

# Solidly Built with a Degree of Flexibility to Withstand Turbulence...

...a construction ideally suited to  
withstand extreme 'weather'!

## 2008/09

*E. B. Cressy & Company PLC*  
Issue 1/2008

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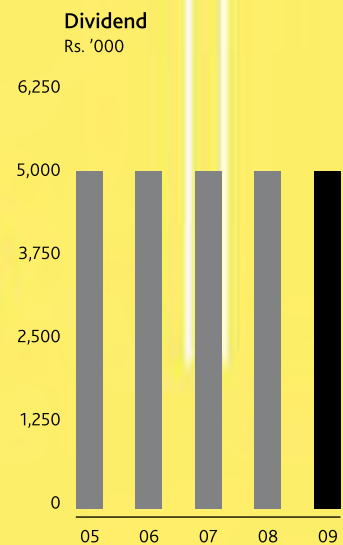
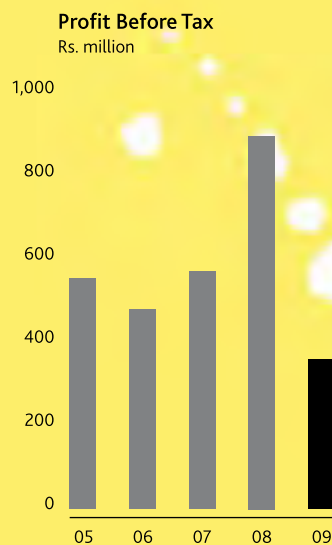
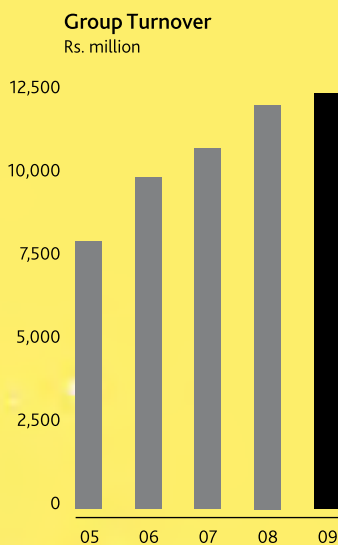
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	Form of Proxy

The logo for EBC (EBC Group) is displayed in a large, stylized, white serif font. The letters 'E', 'B', and 'C' are stacked vertically, with the 'E' at the top, 'B' in the middle, and 'C' at the bottom. Each letter is centered and has a thin horizontal line passing through its middle. The background of the page is a bright yellow with a faint, repeating pattern of the EBC logo.

# Highlights

## Financial Highlights

	2008/09 Rs. '000	2007/08 Rs. '000
Group Turnover	<b>12,479,798</b>	12,155,452
Group Profit before Taxation	<b>353,722</b>	899,163
Group Profit after Taxation	<b>146,601</b>	682,114
Net Profit Attributable to Group	<b>103,708</b>	61,620
Value Added	<b>4,368,145</b>	3,858,353
Shareholders' Funds	<b>684,629</b>	409,484
Earnings per Share (Rs.)	<b>40.91</b>	24.31
Net Assets per Share (Rs.)	<b>270.07</b>	161.53
Market Value per Share (Rs.)	<b>165.00</b>	265.00
Dividend per Share (Rs.)	<b>2.00</b>	2.00



# Notice of Meeting

Notice is hereby given that an Extraordinary General Meeting of E.B. Creasy & Company PLC will be held at the Grand Oriental Hotel, No. 2, York Street, Colombo 1, on 3rd December, 2009 at 9.30 a.m. for the following purposes:

- To receive and consider the Annual Report of the Board of Directors and Statements of Accounts for the year ended 31st March, 2009 with the Report of the Auditors thereon.
- To declare a First and Final Dividend as recommended by the Directors.
- To consider and if thought fit to pass the following as Special Resolutions to amend the Articles of Association of the Company in the manner following:

## Special Resolution 1:

### Resolved:

"That the existing Article 161 appearing under the heading INDEMNITY be deleted and the following new Article under the heading INDEMNITY AND INSURANCE be substituted therefor:

## INDEMNITY AND INSURANCE

161. (1) The Company may indemnify a Director, Secretary or Secretaries or an employee of the Company or a related company, for any costs incurred by him in any proceeding:

- a. that relates to liability for any act or omission in his capacity as a Director, Secretary or Secretaries or employee; and
- b. in which judgement is given in his favour or in which he is acquitted or which is discontinued or in which he is granted relief under Section 526 of the Act.

(2) The Company may also indemnify a Director, Secretary or Secretaries or an employee of the Company or a related Company in respect of:

- a. liability to any person other than the Company or a related company for any act or omission in his capacity as a Director, Secretary or Secretaries or employee; or
- b. costs incurred by that Director, Secretary or Secretaries or employee in defending or settling any claim or proceeding relating to any such liability, not being a criminal liability or in the case of a Director, liability in respect of a breach of the duty specified in Section 187 of the Act.

(3) The Company may with the prior approval of the Directors effect insurance for any one or more of the Directors, Secretary or Secretaries or an employee or employees of the Company or related company in respect of:

- a. liability not being criminal liability, for any act or omission in his capacity as a Director, Secretary or Secretaries or employee;
- b. costs incurred by that Director, Secretary or Secretaries or employee in defending or settling any claim or proceeding relating to any such liability; or
- c. costs incurred by that Director, Secretary or Secretaries or employee in defending any criminal proceedings in which he is acquitted."



**Special Resolution 2:**

**Resolved:**

"That the following new Article 162 be included immediately following Article 161 under the heading 'COMPLIANCE WITH THE RULES OF THE COLOMBO STOCK EXCHANGE AND THE CENTRAL DEPOSITORY SYSTEMS (PVT) LTD.' to read as follows:

**COMPLIANCE WITH THE RULES OF THE COLOMBO STOCK EXCHANGE AND THE CENTRAL DEPOSITORY SYSTEMS (PVT) LTD.**

162. Notwithstanding anything to the contrary contained in the Articles of Association of the Company, so long as the Company is listed on the Colombo Stock Exchange, the Company shall comply with the Rules of the Colombo Stock Exchange and the Central Depository Systems (Pvt) Ltd., which shall be in force from time to time."

By Order of the Board  
**Corporate Managers & Secretaries (Private) Limited**  
Secretaries

Colombo  
30th October, 2009

*Note:*

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 in this Report.*
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 01, not less than forty eight hours before the time fixed for the meeting.*

**NOTICE OF MEETING**

**03**

# Chairman's Review

I have pleasure in presenting the Annual Report and Audited Accounts for the year ended 31st March, 2009.

