



E. B. Creasy & Company PLC

Annual Report 2011/12

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Group Financial Summary

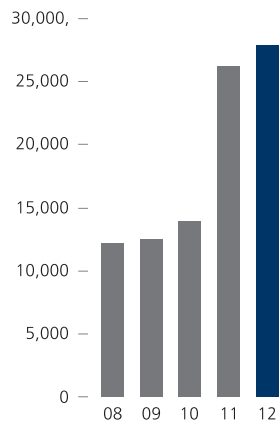
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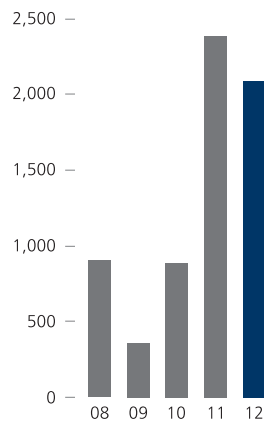
Financial Highlights

	2011/12 Rs. '000	2010/11 Rs. '000
Group Turnover	27,861,318	26,243,384
Group Profit before Taxation	2,085,657	2,382,123
Group Profit after Taxation	1,785,733	2,095,957
Net Profit Attributable to Equity Holders of the Parent	369,764	681,141
Value Added	7,787,753	7,303,775
Shareholders' Funds	2,647,235	2,028,757
Earnings per Share (Rs.)	145.86	268.65
Net Assets per Share (Rs.)	3,046.30	2,850.52
Market Value per Share (Rs.)	1,200	2,498
Dividend per Share (Rs.)	6	7
Company Dividend Payout Ratio (%)	18.59	19.18

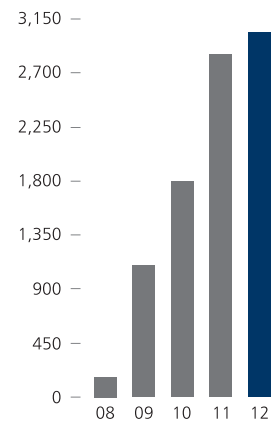
Group Turnover
(Rs. '000)



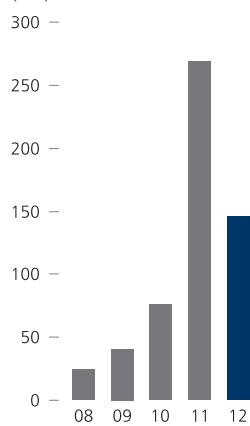
Group Profit Before Tax
(Rs. '000)



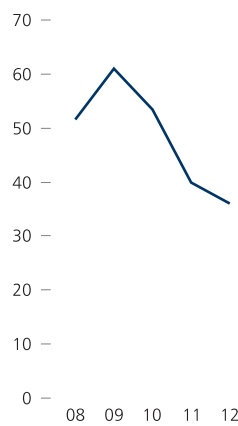
Net Assets per Share
(Rs.)



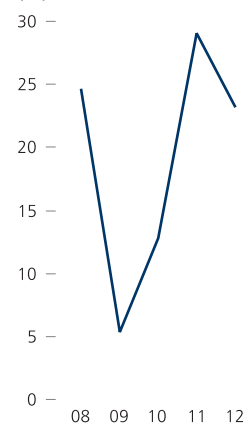
Earnings per Share
(Rs.)



Debt to Equity
(%)



Return on Equity
(%)



Notice of Meeting

Notice is hereby given that the Seventy-Ninth Annual General Meeting of E. B. Creasy & Company PLC will be held at the Grand Oriental Hotel, No. 2, York Street, Colombo 01, on 29th June, 2012, at 10.30 a.m. for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March, 2012 with the Report of the Auditors thereon.
2. To declare a First and Final dividend as recommended by the Directors.
3. To re-elect as a Director Mr. S.N.P. Paliheena who retires in accordance with Articles 91 and 92 of the Articles of Association.
4. To reappoint Mr. R.N. Bopearatchy who is over seventy years of age as a Director. Special Notice has been received from a shareholder of the intention to pass a Resolution which is set out below in relation to his reappointment. (See Note 4 below)
5. To reappoint Mr. A. Rajaratnam who is seventy years of age as a Director. Special Notice has been received from a Shareholder of the intention to pass a resolution which is set out below in relation to his reappointment. (See Note 5 below)
6. To authorize the Directors to determine contributions to charities.
7. To reappoint as Auditors, KPMG, Chartered Accountants and authorise the Directors to determine their remuneration.

By Order of the Board,

Corporate Managers & Secretaries (Private) Limited
Secretaries

Colombo
30th May, 2012

Notes:

1. A member of the Company who is entitled to attend and vote may appoint a proxy to attend and vote instead of him or her. A proxy need not be a member of the Company.
2. A Form of Proxy is enclosed for this purpose.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company's Secretaries at No. 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 1, not less than forty-eight hours before the time fixed for the meeting.
4. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:
Resolved -
"That Mr. R.N. Bopearatchy who is seventy one years of age be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director, Mr. R.N. Bopearatchy."
5. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:
Resolved -
"That Mr. A. Rajaratnam who is seventy years of age, be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director, Mr. A. Rajaratnam."

Chairman's Review

I have great pleasure in welcoming you to the Seventy-Ninth Annual General Meeting of the Company and in presenting the Annual Report and Audited Accounts for the year ended 31st March, 2012.

The Shareholders will be pleased to note that our resolve to publish the Annual Report of the Company ahead of the regulatory time limit and to hold the Annual General Meeting much ahead of time than in the previous years has been successful.

The Sri Lankan economy recorded a growth of over 8% for the second successive year. Inflation was contained to a single digit helped by a low interest rate regime that prevailed during the year. The credit led import growth widened the trade deficit and the balance of payments resulting in the depreciation of the Rupee and prompting the upward movement of interest rates.

The Group recorded a consolidated turnover of Rs. 27.9 billion, which is an increase of 6.2% over the previous year's figure. A profit before tax of Rs. 2.1 billion was achieved while Rs 2.3 billion was achieved last year. The adverse performance of the Plantations reflected in the Group results was mitigated by the favourable performance of the other sectors of the Group and profits from the sale of investments. The Company's revenues increased by 16.5% to

Rs. 1.8 billion, but profits declined by 11.6% to Rs. 81.8 million in comparison to the previous year's profits of Rs. 92.5 million. Even though during the current year the Company revenues grew, the profit after tax fell due to foreign exchange losses, increased financial charges and lower dividends received from subsidiaries.

Your Directors have recommended the payment of a first and final dividend of Rs. 10.00 per share.

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



A. Rajaratnam

Chairman

Management Review

The General Trading Division of the Company which imports and markets a range of Automotive Batteries, Hardware Items and Solar Powered Water Pumps performed creditably well in a competitive market. This year, the division achieved higher volume sales over that of the previous year. To meet the demand for high technology batteries from many brand new vehicle users, we have introduced sealed, maintenance free Automotive Batteries manufactured with the latest technology in batteries by our principals.

With the introduction of Fork Lifts and Accessories we have expanded the range of heavy engineering products. We anticipate good growth in this sector. We have shifted our emphasis in Renewable Energy from rural electrification to grid connected net metering systems using components made by some of the world's leading manufacturers. The high cost of electricity for the domestic user has given us the ideal opportunity to market our Renewable Energy Systems to meet the demand shift to lower cost electricity.

The consumer products manufacturing and marketing division comprising of the Personal Care and Home Care Divisions is another important Functional Division of E.B. Creasy & Co. PLC. In an increasingly competitive market, our Personal Care products and Home Care products hold a leading market position. Turnover and profits from these operations improved further this year. To continue growth of our profitability, we have launched new product variants with potential to capture more market share. To meet the need for increased manufacturing capacity in our range of Home Care products the new manufacturing facility constructed recently in Millewa was further expanded. We are also in talks to explore the prospect for exporting the consumer products manufactured by us.

Our subsidiary which carries out our distribution activities island-wide, Darley Butler & Co. Ltd. incurred a loss before tax of Rs. 16.1 million on a turnover of Rs. 3.2 billion. This was mainly on account of higher distribution costs and finance charges. The Company has signed up for distributing new lines of fast moving consumer products from international principal

for distribution, which should improve revenues and restore profitability in the current year. Our subsidiary Muller & Phipps and its subsidiary which distributes pharmaceutical products island-wide earned a profit of Rs. 44 million on a turnover of Rs. 427 million.

Laxapana Batteries PLC performance was far from satisfactory. The turnover for the current year was Rs. 115.9 million as against a turnover of Rs. 316.6 million achieved during the previous year. The Company registered a loss before tax of Rs. 81.2 million during the year in comparison to the profit before tax of Rs. 12.8 million achieved during the preceding year. The loss before tax was enlarged due to a charge of Rs. 41.2 million to account for extraordinary provisions, which includes provision for machinery impairment amounting to Rs. 24.1 million. Although we continue to manufacture the D-sized batteries from the impaired plant, further decline in sales is anticipated this year. The medium term strategy of the Company is to develop trading activities in lighting and energy related products taking advantage of its strength in sales and brand loyalty.

Lankem Ceylon PLC continued the outstanding success they have achieved in the past, in the current year as well. All the divisions other than Consumer Division achieved their budgets in terms of turnover and profitability with most of them far outstripping the budget.

The Crop Protection Division continued the significant performance of the previous years into this year in spite of adverse trading and regulatory conditions. The division's policy of diversification by setting up discreet divisions for its diversified activities paid dividend, with each of the divisions turning out a healthy profit. The fledgling Sun Agro Foods commenced on an ambitious maize out grower project which promises good returns to the Company. The newly constructed Crop Protection Products Factory at Pannala, exhibited their assurance for Corporate Social Responsibility and to deliver products of quality by receiving the respective ISO accreditations. The Crop Protection Division with its planned future developments would prove to be the outstanding performer in the food production related activity of the Company.

Management Review

The construction industry, which suddenly went into dormancy after a brief period of hyper-activity consequent to achieving peace in the country, has shown signs of awakening again. Taking advantage of this resurgence, the Paint industry recorded a very commendable growth during the year. Although there was a turnover jump from the previous year, the sharp increase in the price of paint raw materials adversely affected the profitability. Notwithstanding the fierce competition and the impact of escalating raw material prices, the Paints Division grew by 21% in value terms over the previous year. The commendable performance of the division should also be attributed to an exhaustive programme to install a much stronger and widely represented distribution network.

The continuing unsettled political climate in the oil producing countries challenged the Industrial Chemical Division's performance as well, with the prices of raw materials being unstable and prone to sharp market fluctuations. Although the Solvent sales recorded a negative growth it is heartening to note that even in this period of market turmoil we maintained the market leadership for Thinners and progressed to introduce new variants dovetailing products to varied users. The new Industrial Chemical Factory Complex commissioned during the year is a facility with the state of the art blending and drumming capability, and an underground Solvent Storage Facility. A high point in the division's negotiations is the agreement with DuPont for the distributorship of Solae products and Suva Refrigerant gases.

Another creditable achievement within the Divisions of Lankem is the performance of the Bitumen Division in achieving the profitability budgeted for the year. The high priority placed by the Government for road construction provided the impetus for the turnaround of the division. To provide an efficient service while maintaining high standards of product quality, the division modernized its fleet of product delivery vehicles which received the appreciation of our customers as well.

The Consumer Division recorded an operational loss for the year while the turnover too dropped drastically from that achieved during the previous year. However, in spite of the depressing

performance of the division, we are confident that they have the capability of transforming itself to a profit making unit. The division has already identified the potential to step into the production Laundry Soap and plans are well under way to initiate this project. The hitherto imported Detergent Powder is now to be manufactured locally to improve on the profitability and the quality of the product.

The Collective Agreement for the Plantation workers which came into effect from 1st April, 2011, has cost the Plantation industry over Rs. 5.2 billion. Clearly the industry could not afford such a steep increase in wages and consequently the Tea industry had a financially disastrous year. The price for exported tea which had been firm in the past was affected negatively by the events in the Middle East and the economic instability in the Euro Zone. With the strong buying by China, the Rubber prices held strong. Due to the reasons stated above Agarapatana Plantations Ltd. operated at a loss of Rs. 555 million and Kotagala Plantations PLC operated at a satisfactory profit of over Rs. 438 million for the year.

Over the past few years we have been improving the working conditions in our Plantations and factories to meet international standards set by overseas buyers. A majority of our estates and factories now conform to these standards. The maintenance and compliance to this programme of standards is being continued. The poor operating results did not discourage us from investing in the Plantation's agricultural maintenance and replanting programmes. The sum spent on Capital Expenditure and replanting this year for both our Plantation companies is in excess of Rs. 900 million.

To further strengthen the crop diversity of our Plantations we have embarked on a programme to diversifying some of the old abandoned rubber lands into Oil Palm and expect to complete planting of 1,000 Hectares with Oil Palm by the end of the year 2014. In the High Grown Western and Uva regions we commenced planting rubber in the areas of the lower elevations in Uva. We are also diversifying the areas of poor yielding tea in the Uva into the Cinnamon crop. Sri Lanka is the acclaimed largest exporter of high quality Cinnamon and the crop currently is very profitable.

Management Review

Favoured by the prevalent optimistic conditions of the tourist industry, the Group's Leisure sector recorded a strong growth over that of the past year. The tourist arrivals into the country recorded an impressive 855,975 numbers for the year. This is an increase of 30% over that recorded for the previous year. We are confident that the Tourist Industry has the potential to progressively grow. Our subsidiary companies in the Leisure sector, Sirigiya Village Hotels PLC, Marawila Resorts PLC and Beruwela Resorts Ltd. all recorded improved operating profits. We continue to invest in upgrading all our properties and also construct additional rooms to achieve higher rates and to improve the sector's revenue. These investments will greatly improve our profitability from this sector into the future.

During the year we consolidated our presence in the Southern Coast of the country with the purchase of the Galle Fort Hotel (Pvt) Ltd. This acquisition marks the Group's entry into the Boutique Hotels Segment of the leisure industry. This lucrative segment of the industry with the potential for rapid growth is receiving our attention for continued investment. While the current economic downturn in key European markets poses a challenge to the tourism industry in the short term, we believe that the long term outlook remains positive and the Group is well positioned to be a leading player in this industry. The Group holds properties in the East Coast, Kandy and Weligama ready to be developed as the need arises to accommodate larger arrivals of tourists.

The C.W. Mackie Group of Companies recorded excellent results for the year with the export trading and the internal distribution activities. It achieved a turnover of Rs. 9.7 billion and a net profit after tax of Rs. 385.3 million. The Company exports thick Pale Crepe Rubber, Desiccated Coconut and through its subsidiary, technically specified rubber and specialized industrial sole crepe rubber.

In the domestic market the Company markets a range of leading brands of FMCG products under the house brand 'SCAN' and other leading brands as the popular Sunquick and Ovaltine.

The economic growth of the country is likely to contract during the current financial year after two successive years, during which the country achieved a growth rate of over 8%. Economists have predicted a lower growth rate of around 6.5% this year due to a range of economic issues that will adversely impact the economy in the current year. Our Management Teams are confident of maintaining sustainable growth and profitability of our business in the long term. The Group has also identified opportunities of overseas investment in areas of the strong expertise we possess and propose to transfer this competency to these overseas investments. The Group is in the process of investing over US\$ 70 million in developing approximately 20,000 Hectares of Rubber Plantations in Cambodia, the project commencing during the current financial year.

Our Group continues to be in a satisfactory financial position. All our businesses incur large amounts of capital expenditure in order to maintain a strategically important position in their business sectors. This is in addition to the investments in acquiring strategic businesses. Funding these capital requirements have all been from internally generated funds and borrowings. We have been able to raise the necessary debt capital at optimum cost due to the Company's adequate equity and asset base. Your Directors have recommended the payment of a first and final dividend of Rs. 10.00 per share for the year.

Board of Directors

A. Rajaratnam FCA

Chairman

Mr. A. Rajaratnam joined the Board in 1988 and was appointed Chairman in the year 2003. He serves as Chairman of The Colombo Fort Land & Building Company PLC (CFLB) and several listed and unlisted companies within the CFLB Group in addition to holding other Directorships within the Group.

S.D.R. Arudpragasam FCMA (UK)

Managing Director

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

S. Rajaratnam B.Sc., CA

Deputy Managing Director

Mr. S. Rajaratnam was appointed to the Board and as Deputy Managing Director in the year 2006. He holds a Bachelor of Science Degree in Business Administration from Boston College, USA and is a member of the Institute of Chartered Accountants in Australia. He has been associated with overseas companies in the field of Finance. He also serves on several Boards of The Colombo Fort Land & Building Group.

R.C.A. Welikala

Director

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

R.N. Bopearatchy B.Sc. (Cey.), Dip. BM,

MBA (Univ. of Col.)

Director

Mr. R.N. Bopearatchy was appointed to the Board in the year 2000. He has considerable expertise in product development, manufacturing and marketing of pesticides, pharmaceuticals and consumer products. Soon after graduation he was employed in Research in the Plant Pathology Division of the Tea Research Institute and subsequently joined Chemical Industries (Colombo) Ltd. and was appointed to its Board. He also served on the Boards of Crop Management Services (Pvt) Ltd., the Managing Agents for Mathurata Plantations Ltd., CIC Fertilizers Ltd. and Cisco Speciality Packaging (Pvt) Ltd. He has been a former Chairman of the Pesticide Association of Sri Lanka and the Toxicological Society of Sri Lanka and is now the President of the International Mosquito Spiral Manufacturers Association (IMSMA). Mr. R.N. Bopearatchy currently holds several other Directorships within The Colombo Fort Land & Building Group.

P.M.A. Sirimane FCA, MBA

Director

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

Board of Directors

A.R. Rasiah B.Sc. (Cey), FCA

Director

Mr. A.R. Rasiah was appointed to the Board as an Independent Non- Executive Director on 1st June, 2010. He possesses well over 30 years of experience in Finance at a very senior level both internationally and locally. He currently serves on some of the Boards of the E. B. Creasy Group, Ceylon Cold Stores PLC, Nations Trust Bank PLC and MTD Walkers PLC. He is a former (retired) Finance Director of Nestlé (Lanka) PLC. He has been a Visiting Lecturer on Finance and Accounts for Nestlé SA for Africa-Asia and Oceanic Regions. Mr. Rasiah is also a management consultant for Ceylon Pencil Company and is currently a Visiting Lecturer for MBA students on Finance at the Postgraduate Institute of Management (PIM). He is a former President of the Benevolent Society of The Institute of Chartered Accountants of Sri Lanka and a Committee Member of Sri Lanka Institute of Directors.

S.N.P. Palihena FCIB (UK), FIB (SL),

Postgrad. Dip. Bus. & FA

Director

Mr. S.N.P. Palihena was appointed to the Board as an Independent Non-Executive Director on 1st June, 2010. He also serves on the Boards of some of the subsidiaries in the E. B. Creasy Group. He was a former Chief Executive Officer/ General Manager of Bank of Ceylon and has had a distinguished banking career spanning almost forty years at the Bank of Ceylon. He has also worked at the National Development Bank of Sri Lanka for a period of over three years. Mr. Palihena is a former Director of the DFCC Bank. He currently holds Directorships in Softlogic Capital PLC and in several companies of the Hirdaramani Group.

Group Profile

The House of E. B. Creasy was founded in 1878 by Edward Bennet Creasy and incorporated as a limited liability company in 1929, becoming quoted on the local Stock Exchange in 1968.

The Company is among the pioneers of The Ceylon Chamber of Commerce having joined in 1890, while Darley Butler - a wholly owned-subsiary - enjoys the distinction of being one of the three oldest members since 1852.

Over the years E. B. Creasy has expanded by organic growth as well as by strategic acquisitions and now constitutes a diversified group spanning a wide spectrum of activities ranging from import, export, distribution and freight forwarding to formulating and trading in chemicals, hoteliering and plantation management.

E. B. Creasy & Company PLC

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

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

The Consumer Products Manufacturing Division produces a range of disposable razors, toothbrushes, toothpaste, ball point pens and mosquito coils which are market leaders.

Darley Butler & Co. Ltd.

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

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

E. B. Creasy Logistics Ltd.

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

Creasy Foods Ltd.

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

Laxapana Batteries PLC

The Company was incorporated as a public limited liability company in 1956. Carried on business under the name of Elephant Lite Corporation Ltd. previously. It was quoted on the Colombo Stock Exchange in 1982 and was the pioneer manufacturer of dry cell batteries in Sri Lanka. The Company manufactures two types of D size dry cell batteries using modern technology, under the Laxapana brand name and holds the SLS certification from the Sri Lanka Standards Institution. It has a fully-equipped laboratory to carry out all tests required for dry cell manufacture. The factory and offices are located at Homagama and employs over 150 people.

Group Profile

Lankem Ceylon PLC

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

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

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

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

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

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

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

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

Agarapatana Plantations Ltd.

Agarapatana Plantations Ltd. comprises of 25 tea estates with a total area of 10,486 hectares of which 7,621 hectares is planted with tea. The estates can be divided into two groups based on their location - the first group of 13 estates are in the Agarapatana Region while the remaining 12 are situated in Haputale/Bandarawela and all are in the high grown elevation category. Agarapatana Plantations Ltd. currently employs over 20,000 people.

Kotagala Plantations PLC

Kotagala Plantations PLC has 10 tea estates, 5 tea-cum-rubber estates and 9 rubber estates comprising a total extent of 12,965 hectares of which 3,398 hectares is planted with tea and 6,649 hectares with rubber. The tea estates in the high grown category are located in Kotagala, while the rubber estates and the tea-cum-rubber estates are in Horana/Neboda. Kotagala Plantations PLC presently has, in employment over 14,000 persons.

Lankem Tea & Rubber Plantations (Pvt) Ltd.

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

Lankem Plantation Holdings Ltd.

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

Group Profile

Sigiriya Village Hotels PLC

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

Beruwala Resorts Ltd.

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

Waverly Power (Pvt) Ltd.

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

Galle Fort Hotel (Pvt) Ltd.

Beruwala Resort Ltd. is the holding company of the Galle Fort Hotel (Pvt) Ltd. Company is carrying on Hoteliering.

Marawila Resorts PLC

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

Muller & Phipps (Ceylon) PLC

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

C.W. Mackie PLC

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

Enterprise Governance

Corporate Governance

Corporate Governance is a mechanism that strives to align the interests of a wide range of stakeholders; shareholders, customers, employees, communities and Government Authorities. The E.B. Creasy Group is committed to upholding the trust placed by the stakeholders, The Corporate Governance processes supports Business Governance enabling companies to focus on Strategic Direction, Implementation and Risk.

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

1. The Board of Directors

Board, Composition and Meetings

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

Names of Directors

Mr. A. Rajaratnam (<i>Chairman</i>)	- <i>Executive</i>
Mr. S.D.R. Arudpragasam (<i>Managing Director</i>)	- <i>Executive</i>
Mr. S. Rajaratnam (<i>Deputy Managing Director</i>)	- <i>Executive</i>
Mr. R.N. Boppearatchy	- <i>Non-Executive</i>
Mr. R.C.A. Welikala	- <i>Executive</i>
Mr. P.M.A. Sirimane	- <i>Executive</i>
Mr. A.R. Rasiah	- <i>Independent Non-Executive</i>
Mr. S.N.P. Palihena	- <i>Independent Non-Executive</i>

Decision-Making of the Board

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

The Board is responsible for:

- Determining the strategic direction of the Company and also setting the corporate values.
- Implementation and monitoring of business strategy of the Company.

- Ensuring of an effective internal control system and a proactive risk management system.
- Ensuring compliance with ethical, legal, health, environment and safety standards.
- Approval of Interim and Annual Financial Statements.
- Ensuring succession arrangements of the Board and top management are focused on and determining remuneration of senior executives.
- Approval of budgets, corporate plans, major capital investments, divestments and acquisitions.

Company Secretaries and Independent Professional Advice

The Company and all the Directors may seek advice from Corporate Managers & Secretaries (Pvt) Ltd. who are qualified to act as Secretaries as per the provisions of the Companies Act No. 7 of 2007. Advice is also sought from independent external professionals whenever the Board deems it necessary.

Independent Judgment

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

Financial Acumen

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

Board Balance

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

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

Enterprise Governance

Supply of Information

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

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

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

Appointments to the Board

The Board as a whole decides on the appointment of Directors in accordance with the Articles of Association of the Company. All appointments are approved by the Board of the Parent Company, The Colombo Fort Land & Building Company PLC.

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

Re-election of Directors

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

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

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

2. Directors Remuneration

Remuneration Committee

The Remuneration Committee of the Parent Company, The Colombo Fort Land & Building Company PLC functions as the Company's Remuneration Committee.

Disclosures of Remuneration

Aggregate remuneration paid to Directors is disclosed in Note 25 (c) to the Financial Statements on page 89.

3. Relations with Shareholders

Constructive use of AGM/General Meetings

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

Others

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

Major Transactions

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

Enterprise Governance

Price Sensitive Information

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

4. Accountability and Audit

Financial Reporting

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

Disclosures

The Annual Report of the Board of Directors is given on pages 17 to 20 in this Report. The Auditor's Report on the Financial Statements is given on pages 22 and 23 of this Annual Report. Financial information of business segments are given on pages 40, 41 and 90.

Going Concern

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

Internal Control

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

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

Audit Committee

The Audit Committee was reconstituted in August 2011. The Report of the Audit Committee is set out on pages 15 and 16.

Audit Committee Report

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

Composition

The Company's Audit Committee consists of members of the Audit Committee of The Colombo Fort Land & Building Company PLC (CFLB) (Ultimate Parent Company) and Independent Non-Executive Directors of E. B. Creasy & Company PLC.

The Committee which functioned until August, 2011 is as set out below;

Mr. R. Seevaratnam	- Chairman (Independent Non-Executive Director- CFLB)
Mr. A.M. de S. Jayaratne	- Member (Independent Non-Executive Director - CFLB)
Mr. R. Senathirajah	- Member (Non-Executive Director - CFLB)
Mr. A.R. Rasiah	- Member (Independent Non-Executive Director - EBCPLC)

The Committee was re-constituted as follows in August, 2011:

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

The members have varied experience, financial knowledge and business acumen to carry out their role effectively and efficiently.

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

Role of the Audit Committee

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

The Committee also reviewed the financial reporting system adopted by the Group in the preparations of its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and compliance thereof with the Sri Lanka Accounting Standards laid down by The Institute of Chartered Accountants of Sri Lanka. The methodology included obtaining statement of compliance by the Head of Finance and Directors-in-Charge of operating units.

The Committee recommended the Financial Statements to the Board of Directors for its deliberation and issuance. The Committee in its evaluation of the Financial Reporting System also recognized the adequacy of the content and the quality of routine management information and reports forwarded to its members.

The Committee ensures the independence of the External Auditors and confirms the compliance with the requirements under the Companies Act No. 7 of 2007 in relation to appointment, re-appointment and removal of the External Auditors. The Committee makes recommendations to the Board as appropriate. The External Auditors are duly appointed by the shareholders at the Annual General Meeting of each year. Further, The Audit Committee reviewed the management letter issued by the External Auditors and the management comments.

