159,760,650	201,302,645	-	-
Trading	1,530,650	432,128	-	-
Others	49,862,694	44,924,129	-	-
	<u>288,214,443</u>	<u>299,497,100</u>	<u>35,355,109</u>	<u>24,443,456</u>

## 3 OTHER INCOME / (EXPENSE)

### 3.1 OTHER INCOME

Hiring Income	2,173,902	911,162	-	-
Profit on Disposal of Plant & Equipment	3,170,187	640	-	-
Reimbursement of Electricity	923,155	973,456	1,759,389	1,524,150
Reimbursement of Water	117,432	145,038	129,323	148,850
Insurance Claim	356,225	-	-	-
Commission Income	324,089	1,754,829	5,541	20,207
Sundry Income	776,477	3,365,373	-	738,630
Payable Balances Written Back	9,100,208	105,950	-	-
Gratuity Overprovision	-	232,984	-	232,984
Reversal of Warranty Provision	968,085	-	-	-
	<u>17,909,760</u>	<u>7,489,433</u>	<u>1,894,253</u>	<u>2,664,822</u>

## Notes to the Financial Statements (Contd.)

	GROUP		COMPANY	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
<b>3 OTHER INCOME / (EXPENSE)</b>				
<b>3.2 OTHER EXPENSES</b>				
Loss on Disposal of Plant & Equipment	215,480	-	-	-
Write-off of Outstanding Balance	60,000	-	-	-
Loss on Web Site - www.chatter.lk	4,376,325	4,309,703	-	-
Provision for Diminution in Value of Investment	-	-	29,819,204	-
	<u>4,651,805</u>	<u>4,309,703</u>	<u>29,819,204</u>	<u>-</u>
<b>4 FINANCE INCOME</b>				
Interest on Bank Deposits	1,622,617	16,117,069	432,600	1,188,456
Interest on Related Party Balances	5,699,820	4,836,222	19,946,138	17,386,164
Dividend Income	985,525	1,785,707	985,525	1,785,707
Profit on Disposal of Financial Assets	-	4,747,482	-	4,747,482
Sale of Fractional Shares	159	-	159	-
Fair Value Changes on Financial Assets	1,659,819	-	1,659,819	-
	<u>9,967,940</u>	<u>27,486,480</u>	<u>23,024,241</u>	<u>25,107,810</u>
<b>5 FINANCE COSTS</b>				
Interest on Bank Overdrafts	14,293,176	6,576,697	161,698	45,263
Interest on Related Party Balances	5,242,952	2,992,445	2,154	-
Interest on Finance Lease Obligations	2,593,578	3,358,439	-	-
Other Interest	10,509	35,857	10,509	35,857
Bank Guarantee Charges	-	3,000	-	-
Fair Value Changes on Financial Assets	-	3,840,390	-	3,840,390
Exchange Loss on Conversion of Foreign Currency	159,270,225	197,567,154	38,032	-
	<u>181,410,441</u>	<u>214,373,982</u>	<u>212,594</u>	<u>3,921,510</u>
<b>6 PROFIT / (LOSS) BEFORE TAX</b>				
Profit / (Loss) before Tax is stated after charging all expenses including the following:				
Remuneration to Directors	7,316,000	7,921,000	3,516,000	4,771,000
Auditors Remuneration	1,650,000	1,285,000	375,000	325,000



## Notes to the Financial Statements (Contd.)

	GROUP		COMPANY	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
<b>6 PROFIT / (LOSS) BEFORE TAX (CONTD.)</b>				
Personnel Costs				
- Staff Costs	125,742,548	119,182,934	10,995,646	8,621,357
- Defined Benefit Plan Costs	815,612	62,013	658,457	-
- Defined Contribution Plan Costs	10,649,521	11,011,226	1,084,320	1,084,320
Depreciation				
- Property, Plant & Equipment	66,811,297	74,268,452	7,796,442	9,613,419
- Investment Property	4,188,522	4,188,522	3,282,055	3,282,055
Amortisation				
- Leasehold Property	420,491	420,491	420,491	420,491
- Intangible Assets	194,044	194,044	48,979	48,979
Donations	1,106,444	305,600	798,000	78,000
<b>7 INCOME TAX EXPENSE</b>				
<b>Current Income Tax Expense</b>				
Tax Expense on Ordinary Activities (7.1)	7,709,491	9,809,495	3,707,651	3,819,976
<b>Deferred Tax Expense</b>				
Origination / (Reversal) of				
Temporary Differences (23)	18,253	(4,343,335)	(111,844)	(4,820,491)
	<u>7,727,744</u>	<u>5,466,160</u>	<u>3,595,807</u>	<u>(1,000,515)</u>
<b>7.1 Reconciliation of Accounting Loss and Taxable Income</b>				
Accounting Loss before Tax	(233,514,594)	(252,368,743)	(21,901,050)	(1,936,634)
Intra Group Adjustments	(5,490,720)	27,190,796	-	-
	<u>(239,005,314)</u>	<u>(225,177,947)</u>	<u>(21,901,050)</u>	<u>(1,936,634)</u>
Aggregate Disallowed Expenses	286,240,648	290,721,543	44,275,481	19,274,593
Aggregate Allowable Expenses	(110,414,024)	(129,446,159)	(31,237,338)	(33,378,871)
	<u>(75,446,863)</u>	<u>(69,976,515)</u>	<u>(8,862,907)</u>	<u>(16,040,912)</u>
Statutory Loss from Business	12,268,173	6,073,952	-	-
Statutory Profit from Business				
Other Sources of Income	30,780,495	37,124,441	20,371,708	18,574,620
Tax Losses utilised during the year	(14,143,343)	(9,136,668)	(7,130,098)	(6,501,117)
	<u>28,904,325</u>	<u>34,061,725</u>	<u>13,241,610</u>	<u>12,073,503</u>
Taxable Income				

## Notes to the Financial Statements (Contd.)

	GROUP		COMPANY	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>7 INCOME TAX EXPENSE (CONTD.)</b>				
<b>7.1 Reconciliation of Accounting Loss and Taxable Income</b>				
Income Tax Expenses for the period is made up				
Statutory Tax Rate				
- Income Tax @ 28%	7,352,995	9,244,713	3,707,651	3,380,581
- Income Tax @ 12%	317,236	125,387	-	-
- Tax on Distributable Profit	39,260	439,395	-	439,395
Current Income Tax Expense	<u>7,709,491</u>	<u>9,809,495</u>	<u>3,707,651</u>	<u>3,819,976</u>

The utilisation of tax losses brought forward is restricted to 35% of current year's statutory income. Unabsorbed tax losses can be carried forward indefinitely.

### 7.2 Reconciliation of Tax Losses

The tax losses carried forward by the Group entities as at 31st March 2017 amounts to Rs. 364,009,984 (2016 - Rs. 302,707,464) and the details are given below.

Tax Losses at the beginning of the year	302,707,464	241,867,617	18,707,067	9,167,272
Tax Losses for the year	75,446,863	69,976,515	8,862,907	16,040,912
Tax losses set off during the year (35% of statutory income)	<u>(14,144,343)</u>	<u>(9,136,668)</u>	<u>(7,130,098)</u>	<u>(6,501,117)</u>
Tax losses at the end of the year	<u>364,009,984</u>	<u>302,707,464</u>	<u>20,439,876</u>	<u>18,707,067</u>

### 7.3 Applicable rates of Income Tax

Corporate income taxes of companies in the Group are computed in accordance with the Inland Revenue Act, No. 10 of 2006 and subsequent amendments thereto.

East West Properties PLC and other companies within the Group, excluding those which are enjoying a tax holiday or concessionary rate of taxation as referred to below, are liable to income tax at 28% (2016 - 28%).

## Notes to the Financial Statements (Contd.)

### 7 INCOME TAX EXPENSE (CONTD.)

#### 7.3.1 Companies liable to tax at concessionary rates

- a) East West Engineering Services (Pvt) Limited is liable for taxation at 12% (2016 - 12%) on the profits from construction income and other income is liable for taxation at 28% (2016 - 28%) in accordance with provision of Inland Revenue Act, No. 10 of 2006.
- b) In accordance with the agreement entered into with the Board of Investments (BOI) of Sri Lanka under Section 17 of the Board of Investments (BOI) of Sri Lanka Law No. 04 of 1978, profits of People's Media Network (Pvt) Limited are exempted from income tax for a period of 05 years which ended as at 31st March 2012.

Commencing from financial year ended 31st March 2013, the profits and income of the Company is liable for income tax at the rate of 10% for a period of 02 years which ended as at 31st March 2014. After the expiration of the aforesaid concessionary tax rate the profits and income of the Company is liable to Income Tax at the rate of 20% (2016 - 20%). Other income is liable to income tax at 28% (2016 - 28%).

#### 7.3.2 Exemption from income tax

In accordance with the agreement entered into with the Board of Investments (BOI) of Sri Lanka, profits of Weligama Hotel Properties Limited are exempted from income tax for a period of ten years from the year in which the Company commences to make profits or any year of assessment not later than two (2) years reckoned from the date of commencement of commercial operations whichever year is earlier as per Section 17 of the Inland Revenue Act No.10 of 2006.

### 7.4 Deferred Taxation

Deferred tax has been computed by using the future tax rate of 28% for subsidiaries which are liable for income tax at the standard rate for the Year of Assessment 2016/2017 (in 2015/2016 - 28%).

East West Engineering Services (Pvt) Limited being a construction company deferred tax has been computed at the tax rate of 12% (2016 - 12%).

People's Media Network (Pvt) Limited has computed the deferred tax at the rate of 20% (2016 - 20%) as per Section 17 of the Board of Investments (BOI) of Sri Lanka Law No. 04 of 1978.

No provision has been made for deferred tax in the financial statements of Weligama Hotel Properties Limited since it is exempt from income tax for a period of ten years under Section 17 of the Inland Revenue Act No. 10 of 2006.

No Deferred tax assets have been recognised in the financial statements of People's Media Network (Pvt) Ltd and East West Leisure (Pvt) Ltd in respect of tax losses carried forward because it is not probable that future taxable profit will be available against which the subsidiary can utilise the benefit there from.



## Notes to the Financial Statements (Contd.)

### 7 INCOME TAX EXPENSE (CONTD.)

#### 7.4 Deferred Taxation (Contd.)

The tax losses carried forward are given below.

	GROUP	
	2017	2016
	Rs.	Rs.
East West Properties PLC	20,439,876	18,707,067
East West Engineering Services (Pvt) Limited	1,477,553	8,365,920
East West Leisure (Pvt) Limited.	476,765	38,963
People's Media Network (Pvt) Limited	62,181,499	61,357,686
Weligama Hotel Properties Limited	279,434,291	214,237,828
	<u>364,009,984</u>	<u>302,707,464</u>

### 8 EARNINGS / (DEFICIT) PER SHARE

The calculation of basic earnings / (deficit) per share is based on the profit / (loss) for the year attributable to equity holders of the company divided by weighted average number of ordinary shares in issue during the year.

	GROUP	
	2017	2016
Loss attributable to Equity Holders of the Company (Rs.)	<u>(175,893,757)</u>	<u>(194,379,515)</u>
Weighted average number of Ordinary Shares	<u>138,240,000</u>	<u>138,240,000</u>
Basic earnings / (deficit) per share (Rs.)	<u>(1.27)</u>	<u>(1.41)</u>

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

## Notes to the Financial Statements (Contd.)

	Balance as at 01.04.2016	Additions / Transfers	Disposals	Balance as at 31.03.2017
	Rs.	Rs.	Rs.	Rs.
<b>9 PROPERTY, PLANT &amp; EQUIPMENT</b>				
<b>9.1 GROUP</b>				
<b>Cost / Valuation</b>				
Land	279,018,365	-	-	279,018,365
Buildings	36,209,693	-	-	36,209,693
Condominium Apartments	118,208,000	-	-	118,208,000
Site Buildings	11,340,157	-	-	11,340,157
Furniture & Fittings	3,668,949	441,230	-	4,110,179
Furniture & Fittings				
- Condominium Apartment	575,783	-	-	575,783
Fixtures & Fittings	1,829,159	1,040,966	-	2,870,125
Office Equipment	3,620,545	187,835	-	3,808,379
Computers & Accessories	8,920,130	405,850	-	9,325,980
Communication Equipment	20,915,289	-	-	20,915,289
Air Conditioners	2,057,129	191,000	-	2,248,129
Generators	7,232,219	-	-	7,232,219
Plant & Machinery	122,042,626	4,925,656	(12,252,369)	114,715,913
Tools & Equipment	61,537,001	587,495	(35,532,908)	26,591,587
Tools & Equipment				
- Condominium Apartment	122,600	34,990	-	157,590
Electrical Equipment	1,497,750	152,900	-	1,650,650
Kitchen Equipment	94,048	-	-	94,048
Water Tanks	570,609	-	-	570,609
CCTV Camera System	1,374,903	496,800	-	1,871,703
CCTV Camera System				
- Condominium Apartment	79,500	-	-	79,500
Equipment				
- Radio Studio	8,831,885	-	-	8,831,885
- TV2 Studio	1,055,990	-	-	1,055,990
Encoder & Decoder	3,736,264	-	-	3,736,264
UPS System	5,680,841	-	-	5,680,841
Studio Broadcast System	1,472,912	-	-	1,472,912
Digital Audio Router	316,247	-	-	316,247
Transmitter Towers	1,091,560	300,000	-	1,391,560
Transmitters	32,253,624	268,365	-	32,521,989
Transformers	22,856,460	-	-	22,856,460
Antenna	2,261,686	-	-	2,261,686
Cables & Connectors	2,041,845	39,300	-	2,081,145
Gongala Cabin	503,256	-	-	503,256
Motor Vehicles	13,973,400	4,751,500	-	18,724,900
Heavy Vehicles	55,960,600	-	-	55,960,600
	832,951,022	13,823,887	(47,785,277)	798,989,631
<b>Leased Assets</b>				
Heavy Vehicles	20,467,027	-	-	20,467,027
	853,418,049	13,823,887	(47,785,277)	819,456,659