The Sri Lankan economy recorded a growth of 6% during the year 2008. The global crisis adversely affected the economic growth during the last quarter of the year. Mainly as a result of an extremely good paddy harvest in the Yala Season, the agricultural sector performed well. The industrial and services sectors however recorded lower growth than the previous year.

In spite of a very challenging year, the Company and its subsidiaries recorded a consolidated turnover of Rs. 12.4 billion and a profit after tax of Rs. 146.6 million. The reduced Group profits this year is due to the poor performance of our Plantation and Leisure sectors.

The after tax profits of the Company improved significantly over the previous year to Rs. 24.1 million. The turnover too increased by 15.3% to Rs. 980 million. While there was improved performance from our manufacturing operations, our General Trading operation incurred a substantial loss as a result of the downturn in the economy. The dividends received from the subsidiary companies showed an increase compared to the previous years.

During the year, the Company invested Rs. 90 million on a new Energy Efficient Manufacturing Facility at Millewa in the Kalutara District to manufacture our range of homecare products. Profits from this investment will be tax free for a period of five years. The Company also invested a further Rs. 82.9 million as equity in Laxapana Batteries PLC during the year. Your Board is confident that both these investments will yield the desired results in the medium term.

The distribution of the Company's consumer products is undertaken by Darley Butler & Co. Ltd. The profit from this marketing and distribution operation improved over the previous year. With spiralling inflation and depressed consumer demand, the trading environment was difficult and challenging. We were however able to maintain our market share in all the major categories of products. The higher manufacturing costs and increased finance charges reduced our profitability. During the year, we launched a toothpaste under our own brand of oral care products and we are confident that this will complement our range of toothbrushes and will benefit the sale of both products. For many years now, lucrative markets in the Northern & Eastern Regions have been inaccessible. With the cessation of hostilities, we have commenced operations in these regions ensuring the availability of our products throughout the North & the East.

Lankem Ceylon PLC performed creditably well during the year. Post-tax profits increased to Rs. 169 million from the Rs. 105 million achieved in the previous year. Given the difficult operating environment, the Company's four, core operating divisions namely, Crop Protection, Construction Chemicals, Bituminous Products and Consumer Products have shown a remarkable resilience.

The Crop Protection Division has continued to lead the industry by providing effective and innovative solutions to the Sri Lankan agricultural community. This division plays an integral role in the day-to-day lives of the Sri Lankan farmer.

Lankem entered the seed market during the previous financial year and they have shown a steady growth in performance. The division is progressing well towards achieving its goal of securing 20% of the local seed market within the next few years.

The Company's achievements in food production and processing for export are still at a very early stage of development. During the course of the current financial year the first exports to international buyers was carried out. We anticipate fresh food exports to be one of the key growth areas of the division in the future.

The Paint Division of Lankem is engaged in the production and marketing of Decorative Paints, Automative Refinishes, Varnishes and Wood Care products. We continue to grow inspite of being in an extremely competitive industry comprising of both local manufacturers and companies aligned with multinational organizations. While the short-term prospects for the industry appear to be good with opportunities offered by the reconstruction and rehabilitation of the North and the East of the country. The market is rapidly nearing saturation and growth in the long term will depend on our ability to venture into overseas markets.

The contraction of the global economy in the latter part of 2008 has only had a mild negative impact on the operations of the Industrial Chemicals Division. While the reduction in the crude oil prices from an all time high of US\$ 150.00 a barrel



to more manageable levels has resulted in a sharp decline in raw material prices and an improvement in margins achieved during trading, the demand for industrial chemicals has seen a marked drop with the global recession. Our range of industrial chemical products are mainly industrial raw materials and intermediaries. With the expected recovery of the global economy and revival of the industries we service, we expect the division to improve on its present performance.

The Bituminous products division has shown a good growth during the year under review. The Government has assigned a high priority to infrastructure development focused on the rehabilitation of the existing road network and construction of highways connecting all major cities. The division's primary activity is the supply of Bitumen and allied products, and the Government's activities on road development will benefit performance in the forthcoming years.

The performance of the Consumer Products Division has improved in the financial year under review. During the year, the division signed an agreement with Paras Global FZE to distribute their line of cosmetic and ayurvedic products. This new product range will improve the performance of the division and assist the division to achieve profitability.

The global economic crisis which led to a decline in the price of commodities in the international market affected our plantations. The financial performance of Kotagala Plantations PLC fell from a profit of Rs. 547 million to a profit of Rs. 205 million. The financial performance of Agaratana Plantations Ltd. declined from a profit of Rs. 73 million to a loss of Rs. 266 million.

The recently concluded wage negotiations have led to a high increase in the cost of labour. If the increase in wages is not compensated by a corresponding increase in worker productivity, the industry's long-term viability is likely to be questionable. It is unacceptable that while productivity in the tea industry in Sri Lanka lags behind all other tea producing nations in the world, it records the highest cost of labour. We continue to invest in tea replanting and factory upgrading programmes with a view to improving productivity in the areas that are within our control.

The Group has retained its investments in the leisure sector during the difficult times of the three decade long civil war as your Directors strongly believed that the industry will thrive and grow with the advent of peace in the country. The financial year 2008/09 saw the leisure sector record one of its worst performances ever.

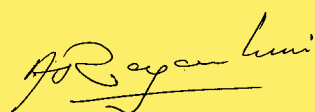
The occupancy rates in all three hotels declined. There was also a sharp drop in the rates charged per room. The loss at Sigiriya Village Hotels PLC rose to Rs. 40.9 million while the loss of Marawila Resorts PLC and Beruwela Resorts Ltd. rose to Rs. 46 million and Rs. 42 million respectively for the financial year under review.

With the country entering a new era of peace, the prospects for the tourism industry are bright. Many countries that issued adverse travel warnings have now relaxed or even removed them. The global recession also affected the industry with European travellers choosing to travel to short haul destinations. The image of Sri Lanka as a budget destination did not help the industry during this period. With conditions ripe for growth, the industry as well as the Government should strive to change the tourism image of the country to attract the higher paying tourist.