Audit Committee Report

Meetings and Attendance

The Audit Committee has met on four occasions during the year ended 31st March, 2012. The attendance of the former Committee was as follows:

Mr. R. Seevaratnam	-	(2/2)
Mr. A.M. de S. Jayaratne	-	(2/2)
Mr. R. Senathirajah	-	(1/2)
Mr. A.R. Rasiah	-	(2/2)

The attendance of the re-constituted Committee was as follows:

Mr. A.R. Rasiah	-	(2/2)
Mr. A.M. de S. Jayaratne	-	(2/2)
Mr. S.N.P. Palihena	-	(2/2)

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

External Audit

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

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

The Audit Committee has concurred to recommend to the Board of Directors the re-appointment of KPMG as Auditors for the financial year ending 31st March, 2013 subject to the approval of the shareholders at the Annual General Meeting.

Conclusion

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



A.R. Rasiah
Chairman,
Audit Committee

30th May, 2012

Annual Report of the Board of Directors

The Board of Directors of E. B. Creasy & Company PLC present their Report on the affairs of the Company together with the Audited Financial Statements for the year ended 31st March, 2012.

The details set out herein provide the pertinent information required by the Companies Act No. 7 of 2007, and the Colombo Stock Exchange Listing Rules and are guided by recommended best practices.

Principal Activities, Business Review/ Future Developments

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

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

Financial Statements

The Financial Statements of the Company are given on pages 24 to 94.

Auditors' Report

The Auditors' Report on the Financial Statements is given on pages 22 and 23.

Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 29 to 39. There were no changes in the Accounting Policies adopted.

Interest Register

Directors' Interest in Transactions

The Directors have made general disclosures as provided for in Section 192 (2) of the Companies Act No. 7 of 2007. Arising from this, details of contracts in which they have an interest are disclosed in Note 25 (b) to the Financial Statements on page 79.

Directors' Interest in Shares

The Directors of the Company who have an interest in the shares of the Company have disclosed their shareholdings and any acquisitions/disposals to the Board in compliance with Section 200 of the Companies Act No. 7 of 2007.

Details pertaining to Directors direct and indirect shareholdings are set out below:

Name of Director	No. of Shares as at 31.03.2012	No. of Shares as at 31.03.2011
Mr. A. Rajaratnam	140	140
Mr. S.D.R. Arudpragasam	2,300	2,300
Mr. S. Rajaratnam	–	–
Mr. R.N. Bopearatchy	–	–
Mr. R.C.A. Welikala	–	–
Mr. P.M.A. Sirimane	–	–
Mr. A.R. Rasiah	–	–
Mr. S.N.P. Palihena	–	–

Directors' Remuneration

Directors' remuneration in respect of the Group for the financial year 2011/12 is given in Note 25 (c) to the Financial Statements on page 89 (2010/11 - Rs. 227.25 million) and in respect of the Company for the financial year 2011/12 is Rs. 73.29 million (2010/11 - Rs. 61.93 million).

Corporate Donations

Donations made by the Group amounted to Rs. 3.7 million (2010/11 - Rs. 0.66 million).

Annual Report of the Board of Directors

Directorate

The names of the Directors who held office during the financial year and who are currently in office are listed below. Brief profiles of the Directors appear on pages 7 and 8.

Mr. A. Rajaratnam	- <i>Chairman</i>
Mr. S.D.R. Arudpragasam	- <i>Managing Director</i>
Mr. S. Rajaratnam	- <i>Deputy Managing Director</i>
Mr. R.N. Bopearatchy	- <i>Director</i>
Mr. R.C.A. Welikala	- <i>Director</i>
Mr. P.M.A. Sirimane	- <i>Director/ Chief Financial Officer</i>
Mr. A.R. Rasiah	- <i>Director</i>
Mr. S.N.P. Palihena	- <i>Director</i>

In terms of Articles 91 and 92 of the Articles of Association Mr. S.N.P. Palihena retires by rotation and being eligible offers himself for re-election.

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

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

Auditors

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

The Auditors, Messrs KPMG were paid Rs. 13.15 million during the year under review (2010/11 - Rs. 10.7 million) as audit fees and fees for audit related services by the Group. In addition, they were paid Rs. 4.04 million (2010/11 - Rs. 1.87 million) by the Group for non-audit related work, which consisted mainly of tax related work.

In addition to the above, Group companies are engaged with other audit firms. Audit fees in respect of these firms amounted to Rs. 5.52 million during the year under review (2010/11 - Rs. 5.19 million).

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

Revenue

The revenue of the Group for the year was Rs. 27,861.32 million (2010/11 - Rs. 26,243.38 million).

Results

The Group made a profit before tax of Rs. 2,085.66 million against a profit of Rs. 2,382.12 million in the previous year. The detailed results are given in the Income Statement on page 24.

Dividends

The Board of Directors have recommended the payment of a first and final dividend of Rs. 10/- per share on the ordinary shares of the Company for the year ended 31st March, 2012 for approval by the shareholders at the Annual General Meeting to be held on 29th June, 2012. The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No. 7 of 2007 for the dividend proposed. A solvency certificate has been sought from the Auditors in respect of the aforementioned dividend.

Annual Report of the Board of Directors

Investments

Investments made by the Group are given in Notes 12.2.2 and 12.3 on pages 55 to 56.

Property, Plant & Equipment

During 2011/12, the Group invested Rs. 2,290.25 million in Property, Plant & Equipment (2010/11 - Rs. 1,741.97 million). Further, your Directors are of the opinion that the net amounts at which land and other property, plant & equipment appear in the Balance Sheet are not greater than their market value as at 31st March, 2012.

Stated Capital

The stated capital of the Company as at 31st March, 2012 was Rs. 25.73 million and is represented by 2,535,458 issued and fully paid ordinary shares. There was no change in the stated capital during the year.

Reserves

The total Group reserves as at 31st March, 2012 comprised of revaluation reserve of Rs. 772.94 million, Capital Reserve on Consolidation of Rs. 100.55 million, general reserve of Rs. 148.43 million and retained earnings of Rs. 1,599.58 million whereas the total Group Reserves as at 31st March, 2011 comprised of Revaluation Reserve of Rs. 782.8 million, Capital Reserve on Consolidation of Rs. 100.55 million, General Reserves of Rs. 148.43 million and Retained Earnings of Rs. 971.25 million.

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

Taxation

The Group's liability to taxation has been computed in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto.

Income Tax and other taxes paid and liable by the Group are disclosed in Notes 1, 5 and 21 on pages 40,43 and 71.

Share Information

Information relating to earnings, dividend, net assets, market value per share and share trading is given on pages 45 and 96.

Events Occurring after the Balance Sheet Date

Events Occurring after the Balance Sheet date that would require adjustments to or disclosures are disclosed in Note 30 on page 92.

Capital Commitment and Contingent Liabilities

Capital commitments and contingent liabilities as at the Balance Sheet date are disclosed in Note 27 and 28 on pages 90 and 91.

Employment Policy

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

Shareholders

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

Statutory Payments

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

Environmental Protection

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

Annual Report of the Board of Directors

Internal Control

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


Going Concern

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

For and on behalf of the Board,



S. Rajaratnam
Director



R.C.A. Welikala
Director

By Order of the Board,



Corporate Managers & Secretaries
(Private) Limited
Secretaries

30th May, 2012

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Independent Auditors' Report



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(Chartered Accountants)
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF E. B. CREASY & COMPANY PLC

Report on the Financial Statements

We have audited the accompanying financial statements of E. B. Creasy & Company PLC (the "Company"), the consolidated financial statements of the Company and its subsidiaries as at 31st March 2012 which comprise the balance sheet as at 31st March 2012, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 24 to 94 the Annual Report.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and

perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

Company

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st March 2012 and the financial statements give a true and fair view of the Company's state of affairs as at 31st March 2012 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Group

As more fully described in the Note 8.2 (xiv) to the Financial Statements, the Group does not adopt uniform accounting policy for the measurement of Property, Plant & Equipment after initial recognition in the Financial Statements as required by SLAS 26 (Revised 2005), "Consolidated and Separate Financial Statements".

Independent Auditors' Report

In our opinion, except for the effect of the matter referred in the preceding paragraph, the consolidated financial statements give a true and fair view of the state of affairs as at 31st March 2012 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Emphasis of Matter

Without further qualifying our opinion we draw attention to Note 32 to these Financial Statements regarding matters that may cast significant doubt that the respective Group Companies will be able to continue as a going concern

Report on Other Legal and Regulatory Requirements

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



Chartered Accountants

30th May, 2012
Colombo

KPMG, a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA

Ms. M.P. Perera FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne ACA
R.M.D.B. Rajapakse ACA

Principals - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA

Income Statement

For the Year ended 31st March,	Note	GROUP		COMPANY	
		2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Revenue	1	27,861,318	26,243,384	1,813,138	1,555,977
Cost of Sales		(22,702,728)	(20,597,863)	(1,201,021)	(1,000,507)
Gross Profit		5,158,590	5,645,521	612,117	555,470
Other Income	2	1,378,718	462,328	22,681	44,285
Distribution Expenses		(1,656,162)	(1,523,938)	(207,344)	(246,657)
Administrative Expenses		(2,234,892)	(1,750,792)	(262,604)	(223,423)
Other Expenses		(60,701)	(258)	–	–
Excess on Acquisition		107,104	110,178	–	–
Net Finance Expenses	3	(607,000)	(560,916)	(92,415)	(41,845)
Profit before Taxation	4	2,085,657	2,382,123	72,435	87,830
Income Tax Expenses	5	(299,924)	(286,166)	9,387	4,705
Profit after Taxation		1,785,733	2,095,957	81,822	92,535
Attributable to:					
Equity Holders of the Parent		369,764	681,141	81,822	92,535
Minority Interest		1,415,969	1,414,816	–	–
Profit for the Year		1,785,733	2,095,957	81,822	92,535
Earnings per Share (Rs.)	6	145.86	268.65	32.28	36.50
Dividend per Share (Rs.)	7	6.00	7.00	6.00	7.00

The Accounting Policies and Notes on pages 29 to 94 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Balance Sheet

As at 31st March,	Note	GROUP		COMPANY	
		2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
ASSETS					
Non-Current Assets					
Property, Plant & Equipment	8	11,246,210	9,877,598	1,040,845	1,013,333
Investment Property	9	46,729	50,753	–	–
Leasehold Land	10	431,130	444,118	–	–
Intangible Assets	11	532,279	333,149	–	–
Investments in Subsidiaries	12.1	–	–	614,736	616,570
Other Long-Term Investments	12.2	53,696	40,365	430	215
Defined Benefit Obligations Plan Assets	22.1	112,283	107,701	–	–
Deferred Tax Asset	21.1	30,429	19,674	–	–
Total Non-Current Assets		12,452,756	10,873,358	1,656,011	1,630,118
Current Assets					
Inventories	13	3,322,615	3,293,356	414,900	340,772
Amount Due from Related Companies	14	700,643	147,807	66,613	5,759
Trade and Other Receivables	15	4,852,957	4,227,953	213,187	130,312
Income Tax Refund Due		159,991	26,259	–	–
Short-Term Investments	12.3	365,066	47,008	–	–
Cash & Cash Equivalents	16.1	1,871,696	1,354,891	5,151	19,317
Total Current Assets		11,272,968	9,097,274	699,851	496,160
Total Assets		23,725,724	19,970,632	2,355,862	2,126,278
EQUITY AND LIABILITIES					
Equity					
Stated Capital	17	25,731	25,731	25,731	25,731
Capital Reserves	18.1	873,492	883,347	525,659	525,659
General Reserves	18.2	148,427	148,427	9,548	9,548
Retained Earnings		1,599,585	971,252	312,324	245,715
Equity Attributable to Equity Holders of the Parent		2,647,235	2,028,757	873,262	806,653
Minority Interest		5,075,138	5,198,621	–	–
Total Equity		7,722,373	7,227,378	873,262	806,653
Non-Current Liabilities					
Interest-Bearing Loans and Borrowings	19.1	2,782,802	2,882,522	164,250	146,093
Deferred Income and Capital Grants	20	553,092	560,883	–	–
Deferred Tax Liability	21.2	416,419	327,790	30,818	40,235
Retirement Benefit Obligations	22.2	1,879,808	1,767,849	92,762	83,003
Amount Due to Related Companies	24	–	–	153,962	153,962
Total Non-Current Liabilities		5,632,121	5,539,044	441,792	423,293
Current Liabilities					
Interest-Bearing Loans and Borrowings	19.2	3,092,184	2,461,544	322,311	305,450
Income Tax Payable		148,791	173,950	–	16
Trade and Other Payables	23	3,868,328	3,136,647	399,436	358,712
Amount Due to Related Companies	24	501,826	108,810	136,337	129,850
Bank Overdraft	16.2	2,760,101	1,323,259	182,724	102,304
Total Current Liabilities		10,371,230	7,204,210	1,040,808	896,332
Total Equity, Minority Interest and Liabilities		23,725,724	19,970,632	2,355,862	2,126,278

The Accounting Policies and Notes on pages 29 to 94 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

I certify that the Financial Statements are prepared in compliance with the requirements of the Companies Act No. 7 of 2007.



P.M.A. Sirimane
Chief Financial Officer

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



S. Rajaratnam
Director



R.C.A. Welikala
Director

30th May, 2012
Colombo

Statement of Changes in Equity

GROUP

	Attributable to Equity Holders of Parent					Total	Minority Interest	Total
	Stated Capital	Capital Reserves on Consolidation	Revaluation Reserve	General Reserve	Retained Earnings			
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000			
Balance as at 31st March 2010	25,731	100,549	785,798	148,427	230,924	1,291,429	3,226,421	4,517,850
Transfer of Revaluation Surplus	-	-	(3,000)	-	3,000	-	-	-
Revaluation Surplus Transferred To Deferred Tax	-	-	-	-	98	98	97	195
Reversal of Revaluation Surplus on Assets Written-Off	-	-	-	-	(28)	(28)	(27)	(55)
Adjustment due to Change in Holding	-	-	-	-	(8,454)	(8,454)	8,454	-
Net of Acquisition/(Disposal) of Subsidiary	-	-	-	-	-	-	827,973	827,973
Dividend Payment - Ordinary Shares	-	-	-	-	(17,748)	(17,748)	(196,794)	(214,542)
Adjustment due to Debit Balance in Minority Interest	-	-	-	-	82,319	82,319	(82,319)	-
Profit for the Year	-	-	-	-	681,141	681,141	1,414,816	2,095,957
Balance as at 31st March 2011	25,731	100,549	782,798	148,427	971,252	2,028,757	5,198,621	7,227,378
Reversal of Revaluation Surplus on Assets Written-Off	-	-	(10,677)	-	-	(10,677)	(11,085)	(21,762)
Deferred Tax	-	-	822	-	-	822	771	1,593
Adjustment due to Change in Holding	-	-	-	-	523	523	(523)	-
Net of Acquisition/(Disposal) of Subsidiary	-	-	-	-	-	-	(835,592)	(835,592)
Dividend Payment - Ordinary Shares	-	-	-	-	(15,213)	(15,213)	(419,764)	(434,977)
Adjustment due to Debit Balance in Minority Interest	-	-	-	-	273,259	273,259	(273,259)	-
Profit for the Year	-	-	-	-	369,764	369,764	1,415,969	1,785,733
Balance as at 31st March 2012	25,731	100,549	772,943	148,427	1,599,585	2,647,235	5,075,138	7,222,373

COMPANY

	Stated Capital	Revaluation Reserve	General Reserve	Retained Earnings	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 31st March 2010	25,731	525,659	9,548	170,928	731,866
Profit for the year	-	-	-	92,535	92,535
Dividend for the year	-	-	-	(17,748)	(17,748)
Balance as at 31st March 2011	25,731	525,659	9,548	245,715	806,653
Profit for the year	-	-	-	81,822	81,822
Dividend for the year	-	-	-	(15,213)	(15,213)
Balance as at 31st March 2012	25,731	525,659	9,548	312,324	873,262

The Accounting Policies and Notes on pages 29 to 94 form an integral part of the Financial Statements.

Figures in brackets indicate deductions.

Cash Flow Statement

For the year ended 31st March,	GROUP		COMPANY	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
A. Cash Generated from Operations				
Profit Before Tax	2,,085,657	2,382,123	72,435	87,830
Adjustments for:				
Depreciation on Property, Plant & Equipment	667,441	484,463	71,278	49,081
Depreciation on Investment Property	4,024	5,030	–	–
Provision for Impairment on Property, Plant & Equipment	8,965	7,925	–	–
Profit/(Loss) on Disposal of Property, Plant & Equipment	(43,470)	(25,464)	(3,287)	2
(Gain)/Loss on Translation of Foreign Currency	52,763	(13,393)	–	–
Profit/(Loss) on Disposal of Investments	(831,803)	(115,930)	(212)	(10,165)
Provision/(Reversal) for Bad and Doubtful Debts	11,416	41,355	438	(7,918)
Provision/(Reversal) for Bad and Doubtful Related Party	(60,589)	(58,645)	264	264
Provision for Falling Value of Inventories	20,470	13,946	3,014	5,274
Provision for Retiring Gratuity	382,640	361,873	17,490	15,288
Amortization of Deferred Income & Capital Grants	(19,001)	(18,353)	–	–
Interest Income	(6,024)	(10,711)	(104)	(87)
Dividend Received	(237,024)	(92,841)	(15,876)	(30,931)
Interest Expenses	646,015	635,846	87,805	55,199
Amortization of Leasehold Land	12,988	12,965	–	–
Amortization of Trademark	172	383	–	–
	2,694,640	3,610,572	233,245	163,837
(Increase)/Decrease in Inventories	(41,634)	(995,131)	(77,142)	(84,910)
(Increase)/Decrease in Trade and Other Receivables	(586,129)	(1,196,027)	(83,312)	19,615
(Increase)/Decrease in Related Party Receivables	(492,247)	151,779	(61,117)	38,934
Increase/(Decrease) in Related Party Payables	393,017	(157,431)	6,485	107,705
Increase/(Decrease) in Trade and Other Payables	726,304	(38,762)	40,721	112,790
	2,693,951	1,375,000	58,880	357,971
Cash Flows from Operating Activities				
Cash Generated from Operations (Note A)	2,693,951	1,375,000	58,880	357,971
Gratuity Paid	(276,215)	(125,323)	(7,731)	(2,675)
Interest Paid	(541,723)	(509,683)	(78,027)	(47,914)
Income Taxes Paid	(385,573)	(192,711)	(46)	(12,044)
Net Cash Flows from Operating Activities	1,490,440	547,283	(26,924)	295,338
Cash Flows from Investing Activities				
Purchase and construction of Property, Plant & Equipment	(2,246,945)	(1,140,645)	(98,800)	(152,106)
Proceeds on Disposal of Property, Plant & Equipment	549,381	251,560	3,297	153
Purchase of Leasehold Land	–	(2,555)	–	–
Acquisition of Subsidiary (Note 29)	(377,611)	(221,341)	–	–
Proceeds from Sale of Investments	–	131,279	2,047	35,699
Purchase of Other Long-Term/Short-Term Investment	(331,389)	–	(215)	(395,467)
Dividend Received	237,024	92,841	15,876	30,931
Interest Received	6,024	10,711	104	87
Net Payments to Minority Shareholders	(419,764)	(196,794)	–	–
Net Cash Flows from Investing Activities	(2,583,280)	(1,074,944)	(77,691)	(480,703)

Cash Flow Statement

For the year ended 31st March,	GROUP		COMPANY	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Cash Flows from Financing Activities				
Lease Rental Paid	(215,784)	(120,504)	(34,341)	(31,386)
Proceeds from Long-Term Loans	577,081	1,019,675	45,000	175,307
Payment of Long-Term Loans	(566,780)	(726,389)	(47,425)	(69,372)
Proceeds of Short-Term Loans	182,289	638,087	62,009	141,534
Debentures Borrowed	200,000	150,000	–	–
Capital Grants Received	11,210	69,144	–	–
Dividends Paid	(15,213)	(17,748)	(15,213)	(17,748)
Net Cash Flows from Financing Activities	172,803	1,012,265	10,030	198,335
Net Increase/(Decrease) in Cash & Cash Equivalents	(920,037)	484,604	(94,585)	12,970
Cash & Cash Equivalents at the beginning of the Year	31,632	(452,972)	(82,987)	(95,957)
Cash & Cash Equivalents at the End of Period (Note B)	(888,405)	31,632	(177,572)	(82,987)
B. Analysis of Cash & Cash Equivalents				
Bank Borrowings	(2,760,101)	(1,323,259)	(182,724)	(102,304)
Cash in Hand and at Bank	1,871,696	1,354,891	5,151	19,317
	(888,405)	31,632	(177,573)	(82,987)

The Accounting Policies and Notes on pages 29 to 94 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Accounting Policies

1. Reporting Entity

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

The Consolidated Financial Statements of E. B. Creasy & Company PLC, as at and for the year ended 31st March, 2012 comprises the Company and its subsidiaries (together referred to as the 'Group'). The principal activities of the Company are manufacturing of consumer products, marketing hardware and automotive accessories and freight forwarding.

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

2. Basis of Preparation

2.1 Statement of Compliance

The Financial Statements of the Company and those consolidated with such comprise the Balance Sheet, Statements of Income and Statement of Changes in equity and Cash Flow statement together with the Accounting Policies and Notes to the Financial Statements. These statements are prepared in accordance with the Sri Lanka Accounting Standards (SLASs) promulgated by The Institute of Chartered Accountants of Sri Lanka (ICASL) and with the requirement of Companies Act No. 07 of 2007.

The Financial Statements were authorised for issue by the Board of Directors on 30th May, 2012.

2.2 Basis of Measurement

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

2.3 Functional and Presentation Currency

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

2.4 Use of Estimates and Judgments

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (SLASs) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements is included in the following notes:

3. Significant Accounting Policies

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

Comparative information has where necessary been reclassified to conform to the current year's presentation.

The Directors have made an assessment of the Group's ability to continue as a going concern in the foreseeable future, and they do not foresee a need for liquidation or cessation of trading.

3.1 Basis of Consolidation

3.1.1 Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable are also taken into account. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

The interest of the outside shareholders of the Group is disclosed separately under the heading of 'minority interest'.

A listing of the Group's subsidiaries is set out in Note 12.4 of the Financial Statements.

Accounting Policies

3.1.2 Acquisitions of Entities Under Common Control

The purchase method of accounting is used to account for the acquisition of subsidiary by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the Income Statement.

3.1.3 Transactions Eliminated on Consolidation

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

3.2 Foreign Currency

3.2.1 Foreign Currency Transactions

In preparing the Financial Statements all transactions involving foreign currencies are recorded in the functional currencies (Rupees) using the exchange rates prevailing at the dates of the transactions. At each Balance Sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the Balance Sheet date. Non-monetary items carried at fair value or historical cost is translated at the rates prevailing on, the date when the fair value was determined or the date of transaction. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

3.3 Assets and Bases of Their Valuation

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

3.3.1 Property, Plant & Equipment

3.3.1.1 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.

3.3.1.2 Owned Assets

The cost of an item of property, plant and equipment comprise its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to the working condition for its intended use. This also includes cost of dismantling and removing the items and restoring in the site on which they are located.

The Group revalues land and building at least once in every three years which is stated at its fair value at the date of revaluation less depreciation and impairment losses, if any. On revaluation of land and building any increase in the revaluation amount is credited to the revaluation reserve unless it offsets a previous decrease in value of the same assets that was recognized in the Income Statement. A decrease in value is recognized in the Income Statement where it exceeds the increase in the previous year recognized in the revaluation reserves. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to accumulated profits and is not taken into accounts in arriving at the gain or loss on disposal. The details of land and building revaluation are disclosed in Note 8 to the Financial Statements.

Accounting Policies

Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

3.3.1.3 Leased Assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

The corresponding principal amount payable to the lessor is shown as a liability. The interest element of the rental obligation applicable to each financial year is charged to the Income Statement over the period of lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

3.3.1.4 Subsequent Costs

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

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

3.3.1.5 Derecognition

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

3.3.1.6 Depreciation

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

Depreciation is recognized in the Income Statement on a straight line basis over the estimated useful lives of each part of an item of Property, Plant & Equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless that it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives are as follows:

Type of Assets	No. of years
Freehold Building	10-50 years
Building on Leasehold Land	40 years or period of the lease whichever is less
Plant & Machinery	5-13 years
Motor Vehicles	3.3-10 years
Furniture, Fixtures & Fittings	5-20 years
Computers	4-6 years
Laboratory Equipment	4-5 years

Depreciation of an asset begins when it is available for use where as depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

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

3.3.2 Intangible Assets

3.3.2.1 Goodwill

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

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

3.3.2.2 Other intangible assets

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

Accounting Policies

3.3.2.3 Amortization

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

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

3.3.3 Investments

3.3.3.1 Classification

Investments in subsidiaries of the Company are treated as long-term investments and stated at cost. Other investments which are held for yield or capital appreciation are also classified as long-term investments that are intended to be held for trading purposes are classified as short-term investments.

3.3.3.2 Valuation

Quoted and unquoted investments in shares held on long-term basis are measured initially at cost.

In the Parent Company's Financial Statements, investments in subsidiaries and Equity Accounted investees are carried at cost less impairment losses.

Provision for impairment is made when in the opinion of the Directors there has been a decline which is other than temporary in the value of the investment.

Short-term investments are measured at the lower of cost and market value on an aggregate portfolio basis, with any resultant gain or loss recognized in the Income Statement.

3.3.3.3 Cost

Cost of investments is the cost of acquisition including brokerage, commission and other fees.

3.3.3.4 Diminution in Carrying Value

Diminution in carrying value of investments are deemed to be permanent where the Investee Company and/or Auditors have qualified their opinion on the going concern status, and/or operations have resulted in net losses and these losses are expected to continue, and/or where the core business has become non-viable due to environmental and/or other concerns, and/or where the industry/sector has an uncertain outlook due to environmental and/or other concerns.

3.3.4 Investment Property

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

3.3.5 Inventories

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

3.3.6 Trade and Other Receivables

Trade and other receivables are stated at the values estimated to be realised after providing for bad and doubtful debts.

The Company identifies the specific receivables, which are not realizable, and make specific provision for them.

3.3.7 Cash and Cash Equivalents

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

Accounting Policies

3.3.8 Impairment of Assets

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

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

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

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

Impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. 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 amortization, if no impairment loss had been recognized.

3.4 Liabilities and Provisions

Liabilities classified as current liabilities on the Balance Sheet are those obligation payable on demand or within one (1) year from the Balance Sheet date. Items classified as non-current liabilities are those obligations which expire beyond a period of one (1) year from the Balance Sheet Date.

All known liabilities have been accounted for in preparing the Financial Statements. Provisions and liabilities are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation.

3.4.1 Retirement Benefit Obligation

3.4.1.1 Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to provident and trust funds covering all employees are recognized as an expense in profit and loss in the periods during which services are rendered by employees.