## Notes to the Financial Statements (Contd.)

	Balance as at 01.04.2016	Additions	Disposals	Balance as at 31.03.2017
	Rs.	Rs.	Rs.	Rs.
<b>9.1 GROUP (CONTD.)</b>				
<b>Accumulated Depreciation / Impairment</b>				
Buildings	4,817,020	1,206,990	-	6,024,009
Condominium Apartments	3,940,267	3,940,267	-	7,880,534
Site Buildings	3,532,471	1,134,016	-	4,666,486
Furniture & Fittings	3,118,247	241,711	-	3,359,957
Furniture & Fittings				
- Condominium Apartment	521,606	24,079	-	545,685
Fixtures & Fittings	406,521	469,928	-	876,449
Office Equipment	2,056,600	533,457	-	2,590,058
Computers & Accessories	5,518,807	1,312,013	-	6,830,820
Communication Equipment	20,403,414	188,303	-	20,591,717
Air Conditioners	966,304	266,736	-	1,233,040
Generators	5,469,767	1,353,702	-	6,823,469
Plant & Machinery	47,091,999	23,795,508	(10,461,642)	60,425,865
Tools & Equipment	40,242,201	7,229,389	(28,859,645)	18,611,946
Tools & Equipment				
- Condominium Apartment	31,528	25,103	-	56,632
Electrical Equipment	682,720	305,489	-	988,209
Kitchen Equipment	72,949	15,840	-	88,789
Water Tanks	390,806	102,952	-	493,758
CCTV Camera System	519,674	317,658	-	837,332
CCTV Camera System				
- Condominium Apartment	23,850	15,900	-	39,750
Equipment				
- Radio Studio	8,238,258	551,254	-	8,789,511
- TV2 Studio	965,230	85,645	-	1,050,875
Encoder & Decoder	3,385,989	350,275	-	3,736,264
UPS System	4,510,524	501,768	-	5,012,292
Studio Broadcast System	991,230	186,458	-	1,177,688
Digital Audio Router	316,247	-	-	316,247
Transmitter Towers	810,904	133,303	-	944,207
Transmitters	18,704,138	3,297,527	-	22,001,665
Transformers	7,615,703	2,931,572	-	10,547,275
Antenna	395,486	282,711	-	678,196
Cables & Connectors	356,592	256,459	-	613,051
Gongala Cabin	440,349	62,907	-	503,256
Motor Vehicles	13,145,210	921,855	-	14,067,065
Heavy Vehicles	27,460,503	10,677,120	-	38,137,623
	227,143,114	62,717,891	(39,321,287)	250,539,718
<b>Leased Assets</b>				
Heavy Vehicles	9,210,162	4,093,405	-	13,303,568
	236,353,276	66,811,297	(39,321,287)	263,843,286
<b>Net Book Value</b>	617,064,773			555,613,372



## Notes to the Financial Statements (Contd.)

	Balance as at 01.04.2016 Rs.	Additions Rs.	Transfers Rs.	Balance as at 31.03.2017 Rs.
<b>9.1 GROUP (CONTD.)</b>				
<b>Capital Work in Progress</b>				
Buildings - Weligama (9.1.3)	3,355,063,260	1,539,474,880	-	4,894,538,140
Site Building - Nayabedda	1,912,300	610,575	-	2,522,875
<b>Carrying Value</b>	<b>3,974,040,333</b>			<b>5,452,674,387</b>

**9.1.1** During the financial year, the Group acquired Property, Plant & Equipment to the aggregate value of Rs. 13,823,887/- (2016 - Rs. 59,474,003/-) on cash basis.

**9.1.2** The gross carrying amount of fully depreciated Property, Plant & Equipment still in use as at 31st March 2017 is Rs. 25,464,507/- (2016 - Rs. 9,456,933/-)

**9.1.3** The carrying amount of the Capital Work in Progress of Weligama Hotel Buildings are as follows.

	As at 01.04.2016 Rs.	Additions Rs.	Transfers Rs.	As at 31.03.2017 Rs.
Buildings				
- Hotel	3,250,198,252	1,334,513,233	(759,526,163)	3,825,185,322
- Staff Accommodations	49,374,484	722,234	(143,005)	49,953,713
- Power Plant	8,837,211	1,397,169	-	10,234,380
Restaurant	573,369	782,659	-	1,356,028
Water Treatment Plant	156,100	62,971	5,105,666	5,324,737
Sewerage Treatment Plant	11,457,501	1,844,154	-	13,301,655
Car Park	34,466,343	1,469,529	(33,083,876)	2,851,996
Furniture & Fittings	-	130,168,422	200,030,736	330,199,158
Kitchen Equipment	-	57,905,912	189,054,862	246,960,773
Plant & Machinery	-	-	40,777,351	40,777,351
Elevator System	-	-	49,795,225	49,795,225
Air Conditioner System	-	10,608,595	282,792,167	293,400,762
Generators	-	-	25,197,038	25,197,038
	<b>3,355,063,260</b>	<b>1,539,474,880</b>	<b>-</b>	<b>4,894,538,140</b>

**9.1.4** Borrowing costs of Weligama Hotel Properties Limited, a subsidiary, amounting to Rs. 204,339,853/- (2016 - Rs. 119,710,736/-) incurred on long term loans obtained to meet expenses relating to Hotel construction have been capitalised as part of the cost of the capital work-in-progress on hotel building. The capitalisation will cease when the hotel construction is completed.

**9.1.5** Group Land and Buildings under Capital Work-in-progress have been pledged as security for term loans obtained, details of which are disclosed in note 20.1.

## Notes to the Financial Statements (Contd.)

	Balance as at 01.04.2016	Additions	Disposals	Balance as at 31.03.2017
	Rs.	Rs.	Rs.	Rs.
<b>9.2 COMPANY</b>				
<b>Cost / Valuation</b>				
Condominium Apartments	118,208,000	-	-	118,208,000
Furniture & Fittings	2,110,308	-	-	2,110,308
Furniture & Fittings				
- Condominium Apartment	575,783	-	-	575,783
Fixtures & Fittings	1,829,159	1,040,966	-	2,870,125
Office Equipment	1,207,674	38,218	-	1,245,892
Computers	2,161,030	5,700	-	2,166,730
Air Conditioners	185,000	-	-	185,000
Generators	4,813,497	-	-	4,813,497
CCTV Camera System	93,500	-	-	93,500
CCTV Camera System				
- Condominium Apartment	79,500	-	-	79,500
Plant & Machinery	6,563,183	-	-	6,563,183
Tools & Equipment	1,142,115	-	-	1,142,115
Tools & Equipment				
- Condominium Apartment	122,600	34,990	-	157,590
Transformer	1,797,211	-	-	1,797,211
Motor Vehicles	13,752,000	-	-	13,752,000
	<b>154,640,559</b>	<b>1,119,874</b>	<b>-</b>	<b>155,760,433</b>
<b>Accumulated Depreciation / Impairment</b>				
Condominium Apartments	3,940,267	3,940,267	-	7,880,533
Furniture & Fittings	2,084,052	16,719	-	2,100,771
Furniture & Fittings				
- Condominium Apartment	521,606	24,079	-	545,685
Fixtures & Fittings	406,521	469,928	-	876,449
Office Equipment	790,417	140,381	-	930,797
Computers	1,729,843	247,511	-	1,977,355
Air Conditioners	133,133	13,900	-	147,033
Generators	3,943,539	869,958	-	4,813,497
CCTV Camera System	28,050	18,700	-	46,750
CCTV Camera System				
- Condominium Apartment	23,850	15,900	-	39,750
Plant & Machinery	5,450,674	1,112,509	-	6,563,183
Tools & Equipment	895,078	171,627	-	1,066,705
Tools & Equipment				
- Condominium Apartment	31,528	25,103	-	56,632
Transformer	1,707,351	89,861	-	1,797,211
Motor Vehicles	13,112,000	640,000	-	13,752,000
	<b>34,797,908</b>	<b>7,796,442</b>	<b>-</b>	<b>42,594,351</b>
<b>Carrying Value</b>	<b>119,842,650</b>			<b>113,166,082</b>

## Notes to the Financial Statements (Contd.)

### 9 PROPERTY, PLANT & EQUIPMENT (CONTD.)

- 9.2.1** During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs.1,119,874/- (2016 - Rs. 1,312,710/-) on cash basis.
- 9.2.2** The gross carrying amount of fully depreciated Property, Plant & Equipment still in use as at 31st March 2017 is Rs. 15,355,935/- (2016 - Rs. 3,260,032/-).
- 9.2.3** During the year under review, the Company has not capitalised any borrowing costs.
- 9.2.4** There were no items of Property, Plant & Equipment of the Company pledged as securities for liabilities.
- 9.3** The Board of Directors has assessed the potential impairment loss of Property, Plant & Equipment as at 31st March 2017. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of Property, Plant & Equipment.
- 9.4** The portfolio of Lands and Buildings owned by Group companies are as follows.

Company Name	Location	Extent	Fair Value / Cost Rs.
<b>Land</b>			
Welligama Hotel Property	Assessment No. 700, Matara Road, Pelena.	2A - 3R - 33.15P	140,529,189
	Assessment No. 667, Matara Road, Pelena.	15P	1,958,030
	Matara Road, Pelena.	10P	1,304,880
	No. 101, Gangarama Road, Pelena.	1A - 1R - 22P	31,391,536
	Assessment No. 655, Gangarama Road, Pelena.	3R - 38.19P	49,354,280
	No. 681, Matara Road, Pelena	23.78P	40,284,095
	681/1 Matara Road, Pelena.	39.25P	
East West Engineering Services (Pvt) Ltd.	'Bissawila Estate', Labeema Kamburugamuwa, Matara	2A - 3R - 25.36P	14,196,355
<b>Buildings</b>			
Welligama Hotel Property	Assessment No. 667, Matara Road, Pelena.	765 sq.m.	32,909,584
	Assessment No. 700, Matara Road, Pelena.	9.2 sq.m.	106,926
East West Engineering Services (Pvt) Ltd.	Shed for Batching Plant - Kamburugamuwa include with Office Room and Generator Room	-	3,193,182



## Notes to the Financial Statements (Contd.)

### 9 PROPERTY, PLANT & EQUIPMENT (CONTD.)

Company Name	Location	Extent	Fair Value / Cost Rs.
<b>Condominium Apartments</b>			
East West Properties PLC	Unit No. BA/F24/U3 MC Condominium Plan No. 3206, Crescat Residences, 75-23/2, Kollupitiya Road, Kollupitiya.	2,479.68 sq.ft	98,208,000
	Unit No. V/06/U8 MC Condominium Plan No. 6562, Monarch at Crescat City Residences, 89, Galle Road, Kollupitiya.	896 sq.ft	20,000,000
<b>Site Buildings</b>			
People's Media Network	Elkaduwa, Hunnasgiriya.	640 sq.ft	2,957,228
(Pvt) Ltd.	Gammaduwa, Karagahatenna.	640 sq.ft	8,382,929

There are no significant changes in the Company's or its subsidiaries' fixed assets and the market value of property when compared to the book value as at 31st March 2017.

- 9.5 Condominium Apartments were revalued during the financial year 2015 by an Independent Valuer. The results of such revaluation were incorporated in these Consolidated Financial Statements from its effective date which is 31st March 2015. The surplus arising from the revaluation was transferred to a revaluation reserve. Directors believe that there are no significant differences in the market values compared to previous year.

## Notes to the Financial Statements (Contd.)

### 9 PROPERTY, PLANT & EQUIPMENT (CONTD.)

9.5.1 The details of Condominium Apartments of the Group which are stated at valuation are indicated below.

Property / Location	Name of Professional Valuer	Extent	Method of Valuation	Significant Unobservable Inputs	Date of Valuation	Valuation Rs.
Condominium Apartment - Unit No. BA/E24/U3 MC Condominium Plan No. 3206, Crescat Residences, 75-23/2, Kollupitiya Road, Kollupitiya	Mr. Haleem Ghouse SCV, LIV.B.Com, ATM, PHF, MPVA	2,479.68 sq.ft	Open Market Value	Estimated market rental rate per square feet and rental period	31st March 2015	98,208,000
Condominium Apartment - Unit No. Y/06/U8 MC Condominium Plan No. 6562, Monarch at Crescat City Residences, 89, Galle Road, Kollupitiya	Mr. Haleem Ghouse SCV, LIV.B.Com, ATM, PHF, MPVA	896 sq.ft	Open Market Value	Estimated market rental rate per square feet and rental period	31st March 2015	20,000,000

### 9.5.2 Measurement of Fair Values

#### Fair Value Hierarchy

The fair value of property was determined by external independent property valuer having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement for Condominium Apartments has been categorised as level 03 of the fair value hierarchy based on the input to the valuation techniques used.

## Notes to the Financial Statements (Contd.)

### 9 PROPERTY, PLANT & EQUIPMENT (CONTD.)

#### Valuation Technique and Significant Unobservable Inputs

The following table shows the valuation technique used in measuring the fair value of condominium apartments, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Open market value based on annual rent	Estimated market rental rate per square feet and rental period	Positively correlated sensitivity

**9.5.3** The carrying amount of revalued Condominium Apartments if they were carried at cost less depreciation, would be as follows.

	Cost	Accumulated Depreciation	Net Carrying Amount	
			2017 Rs.	2016 Rs.
Condominium Apartments				
- Unit No. BA/F24/U3	91,757,480	(30,571,194)	61,186,285	64,244,868
- Unit No. Y/06/U8	26,151,004	(4,140,576)	22,010,428	22,882,129
	<u>117,908,484</u>	<u>(34,711,770)</u>	<u>83,196,714</u>	<u>87,126,996</u>



## Notes to the Financial Statements (Contd.)

	2017 Rs.	2016 Rs.
<b>10 LEASEHOLD PROPERTY</b>		
<b>10.1 COMPANY</b>		
Right-to-use of Land	<u>37,003,233</u>	<u>37,003,233</u>
	<u><u>37,003,233</u></u>	<u><u>37,003,233</u></u>

Leasehold Land includes leasehold rights to land owned by Urban Development Authority situated at 3rd Lane, New Nuge Road, Peliyagoda (Extent A2 - R1 - P23.80) which is on a 99 years lease.

The Company recognised Leasehold Property at cost and according to the last valuation done by Messrs. Haleem Ghouse SCV, L.V.B.Com, ATM, PHF, MPVA Corporate & Registered Valuer as at 31st March 2015, the fair value of the property is Rs. 515,677,225/-.

Leasehold Property is amortised over their remaining period of leases as follows.

	2017 Rs.	2016 Rs.
<b>Cost</b>		
Balance as at beginning of the year	<u>37,003,233</u>	<u>37,003,233</u>
Balance as at end of the year	<u><u>37,003,233</u></u>	<u><u>37,003,233</u></u>
<b>Amortisation</b>		
Balance as at beginning of the year	<u>8,830,317</u>	<u>8,409,826</u>
Amortisation of the year	<u>420,491</u>	<u>420,491</u>
Balance as at end of the year	<u><u>9,250,808</u></u>	<u><u>8,830,317</u></u>
<b>Carrying amount at the end of the year</b>	<u><u>27,752,425</u></u>	<u><u>28,172,916</u></u>

## Notes to the Financial Statements (Contd.)

	GROUP		COMPANY	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>11 INVESTMENT PROPERTY</b>				
<b>Cost</b>				
Balance as at beginning of the year	125,655,649	125,655,649	98,461,637	98,461,637
During the year Additions	-	-	-	-
Balance as at end of the year	125,655,649	125,655,649	98,461,637	98,461,637
<b>Accumulated Depreciation</b>				
Balance as at beginning of the year	34,211,553	30,023,032	31,794,308	28,512,253
Charge for the year	4,188,522	4,188,522	3,282,055	3,282,055
Balance as at end of the year	38,400,075	34,211,553	35,076,362	31,794,308
<b>Carrying amount at the end of the year</b>	<b>87,255,574</b>	<b>91,444,096</b>	<b>63,385,275</b>	<b>66,667,329</b>

- 11.1 The Group has adopted the cost model to value the Investment Property as per "LKAS 40 - Investment Property". The details of Investment Property of the Group are as follows.