The improvement in the global economy and the return of peace to the country will have a positive effect in the financial performance of the Group. Our management teams throughout the Group continue to exercise strong financial discipline in the face of the severe economic crisis that we are experiencing. We will continue to intensively focus our efforts in controlling capital expenditure and working capital and to improve free cash flows. With the Central Bank's policy decision to reduce lending rates, the Group expects to make a significant saving in the financial costs as well. Your Directors remain confident that the Company and the Group will remain profitable and further improve its performance in the forthcoming year.

Mr. Rajpal Jayatilaka who served on the Board of the Company since 1991 resigned at the end of the year under review. I wish to place on record our thanks for the valuable contribution he made towards the Group's growth during his tenure of service.

I also wish to express my sincere thanks to all our employees at every level for their dedication and hard work in what proved to be a difficult year and to all our stakeholders for their support and enduring loyalty to the Group and to my colleagues on the Board for their unstinted support and invaluable counsel at all times during the year.



**A. Rajaratnam**

*Chairman*

30th October, 2009



# Board of Directors

● **A. Rajaratnam - Chairman**  
FCA

He joined the Board in 1988 and was appointed Chairman in the year 2003. He also serves as Chairman on the Boards of several subsidiaries of the E.B. Creasy Group and holds other Directorships within The Colombo Fort Land & Building Group.

● **S.D.R. Arudpragasam - Managing Director**  
FCMA

He was appointed to the Board in 1988 and as Managing Director in 1989. Having served in many senior financial positions in the Mercantile Sector he joined The Colombo Fort Land & Building Group where he is responsible for the Manufacturing and Trading Sectors. His contribution to the Group counts over 25 years and at present holds the position of Deputy Chairman of Lankem Ceylon PLC in addition to serving on the Boards of other Group Companies.

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

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

● **R.C.A. Welikala - Director**

He 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 serves on several Boards of The Colombo Fort Land & Building Group.

● **R.N. Bopearatchy - Director**  
B.Sc. (Cey.), Dip. BM, MBA

He 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 Board of Crop Management Services (Pvt) Ltd., the Managing Agents for Mathurata Plantations Ltd., CIC Fertilizers Ltd. and Cisco Speciality Packaging (Pvt) Ltd. Mr. R.N. Bopearatchy currently holds several Directorships within The Colombo Fort Land & Building Group.

● **G.R. Jayatilaka - Director (Resigned with effect from 31st March, 2009)**  
B.Sc. (Cey.)

He was appointed to the Board in 1991. He was attached to the Bureau of Ceylon Standards and thereafter was with the Industrial Development Board. He then joined Colonial Motors PLC and served on many Boards within The Colombo Fort Land & Building Group. He resigned from the Board of E.B. Creasy & Company PLC on 31st March, 2009.

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# Group Profile

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

Over the years E.B. Creasy has expanded by organic growth as well as by strategic acquisitions and now constitutes a diversified group spanning a wide spectrum of activities ranging from import, export, distribution and freight forwarding to manufacturing, 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 islandwide dealer network which distributes products imported from well-known foreign principals as well as locally manufactured items comprising automotive batteries, aerosol paints, abrasive papers, water pumps and power tools. The renewable Energy Division imports and installs solar home systems under World Bank sponsored project in rural unelectrified areas through sales centres established in the North-Western, Central, Sabaragamuwa, North-East and Uva Provinces.

The Consumer Products Manufacturing Division produces a popular 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 modern fleet of commercial vehicles and a long established network of financially sound 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.

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## Group Three Associates (Pvt) Ltd.

An agency for recruitment of personnel for principals in the Middle East, and it is duly registered with the Sri Lanka Bureau of Foreign Employment.

## 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 on 3 1/2 acres of freehold land at Homagama and employs over 150.

## 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 names Robbialac and Viton 2k respectively.

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.

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GROUP PROFILE

#### 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 Plantation Holdings Ltd.

Lankem Plantation Holdings Ltd. is the holding company of Agarapatana Plantations Ltd. and Kotagala Plantations PLC.

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

This is the Managing Agent for the Kotagala Plantations PLC and Agarapatana Plantations Ltd.

#### 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, complementing 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.

#### 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 for wedding receptions and dances.

# Enterprise Governance

The Company's Governance framework covers both Corporate Governance and Business Governance. We strive to achieve a balance between conformance and performance. It provides an integrated framework to be focused on accountability and assurance and also on value creation and resource utilization.

## Business Governance

It is the set of responsibilities and practices exercised by the Board and Executive Management with the goal of providing strategic direction and implementation of strategies formulated. Strategies are being formulated in respect of business units and are being reviewed annually. Ascertaining the risks faced in achieving objectives and undertaking new business initiatives, managing the risks appropriately and verifying that the organization's resources are used responsibly are success factors to maintain sustainable growth.

## Corporate Governance

The Board is committed to enhancing stakeholder value.

### 01. Board

The Board of Directors of E.B. Creasy & Company PLC is responsible for the governance practices adopted in all the companies within the E.B. Creasy Group.

#### Composition

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

#### Name of Director

Mr. A. Rajaratnam (Chairman)	- Executive
Mr. S.D.R. Arudpragasam (Managing Director)	- Executive
Mr. S. Rajaratnam (Deputy Managing Director)	- Executive
Mr. R.N. Boppearatchy	- Non-Executive
Mr. R.C.A. Welikala	- Executive

Mr. G.R. Jayatilaka who held office during the financial year and resigned on 31st March, 2009 also functioned as a Non-Executive Director.

#### 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 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 (Private) Limited who are qualified to act as Secretaries as per the provisions of the Companies Act No. 07 of 2007. Advice is also sought from independent external professionals whenever the Board deems it necessary.

### **Independent Judgement**

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

### **Financial Acumen**

The Board includes three 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 a Non-Executive Director and four Executive Directors. Presently no Independent Director represents the Board. However, E.B. Creasy & Company PLC is in the process of setting up the Board Balance. Declarations by Non-Executive Directors of their Non-Independence have been submitted to the Board.

### **Supply of Information**

Directors are furnished with monthly reports on performance comprising of Financial Statements and other detailed Reports such as Product Profitability Analysis Statements, prior to the meetings. Minutes of all the meetings are properly recorded and circulated among Directors.

Apart from Board Meetings the Key Management Personnel meet weekly 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.

## **02. Directors Remuneration**

### ***Remuneration Committee***

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

### ***Disclosures***

Aggregate remuneration paid to Directors is disclosed in Note 23 (c) to the Financial Statements on page 75.

## **03. 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. Questions raised by the shareholders are answered and maintains an appropriate dialogue with them.