3.4.1.2 Defined Benefit Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognized in the Balance Sheet in respect of defined benefit plan is the present value of defined benefit obligation at the Balance Sheet date. The defined benefit obligation is calculated annually by independent actuaries using Project Unit Credit (PUC) method as recommended by SLAS 16 (Revised 2006) - 'Employee Benefits'. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows. The gratuity liability was based on the actuarial valuation carried out.

The Company expects to carry out actuarial valuations once in every three years. However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for the gratuity payments to an employee arise only on the completion of 5 years of continued service with the Company.

Accounting Policies

3.4.1.3 Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

All employees who are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions are covered by relevant contribution funds in line with the relevant statutes. Employer's contributions to the defined contribution plans are recognized as an expense in the Income Statement when incurred.

3.4.2 Provisions

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

3.4.3 Trade and Other Payables

Trade and other payables are stated at their cost.

3.4.4 Stated Capital

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

3.4.5 Capital Commitments and Contingent Liabilities

Capital commitments and contingencies which exist as at the Balance Sheet date are disclosed in the respective notes to the Financial Statements

3.5 Income Statement

3.5.1 Revenue

3.5.1.1 Revenue recognition

Revenue principally is recognized on an accrual basis in terms of Sri Lanka Accounting Standard 29. Revenue from sale of goods is recognized in the Income Statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognized in the Income Statement on completion of service. Interest income is accounted in the Income Statement on the accrual basis. Dividend income is accounted when the shareholders' right to receive payment is established.

The profit earned by the Company before taxation as shown in the Income Statement is after making provision for all known liabilities and for depreciation of Property, Plant & Equipment.

Gains and losses of revenue nature on the disposal of Property, Plant & Equipment have been accounted for in the Income Statement.

3.5.1.2 Net Financing Income/Costs

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

3.5.1.3 Other Income

Other income is recognized on an accrual basis. Net gains and losses of a revenue nature on the disposal of Property, Plant & Equipment and other non-current assets including investments have been accounted for in the Income Statement, having deducted from proceeds on disposal, the carrying amount of the assets and related expenses.

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

3.5.2 Expenditure Recognition

All expenditure incurred in running the business and in maintaining the capital assets in a state of efficiency have been charged to Income Statement in arriving at the profit for the period. 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.

Accounting Policies

3.5.2.1 Borrowing costs

Borrowing costs are recognized as an expense in profit and loss in the period in which they are incurred, except to the extent that they are attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalized as part of the cost of that asset. The amount of borrowing costs to be capitalized is determined in accordance with the allowed alternative treatment in SLAS 20 - Borrowing Costs.

3.5.3 Taxation

3.5.3.1 Current Taxes

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

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

3.5.3.2 Deferred Taxation

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

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

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

The carrying amount of deferred tax assets and deferred tax liabilities are reviewed at each Balance Sheet date.

3.6 Policies Specific To Plantation Companies

The plantation companies in the Group adopt certain accounting policies, which differ from that of the Group since the nature of operation of the plantation companies is significantly different from that of the rest of the Group. The accounting policies adopted by the plantation companies are in accordance with Sri Lanka Accounting Standard (SLAS) 32- 'Plantations'.

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

3.6.1 Immature and Mature Plantations

The cost of replanting and new planting is classified as immature plantations up to the point of harvesting the crop.

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

The cost of areas coming into bearing is transferred to mature plantations and depreciated over their estimated useful lives. No depreciation has been charged in the year of transfer.

3.6.2 Infilling Cost

Where infilling results in an increase in the economic life of relevant fields beyond its previously assessed standard of performance, the costs are capitalized in accordance with Sri Lanka Accounting Standard 32 - Plantations and are depreciated over its useful life at rates applicable to mature plantations.

Infilling costs that are not capitalized are charged to the Income Statement as an expense in the year in which they are incurred.

Accounting Policies

3.6.3 Depreciation

Depreciation is recognized in the Income Statement on a straight-line basis over the useful lives of each item of Property, Plant & Equipment other than freehold land as follows:

Type of Assets	No. of Years
Freehold Assets	Useful life
Buildings	20-40 years
Plant & Machinery	8-13 1/3 years
Furniture & Fittings	7-10 years
Motor Vehicles	5-10 years
Sanitation, Water & Electricity Supply Equipment	10 years
Mature Plantations - Tea	7-8 years
- Rubber	13 - 33 years
Roads	20 -25 years
	25 years

Leased Assets

Leasehold rights are amortized/depreciated in equal annual amounts over the following periods:

Type of Assets	No. of Years
Bare Land	53 years
Improvement to land	30 years
Mature Plantations	
- Tea & Rubber	30 years
- Others	25 years
Roads & Bridges	40 years
Buildings	25 years
Fences & Securities	20 years
Machinery	15 years
Power Augmentation	20 years
Vestors Tea	30 years
Land Development Cost	30 years
Water Supply Scheme	30 years

Depreciation of assets begins when an assets is available for use, whereas depreciation of an assets ceases at the earlier of the date that the assets is classified as held for sale and the date that the assets is derecognized.

3.6.4 Permanent Land Development Costs

Permanent land development costs are those costs incurred to make major changes to land contours to build new access roads and other major infrastructure development. Such expenditure on leasehold land has been capitalized and amortized over the remaining lease periods.

Permanent impairments to land development costs are recognized in profit and loss in full or reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

3.6.5 Limited Life Land Development Costs (Immature & Mature Plantations)

The cost of new planting, replanting, inter-planting and crop diversification incurred between the time of field development and being ready for commercial harvesting is classified as immature plantations. Further, the general charges incurred on the plantation are apportioned on the labour days spent on respective replanting and new planting and capitalized on the immature areas. The remaining portion of the general charges is recognized in profit and loss in the year in which it is incurred. No depreciation is provided for immature plantation.

The total expenditure incurred on perennial crops (Tea & Rubber) which come into bearing during the year have been transferred to mature plantations and depreciated over its useful life time.

No depreciation has been charged on mature plantations in the year of transfer.

Permanent impairments to land development costs are recognized in profit and loss in full or reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

3.6.6 Inventories

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

Input Material

At average cost.

Growing Crop - Nurseries

At the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads less provision for overgrown plants.

Accounting Policies

Harvested Crop

Valued at estimated selling prices or realisable prices.

Produce Stock

Valued at estimated selling prices or realizable prices.

Spares and Consumables

At actual cost.

3.6.7 Retirement Benefit Obligations

The Retirement Benefit Plan adopted is as required under the Payment of Gratuity Act No. 12 of 1983 and the Indian Repatriate Act No. 34 of 1978 to eligible employees. This item is grouped under Retirement Benefit Obligations in the Balance Sheet.

All Workers and Staff

Provision of gratuity for all workers and staff is on an actuarial basis, using the Projected Unit Credit (PUC) method as recommended by, SLAS 16 (Revised 2006). The actuarial valuation was carried out by a professionally qualified actuary firm Messrs Actuarial & Management Consultants (Pvt) Ltd., as at 31st March, 2012. The Company expects to carry out actuarial valuations once in every 2 years.

3.6.8 Defined Contribution Plans - Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contribution and Employees' Trust Fund contribution in line with the respective statutes and regulations. The Company contributes 12% and 3% of gross emoluments to Employees' Provident Fund and Employees' Trust Fund respectively.

3.6.9 Grants & Subsidies

3.6.9.1 Capital Nature Grants and Subsidies

Grants and subsidies are credited to the Income Statement over the periods necessary to match them with related costs which they are intended to be compensated on a systematic basis. Grants related to assets, including non-monetary grants at fair value is deferred in the Balance Sheet and credited to the Income Statement over useful life of the related assets. Grants related to income are recognized in the profit and loss in the period in which it is receivable.

3.6.9.2 Revenue Nature Grants and Subsidies

Grants and subsidies that compensate the Group for expenses incurred are recognized as revenue in the Income Statement on a systematic basis in the period in which the expenses are recognized. Grants that compensate the Group for the cost of an asset are recognized in the Income Statement over the useful life of the related assets.

3.6.10 Revenue Recognition

Profit or loss on perennial crops is recognized in the financial period of harvesting. Revenue from sale of produced stock is accounted on the basis of invoiced value less export duty, brokerage, cess, trade discounts and any other taxes on turnover.

3.6.11 Borrowing Cost

Borrowing costs are recognized as expense in the period in which they are incurred except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale is capitalized as part of the cost of that asset.

3.7 Policies Specific to Hotel Sector

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

3.7.1 Property, Plant & Equipment

3.7.1.1 Cost/Valuation

Property, Plant & Equipment are measured at cost/valuation less accumulated depreciation and accumulated impairment losses. The cost of Property, Plant & Equipment includes expenditures that are directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials, direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use.

Accounting Policies

3.7.1.2 Restoration Costs

Expenditure incurred on repairs or maintenance of Property, Plant & Equipment in order to restore or maintain the future economic benefits expected from originally assess standard of performance, is recognized as an expense when incurred.

3.7.1.3 Depreciation

The provision for depreciation is calculated by using straight-line basis on the depreciable amount of all Property, Plant & Equipment in order to write-off such amounts over their following estimated useful lives by equal instalments:

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

Linen, Cutlery and Crockery on Replacement Basis.

Depreciation has not been provided on the 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 that the asset is derecognized.

3.7.1.4 Valuation of Property, Plant & Equipment

A valuation of land is performed when there is a substantial difference between the fair value and the carrying amounts of land and is undertaken by professionally qualified valuer. Surplus on revaluation is credited in equity. Decreases are offset against previous revaluation surplus on the same asset. All other decreases are recognized in Income Statement.

3.7.2 Inventories

Inventories are valued at the lower of cost and estimated net realizable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the normal course of business after allowing for cost of realization and/or cost of conversion from their existing

state to saleable condition. The cost of each category of inventory is determined on the following basis:

Food and Beverages

At actual cost on weighted average basis.

Maintenance and Others

At actual cost on weighted average basis.

3.7.3 Revenue and Expenditure Recognition

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

3.7.3.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. The following recognition criteria are applied:

3.7.3.1.1 Income from Hotel

Apartment revenue is recognized on the rooms occupied on a daily basis and food & beverage and other hotel related sales are recognized at the point of sale.

3.7.3.1.2 Others

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

3.7.3.2 Expenditure Recognition

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

3.8 Related Party Transactions

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

Accounting Policies

3.9 Segmental Reporting

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

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

3.10 Cash Flow Statement

Interest received and dividends received are classified as investing cash flows, while dividend paid and interest paid, is classified as financing cash flows for the purpose of presentation of Cash Flow Statement which has been prepared using the 'Indirect Method'.

3.11 General

3.11.1 Earnings Per Share

The Group presents and diluted Earnings Per Share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.11.2. Movement of Reserves

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

3.11.3 Segmental Reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (Business Segment), or in providing products or services within a particular economic environment (Geographical Segment), which is subject to risks and returns that are different from those of other segments.

Segment information is presented in respect of the Group's business and Geographical Segments. The Group's primary format for segment reporting is based on Business Segments. The Business Segments are determined based on the Group's management and internal reporting structure

3.11.4 Comparative Figures

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

3.11.5 Capital Commitments and Contingencies

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

3.11.6 Events Occurring After the Balance Sheet Date

The materiality of the events occurring after the Balance Sheet date is considered and appropriate adjustments to or disclosures are made in the Financial Statements, where necessary.

4. New Accounting Standards Issued but not Effective as at Balance Sheet Date

The Institute of Chartered Accountants of Sri Lanka has issued a new volume of Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 1st January, 2012. Accordingly, these Standards have not been applied in preparing these Financial Statements as they were not effective for the year ended 31st March, 2012.

These Sri Lanka Accounting Standards comprise Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS). Application of Sri Lanka Accounting Standards prefixed SLFRS and LKAS for the first time shall be deemed to be an adoption of SLFRSs.

The Company is currently in the process of evaluating the potential effect of these standards on its Financial Statements and the impact on the adoption of these standard has not been quantified as at the reporting date.

Notes to the Financial Statements

1. Revenue

For the year ended 31st March	GROUP		COMPANY	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Revenue	32,394,689	30,341,912	1,843,203	1,591,102
Turnover Tax / Nations Building Tax	(76,548)	(83,375)	(30,065)	(35,125)
	32,318,141	30,258,537	1,813,138	1,555,977
Intra-Group Sales	(4,456,823)	(4,015,153)	–	–
	27,861,318	26,243,384	1,813,138	1,555,977

1.1 Revenue, Profit and Segment Analysis

Segments

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

- Distribution - Distribution of diverse range of fast moving consumer goods.
- Manufacturing - Manufacturing of consumer disposables.
- Chemicals - Manufacturing, Distribution and Service Activities Relating to Chemicals.
- Consumer - Manufacturing, Selling and Distribution of Consumer Products.
- Hardware - Manufacturing, Selling and Distribution of Hardware Products.
- Construction - Road Construction, Waterproofing and Industrial Flooring.
- Hotels - Owning and Operation of Resort Hotels.
- Plantations - Cultivation and Processing of Tea and Rubber.
- Agriculture - Farming and Dairying.
- Services - Services include movement of commercial cargo as well as household effects on a door to door basis.

1.1.a Segmental Revenue

	GROUP		COMPANY	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Distribution	13,051,624	12,183,664	451,269	340,534
Manufacturing	2,499,923	2,515,662	1,391,934	1,250,568
Chemical	4,667,486	3,970,691	–	–
Consumer	845,635	820,534	–	–
Hardware	3,662,672	2,963,712	–	–
Construction	6,206	96,922	–	–
Hotels	832,422	584,625	–	–
Plantations	6,763,257	7,154,345	–	–
Agriculture	2,593	29,330	–	–
Services	21,098	22,427	–	–
Unallocated	41,773	–	–	–
	32,394,689	30,341,912	1,843,203	1,591,102
Less: Turnover Tax/Nations Building Tax	(76,548)	(83,375)	(30,065)	(35,125)
	32,318,141	30,258,537	1,813,138	1,555,977
Less: Inter-Group Sales	(4,456,823)	(4,015,153)	–	–
	27,861,318	26,243,384	1,813,138	1,555,977

Notes to the Financial Statements

1.1.b Segmental Profit Before Tax

	Profit/(Loss) Before Tax 2012 Rs. '000	Profit/(Loss) Before Tax 2011 Rs. '000
Distribution	439,622	373,846
Manufacturing	59,321	120,691
Chemical	344,721	438,020
Consumer	65,876	58,090
Hardware	252,673	148,280
Construction	(96,931)	(27,092)
Hotels	52,070	57,085
Plantations	899,527	1,143,477
Agriculture	(6,457)	(4,276)
Services	(1,636)	2,336
	2,008,786	2,310,457
Unallocated	76,871	71,666
	2,085,657	2,382,123

2. Other Income

For the year ended 31st March	GROUP		COMPANY	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Profit/(Loss) on Sale of Property, Plant & Equipment	43,470	25,464	3,287	(2)
Sale of Rubber Trees	44,444	68,696	-	-
Sale of Timber	3,214	2,358	-	-
Amortization of Deferred Income and Capital Grant	19,001	18,353	-	-
Sale of Scraps	12,621	14,152	-	-
Rental Income	27,788	26,494	1,689	2,574
Dividend Income	237,024	92,841	15,876	30,931
Written Back of Over Provision of Statutory & Other Liability	526	14,789	-	-
Creditors Not Payable Written Back	17,971	10,777	-	-
Profit on Disposal of Investments	831,803	115,930	212	10,165
Reversal of Provision of Contingency	3,043	18,584	-	-
Commission Income	2,088	-	-	-
Reversal of Provision for Doubtful Receivables	218	4,701	-	-
Reversal of Related Party Provision	46,225	25	-	-
Management fee Written Back	22,417	-	-	-
Profit From Tea Centre	1,649	3,534	-	-
Software Sales	-	-	1,080	-
Sundry Income	65,216	45,630	537	617
	1,378,718	462,328	22,681	44,285

Notes to the Financial Statements

3. Net Finance Expenses

For the year ended 31st March	GROUP		COMPANY	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Finance Income	(6,024)	(10,711)	(104)	(87)
Exchange (Gain)/Loss	(32,991)	(64,219)	4,714	(13,267)
Finance Expenses (Note 3.1)	646,015	635,846	87,805	55,199
	607,000	560,916	92,415	41,845

3.1 Finance Expenses

Interest on Short-Term Loans	105,680	104,700	42,286	21,870
Interest on Long-Term Loans	272,805	207,454	18,229	14,558
Interest on Finance Lease and JEDB/SLSPC Estate Lease	104,291	126,163	9,778	8,252
Overdraft Interest	164,486	112,366	17,512	10,519
Other Interest	30,539	136,260	–	–
	677,801	686,943	87,805	55,199
Amount Capitalized	(31,786)	(51,097)	–	–
	646,015	635,846	87,805	55,199

4. Profit Before Taxation

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

For the year ended 31st March	GROUP		COMPANY	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
Auditor's Remuneration				
KPMG	13,154	10,699	1,650	1,500
Other Auditors	5,524	5,185	–	–
Fee Paid to Auditors for Non-Audit Services				
KPMG	4,036	1,872	259	272
Other Auditors	–	14	–	–
Depreciation on Property, Plant & Equipment	561,913	386,149	71,278	49,081
Provision for impairment on Property, Plant & Equipment	30,726	7,925	–	–
Depreciation on Investment Property	4,024	5,030	–	–
Amortization of Intangible Assets	172	383	–	–
Provision/(Reversal) for Bad and Doubtful debts	11,416	41,355	439	(7,918)
(Reversal)/ Provision for Doubtful Amounts Due from Related Parties	(60,589)	(58,645)	265	263
Provision for Fall in Value of Inventory	20,470	13,946	3,014	5,274
Inventory Written-Off	–	24,252	–	–
Provision/ (Reversal) for Diminishing Value of Investments	–	(11,357)	–	–
Amortization of Immature/Mature Plantations	69,212	61,114	–	–
Amortization of Leasehold Land	12,988	12,965	–	–
Amortization of Immovable Lease Assets of JEDB/SLSPC Estates	36,316	37,200	–	–
Donations	3,704	660	1,368	561
Staff Cost (Note 4.1)	5,429,526	4,936,797	139,388	118,269

4.1 Staff Cost

Wages and Salaries	4,563,575	3,891,836	95,068	80,480
Defined Contribution Plan Cost - EPF/ETF	347,439	574,516	15,248	12,870
Defined Benefit Plan Cost - Retiring Gratuity	386,469	361,873	17,490	15,288
Other Staff Cost	106,779	84,355	–	–
Bonus	25,264	24,217	11,582	9,631
	5,429,526	4,936,797	139,388	118,269

Notes to the Financial Statements

For the year ended 31st March	GROUP		COMPANY	
	2012 Rs. '000	2011 Rs. '000	2012 Rs. '000	2011 Rs. '000
5. Income Tax Expense				
Income Tax on Profit for the Year	248,586	269,186	-	16
Transferred to/(From) Deferred Tax (Note 21)	75,492	53,257	(9,417)	(4,721)
(Over)/Under Provision of from Previous Year	(24,154)	(36,277)	30	-
	299,924	286,166	(9,387)	(4,705)

5.1 Reconciliation of Accounting Profit to Income Tax Expense

Profit before Tax	2,085,657	2,382,123	72,435	87,830
Adjustment due to change in Accounting period	-	(76,007)	-	-
Intra-Group Eliminations	523,102	(81,388)	-	-
	2,608,759	2,224,728	72,435	87,830
Disallowable Expenses	1,168,936	1,079,238	129,924	152,581
Tax Deductible Expenses	(1,686,596)	(951,076)	(96,860)	(118,860)
Statutory Income from Business	2,091,099	2,352,890	105,499	121,551
Statutory Income Exempt under relocation under takings	(253,551)	(441,200)		
Exempt under Section 16	-	(662,298)		
Statutory Income Exempt from Taxation under Section 21 A	(142,297)	(121,551)	(142,297)	(121,551)
Add: Other sources of Income	141,703	19,338	88	87
Qualifying Payments	(10,915)	(84)	(533)	(11)
Tax Exempt Income	(505,484)	(50,293)	(30)	(30)
Tax Loss Claimed during the year	(110,819)	(234,325)	-	-
Taxable Income/(Loss)	1,209,736	862,477	(475)	46
Income Tax @ 28% (2011 - 35%)	194,668	232,761	-	16
Income Tax @ 5%	1,257	-	-	-
Income Tax @ 10%	32,796	-	-	-
Income Tax @ 12%	19,367	-	-	-
Income Tax @ 15%	-	8,841	-	-
Income Tax @ 17%	-	23,546	-	-
Deemed Dividend Tax	489	60	-	-
Social Responsibility Levy @ 1.5%	-	3,978	-	-
Tax on Dividend Income	9	-	-	-
Income Tax Expense	248,586	269,186	-	16

5.2 Taxation Rates

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

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

- The Company's profit/income (other than any profit and income from the sale of any capital assets) earned in the factory located in Millewa is exempted from income tax for each year of assessment within a period of five years commencing on 01st April 2009 as per the Section 21A of Inland Revenue (Amendment) Act No. 10 of 2006.
- In accordance with the Section 20 of Inland Revenue Act No. 10 of 2006, the profit and income from relocated activities (Lankem Ceylon PLC has relocated its agro chemical and agro seeds operation to Pannala) is exempted from income tax for the period of five years commencing from year of assessment 2009/2010.

Notes to the Financial Statements

- Lankem Exports (Pvt) Ltd. and Lankem Agro Chemicals Ltd. were non-operative during the year.
- In accordance with the agreement entered into with the Board of Investment (BOI) of Sri Lanka, under Section 17 of the G.C.E.C. Law No. 04 of 1978, profits of York Hotels (Kandy) Ltd. are exempted from income tax for a period of 10 years from the year in which the Company commences to make profits or within 5 years from the year the Company commenced commercial operations whichever is earlier. The Company is also entitled to a concessionary rate of tax at 2% of its turnover for 15 years immediately after the expiry of the said 10 years. However, BOI has given a notice of cancellation and termination of all rights, privileges and benefits conferred on the enterprise under the conduct and operation of the project with effect from 23rd November, 2002.
- In accordance with the powers conferred on the Board of Investments (BOI) of Sri Lanka under Section 17 (2) of the BOI Law No. 04 of 1978 and in terms of the Agreement Registration Number 368-29-6-92 between BOI and Marawila Resorts PLC, the Company is not liable for tax on profits from business for a period of 10 years commencing from the year of assessment 2001/02. Accordingly the Company's tax holiday has been over as of 31st March 2011 and currently company is liable for income tax at the rate of 10% on profit from business as per the section 59B of the Inland Revenue Act No. 22 of 2011 and 28% on other income.
- In accordance with the Section 22 (1) and 22 (2) of the Inland Revenue Act No. 10 of 2006, the profits and income of Lankem Research Ltd. is exempted from Income Tax for a period of five years commencing from the year of assessment 2006/07. The said tax exemption provision was expired and the Company is liable for income tax at 5% on its taxable income for the year of assessment 2011/12, 10% for 2012/13, and thereafter 12% as per the Section 48 of the Inland Revenue Act No. 10 of 2006.
- Sigiriya Village Hotels PLC and Beruwala Resorts Ltd. are liable for taxation at the rate of 12% on the profits and income from activities relating to operating of hotels and at 28% on other income.
- In accordance with the agreement entered into with the Board of Investment (BOI) of Sri Lanka under Section 17 of the G.C.E.C. Law No. 4 of 1978, profits of SunAgro Farms Ltd. are exempted from Income Tax for a period of 10 years with effect from 31st May, 2008.
- The Profits of Creasy Foods Ltd. are liable to income tax at the rate of 10% for the year of assessment 2011/12 (2010/11 - 35%) as per the Section 59B of the Inland Revenue Act No. 22 of 2011 which has subsequently been amended by the Bill issued on 12.03.2012 excluding the Group of companies from applying the rate of 10% with effect from year of assessment 2012/13. Other Income is liable for income tax at a rate of 28%.
- The C.W. Mackie PLC and its Subsidiaries are liable for income tax at 12% on taxable profits on non-traditional exports and 28% on other profits in accordance with the provision of Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto.
- The taxable income of the Lankem Developments PLC from the year of assessment 2011/12, is liable at 12% on its taxable income, in accordance with the provisions of the Inland Revenue Act No. 10 of 2006, and subsequent amendments thereto.

Notes to the Financial Statements

5.3 Deferred Tax Liabilities

- Provision for deferred taxation is made on the Balance Sheet method for temporary differences between the carrying amounts of assets and liabilities of E. B. Creasy & Company PLC, Laxapana Batteries PLC, Creasy Foods Ltd., Darley Butler & Company Ltd., Lankem Ceylon PLC, C.W. Mackie PLC, Sigiriya Village Hotels PLC, Lankem Tea and Rubber Plantations (Pvt) Ltd., Kotagala Plantations PLC, SunAgro LifeScience Ltd., Galle Fort Hotel Ltd., Marawila Resorts PLC, Beruwala Resorts Ltd., and Pettah Pharmacy Ltd. There were no temporary differences for Filmpak Ltd., Corporate System, Group Three Associates (Pvt) Ltd., E. B. Creasy Logistics Ltd., Lankem Plantation Services Ltd., Lankem Plantation Holdings Ltd., Lankem Exports Ltd., Lankem Chemicals Ltd., Lankem Developments PLC, Lankem Paints Ltd., Lankem Consumer Products Ltd., Lankem Research Ltd., York Hotels (Kandy) Ltd., SunAgro Farms Ltd., Associated Farms Ltd., Colombo Fort Hotels Ltd., Muller & Phipps Ceylon PLC, Waverly Power (Pvt) Ltd., BOT Hotel Services (Pvt) Ltd. and Island Consumer Services (Pvt) Ltd., and as such no provision has been made for deferred taxation.

In computing the Deferred Tax Liability/(Asset) the future tax rate of 28% for subsidiaries which are liable for income tax at the standard rate for the assessment year 2011/12 and the subsidiaries which are liable for income tax at reduced rates (below the standard rate) for the assessment year 2011/12 have computed the deferred tax at the tax rate of 12%.

6. Basic Earnings Per Share

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

	GROUP		COMPANY	
	2012	2011	2012	2011
Profit Attributable to Equity Holders of E. B. Creasy & Company PLC (Rs. '000)	369,764	681,141	81,822	92,535
Weighted Average Number of Ordinary Shares (No. '000)	2,535	2,535	2,535	2,535
Earnings per Share (Rs.)	145.86	268.65	32.28	36.50

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

7. Dividend Per Share

	GROUP		COMPANY	
	2012	2011	2012	2011
Total Dividend Paid (Rs. '000)	15,213	17,748	15,213	17,748
Number of Ordinary Shares (No. '000)	2,535	2,535	2,535	2,535
Dividend per Share (Rs.)	6.00	7.00	6.00	7.00

7.1 Proposed Dividend

The Directors have recommended the payment of a first and final dividend of Rs. 10/- per share (Rs. 6/- in 2010/11) which will be declared at the Annual General Meeting to be held on 29th June 2012.

In accordance with the Sri Lanka Accounting Standard 12 - 'Events After the Balance Sheet Date' this proposed first and final dividend has not been recognized as a liability in the Financial Statements for the year ended 31st March 2012.