Company Name	Location	Extent	Cost Rs.	Carrying Value Rs.	Valuation Rs.
East West Properties PLC	Warehouse No. I 81/11, 3rd Lane, New Nuge Road, Peliyagoda	27,342 sq.ft	13,389,223	4,568,888	32,009,384
	Warehouse No. II 81/12, 3rd Lane, New Nuge Road, Peliyagoda.	12,967 sq.ft	21,841,098	6,097,004	15,180,516
	Warehouse No. III 81/12, 3rd Lane, New Nuge Road, Peliyagoda.	34,863 sq.ft	63,231,316	52,719,382	55,780,800
East West Hotel Developers (Pvt) Ltd.	Condominium Apartment - Crescat Residences Stage I - Unit BA/F2/43 No. 75-1/5, Kollupitiya Road, Kollupitiya.	877.51 sq.ft	27,194,012	23,870,299	-

As per the last valuation carried out on 31st March 2015 by Mr. Haleem Ghouse SCV, LIV.B.Com, ATM, PHF, MPVA Corporate & Registered Valuer, fair value of the investment property as at 31st March 2015 is disclosed above. These properties were valued on an open market value for existing use basis.

Based on an internal assessment directors are of the opinion that the fair value of the investment property as at reporting date does not significantly differ from the revaluation done on 31st March 2015.

## Notes to the Financial Statements (Contd.)

	GROUP		COMPANY	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>11 INVESTMENT PROPERTY (CONTD.)</b>				
<b>11.2</b> Rent income and Direct Operating expenses are included in the Statement of Profit or Loss as follows :				
Rental income derived from investment property	37,406,288	27,864,709	34,030,764	23,119,111
Direct operating expenses arising from investment property that generated rental income	3,368,120	3,036,046	2,670,005	2,290,539
<b>12 INTANGIBLE ASSETS</b>				
Goodwill on Acquisition (Note 12.1)	22,452,583	22,452,583	-	-
Software (Note 12.2)	260,972	455,016	68,571	117,550
	<u>22,713,555</u>	<u>22,907,599</u>	<u>68,571</u>	<u>117,550</u>
<b>12.1 GOODWILL</b>				
At the beginning of the year	22,452,583	22,452,583	-	-
Additions	-	-	-	-
At the end of the year	<u>22,452,583</u>	<u>22,452,583</u>	-	-
This represents the excess of the cost of acquisition of the net Assets of People's Media Network (Pvt) Ltd.				
No condition has arisen that results in an impairment of goodwill that requires a provision.				
<b>12.2 SOFTWARE</b>				
<b>Cost</b>				
Balance as at beginning of the year	2,470,218	2,470,218	244,896	244,896
During the year Additions	-	-	-	-
Balance as at end of the year	<u>2,470,218</u>	<u>2,470,218</u>	<u>244,896</u>	<u>244,896</u>
<b>Amortisation</b>				
Balance as at beginning of the year	2,015,202	1,821,159	127,346	78,367
Charge for the year	194,044	194,044	48,979	48,979
Balance as at end of the year	<u>2,209,246</u>	<u>2,015,202</u>	<u>176,325</u>	<u>127,346</u>
<b>Carrying amount at the end of the year</b>	<u>260,972</u>	<u>455,016</u>	<u>68,571</u>	<u>117,550</u>

Computer software includes, accounting & inventory management software acquired by East West Properties PLC, People's Media Network (Pvt) Ltd and Weligama Hotel Properties Ltd.



## Notes to the Financial Statements (Contd.)

### 13 INVESTMENTS IN SUBSIDIARIES

	Holding %		No. of Shares		Cost	
	2017	2016	2017	2016	2017	2016
					R/-	R/-
<b>Unquoted Investments</b>						
East West Engineering Services (Pvt) Ltd.	99	99	99	99	990.00	990.00
East West Hotel Developers (Pvt) Ltd.	99	99	99	99	990.00	990.00
East West Leisure (Pvt) Ltd.	93.98	93.98	46,990	46,990	469,900.00	469,900.00
People's Media Network (Pvt) Ltd.	51	51	4,930,709	4,930,709	49,307,090.00	49,307,090.00
Welligama Hotel Properties Ltd.	71.82	73.63	291,000,000	290,995,364	874,059,632	874,000,000
					923,834,602	923,778,970
Provision for Diminution in Value of Investment (Note 13.4)					(29,819,204)	-
					<u>894,015,398</u>	<u>923,778,970</u>

Name of the Subsidiary	Principal Activity
East West Engineering Services (Pvt) Ltd.	Construction, manufacturing and sale of ready-mix concretes, import and sale and distribution of all types of machinery and equipment and the business of all manner of engineering services.
East West Hotel Developers (Pvt) Ltd.	Operators, owners, managers and developers of Boutique Hotels, Residential Villas and Hotels and for any purposes to construct, purchase, take on lease or otherwise acquire hotels and land for tourism.
East West Leisure (Pvt) Ltd.	Conduct Inbound Tour operations and offer related services to the tourism sector.
People's Media Network (Pvt) Ltd.	Operates 2 Radio Frequencies and 2 Television Frequencies issued by the Telecommunication Regulatory Authority of Sri Lanka
Welligama Hotel Properties Ltd.	Construct and operate a hotel at Welligama. The construction of hotel premises consisting of 198 rooms at Matara Road, Pelena has been completed during the subsequent year and commenced commercial operations on 20th July 2017.

#### 13.1 Inter-Company Shareholding

Investor	Investee	Holding %		No. of Shares	
		2017	2016	2017	2016
East West Hotel Developers (Pvt) Ltd.	Welligama Hotel Properties Ltd.			4,590	

## Notes to the Financial Statements (Contd.)

### 13 INVESTMENTS IN SUBSIDIARIES (CONTD.)

#### 13.2 Changing ownership without change in control in subsidiary

The Company has an investment in the shares of Weligama Hotel Properties Limited (WHP) amounting to Rs. 874,000,000/- as at 01st April 2016. During the year the Company purchased 4,590 Ordinary shares held by East West Hotel Developers (Pvt) Limited a subsidiary to the Company and 46 Ordinary shares held by Mr. M.W.A.D.J. Vijitha Wijesuriya, who is a Director of the Company at a consideration of Rs. 12/- per share. The carrying amount of the investment at cost amounts to Rs. 874,055,632/- as at 31st March 2017.

Further, during the financial year 2017, Weligama Hotel Properties Limited (WHP) made a new share issue of 10,000,000 Ordinary Shares at a price of Rs. 12/- per share by way of a "Private Placement" on 16th August 2016, which resulted in an increase in net assets of WHP and decrease in ownership interest of the Company in WHP from 73.63% to 71.82%.

**13.3** Investments in subsidiaries are recorded at cost less impairment in the financial statements of the Company. The net assets of each subsidiary are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investment is estimated and the impairment loss is recognised to the extent of its net assets loss.

#### 13.4 Provision for Diminution in Value of Investments

The Company has 51% holding in People's Media Network (Pvt) Limited, as at the reporting date. People's Media Network (Pvt) Limited has reported a net loss of Rs. 879,111/- for the year ended 31st March 2017 and the Accumulated losses were Rs. 54,487,965/-. Therefore, the Company has made 60% provision on the investment made in People's Media Network (Pvt) Limited.

The Company has 93.98% holding in East West Leisure (Pvt) Limited as at the reporting date. East West Leisure (Pvt) Limited has reported accumulated losses of Rs. 206,494/-. Therefore, the Company has made 50% provision on the investment made in East West Leisure (Pvt) Limited.

## Notes to the Financial Statements (Contd.)

	GROUP		COMPANY	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>14 INVENTORIES</b>				
Transmission Equipment	1,847,258	2,001,606	-	-
Construction Material	290,588	5,621,729	-	-
Machinery Spare Parts	24,273,973	23,629,981	-	-
	<u>26,411,819</u>	<u>31,253,316</u>		
<b>15 TRADE AND OTHER RECEIVABLES</b>				
Trade Debtors				
- Related Parties	8,421,792	3,054,852	12,209,043	8,086,519
- Others	64,823,905	68,558,854	6,583,128	2,944,568
Other Receivables	891,106	3,313,313	162,065	499,489
Loans to Employees (Note 15.1)	1,754,514	1,312,695	1,219,056	900,487
Deposits, Advances & Prepayments	307,074,767	451,178,364	6,503,763	5,985,993
Margin on Performance Bond	-	430,257	-	-
Income Tax Recoverable	4,036,318	3,980,708	-	-
Other Tax Recoverable				
- Value Added Tax	5,309,135	3,996,410	-	57,029
	<u>392,311,537</u>	<u>535,825,452</u>	<u>26,677,056</u>	<u>18,474,085</u>
<b>15.1 Loans to Employees</b>				
Balance as at beginning of the year	1,312,695	1,001,571	900,487	758,691
Loans granted during the year	1,570,061	1,429,312	990,061	849,900
Less: Repayments	(1,128,242)	(1,118,187)	(671,492)	(708,104)
Balance at the end of the year	<u>1,754,514</u>	<u>1,312,695</u>	<u>1,219,056</u>	<u>900,487</u>
<b>16 OTHER FINANCIAL ASSETS</b>				
Financial Assets at Fair Value Through Profit or Loss (Note 16.1)	26,384,201	24,297,511	26,384,201	24,297,511
<b>Held to Maturity Financial Assets</b>				
Fixed Deposits	50,000	147,336,915	-	15,187,151
	<u>26,434,201</u>	<u>171,634,426</u>	<u>26,384,201</u>	<u>39,484,662</u>



## Notes to the Financial Statements (Contd.)

### 16 OTHER FINANCIAL ASSETS (CONTD.)

#### 16.1 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	No. of Shares	2017		No. of Shares	2016	
		Cost	Fair Value		Cost	Fair Value
		Rs.	Rs.		Rs.	Rs.
<b>16.1.1 COMPANY</b>						
<b>Banks, Finance and Insurance</b>						
Sampath Bank PLC	23,913	6,245,741	6,193,467	22,132	6,245,741	5,001,832
Seylan Bank PLC - Voting	59,189	6,456,241	5,149,443	59,189	6,456,241	5,090,254
<b>Diversified Holdings</b>						
Hayleys PLC	12,000	5,035,402	3,180,000	12,000	5,035,402	2,948,400
<b>Hotels and Travels</b>						
Asian Hotels & Properties PLC	20,000	2,040,604	1,110,000	20,000	2,040,604	956,000
The Kingsbury PLC	225,651	5,248,310	3,497,591	225,651	5,248,310	3,384,765
<b>Plantations</b>						
Horana Plantations PLC	71,400	5,875,241	1,178,100	71,400	5,875,241	1,206,660
<b>Closed End Funds</b>						
Namal Acuity Value Fund	73,200	7,904,043	6,075,600	73,200	7,904,043	5,709,600
		<u>38,805,582</u>	<u>16,384,201</u>		<u>38,805,582</u>	<u>24,297,511</u>

Sector classification and market value per share are based on the official valuation list published by the Colombo Stock Exchange.

#### 16.2 Fair Value Hierarchy

The Company measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

Level 1 : Inputs are unadjusted quoted market prices in an active market for identical instruments.

Level 2 : Inputs other than quoted prices included within level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 : Inputs that are not based on observable market data.

The Company held the following financial instruments carried at fair value in the statement of financial position:

	Level 1		Level 2		Level 3	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
As at 31st March						
Financial Assets at Fair Value Through Profit or Loss	26,384,201	24,297,511	-	-	-	-

## Notes to the Financial Statements (Contd.)

	GROUP		COMPANY	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>17 CASH AND CASH EQUIVALENTS</b>				
<b>Favourable Balances</b>				
Savings Accounts	30,043,780	12,443,524	1,369,929	-
Cash at Bank	8,034,585	8,500,025	582,949	572,058
Cash in Hand	424,000	445,589	100,000	110,000
	<u>38,502,365</u>	<u>21,389,137</u>	<u>2,052,878</u>	<u>682,058</u>
<b>Bank Overdrafts</b>	<u>207,796,570</u>	<u>103,206,442</u>	<u>8,434,932</u>	<u>5,155,753</u>
<b>Cash and Cash Equivalents as per the Statement of Cash Flows</b>	<u>(169,294,205)</u>	<u>(81,817,305)</u>	<u>(2,382,054)</u>	<u>(4,473,695)</u>

### 17.1 Security Details Over Bank Overdraft Facilities

#### GROUP

##### People's Media Network (Pvt) Ltd.

The bank overdraft facility obtained from Sampath Bank PLC (facility amount Rs. 15.0 Mn) is secured by;

- Overdraft Agreement for Rs. 15.0 Mn.
- Primary Mortgage for Rs. 20.0 Mn over property at No. 594/1, Galle Road, Colombo 03 owned by East West Commercial Property Development Ltd (Lot No. 1 in Plan No. 1460 dated 16.12.1993 made by G B Dodanwela - L.S.) (Extent 0A-OR-9.11P, Building 1,425 sq.ft)
- Corporate Guarantee of East West Commercial Property Development Ltd for Rs. 20.0 Mn.
- Joint & Several Guarantee of the Directors of the Company including Mr. M.W.A.D.J. Nahil Wijesuriya for Rs. 20.0 Mn

##### East West Engineering Services (Pvt) Ltd.

The bank overdraft facility of Hatton National Bank PLC (facility amount Rs. 50.0 Mn) is secured by Corporate Guarantee of East West Properties PLC for Rs. 100.0 Mn.

The bank overdraft facility of Sampath Bank PLC (facility amount Rs. 45.0 Mn) is secured by Corporate Guarantee of East West Properties PLC for Rs. 50.0 Mn.

##### Weligama Hotel Properties Ltd.

The bank overdraft facility obtained from Bank of Ceylon (facility amount Rs. 70.0 Mn) is secured by;

- Additional mortgage over immovable property of Lot A depicted in plan no. 4532 dated 10.02.2011 made by Lakshman Goonesekera Licensed Surveyor having an extent of 2A 3R 33.15P owned by Weligama Hotel Properties Ltd.
- Additional mortgage over immovable property of Lot A in plan no. 4847 dated 30.11.2011 made by Lakshman Goonesekera L.S. having extent of 1A 1R 29.5P owned by Weligama Hotel Properties Ltd.
- Additional mortgage over immovable property of Lots A and B depicted in plan no. 4880 and 4881 dated 21.12.2011 made by Lakshman Goonesekera Licensed Surveyor having extent of 0A OR 8.31P and 0A OR 13.8P owned by Weligama Hotel Properties Ltd.

## Notes to the Financial Statements (Contd.)

18	STATED CAPITAL	2017		2016	
		Number of Shares	Value of Shares Rs.	Number of Shares	Value of Shares Rs.
	Fully paid ordinary shares				
	At the beginning of the year	138,240,000	1,212,000,000	138,240,000	1,212,000,000
	At the end of the year	138,240,000	1,212,000,000	138,240,000	1,212,000,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

19	RESERVES	GROUP		COMPANY	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
19.1	Revaluation Reserve on Property, Plant & Equipment				
	At the beginning of the year	26,571,004	26,571,004	26,571,004	26,571,004
	At the end of the year	26,571,004	26,571,004	26,571,004	26,571,004

The revaluation reserve relates to revaluation of condominium apartments and represents the fair value of the condominium apartments as at the date of revaluation.