### ***Others***

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

### ***Major Transactions***

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

#### **04. 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 14 to 18 in this Report. The Auditor's Report on the Financial Statements is given on pages 20 and 21 of this Annual Report. Non-Financial Information of business segments are given on pages 07 to 09.

##### ***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 timeframe.

##### ***Audit Committee***

The Audit Committee of the Parent Company, The Colombo Fort Land & Building Company PLC will function as the Company's Audit Committee.

## **ENTERPRISE GOVERNANCE**

# *Annual Report of the Board of Directors*

The Board of Directors of E.B. Creasy & Company PLC presents their Report on the affairs of the Company together with the Audited Financial Statements for the year ended 31st March, 2009.

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

## **General**

The Company was re-registered on 30th July, 2008 as required under the Companies Act No. 07 of 2007.

## **Principal Activities, Business Review/Future Developments**

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

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

## **Financial Statements**

The Financial Statements of the Company are given on pages 22 to 81.

## **Auditor's Report**

The Auditor's Report on the Financial Statements is given on Pages 20 and 21.

## **Accounting Policies**

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 27 to 37. 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. 07 of 2007. These have been entered in to the interest register which is maintained by the Company. The Company carries out transactions in the ordinary course of business with entities in which a Director of the Company is a Director and are disclosed in Note 23 (b) (i) to the Financial Statements on pages 71 and 72.

The Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

### **Directors' Interest in Shares**

The Directors of the Company who have an interest in the shares have disclosed their shareholdings and any acquisitions/disposals to the Board in compliance with Section 200 of the Companies Act.





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

Name of Director	No. of Shares as at 31.03.2009	No. of Shares as at 31.03.2008
Mr. A. Rajaratnam	220	1,520
Mr. S.D.R. Arudpragasam	2,200	34,800
Mr. S. Rajaratnam	-	-
Mr. G.R. Jayatilaka <i>(Resigned w.e.f. 31st March, 2009)</i>	-	-
Mr. R.N. Bopearatchy	-	-
Mr. R.C.A. Welikala	-	-

#### Directors' Remuneration

Directors' Remuneration in respect of the Company and the Group for the financial year 2008/09 is given in Note 23 (c) to the Financial Statements on pages 75 and 76.

#### Corporate Donations

Donations made by the Group amounted to Rs. 0.511 million (2007/08 - Rs. 0.219 million).

#### Directorate

The names of the Directors who held office during the financial year are given below and their brief profiles appear on page 06.

Mr. A. Rajaratnam	- Chairman
Mr. S.D.R. Arudpragasam	- Managing Director
Mr. S. Rajaratnam	- Deputy Managing Director
Mr. G.R. Jayatilaka	- Director <i>(Resigned w.e.f. 31st March, 2009)</i>
Mr. R.C.A. Welikala	- Director
Mr. R.N. Bopearatchy	- Director

Mr. G.R. Jayatilaka resigned from the Directorate with effect from 31st March, 2009.

#### Auditors

The Financial Statements of the Company for the year have been audited by Messrs KPMG Ford, Rhodes, Thornton & Co. who were reappointed as Auditors at the Annual General Meeting held on 27th March, 2009.

The Auditors, Messrs KPMG Ford, Rhodes, Thornton & Co., were paid Rs. 7.62 million during the year under review (2007/08- Rs. 6.71 million) as audit fees and fees for audit-related services by the Group. In addition, they were paid Rs. 0.98 million (2007/08 - Rs. 0.48 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. 3.12 million during the year under review (2007/08 - Rs. 2.98 million). Further, there were no non-audit related services by these audit firms during the year 2008/09.

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. 12,479 million (2007/08 - Rs. 12,155 million).

### **Results**

The Group made a profit before tax of Rs. 353.7 million against a profit of Rs. 899.1 million in the previous year. The detailed results are given in the Income Statement on page 22.

### **Dividends**

The Directors are pleased to recommend the payment of a First and Final Dividend of Rs. 2.50 per share on the ordinary shares of the Company for the year ended 31st March, 2009 for approval by the shareholders at the Extraordinary General Meeting to be held on 3rd December, 2009. The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for the dividend proposed. A solvency certificate has been sought from the Auditors in respect of the aforementioned dividend.

### **Investments**

Investments made by the Group are given in Note 11 to the Financial Statements on pages 51 to 54.

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

During 2008/09 the Group invested Rs. 934.3 million in Property, Plant & Equipment (2007/08 - Rs. 604.7 million). Further, your Directors are of the opinion that the net amounts at which Land and other Property, Plant & Equipment appear in the Balance Sheets are not greater than their market value as at 31st March, 2009.

### **Stated Capital**

The Stated Capital of the Company as at 31st March, 2009 was Rs. 25,731,000/- 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, 2009 comprised of Revaluation Reserve of Rs. 468 million, Capital Reserve on Consolidation of Rs. 101 million, General Reserve of Rs. 148 million and Accumulated Loss of Rs. 57 million whereas the total Group Reserves as at 31st March, 2008 comprised of Revaluation Reserve of Rs. 469 million, Capital Reserve on Consolidation of Rs. 101 million, General Reserves of Rs. 148 million and Accumulative loss of Rs. 334 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 and 5 on pages 38 and 41.

### **Share Information**

Information relating to earnings, dividend, net assets, market value per share and share trading is given on pages 83 and 84.

### **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 27 on page 78.

### **Capital Commitment and Contingent Liabilities**

Capital Commitments and contingent liabilities as at the Balance Sheet date are disclosed in Notes 25 and 26 on pages 77 to 78.

### **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 of the Company 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 to promote co-operation with the relevant authorities and comply with the 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



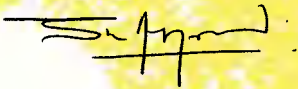
### Internal Control

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

### Going Concern

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

For and on behalf of the Board,



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



**S. Rajaratnam**  
*Director*

By Order of the Board,



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

30th October, 2009



ANNUAL REPORT OF THE BOARD OF DIRECTORS

# *Financial Reports*

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24	Statements of Changes in Equity
25	Cash Flow Statements
27	Accounting Policies
38	Notes to the Financial Statements



**KPMG Ford, Rhodes, Thornton & Co.**  
(Chartered Accountants)  
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## **INDEPENDENT AUDITOR'S 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 Consolidated Financial Statements of the Company and its subsidiaries as at 31st March 2009, which comprise the Balance Sheet as at 31st March 2009, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of Accounting Policies and other Explanatory Notes as set out on Pages 22 to 81 of 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 principles 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**

The Company has not computed the defined benefit obligation recognized under Note No. 20 to the Financial Statements in accordance with Sri Lanka Accounting Standard 16 - Employee Benefits (Revised 2006). Since, the Company has not actuarially valued the defined benefit obligation as required by SLAS 16, the adjustments to Retirement Benefit Obligations, Income Taxes and Retained Earnings which would have resulted from complying with SLAS 16, have not been determined.