Notes to the Financial Statements

8. Property, Plant & Equipment

8.1 Company

Cost/Revaluation	Freehold					Leasehold			Work-In-Progress Rs. '000	Total 31.03.2012 Rs. '000	Total 31.03.2011 Rs. '000
	Land	Buildings	Plant & Machinery	Motor Vehicles	Furniture & Fittings	Leased Plant & Machinery	Leased Motor Vehicles	Leased Furniture & Fittings			
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000			
Balance as at 1st April	453,000	280,841	319,467	17,935	57,013	123,064	23,059	–	–	1,274,379	1,116,990
Additions	–	5,709	26,228	–	5,728	17,107	18,000	6,880	19,148	98,800	214,405
Disposals/Transfers	–	–	52,334	22,859	(310)	(54,560)	(23,059)	–	–	(2,736)	(57,016)
Balance as at 31st March	453,000	286,550	398,029	40,794	62,431	85,611	18,000	6,880	19,148	1,370,443	1,274,379

Accumulated Depreciation

Balance as at 1st April	–	14,624	124,804	7,120	48,497	42,942	23,059	–	–	261,046	212,029
Charge for the Year	–	14,113	35,285	4,095	3,155	8,472	5,390	768	–	71,278	49,081
Disposals/Transfers	–	–	36,653	22,869	(310)	(38,879)	(23,059)	–	–	(2,726)	(64)
Balance as at 31st March	–	28,737	196,742	34,084	51,342	12,535	5,390	768	–	329,598	261,046

Carrying Amount

As at 31st March, 2012	453,000	257,813	201,287	6,710	11,089	73,076	12,610	6,112	19,148	1,040,845	–
As at 31st March, 2011	453,000	266,217	194,663	10,815	8,516	80,122	–	–	–	–	1,013,333

Company

- The Land and Building of the Company had been revalued at Rs. 370 million by an Independent Chartered Valuer during 2005/06, the net balance of Rs. 170 million, which resulted from the excess of the revalued amount over the net book value of the asset revalued, has been credited to the revaluation reserve. Further, the Land and Building of the Company was revalued again in 2009/10 by an Independent Chartered Valuer and the resultant surplus of Rs. 194.5 million has been credited to the revaluation reserve.

Following are the carrying amount of land and buildings that would have been recognized had the land and buildings carried under the cost model.

	As at 31st March, 2012			As at 31st March, 2011		
	Cost	Accumulated Depreciation	Carrying Amount	Cost	Accumulated Depreciation	Carrying Amount
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Freehold Land	147,412	–	147,412	147,412	–	147,412
Buildings	236,899	(53,265)	183,634	231,190	(40,593)	190,597

- Plant & Machinery includes the machinery of BIC production plant which is depreciated at the rate of 5% per annum from the financial year 2007/08. From the financial year 2010/11, the machinery of BIC production plant has been depreciated at the rate of 10% per annum.
- Plant & Machinery that has been used in manufacturing of Joss sticks is depreciated at 10% from the financial year 2010/11. From 2011/12, the machinery of Joss stick production plant has been depreciated at the rate of 50% per annum.

Notes to the Financial Statements

8.2 Group

	Freehold						Leasehold				Work- In- Progress	Total	
	Land	Buildings	Mature/ Immature Plantations	Plant & Machinery	Motor Vehicles	Furniture & Fittings	Immovable Lease Assets	Plant & Machinery	Motor Vehicles	Furniture & Fittings		31.03.2012	31.03.2011
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000		Rs. '000	Rs. '000
Cost/Revaluation													
Balance as at 1st April	2,284,157	2,689,962	3,455,387	1,670,316	447,958	831,573	947,521	340,586	510,930	4,542	183,700	13,366,632	11,551,100
On Acquisition of Subsidiary	219,800	50,450	–	17,059	628	18,420	–	–	–	–	8,969	315,326	499,722
Revaluation Reserve	–	–	–	–	–	–	–	–	–	–	–	–	–
Additions	27,112	243,914	798,781	297,684	112,745	151,622	–	18,712	173,096	6,880	459,702	2,290,248	1,741,966
Disposals/Transfers	(29,548)	(10,181)	(157,785)	29,293	2,550	(48,345)	–	(162,528)	(153,646)	–	(220,700)	(750,890)	(399,921)
Balance as at 31st March	2,501,521	2,974,145	4,096,383	2,014,352	563,881	953,270	947,521	196,770	530,380	11,422	431,671	15,221,316	13,392,867
Accumulated Depreciation													
Balance as at 1st April	–	455,965	410,093	833,108	341,746	554,664	490,219	122,843	270,695	1,776	–	3,481,109	3,055,817
On Acquisition of Subsidiary	–	561	–	15,050	333	16,938	–	–	–	–	–	32,882	15,620
Revaluation Reserve	–	–	–	–	–	–	–	–	–	–	–	–	–
Charge for the Year	–	88,141	69,212	193,590	108,030	72,636	36,316	16,324	81,956	1,238	–	667,441	484,463
Disposals/Transfers	–	(2,834)	–	14,496	9,074	(47,130)	–	(90,244)	(128,341)	–	–	(244,979)	(48,556)
Balance as at 31st March	–	541,833	479,305	1,056,244	459,183	597,108	526,535	48,923	224,310	3,014	–	3,936,453	3,507,344
Provision for Impairment													
Balance as at 1st April	–	–	–	–	–	668	–	6,545	–	712	–	7,925	–
Charge for the Year	–	–	–	37,271	–	–	–	(6,545)	–	–	–	30,726	7,925
Balance as at 31st March	–	–	–	37,271	–	668	–	–	–	712	–	38,651	7,925
Carrying Amount													
As at 31st March, 2012	2,501,521	2,432,312	3,617,078	920,837	104,698	355,494	420,986	147,847	306,070	7,696	431,671	11,246,210	
As at 31st March, 2011	2,284,157	2,233,997	3,045,294	837,208	106,212	276,241	457,302	211,198	240,235	2,054	183,700		9,877,598

Group

(i) Lankem Ceylon PLC

Lankem Ceylon PLC, a subsidiary of the Company, have revalued the Property, Plant & Equipment by Chartered Valuers as at 31st March, 1979, 31st March, 1985, 31st March, 1991 and 31st March, 2004, as a result of which their book values have been written up by Rs. 5.47 million. During 2003/04, the Company's Freehold Land has been revalued by a Professional Valuer and the resultant surplus of Rs. 39.68 million and the Land was revalued again in 2009/10 which resulted in a surplus of Rs. 42.23 million that has been credited to Revaluation Reserve.

(ii) Lankem Developments PLC

The land and building of the Company were revalued at Rs. 6.95 million by an Independent Professional Valuer during 2009/10. The balance of Rs. 3.27 million which resulted from the excess of the revalued amount over the net book value of the assets revalued has been credited to a revaluation reserve. The carrying amount of the land that had been included in the Financial Statements had the assets been carried at cost amounted to Rs. 0.156 million. The carrying amount of the building has been totally written-off as a result of the revaluation carried out during the year.

Notes to the Financial Statements

(iii) Marawila Resorts PLC

Land of Marawila Resorts PLC, have been revalued at Rs. 770 million by an Independent Qualified Valuer as at 31st March, 2010. As a result, their book values have been written up by Rs. 320 million which resulted from the excess of the revalued amount over the net book value of the assets, and thus the revalued amount has been credited to the Revaluation Reserve.

(iv) Sigiriya Village Hotels PLC

Buildings of Sigiriya Village Hotels PLC, are constructed on a land which is on a 99-year lease. The Land of Sigiriya Village Hotels PLC have been revalued at Rs. 136 million by an Independent Qualified Valuer as at 31st March, 2010 as a result, their book values have been written up by Rs. 125 million, which resulted from the excess of the revalued amount over the net book value of the assets, and thus the revalued amount has been credited to the Revaluation Reserve.

(v) Agarapatana Plantations Ltd., and Kotagala Plantations PLC

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

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

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

(c) Borrowing costs of Kotagala Plantations PLC, a subsidiary, amounting to Rs. 22.9 million (2010/11 - Rs. 18.6 million) on Tea and Rs. 54.3 million (2010/11 - 47.8 million) on Rubber incurred on term loans and overdrafts utilized to finance replanting expenditure of Tea & Rubber have been capitalized. The average rate of interest for capitalization was 11.4% (2010/11 - 11%). The capitalization will cease when crops are ready for harvest.

(d) Borrowing cost of Agarapatana Plantations Ltd., a subsidiary, amounting to Rs. 31.77 million (2010/11 - 51.09 million) incurred on long-term loans obtained to meet expenses relating to immature plantations have been capitalized as part of the cost of the immature plantations. The capitalization will cease when crops are ready for harvest.

(vi) York Hotels (Kandy) Ltd.

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

Notes to the Financial Statements

In March, 2010 the Company's Land and Capital Work-in-Progress (CWIP) have been revalued at Rs. 138 million and Rs. 87 million respectively by an Independent Valuer, Mr. R.S. Wijesuriya, Incorporated Chartered Valuer. The valuation gain related to the Land of Rs. 92 million has been dealt through the Statement of Changes in Equity and the increase in the value of CWIP has been recognized only up to the amount of impairment loss already recognized in the Income Statement of Rs. 12.94 million.

(vii) Laxapana Batteries PLC

The Company has identified an impairment loss of Rs. 30.73 million in relation to the manufacturing plant and machineries as at 31st March 2012.

The book value of entire Property, Plant & Equipment of the Company as at 31st March 2010, were written up by Rs. 12.41 million based on a valuation done by Mr. H.W.I.G.A Weerakoon, Incorporated valuer and M/S The Automobile Association of Ceylon at market value on a going concern basis.

The carrying amount of revalued Property, Plant & Equipment as at 31st March 2012 if they are carried at cost is as follows:

	Land Rs.	Buildings Rs.	Machinery Rs.	Motor Vehicles Rs.	Total Rs.
Carrying Amount	18,325	2,251,018	7,537,604	–	9,806,947

(viii) Creasy Foods Ltd.

On 31st March, 2010 land was revalued by an independent valuer and the results of such revaluation were incorporated to these Financial Statements effective from 31st March, 2010. The cost of the land before the revaluation amounts to Rs. 1 million.

(ix) C.W. Mackie PLC

The land and buildings of C.W. Mackie PLC and its subsidiary company have been revalued by an Independent Valuer on the dates indicated below:

Premises Date/s Revalued

● No. 34 and 36, D.R. Wijewardena Mawatha, Colombo 10	30th September, 1975
	3rd August, 1978
	31st March, 1983
	10th March, 1991
	30th September, 2001
	28th June, 2007
● Scan Bottling Plant, Munagama, Horana	30th September, 2001
	28th May, 2007

Ceymac Rubber Company Ltd.

● Industrial Estate, Aramanagolla, Horana	3rd April, 1991
	30th September, 2001
	20th June, 2007
● Thebuwana, Narthupana	3rd April, 1991
	30th September, 2001
	22nd June, 2007

Last valuations were carried out by Mr. K.T.D. Tissera, an Independent Professional Valuer, J.P.U.M., Diploma in Valuation (Sri Lanka), F.R.I.C.S. (Eng.), F.I.V. (Sri Lanka), Chartered Valuation Surveyor. The properties were valued on an open market value for existing use basis. The surplus arising from the revaluation were transferred to revaluation reserve.

Notes to the Financial Statements

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

Assets Pledged as Securities against Bank Borrowings

A primary concurrent mortgage bond for the mortgage of the Company's leasehold interests in the premises at Nos. 34 and 36, D.R. Wijewardena Mawatha, Colombo 10 in favour of the lenders consortium composed of NDB Bank PLC (Rs. 64 million, Hatton National Bank PLC (Rs. 54 million) and Commercial Bank of Ceylon PLC (Rs. 47 million) to provide Security for the Company's borrowings from the said Banks was duly executed in July 2003.

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

(x) Galle Fort Hotel (Pvt) Ltd.

Galle Fort Hotel (Pvt) Ltd. a subsidiary, has stated its Land & Building at fair value, and have been determined based on the valuation performed by Independent Valuer, G.D. Senevirathne, a Chartered Valuation Surveyor as at 30th September, 2011 based on the market value method of valuation. The total initial surplus from the revaluation amounting to Rs. 189.5 million transferred to the revaluation reserve.

(xi) Beruwala Resorts Ltd.

Beruwala resorts Ltd, a subsidiary, have leased out a land from Sri Lanka Tourism Development Authority from 30 years, commencing from 1st August 2007. The lease period will expire on 31st July 2037. The Company has paid an amount of Rs. 1,200,000/- in year 2011/12 (2010/11 Rs. 1,200,000/-).

(xii) Each company in the Group has evaluated both internal and external indications of impairment of long lived assets and has not identified presence of any of such indications at the end of the financial year.

(xiii) Property, Plant & Equipment pledged as securities in obtaining loans have been disclosed in Note 19.6 to these Financial Statements.

(xiv) The Group policy is to revalue land and building at least once in every three years which is stated at its fair value at the date of revaluation less depreciation and impairment losses, if any. However, following companies' land and buildings are stated at cost as at 31st March 2011.

The cost value of Land included under the Property, Plant & Equipment in respect of Beruwala Resorts Ltd. and Lankem Research Ltd. is amounting to Rs. 0.27 million and Rs. 11.95 million respectively.

The carrying value of buildings included in the above Note 8.2 in respect of following companies is given below:

● Lankem Ceylon PLC	Rs. 168.44 million	● Beruwala Resorts Ltd.	Rs. 277.15 million
● Agarapathana Plantations Ltd.	Rs. 365.28 million	● Kotagala Plantations PLC	Rs. 531.13 million
● Lankem Paints Ltd.	Rs. 0.16 million	● Sigiriya Village Hotels PLC	Rs. 18.49 million
● SunAgro Farms Ltd.	Rs. 0.55 million	● Marawilla Resorts PLC	Rs. 404.72 million

Notes to the Financial Statements

9. Investment Property

	GROUP	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000
Cost/Revaluation		
At the beginning of the year	68,408	68,408
At the end of the year	68,408	68,408
Accumulated Depreciation		
At the beginning of the year	17,655	12,625
Depreciation charge for the period	4,024	5,030
At the end of the year	21,679	17,655
Written down value as at 31st March	46,729	50,753

C.W. Mackie PLC, a subsidiary of the Company has rented out a part of C.W. Mackie Building Complex and value of Land and Building of that portion has been classified as 'Investment Property' as required by SLAS 40 - 'Investment Property', and accounted on 'cost model', the fair value of Investment Property on revaluation carried out on 31st March, 2012, referred to in Note 8.2 (ix) to the Financial Statements is Rs. 61.5 million.

Rental income earned from investment property by the Company amounting to Rs. 65 million for the period ended 31st March 2012 and direct operating expenses incurred for the same period amounting to Rs. 46.5 million.

10. Leasehold Land

	GROUP	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000
Cost/Revaluation		
At the beginning of the year	686,430	684,022
Additions during the period	-	2,555
Transfers	-	(147)
At the end of the year (Note 10.1)	686,430	686,430
Accumulated Amortization		
At the beginning of the year	242,312	229,347
Charge for the Year	12,988	12,965
At the end of the year	255,300	242,312
Carrying Amount	431,130	444,118

10.1 Leasehold Land - Cost/Revaluation

	GROUP	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000
Kotagala Plantations PLC (Note 10.1.1)	342,287	342,287
Agarapatana Plantations Ltd. (Note 10.1.1)	341,588	341,588
Sun Agro Farms Ltd. (Note 10.1.2)	2,555	2,555
	686,430	686,430

Notes to the Financial Statements

10.1.1 Kotagala Plantations PLC and Agarapatana Plantations Ltd.

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

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

10.1.2 Sun Agro Farms Ltd.

Sun Agro Farms Ltd, a Subsidiary of the Company has acquired an agricultural land of on a 29 year lease from the Department of Buddhist Affairs is amortized over the period of lease.

11. Intangible Assets

	GROUP	
	31.03.2012 Rs. '000	3103.2011 Rs. '000
Goodwill on Acquisition (Note 11.1)		
At the beginning of the Year	332,977	162,308
Acquired during the Year	183,569	148,681
Due to Changes in Equity Holdings	15,733	21,988
At the end of the Year	532,279	332,977
Trade Mark (Note 11.2)		
Cost		
At the beginning of the Year	1,150	1,150
At the end of the year	1,150	1,150
Amortization		
At the beginning of the Year	978	595
Amortized during the Year	172	383
At the end of the Year	1,150	978
Carrying Amount	-	172
Total	532,279	333,149

Notes to the Financial Statements

11.1 Goodwill on Acquisition

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

Name of the Subsidiary	31.03.2012 Rs. '000	31.03.2011 Rs. '000
Lankem Developments PLC	1,271	1,271
Island Consumer Supplies (Pvt) Ltd.	1,507	1,507
Lankem Plantation Holdings Ltd.	9,544	9,544
Lankem Tea & Rubber Plantations (Pvt) Ltd.	21,802	21,802
Agarapatana Plantations Ltd.	58,741	58,741
Marawila Resorts PLC	3,197	3,197
C.W. Mackie PLC	68,815	68,815
Muller & Phipps (Ceylon) PLC	146,628	146,628
Muller & Phipps Agencies Limited	2,053	2,053
Laxapana Batteries PLC	6,605	6,605
Lankem Ceylon PLC	10,760	10,760
Sigiriya Village Hotels PLC	2,054	2,054
York Hotels Kandy Ltd.	15,733	-
Galle Fort Hotel (Pvt) Ltd.	183,569	-
	532,279	332,977

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

The recoverable value of Lankem Developments PLC, Marawila Resorts PLC and C.W. Mackie PLC, Muller & Phipps (Ceylon) PLC, Laxapana Batteries PLC, Sigiriya Village Hotels PLC and Lankem Ceylon PLC was based on fair value less cost to sell and the others were based on value in use. Value in use was determined by discounting the future cash flows generated from the investment. Key assumptions used are given below:

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

11.2 Trade Mark

Darley Butler & Company Ltd.

The Company has paid an amount of Rs. 1.15 million in the year of 2008/09 to Adamjee Pharma (Pvt) Ltd. to acquire the Agency Right of Navana Pharmaceutical Ltd., which was amortized over the Company's Agency Right period - 03 years.

Notes to the Financial Statements

12. Investments

12.1 Investments in Subsidiaries

	COMPANY									
	31.03.2012					31.03.2011				
	No. of Shares	Company Holding %	Group Holding %	Cost as at 31.03.2012 Rs. '000	Market Value Rs. '000	No. of Shares	Company Holding %	Group Holding %	Cost as at 31.03.2011 Rs. '000	Market Value Rs. '000
Investee										
Quoted Investments										
Lankem Ceylon PLC	10,974,635	46	48	261,321	1,975,434	10,974,635	46	48	261,321	4,406,316
Laxapana Batteries PLC	20,115,338	52	52	133,857	148,854	20,390,438	52	52	135,691	166,957
Muller & Phipps (Ceylon) PLC	145,061,773	51	51	189,385	275,617	145,061,773	51	51	189,385	348,148
				584,563	2,399,905				586,397	4,921,421
Unquoted Investments										
Darley Butler & Co. Ltd.	4,999,964	100	100	2,865		4,999,964	100	100	2,865	
Creasy Foods Ltd.	570,000	100	100	21,333		570,000	100	100	21,333	
Filmpak Ltd.	150,000	100	100	1,500		150,000	100	100	1,500	
Group Three Associates (Pvt) Ltd.	1,200	100	100	12		1,200	100	100	12	
Island Consumer Supplies (Pvt) Ltd.	120,000	100	100	4,967		120,000	100	100	4,967	
Corporate Systems Ltd.	10,000	100	100	100		10,000	100	100	100	
E. B. Creasy Logistics Ltd.	50,000	100	100	500		50,000	100	100	500	
York Hotels (Kandy) Ltd.	396,493	0.18	26	396		396,493	0.18	28	396	
				31,673					31,673	
Less: Provision for Fall-in Value of Investment (Note 12.1.1)				(1,500)					(1,500)	
				30,173					30,173	
				614,736					616,570	

12.1.1 Provision for Fall in Value of Investments

The Company has 100% holding in Filmpak Ltd. as at the Balance Sheet date. Filmpak Ltd. has incurred a net loss of Rs. 0.12 million during the year under review. The accumulated losses were Rs. 5.77 million, its current liabilities exceeds current assets by Rs. 4.27 million and also the Company has ceased its operations since April 2003. Therefore, E. B. Creasy & Company PLC has made 100% provision on the investment made in Filmpak Ltd.

Directors of the E. B. Creasy & Company PLC are of the opinion that the book value of the unquoted investments as at 31st March, 2012 is not less than their realisable value as at that date.

12.2 Other Long-Term Investments

12.2.1 Company

	COMPANY					
	31.03.2012			31.03.2011		
	No. of Shares	Cost Rs. '000	Market Value Rs. '000	No. of Shares	Cost Rs. '000	Market Value Rs. '000
Quoted Investments						
DFCC Bank	11,162	430	1,257	5,581	215	959
Total Investment		430	1,257		215	959

Notes to the Financial Statements

12.2.2 Group

	GROUP					
	31.03.2012			31.03.2011		
	No. of Shares	Cost Rs. '000	Market Value Rs. '000	No. of Shares	Cost Rs. '000	Market Value Rs. '000
Quoted Investments						
Madulsima Plantations PLC	100	2	1	100	2	3
Malwatte Valley Plantations PLC	100	1	1	100	1	11
Horana Plantations PLC	100	1	3	100	1	7
Hunas Falls Hotels PLC	400	7	24	400	7	34
Pegasus Hotels of Ceylon PLC	960	9	36	960	9	68
York Arcade Holdings PLC	65,000	305	1,092	90,000	430	3,330
Colonial Motors PLC	57,384	467	18,351	57,384	467	17,215
Commercial Development Company PLC	600	6	57	600	6	46
DFCC Bank	22,068	532	2,485	9,841	317	1,691
Renuka City Hotels PLC	525	30	115	525	30	174
Transasia Hotel PLC	200	1	13	100	1	19
Pelwatte Sugar Industries PLC	1,000	9	23	1000	9	32
Hotel Sigiriya PLC	14,000	65	1,002	14,000	65	1,065
Colombo Dockyard PLC	257	2	59	257	2	65
Others	1,014	2,063	5,664	1,000	695	10,376
		3,500	28,926		2,042	34,136
Less: Provision for Fall-in-Value of Investments		-			-	
		3,500			2,042	

	GROUP					
	31.03.2012			31.03.2011		
	No. of Shares	Cost Rs. '000	Directors' Valuation Rs. '000	No. of Shares	Cost Rs. '000	Directors' Valuation Rs. '000
Unquoted Investments						
Ceylon Biscuits Ltd. - Ordinary	5,041,680	30	119,269	5,041,680	30	97,166
Colombo Motor Trades Ltd.	1	-	-	-	15	-
International Manufacturers Ltd.	3,300	23	23	3,300	25	23
Ceylon Ocean Lines Container Services Ltd.	-	250	-	-	250	-
Ceylon Ocean Lines Container Repair Ltd.	-	-	-	-	74	-
Lankem Technology Services Ltd.	-	-	-	200	5,000	-
Waverly Power (Pvt) Ltd.	-	-	-	800,000	8,000	-
Dutch Diary International (Pvt) Ltd.	-	5,400	-	-	-	-
Other	22,256,460	21,656	-	-	-	-
		27,359	119,292		13,394	97,189
Less: Provision for fall in Value of Investment		(5,400)			-	
		21,959			13,394	

Notes to the Financial Statements

	No. of Shares	Cost Rs. '000	Market Value Rs. '000	No. of Shares	Cost Rs. '000	Market Value Rs. '000
Unit Trusts						
National Equity Fund	150,000	1,709	3,758	150,000	1,709	4,711
Pyramid Unit Trust	58,597	518	1,627	55,290	518	2,080
Comtrust Equity Fund	94,856	784	1,609	94,856	784	2,391
		3,011	6,994		3,011	9,182
Investment in Debentures						
Bank of Ceylon (US \$ 2,000)		25,226		200	21,918	–
		25,226			21,918	
Total Investment		53,696			40,365	

The Directors are of the opinion that the carrying amount of the unquoted investments as at 31st March, 2012 is not less than their realization value as at that date.