### 19.2 Revenue Reserve

Revenue Reserve comprises of Retained Earnings and Revenue Reserve represents the amounts set aside by the Directors for General Application.

20	INTEREST BEARING BORROWINGS	GROUP		COMPANY	
		2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
	Balance as at the beginning	2,681,493,108	1,292,295,512	-	-
	Loan obtained during the year	3,885,047,975	1,198,102,509	-	-
	Payments made during the year	(2,840,967,345)	-	-	-
	Exchange Fluctuations	74,606,350	191,095,087	-	-
	Balance at the end	3,804,180,088	2,681,493,108	-	-
	Payable within one year	-	-	-	-
	Payable after one year	3,804,180,088	2,681,493,108	-	-



## Notes to the Financial Statements (Contd.)

### 20 INTEREST BEARING BORROWINGS

#### 20.1 Assets Pledged as Security against Interest Bearing Borrowings:

##### GROUP

##### Wellgama Hotel Properties Ltd.

Lender / Facility	Balance as at 31.03.2017 Rs. Million	Balance as at 31.03.2016 Rs. Million	Interest Rate	Terms of Repayments	Security Pledged
(1) Bank of Ceylon - Term Loan I	2,963.20 (US \$ 15,252 Mn)	-	6 M LIBOR + 5.0% p.a. with 2% arrears on overdue	10 years including two year grace period	a) Primary mortgage over immovable property of Lot A depicted in plan no. 4532 dated 10.02.2011 made by Lakshman Goonesekera L.S. having an extent of 2A 3R 33.15P owned by Wellgama Hotel Properties Ltd.  b) Primary mortgage over immovable property of Lot A in plan no. 4847 dated 30.11.2011 made by Lakshman Goonesekera L.S. having extent of 1A 1R 29.5P owned by Wellgama Hotel Properties Ltd.  c) Primary mortgage over immovable property of Lots A and B depicted in plan no. 4880 and 4881 dated 21.12.2011 made by Lakshman Goonesekera L.S. having extent of 0A 0R 8.31P and 0A 0R 13.8P owned by Wellgama Hotel Properties Ltd.
(2) Bank of Ceylon - Term Loan II	629.05 (US \$ 4,092 Mn)	-	6 M LIBOR + 5.0% p.a. with 2% arrears on overdue	10 years including two year grace period	Additional mortgage over the properties mentioned in the Facility No. 1
(3) Bank of Ceylon - Letter of Credit	Sub limit under Term Loan II	-	Commission - Sight - 1st quarter 0.25% & thereafter 0.15% for each additional month or part thereof - Term - 1st quarter 0.375% & thereafter 0.15% for each additional month or part thereof	Self liquidating	

## Notes to the Financial Statements (Contd.)

### 20 INTEREST BEARING BORROWINGS (Contd.)

#### 20.1 Assets Pledged as Security against Interest Bearing Borrowings (contd.)

##### GROUP

##### Wellgama Hotel Properties Ltd.

Lender / Facility	Maturity date 31.03.2017 Rs. Million	Balance as at 31.03.2015 Rs. Million	Interest rate	Terms of repayment	Security pledged
(4) Sampath Bank PLC - Term Loan	231.12 (US\$ 1,371 Mn)	-	LIBOR (Quarterly) + 5.0% p.a. payable monthly together with applicable statutory levies at prevailing rates	In 107 equal monthly instalments of USD 12,970/- each and final instalment of USD 12,210/- after a grace period of 12 months.	a) Loan Agreement for US\$ 1,371 Mn (Equivalent to Rs. 200.0 Mn).  b) Primary Mortgage Bond for US\$ 1,371 Mn over following Properties - Property 01 Lot 1A depicted in Plan No. 5500 dated 11.08.2013 made by L. Goonasekara - Licensed Surveyor Extent - 01R : 39:25P - Property 02 Lot 2A depicted in Plan No. 5500 dated 11.08.2013 made by L. Goonasekara - Licensed Surveyor Extent - 23:78P - Property 03 Lot 11A depicted in Plan No. 5499 dated 26.08.2013 made by L. Goonasekara - Licensed Surveyor Extent - 03R : 38:19P
(5) Hatton National Bank PLC - Term Loan I	-	2,054.92 (US\$ 14.0 Mn)	3 months LIBOR + 5.25% p.a. with a Cap of 7.85%	In 95 equal monthly instalments of USD 145,833/- and final instalment of USD 145,865/- after a grace period of 36 months.	Primary Floating Mortgage Bond for USD 19.4 Mn over immovable property together with project assets of "Marriott Resort & Spa" at Pelena, Wellgama
(6) Hatton National Bank PLC - Term Loan II	-	626.57 (US\$ 4,268 Mn)	3 months LIBOR + 5.25% p.a. with a Cap of 7.85%	In 96 equal monthly instalments of USD 56,250/- after a grace period.	

## Notes to the Financial Statements (Contd.)

	GROUP		COMPANY	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>21 FINANCE LEASE OBLIGATIONS</b>				
At the beginning of the year	18,849,564	25,502,364		
Leases obtained during the year	-	-		
Repayments made during the year	(6,652,800)	(6,652,800)		
At the end of the year	12,196,764	18,849,564		
Finance Charges Unamortised	(2,153,754)	(4,747,331)		
Capital Outstanding at the end of the year	10,043,011	14,102,233		
<b>Analysis of finance lease obligations by year of repayment</b>				
<b>21.1 Lease Obligations Repayable within two to five years</b>				
Gross Lease Liability	5,543,964	12,196,764		
Finance Charges Unamortised	(502,617)	(2,153,754)		
Net Lease Obligations	5,041,347	10,043,011		
<b>21.2 Lease Obligations Repayable within one year from year end</b>				
Gross Lease Liability	6,652,800	6,652,800		
Finance Charges Unamortised	(1,651,136)	(2,593,578)		
Net Lease Obligations	5,001,664	4,059,222		
<b>22 EMPLOYEE BENEFITS</b>				
Balance at the beginning of the year	2,130,035	2,301,006	1,730,539	1,963,523
<b>Add:</b>				
Gratuity charge for the year	482,515	308,767	237,678	177,801
Interest charge for the year	213,003	230,101	173,054	196,352
Gain) / Loss arising from changes in the assumptions or due to (over) / under provision in the previous years	220,093	(709,839)	247,725	(607,138)
	2,945,647	2,130,035	2,389,996	1,730,539
<b>Less:</b>				
Payment made during the year	(149,500)	-	(149,500)	-
Balance at the end of the year	2,796,147	2,130,035	2,239,496	1,730,539



## Notes to the Financial Statements (Contd.)

### 22 EMPLOYEE BENEFITS (CONTD.)

#### 22.1 Present Value of the Unfunded Obligations

LKAS 19 - "Employee Benefits" requires to apply Projected Unit Credit Method to make a reliable estimate of the obligation in order to determine the present value of the retirement benefit obligation. The key assumptions were made in arriving at the retirement benefit obligation are as follows.

Retirement Age	55 Years
Expected Future Salary Increment	5%
Discount Rate	10%
Employee Turnover Factor	5%

As per the Group accounting policy, the expense is recognised in the Statement of Profit or Loss.

Provision has not been made for gratuity in the East West Engineering Services (Pvt) Limited accounts as per LKAS 19 - "Employee Benefits", since all the employees are on one year contracts.

Provision has not been made for gratuity in the Weligama Hotel Properties Limited accounts as per LKAS 19 - "Employee Benefits", since the Employees have not completed one year of service.

No provision has been made for Retiring Gratuity in the accounts of East West Hotel Developers (Pvt) Limited and East West Leisure (Pvt) Limited as these companies do not employ any staff. All operational services are provided by Crescat Investments (Pvt) Limited, a related party of the Company.

#### 22.2 Sensitivity Analysis

Values appearing as defined benefit obligation in the financial statements is sensitive to the changes in financial and non - financial assumptions used. The estimated impact based on sensitivity analysis carried out is as follows:

	GROUP		COMPANY	
	+ 1%	- 1%	+ 1%	- 1%
<b>A percentage point change in the discount rate</b>				
Effect on the present value of defined benefit obligation	(202,019)	226,577	(169,269)	189,111
<b>A percentage point change in the salary escalation rate</b>				
Effect on the present value of defined benefit obligation	235,651	(212,988)	196,670	(178,478)

## Notes to the Financial Statements (Contd.)

	GROUP		COMPANY	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>23 DEFERRED TAX</b>				
Balance at the beginning of the year	9,429,773	13,773,108	2,589,665	7,410,156
Origination / (Reversal) of temporary differences recognised in Statement of Profit or Loss	(18,253)	(4,343,335)	(111,844)	(4,820,491)
Balance at the end of the year	9,448,026	9,429,773	2,477,821	2,589,665
Deferred Tax Asset		(9,358)	-	-
Deferred Tax Liability	9,448,026	9,439,131	2,477,821	2,589,665
<b>23.1 Recognised Deferred Tax Assets and Liabilities</b>				
Deferred tax relates to the following:				
Accelerated depreciation for tax purposes	16,086,886	16,247,022	8,828,045	8,312,195
Employee benefit liability	(738,389)	(564,450)	(627,059)	(484,551)
Losses available for offset against future taxable income	(5,900,471)	(6,252,799)	(5,723,165)	(5,237,979)
	9,448,026	9,429,773	2,477,821	2,589,665

Deferred tax is computed using the tax rate which was enacted by the end of the Reporting period which is 28% and People's Media Network (Pvt) Limited at 20%.

Unused tax loss and unrecognised deferred tax asset as at the reporting date are Rs. 62,658,264/- (2016 - Rs. 61,357,686/-) and Rs. 12,569,794/- (2016 - Rs. 12,271,537/-) respectively.

<b>24 RENT RECEIVED IN ADVANCE</b>				
Balance at the beginning of the year	17,204,884	18,529,229	17,204,884	18,529,229
Amount recognised as income during the year	(1,324,345)	(1,324,345)	(1,324,345)	(1,324,345)
Balance at the end of the year	15,880,539	17,204,884	15,880,539	17,204,884
Amount falling due within one year	1,324,345	1,324,345		
Amount falling due after one year	14,556,194	15,880,539		

The Company has sub leased part of the leasehold land owned by the Company to Ultra Tech Cement Lanka (Pvt) Ltd for a period of thirty years commencing from 9th July 1997. The lease rentals had been calculated in advance and will be accounted as income over the lease term in accordance with the provisions of the Lease Agreement.

## Notes to the Financial Statements (Contd.)

	GROUP		COMPANY	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>25 TRADE AND OTHER PAYABLES</b>				
Trade Creditors	14,387,319	38,734,857	-	-
Retention & Other Payables	67,687,084	41,892,074	-	-
Accrued Expenses	9,488,856	9,229,014	2,188,739	1,448,851
Deposits & Advances Received	16,316,790	9,045,641	8,015,277	4,090,221
Unclaimed Dividend	2,871,471	2,876,889	2,871,471	2,871,471
Other Tax Payable	-	-	-	-
- Value Added Tax	-	-	2,435,254	-
	<u>110,751,521</u>	<u>101,778,475</u>	<u>15,510,742</u>	<u>8,410,543</u>
<b>26 PROVISIONS</b>				
<b>26.1 Warranties</b>				
At the beginning of the year	968,085	590,416	-	-
<b>Add:</b>				
Provision made during the year	-	391,162	-	-
	<u>968,085</u>	<u>981,579</u>	<u>-</u>	<u>-</u>
<b>Less:</b>				
Warranty Claims	-	(13,494)	-	-
Reversal during the year	<u>(968,085)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at the end of the year	<u>-</u>	<u>968,085</u>	<u>-</u>	<u>-</u>
East West Engineering Services (Pvt) Limited was engaged in selling machinery parts and a provision was recognised for expected warranty claims on products sold in the previous year. During the financial year the initial estimate of warranty provision is reversed since the respective warranty period of products sold was expired.				
<b>27 INCOME TAX LIABILITY</b>				
Income Tax in respect of prior periods	757,963	757,943	757,963	757,943
Income Tax on current year profit	7,342,425	7,959,948	3,644,810	3,282,020
Tax on Distributable Profit	<u>39,260</u>	<u>439,395</u>	<u>-</u>	<u>439,395</u>
	<u>8,139,648</u>	<u>9,157,286</u>	<u>4,402,773</u>	<u>4,479,358</u>



## Notes to the Financial Statements (Contd.)

	GROUP		COMPANY	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
<b>28 RELATED PARTY TRANSACTIONS</b>				
<b>28.1 Amounts due from Related Parties</b>				
<b>28.1.1 Interest Bearing Receivables</b>				
<b>Subsidiaries</b>				
East West Engineering Services (Pvt) Ltd.	-	-	161,933,754	154,961,011
East West Leisure (Pvt) Ltd.	-	-	-	251,151
Weligama Hotel Properties Ltd.	-	-	125,548,607	97,771,178
<b>Affiliates</b>				
Crescat Investments (Pvt) Ltd.	37,129,620	43,740,850	26,183,637	37,958,575
East West Commercial Property Development Ltd.	-	26,981	-	-
East West Enterprises (Pvt) Ltd.	4,400	160,963	-	-
East West Trading Company (Pvt) Ltd.	19,582,684	1,327,614	2,575,194	-
Negombo Lagoon Properties (Pvt) Ltd.	38,068,652	33,934,972	31,894,751	28,317,541
Offshore Marine Services (Pvt) Ltd.	1,303,447	1,211,233	1,303,447	1,211,233
Ratgama Hotel Properties (Pvt) Ltd.	-	32,962	-	-
Wijesuriya Holdings (Pvt) Ltd.	5,135,954	5,601,496	-	956,672
<b>28.1.2 Non Interest Bearing Receivables</b>				
<b>Affiliates</b>				
East West Technologies (Pvt) Ltd.	65,850	-	-	-
<b>28.1.3 Key Management Personnel</b>				
Mr. M.W.A.D.J. Nalii Wijesuriya	17,700	17,700	-	-
Mr. M.W.A.D.J. Vijitha Wijesuriya	2,608,685	872,031	956,513	483,840
Mr. M.W.A.D.J. Vajira Wijesuriya	386,942	386,113	-	-
Ms. M.W.A.D.A. Anika V. Wijesuriya	2,423,619	7,242,637	269,876	5,100,104
	<u>106,727,552</u>	<u>94,555,552</u>	<u>350,665,778</u>	<u>327,011,305</u>
<b>28.2 Amounts due to Related Parties</b>				
<b>28.2.1 Interest Bearing Payables</b>				
<b>Subsidiaries</b>				
East West Hotel Developers (Pvt) Ltd.	-	-	57,434	-
<b>Affiliates</b>				
Crescat Investments (Pvt) Ltd.	123,361,191	23,451,372	-	-
East West Enterprises (Pvt) Ltd.	19,936,360	18,798,591	-	-
East West Trading Company (Pvt) Ltd.	345,984	326,400	-	-
Wijesuriya Holdings (Pvt) Ltd.	10,942,539	10,436,586	-	-
<b>28.2.2 Key Management Personnel</b>				
Mr. M.W.A.D.J. Vijitha Wijesuriya	-	334,875	-	-
	<u>154,586,074</u>	<u>53,347,824</u>	<u>57,434</u>	<u>-</u>

## Notes to the Financial Statements (Contd.)

### 28 RELATED PARTY TRANSACTIONS (CONTD.)

#### 28.3 Related Party Disclosures

##### 28.3.1 Parent and Ultimate Controlling Party

The Company's ultimate parent undertaking and controlling party is Asia 2000 Investments INC which is incorporated in British Virgin Island.