In our opinion, except for the effects on the Financial Statements of the matter referred to in the aforesaid paragraph, the Financial Statements give a true and fair view of the Company's state of affairs as at 31st March 2009 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



## Consolidated

- (a) York Hotels (Kandy) Limited, a subsidiary company, was incorporated on 11th February 1993 and has not yet commenced its operations. Further, this company has not continued the construction work since 1996. As at 31st March 2009, the work in progress amounts to Rs. 54.1 Million and no provision has been made for impairment of the carrying amount as discussed in Note No. 8 (viii) to these Financial Statements.
- (b) Marawila Resorts PLC, Sigiriya Village Hotels PLC and Beruwala Resorts Limited, which are subsidiary companies, have not made statutory payments and respective penalties arising thereon as more fully described in Note 21.1 to these Financial Statements.
- (c) Lankem Ceylon PLC, a subsidiary company, has not computed the defined benefit obligation and the related assets in accordance with Sri Lanka Accounting Standard 16 - Employee Benefits (Revised 2006). Further, the disclosure provided in Note No. 20.1 (iii) to the Financial Statements on the defined benefit obligation and the related assets are not based on the provisions of SLAS 16. Since, Lankem Ceylon PLC has not actuarially valued the defined benefit obligation and valued the related assets as required by SLAS 16, the adjustments to Retirement Benefit Obligation, Income Taxes, Net Profit and Retained Earnings which would have resulted from complying with SLAS 16, have not been determined.
- (d) Laxapana Batteries PLC, a subsidiary company, has suspended production of Penlite batteries during the year under review as more fully explained in Note 27.2 to the Financial Statements. Provision for impairment has not been made with respect to the carrying amount of Rs. 8.5 Million relating to the Inventories which is specific to Penlite batteries as explained in the said Note to the Financial Statements.
- (e) E.B. Creasy & Company PLC and Darley Butler & Company Limited have not computed the defined benefit obligation recognized under Note No. 20 to the Financial Statements in accordance with Sri Lanka Accounting Standard 16 - Employee Benefits (Revised 2006). Since, these two companies have not actuarially valued the defined benefit obligation as required by SLAS 16, the adjustments to Retirement Benefit Obligations, Income Taxes and Accumulated Loss which would have resulted from complying with SLAS 16, have not been determined.

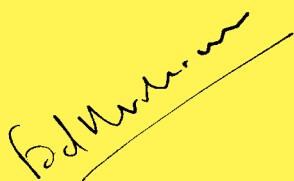
In our opinion, except for the effects on the Financial Statements of the matters referred to in the aforesaid paragraphs, the Consolidated Financial Statements give a true and fair view of the state of affairs as at 31st March 2009 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Without further qualifying our opinion we draw attention to:

- (i) Note 26.2 to the Financial Statements, where the various contingent liabilities of the Group companies detailed thereon crystallizes individually and/or collectively, there could be a material effect on the Financial Statements of the Group as described in the said Note to the Financial Statements.
- (ii) Note 29 to the Financial Statements regarding matters that raise doubt that the respective Group companies will be able to continue as a going concern.

## Report on Other Legal and Regulatory Requirements

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



**KPMG Ford, Rhodes, Thornton & Co.**

Chartered Accountants

30th October, 2009

Colombo

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A.N. Fernando FCA	S. Sirikananathan FCA	M.R. Mihular FCA
Ms. M.P. Perera FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph ACA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne ACA	S.T.D.L. Perera FCA



# Income Statements

For the year ended 31st March,	Note	CONSOLIDATED		COMPANY	
		2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
<b>Revenue</b>	1	<b>12,479,798</b>	12,155,452	<b>980,671</b>	850,814
Cost of Sales		<b>(9,815,592)</b>	(8,906,431)	<b>(730,493)</b>	(661,548)
<b>Gross Profit</b>		<b>2,664,206</b>	3,249,021	<b>250,178</b>	189,266
Other Income	2	<b>332,264</b>	261,206	<b>74,735</b>	79,409
Distribution Costs		<b>(842,558)</b>	(908,121)	<b>(51,650)</b>	(33,719)
Administrative Expenses		<b>(1,368,304)</b>	(1,251,613)	<b>(200,426)</b>	(171,007)
Other Expenses		<b>(2,192)</b>	(74,263)	–	–
Excess on Acquisition		<b>34,646</b>	–	–	–
Financing Cost	3	<b>(464,340)</b>	(377,067)	<b>(46,261)</b>	(55,975)
<b>Profit before Taxation</b>	4	<b>353,722</b>	899,163	<b>26,576</b>	7,974
Income Tax Expense	5	<b>(207,121)</b>	(217,048)	<b>(2,450)</b>	–
<b>Profit after Taxation</b>		<b>146,601</b>	682,115	<b>24,126</b>	7,974
<b>Attributable to:</b>					
Equity Holders of the Parent		<b>103,708</b>	61,620	<b>24,126</b>	7,974
Minority Interest		<b>42,893</b>	620,494	–	–
<b>Profit for the Year</b>		<b>146,601</b>	682,114	<b>24,126</b>	7,974
<b>Earnings per Share (Rs.)</b>	6	<b>40.91</b>	24.31	<b>9.52</b>	3.15
<b>Dividend per Share (Paid) (Rs.)</b>	7	<b>2.00</b>	2.00	<b>2.00</b>	2.00

The Accounting Policies and Notes on pages 27 to 81 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.