12.3 Short-Term Investments

	GROUP					
	31.03.2012			31.03.2011		
	No. of Shares	Cost Rs. '000	Market Value Rs. '000	No. of Shares	Cost Rs. '000	Market Value Rs. '000
Dialog Axiata PLC	1,000	8	7	1,500,000	15,307	15,750
Raigam Wayamba Saltens PLC	–	–	–	100,000	426	450
Nations Trust Bank PLC	44,600	2,020	2,538	60,300	2,732	4,601
Janashakthi Insurance Company PLC	153,900	2,323	1,785	339,400	5,123	5,600
Richard Peiris	–	–	–	36,500	524	496
Tokyo (Non-Voting)	93,900	3,789	2,535	100,000	4,550	4,400
Tokyo (Voting)	285,900	17,497	10,578	285,900	18,321	17,383
Kotmale Holdings PLC	–	–	–	1,000	25	53
Piramal Glass Ceylon PLC	250,000	2,049	1,525	–	–	–
John Keells Holdings PLC	79,100	15,555	16,295	–	–	–
Colonial Motors PLC	224,600	101,425	71,827	–	–	–
PC House PLC	810,400	15,168	6,645	–	–	–
Citizen Development Bank PLC (Voting)	16	1	1	–	–	–
Citizen Development Bank PLC (Non-Voting)	71	3	4	–	–	–
Capital Alliance Finance PLC	4,175,048	157,320	157,423	–	–	–
Infrastructure Developers PLC	421,900	48,332	61,007	–	–	–
Renuka Agri Foods PLC	289,600	2,034	1,738	–	–	–
Renuka Holdings PLC	124,937	6,384	4,811	–	–	–
Nanda Investment & Finance PLC	30,000	263	258	–	–	–
Orient Garments PLC	550,575	10,902	10,296	–	–	–
HVA Foods PLC	959,500	20,375	14,393	–	–	–
J.L. Morisson Sons & Jones (Ceylon) PLC	6,603	1,622	1,400	–	–	–
		407,070	365,066		47,008	48,733
Provision for Fall in Value of Investments		(42,004)			–	
Total Short-Term Investments		365,066			47,008	48,733

Notes to the Financial Statements

12.4 Group Companies Investment in Subsidiaries

Investor	Investee	% Holding		No. of Shares as at		
		31.03.2012	31.03.2011	31.03.2012	31.03.2011	
Darley Butler & Company Ltd.	Laxapana Batteries PLC	-	-	6	6	
	Lankem Ceylon PLC	2.24	2.24	536,614	536,614	
	Marawila Resorts PLC	-	-	94	94	
Creasy Foods Ltd.	Lankem Ceylon PLC	0.10	0.10	20,420	20,420	
Island Consumer Supplies (Pvt) Ltd.	Marawila Resorts PLC	0.06	0.06	78,000	78,000	
	Sigiriya Village Hotels PLC	0.69	0.69	61,762	62,162	
	Beruwala Resorts Ltd.	0.01	8.06	30,000	48,360,000	
	Lankem Plantation Holdings Ltd.	-	-	1	1	
	Lankem Ceylon PLC	-	-	536	536	
	Colombo Fort Hotels Ltd.	5.78	-	193,320,000	-	
	Creasy Plantation Management Ltd.	41	41	122,993	122,993	
Lankem Ceylon PLC	Lankem Developments PLC	5.45	50.13	3,270,597	3,459,241	
	Sigiriya Village Hotels PLC	53.71	53.68	4,833,760	4,831,560	
	Colombo Fort Hotels Ltd.	69.68	42.22	2,329,326,024	65,753,012	
	Lankem Plantation Holdings Ltd.	47.56	47.56	19,500,001	19,500,001	
	Lankem Tea & Rubber Plantations (Pvt) Ltd.	1.00	1.00	8,342	8,342	
	Lankem Plantation Services Ltd.	60.00	60.00	179,993	179,993	
	Beruwala Resorts Ltd.	0.01	19.73	30,000	118,381,000	
	Lankem Exports (Pvt) Ltd.	99.97	99.97	9,997	9,997	
	Marawila Resorts PLC	13.05	31.06	15,991,271	38,043,668	
	Lankem Paints Ltd.	100.00	100.00	2,000,000	2,000,000	
	Lankem Consumer Products Ltd.	100.00	100.00	2,000,000	2,000,000	
	Lankem Chemicals Ltd.	100.00	100.00	2,000,000	2,000,000	
	Lankem Research Ltd.	100.00	100.00	250,007	250,007	
	SunAgro LifeScience Ltd.	100.00	100.00	200,000	200,000	
	SunAgro Farms Ltd.	99.99	99.99	1,200,000	1,200,000	
	Associated Farms Ltd.	99.99	99.99	55,398	55,398	
	Kotagala Plantations PLC	0.18	0.02	57,100	5,000	
	Lankem Technology Services Ltd.	100.00	-	500,000	-	
		C.W. Mackie PLC	39.44	33.88	14,193,453	12,193,055
	Lankem Plantation Holdings Ltd.	Lankem Tea & Rubber Plantations (Pvt) Ltd.	98.98	98.98	826,088	826,088
Kotagala Plantations PLC		37.81	37.81	12,100,000	12,100,000	
Agarapatana Plantations Ltd.		-	54.05	-	41,417,276	
	Lankem Developments PLC	56.23	0.01	33,737,702	1,000	
Sigiriya Village Hotels PLC	Marawila Resorts PLC	-	0.23	281,260	281,260	
	Beruwala Resorts Ltd.	14.23	14.23	85,384,000	85,384,000	
	York Hotels (Kandy) Ltd.	41.70	41.70	90,000,000	90,000,000	
	Colombo Fort Hotels Ltd.	-	0.19	-	300,000	
Colombo Fort Hotels Ltd..	Marawila Resorts PLC	37.39	14.54	45,803,261	17,806,261	
	Beruwala Resorts Ltd.	65.58	16.17	393,497,345	97,045,180	
	Sigiriya Village Hotels PLC	10.29	10.29	925,737	925,737	
	Galle Fort Hotels Ltd.	100.00	-	9,931,512	-	
	York Hotels (Kandy) Ltd.	16.41	16.41	35,430,111	35,430,111	
Lankem Developments PLC	Marawila Resorts PLC	0.26	0.26	312,500	312,500	
	Agarapathana Plantation Ltd.	56.65	-	64,294,802	-	
	Waverly Power (Pvt) Ltd.	56.67	-	3,400,000	-	
Lankem Tea & Rubber Plantations (Pvt) Ltd.	Marawila Resorts PLC	0.53	0.5	652,500	652,500	
	Kotagala Plantations PLC	30.00	30.00	9,602,100	9,602,100	
	Colombo Fort Hotels Ltd.	5.09	54.67	170,274,318	85,137,159	
York Hotels (Kandy) Ltd.	Marawila Resorts PLC	-	-	-	1,042	

Notes to the Financial Statements

Investor	Investee	% Holding		No. of Shares as at	
		31.03.2012	31.03.2011	31.03.2012	31.03.2011
Kotagala Plantations PLC	Beruwala Resorts Ltd.	1.66	1.66	9,949,991	9,949,991
	Marawila Resorts PLC	0.05	0.05	62,667	62,667
	Agarapatana Plantations Ltd.	17.62	7.83	20,000,000	6,000,000
	C.W. Mackie PLC	19.85	19.85	7,142,857	7,142,857
	Lankem Development PLC	10.03	0.01	6,016,000	1,000
	York Hotels (Kandy) Ltd.	41.70	41.70	90,000,000	90,000,000
Agarapatana Plantations Ltd.	Sigiriya Village Hotels PLC	0.29	0.29	26,083	26,083
	Beruwala Resorts Ltd.	1.34	1.34	8,050,000	8,050,000
	Waverly Power (Pvt) Ltd.	43.33	-	2,600,000	-
Marawila Resorts PLC	Marawila Resorts PLC	0.28	0.28	347,503	347,503
	Beruwala Resorts Ltd.	-	0.88	30,000	5,294,115
C.W. Mackie PLC	Colombo Fort Hotels Ltd.	-	0.19	-	300,000
	Ceymac Rubber Company Ltd.	98.60	98.60	3,189,375	3,189,375
Muller & Phipps (Ceylon) PLC	Ceytra (Pvt) Ltd.	62.82	62.82	3,000,000	3,000,000
	Scan Tours & Travels (Pvt) Ltd.	100.00	100.00	600,000	600,000
	Pettah Pharmacy (Pvt) Ltd.	100.00	100.00	1,500,000	1,500,000
Pettah Pharmacy (Pvt) Ltd.	Muller & Phipps Agencies (Pvt) Ltd.	100.00	100.00	10,007	10,007
	Beruwala Resorts Ltd.	-	1.00	30,000	8,000,000
Beruwala Resorts Ltd.	Colombo Fort Hotels Ltd.	0.95	-	31,880,000	-
	BOT Hotel Services Ltd.	100.00	55.00	282,876	282,876

13. Inventories

	GROUP		COMPANY	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000	31.03.2012 Rs. '000	31.03.2011 Rs. '000
Raw Materials	805,884	764,905	107,701	94,760
Food and Beverages	10,330	8,168	-	-
Growing Crop - Nurseries	72,851	37,714	-	-
Work-in-Progress	13,900	15,676	8,040	5,057
Finished Goods	2,200,005	2,177,745	126,443	95,682
Consumable Stocks	96,131	101,361	-	-
By Product - Zinc Off-cut	34	63	-	-
General and Others	2,416	5,097	-	-
Goods-in-Transit	198,732	239,825	191,369	160,912
	3,400,283	3,350,554	433,553	356,411
Provision for Obsolete Inventories	(77,668)	(57,198)	(18,653)	(15,639)
	3,322,615	3,293,356	414,900	340,772

Inventories pledged as securities in obtaining loan are disclosed in Note 19.6

Notes to the Financial Statements

14. Amount Due from Related Companies

	GROUP		COMPANY	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000	31.03.2012 Rs. '000	31.03.2011 Rs. '000
The Colombo Fort Land & Building Company PLC	585,674	174,734	-	-
Corporate Managers & Secretaries (Private) Ltd.	15,982	5,484	-	-
Voyages (Ceylan) Ltd.	3,155	3,155	-	-
Muller & Phipps (Ceylon) PLC	-	-	-	7
Sherwood Holidays Ltd.	15,825	13,638	-	-
Carplan Ltd.	145	145	-	-
Colonial Motors PLC	142	81	-	-
Tropical Beach Resort Ltd.	30	25	-	-
Filmpak Ltd.	-	-	4,181	4,047
Lankem Developments PLC	-	-	1,517	1,401
Laxapana Batteries PLC	-	-	30,455	-
Dutch Dairy Foods Ltd.	33,234	33,234	1,289	1,289
Union Construction Ltd.	302	302	302	302
York Hotel Management Services Ltd.	4,855	13,017	-	-
Beruwala Resorts Ltd.	-	-	-	500
Marawila Resorts PLC	-	-	972	972
Sunrise Resort Ltd.	511	473	-	-
Darley Butler Food Products Ltd.	690	690	-	-
Motor Mart Ltd.	11	11	11	11
Lambretta Ceylon Ltd.	5	5	5	5
Oral Care (Pvt) Ltd.	1,524	1,524	-	-
York Arcade Holdings PLC	72	72	72	72
E. B. C. Milk Foods Ltd.	757	626	757	626
Ceylon Tea Brokers PLC	684	1,721	-	-
Kia Motors Lanka Ltd.	206	256	-	-
Creasy Foods Ltd.	-	-	34,040	3,250
SunAgro Foods Ltd.	77,068	-	-	-
Lankem Agro Ltd.	35	-	-	-
Sigiriya Resorts Ltd.	533	-	-	-
American Lloyd Travels Ltd.	600	600	600	600
	742,040	249,793	74,201	13,082
Less: Provision for Bad Debts	(41,397)	(101,986)	(7,588)	(7,323)
	700,643	147,807	66,613	5,759

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

15. Trade and Other Receivables

	GROUP		COMPANY	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000	31.03.2012 Rs. '000	31.03.2011 Rs. '000
Trade Receivables	3,823,979	3,271,692	139,941	86,197
Provision for Bad and Doubtful Debts	(153,529)	(142,113)	(14,679)	(14,240)
	3,670,450	3,129,579	125,262	71,957
Deposits and Prepayments	64,794	197,608	29,410	11,248
Dividend Receivables	422,827	204,429	-	-
Employee Advances	67,774	86,143	-	-
Other Tax Recoverables	397,694	424,892	7,328	7,176
Other Receivables (Note 15.1)	229,418	185,302	51,187	39,931
	4,852,957	4,227,953	213,187	130,312

Notes to the Financial Statements

15.1 Other Receivables

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

	GROUP		COMPANY	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000	31.03.2012 Rs. '000	31.03.2011 Rs. '000
At the beginning of the Year	5,666	6,264	745	1,257
Loans granted during the Year	6,218	1,010	619	327
Recoveries during the Year	(5,506)	(1,608)	(997)	(839)
At the end of the Year	6,378	5,666	367	745

16. Cash & Cash Equivalents

16.1 Favourable Balance

	GROUP		COMPANY	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000	31.03.2012 Rs. '000	31.03.2011 Rs. '000
Fixed Deposits	238,081	246,341	-	-
Cash at Bank	1,594,634	1,088,334	4,600	18,771
Cash in Hand	13,646	19,216	551	546
Cash in Transit	25,335	1,000	-	-
	1,871,696	1,354,891	5,151	19,317

16.2 Unfavourable Balance

Bank Overdraft (Note 16.2.1)	(2,760,101)	(1,323,259)	(182,724)	(102,304)
Cash & Cash Equivalents for the Purpose of Cash Flow Statement	(888,405)	31,632	(177,573)	(82,987)

16.2.1 Security Details Over Bank Overdraft Facilities

Company

The bank overdraft facility is secured by tertiary mortgage bond of Rs. 100 million over land & building situated at No. 98, Sri Sangaraja Mawatha, Colombo 10.

Group

Creasy Foods Ltd.

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

Agarapatana Plantations Ltd.

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

- Mortgage of an immovable property of the New Portmore Estate.
- Primary mortgage over leasehold rights to bare land and building of Glenanore and Haputale Estates.
- Primary mortgage over leasehold rights to bare land and building of Torrington Estate.
- Concurrent mortgage for Rs. 54 million, over movable assets of the Company consisting of stock in trade, work-in-progress and motor vehicles and an assignment of book debts (also secure the facility at Indian Bank for Rs. 20 million).

Notes to the Financial Statements

Kotagala Plantations PLC

Bank overdraft facilities of Kotagala Plantations PLC, a subsidiary of the Company, are secured by pledging the following, to finance working capital requirements:

- (a) Primary mortgages over leasehold rights of the estate lands and buildings, fixed and floating assets of Yulliefield and Chrystlers Farm Estates.
- (b) Primary mortgage over leasehold rights of the estate lands and buildings of Eduragala and Sorana Estates.

Beruwala Resorts Ltd.

- (a) Bank overdraft facility obtained from Seylan Bank PLC by Beruwala Resorts Ltd., a subsidiary of the Company is secured by pledging, fixed deposits at Bank of Ceylon amounting to Rs. 500,000/-.
- (b) Corporate guarantee of Lankem Ceylon PLC for Rs. 19 million for Merchant Credit of Sri Lanka Ltd.

Darley Butler & Company Ltd.

The bank overdraft of Darley Butler & Company Ltd., a subsidiary of the Company is secured by a corporate guarantee given by the Company amounting to Rs. 110 million.

17. Stated Capital

	GROUP		COMPANY	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000	31.03.2012 Rs. '000	31.03.2011 Rs. '000
Issued and Fully Paid				
2,535,458 Ordinary Shares	25,731	25,731	25,731	25,731

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

18. Capital Reserves and General Reserves

18.1 Capital Reserves

Capital reserves consists of revaluation reserve relating to the Property, Plant & Equipment and the capital reserve arising from the consolidation.

18.2 General Reserve

General reserve is the reserve set aside for general purposes.

19. Interest-Bearing Loans and Borrowings

	GROUP		COMPANY	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000	31.03.2012 Rs. '000	31.03.2011 Rs. '000
19.1 Amount Payable after One Year				
Long-Term Loans (Note 19.5)	1,691,287	2,015,862	117,589	129,075
Debentures (Note 19.8)	415,000	250,000	–	–
JEDB/SLSPC Estates (Note 19.4)	397,923	403,951	–	–
Finance Lease Obligations (Note 19.3)	278,592	212,709	46,661	17,018
	2,782,802	2,882,522	164,250	146,093

Notes to the Financial Statements

	GROUP		COMPANY	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000	31.03.2012 Rs. '000	31.03.2011 Rs. '000
19.2 Amount Payable within One Year				
Short-Term Loans	1,243,711	1,283,471	165,717	147,794
Long-Term Loans (Note 19.5)	859,838	472,198	47,111	38,050
Trust Receipt Loan (Note 19.7)	815,444	593,395	81,821	106,368
Debenture (Note 19.8)	35,000	-	-	-
JEDB/SLSPC Estates (Note 19.4)	6,024	5,793	-	-
Finance Lease Obligations (Note 19.3)	132,167	106,687	27,662	13,238
	3,092,184	2,461,544	322,311	305,450

19.3 Finance Lease Obligations

At the beginning of the Year	406,206	314,527	38,541	63,634
New Leases Obtained	298,337	190,013	86,426	6,293
Repayments made during the Year	(193,602)	(98,334)	(34,388)	(31,386)
At the end of the Year	510,941	406,206	90,579	38,541
Finance Charge Unamortized	(100,182)	(86,810)	(16,256)	(8,285)
Net Lease Obligations	410,759	319,396	74,323	30,256

Note - A

Analysis of finance Lease obligations by year of repayment

Finance Lease Obligation Repayable within One Year from Year end

Gross Liability	180,806	142,404	37,027	18,070
Finance Charge Unamortized	(48,639)	(35,717)	(9,365)	(4,832)
Net Lease Obligations Repayable within One Year from Year end	132,167	106,687	27,662	13,238

Finance Lease Obligation Repayable after One Year end

Gross Liability	330,135	263,802	53,552	20,471
Finance Charge Unamortized	(51,543)	(51,093)	(6,891)	(3,453)
Net Lease Obligations Repayable after One Year from Year end	278,592	212,709	46,661	17,018

19.4 Lease Obligations JEDB/SLSPC Estates

	GROUP	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000
At the beginning of the Year	775,830	798,000
Repayments made during the Year	(22,185)	(22,170)
At the end of the Year	753,645	775,830
Finance Charge Unamortized	(349,698)	(366,086)
Net Lease Obligations (Note 19.4.a)	403,947	409,744

Notes to the Financial Statements

Note 19.4.a

Analysis of Finance Lease Obligations by Year of Repayment

	GROUP	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000
Lease Obligations Repayable within One Year from Year end		
Gross Liability	22,170	22,170
Finance Charge Unamortized	(16,146)	(16,377)
Net Lease Obligations Repayable within One Year from Year end	6,024	5,793
Payable within Two to Five Years		
Gross Lease Obligations	89,096	89,108
Less: Finance Charges Allocated to Future Periods	(62,337)	(63,372)
Net Lease Obligations	26,759	25,736
Lease Obligation Repayable after Five Years		
Gross Lease Obligations	642,379	664,552
Less: Finance Charges Allocated to Future Periods	(271,215)	(286,337)
Net Lease Obligations	371,164	378,215
Net Lease Liability Repayable after One Year	397,923	403,951

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

19.4.2 Agarapatana Plantations Ltd.

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

19.4.3 Kotagala Plantations PLC

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

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

The charge to the Income Statement for the current financial year on account of interest is Rs. 46.5 million (2010/11 - Rs. 89.4 million).

19.5 Term Loan

	GROUP		COMPANY	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000	31.03.2012 Rs. '000	31.03.2011 Rs. '000
At the beginning of the Year	2,488,060	2,208,167	167,125	61,190
Obtained during the Year	577,081	1,019,675	45,000	175,307
Repayment during the Year	(566,779)	(726,389)	(47,425)	(69,372)
Exchange Fluctuation	52,763	(13,393)	-	-
Balance at the end of the Year	2,551,125	2,488,060	164,700	167,125
Loan Repayable within One Year	(859,838)	(472,198)	(47,111)	(38,050)
Loan Repayable after one Year	1,691,287	2,015,862	117,589	129,075

Notes to the Financial Statements

19.6 Group

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

Company	Lender	31.03.2012 Rs. million	31.03.2011 Rs. million	Repayment	Security
E. B. Creasy & Company PLC	Commercial Bank of Ceylon PLC	–	2.19	In 48 equal monthly instalments of Rs. 546,875/-	Primary mortgage of property of The Colombo Fort Land & Building Company PLC
	Commercial Bank of Ceylon PLC "Gamata Karmantha"	58.32	70.83	In 71 equal monthly instalments of Rs. 1,042,000/- and final instalment of Rs. 1,018,000/-	Primary mortgage and secondary mortgage for Rs. 91.8 million and 83 million over the property at No. 53 1/1, 53 2/1 & 57, Sir Baron Jayatilake Mawatha, Colombo 01. belonging to Colombo Fort Land & Building Co. PLC (parent Company)
	Hatton National Bank PLC	63.15	83.25	In 59 Equal monthly instalments of Rs. 1,675,000/- and final instalment of Rs. 1,175,000/-	Existing secondary mortgage bond for Rs. 75 Mn over property situated at No. 98 Sri Sangaraja Mawatha, Colombo 10
	Lanka Orix Leasing Company PLC	7.60	10.86	By way of 72 instalments of Rs. 271,512/-	An on demand Promissory Note for Rs. 16,878,400/- with interest @ 6.5% p.a together with any taxes which may be imposed by the Government from time to time. Mortgage over 01 No. Wood Fired Thermal Oil Heater with Accessories.
	Sampath Bank PLC	35.63	–	In 48 equal monthly instalments of Rs. 937,500/- after one month from the date of grant	Primary mortgage for Rs. 45 Mn over land & building (constructed and to be constructed) of property situated at E95/162, Millawa Estate, Millawa, Horana
		164.70	167.13		
Lankem Ceylon PLC	Sampath Bank PLC	100.00	100.00	In 4 years in 16 equal quarterly instalments of Rs. 18,750,000/-.	Primary mortgage for Rs. 300 million over land & building situated in Fort, owned by The Colombo Fort Land & Building Company PLC.
	PABC Bank PLC	8.60	24.58	In 47 equal monthly instalments of Rs. 1,230,000/- each and final instalments of Rs. 1,190,000/- together with interest payable monthly on reducing balance of capital.	(a) Primary Mortgage Bond for Rs. 87.0 million instalments over land including factory building at 113/10, Maithree Mawatha, Ekala, Ja-Ela (b) Overdraft Agreement
	Lanka Puthra Development Bank Ltd.				
	Loan 1	–	1.36	In 60 equal monthly instalments	(a) Mortgage over Primary Bond of Rs. 5.7 million which pledges some machinery of the Company
	Loan 2	–	0.20	In 60 equal monthly instalments	
	Commercial Bank of Ceylon PLC	62.20	85.30	In 47 equal monthly instalments of Rs. 2,100,000/- each and final instalments of Rs. 1,310,000/- together with interest payable monthly on reducing balance of capital.	Primary mortgage for Rs. 145 million. Installments over land at Ja-ela & Gonawala
	Indian Bank	200.00	–	In 3 years in 12 equal quarterly instalments of Rs. 16,666,666/-.	
Hatton National Bank PLC	50.00	–	In 59 monthly instalment of Rs. 835,000/- each and a final instalment of Rs. 735,000/- together with interest payable monthly on reducing balance of capital		
		420.80	211.44		

Notes to the Financial Statements

Company	Lender	31.03.2012 Rs. million	31.03.2011 Rs. million	Repayment	Security
Beruwala Resorts Ltd.	Sampath Bank PLC	30.00	30.00	–	Mortgage Shares of BOT Hotel Services (Pvt) Ltd.
		30.00	30.00		
Sigiriya Village Hotels PLC	Commercial Bank of Ceylon PLC	–	7.11	Equal monthly instalments of Rs. 166,666/-	Corporate Guarantee of Lankem Ceylon PLC for Rs. 10 million.
		–	7.11		
Kotagala Plantation PLC	National Development Bank PLC	–	4.31	Repayable over 10 years from 30.11.2001 in equal monthly instalments of Rs. 616,217/-.	Primary mortgage over leasehold rights of Stonycliff, Vogan, Gikiyanakande and Dalkeith Estates and all immovable properties of these Estates.
	Approved facility - Rs. 103 million				
	Approved facility - Rs. 124 million	12.59	23.49	Repayable over 10 years from 30th May, 2003, 30th June 2003 and 30th August, 2003 in equal monthly instalments of Rs. 618,745/-, Rs. 41,250/- and Rs. 248,333/- respectively.	Secondary mortgage over leasehold rights of Stonycliff, Vogan, Gikiyanakande and Dalkeith Estates and all immovable properties of these Estates.
	Approved facility - Rs. 215 million	215.00	215.00	Terms of repayment repayable over 5 years from 31.12.2012, in equal monthly instalments of Rs. 3,300,000/- and Rs. 283,400/- respectively. (After the re-finance is received, interest rate would be 15.58%.)	Secondary mortgage over leasehold rights of Stonycliff, Vogan Gikiyanakanda and Dalkeith Estates and all immovable properties of these Estates.
	Approved facility - Rs. 150 million	88.00	133.00	Repayable over 45 months starting from 29.09.2010 in 32 instalments ending in 29.07.2013	Securitisation of Kotagala Tea receivable over a period of 45 months.
	Approved facility - Rs. 250 million	180.20	243.80	Payable over 4 years in first monthly instalment of Rs. 900,000/- and 47 monthly instalments of Rs. 3,300,000/-.	Primary mortgage over 12 million Ordinary shares of C.W. Mackie PLC. Further mortgage over leasehold rights buildings, plant & Machinery in Stonycliff, Vogan, Gikiyanakande & Dalkeith Estates.
	Approved facility - Rs. 300 million	256.20	300.00	Payable over 38 instalment Starting from 24.10.2011.	Securitization of Kotagala Tea receivable
	DFCC Bank PLC	19.19	31.98	Repayable over 10 years from 15.09.2003 in equal monthly instalments of Rs. 1,067,614/- each.	Primary mortgage over leasehold rights of Drayton, Rayigam and Padukka Estates.
	Approved facility - Rs. 211 million				
	Approved facility - Rs. 50 million	17.92	22.92	Repayable over 10 years from 23rd June, 2005 in equal monthly instalments of Rs. 416,667/- each.	a. Primary mortgage over leasehold rights to the land and buildings of Craigie Lea and Bogahawatte Estates. b. A Corporate Guarantee of Rs. 50 million from Lankem Tea & Rubber Plantations (Pvt) Ltd.
	Approved facility - Rs. 7.5 million	1.09	2.02	Repayable over 8 years from 25th June, 2005 in equal monthly instalments of Rs. 77,781/- each.	a. Primary mortgage over leasehold rights to the land and buildings of Craigie Lea and Bogahawatte Estates. b. A Corporate Guarantee of Rs. 7.467 million from Lankem Tea & Rubber Plantations (Pvt) Ltd.
	Approved facility - Rs. 49.7 million	40.59	49.70	Payable over 5 years in equal 60 monthly instalments. Grace period is 18 months.	Secured under the existing Mortgage Bond No. 1068 dated 08.09.1998 attested by R.S. Wijesekara NP over the leasehold rights of Drayton, Rayigam and Padukka Estates.
	Sampath Bank PLC	40.62	46.87	In 95 equal monthly instalments of Rs. 521,000/- and a final instalment of Rs. 505,000/- (Capital) together with interest after a grace period of 48 months commencing from the date of 1st disbursement. (The interest will be recovered on a monthly basis during the grace period also).	Loan Agreement for Rs. 50,000,000/- Primary Mortgage Bond for Rs. 50,000,000/- over leasehold rights of Arapolakande Rubber Estate at Kalutara together with factory buildings therein.
	Approved facility - Rs. 50 million				

Notes to the Financial Statements

Company	Lender	31.03.2012 Rs. million	31.03.2011 Rs. million	Repayment	Security
	Lanka Orix Leasing Company PLC Approved facility - Rs. 40 million	22.38	28.10	Repayable over 7 years from 30th March 2009 in 84 equal monthly instalments of Rs. 476,191/- each.	a. An on demand Promissory Note for Rs. 40,000,000/- with interest @ 18% p.a. b. Until the receipt of refinance of the subsidiary loan from DFCC Bank, and thereafter at the rate of 10.56% p.a. and the interest shall be paid together with any rates which may be imposed by the Government from time to time Primary Mortgage Bond over the unexpired Leasehold Rights created by the indenture of Lease bearing No. 293 dated 2nd March 1995 attested by D.C. Peiris, Notary Public and the amendment thereto bearing indenture No. 1522 dated 4th July 1995 attested by M.H.D. Amaratunga, Notary Public Corporate Guarantees of M/S Lankem Plantation Holdings Ltd. and M/S Lankem Tea & Rubber Plantation (Pvt) Ltd.
	People's Leasing Company PLC Approved facility - Rs.13 million	3.61	7.09	Interest monthly at the rate of 24% from the time of disbursement of funds till the time the re-finance is received from DFCC. Thereafter, Rs. 147,070/- within the capital grace period of 12 months and Rs. 350,826/- (Capital + Interest) to be paid within 48 months.	Primary mortgage over two colour separators, Corporate Guarantee of a Lankem Tea & Rubber Plantations (Pvt) Ltd, and Promissory Notes.
	People's Leasing Company PLC Approved facility - Rs. 27.71 million	24.54	27.71	Interest monthly at the rate of 21% from the time of disbursement of funds till the time the re-finance is received from DFCC. Thereafter, payable within 60 months with a capital grace period of 12 months.	Primary mortgage over two colour separators, Corporate Guarantee of a Lankem Tea & Rubber Plantations (Pvt) Ltd, and Promissory Notes.
	People's Leasing Company PLC E-Friends Approved facility - Rs. 1.768 million	1.15	1.50	Interest monthly at the rate of 25% from the time of disbursement of funds till the time the re-finance is received from PMU. Thereafter, Rs. 9,760/- within the capital grace period of 12 months and Rs. 41,924/- (Capital + Interest) to be paid within 60 months.	Loan Agreement, acceptance and receipt and Corporate Guarantee from Lankem Tea & Rubber Plantations (Pvt) Ltd.
	People's Leasing Company PLC E-Friends Approved Facility - Rs. 1.5 million	0.98	1.27	Interest monthly at the rate of 25% from the time of disbursement of funds till the time the re-finance is received from PMU. Thereafter, Rs. 8,281/- within the capital grace period of 12 months and Rs. 35,573/- (Capital + Interest) to be paid within 60 months.	Loan agreement, acceptance and receipt and Corporate Guarantee from Lankem Tea & Rubber Plantations (Pvt) Ltd
	People's Leasing Company PLC E-Friends Approved facility - Rs. 10.235 million	7.32	9.67	Interest rate of 25% from the time of disbursement of funds till the time the re-finance is received from PMU. There's capital grace period of 12 months and the loan period is 60 months.	Loan Agreement, acceptance and receipt and Corporate Guarantee from Lankem Tea & Rubber Plantations (Pvt) Ltd.
	People's Leasing Company PLC E-Friends Approved facility - Rs. 9.602 million	6.86	9.07	Interest rate of 25% from the time of disbursement of funds till the time the re-finance is received from PMU. There's capital grace period of 12 months and the loan period is 60 months.	Loan Agreement, acceptance and receipt and Corporate Guarantee from Lankem Tea & Rubber Plantations (Pvt) Ltd.
	People's Leasing Company PLC E-Friends Approved facility - Rs. 9.60 million	6.87	9.07	Interest rate of 25% from the time of disbursement of funds till the time the re-finance is received from PMU. There's capital grace period of 12 months and the loan period is 60 months.	Loan Agreement, acceptance and receipt and Corporate Guarantee from Lankem Tea & Rubber Plantations (Pvt) Ltd.