##### 28.3.2 Identity of the Related Parties

The Group carried out transactions in the ordinary course of the business with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard (LKAS 24) - "Related Party Disclosures", the details of which are reported below.

##### a) Transactions with Related Parties

The Group had following transactions with related entities during the year under review.

	Transaction with Group		Transaction with Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
<b>i) Ultimate Parent</b>				
<b>Asia 2000 Investments INC</b>				
Other Receivable Balance	600,000	600,000	-	-
The Ultimate Parent of the Group has purchased 10,000,000 Ordinary Shares of Weligama Hotel Properties Ltd during the financial year 2017 and 59,200,000 Ordinary Shares in the financial year 2016 for a consideration of Rs.120,000,000/- and Rs. 532,800,000/- respectively.				
<b>ii) Subsidiaries</b>				
<b>East West Leisure (Pvt) Ltd.</b>				
Funds Transfers	(50,000)	(250,000)	50,000	250,000
Recovery / (Settlement) of Expenses /				
Outstanding Balances	(301,151)	(180,525)	(301,151)	-
Interest received / (paid) at the rate of 6%	-	8,644	-	1,151
Interest Bearing Receivable / (Payable)	-	(251,151)	-	251,151
<b>East West Hotel Developers (Pvt) Ltd.</b>				
Acquisition of WHP Shares held by EWHD	55,080	-	(55,080)	-
Interest received / (paid) at the rate of 6%	2,354	-	(2,354)	-
Interest Bearing Receivable / (Payable)	57,834	-	(57,434)	-

All operational services of East West Leisure (Pvt) Ltd and East West Hotel Developers (Pvt) Ltd are provided by Crescat Investments (Pvt) Ltd.

## Notes to the Financial Statements (Contd.)

### 28 RELATED PARTY TRANSACTIONS (CONTD.)

	Transaction with Group		Transaction with Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
<b>ii) Subsidiaries</b>				
<b>East West Engineering Services (Pvt) Ltd.</b>				
Construction Income Received	186,736,715	221,432,910	-	-
Concrete Sale Income Received	3,850,954	19,997,550	-	-
Concrete Pump Hiring Income Received	30,000	-	-	-
Settlement of Machinery Hire	(1,800,000)	-	-	-
Material Transfers	(5,560,119)	(45,741,292)	-	-
Funds Transfers	(126,702,414)	(156,368,145)	(1,545,758)	16,129,263
Recovery / (Settlement) of Expenses /				
Outstanding Balances	(6,612,155)	12,585,817	(887,616)	(1,093,926)
Debtor Collection / (Settlement)	(6,225,823)	1,726,990	-	-
Interest received / (paid) at the rate of 6%	(2,912,006)	(6,006,163)	9,406,116	9,301,891
Interest Bearing Receivable / (Payable)	(15,122,945)	(55,658,097)	161,933,754	154,961,011
Rental Income / (Expense)	(1,004,081)	(1,175,510)	1,004,081	1,175,510
Electricity Reimbursement / (Expense)	(142,667)	(132,272)	142,667	132,272
Water Reimbursement / (Expense)	(2,632)	-	2,632	-
Trade Debtor / (Creditor) Balance	(2,241,253)	(955,371)	2,241,253	955,371
<b>Weligama Hotel Properties Ltd.</b>				
Settlement of Construction Fee	(186,736,715)	(221,432,910)	-	-
Settlement of Concrete Purchase	(3,850,954)	(19,997,550)	-	-
Settlement of Concrete Pump Hire Fee	(30,000)	-	-	-
Concrete Pump Hiring Income Received	1,800,000	-	-	-
Material Transfers	5,560,119	45,741,292	-	-
Funds Transfers	126,702,414	76,638,883	(1,440,000)	63,600,000
Recovery / (Settlement) of Expenses /				
Outstanding Balances	(13,961,607)	(24,005,526)	22,565,925	12,694,161
Debtor Collection / (Settlement)	6,225,823	(1,726,990)	-	-
Assets Purchased on behalf	(350,900)	-	-	-
Interest received / (paid) at the rate of 6%	(13,149,260)	(7,033,129)	6,051,504	3,727,606
Interest Bearing Receivable / (Payable)	(272,359,415)	(197,074,093)	125,548,607	97,771,178
Rental Income / (Expense)	(7,520,080)	(5,402,611)	7,520,080	5,402,611
Electricity Reimbursement / (Expense)	(182,446)	(54,706)	182,446	54,706
Water Reimbursement / (Expense)	(5,150)	(1,103)	5,150	1,103
Trade Debtor / (Creditor) Balance	(5,100,676)	(3,815,220)	5,100,676	3,815,220



## Notes to the Financial Statements (Contd.)

### 28 RELATED PARTY TRANSACTIONS (CONTD.)

	Transaction with Group		Transaction with Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
<b>ii) Subsidiaries</b>				
<b>People's Media Network (Pvt) Ltd.</b>				
Funds Transfers	750,000	-	-	-
Recovery / (Settlement) of Expenses /				
Outstanding Balances	(753,647)	(30,416)	-	30,416
Interest received / (paid) at the rate of 6%	3,647	-	-	-
Rental Income / (Expense)	(524,571)	(410,287)	524,571	410,287
Electricity Reimbursement / (Expense)	(511,122)	(411,987)	511,122	411,987
Water Reimbursement / (Expense)	(4,109)	(3,054)	4,109	3,054
Trade Debtor / (Creditor) Balance	(319,313)	(261,077)	319,313	261,077
<b>iii) Affiliates</b>				
<b>Crescat Investments (Pvt) Ltd.</b>				
Funds Transfers	(95,400,000)	9,941,765	(750,000)	-
Recovery of Income	10,815,801	7,390,630	-	1,241,305
Recovery / (Settlement) of Expenses /				
Outstanding Balances	(21,238,080)	(6,290,177)	(13,011,395)	(5,075,774)
Interest received / (paid) at the rate of 6%	(884,694)	799,016	1,986,457	2,400,869
Interest Bearing Receivable / (Payable)	(86,231,571)	20,289,478	26,183,637	37,958,575
Office Rent Paid	(6,669,255)	(6,053,862)	(6,669,255)	(6,053,862)
Prepaid Rent	5,373,428	4,878,112	5,373,428	4,878,112
Writing Back of Outstanding Balance	185,925	-	-	-
<b>East West Commercial Property Development Ltd.</b>				
Funds Transfers	(7,950,000)	-	-	-
Recovery / (Settlement) of Expenses /				
Outstanding Balances	171,907	(3,107,409)	-	(3,107,409)
Interest received at the rate of 6%	-	1,548	-	-
Interest Bearing Receivable	-	26,981	-	-
Writing Back of Outstanding Balance	7,811,111	-	-	-
Write-off of Outstanding Balance	(60,000)	-	-	-

## Notes to the Financial Statements (Contd.)

### 28 RELATED PARTY TRANSACTIONS (CONTD.)

	Transaction with Group		Transaction with Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
<b>iii) Affiliates</b>				
<b>East West Enterprises (Pvt) Ltd.</b>				
Funds Transfers	-	(18,000,000)	-	-
Recovery / (Settlement) of Expenses /				
Outstanding Balances	(159,738)	122,162	-	-
Interest received / (paid) at the rate of 6%	(1,134,594)	(789,436)	-	-
Interest Bearing Receivable / (Payable)	(19,931,960)	(18,637,628)	-	-
Head Office Administration Expenses	372,000	376,314	372,000	376,314
<b>East West Technologies (Pvt) Ltd.</b>				
Recovery of Expenses	65,850	-	-	-
Non Interest Bearing Receivables	65,850	-	-	-
Rental Income Received	857,143	1,469,388	857,143	1,469,388
Electricity Reimbursement	264,691	447,900	264,691	447,900
Water Reimbursement	2,847	40,162	2,847	40,162
Trade Debtor Balance	4,288,512	3,054,852	4,288,512	3,054,852
<b>East West Trading Company (Pvt) Ltd.</b>				
Fund Transfers	3,845,000	(7,200,000)	(2,355,000)	-
Recovery / (Settlement) of Expenses /				
Outstanding Balances	10,759,866	(272,400)	195,976	-
Debtor Collection / (Settlement)	(1,282,185)	8,473,614	-	-
Advance received from customers	(407,000)	-	-	-
Petty Cash Transfer	21,589	-	-	-
Interest received / (paid) at the rate of 6%	588,216	-	24,217	-
Interest Bearing Receivable / (Payable)	18,236,700	1,001,214	2,575,194	-
Rental Income	715,265	-	715,265	-
Electricity Reimbursement	24,593	-	24,593	-
Water Reimbursement	640	-	640	-
Trade Debtor Balance	4,133,280	-	259,290	-
Machinery Spareparts Sales	3,368,687	-	-	-
Machinery Spareparts Purchases	(234,109)	-	-	-
<b>Negombo Lagoon Properties (Pvt) Ltd.</b>				
Recovery of Expenses	1,896,580	565,214	1,791,580	562,214
Interest received at the rate of 6%	2,137,100	1,918,973	1,785,631	1,596,934
Interest Bearing Receivable	38,068,652	33,934,972	31,894,751	28,317,541

## Notes to the Financial Statements (Contd.)

### 28 RELATED PARTY TRANSACTIONS (CONTD.)

	Transaction with Group		Transaction with Company	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
<b>iii) Affiliates</b>				
<b>Offshore Marine Services (Pvt) Ltd.</b>				
Recovery of Expenses	-	8,880	-	8,880
Interest received at the rate of 6%	92,214	69,371	92,214	69,371
Interest Bearing Receivable	1,303,447	1,211,233	1,303,447	1,211,233
<b>Ratgama Hotel Properties (Pvt) Ltd.</b>				
Recovery of Outstanding Balance	(23,612)	-	-	-
Interest received at the rate of 6%	650	1,891	-	-
Interest Bearing Receivable	-	32,962	-	-
<b>Wijesuriya Holdings (Pvt) Ltd.</b>				
Funds Transfers	100,000	4,500,000	200,000	-
Recovery / (Settlement) of Expenses /				
Outstanding Balances	(929,472)	(5,930,790)	(1,356,672)	(6,001,476)
Office Rent Paid	-	(120,000)	-	-
Interest received / (paid) at the rate of 6%	(342,024)	(157,584)	-	288,342
Interest Bearing Receivable / (Payable)	(5,806,586)	(4,835,090)	-	956,672

### b) Terms and Conditions of Transactions with Related Parties

Transactions with related parties are carried out in the ordinary course of the business at commercial rates.

Outstanding related parties balances at the year end are unsecured.

The related party borrowings are at the rate of 6% based on prevailing borrowing cost of the Company.

### c) Non-recurrent Related Party Transactions

There were no any Non-recurrent Related Party Transactions which aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Group audited financial statements, which required additional disclosures in the Annual Report under Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13(c) of the Security Exchange Commission Act.



## Notes to the Financial Statements (Contd.)

### 23 RELATED PARTY DISCLOSURES (CONTD.)

#### 28.3.2 Identity of the Related Parties

##### d) Recurrent Related Party Transactions

The Recurrent Related Party Transactions which exceeded the threshold mentioned in Section 9.3.1 (b) of the Colombo Stock Exchange Listing Rules are disclosed below.

Name of the Related Party	Relationship	Nature of Transaction	Aggregate Value of RPT* entered during the financial year Rs.	Aggregate Value of RPT* as a % of Net Revenue / Income	Terms and Conditions of the RPT*
East West Engineering Services (Pvt) Ltd.	Subsidiary	Construction Income Received from Welligama Hotel Properties Ltd.	186,736,714.64	64.79%	As per the Construction Agreement between the two entities, on commercial terms.

\* RPT - Related Party Transactions

#### 28.3.3 Transaction with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard (LKAS 24) - "Related Party Disclosures", Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, Key Management Personnel include the members of the Board of Directors (including Executive and Non-Executive Directors) of the Company and its subsidiary companies.

Outstanding balances at the year end relating to Key Management Personnel (KMP) are disclosed in note 28.1.3 and 28.2.2 to the Financial Statements.

## Notes to the Financial Statements (Contd.)

### 28 RELATED PARTY TRANSACTIONS (CONTD.)

#### 28.3.3 Transaction with Key Management Personnel (KMP)

##### a) Loans to Key Management Personnel

Loans granted to the Executive Directors of the Company are as follows.

	2017 Rs.	2016 Rs.
Mr. N.P. Sooriyaarachchi	291,667	221,667
Mrs. H.B.G. Vijayanthi Jayasinghe	113,600	128,600

Welligama Hotel Properties Ltd had received a short term loan amounting to Rs. 20,000,000/- from Mr. M.W.A.D.J. Vijitha Wijesuriya, who is a Director of the Company and settled during the year. A sum of Rs. 600,000/- was paid as loan interest calculated at 12% p.a. during the year.

##### b) Key Management Personnel Compensation

	GROUP		COMPANY	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Short term employment benefits	7,316,000	7,921,000	3,516,000	4,771,000

In addition to their remuneration, the Company provides non cash benefits to KMP.

The Company also contributes to a post employment defined benefit plan on behalf of the KMP.

Other than the above the Company's Condominium Apartments have been utilised by the following Directors free of charge.

Name of the Director	Condominium Apartment
Mr. M.W.A.D.J.N. Wijesuriya	Unit No. BA/F24/U3 Management Corporation Condominium Plan No. 3206, Crescat Residences, 75-23/2, Kollupitiya Road, Kollupitiya.
Ms. M.W.A.D.A.A.V. Wijesuriya	Unit No. Y/06/U8 Management Corporation Condominium Plan No. 6562, Monarch at Crescat City Residences, 89, Galle Road, Kollupitiya.

##### c) Transactions with Close Family Members

There were no transactions with close family members during the year.