# Balance Sheets

As at 31st March,	Note	CONSOLIDATED		COMPANY	
		2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant & Equipment	8	6,241,237	5,617,732	673,908	608,724
Leasehold Land	9	467,577	480,476	-	-
Intangible Assets	10	93,458	82,026	-	-
Investments in Subsidiaries	11.1	-	-	279,477	206,445
Other Long-Term Investments	11.2	53,943	89,037	215	215
Deferred Tax Asset	19.1	5	277	-	-
		<b>6,856,220</b>	<b>6,269,548</b>	<b>953,600</b>	<b>815,384</b>
<b>Current Assets</b>					
Inventories	12	1,627,028	1,969,831	183,400	209,991
Amounts Due from Related Companies	13	182,288	71,829	47,046	6,541
Trade and Other Receivables	14	1,786,000	1,871,579	109,391	138,818
Income Tax Refund Due		24,884	12,274	-	-
Short-Term Investments	11.3	68,590	-	-	-
Cash & Cash Equivalents	15.1	366,890	341,511	2,640	1,980
		<b>4,055,680</b>	<b>4,267,024</b>	<b>342,477</b>	<b>357,330</b>
<b>Total Assets</b>		<b>10,911,900</b>	<b>10,536,572</b>	<b>1,296,077</b>	<b>1,172,714</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Stated Capital	16	25,731	25,731	25,731	25,731
Capital Reserves		568,166	569,783	369,928	369,928
General Reserve		148,427	148,427	9,548	9,548
Retained Profit/(Accumulated Loss)		(57,695)	(334,456)	135,063	116,008
<b>Equity Attributable to Equity holders of the Parent</b>		<b>684,629</b>	<b>409,484</b>	<b>540,270</b>	<b>521,215</b>
<b>Minority Interest</b>		<b>2,126,847</b>	<b>2,363,964</b>	<b>-</b>	<b>-</b>
<b>Total Equity</b>		<b>2,811,476</b>	<b>2,773,448</b>	<b>540,270</b>	<b>521,215</b>
<b>Non-Current Liabilities</b>					
Interest-Bearing Loans and Borrowings	17.1	1,689,283	1,428,378	92,317	115,010
Deferred Income and Capital Grants	18	426,371	330,509	-	-
Deferred Tax Liability	19.2	124,823	93,754	8,704	13,297
Retirement Benefit Obligations	20	1,016,077	951,181	33,704	27,993
		<b>3,256,554</b>	<b>2,803,822</b>	<b>134,725</b>	<b>156,300</b>
<b>Current Liabilities</b>					
Interest-Bearing Loans and Borrowings	17.2	1,149,663	533,153	102,002	57,311
Current Taxation Payable		144,892	150,520	7,042	-
Trade and Other Payables	21	2,524,628	3,039,346	207,695	250,156
Amount Due to Related Companies	22	119,468	115,474	215,188	92,206
Bank Overdraft	15.2	905,219	1,120,808	89,155	95,526
<b>Total Current Liabilities</b>		<b>4,843,870</b>	<b>4,959,301</b>	<b>621,082</b>	<b>495,199</b>
<b>Total Equity and Liabilities</b>		<b>10,911,900</b>	<b>10,536,572</b>	<b>1,296,077</b>	<b>1,172,714</b>

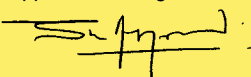
I certify that these Financial Statements are in compliance with the requirements of Companies Act No. 07 of 2007.



**N. Musheen**

Finance Manager

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



**S.D.R. Arudpragasam**

Director



**S. Rajaratnam**

Director

The Accounting Policies and Notes on pages 27 to 81 form an integral part of these Financial Statements.

Colombo  
30th October, 2009

Figures in brackets indicate deductions.

# 23

# Statements of Changes in Equity

## CONSOLIDATED

	Attributable to Equity Holders of Parent							
	Stated Capital Rs. '000	Capital Reserves on Consolidation Rs. '000	Revaluation Reserve Rs. '000	General Reserve Rs. '000	Retained Earnings Rs. '000	Total Rs. '000	Minority Interest Rs. '000	Total Rs. '000
Balance as at 31st March, 2007	25,731	102,091	482,578	168,922	(426,770)	352,553	1,707,955	2,060,508
Adjustment Due to Change in Holding	-	-	-	-	(36,005)	(36,005)	36,005	-
Adjustment Due to Disposal of Subsidiary	-	-	-	-	-	-	136,053	136,053
Deemed Disposal Adjustment from Lankem	-	(1,542)	(13,344)	(20,495)	35,382	-	-	-
Redemption of Preference Shares	-	-	-	-	-	-	(8,333)	(8,333)
Adjustment Due to Debit Balance from Minority Interest	-	-	-	-	36,387	36,387	(36,387)	-
Dividend for the year	-	-	-	-	(5,071)	(5,071)	-	(5,071)
Dividend Paid to Minority	-	-	-	-	-	-	(91,823)	(91,823)
Profit for the Year	-	-	-	-	61,620	61,620	620,494	682,114
<b>Balance as at 31st March, 2008</b>	<b>25,731</b>	<b>100,549</b>	<b>469,234</b>	<b>148,427</b>	<b>(334,456)</b>	<b>409,484</b>	<b>2,363,964</b>	<b>2,773,448</b>
Effect of Change in Accounting Policy Due to Adoption of SLAS 16 (Revised 2006) (Note A)	-	-	-	-	907	907	1,714	2,621
<b>Balance as at 31st March 2008</b>	<b>25,731</b>	<b>100,549</b>	<b>469,234</b>	<b>148,427</b>	<b>(333,550)</b>	<b>410,391</b>	<b>2,365,678</b>	<b>2,776,068</b>
Transfer of Revaluation Surplus	-	-	(1,617)	-	1,617	-	-	-
Adjustment Due to Change in Holding	-	-	-	-	116,850	116,850	25,403	142,253
Acquisition and Disposal of Subsidiary	-	-	-	-	-	-	(166,035)	(166,035)
Dividend Payment - Ordinary Shares	-	-	-	-	(5,071)	(5,071)	(73,132)	(78,203)
Dividend Payment - Preference Shares	-	-	-	-	-	-	(875)	(875)
Preference Share Redeemed	-	-	-	-	-	-	(8,334)	(8,334)
Adjustment Due to Debit Balance in Minority Interest	-	-	-	-	58,751	58,751	(58,751)	-
Profit for the Year	-	-	-	-	103,708	103,708	42,893	146,600
<b>Balance as at 31st March, 2009</b>	<b>25,731</b>	<b>100,549</b>	<b>467,617</b>	<b>148,427</b>	<b>(57,695)</b>	<b>684,629</b>	<b>2,126,847</b>	<b>2,811,476</b>

## COMPANY

	Stated Capital Rs. '000	Revaluation Reserve Rs. '000	General Reserve Rs. '000	Retained Earnings Rs. '000	Total Equity Rs. '000
Balance as at 31st March, 2007	25,731	369,928	9,548	113,105	518,312
Profit/(Loss) for the Year	-	-	-	7,974	7,974
Dividend for the Year	-	-	-	(5,071)	(5,071)
<b>Balance as at 31st March, 2008</b>	<b>25,731</b>	<b>369,928</b>	<b>9,548</b>	<b>116,008</b>	<b>521,215</b>
Profit/(Loss) for the Year	-	-	-	24,126	24,126
Dividend for the Year	-	-	-	(5,071)	(5,071)
<b>Balance as at 31st March, 2009</b>	<b>25,731</b>	<b>369,928</b>	<b>9,548</b>	<b>135,063</b>	<b>540,270</b>

### Note A

Effect of change in accounting policy due to adoption of SLAS 16 (Revised 2006) - 'Employee Benefits'.