Notes to the Financial Statements

Company	Lender	31.03.2012 Rs. million	31.03.2011 Rs. million	Repayment	Security
	People's Leasing Company PLC E-Friends Approved facility - Rs. 3.775 million	–	3.78	Interest rate of 25% from the time of disbursement of funds till the time the re-finance is received from PMU. There's capital grace period of 12 months and the loan period is 60 months.	Loan Agreement, acceptance and receipt and Corporate Guarantee from Lankem Tea & Rubber Plantations (Pvt) Ltd.
	People's Leasing Company PLC E-Friends Approved facility - Rs. 2.016 million	–	2.02	Interest rate of 25% from the time of disbursement of funds till the time the re-finance is received from PMU. There's capital grace period of 12 months and the loan period is 60 months.	Loan Agreement, acceptance and receipt and Corporate Guarantee from Lankem Tea & Rubber Plantations (Pvt) Ltd.
	People's Bank Approved facility - Rs. 100 million	29.17	79.17	Repayable within 24 installments of Rs. 4,166,666/- each	Securitized Tea Sales of mayfields states.
		974.28	1,251.54		
Agarapatana Plantations Ltd.	DFCC Bank PLC - ADB Loan Disbursement 1 - 97/98 (14046)	5.53	13.83	1st instalment of Rs. 691,884/- and 119 monthly instalments of Rs. 691,429/- payable commencing from 01.11.2002.	Primary mortgage over leasehold rights to the bare land & buildings of Balmoral, Hauteville and Nayabedde Estates
	Disbursement 1 - 97/98 (16251 B)	2.32	7.01	1st instalment of Rs. 390,917/- and 119 monthly instalments of Rs. 344,538/- payable commencing from 01.12.2003.	Further mortgage over leasehold rights to the land & buildings of Balmoral, Hauteville and Nayabedde Estates
	Disbursement 1 - 97/98 (16251 C)	1.67	2.67	1st instalment of Rs. 86,373/- and 119 monthly instalments of Rs. 83,333/- payable commencing from 01.12.2003.	Further mortgage over leasehold rights to the land & buildings of Balmoral, Hauteville and Nayabedde Estates
	Disbursement 1 - 00/01 (21566)	9.06	11.67	1st instalment of Rs. 217,545/- and 119 monthly instalments of Rs. 217,432/- payable commencing from 01.10.2005.	A further mortgage of leasehold right to the land & buildings of Balmoral, Hauteville & Nayabedde Estates
	Disbursement 1 - 01/02 (238895)	0.93	1.87	1st instalment of Rs. 77,805/- and 95 monthly instalments of Rs. 77,781/- payable commencing from 01.06.2005.	A Guarantee from Lankem Tea & Rubber Plantations (Pvt) Ltd.
	Hatton National Bank PLC Disbursement 1 - 07/08	–	0.94	48 monthly instalments commencing from 01.07. 2007.	Corporate Guarantee of Lankem Plantations Holdings Limited for Rs. 45 million, Primary mortgage over leasehold right to the land & buildings of Pitaratmale & Kahagalle Estates. Concurrent mortgage for Rs. 54 million over movable assets of the company consisting of stock in trade, work in progress and motor vehicles and an assignment of book debts. (Also secures the facility at Indian Bank for Rs. 20 million.)
	Lanka Orix Leasing Company PLC (E-friends Loans Scheme) Disbursement 1-07/08	1.15	1.90	60 instalments of Rs. 62,917/- payable commencing from 31st October 2008.	Loan agreements and Corporate Guarantee from Lankem Tea & Rubber Plantations (Pvt) Ltd.
	People's Leasing Co. PLC (E-Friends Loan Scheme) Disbursement 1-08/09	39.84	35.48	60 instalments commencing from 12.11 2010.	Loan agreements and Corporate Guarantee from Lankem Tea & Rubber Plantations (Pvt) Ltd.
	Bank of Ceylon Relief Package Loan	–	25.67	24 monthly instalments commencing from 17th July 2009	A primary mortgage over leasehold right to bare land & buildings of Glenanore and Haputale Estates. Including machinery fixed each of these estates, Treasury guarantee and loan agreement.
	NDB - Securitized Loan Disbursement 1-2010/11	177.5	200.00	38 monthly instalments commencing from 24th October 2011.	Loan Agreement and acceptance and Broker Certificate from John Keels PLC- Produced Brokers.

Notes to the Financial Statements

Company	Lender	31.03.2012 Rs. million	31.03.2011 Rs. million	Repayment	Security
	Disbursement 2-2010/11	24.00	50.00	14 monthly instalments commencing from 15.07.2011.	Loan Agreement and acceptance and Broker Certificate from Forbes & Walkers Tea Brokers.
	Disbursement 2-2011/12	60.00	-	12 monthly instalments commencing from 15.11.2011.	-
	Disbursement 2-2011/12	100.00	-	14 monthly instalments commencing from 15.05.2011.	-
		422.00	351.04		
Marawila Resorts PLC	Hatton National Bank PLC Loan - I	61.74	68.25	Outstanding Balance to be repaid in quarterly installment of US\$ 7500 & interest payable on monthly basis.	Land and other movable and immovable properties of Marawila Resorts PLC
	Loan - II	181.99	172.75	Outstanding Balance to be repaid in quarterly installment of US\$ 7500 & interest payable on monthly basis.	Land and other movable and immovable properties of Marawila Resorts PLC
	Loan - III	138.84	135.24	To be repaid in 5 equal annual instalments of US\$ 318,121 on or before 30th November, each year (Interest free).	Land and other movable and immovable properties of Marawila Resorts PLC
		382.57	376.24		
Lankem Tea & Rubber Plantations (Pvt) Ltd.	Indian Bank Ltd.	16.67	36.67	-	-
		16.67	36.67		
C. W. Mackie PLC	The Industrial Fund (IFU) for Developing Countries	32.11	56.89	8 years	
		32.11	56.89		
Waverly Power (Pvt) Ltd.	DFCC Bank PLC	54.00	-	-	The Company has pledged its own share certificates issued to its shareholders (Lankem Developments PLC and Agarapathana Plantation Ltd.)
	Hatton National Bank PLC	54.00	-		The Company has pledged its own share certificates issued to its shareholders (Lankem Developments PLC and Agarapathana Plantation Ltd.)
		108.00	-		
		2,551.12	2,488.06		

19.7 Trust Receipt Loan

E. B. Creasy & Company PLC and Group have obtained following Trust Receipt Loans:

Name of the Borrower	GROUP	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000
Lankem Ceylon PLC	585,971	361,109
Laxapana Batteries PLC	20,769	40,745
Creasy Foods Ltd.	4,816	7,103
E. B. Creasy & Company PLC	81,821	106,368
Darley Butler & Co. Ltd.	122,067	78,070
	815,444	593,395

Notes to the Financial Statements

The following securities have been pledged to obtain the facilities:

E. B. Creasy & Company PLC

Company's Trust Receipt Loan is secured by Existing Primary Floating Mortgage Bond of Rs. 150 million over stock in trade and an assignment of book debts.

Short term loan is the margin trading loan obtained for share trading which is secured by all shares purchased (Blue chip Companies) using this facility.

Creasy Foods Ltd.

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

Group

(i) The portion of the long-term loans repayable within one year from the Balance Sheet date is shown as Current Liabilities.

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

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

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

Reschedulement of Term Loan Facility Outstanding of US\$ 1.25 million

Outstanding balance to be repaid in quarterly instalments of US\$ 15,000 - in June and September and US\$ 35,000 - in December and March.

Reschedulement of Term Loan Facility Outstanding of US\$ 1.93 million

Outstanding balance to be repaid in quarterly instalments of US\$ 15,000 in June and September and US\$ 35,000 in December and March.

Reschedulement of Term Loan Facility Outstanding of US\$ 1.59 million

Outstanding balance to be repaid in quarterly instalments of US\$ 15,000 in June and September and US\$ 35,000 in December and March (Interest free).

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

(iv) C.W.Mackie PLC with the disposal of shareholding of The Industrialisation Fund of Developing Countries (IFU) in the Company in February 2010 Aarhus United A/S, Denmark (AU) having disposed of its entire holding in January 2010 in keeping with an undertaking to IFU that until the loan has been fully paid AU will not divest its interest in the Company, took over the remaining portion of the loan from IFU on the same terms and conditions of the restructured repayment plan of 2005. The balance portion of the term loan owned by the Company to IFU was transferred to AU in August 2010. The balance of the IFU long-term loan taken over by AU is DKK 2.6 million and is repayable by December 2012 together with interest. The restructured subordinated loan which is outstanding is denominated and payable in DKK and converted into Sri Lankan Rupees at the exchange rate prevailing as at the Balance Sheet Date.

Notes to the Financial Statements

19.8 Debentures

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

Lankem Ceylon PLC, a subsidiary of the Company has issued Rs. 150 million, Rated unsecured unlisted redeemable debentures of the value of Rs. 1000/- each on 30th December 2010 to DFCC Bank PLC at the rate of AWPLR+ 1%. These Debentures are redeemable after 5 years from the date of issue. The purpose of the issue was to fund long-term working capital requirement.

Lankem Ceylon PLC has issued Rs. 200 million rated unsecured unlisted redeemable debentures of the value of Rs. 1,000/- each on 8th April 2011 to Sri Lanka Insurance Corporation Ltd. at the rate of AWPLR+ 1% . These Debentures are redeemable after 5 years from the date of issue. The purpose of the issue was to fund long-term working capital requirement.

20. Deferred Income and Capital Grants

	GROUP	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000
At the beginning of the Year	560,883	510,092
Addition during the Year	11,210	69,144
Amortized during the Year	(19,001)	(18,353)
At the end of the Year	553,092	560,883

Agarapatana Plantations Ltd.

The Company has received funding from the plantation housing and social Welfare Trust, Asian Development Bank, Plantations Reform Project and Ministry of Livestock Development for the development of workers welfare facilities such as re-roofing of line rooms, latrines, water supply and sanitation, etc. The amounts spent are included under the relevant classification of Property, Plant & Equipment and the grant component is reflected under Deferred Income and Capital Grants.

Kotagala Plantations PLC

The Company's Grant & Subsidies represents the followings:

(i) Asian Development Bank - Plantation Reform Project (ADB - PRP)

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

(ii) Plantation Development Support Programme (PDSP)

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

(iii) Plantation Human Development Trust (PHDT)

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

Notes to the Financial Statements

(iv) Others

(a) Ministry of Livestock Development and Estate Infrastructure

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

(b) Sri Lanka Tea Board

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

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

21. Deferred Tax Asset/(Liability)

21.1 Deferred Tax Asset

	GROUP		COMPANY	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000	31.03.2012 Rs. '000	31.03.2011 Rs. '000
Balance at the beginning of the Year	19,674	18,529	-	-
Organization and Reversal of Temporary Differences	10,755	145	-	-
On Acquisition of Subsidiary	-	1,000	-	-
At the end of the Year	30,429	19,674	-	-

21.2 Deferred Tax Liability

Balance at the beginning of the Year	327,790	274,583	40,235	44,956
Transferred from/(to) Income Statement	86,246	53,402	(9,417)	(4,721)
Charge to the changes in Equity Statement	-	(195)	-	-
On Acquisition of Subsidiary	2,383	-	-	-
At the end of the Year	416,419	327,790	30,818	40,235

Kotagala Plantations PLC

The average tax rate used to calculate deferred tax liability/asset as at 31st March, 2012 is 17.15% (2010/11 - 14.36%).

	31.03.2012		31.03.2011	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
Tangible Assets	2,609,713	447,566	2,244,181	322,279
Defined Benefit Obligation	(568,897)	(97,566)	(550,226)	(79,016)
Tax Loss Carried Forward	(426,187)	(73,077)	(455,224)	(65,373)
	1,614,629	276,923	1,238,731	177,890

Notes to the Financial Statements

Laxapana Batteries PLC

The balance of deferred tax liability represents the deferred tax effect on the surplus on revaluation of Property, Plant & Equipment. The deferred Tax Assets/liabilities have been calculated as follows using the tax rate of 28%.

Deferred Tax Assets	31.03.2012		31.03.2011	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
Property, Plant & Equipment	(1,530,348)	(428,497)	8,159,108	2,284,550
Defined Benefit Obligation	(11,469,511)	(3,211,463)	(13,426,453)	(3,759,408)
Tax Loss Carried Forward	(60,325,190)	(16,891,053)	(6,358,543)	(1,780,392)
	(73,325,049)	(20,531,013)	(11,625,888)	(3,255,250)
Deferred Tax Liability				
Temporary difference on Revaluation	25,543,824	7,152,271	31,233,225	8,745,303
	25,543,824	7,152,271	31,233,225	8,745,303

Deferred Tax Asset has been recognized to the extent that the Company has taxable temporary deferece amounting to Rs. 7.15 million on revaluation of Property, Plant & Equipment.

No deferred tax asset has been recognized on the remaining deductible temporary differences amounting to Rs. 13.4 million as the Management is of the opinion that the reversal of the taxable assets will not be crystallized in the foreseeable future.

C.W. Mackie PLC

The tax rate of 26% (2011 - 28%), 15% (2011 - 18%), 12% (2011 - 12%) and 28% (2011 - 28%) were applied respectively by the Company and subsidiaries: Ceymac Rubber Company Ltd., Ceytra (Private) Ltd. and Scan Tours & Travels (Pvt) Ltd., for the calculation of deferred tax asset/liability for the current year.

Deferred Tax Asset	31.03.2012		31.03.2011	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
Property, Plant & Equipment	376,476,000	53,231,000	258,754,000	60,934,000
Defined Benefit Obligation	(11,400,000)	(1,936,000)	(11,885,000)	(2,246,000)
Tax Loss Carried Forward	(41,421,000)	(4,971,000)	(68,952,000)	(11,120,000)
	323,655,000	46,324,000	178,354,000	47,568,000

Notes to the Financial Statements

Lankem Developments PLC

Deferred tax liability have been recognized in respect of following items, because it's not probable that future taxable profit will be available against which the Company can utilize the benefit thereon. Deferred tax has been calculated by applying the effective income tax rate of 12% (for construction companies).

Deferred Tax Asset	31.03.2012		31.03.2011	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
Property, Plant & Equipment	63,399	9,345	57,725	6,927

Unrecognized Deferred Tax Asset

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

	Rs.
Retirement Benefit Obligations	147,275
Tax Loss Carried Forward	110,110,042
	110,257,317
Tax effect thereon @ 12%	13,230,878

SunAgro Farms Ltd.

Deferred Tax asset is arrived by applying the future income tax rate of 10% after expiry of tax holiday period to the timing differences of the Company as at 31st March, 2012.

	Temporary Difference Rs.	Tax Effect Rs.
Property, Plant & Equipment	521,185	52,119
Tax Loss Carried Forward	35,513,963	3,551,396
	36,035,148	3,603,515

The Company has not recognized the deferred tax asset amounting Rs. 3.6 million for the year ended 31st March, 2012 as the management was of the view that the asset will not be crystallized in the foreseeable future.

Muller & Phipps (Ceylon) PLC

	31.03.2012		31.03.2011	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
Tax Loss Carried Forward	110,049,000	30,814,000	113,401,000	39,690,000

The Muller & Phipps (Ceylon) PLC had not recognized the deferred tax asset amounting to Rs. 30.8 million for the year ended 31st March, 2012 as the Management was of the view that the asset will not be crystallized in foreseeable future.

Notes to the Financial Statements

22. Retirement Benefit Obligation

	GROUP		COMPANY	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000	31.03.2012 Rs. '000	31.03.2011 Rs. '000
Fair Value of Plan Assets (Note 22.1)	112,283	107,701	–	–
Present Value of Defined Benefit Obligation (Note 22.2)	1,879,808	1,767,849	92,762	83,003
	1,767,525	1,660,148	92,762	83,003

22.1. Fair Value of Plan Assets

	GROUP	COMPANY
Fair Value of Plan Assets as at 1st April	107,701	104,099
Recognition of Plan Asset	–	7,577
Contribution Paid into the Plan	6,904	7,010
Benefits Paid by the Plan	(13,579)	(12,763)
Expected Return on Plan Assets	5,187	–
Unrecognized Actuarial Gains on Plan Assets	6,070	1,778
Fair Value of Plan Assets as at 31st March	112,283	107,701

22.2 Movement in the Present Value of Defined Benefit Obligation

	GROUP	COMPANY
At the beginning of the year (As per Previously Reported)	1,767,849	1,527,469
Surplus on actuarial valuation of retirement benefit obligation	–	206
At the beginning of the Year	1,767,849	1,527,675
Current Service Cost	134,543	110,657
Interest Cost	204,074	162,540
Actuarial Losses	34,020	76,764
Under Provision in Previous year	7,795	–
On Acquisition of Subsidiary	953	–
Provision for the year	13,878	11,912
Arrears Payable to non contributory gratuity fund	–	9,152
	2,163,112	1,898,700
Transfer of Employees to Related Companies	(414)	225
Payments during the year	(282,890)	(131,076)
Defined Benefit Obligation as at 31st March	1,879,808	1,767,849

22.3 The Amount Recognized in the Balance Sheet as follows:

	GROUP		COMPANY	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000	31.03.2012 Rs. '000	31.03.2011 Rs. '000
Present Value of Unfunded Obligations	1,706,174	1,577,141	107,541	89,143
Present Value of Funded Obligations	158,854	199,350	–	–
Total Present Value of Obligations	1,865,028	1,776,491	107,541	89,143
Fair Value of Plan Assets	(112,283)	(107,701)	–	–
Present Value of Net Obligations	1,752,745	1,668,790	107,541	89,143
Unrecognized Actuarial Gain	14,780	(8,642)	(14,779)	(6,140)
Recognized Liability for Defined Benefit Obligation	1,767,525	1,660,148	92,762	83,003

Notes to the Financial Statements

	GROUP		COMPANY	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000	31.03.2012 Rs. '000	31.03.2011 Rs. '000
22.4 Expense Recognized in the Income Statement				
Current Service Costs	134,543	110,657	6,909	6,018
Interest on Obligations	204,074	162,540	10,581	9,270
Actuarial Losses	33,974	76,764	-	-
	372,591	349,961	17,490	15,288

An Independent Actuarial Valuation of the retirement benefit obligation was carried out as at 31st March, 2012 by Mr. P.S. Goonetilleke, Pial S. Goonetilleke and Associates Firm of Professional Actuaries.

The valuation method used by the actuaries to value the retirement benefit obligation is the 'Projected Unit Credit method. The method recommended by the Sri Lanka Accounting Standard No. 16 (Revised 2006) - 'Employee Benefits'.

22.5 The Key Actuarial Assumptions

a. Company

The key assumptions used by actuary include the following:

Discount Rate		11%	(Per Annum)
Rate of Increase of Salaries	Executives	10%	(Per Annum)
	Non-Executives	10%	(Per Annum)
Retirements - Age	Male/Female	60 Years	

The actuarial present value of the accrued benefit as at 31st March, 2012 is Rs. 92 million. This item is grouped under retirement benefit obligation in the Balance Sheet. The liability is not externally funded.

b. Group

A significant portion of the gratuity of the Group relates to Agarapatana Plantations Ltd. (APL) and Kotagala Plantations PLC (KPP) which have provisions amounting to Rs. 898.76 million and Rs. 568.89 million respectively.

(i) The gratuity liability of Agarapatana Plantations Ltd. amounting to Rs. 898.76 million as at 31st March, 2012 is based on an actuarial valuation carried out by Professionally Qualified Actuary Firm, Messrs Actuarial & Management Consultants (Pvt) Ltd. If Agarapatana Plantations Ltd. had provided gratuity for employees on the basis of Gratuity Act No. 12 of 1983, 14 days wages for workers and half a month's salary for staff each completed year of service, for the year ended 31st March, 2012, the liability would have been Rs. 1,267.61 million (2010/11 - Rs. 1,107.79 million). Hence, there is a contingent liability of Rs. 368.85 million (2010/11 - Rs. 249.59 million) which would crystallize only if the Company ceases to be a going concern.

(a) Discount Rate - 11% p.a.

(b) Salary Increment Rate - Workers - 16% every two years and for other categories office staff - 10% per annum.

(c) Retirement Age - Workers 60 Years
- Staff 60 Years

(ii) The gratuity liability of Kotagala Plantations PLC (KPP) amounting to Rs. 568.89 million as at 31st March, 2012 is the amount advised by Actuarial & Management Consultants (Pvt) Ltd. If Kotagala Plantations PLC had provided for gratuity for employees on the basis of Gratuity Act No. 12 of 1983, 14 days wages and half a month's salary for each completed year of service, the liability would have been Rs. 753.64 million (2010/11 - Rs. 613.17 million). Hence, there is a contingent liability of Rs. 184.74 million (2010/11 - Rs. 62.94 million) which would crystallize only if KPP ceases to be a going concern.

Notes to the Financial Statements

The key assumptions used by the actuary include the following:

- (a) Discount Rate - 11% p.a. (Net of tax)
- (b) Rate of Salary Increase
 - Workers - 16% every two years
 - For other categories of staff - 10% p.a.
- (c) Retirement Age
 - Workers - 60 years
 - For other categories of staff 60 years
- (d) Daily wage rate Rs. 285/- for workers.
- (e) The Company will continue in business as a going concern.

The liability is not externally funded.

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

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

(iv) Marawila Resorts PLC, Lankem Developments PLC, Creasy Foods Ltd., SunAgro LifeScience Ltd., Lankem Consumer Products Ltd. and Lankem Paints Ltd. subsidiaries of the Company, has adopted SLAS 16 (Revised 2006) which requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods and discount that benefit using the Projected Unit Credit method in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure:

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

The present value of the accrued benefit as at 31st March, 2012 of above companies respectively Rs. 4.8 million, Rs. 0.14 million, Rs. 6.7 million, Rs. 0.36 million, Rs. 0.47 million and Rs. 2 million.

(v) Laxapana Batteries PLC, a subsidiary of the Company has adopted SLAS 16 (Revised 2006) - 'Employee Benefits' which requires the use of actuarial techniques to make reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods and discount that benefit using the Projected Unit Credit method in order to determine the present value of the retirement benefit obligation and the current service cost. This requires an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure using the gratuity formula as per SLAS 16 (Revised 2006) - 'Employee Benefits'.

- (a) Rate of Interest - 11%
- (b) Rate of Salary Increment - 8.5%
- (c) Retirement Age - 55 Years
- (d) Staff Turnover Ratio - 22%

Notes to the Financial Statements

(vi) Pettah Pharmacy (Pvt) Ltd., a subsidiary of the Company, has adopted the SLAS 16 (Revised 2006) - 'Employee Benefits' and use the actuarial techniques to make a reliable estimate of the amount of retirement benefit using the Projected Unit Credit method in order to determine the present value of the retirement benefit obligation. The following key assumptions were made in arriving at the retirement benefit obligation as at 31st March, 2012:

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

(vii) C.W. Mackie PLC, Ceymac Rubber Co. Ltd. and Ceytra (Private) Ltd. subsidiaries of the Company adopted Sri Lanka Accounting Standard 16 (Revised 2006) - 'Employee Benefits', which applies to Financial Statements covering annual periods beginning on or after 1st July, 2007. The above companies measure the present value of defined benefit obligation using the Projected Unit Credit method defined by the Actuary.

The Key Assumptions used by the Actuary are as follows:

Discount Rate - 10% p.a.

Salary Increment Rate - 12% p.a.

Retirement Age - Management Staff 60 Years - Allied Staff 60 Years
- Other Staff 55 Years

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

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

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

23. Trade and Other Payables

	GROUP		COMPANY	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000	31.03.2012 Rs. '000	31.03.2011 Rs. '000
Trade Payables	1,522,202	1,282,691	32,977	74,452
Unclaimed Dividend	25,289	30,568	1,657	15,170
Bills Payable	386,230	362,865	298,724	233,146
Other Taxes Payable	65,859	115,417	-	-
Deposits from Dealers	33,662	61,718	-	-
Payable to Employees	239,838	225,972	-	-
Accrued Expenses and Other Payables (Note 23.1)	1,595,248	1,057,416	66,078	35,944
	3,868,328	3,136,647	399,436	358,712

Notes to the Financial Statements

23.1 Accrued Expenses and Other Payables

Accrued expenses and other payables for the Group include Rs. 13.3 million on penalty and Pradeshiya Sabha tax payables of Marawila Resorts PLC, as morefully described in Note 28.2 (iii) to these Financial Statements.