## Notes to the Financial Statements (Contd.)

### 28 RELATED PARTY TRANSACTIONS (CONTD.)

#### 28.3.3 Transaction with Key Management Personnel (KMP)

##### d) The Directors of the Company are also Directors of the following Companies

	Mr. M.W.A. D.J. Nahil Wijesuriya	Mr. M.W.A. D.J. Vijiha Wijesuriya	Mr. M.W.A. D.J. Vajira Wijesuriya	Ms. M.W.A. D. Anika A.V. Wijesuriya	Dr. L.D. Karalliedde	Mr. N.P. Sooriyaarachchi	Mrs. H.B.G. Vijayanthi Jayasinghe
East West Properties PLC	✓	✓	✓	✓	✓	✓	✓
<b>Subsidiaries</b>							
East West Engineering Services (Pvt) Ltd.	✓	✓	-	✓	-	✓	✓
East West Hotel Developers (Pvt) Ltd.	✓	✓	-	-	-	-	-
East West Leisure (Pvt) Ltd.	✓	✓	✓	-	-	-	-
People's Media Network (Pvt) Ltd.	✓	✓	-	-	-	✓	✓
Wellgama Hotel Properties Ltd.	✓	✓	-	✓	-	✓	✓
<b>Affiliates</b>							
Crescat Investments (Pvt) Ltd.	✓	✓	✓	✓	-	✓	✓
East West Commercial Property Development Ltd.	✓	✓	-	-	-	✓	✓
East West Enterprises (Pvt) Ltd.	✓	✓	✓	✓	✓	-	-
East West Technologies (Pvt) Ltd.	✓	✓	-	✓	-	✓	✓
East West Trading Company (Pvt) Ltd.	✓	✓	-	✓	-	✓	✓
Negombo Lagoon Properties (Pvt) Ltd.	✓	✓	✓	✓	-	-	-
Offshore Marine Services (Pvt) Ltd.	✓	✓	-	-	-	-	-
Ratgama Hotel Properties (Pvt) Ltd.	✓	✓	✓	✓	-	-	-
Wijesuriya Holdings (Pvt) Ltd.	✓	✓	✓	✓	✓	✓	-

There were no other related party transactions other than the above and those disclosed in Note 28 to the Financial Statements.



## Notes to the Financial Statements (Contd.)

### 29 CAPITAL AND FINANCIAL COMMITMENTS

#### 29.1 COMPANY

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

#### 29.2 GROUP

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

- a) Weligama Hotel Properties Ltd completed construction of Marriott Weligama Bay Resort & Spa project and commenced commercial operations on 20th July 2017. The New Hotel premises consists of 198 rooms and is situated at No.700, Matara Road, Pelena. A total sum of Rs. 6,435, 181, 986/- (US \$ 42,901, 968) was spent on the project.

Out of this, a sum of Rs. 5,008,769,928/- was expended as at 31st March 2017 (in 2016 - Rs. 3,445,020,654/-), details of which are disclosed in note 9.1.3.

- b) People's Media Network (Pvt) Ltd is constructing a New Site Building - Nayabedda at an estimated cost of Rs. 2,910,940/- . Out of this, a sum of Rs. 2,522,875/- was expended as at 31st March 2017.

### 30 CONTINGENT LIABILITIES

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

#### 30.1 COMPANY

East West Properties PLC has issued following Corporate Guarantees on behalf of East West Engineering Services (Pvt) Ltd for borrowings obtained by the subsidiary.

Hatton National Bank PLC	- Corporate Guarantees of Rs. 100.0 Mn
Sampath Bank PLC	- Corporate Guarantees of Rs. 50.0 Mn

## Notes to the Financial Statements (Contd.)

### 30 CONTINGENT LIABILITIES (CONTD.)

#### 30.2 GROUP

- a) Contingent Liabilities exists in respect of Performance Bonds and Bank Guarantees issued in favour of the following through the under mentioned Financial Institutions.

Name of the Subsidiary	Financial Institutions	Beneficiary	2017 Rs.	2016 Rs.
East West Engineering Services (Pvt) Ltd.	Hatton National Bank PLC	Colombo Municipal Council	409,106	-
People's Media Network (Pvt) Ltd.	Hatton National Bank PLC Hatton National Bank PLC	Independent Television Network Ltd. Sri Lanka Broadcasting Corporation	-	105,895 324,362
Welligama Hotel Properties Ltd.	Hatton National Bank PLC Bank of Ceylon	The Director General of Customs The Director General of Customs	31,172,050 874,457	23,791,397

- b) Archetype Construction Holding Limited of No. 21F, Tower 1, Lippo Centre, 89 Queensway, Hong Kong has filed a case against Welligama Hotel Properties Ltd to recover a sum of Rs. 21,277,606/- (US \$ 159,982/-) together with interest at 20% per annum thereon from 17th June 2014 to the date of decree and for further interest at 20% per annum on the aggregate sum decreed until payment in full for non payment of consultancy fees and for infringement of copyrights in the Commercial High Court of the Western Province in Colombo (Case No. CHC 193/2015/MR).

The final verdict has not been given by the court as at the reporting date.

- c) Asiri Garden Services (Pvt) Limited of No. 42/3, Galhena Road, Gangodawila, Nugegoda has filed a case against Welligama Hotel Properties Ltd in the Western Provincial High Court in Colombo (Case No. CHC/68/2016/MR) to recover a sum of Rs. 6,417,037/- for damages and losses have been caused due to non-payment of the amount payable together with legal interest of Rs. 2,000,000/-.

The final verdict has not been given by the court as at the reporting date.

## Notes to the Financial Statements (Contd.)

### 31 COMPARATIVE INFORMATION

To facilitate comparison and where relevant, balance pertaining to the previous year have been re-classified as follows.

#### 31.1 Statement of Profit or Loss and Other Comprehensive Income

##### Re-classification of Administrative Expenses and Other Expenses

The Loss on Web Site - www.chatter.lk of Rs. 4,309,703.44 which were recorded in administrative expenses in the financial statements of People's Media Network (Pvt) Ltd for the year ended 31st March 2016, were reclassified as other expense for the year end 31st March 2017.

The above re-classification adjustments do not result in changes to the net assets previously reported by the subsidiary.

### 32 EVENTS AFTER THE REPORTING PERIOD

#### 32.1 COMPANY

No circumstances have arisen since the reporting date, which would require adjustments to, or disclosure in the Financial Statements.

#### 32.2 GROUP

Subsequent to the reporting period, no circumstances have arisen that would require adjustments to, or disclosure in the Financial Statements, except the following.

- a) As per the Board Resolution dated 14th June 2017 Weligama Hotel Properties Ltd has allotted 5,300,000 Ordinary Shares at a price of Rs. 12/- per share to Mr. M.W.A.D.J. Nahil Wijesuriya, a Director of the Company for Rs. 75,600,000/- and the total consideration was received on the same date. However, shareholders approval has not been obtained to date and therefore still the shares has not been issued.
- b) Weligama Hotel Properties Ltd obtained a Term Loan of Rs. 158,000,000/- from Bank of Ceylon on 05th July 2017 to finance 75% of the purchase of equipment for beverage services.
- c) Weligama Hotel Properties Ltd completed construction of the new hotel premises consisting of 198 rooms at Matara Road, Pelena during the subsequent year and commenced commercial operations on 20th July 2017.

### 33 DIRECTORS' RESPONSIBILITY

The Directors acknowledge the responsibility for the preparation and presentation of these financial statements.



## Notes to the Financial Statements (Contd.)

### 34 ASSETS PLEDGED

#### 34.1 GROUP

The details of assets pledged as securities against bank borrowings are disclosed in Notes 17.1 and 20.1. Except for above the following assets have been pledged as security for liabilities as at the reporting date.

##### 34.1.1 East West Engineering Services (Pvt) Ltd.

Name of the Financial Institution	Nature of Facility	Facility Amount	Nature of Assets
a) Hatton National Bank PLC	Letter of Credit	Rs. 50.0 Mn	Documents of title to goods imported
	Import Loan	Rs. 50.0 Mn	Corporate Guarantees of East West Properties PLC for Rs. 100.0 Mn
	Block Lease	Rs. 75.0 Mn	Absolute ownership over vehicle / leased assets
b) Sampath Bank PLC	Letter of Guarantee	Rs. 5.0 Mn	Corporate Guarantees of East West Properties PLC for Rs. 50.0 Mn  Monthly cash build up for Rs. 25,000/- to be kept under lien to Sampath Bank PLC  Letter of set off from the Company.

East West Engineering Services (Pvt) Ltd has not utilised any of the above facilities during the year.

### 35 GOING CONCERN

#### GROUP

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

##### a) People's Media Network (Pvt) Ltd.

People's Media Network (Pvt) Ltd, a subsidiary has recorded a loss of Rs. 879,110.78 during the year ended 31st March 2017 and as at that date accumulated loss was Rs. 54,487,965.25. Further, Company's net assets are less than half of the stated capital which appears to be a serious loss of capital as per Section 220 of the Companies Act, No. 07 of 2007.

These factors have effects on company's ability to continue as going concern. The Directors of the Company are of the view that the 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.

## Notes to the Financial Statements (Contd.)

### 36 NON-CONTROLLING INTEREST IN SUBSIDIARIES

The following table summarises the information relating to each of the Group's subsidiaries that has a material NCI, before any intra-group eliminations:

As at 31st March	2017				2016			
	Wellgama Hotel Properties Ltd	People's Media Network (Pvt) Ltd.	Other individually immaterial subsidiaries	Wellgama Hotel Properties Ltd.	People's Media Network (Pvt) Ltd.	Other individually immaterial subsidiaries		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
<b>NCI Percentage (%)</b>	28.1836%	49%		26.3664%	49%			
Non-Current Assets	5,342,363,875	26,505,220	118,903,689	3,789,755,011	32,694,153	146,830,493		
Current Assets	315,164,979	46,207,808	273,277,037	587,932,125	34,684,247	209,396,189		
Non-Current Liabilities	(3,804,180,088)	(3,309,022)	(9,259,181)	(2,681,493,108)	(3,325,407)	(13,966,566)		
Current Liabilities	(539,242,623)	(27,211,401)	(345,857,834)	(281,246,015)	(20,981,278)	(315,251,175)		
<b>Net Assets</b>	<b>1,304,136,143</b>	<b>42,192,605</b>	<b>37,463,721</b>	<b>1,414,948,013</b>	<b>43,071,716</b>	<b>27,008,941</b>		
<b>Carrying Amount of NCI</b>	<b>367,552,927</b>	<b>20,674,277</b>	<b>(283,850)</b>	<b>373,070,583</b>	<b>21,105,141</b>	<b>(196,155)</b>		
Revenue	-	30,147,450	247,153,144	-	29,683,299	274,483,874		
Profit / (Loss) after tax	(230,811,870)	(879,111)	30,454,780	(245,283,155)	201,802	15,373,364		
Other Comprehensive Income	-	-	-	-	-	-		
<b>Total Comprehensive Income</b>	<b>(230,811,870)</b>	<b>(879,111)</b>	<b>30,454,780</b>	<b>(245,283,155)</b>	<b>201,802</b>	<b>15,373,364</b>		
<b>Profit / (Loss) Allocated to NCI</b>	<b>(64,830,142)</b>	<b>(430,764)</b>	<b>86,554</b>	<b>(63,472,466)</b>	<b>98,883</b>	<b>152,828</b>		
Cash Flows from / (used in) Operating Activities	109,272,240	(1,495,681)	-	(267,633,907)	22,529,844	-		
Cash Flows from / (used in) Investing Activities	(1,432,393,696)	(1,370,343)	-	(1,630,499,763)	(7,039,542)	-		
Cash Flows from / (used in) Financing Activities	1,242,686,980	-	-	1,919,333,296	-	-		
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>(70,434,476)</b>	<b>(2,866,023)</b>	<b>-</b>	<b>21,199,625</b>	<b>15,490,301</b>	<b>-</b>		

## Notes to the Financial Statements (Contd.)

### 37 FINANCIAL INSTRUMENTS

#### Overview

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

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

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

#### Risk Management Framework

The Board of Directors have overall responsibility for the establishment and oversight of the risk management framework, including policies and procedures. The Group's system of internal controls covers all policies and procedures and facilitates the timely identification and effective management of significant areas of strategic and operational risks that may arise.

### 37.1 Credit Risk

Credit Risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group is exposed to credit risk from its operating activities and from its financing activities.

#### 37.1.1 Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	GROUP		COMPANY	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Trade and Other Receivables	392,311,537	535,825,452	26,677,056	18,474,085
Amounts due from Related Parties	101,290,606	86,037,071	349,439,389	321,427,361
Other Financial Assets	26,834,201	171,634,426	26,384,201	39,484,662
Cash and Cash Equivalents	38,502,365	21,389,137	2,052,878	682,058
	<u>558,538,709</u>	<u>814,886,087</u>	<u>404,553,523</u>	<u>380,068,166</u>



## Notes to the Financial Statements (Contd.)

### 37 FINANCIAL INSTRUMENTS (CONTD.)

#### 37.1.1 Exposure to Credit Risk

The aging of Trade Debtors, Other Receivables, Loans to Employees, Other Tax Recoverable and Amounts due from Related Parties at the reporting date were:

	2017		2016	
	Gross Rs.	Impairment Rs.	Gross Rs.	Impairment Rs.
<b>GROUP</b>				
Past due 0-365 days	124,073,400	-	158,602,666	-
More than one year	58,417,659	-	7,670,529	-
	<u>182,491,059</u>	<u>-</u>	<u>166,273,195</u>	<u>-</u>
<b>COMPANY</b>				
Past due 0-365 days	338,771,430	-	333,402,512	-
More than one year	30,841,252	-	512,942	-
	<u>369,612,682</u>	<u>-</u>	<u>333,915,454</u>	<u>-</u>

Based on historical default rates, the Group believes that, no impairment allowance is necessary in respect of Trade and Other Receivables and Amounts due from Related Parties for past dues or past due by up to 365 days.

## Notes to the Financial Statements (Contd.)

### 37 FINANCIAL INSTRUMENTS (CONTD.)

#### 37.2 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities.

As at 31st March 2017	GROUP			COMPANY		
	Carrying Amount Rs.	1-12 Months Rs.	More than one year Rs.	Carrying Amount Rs.	1-12 Months Rs.	More than one year Rs.
Interest Bearing Borrowings	3,804,180,088	-	3,804,180,088	-	-	-
Trade and Other Payables	110,751,521	92,965,220	17,786,300	15,510,742	10,772,249	5,238,492
Amounts due to Related Parties	154,586,074	143,950,288	10,635,786	57,434	57,434	-
Finance Lease Obligations	10,043,011	5,001,664	5,041,347	-	-	-
Income Tax Liability	8,139,648	7,381,685	757,963	4,402,773	3,644,810	757,963
Bank Overdrafts	207,796,570	207,796,570	-	4,434,932	4,434,932	-
	4,295,496,910	457,095,426	3,838,401,484	24,405,881	18,409,426	5,996,455

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

## Notes to the Financial Statements (Contd.)

### 37 FINANCIAL INSTRUMENTS (CONTD.)

#### 37.3 Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### 37.3.1 Interest Rate Risk

Interest Rate Risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

The Group's exposure to the risk of changes in the market interest rate relates primarily to the Group's long term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

The Group's objective is to maintain an efficient operational interest cost structure to minimise the adverse effects of fluctuating interest rates.