Name of the Subsidiary	Majority Impact Rs. '000	Minority Impact Rs. '000	Total Rs. '000
Laxapana Batteries PLC	619	486	1,105
Marawila Resorts PLC	288	1,228	1,516
	<b>907</b>	<b>1,714</b>	<b>2,621</b>

The Accounting Policies and Notes on pages 27 to 81 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.



# Cash Flow Statements

For the year ended 31st March,	CONSOLIDATED		COMPANY	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
<b>A. Cash Generated from Operations</b>				
Profit Before Tax	353,722	899,162	26,576	7,974
<b>Adjustments for:</b>				
Depreciation on Property, Plant & Equipment	320,938	276,687	34,335	32,670
Profit on Disposal of Property, Plant & Equipment	(11,803)	(10,981)	(4,461)	(3,826)
Gain/(Loss) on Translation of Foreign Currency	16,923	58,555	(1,106)	2,551
(Gain)/Loss on Disposal of Investments	(49,711)	(20,298)	771	(19,623)
Provision for Bad and Doubtful Debts	24,863	14,751	2,400	3,020
Provision/(Reversal) for Bad and Doubtful Related Party	(1,574)	–	–	–
Inventory Written-Off	2,087	3,630	–	–
Provision for Obsolete Inventories	11,678	–	9,213	–
Provision for Retiring Gratuity	160,424	186,289	7,221	5,783
Reversal for Fall-in Value of Investments	17,757	(356)	–	–
Amortization of Differed Income	(12,707)	(9,936)	–	–
Dividend Income	(27,797)	(31,175)	(45,293)	(29,782)
Interest Expenses	503,480	377,067	72,068	55,975
Amortization of Leasehold Land	12,899	12,899	–	–
Written-Off of Unamortized Goodwill	18,399	–	–	–
Impairment of Goodwill	93,498	–	–	–
Amortization of Trade Mark	211	–	–	–
	<b>1,433,287</b>	<b>1,756,294</b>	<b>101,724</b>	<b>54,742</b>
(Increase)/Decrease in Inventories	329,038	(467,956)	17,378	(25,238)
(Increase)/Decrease in Trade and Other Receivables	60,716	(239,803)	26,631	(9,567)
(Increase)/Decrease in Related Party Receivables	(108,885)	(32,346)	4,788	10,780
Increase/(Decrease) in Related Party Payables	800	4,851	122,982	25,651
Increase/(Decrease) in Trade and Other Payables	(503,927)	685,491	(41,355)	46,928
	<b>1,211,029</b>	<b>1,706,531</b>	<b>232,147</b>	<b>103,297</b>
<b>Cash Flows from Operating Activities</b>				
Cash Generated from Operations (Note A)	1,211,029	1,706,531	232,147	103,297
Gratuity Paid	(89,714)	(68,634)	(1,510)	(1,836)
Interest Paid	(424,920)	(435,627)	(63,455)	(58,600)
Income Taxes Paid	(194,018)	(102,571)	–	4,227
<b>Net Cash Flows from Operating Activities</b>	<b>502,377</b>	<b>1,099,699</b>	<b>167,182</b>	<b>47,088</b>

For the year ended 31st March,	CONSOLIDATED		COMPANY	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
<b>Cash Flows from Investing Activities</b>				
Purchase and Construction of Property, Plant & Equipment	(903,141)	(440,225)	(92,769)	(29,812)
Proceeds on Disposal of Property, Plant & Equipment	30,846	(18,865)	4,551	4,100
Proceeds from Sale of Investments	97,319	20,298	9,523	11,850
Purchase of Other Long-Term Investments	(159,457)	(151,465)	(82,930)	(20,697)
Investment in Short-Term Investment	(69,702)	–	–	–
Purchase of Trade Mark	(1,150)	–	–	–
Dividend Received	27,797	31,175	–	29,782
Net Payments to Minority Shareholders	(98,209)	35,901	–	–
<b>Net Cash Flows from Investing Activities</b>	<b>(1,075,697)</b>	<b>(523,181)</b>	<b>(161,625)</b>	<b>(4,777)</b>
<b>Cash Flows from Financing Activities</b>				
Lease Rental and JEDB/SLSPC Estate Lease Payment	(207,377)	(146,218)	(23,830)	(23,277)
Proceeds from Long-Term Loans	599,733	170,822	46,291	75,000
Payment of Long-Term Loans	(309,366)	(347,170)	(43,398)	(70,121)
Proceeds from Short-Term loans	627,800	(12,456)	27,482	18,261
Capital Grants Received	108,569	40,747	–	–
Dividends Paid	(5,071)	(5,071)	(5,071)	(5,071)
<b>Net Cash Flows from Financing Activities</b>	<b>814,288</b>	<b>(299,346)</b>	<b>1,474</b>	<b>(5,208)</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	<b>240,968</b>	<b>277,172</b>	<b>7,031</b>	<b>37,102</b>
<b>Cash &amp; Cash Equivalents at the beginning of the Year</b>	<b>(779,297)</b>	<b>(1,056,469)</b>	<b>(93,546)</b>	<b>(130,649)</b>
<b>Cash &amp; Cash Equivalents at the end of the Year (Note B)</b>	<b>(538,329)</b>	<b>(779,297)</b>	<b>(86,515)</b>	<b>(93,546)</b>
<b>B. Analysis of Cash &amp; Cash Equivalents</b>				
Bank Overdraft (Note 15.2)	(905,219)	(1,120,808)	(89,155)	(95,526)
Cash in Hand and at Bank (Note 15.1)	366,890	341,511	2,640	1,980
	<b>(538,329)</b>	<b>(779,297)</b>	<b>(86,515)</b>	<b>(93,546)</b>

The Accounting Policies and Notes on pages 27 to 81 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

## CASH FLOW STATEMENTS

# Accounting Policies

## General

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, 2009 comprise 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.