24. Amount Due to Related Companies

As at 31st March	GROUP		COMPANY	
	31.03.2012 Rs. '000	31.03.2011 Rs. '000	31.03.2012 Rs. '000	31.03.2011 Rs. '000
Long-Term				
Darley Butler & Company Ltd.	-	-	153,962	153,962
	-	-	153,962	153,962
Short-Term				
Island Consumer Supplies (Pvt) Ltd.	-	-	5,416	5,457
Colonial Motors PLC	2,177	2,165	-	-
The Colombo Fort Land & Building Company PLC	479,554	92,457	11,064	3,822
Guardian Assets Management Ltd.	-	2,250	-	2,250
Carplan Ltd.	43	257	-	-
York Hotel Management Services Ltd.	17,458	6,242	-	-
Harissons Malayalam Finance Services Ltd.	270	270	-	-
Sherwood Holidays Ltd.	180	194	-	-
Corporate Systems Ltd.	-	-	167	307
Lankem Ceylon PLC	-	-	-	2,170
Darley Butler & Company Ltd.	-	-	118,429	109,360
Group Three Associates (Pvt) Ltd.	-	-	1,261	1,276
Lankem Technology Services Ltd.	-	4,975	-	-
Laxapana Batteries PLC	-	-	-	1,199
E. B. Creasy Logistics Ltd.	-	-	-	4,009
Corporate Managers & Secretaries (Pvt) Ltd.	101	-	-	-
Ceylon Trading Company Ltd.	2,043	-	-	-
	501,826	108,810	136,337	129,850

The Company do not incur interest on balance payable to related companies. The terms of repayment of the aforesaid balances had not been agreed at the reporting date.

25. Related Party Transactions

(a) Parent and Ultimate Controlling Party

The Company's Parent Company is The Colombo Fort Land & Building Company PLC.

(b) Transactions with Related Companies

The Company has a related party relationship with its related Group companies. The following transactions were carried out with related parties during the year ended 31st March, 2012.

Notes to the Financial Statements

(b) (i) The Company's Transactions with its Related Companies

Company	Nature of Interest	Nature of Transactions	2012 Amount Rs. '000	2011 Amount Rs. '000
Lankem Ceylon PLC	Subsidiary	Office rent	1,573	1,173
		Incurred reimbursable expenses	(2,086)	(2,980)
		Settlement of current account	2,682	-
Laxapana Batteries PLC	Subsidiary	Sale of raw materials	-	9,894
		Incurred reimbursable expenses	6,770	-
		Consumables purchase	(301)	244
		Sub lease rentals for battery machine	185	2,217
		Trust receipt loan interest on imports	-	205
		Transferred to Darley Butler Current Account	-	(30,000)
		Settlement of bills payables	-	140
		Cost of service provided	-	5,387
		Transferred gratuity provision of an employee	-	(225)
		Fund transfers	25,000	-
Darley Butler & Company Ltd.	Subsidiary	Sale of consumables	1,545,168	1,336,278
		Settlement of sale of consumables	(1,545,168)	(1,336,278)
		Incurred reimbursable expenses	162,801	157,025
		Raw material purchase	429	22,106
		Fund transfer	(172,297)	(120,583)
		Loan received purchase of Muller & Phipps (Ceylon) PLC shares	-	153,962
E. B. Creasy Logistics Ltd.	Subsidiary	Clearing charges	(36,402)	(10,095)
		Incurred reimbursable expenses	19,017	5,948
		Fund Transfers	21,394	1,608
Creasy Foods Ltd.	Subsidiary	Incurred reimbursable expenses	34,114	20,969
		Fund transfer	(3,324)	26,398
Lankem Developments PLC	Subsidiary	Rent charged for office premises	116	1,401
Corporate Systems Ltd.	Subsidiary	Incurred reimbursable expenses	139	267
Filmpak Ltd.	Subsidiary	Professional fee	134	134
EBC Milk Foods Ltd.	Subsidiary	Professional fee	131	129
Group Three Associates (Pvt) Ltd.	Subsidiary	Incurred reimbursable expenses	15	181
Island Consumer Supplies (Pvt) Ltd.	Subsidiary	Incurred reimbursable expenses	42	49
		Investment Muller & Phipps (Ceylon) PLC	-	(40,500)
		Fund transfer	-	1,474
The Colombo Fort Land Building & Co. PLC	Parent	Dividend	-	1,358
		Incurred reimbursable expenses	(1,250)	(1,109)
		Guarantee commission	(5,991)	(1,986)
Muller & Phipps (Ceylon) PLC	Subsidiary	Reimbursement of expenses	3	6,850
		Settlement of current account	(10)	-
American Lloyd Travels Ltd.	Affiliate	Reimbursement of expenses	-	600

Notes to the Financial Statements

(b) (ii) Group

The following material transactions were carried out between the related parties, within the Group:

Company	Nature of Interest	Nature of Transactions	2012	2011
			Amount Rs. '000	Amount Rs. '000
01. Agarapatana Plantations Ltd. (APL)				
Lankem Tea & Rubber Plantation (Pvt) Ltd.	Affiliate	Managing agent's fee	62,393	74,487
		Payment of Management fee	(2,570)	(13,668)
		Reimbursement of expenses	57	126
Sigiriya Village Hotels PLC	Affiliate	Rental expenses	103	1,149
		Reimbursement of expenses	2	110
Kotagala Plantations PLC	Affiliate	Receipts on short-term loans	-	(33,831)
		Reimbursement of expenses	61,730	(11,684)
		Right issue	(200,000)	-
		Paid for short term advance	-	18,011
The Colombo Fort Land & Building Company PLC	Ultimate Parent	Rent on buildings	13,650	19,680
		Rent Paid	(7,643)	(4,310)
Sherwood Hoildays Ltd.	Affiliate	Rent and bungalow upkeep expenses	1,196	804
Marawila Resorts PLC	Affiliate	Investment in ordinary shares	(25)	695
Ceylon Tea Brokers PLC	Affiliate	Broker advance received	-	(98,591)
		Broker advance paid	-	98,591
		Sale proceeds receivable	-	(154,334)
		Sale proceeds received	-	(155,249)
Creasy Plantation Management Ltd.	Affiliate	Interest expenses	480	480
		Reimbursement of expenses	342	362
Waverly Power (Pvt) Ltd.	Affiliate	Investment in ordinary shares	26,000	-
		Rental expenses	(397)	-
02. Beruwala Resorts Ltd. (BRL)				
Sigiriya Village Hotels PLC	Affiliate	Reimbursement of expenses	(108)	(1,144)
		Fund transfer	(750)	(1,000)
Marawila Resorts PLC	Affiliate	Reimbursement of expenses	(221)	(322)
		Fund transfer	-	2,500
Colonial Motors PLC	Affiliate	Interest charged	(12)	(149)
		Settlement of Hotel bills	-	104
Car Plan Ltd.	Affiliate	Settlement of hotel bills	-	61
The Colombo Fort Land & Building Company PLC	Ultimate Parent	Fund transfer	(589)	(589)
Sherwood Hoildays Ltd.	Affiliate	Reimbursement of expenses	-	(5)
E. B. Creasy & Company PLC	Intermediate Parent	Fund transfer	(500)	(500)
York Hotel (Mgt) Services Ltd.	Affiliate	Reimbursement of expenses	(4,911)	(4,512)
		Management fee	(9,672)	-
Agarapatana Plantations Ltd.	Affiliate	Tea purchase	-	(96)
BOT Hotel Services Ltd.	Subsidiary	Purchase of shares	-	86,000
		Reimbursement of expenses	462	-
Colombo Fort Hotels Ltd.	Affiliate	Settlement of loans	226,288	-
		Temporary deposit	(82,500)	-
		Investment receivable	(3,498)	-
York Hotels (Kandy) Ltd.	Affiliate	Reimbursement of expenses	(2)	-

Notes to the Financial Statements

Company	Nature of Interest	Nature of Transactions	2012 Amount Rs. '000	2011 Amount Rs. '000
03. C.W. Mackie PLC				
Ceylon Trading Company Ltd.	Affiliate	Secretarial and legal fees	(3,030)	–
		Rent income (Office)	2,400	2,230
		Recovery of overheads	(2,140)	(6,118)
Maersk Lanka (Pvt) Ltd.	Affiliate	Rent income	13,674	–
		Recovery of overheads	7,239	–
Scan Tours and Travels (Pvt) Ltd.	Subsidiary	Interest on current account balance	341	–
		Vehicle hire charges	(28,159)	–
		Recovery of overheads	1,126	–
		Management fees	1,465	–
Industrial Fund for Developing Countries (IFU)	Affiliate	Interest on Loan	(1,964)	88,500
		Loan repayment	(31,009)	–
04. Ceymac Rubber Company Ltd.				
C.W. Mackie PLC	Immediate Parent	Interest on current account balance	(35,401)	(18,096)
		Management overheads	(3,881)	(3,457)
		Sales commission and brokerage	(65,890)	–
		Management fees	4,541	–
Scan Tours & Travels (Pvt) Ltd.	Affiliate	Vehicle hire charges	(3,752)	–
		Interest on current account balance	(852)	–
05. Ceytra (Pvt) Ltd.				
Ceylon Trading Company Ltd.	Affiliate	Recovery of overheads	–	3,734
Scan Tours & Travels (Pvt) Ltd.	Affiliate	Vehicle hire expense	(1,902)	–
		Interest on current account balance	(80)	–
Ceymanc Rubber Company Ltd.	Affiliate	Interest on current account balance	(6,341)	–
		Lease rentals for building premises	(1,601)	–
C.W. Mackie PLC	Immediate Parent	Interest on current account balance	3,096	939
		Recovery of overheads	3,194	–
		Inter company purchases	4,222	–
		Management fees	675	–
06. Colombo Fort Hotels Ltd. (CFHL)				
The Colombo Fort Land & Building Company PLC	Ultimate Parent	Fund Advance	35	35
		Stamp duty	15,547	–
Marawila Resorts PLC	Affiliate	Loan received	15,000	–
		Interest	506	–
Lankem Developments PLC	Affiliate	Loan received	80,000	–
Lankem Ceylon PLC	Immediate Parent	Funds Advance	102,000	55,613
		Reimbursement of expenses	–	23
		Stamp duty	4,389	–

Notes to the Financial Statements

Company	Nature of Interest	Nature of Transactions	2012	2011
			Amount Rs. '000	Amount Rs. '000
07. Creasy Plantation Management Ltd.				
The Colombo Fort Land & Building Company PLC	Ultimate Parent	Interest income	200	200
08. Darley Butler & Company Ltd. (DBCL)				
Laxapana Batteries PLC	Affiliate	Purchase of consumables	(144,189)	(396,098)
		Trade discount	-	21,608
		Settlements of imports	13,049	7,396
		Fund transfers	179,929	234,898
		Incurred Reimbursable expenses	891	18,356
Lankem Plantation Holdings Ltd.	Affiliate	Transferred to E. B. Creasy & Co. PLC	-	(60,000)
Creasy Foods Ltd.	Affiliate	Purchases	232,035	249,763
		Trade discount	-	20,868
		Incurred reimbursement of expenses	534	(14)
		Fund Transfers	215,601	229,230
Island Consumer Supplies (Pvt) Ltd.	Affiliate	Incurred reimbursement of expenses	73	261
		Fund transfers	-	35
Lankem Tea & Rubber Plantation (Pvt) Ltd.	Affiliate	Debenture interest receivable	8,889	12,139
		Transferred to E. B. Creasy & Co. PLC	12,000	18,962
		Debenture redemption	-	112,500
		WHT	9,149	2,107
Group Three Associates (Pvt) Ltd.	Affiliate	Incurred reimbursement of expenses	75	71
Pettah Pharmacy (Pvt) Ltd.	Affiliate	Loan obtain	-	23,000
		Loan Payment	-	(23,000)
		Interest expense	-	1,577
		Interest Paid	-	(1,577)
Marawila Resorts PLC	Affiliate	Hotel charges	(104)	-
09. E. B. Creasy Logistics Ltd. (EBL)				
Creasy Foods Ltd.	Affiliate	Clearing agency fee	2,348	1,670
		Settlement of clearing agency fee	(2,457)	(2,400)
Laxapana Batteries PLC	Affiliate	Clearing agency fee	2,915	6,407
		Settlement of clearing agency fee	(2,683)	(6,019)
Lankem Ceylon PLC	Affiliate	Clearing agency fee	24,431	22,363
		Settlement of clearing agency fee	(23,681)	(20,622)
Darley Butler & Co. Ltd.	Affiliate	Clearing agency fee	6,559	11,412
		Settlement of clearing agency fee	(6,159)	(12,883)
Lankem Developments PLC	Affiliate	Settlement of clearing agency fee	(42)	-
Pettah Pharmacy Ltd.	Affiliate	Cleaning and agency fees	657	-
		Settlement of clearing agency fee	(766)	-
Colonial Motors PLC	Affiliate	Cleaning and agency fees	720	-
		Settlement of clearing agency fee	(659)	-
KIA Motors (Lanka) Ltd.	Affiliate	Cleaning and agency fees	1,839	-
		Settlement of clearing agency fee	(1,889)	-

Notes to the Financial Statements

Company	Nature of Interest	Nature of Transactions	2012 Amount Rs. '000	2011 Amount Rs. '000
10. Island Consumer Supplies (Pvt) Ltd.				
The Colombo Fort Land & Building Co. PLC	Ultimate Parent	Settlement of Investment	–	40,500
11. Kotagala Plantations PLC (KPP)				
Lankem Ceylon PLC	Intermediate Parent	Purchase/ paid of chemicals	(5,047)	59
		Loan given	–	300,000
		Interest charged	27,370	–
		Interest received	(15,591)	–
Lankem Plantation Holdings Ltd.	Affiliate	Dividend paid	(108,900)	(32,670)
		Fund transfer	108,900	32,670
		Sundry expenses	–	7
Lankem Tea & Rubber Plantation (Pvt) Ltd.	Affiliate	Managing agent's fee	(87,489)	(138,388)
		Reimbursement of expenses	18,050	49,536
		Dividend paid	86,418	(25,926)
		Fund transfer	–	31,025
Lankem Plantation Services Ltd.	Affiliate	Interest on short-term loan	(480)	(480)
		Reimbursement of expenses and interest paid	357	329
Sherwood Holidays Ltd.	Affiliate	Bungalow maintenance expenses	868	857
Creasy Plantation Management Ltd.	Affiliate	Cash received	(2)	–
Marawila Resorts PLC	Affiliate	Cash received	(25)	–
E. B. Creasy & Company PLC	Intermediate Parent	Land rent	–	(208)
Ceylon Tea Brokers PLC	Affiliate	Sale of tea	101,364	99,368
		Cash received from tea sales	(102,404)	(103,231)
12. Lankem Ceylon PLC (LCP)				
Lankem Developments PLC	Subsidiary	Management fee	–	1,940
		Sale of goods	838	13,716
		Salaries and wages recovered	29	13,741
		Administrative expenses recovered	26	3,718
		Loan settlement	(25,000)	–
		Overhead expenses recovered	–	9,424
		Inter-Company settlement	(7,002)	(14,709)
		Current account settlement	–	(49,073)
		Interest income	2,370	–
		Loan issued	25,000	–
Beruwala Resorts Ltd.	Subsidiary	Fund transfers	(5,000)	(10,128)
		Recovery of expense	–	90,440
		Settlement of merchant credit loan	10,050	33,670
		Purchase of shares	(226,288)	–
Associated Farms Ltd.	Subsidiary	Fund transfers	(1,256)	–
		Salaries and wages recovered	(8,434)	–
		Recovery of expenses	510	152

Notes to the Financial Statements

Company	Nature of Interest	Nature of Transactions	2012	2011
			Amount Rs. '000	Amount Rs. '000
Lankem Tea & Rubber Plantations (Pvt) Ltd.	Subsidiary	Debenture interest income	16,200	16,200
		Purchases	(14)	-
		Debenture interest received	2,112	31,667
		Loan interest received	5,400	-
		Dividend	450	360
		Transferred to loan	(60,000)	-
		Loan issued	60,000	-
BOT Hotel Services (Pvt) Ltd.	Subsidiary	Fund transfers	100	13,813
		Recovery of expenses	3,859	-
		Transferred to loan	(14,000)	-
		Loan issued	14,000	-
York Hotel Management Ltd.	Affiliate	Purchase of Share	-	(5,132)
Laxapana Batteries PLC	Affiliate	Fund transfer	25	-
		Purchase of Share	-	(25)
Lankem Chemicals Ltd.	Subsidiary	Sale of goods	519,318	366,115
		Recovery of expenses	96,210	91,339
		Fund transfers	606,534	(485,839)
Lankem Paints Ltd.	Subsidiary	Sale of goods	1,508,947	1,126,594
		Interest income	32,752	716
		Recovery of expenses	461,598	251,450
		Fund transfers	(1,891,758)	(1,298,500)
Lankem Consumer Products Ltd.	Subsidiary	Sale of goods	184,308	195,203
		Salaries and wages recovered	24,253	-
		Recovery of expenses	175,905	38,340
		Fund transfers	(48,377)	(227,560)
Kotagala Plantation PLC	Affiliate	Fund transfers	15,591	-
Agarapatana Plantations Ltd.	Affiliate	Sale of goods	333	-
		Fund transfers	(420)	-
SunAgro Foods Ltd.	Subsidiary	Recovery of expenses	(27,338)	-
		Salaries and wages	3,237	-
		Fund transfer	87,809	-
		Sale of goods	4	-
C.W. Mackie PLC	Subsidiary	Sale of goods	4	-
Marawila Resorts PLC	Subsidiary	Fund transfers	-	21,586
		Purchase of shares on private placement	35,613	9,322
		Interest received	1,850	-
		Purchases	356	-
		Reimbursement of expenses	10,751	-
		Research expenses	(46,785)	(58,284)
Lankem Research Ltd.	Subsidiary	Recovery of expenses	11,339	16,751
		Fund transfers	19,623	54,417
		Salaries and wages recovered	10,559	-
SunAgro LifeScience Ltd.	Subsidiary	Recovery of expenses	68,925	20,041
		Interest income	-	1,843
		Fund transfers	13,083	14,714
		Overhead expenses recovered	8,589	18,607

Notes to the Financial Statements

Company	Nature of Interest	Nature of Transactions	2012 Amount Rs. '000	2011 Amount Rs. '000
Sigiriya Village Hotels PLC	Subsidiary	Fund transfers	11,970	(125,000)
		Interest paid	6,820	(2,655)
		Investment	-	(6,201)
		Purchase of goods	(89)	-
		Dividend income	2,838	-
		Loan obtained	100,000	-
		Loan Settlement	(20,000)	-
		Reimbursement of expenses	109	(3,481)
SunAgro Farms Ltd.	Subsidiary	Fund transfers	8,324	12,136
		Recovery of expenses	3,300	1,519
		Salaries and wages recovered	1,983	-
Lankem Exports (Pvt) Ltd.	Subsidiary	Recovery of expenses	-	1
The Colombo Fort Land & Building Company PLC	Ultimate Parent	Group service fee	-	16,258
		Fund transfers	(298,279)	(35,000)
		Reimbursement of expenses	1,220	(1,165)
		Settlement of Group service fee	5,492	(27,469)
		Chairman's Office expenses	-	(343)
		Loan Settlement	(394,000)	(58,000)
		Transfer of loans	364,000	-
		Interest expenses	26,369	-
Colonial Motors PLC	Affiliate	Reimbursement of expenses	-	12,280
Lankem Technology Services Ltd.	Affiliate	Fund transfer	50	-
Colombo Fort Hotels Ltd.	Subsidiary	Fund Advances	-	55,613
		Purchase of shares	(547,170)	-
		Interest income	4,950	-
		Fund transfer	599,170	-
		Transferred to loan	(55,000)	-
		Loan issued	55,000	-
		Recovery of expenses	4,389	23
13. Lankem Chemicals Ltd. (LC)				
Lankem Paints Ltd.	Affiliate	Transfer of fund	31	589
Lankem Consumer Products		Transfer of fund	(100)	(25)
14. Lankem Consumer Products Ltd. (LCPL)				
Lankem Paints Ltd.	Affiliate	Fund transfer	-	(125)
Marawila Resorts PLC		Fund transfer	(63)	(63)
Creasy foods Ltd.		Fund transfer	(42)	-
EB Creasy and Company PLC		Fund transfer	7	-
Darley Buttler and Company Ltd.		Fund transfer	29	-
15. Lankem Developments PLC (LDP)				
Lankem Ceylon PLC	Immediate Parent	Intercompany Settlements		14,709
		Advance receipt on construction Contracts		49,073
		Settlement balances		(42,538)
Sigiriya Village Hotels PLC	Affiliate	Trade Receivable from Construction Contracts	996	996

Notes to the Financial Statements

Company	Nature of Interest	Nature of Transactions	2012 Amount Rs. '000	2011 Amount Rs. '000
16. Lankem Plantaion Holdings Ltd. (LPHL)				
Lankem Ceylon PLC	Immediate Parent	Loan given	–	300,000
The Colombo Fort Land & Building Company PLC	Ultimate Parent	Rent on Building	13,650	(19,680)
		Rent paid	7,642	4,310
The Sherwood Holidays Ltd.	Affiliate	Rent & bungalow upkeep expenses	2,063	1,661
Sigiriya Village Hotels PLC	Affiliate	Rent expenses	103	1,149
		Reimbursement of expenses	(2)	(110)
Marawila Resorts PLC	Affiliate	Investment in ordinary shares	–	695
E. B. Creasy & Company PLC	Intermediate Parent	Rent income received	–	208
Creasy Plantation Management Ltd.	Affiliate	Interest expenses	(478)	(480)
Lankem Plantation Services Ltd.	Affiliate	Interest expenses	(480)	(480)
		Interest paid	329	320
Ceylon Tea Brokers PLC	Affiliate	Broker advance received	(101,000)	(98,591)
		Broker advance paid	90,523	98,591
		Sale proceed receivable	(235,618)	(253,702)
		Sale proceed received	234,237	258,480
17. Lankem Plantation Services Ltd. (LPSL)				
The Colombo Fort Land & Building Company PLC	Ultimate Parent	Interest income	20	200
18. Lankem Tea & Rubber Plantation (Pvt) Ltd. (LTR)				
Lankem Plantation Holdings Ltd.	Immediate Parent	Current Account settlements	(293,000)	(20,000)
		Purchase of APL shares	–	60,000
		Dividend	44,609	35,687
		Expenses	300	194
The Colombo Fort Land & Building Co. PLC	Ultimate Parent	Advance against current account	–	85,000
		Loan Interest	15,200	–
		Loan	380,000	–
		Expenses	(8,088)	–
		Settlement of expenses	2,628	6,137
Lankem Ceylon PLC	Immediate Parent	Tea sales	28	–
		Loan	60,000	–
		Current account settlement	40,989	–
Darley Butler and Company Ltd.	Affiliate	Tea sales	7,473	–
		Receipt for tea sales	(7,474)	–
19. Laxapana Batteries PLC (LBP)				
Lankem Consumer Products Ltd.	Affiliate	Consumable purchases	140	220
		Settlements	(167)	(220)

Notes to the Financial Statements

Company	Nature of Interest	Nature of Transactions	2012	2011
			Amount Rs. '000	Amount Rs. '000
20. Marawila Resorts PLC (MRP)				
York Hotels Management Services Ltd.	Affiliate	Reimbursement of expenses	6,072	4,177
		Management fee	(12,838)	-
Sigiriya Village Hotels PLC	Affiliate	Reimbursement of expenses	(4,356)	(4,366)
		Fund transfer	-	(4,297)
		Expense charged	4,492	-
Sherwood Hoildays Ltd.	Affiliate	Settlements	-	(23)
Beruwala Resorts Ltd.	Affiliate	Reimbursement of expenses	2,831	322
		Fund transfer	-	(2,500)
		Recoverable loan given	35,000	-
		Short-term loan given	(35,000)	-
		Settlement	2,431	-
Carplan Ltd.	Affiliate	Reimbursement of expenses	-	47
Colombo Investment Trust Ltd.	Affiliate	Recoverable of loan given	10,000	-
		Short-term loan given	(10,000)	-
Colombo Fort Investment Ltd.	Affiliate	Recoverable of Loan given	10,000	-
		Short-term loan given	(10,000)	-
Colombo fort Land & Building Co. PLC	Affiliate	Recoverable of loan given	20,000	-
		Short-term loan given	(20,000)	-
		Interest on Short-term loan	138	-
Lankem Paints Limited	Affiliate	Sales	10	-
Lankem Agro limited	Affiliate	Sales	35	-
Lankem Plantation Holdings Ltd.	Affiliate	Sales	99	-
Lankem Tea & Rubber Plantations (Pvt) Ltd.	Affiliate	Purchases	(618)	-
21. Muller & Phipps (Ceylon) PLC (MPL)				
Corporate Managers & Secretaries (Pvt) Ltd.	Affiliate	Secretarial charges	617	-
		Registrar's Fees	411	-
Pettah Pharmacy (Pvt) Ltd.	Subsidiary	Interest Income	9,975	-
		Management fee	2,000	-
		Loan Granted during the year	10,000	-
22. Pettah Pharmacy (Pvt) Ltd. (PPL)				
York Arcade Holdings Ltd.	Affiliate	Rent paid	1,638	-
Corporate Managers & Secretaries (Pvt) Ltd.	Affiliate	Secretarial charges paid	548	-
23. Scan Tours & Travels (Pvt) Ltd.				
Ceylon Trading Company Ltd.	Affiliate	Vehicle hire income	4,497	-
		Insurance claim received	183	-
C.W. Mackie PLC	Intermediate Parent	Vehicle hire income	-	32,650

Notes to the Financial Statements

Company	Nature of Interest	Nature of Transactions	2012 Amount Rs. '000	2011 Amount Rs. '000
24. Sigiriya Village Hotels PLC (SVH)				
Associated Farms Ltd.	Affiliate	Reimbursement of expenses	2,394	1,641
York Hotels (Kandy) Ltd.	Affiliate	Salaries and wages	333	281
		Reimbursement of expenses	21,331	1,452
Sunrise Resorts Ltd.	Affiliate	Reimbursement of expenses	99	84
Tropical Beach Resorts Ltd.	Affiliate	Reimbursement of expenses	5	3
Car Plan Ltd.	Affiliate	Vehicle repairs	214	52
E. B. Creasy & Company PLC	Intermediate Parent	Settlement of outstanding	(140)	-
Sherwood Holidays Ltd.	Affiliate	Reimbursement of expenses	122	1,345
York Hotel Management Services Ltd.	Affiliate	Reimbursement of expenses	2,790	4,856
		Management fee	(11,132)	-
The Colombo Fort Land & Building Co. PLC	Ultimate Parent	Fund transfers	-	17,000
		Settlement of outstanding	30	4
		Fund advance	-	35
Marawila Resorts PLC	Affiliate	Salaries and wages	480	-
		Reimbursement of expenses	(615)	-
Sigiriya Resorts Ltd.	Affiliate	Reimbursement of expenses	534	-
Colombo Fort Hotels Ltd.	Affiliate	Reimbursement of expenses	414	-
		Temporary Loan	15,000	-
25. SunAgro Life Science Ltd. (SALS)				
SunAgro Foods Ltd.	Affiliate	Transfer of funds	13,000	-
SunAgro Farms Ltd.	Affiliate	Transfer of funds	(263)	-
26. SunAgro Farms Ltd. (SAF)				
Associated Farms Ltd.	Affiliate	Transfer of salary expenses	1,005	-
		Reimbursement of expenses	15	-
		Transfer to Lankem Ceylon PLC	(1,886)	-
Lankem Research Ltd.	Affiliate	Advances given	13,000	-
		Reimbursement of salaries & wages	388	-
		Fund transfer	(13,388)	-
27. York Hotels (Kandy) Ltd. (YHK)				
The Colombo Fort Land & Building Co., PLC	Ultimate Parent	Interest income	5,400	-
28. Waverly Power (Pvt) Ltd. (WPL)				
Agarapatana Plantations Ltd	Affiliate	Expenses Incurred on behalf of the Company	13,672	-

Notes to the Financial Statements

(b) (iii) The Directors of the Company are also Directors of the following companies:

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

The above Notes should be read in conjunction with Note Nos. 12.1, 14, 22, 24, and 28 to the Financial Statements.