At the reporting date, the Group's interest-bearing financial instruments were as follows:

	GROUP		COMPANY	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
<b>Fixed Rate Instruments</b>				
<u>Financial Assets</u>				
Fixed Deposits	50,000	147,336,915	-	15,187,151
Amounts due from Related Parties	101,224,756	86,037,071	349,439,389	321,427,361
<u>Financial Liabilities</u>				
Interest Bearing Borrowings	(3,804,180,088)	(2,681,493,108)	-	-
Amounts due to Related Parties	(154,586,074)	(53,012,949)	(57,434)	-
	<u>(3,857,491,405)</u>	<u>(2,501,132,071)</u>	<u>349,381,955</u>	<u>336,614,512</u>
<b>Variable Rate Instruments</b>				
<u>Financial Assets</u>				
Savings Accounts	30,043,780	12,443,524	1,369,929	-
<u>Financial Liabilities</u>				
Bank Overdrafts	(207,796,570)	(103,206,442)	(4,434,932)	(5,155,753)
	<u>(177,752,790)</u>	<u>(90,762,919)</u>	<u>(3,065,003)</u>	<u>(5,155,753)</u>



## Notes to the Financial Statements (Contd.)

### 37 FINANCIAL INSTRUMENTS (CONTD.)

#### 37.3.1 Interest Rate Risk (Contd.)

##### Sensitivity analysis for variable rate instruments

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

	Effect on Profit / (Loss) before Tax	
	2017 Rs.	2016 Rs.
<b>GROUP</b>		
Variable rate instruments (1% decrease)	1,777,528	907,629
Variable rate instruments (1% increase)	(1,777,528)	(907,629)
<b>COMPANY</b>		
Variable rate instruments (1% decrease)	30,650	51,558
Variable rate instruments (1% increase)	(30,650)	(51,558)

#### 37.3.2 Currency Risk

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

##### Sensitivity Analysis

A strengthening or weakening of Sri Lankan Rupee, as indicated below, against the USD at 31st March 2017 would have increased / (decreased) the equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

Increase / (Decrease) in Exchange rate USD	Effect on Profit / (Loss) before Tax	
	2017 Rs.	2016 Rs.
<b>GROUP</b>		
+ 10%	(378,348,530)	(267,737,832)
- 10%	378,348,530	267,737,832

#### 37.3.3 Commodity Risk

The Group was not exposed to Commodity Risk at the reporting period.

#### 37.3.4 Equity Price Risk

The Group's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. Management of the Group reviews and approves all equity investment decisions. Sensitivity analysis on the value of the investments is not provided as it is deemed to be not material.

## Notes to the Financial Statements (Contd.)

### 37 FINANCIAL INSTRUMENTS (CONTD.)

#### 37.4 Capital Management

The Board's policy is to maintain a strong capital base so as to maintain shareholder, creditor and market and to sustain future development of the business. The Board of Directors monitors the return on capital and level of dividends paid out to ordinary shareholders.

Bank Overdrafts with variable interest rates are used to manage the working capital requirements of the Group. Major projects are financed by funds received from long term borrowings as well as reserves of the Group.

The Group's debt to equity ratio at the end of the reporting period was as follows:

	GROUP		COMPANY	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Total Liabilities	4,323,621,622	2,992,827,503	4,003,737	39,570,742
Less: Cash and Cash Equivalents	(38,502,365)	(21,389,137)	(2,052,878)	(682,058)
Net Debt	4,285,119,257	2,971,438,366	42,950,858	38,888,684
Total Equity	1,469,719,519	1,584,425,113	1,459,163,926	1,484,660,783
Net Debt to Equity Ratio	291.66%	187.54%	2.94%	2.62%

There were no changes in the Group's approach to capital management during the year and the Group is not subject Group to externally imposed capital requirements.

#### 37.5 Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

## Information to Shareholders and Investors

### Stated Capital

	31.03.2017	31.03.2016
Issued and Fully paid Capital (Rs.)	1,212,000,000	1,212,000,000
No of Shares	138,240,000	138,240,000
Class of Shares	Ordinary Shares	
No of Ordinary Shareholders	2,388	2,426

### Distribution of Shareholders

For the year ended 31 st March			2017			31.03.2016		
			No of Share Holders	No of Shares	%	No of Share Holders	No of Shares	%
1	:	1,000	1,406	546,953	0.40	1,414	672,933	0.41
1,001	-	10,000	793	2,743,121	1.98	827	3,486,600	2.06
10,001	:	100,000	168	4,752,465	3.43	162	5,813,425	3.27
100,001	-	1,000,000	14	5,502,804	3.99	16	6,035,915	3.95
Over 1,000,000 Shares			7	124,694,657	90.20	7	122,231,127	90.31
<b>Total</b>			<b>2,388</b>	<b>138,240,000</b>	<b>100.00</b>	<b>2,426</b>	<b>138,240,000</b>	<b>100.00</b>

### Categories of Shareholders

For the year ended 31 st March			2017			2016		
			No of Share Holders	No of Shares	%	No of Share Holders	No of Shares	%
Individuals			2,272	37,015,364	26.78	2,310	14,737,660	10.66
Institutions			116	101,224,636	73.22	116	123,502,340	89.34
			<b>2,388</b>	<b>138,240,000</b>	<b>100.00</b>	<b>2,426</b>	<b>138,240,000</b>	<b>100.00</b>
Resident			2,370	27,361,666	19.79	2,407	27,524,890	19.91
Non Resident			18	110,878,334	80.21	19	110,715,110	80.09
			<b>2,388</b>	<b>138,240,000</b>	<b>100.00</b>	<b>2,426</b>	<b>138,240,000</b>	<b>100.00</b>
Public			2,380	20,858,302	15.09	2,418	21,100,147	15.26
Non Public			8	117,381,698	84.91	8	117,139,853	84.74
			<b>2,388</b>	<b>138,240,000</b>	<b>100.00</b>	<b>2,426</b>	<b>138,240,000</b>	<b>100.00</b>

### Market Value

For the year ended 31st March	2017	2016
Highest Market Price per Share (Rs.)	19.00	19.00
Lowest Market Price per Share (Rs.)	11.00	11.60
Last traded Market Price per Share as at (Rs.)	14.10	13.50



## Information to Shareholders and Investors

### Directors Share holding

For the year ended 31 st March	31.03.2017	31.03.2016
Mr.M.W.A.D.J.Nahil Wijesuriya	22,362,207	4,800
Mr.M.W.A.D.J.Vijitha Wijesuriya	6,257,000	6,257,000
Mr.M.W.A.D.J.Vajira Wijesuriya	Nil	Nil
Miss.M.W.A.D.Anika A V Wijesuriya	345,190	345,190
Dr.Lakshman D Karalliedde	160	160
Mr.D.Sunil AbeyRatne	Nil	Nil
Mr.Nishantha Soodiyaarachchi	71,746	1,746
Mrs.H.B.G.Vijayanthi Jayasinghe	Nil	Nil

### Top Twenty Shareholders

for the year ended 31 st March	2017		2016	
	Share Holding	%	Share Holding	%
Asia 2000 Investments Inc	88,345,235	63.91	88,345,235	63.91
Mr.Muthukuda Nahil Wijesuriya	22,357,407	16.17		
Mr.M.W.A.D.J.Vijitha Wijesuriya	6,257,000	4.53	6,257,000	4.53
Freudenberg Shipping Agencies Limited	2,547,953	1.84	2,465,950	1.78
Alliance Finance Company PLC	1,867,153	1.35	1,867,153	1.35
Sandy bay Resorts Company Limited	1,840,000	1.33	1,840,000	1.33
Rosewood (Pvt) Limited	1,479,909	1.07	1,874,507	1.36
People's Leasing & Finance PLC-Dr.K.A.P.Gunawardhana	972,244	0.70	714,380	0.52
Pan Asia Banking Corporation-Almar International (Pvt) Ltd	914,100	0.66	914,100	0.66
Seylan Bank PLC - Mr.R.K.E. Patrick De Silva	500,000	0.36	500,000	0.36
Bansea Securities Capital (Pvt) Ltd-Mr.R.C.J.Goonewardena	428,368	0.31	421,368	0.30
Mr. Ananda Deepthi Edussuriya	400,000	0.29	400,000	0.29
Bansea Securities Capital (Pvt) Ltd/Dawid Investment Trust (Pvt) Ltd	369,339	0.27	347,613	0.25
Mrs.M.W.A.D.Anika A.V.Wijesuriya	345,190	0.25	345,190	0.25
Wijesuriya Holdings (Pvt) Ltd	308,800	0.22	308,800	0.22
Mr.F.P.Samantha Manesh	250,000	0.18	250,000	0.18
Mr.Wettimuni Suvin	245,228	0.18	247,827	0.18
Waldock Mackenzie Limited - Mr.Suranjan Praveen Perera	234,509	0.17	184,482	0.13
Waldock Mackenzie Limited - Mr.P.S.R.Casie Chitty	195,651	0.14	195,651	0.14
Mrs.Nanayakkara Wewakandabige	180,375	0.13		
	130,038,461	94.06	107,479,256	77.74

## Group Performance - Five Year Summary

	2017	2016	2015	2014	2013
<b>Statement of Profit or Loss</b>					
<b>Revenue</b>					
Rental	66,701,997	51,888,925	62,388,215	59,918,315	27,504,833
Leisure	358,452	949,273	4,654,893	9,579,739	1,485,513
Construction	169,760,650	201,302,645	179,962,477	71,642,935	27,717,793
Trading	1,530,650	432,128	478,169	721,013	-
Others	49,862,694	44,924,129	18,443,201	31,311,769	11,198,712
<b>Total Revenue</b>	<b>288,214,443</b>	<b>299,497,100</b>	<b>265,926,955</b>	<b>173,173,771</b>	<b>67,906,850</b>
Direct Costs	(115,087,977)	(138,313,350)	(133,230,658)	(66,690,672)	(5,743,301)
<b>Gross Profit</b>	<b>173,116,466</b>	<b>161,183,750</b>	<b>132,696,297</b>	<b>106,483,099</b>	<b>62,163,549</b>
Other Income	17,909,760	7,489,433	3,532,823	7,564,878	2,645,860
Administrative Expenses	(239,507,185)	(221,896,963)	(187,535,753)	(140,027,494)	(121,664,143)
Promotional & Marketing Expenses	(8,939,329)	(7,947,757)	(5,816,294)	(5,100,629)	(5,004,917)
Other Expenses	(4,631,805)	(4,309,703)	-	(118,667)	-
<b>Result from Operating Activities</b>	<b>(62,072,093)</b>	<b>(65,481,240)</b>	<b>(57,122,927)</b>	<b>(31,198,813)</b>	<b>(61,859,651)</b>
Net Finance Income / (Costs)	(171,442,501)	(186,887,503)	32,834,377	37,672,002	58,811,432
<b>Loss before Tax</b>	<b>(233,514,594)</b>	<b>(252,368,743)</b>	<b>(24,308,550)</b>	<b>6,473,189</b>	<b>(3,048,218)</b>
Income Tax Expenses	(7,727,744)	(5,466,160)	(16,895,031)	(11,792,632)	(15,298,597)
<b>Loss for the year</b>	<b>(241,242,338)</b>	<b>(257,834,903)</b>	<b>(41,203,581)</b>	<b>(5,319,443)</b>	<b>(18,346,815)</b>
<b>Other Comprehensive Income</b>					
Surplus on Revaluation of Condo Apartment	-	-	17,042,732	-	-
<b>Loss attributable to:</b>					
Equity Holder of the Parent	(175,893,757)	(194,379,515)	(18,942,354)	(8,719,451)	(12,363,842)
Non-Controlling Interest	(65,348,581)	(63,459,387)	(6,021,577)	3,400,008	(5,982,974)
<b>Statement of Financial Position</b>					
<b>Assets</b>					
<b>Non-Current Assets</b>					
Property, Plant & Equipment	5,452,674,387	3,974,040,333	2,354,633,285	1,286,558,254	782,690,160
Leasehold Property	27,752,425	28,172,916	28,593,407	29,013,898	29,434,391
Investment Property	87,255,574	91,444,096	95,632,617	99,821,139	74,985,736
Intangible Assets	22,713,555	22,907,599	23,101,642	23,034,517	22,925,387
Other Non-Current Asset	-	-	-	-	100
Deferred Tax Asset	-	9,358	-	-	-
	<b>5,590,395,941</b>	<b>4,116,574,301</b>	<b>2,501,960,951</b>	<b>1,438,427,808</b>	<b>910,035,773</b>
<b>Current Assets</b>					
Inventories	26,411,819	31,253,317	28,639,760	19,761,338	6,264,650
Trade and Other Receivables	392,311,537	535,825,452	366,027,646	85,403,462	64,585,232
Amount due from Related Parties	106,727,552	94,555,552	82,988,387	29,348,308	41,184,737
Other Financial Assets	26,434,201	171,634,426	293,334,863	113,737,688	478,423,588
Cash and Cash Equivalents	88,502,365	21,389,137	14,119,218	555,287,912	3,609,273
	<b>590,387,473</b>	<b>854,657,884</b>	<b>785,109,875</b>	<b>803,538,708</b>	<b>594,067,480</b>
<b>Total Assets</b>	<b>6,180,783,414</b>	<b>4,971,232,185</b>	<b>3,287,070,826</b>	<b>2,241,966,516</b>	<b>1,504,103,253</b>
<b>Equity &amp; Liabilities</b>					
Stated Capital	1,212,000,000	1,212,000,000	1,212,000,000	1,212,000,000	1,212,000,000
Revaluation Reserve	26,571,004	26,571,004	26,571,004	9,528,271	9,528,271
Revenue Reserve	230,648,315	345,854,110	295,289,147	423,799,697	100,427,141
<b>Equity attributable to Equity Holders</b>	<b>1,469,219,319</b>	<b>1,584,425,113</b>	<b>1,533,860,150</b>	<b>1,645,327,968</b>	<b>1,321,955,412</b>
Non-Controlling Interest	387,942,474	393,979,569	172,243,735	87,528,168	16,566,648
<b>Total Equity</b>	<b>1,857,161,792</b>	<b>1,978,404,682</b>	<b>1,706,103,885</b>	<b>1,732,856,136</b>	<b>1,338,522,060</b>
<b>Non-Current Liabilities</b>					
Interest Bearing Borrowings	3,804,180,088	2,681,493,108	1,292,295,512	297,083,925	-
Finance Lease Obligations	5,041,347	10,043,011	14,102,233	17,396,594	-
Employee Benefits	2,796,147	2,130,035	2,301,006	1,308,315	712,144
Deferred Tax Liability	9,448,026	9,439,131	13,773,108	9,822,708	6,011,237
Rent Received in Advance	14,556,194	15,880,539	17,204,884	18,529,229	19,853,574
	<b>3,836,021,801</b>	<b>2,718,985,823</b>	<b>1,339,676,743</b>	<b>344,140,831</b>	<b>26,596,955</b>
<b>Current Liabilities</b>					
Trade and Other Payables	110,751,521	101,778,475	100,588,874	31,865,675	25,001,045
Provisions	-	968,085	590,416	319,842	-
Amounts due to Related Parties	154,586,074	53,347,824	42,744,954	73,535,153	48,710,312
Finance Lease Obligations	5,001,664	4,059,222	3,294,361	2,673,620	-
Rent Received in Advances	1,324,345	1,324,345	1,324,345	1,324,345	1,324,345
Income Tax Liability	8,139,648	9,157,286	9,483,832	5,798,722	7,550,378
Bank Overdraft	207,796,570	103,206,441	83,263,416	48,452,194	56,398,137
	<b>487,599,821</b>	<b>273,841,680</b>	<b>241,290,198</b>	<b>164,969,551</b>	<b>138,984,237</b>
<b>Total Equity &amp; Liabilities</b>	<b>6,180,783,414</b>	<b>4,971,232,185</b>	<b>3,287,070,826</b>	<b>2,241,966,516</b>	<b>1,504,103,252</b>
Earnings per Share	(1.27)	(1.41)	(0.26)	(0.06)	(0.09)
Net Asset Value per Share	10.63	11.46	11.85	11.90	9.56

## Company Performance - Five Year Summary

	2017	2016	2015	2014	2013
<b>Statement of Profit Loss</b>					
Revenue	35,355,109	24,443,456	28,693,086	25,710,419	22,107,532
Other Income	1,834,253	2,664,822	12,666	24,686	506,007
	<b>37,249,363</b>	<b>27,108,278</b>	<b>28,705,702</b>	<b>25,735,104</b>	<b>22,613,539</b>
Administrative Expenses	(52,142,856)	(50,231,211)	(47,838,279)	(42,229,601)	(40,138,905)
Other Expenses	(29,819,204)	-	-	-	-
	<b>(81,962,060)</b>	<b>(50,231,211)</b>	<b>(47,838,279)</b>	<b>(42,229,601)</b>	<b>(40,138,905)</b>
<b>Result From Operating Activities</b>	<b>(44,712,697)</b>	<b>(23,122,933)</b>	<b>(19,132,577)</b>	<b>(16,494,497)</b>	<b>(17,525,366)</b>
Finance Income	23,024,241	25,107,810	59,481,981	62,953,586	67,976,934
Finance Costs	(212,594)	(3,921,510)	(447,607)	(4,294,631)	(5,425,806)
<b>Net Finance Income</b>	<b>22,811,647</b>	<b>21,186,300</b>	<b>59,034,375</b>	<b>58,658,955</b>	<b>62,551,128</b>
Loss Before Tax	(21,901,050)	(1,936,633)	39,901,798	42,164,458	45,025,762
Income Tax Expense	(3,595,807)	1,000,515	(7,743,641)	(8,407,689)	(13,796,184)
<b>Loss for the year</b>	<b>(25,496,857)</b>	<b>(936,118)</b>	<b>32,158,157</b>	<b>33,756,769</b>	<b>31,229,578</b>
<b>Other Comprehensive Income</b>					
Surplus on Revaluation of Condo Apartments	-	-	17,042,732	-	-
<b>Total Comprehensive Income/(Expenses) for the year</b>	<b>(25,496,857)</b>	<b>(936,118)</b>	<b>49,200,889</b>	<b>33,756,769</b>	<b>31,229,578</b>
<b>Statement of Financial Position</b>					
<b>Assets</b>					
<b>Non-Current Assets</b>					
Property, Plant & Equipment	113,166,082	119,842,650	128,143,358	119,663,681	128,987,132
Leasehold Property	27,752,425	28,172,916	28,593,407	29,013,898	29,434,390
Investment Property	63,385,275	66,667,329	69,949,384	73,231,438	74,985,736
Intangible Assets	68,571	117,550	166,529	117,550	-
Investment in Subsidiaries	894,015,398	923,778,970	923,778,970	599,778,970	599,808,970
Other Non Current Investment	-	-	-	-	100
	<b>1,098,387,751</b>	<b>1,138,579,415</b>	<b>1,150,631,649</b>	<b>821,805,538</b>	<b>833,196,327</b>
<b>Current Assets</b>					
Trade and Other Receivables	26,677,056	18,474,085	6,740,590	11,510,711	25,996,127
Amount due from Related Parties	350,665,778	327,011,305	225,317,587	379,038,221	185,135,723
Other Financial Assets	26,384,201	39,484,662	143,075,867	113,687,688	478,373,589
Cash and Cash Equivalents	2,052,878	682,058	745,560	154,405,326	464,363
	<b>405,779,913</b>	<b>385,652,110</b>	<b>375,879,604</b>	<b>658,641,946</b>	<b>689,969,802</b>
<b>Total Assets</b>	<b>1,504,167,664</b>	<b>1,524,231,525</b>	<b>1,526,511,253</b>	<b>1,480,447,484</b>	<b>1,523,166,131</b>
<b>Equity and Liabilities</b>					
<b>Equity</b>					
Stated Capital	1,212,000,000	1,212,000,000	1,212,000,000	1,212,000,000	1,212,000,000
Revaluation Reserve	26,571,004	26,571,004	26,571,004	9,528,271	9,528,271
Revenue Reserve	220,592,922	246,089,780	247,025,899	214,867,742	181,110,973
<b>Total Equity</b>	<b>1,459,163,926</b>	<b>1,484,660,784</b>	<b>1,485,596,902</b>	<b>1,436,396,013</b>	<b>1,402,639,244</b>
<b>Non Current Liabilities</b>					
Employee Benefits	2,239,496	1,730,539	1,963,523	1,204,820	650,597
Deferred Tax Liability	2,477,821	2,589,665	7,410,156	6,426,230	4,878,797
Rent Received in Advance	14,556,194	15,880,539	17,204,884	18,529,229	19,853,574
	<b>19,273,511</b>	<b>20,200,743</b>	<b>26,578,563</b>	<b>26,160,279</b>	<b>25,382,968</b>
<b>Current Liabilities</b>					
Trade and Other Payables	15,510,742	8,410,543	5,461,228	9,845,854	10,902,698
Amounts due to Related Parties	57,434	-	30,416	1,265,903	38,344,847
Rent Received in Advance	1,324,345	1,324,345	1,324,345	1,324,345	1,324,345
Income Tax Liability	4,402,773	4,479,358	5,377,412	5,200,055	7,092,071
Bank Overdraft	4,434,932	5,155,793	2,142,386	255,034	37,479,957
	<b>25,730,226</b>	<b>19,369,999</b>	<b>14,335,788</b>	<b>17,891,192</b>	<b>95,143,919</b>
<b>Total Equity &amp; Liabilities</b>	<b>1,504,167,663</b>	<b>1,524,231,526</b>	<b>1,526,511,253</b>	<b>1,480,447,484</b>	<b>1,523,166,131</b>



## Corporate Information

<b>Name of The Company</b>	East West Properties PLC Company Reg.Number PQ 221
<b>Legal Form</b>	A Quoted Public Company with limited liability Incorporated in Sri Lanka on 18 <sup>th</sup> March 1981 and re-registered under the Companies Act No.07 of 2007. The Ordinary Shares of the Company are listed on the Colombo Stock Exchange.
<b>Board of Directors</b>	Mr.M.W.A.D.J.Nahil Wijesuriya - Chairman Mr.M.W.A.D.J.Vijitha Wijesuriya - Managing Director Mr.M.W.A.D.J.Vajira Wijesuriya Miss.M.W.A.D.Anika A V Wijesuriya Mr.D.Sunil AbeyRatna Dr.Lakshman D Karalliedde Mr.Nishantha P Sooriyaarachchi Mrs.H.B.G.Vijayanthi Jayasinghe
<b>Audit Committee</b>	Mr.D.Sunil AbeyRatne Dr.Lakshman D. Karalliedde
<b>Remuneration Committee</b>	Mr.D.Sunil AbeyRatna Dr.Lakshman D. Karalliedde
<b>Related Party Transactions Review Committee</b>	Mr.D.Sunil AbeyRatne Mr.M.W.A.D.J.Vajira Wijesuriya
<b>Company Secretaries</b>	SSP Corporate Services (Pvt) Ltd 101, Inner Flower Road Colombo 03.
<b>Auditors</b>	V.S. & Associates Chartered Accountants 20/62, Fairfield Gardens Colombo 08
<b>Bankers</b>	Hatton National Bank PLC Bank of Ceylon National Development Bank PLC Sampath Bank PLC
<b>Registered Office</b>	#12-01, East Tower, World Trade Center Colombo 01. Telephone : +94 11 2 43 77 55 Fax : +94 11 2 43 20 40 Web : <a href="http://www.eastwest.lk">www.eastwest.lk</a>
<b>Hotel Address</b>	Weligama Bay- Marriott Resort & Spa 700, Matara Road, Pelena, Weligama Telephone : +94 41 4 600 100
<b>Warehouse Office</b>	81/11, 3rd Lane, New Nuge Road, Peliyagoda Telephone : +94 11 2 912 274 Fax : +94 11 2 912 068
<b>Site Office</b>	681, Matara Road, Pelena, Weligama Telephone : +94 41 4 93 67 01



## Notice of Meeting

### EAST WEST PROPERTIES PLC – PQ 221

NOTICE IS HEREBY GIVEN THAT THE THIRTY SIXTH ANNUAL GENERAL MEETING OF EAST WEST PROPERTIES PLC WILL BE HELD ON 21st NOVEMBER 2017 AT 11.00A.M., AT THE "PEARL BALLROOM", WELIGAMA BAY-MARRIOTT RESORT & SPA, NO 700, MATARA ROAD, PELANA, WELIGAMA.

#### THE BUSINESS TO BE BROUGHT BEFORE THE MEETING WILL BE;

1. To receive consider and adopt the Report of the Directors and the Audited Financial Statements for the year ended 31<sup>st</sup> March 2017 together with the report of the Auditors thereon.
2. To re-appoint as a Director, Dr. Lakshman Delgoda Karalliedde who has attained the age of 77 years. The Company has received notice of intention to pass the under noted as an Ordinary Resolution in compliance with Section 211 of the Companies Act No. 07 of 2007.

#### Ordinary Resolution

"That Dr. Lakshman Delgoda Karalliedde who has attained the age of 77 years be and is hereby re-appointed as a Director of the Company and it is hereby declared as provided for in Section 211 of the Companies Act No 07 of 2007 that the age limit of 70 years referred to in section 210 of the said Companies Act shall not apply to Dr. Lakshman Delgoda Karalliedde."

3. To re-appoint as a Director, Mr. Muthukuda Wijesuriya Arachchige Don Jayantha Nahil Wijesuriya who has attained the age of 72 years. The Company has received notice of intention to pass the under noted as an Ordinary Resolution in compliance with Section 211 of the Companies Act No. 07 of 2007.

#### Ordinary Resolution

"That Mr. Muthukuda Wijesuriya Arachchige Don Jayantha Nahil Wijesuriya who has attained the age of 72 years be and is hereby re-appointed as a Director of the Company and it is hereby declared as provided for in Section 211 of the Companies Act No 07 of 2007 that the age limit of 70 years referred to in section 210 of the said Companies Act shall not apply to Mr. Muthukuda Wijesuriya Arachchige Don Jayantha Nahil Wijesuriya."

4. To re-elect as a Director, Mr. Damian Sunil AbeyRatna who retires by rotation in terms of Article No. 86 of the Articles of Association of the Company.
5. To re-appoint the retiring Auditors M/s V.S. & Associates, Chartered Accountants and authorize the Directors to determine their remuneration.
6. To authorize the Directors to determine Contribution to Charities and other donations for the year 2017/2018

BY ORDER OF THE BOARD OF DIRECTORS OF  
EAST WEST PROPERTIES PLC  
SSP CORPORATE SERVICES (PRIVATE) LIMITED



SECRETARIES

Colombo

Date: 17th October 2017

#### NOTE:

- (a) Any member/s is/are entitled to attend and vote is/are entitled to appoint a proxy in his stead.
- (b) A form of Proxy accompanies this notice. A proxy need not be a shareholder.
- (c) Instruments appointing proxies must be lodged with the Company not less than 48 Hours before the meeting.



**EAST WEST PROPERTIES PLC – P Q 221**

**FORM OF PROXY**

I/We, ..... of .....  
.....being a member/members of

East West Properties PLC hereby appoint Mr./Mrs./Ms. ....  
(NIC No.....) of .....whom failing,

Mr. M. W. A. D. J. Nahil Wijesuriya	whom failing
Mr. M. W. A. D. J. Vijitha Wijesuriya	whom failing
Dr. L. D. Karalliedde	whom failing
Mrs. H. B. G. V. Jayasinghe	whom failing
Mr. N. P. Sooriyaarachchi	whom failing
Mr. D. S. AbeyRatna	whom failing
Mr. M. W. A. D. J. Vajira Wijesuriya	whom failing
Ms. M. W. A. D. A. A. Vinodhini Wijesuriya	

as my/our proxy to represent me/us and to vote on my/our behalf at the 36<sup>th</sup> Annual General Meeting of the Company to be held on 21st November 2017 at 11.00.a.m. and at any adjournment thereof.

	<u>FOR</u>	<u>AGAINST</u>
1. To receive consider and adopt the Report of the Directors and the Audited Financial Statements for the year ended 31 <sup>st</sup> March 2017 together with the report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-appoint Dr. Lakshman Delgoda Karalliedde, who has attained the age of 77 years, a Director by passing the Ordinary Resolution set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint Mr. Muthukuda Wijesuriya Arachchige Don Jayantha Nahil Wijesuriya, who has attained the age of 72 years, a Director by passing the Ordinary Resolution set out in the Notice.	<input type="checkbox"/>	<input type="checkbox"/>
4. To re-elect Mr. Damian Sunil AbeyRatna who retires by rotation in terms of the Article No. 86 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5. To re-appoint the retiring Auditors M/s V S & Associates, Chartered Accountants and authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6. To authorize the Directors to determine Contribution to Charities and other donations for the year 2017/2018	<input type="checkbox"/>	<input type="checkbox"/>


Signed this.....day of .....Two Thousand and Seventeen.

.....  
NIC No./Passport No.

.....  
Signature

**INSTRUCTIONS FOR THE COMPLETION OF THE FORM OF PROXY:**

1. Please complete the Form of Proxy after filling in legibly your full name, NIC Number and address and by signing in the space provided.
2. To be valid, this Form of Proxy must be deposited at the Registered Office of the Company, East West Properties PLC, No.12-01, East Tower, World Trade Center, Echelon Square, Colombo 01 not less than 48 hours before the time appointed for holding the meeting,
3. Please indicate clearly how your proxy is to vote on the resolution. If no indication is given, the proxy in his discretion may vote as he thinks fit.
4. If the shareholder is a Company or body corporate, a form of Corporate Representation executed under its Common Seal in Accordance with its Articles of Association or Constitution should be submitted.
5. 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 same or a copy certified by a Notary Public must be lodged with the company along with the Form of Proxy.
6. Any Shareholder / Proxy attending the Annual General Meeting is kindly requested to bring with him/her the National Identity Card or any other form of valid identification.



East West Properties PLC  
#12-01, East Tower, World Trade Center  
Colombo 01