- * Mr. A. Rajaratnam retired from the following Boards as stated below:
EBL, FPL, CSL, GTA, ICSL - w.e.f. 5th August, 2011, LBP - 27th September, 2011, LCP, LC, LCPL, LPL, LEL, LRL, SLAS, SAF - w.e.f. 29th July, 2011.
- ** Mr. P.M.A. Sirimane was appointed to the Boards of MPL and PPL w.e.f. 5th October, 2011.
- *** Mr. A.R. Rasiah and Mr. S.N.P. Paliheha were appointed to the Boards of MPL on 15th February, 2012 and PPL on 13th March, 2012.

(c) Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard 30 (Revised 2005) - 'Related Party Disclosures', Key Management Personnel, are those having and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including Executive and Non-Executive Directors) have been classified as Key Management Personnel of the Company/Group.

Company

(i) Loans to the Directors

No loans have been granted to the Directors of the Company.

(ii) Compensation Paid to Key Management Personnel

	2011/12 Rs. '000	2010/11 Rs. '000
Salaries/Other Employee Benefits	73,292	61,933

(iii) Other Transactions with Key Management Personnel

There were no other transactions with Key Management Personnel other than those disclosed in Note 25 (b) to these Financial Statements.

Group

(i) Loans to the Directors

No loans have been granted to the Directors of the Group.

(ii) Compensation paid to Key Management Personnel

	2011/12 Rs. '000	2010/11 Rs. '000
Salaries/Other Employee Benefits	274,599	227,249

(iii) Other Transactions with Key Management Personnel

There were no other transactions with Key Management Personnel other than those disclosed in Note 25 (b) to these Financial Statements.

Notes to the Financial Statements

26. Segmental Information

26.1 Assets & Liabilities

	GROUP			
	Total Assets		Total Liabilities	
	2011/12 Rs. '000	2010/11 Rs. '000	2011/12 Rs. '000	2010/11 Rs. '000
Segment				
Distribution	1,307,006	976,495	1,020,784	1,376,128
Manufacturing	5,237,947	4,327,149	3,192,858	1,661,647
Chemical	3,288,135	2,960,951	3,109,928	1,921,001
Consumer	274,737	225,517	252,456	225,392
Hardware	569,337	362,425	523,433	486,291
Construction	122,450	41,476	200,283	44,346
Hotels	3,021,197	2,991,996	564,366	1,531,059
Plantations	9,108,720	7,378,578	7,037,873	5,027,205
Agriculture	33,500	69,913	52,772	69,913
Services	16,434	15,250	4,877	15,790
	22,979,463	19,349,750	15,959,630	12,358,772
Unallocated	213,982	287,905	43,721	384,482
Goodwill	532,279	332,977	–	–
	23,725,724	19,970,632	16,003,351	12,743,254

26.2 Property, Plant & Equipment

	Additions to Property Plant & Equipment		Depreciation, Impairment & Amortization	
	2011/12 Rs. '000	2010/11 Rs. '000	2011/12 Rs. '000	2010/11 Rs. '000
	Segment			
Distribution	12,826	53,019	15,531	16,429
Manufacturing	268,738	298,449	194,758	154,189
Chemical	372,672	125,600	162,320	55,567
Consumer	1,719	934	556	300
Hardware	–	–	313	313
Construction	–	34	58	127
Hotels	532,807	577,359	90,452	56,667
Plantations	920,370	661,610	241,233	223,645
Agriculture	9,206	13,469	896	1,097
Services	2,764	142	2,676	398
	2,121,102	1,730,616	708,793	508,732
Unallocated	169,146	13,905	6,386	1,651
	2,290,248	1,744,521	715,179	510,383

27. Capital Expenditure & Commitments

Group

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

(i) Capital commitments approved by Agarapatana Plantations Ltd. are Rs. 178 million for Field Development and Rs. 79 million for Machinery and Factory Development.

(ii) The Beruwala Resorts Ltd, a subsidiary of the Company, is constructing new quarters for their employees and executive staff and budgeted cost for these project is Rs. 34.8 million. The cost incurred for the construction of employee quarters project was Rs. 22.9 million during the year.

The Company is Constructing a new sewerage treatment plant. The budgeted cost for this project is Rs. 15.4 million.

Notes to the Financial Statements

(iii) The Waverly Power (Pvt.) Ltd, a subsidiary of the Company, has following capital expenditure commitments.

(A) Site constructions	Rs. 15 million
(B) Inter connection and metering Equipment	Rs. 15 million

(iv) Budgeted capital development programmes of Kotagala Plantations PLC for the next financial year amount to approximately Rs. 654.5 million (2010/11 - Rs. 510.3 million).

(v) Capital Expenditure contracted for, at the Balance Sheet date by Sigiriya Village Hotels PLC, is not recognized in the Financial Statements is as follows:

Property, Plant & Equipment	Rs. 15 million
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(vi) The York Hotels (Kandy) Ltd., a subsidiary of the Company has committed capital expenditure amounting to Rs. 3.44 million to Sierra Constructions (Pvt) Ltd.

(vii) As disclosed in Note 10.1.2 the Sun Agro Farms Ltd. has entered into a lease agreement with the Department of Buddhist Affairs for the lease of the agricultural land for cultivation for a period of 29 years on 21st June, 2010. Further, non-cancellable operating lease rentals are payable in first five years of Lease period amounting to Rs. 113,000/-per year. However, lease payable after first five years will be determined based on the market prices of Lease Rental in respective area.

(viii) Lankem Research Ltd., a Subsidiary of the Company agreed to purchase land situated in Marawila and an advance amounting to Rs. 2 million was paid.

28. Contingent Liabilities

28.1 Company

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

	31.03.2012 Rs. '000	31.03.2011 Rs. '000
Darley Butler & Co. Ltd.	439,000	439,000
Laxapana Batteries PLC	8,720	58,720
Lankem Ceylon PLC	610,770	610,770
	1,058,490	1,108,490

28.2 Group

(i) Lankem Ceylon PLC has given guarantees to third parties for facilities obtained by its subsidiaries and outstanding as at 31st March, 2012 on account of Lankem Paints Ltd. amounted to Rs. 125 million, SunAgro LifeScience Ltd. Rs. 55 million, Agarapatana Plantations Ltd. Rs. 50 million and Waverly Power (Pvt) Ltd. Rs. 70 million, Darley Butler and Company Ltd. Rs. 105 million and Sigiriya Village Hotels PLC 7.2 million.

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

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

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

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

(d) Corporate guarantee to People's Leasing Company PLC on behalf of Kotagala Plantations PLC, to secure Term Loans of Rs. 13 million, and Rs. 27.7 million and E-friends loans of Rs. 1.768 million, Rs. 1.5 million, Rs. 10.2 million, Rs. 9.6 million, Rs. 3.7 million and Rs. 2 million.

Notes to the Financial Statements

- (e) Corporate guarantee to Lanka ORIX Leasing Company PLC on behalf of Kotagala Plantations PLC, to secure Term Loans of Rs. 40 million.
- (f) Corporate guarantee to People's Leasing Company PLC on behalf of Agarapatana Plantations Ltd., to secure Term Loans of Rs. 9.7 million, Rs. 12.8 million, Rs. 8.9 million and Rs. 9.7 million.
- (iii) Contingent liabilities exist in relation to the following for Marawila Resorts PLC. In respect of legal claim arising in the ordinary course of business. It is anticipated that any material liabilities will arise from such legal cases and additional payment will have to be made. Accordingly, the Company has provided Rs. 13,299,965/- in the Financial Statements as at 31st March, 2012 as penalty and Pradeshiya Saba tax payable, since the Company has undergone legal cases against Pradeshiya Saba.
- (iv) Contingent liabilities exist in relation to the following for C.W. Mackie & Company PLC:
- (a) Letters of Comfort and Guarantees of Rs. 83 million have been provided to banks providing facilities to Ceytra (Pvt) Ltd. and Ceymac Rubber Company Ltd.

29. Acquisition of Galle Fort Hotel (Pvt) Ltd.

The Company in association with its indirect subsidiary Colombo Fort Hotels Ltd. purchased 99,315,120 shares representing 100% issued number of shares of Galle Fort Hotel (Pvt) Ltd. on 21st November, 2011.

	Rs. '000
Property, Plant & Equipment	282,444
Inventories	8,096
Trade and Other Receivables	50,291
Cash and Cash Equivalents	2,499
Retirement Benefit Obligation	(953)
Trade & Other Payables	(5,377)
Provision for Taxation	(2,249)
Deferred Tax Liability	(2,384)
Net Identifiable Assets and Liabilities	332,367
Less: Cash	(2,499)
Minority Interest	(135,826)
Goodwill of Subsidiary	183,569
Net Cash Flow on Acquisition of Subsidiary	377,611

30. Events Occurring After the Balance Sheet Date

30.1 Company

30.1.1 The Directors have recommended the payment of a first and final dividend of Rs. 10/- per share for the year ended 31st March 2012 which will be declared at the Annual General Meeting to be held on 29th June, 2012. In accordance with the Sri Lanka Accounting Standard 12 (Revised). 'Events After the Balance Sheet Date' this proposed first and final dividend has not been recognized as a liability in the Financial Statements for the year ended 31st March, 2012.

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

30.2 Group

(a) Colombo Fort Hotels Ltd., a subsidiary of the Company has acquired 30.56% of the ordinary share capital of Sigiriya Village Hotels PLC on 5th April, 2012 for a total consideration of Rs. 185 million.

(b) York Hotels (Kandy) Ltd., a subsidiary of the Company has subsequently completed the construction of river bank revetment protection project subsequent to the reporting date.

Notes to the Financial Statements

31. Comparative Information

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

	GROUP			COMPANY		
	Reclassified	As per Audited	Change	Reclassified	As per Audited	Change
	Rs. '000	Accounts Rs. '000	Rs. '000	Rs. '000	Accounts Rs. '000	Rs. '000
Property, Plant & Equipment						
Cost						
Freehold Assets						
Freehold Land	2,284,157	2,293,546	(9,389)			
Freehold Buildings	2,689,962	2,728,445	(38,483)			
Mature/Immature Plantations	3,455,387	3,455,383	4			
Plant & Machinery	1,670,316	1,669,472	844			
Motor Vehicles	447,958	447,769	189			
Furniture & Fittings	831,573	840,470	(8,897)			
Total Cost of Freehold Assets	11,379,353	11,435,085	(55,732)			
Leasehold Assets						
Immovable Lease Assets	947,521	924,494	23,027			
Leased Plant & Machinery	340,586	341,504	(918)			
Leased Motor Vehicles	510,930	510,010	920			
Leased Furniture & Fittings	4,542	19,249	(14,707)			
Total Cost of Leasehold Assets	1,803,579	1,795,257	8,322			
Work-in Progress						
Work-in-Progress	183,700	162,525	21,175			
	183,700	162,525	21,175			
Total Cost	13,366,632	13,392,867	(26,235)			
Accumulated Depreciation						
Freehold Assets						
Freehold Buildings	455,965	474,608	(18,643)			
Mature/Immature Plantation	410,093	410,091	2			
Plant & Machinery	833,108	832,992	116			
Motor Vehicles	341,746	344,562	(2,816)			
Furniture & Fittings	554,664	545,834	8,830			
Total Accumulated Depreciation of Freehold Assets	2,595,576	2,608,087	(12,511)			
Leasehold Assets						
Immovable Lease Assets	490,219	496,439	(6,220)			
Leased Plant & Machinery	122,843	123,006	(163)			
Leased Motor Vehicles	270,695	266,777	3,918			
Leased Furniture & Fittings	1,776	13,035	(11,259)			
Total Accumulated Depreciation of Leasehold Assets	888,533	899,257	(13,724)			
Total Accumulated Depreciation	3,481,109	3,507,344	(26,235)			
Trade and Other Receivables						
Other Receivables	185,302	336,302	(151,000)	39,931	190,931	(151,000)
Trade and other Payables						
Other Payables	1,057,416	1,208,416	(151,000)	35,944	186,944	(151,000)
Revenue	26,243,384	26,250,587	(7,203)			
Other Expenses	(258)	(7,461)	7,203			

Notes to the Financial Statements

32. Going Concern

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

(i) Lankem Consumer Products Ltd. (LCPL), a subsidiary has recorded a loss of Rs. 11.97 million during the year under review and has accumulated losses amounting to Rs. 77.9 million as at 31st March, 2012 and the current liabilities exceeds the current assets by Rs. 57 million. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Hence, Company's ability to continue as a going concern depends on the financial supporting of the Parent Company Lankem Ceylon PLC. However, the Financial Statements are prepared on going concern assumption.

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

(iii) SunAgro Farms Ltd., a subsidiary has incurred a loss of Rs. 3.09 million during the year ended 31st March, 2012, as at the date accumulated loss was Rs. 11.70 million and Company's current liabilities exceeded its current assets by Rs. 28.73 million. Further, Company's net assets are less than half of the stated capital and face a serious loss of capital situation as defined in Section 220 (1) of Companies Act No. 07 of 2007 and it is in the process of complying with the requirement of the same Act. These factors have effects on Company's ability to continue as a going concern. However the Management has set an action plan which will be monitored by the Board to prevent further such losses or to recap the losses incurred. Accordingly, the Directors of the Company are of the view that the Company is able to continue as a going concern.

(iv) Agarapatana Plantations Ltd. recorded a net loss of Rs. 555.3 million during the year ended 31st March, 2012 compared to the net profit of Rs. 19.4 million made in 2010/11 and as at the Balance Sheet date, the Company's current liabilities exceeded its current assets by Rs. 868.8 million and the Company is dependent on creditors and borrowing for the continuation of its operations. The Company's net assets is Rs. 10.15 million as at the Balance Sheet date and has a serious loss of capital as defined in Section 220 (1) of the Companies Act No. 07 of 2007 and it is in the process of complying with the requirement of the same Act. These factors have effects on Company's ability to continue as going concern. However the Management has set an action plan which will be monitored by the Board to prevent further such losses or to recap the losses incurred. Accordingly, the Directors of the Company and of the view that the Company is able to continue as a going concern.

(v) Associated Farms Ltd., a subsidiary has ceased its operations due to the environmental issues and looking for a suitable place to continue the business. The Management of the Company has decided to transfer the net assets of Sigiriya Farm amounting to Rs. 9.98 million as per the Financial Statements as at 31st March, 2011 to Sigiriya Village Hotels PLC on 15th July, 2011.

(vi) Laxapana Batteries PLC, a subsidiary has acknowledge that uncertainty remains over the manufacturing of batteries due to the market conditions. However, the Directors are of the opinion that the going concern assumption is valid in the preparation of these Financial Statements due to strategic initiatives taken by the Management of the Company. Further, the Company continues to obtain financial support from the parent Company E.B. Creasy & Company PLC, if need arise.

(vii) Lankem Developments PLC, a subsidiary has incurred a loss of Rs. 266.98 million during the year ended 31st March, 2012 (2010/11 - Rs. 27 million), as at the date accumulated loss was Rs. 360.79 million (2010/11 - Rs. 86.12 million) and as of the date the Company's current liabilities exceeded its current assets by Rs. 86.07 million (2010/11 - Rs. 17.41 million). These factors raise significant doubt of the Company's liability to continue as a going concern. However the Management in the view that investments in plantation sector and Hydro Power Plants will generate profits in the future. Accordingly, the Directors of the Company are of the view that the Company is able to continue as a going concern and Financial Statements of the Company have been prepared on the assumption that the Company is a going concern.

Statement of Value Added

	%	2011/12 Rs. '000	%	2010/11 Rs. '000
Turnover from Operations		27,861,318		26,243,384
Cost of Goods and Services		(21,452,283)		(19,401,937)
		6,409,035		6,841,447
Other Income including Exceptional Items		1,378,718		462,328
Total Value Added		7,787,753		7,303,775

Distribution of Value Added Tax

To: Employees

Salaries, Wages and Other Related Costs	69.72	5,429,526	67.59	4,936,797
Compensation paid to Key Management Personnel	3.53	274,599	3.11	227,249
	73.25	5,704,125	70.70	5,164,046

To: Government

Turnover Tax	0.98	76,548	1.14	83,375
Corporate Tax	3.85	299,924	3.92	286,166
	4.83	376,472	5.06	369,541

To: Lenders of Capital

Interest	7.79	607,000	7.69	560,916
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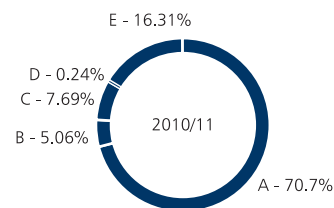
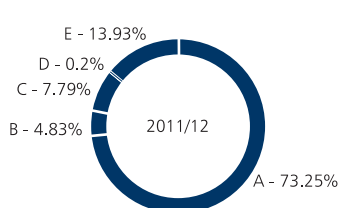
To: Shareholders

Dividend	0.2	15,213	0.24	17,748
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Retained for Growth

Depreciation	9.18	715,179	6.99	510,383
Retained Earnings	4.75	369,764	9.32	681,141
	13.93	1,084,943	16.31	1,191,524
	100	7,787,753	100	7,303,775

Statement of Value Added



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

Share Information

1. Market Value

The market value of the Company's shares was

	2012 Rs.	2011 Rs.
Highest	3,650	4,000
Lowest	750	290
Year End	1,200	2,498

Public Holding

The percentage of shares held by the public as at 31st March, 2012 was 9.87% (31st March, 2011 - 11.22%).

2. Distribution of Ordinary Shares

No. of Shares Held	31st March, 2012			31st March, 2011		
	No. of Shareholders	Total Holdings	% of Total Shares	No. of Shareholders	Total Holdings	% of Total Shares
1 - 1,000	647	77,717	3.07	584	76,162	3
1,001 - 10,000	25	58,284	2.30	25	61,639	2.43
10,001 - 100,000	2	110,400	4.35	3	142,800	5.64
100,001 - 1,000,000	5	945,958	37.31	5	911,758	35.96
Over 1,000,000	1	1,343,099	52.97	1	1,343,099	52.97
	680	2,535,458	100.00	618	2,535,458	100.00

Categories of Shareholders

	31st March, 2012			31st March, 2011		
	No. of Shareholders	Total Holdings	% of Total Shares	No. of Shareholders	Total Holdings	% of Total Shares
Individuals	618	209,890	8.28	558	239,835	9.46
Institutions	62	2,325,568	91.72	60	2,295,623	90.54
	680	2,535,458	100.00	618	2,535,458	100.00

Share Information

3. Twenty Major Shareholders

	No. of Shares 31.03.2012	%	No. of Shares 31.03.2011	%
The Colombo Fort Land and Building Company PLC	1,343,099	52.97	1,343,099	52.97
Seylan Bank PLC/Thirugnanasambandar Senthilverl	409,100	16.14	374,900	14.79
Union Investments (Pvt) Ltd.	167,700	6.61	167,700	6.61
Colombo Fort Investments PLC	158,195	6.24	158,195	6.24
Mr. Mariapillai Radhakrishnan	106,454	4.20	106,454	4.20
Colombo Investment Trust PLC	104,509	4.12	104,509	4.12
Colonial Motors PLC	100,000	3.94	100,000	3.94
Mr. Thotawattage Rohan Lakshana Perera	10,400	0.41	10,400	0.41
Photokina Ltd.	6,804	0.27	6,804	0.27
Sisira Investors Ltd.	6,138	0.24	6,138	0.24
Tranz Dominion, L.L.C.	5,000	0.20	4,300	0.17
Mr. Harsha Nilantha De Silva	3,500	0.14	3,500	0.14
Mr. Mohamed Hussain Mohammed Sanoon	3,500	0.14	3,500	0.14
Waldock Mackenzie Ltd./Mr. M.A.N. Yoosufali	3,100	0.12	2,300	0.09
The Incorporated Trustees of The Church of Ceylon	2,828	0.11	2,828	0.11
Consolidated Holdings (Pvt) Ltd.	2,596	0.10	2,596	0.10
Dr. Hettiarachchige Walter Elliot Tissera	2,007	0.08	1,978	0.07
Mr. Sri Dhaman Rajendram Arudpragasam	2,000	0.08	2,000	0.08
Mr. Arunasalam Sithampalam	2,000	0.08	1,000	0.04
Mr. S.N.C.W.M.B.C. Kandegeedara	1,800	0.07	-	-
	2,440,730	96.26	2,402,201	94.73

Group Financial Summary

	2002/03 Rs. '000	2003/04 Rs. '000	2004/05 Rs. '000	2005/06 Rs. '000	2006/07 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2009/10 Rs. '000	2010/11 Rs. '000	2011/12 Rs. '000
Trading Results										
Turnover	6,283,700	6,905,008	7,985,351	9,976,254	10,797,072	12,155,452	12,479,798	13,955,375	26,243,384	27,861,318
Profit before Tax	(290,062)	221,571	553,582	478,222	573,875	899,162	353,722	882,217	2,382,123	2,085,657
Income Tax Expense	(36,549)	(59,654)	(70,425)	(115,343)	(145,281)	(217,048)	(207,121)	(298,738)	(286,166)	(299,924)
Profit for the Year	(326,611)	161,917	483,157	362,879	428,594	682,115	146,601	583,479	2,095,957	1,785,733
Minority Interest	31,875	(75,020)	(140,173)	(93,832)	(305,119)	(620,494)	(42,893)	(390,834)	(1,414,816)	(1,415,969)
Equity Holders of the Company	(294,736)	86,897	342,984	269,047	123,475	61,620	103,708	192,645	681,141	369,764
Assets Employed										
Property, Plant & Equipment	4,045,247	4,121,480	4,473,506	4,948,425	5,804,020	6,098,209	6,708,814	9,005,741	10,372,469	11,724,069
Investments	204,542	5,304	4,727	3,984	3,780	89,037	54,157	55,715	40,366	53,696
Intangible Assets	201,238	77,977	3,110	15,260	15,260	82,026	93,458	162,863	333,149	532,279
Non-Current Assets	-	-	-	-	476	276	68,564	122,628	127,375	142,712
Net Current Assets	(1,774,012)	(1,433,106)	(1,302,599)	(1,383,216)	(1,044,776)	(692,278)	(789,394)	(95,578)	1,893,063	901,738
	2,677,015	2,771,655	3,178,744	3,584,453	4,778,760	5,577,270	6,135,599	9,251,369	12,766,422	13,354,494
Equity										
Stated Capital	25,355	25,355	25,355	25,355	25,731	25,731	25,731	25,731	25,731	25,731
Reserves	(518,050)	(233,570)	166,476	604,783	326,821	383,753	628,999	1,266,912	2,003,026	2,621,504
Equity Attributable to Parent	(492,695)	(208,215)	191,831	630,138	352,522	409,484	654,730	1,292,643	2,028,757	2,647,235
Minority Interest	303,274	247,956	381,780	496,710	1,707,955	2,363,964	2,112,173	3,248,587	5,198,621	5,075,138
	(189,421)	39,741	573,611	1,126,848	2,060,507	2,773,448	2,766,903	4,541,230	7,227,378	7,722,373
Long-Term Liabilities										
Deferred Liabilities	579,021	605,821	660,918	726,331	870,383	1,044,935	1,253,042	1,778,673	2,095,639	2,296,227
	2,866,436	2,731,914	2,605,133	2,457,605	2,718,253	2,803,822	3,368,696	4,710,139	5,539,044	5,632,121
	2,677,015	2,771,655	3,178,744	3,584,453	4,778,760	5,577,270	6,135,599	9,251,369	12,766,422	13,354,494

Form of Proxy

I/We
of
being a member/members of E. B. Creasy & Company PLC hereby appoint
..... ofwhom failing

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

as my/our proxy to represent me/us to speak and to vote on my/our behalf at the Seventy-Ninth Annual General Meeting of the Company to be held on 29th June, 2012 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid Meeting.

	For	Against
● To receive the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March, 2012 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
● To declare a first and final dividend as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
● To re-elect Mr. S.N.P. Palihena as a Director	<input type="checkbox"/>	<input type="checkbox"/>
● To reappoint Mr. R.N. Bopearatchy as a Director	<input type="checkbox"/>	<input type="checkbox"/>
● To reappoint Mr. A. Rajaratnam as a Director	<input type="checkbox"/>	<input type="checkbox"/>
● To authorize the Directors to determine contributions to charities	<input type="checkbox"/>	<input type="checkbox"/>
● To reappoint as Auditors Messrs KPMG and authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

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

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

.....
Signature of Shareholder

Note:

A proxy need not be a member of the Company. If no words are deleted or there is in the view of the proxy doubt (by reason of the manner in which the instructions contained in the Form of Proxy have been completed) as to the way in which the proxy should vote, the proxy may vote as he/she thinks fit.

Instructions for completion appear overleaf.

Form of Proxy

Instructions as to Completion

1. Perfect the Form of Proxy after filling in legibly your full name and address by signing in the space provided and filling in the date of signature.
2. In the case of Corporate Members the Form of Proxy must be under the Common Seal of the Company or under the hand of an Authorized Officer or Attorney.
3. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of the same, or a copy certified by a Notary Public must be lodged with the Company's Secretaries, along with the Form of Proxy.
4. The completed Form of Proxy should be deposited at the Registered Office of the Company's Secretaries, Corporate Managers & Secretaries (Private) Limited, No. 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01, not less than forty-eight (48) hours before the time appointed for the holding of the meeting.

Please provide the following details to update our records:

Full Name of Shareholder:

.....

Address:.....

.....

.....

.....

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

Signature:

Corporate Information

Name of the Company

E. B. Creasy & Company PLC

Legal Form

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

Company Number

PQ 182

Principal Activities

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

Stock Exchange Listing

The ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka.

Registered Office

P.O. Box 37, No. 98, Sri Sangaraja Mawatha, Colombo 10
Telephone: 2421311, Fax: 94 (11) 2448534

Board of Directors

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

Directors

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

Secretaries

Corporate Managers & Secretaries (Private) Limited
No. 8-5/2, Leyden Bastian Road
York Arcade Building, Colombo 01

Auditors

KPMG
Chartered Accountants
P.O. Box 186, Colombo 03

Legal Advisers

Julius & Creasy
P.O. Box 154, Colombo 01

Bankers

Hatton National Bank PLC
Standard Chartered Bank
Commercial Bank of Ceylon PLC
Bank of Ceylon
National Development Bank PLC
Pan Asia Banking Corporation PLC
Union Bank of (Colombo) Ltd.
People's Bank
Seylan Bank PLC
Indian Bank
Sampath Bank PLC

Subsidiaries

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

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

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