## Statement of Compliances

The Financial Statements of E.B. Creasy & Company PLC., and those consolidated with such comprise the Balance Sheet, Income Statement, Cash Flow Statement, Statement in Equity, Accounting Policies and Notes to the Financial Statements. These statements are prepared in accordance with Sri Lanka Accounting Standards laid down by The Institute of Chartered Accountants of Sri Lanka and the Companies Act No. 07 of 2007.

The Financial Statements for the year ended 31st March, 2009 were authorized for issue by the Directors on the 30th October, 2009.

## Basis of Preparation

The Financial Statements referred to are based on the historical cost convention, except for certain items of Property, Plant & Equipment which are stated at a valuation and items of short-term investments which are measured at fair value as explained in the respective Notes to the Financial Statements.

## Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, rounded to the nearest thousand which is the functional currency of the Company and its subsidiaries.

## Use of Estimate and Judgements

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that financial year, or the period of the revision and future periods if the revision affects both current and future financial years.

## 1. General Accounting Policies

Accounting Policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements.

The Accounting Policies have been applied consistently by the entities in the Group.

### 1.1 Basis of Consolidation

The Consolidated Financial Statements (referred to as the 'Group'), comprise the Financial Statements of the Company and its subsidiaries and the Group's interest in associate companies and jointly controlled entities.

#### 1.1.1 Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of enterprises so as to obtain benefits from its activities which is evident when the Company controls the composition of the Board of Directors of the entity or holds more than 50% of the issued shares of the entity or 50% of the voting rights of the entity or is entitled to receive more than half of every dividend from shares carrying unlimited to participate in distribution of profits or capital.

Entities that are subsidiaries of another entity which is a subsidiary of the Company are also treated as subsidiaries of the Company.

The Financial Statements of subsidiaries are included in the Consolidated Financial Statements when control effectively commences and until control effectively ceases.

#### 1.1.2 Minority Interest

The proportion of the profit or loss after taxation applicable to outside shareholders of subsidiary companies is reflected under 'Minority Interest' in the Consolidated Income Statements.

The interest of the outside shareholders in the net assets employed of those companies are reflected under the heading 'Minority Interest' in the Balance Sheet.

#### 1.1.3 Goodwill

Goodwill represent the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liability and contingent liabilities acquired.

Goodwill is initially recognized at cost. Such goodwill is identified into cash-generating units and its annually tested for impairments as described in Accounting Policy 2.10. After initial recognition goodwill is stated at cost less accumulated impairment losses.

The goodwill arising on acquisition of subsidiaries is presented as an intangible asset.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition of the entity, it is recognized immediately in the Consolidated Income Statement under excess on acquisition.

#### 1.1.4 Intra-Group Transactions

Intra-Group balances and Intra-Group transactions and resulting unrealized profits are eliminated in full in the Consolidated Financial Statements. Unrealized losses resulting from Intra-Group transactions are eliminated unless the cost cannot be recovered.

# ACCOUNTING POLICIES

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### 1.1.5 Translation of Foreign Currency

All transactions involving foreign currencies retranslated into Rupees at the foreign exchange rate prevailing at the time of such transactions were effected. For transactions covered by forward exchange contracts, translation into Rupees is at the contracted rate of exchange. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated into Rupees at the foreign exchange rates prevailing on that date. The foreign exchange differences arising on translation are recognized in the Income Statement.

## 2. 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, or within one year from the Balance Sheet date, whichever is shorter. Assets other than current assets are those, which the Company intends to hold beyond the one year period calculated from the Balance Sheet date.

### 2.1 Property, Plant & Equipment

Property, Plant & Equipment other than land, are stated at cost less accumulated depreciation and impairment. The cost of an item of Property, Plant & Equipment comprises 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.

Group revalues land at least once in every five years which is stated at its fair value at the date of revaluation less any subsequent impairment losses. On revaluation of land 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 re-evaluation are disclosed in Note 8 to the Financial Statements.

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

### 2.2 Subsequent Expenditure

Expenditure incurred to replace a component of an item of Property, Plant & Equipment that is accounted for separately, is capitalized with the carrying amount of the component being written off. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of Property, Plant & Equipment. All other expenditure is recognized in the Income Statement as an expense as and when incurred.

### 2.3 Depreciation

Depreciation is not charged on freehold land and construction in progress. Depreciation is charged on all other Property, Plant & Equipment on the straight-line basis over the estimated useful lives.

The estimated useful lives are as follows:

Freehold Buildings	2.5% - 10%
Plant & Machinery	7.5% - 20%
Motor Vehicles	15% - 30%
Furniture, Fixture and Fittings	5% - 20%
Computers	25%
Laboratory Equipment	25%

The Group follows a policy to depreciate when an asset is available for use, whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

## **2.4 Leased Assets**

### ***Finance Lease***

Leases in terms of which the Company assumes substantially all the risks and reward of ownership are classified as finance leases. Assets acquired through finance leases are stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at the inception less accumulated depreciation and the resulting lease obligations are included in creditors net of finance charges. Lease payments are treated as consisting of capital and interest elements and the interest is recognized in the Income Statement.

## **2.5 Intangible Assets**

### ***Other Intangible Assets***

Other intangible assets are other than goodwill that acquired by the Group are stated at the cost less accumulated amortization. Expenditure on internally generated goodwill and brands are recognized in the Income Statement as an expense as incurred.

## **2.6 Investments**

### ***Long-Term Investments***

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

In the Parent Company's Financial Statements, investment in subsidiaries is carried out at cost under Parent Company accounting policy for long-term investment.

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

### ***Short-Term Investments***

Quoted and unquoted investments in shares held on short-term basis are measured stated at cost and provision has been made for the fall in value of investments based on the fair value of the investments.

## **2.7 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.

## **2.8 Trade Debtors**

Debtors are stated at their estimated realizable amounts after providing for bad and doubtful debts.





## 2.9 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

## 2.10 Impairment

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets, is 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. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognized if the carrying amount of an assets or its cash generating units exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cash flow that largely are independent from other assets and company. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of other assets in the unit on *pro rata* basis.

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

Liabilities recognized in the Balance Sheet when there is a present obligation arising from a past event, the settlement of which is expected to result in an outflow of resources embodying accounting benefits. Obligations payable at the demand of the creditor or within the one year of the Balance Sheet date are treated as current liabilities in the Balance Sheet liabilities payable after one year from the Balance Sheet date are treated as non-current liabilities in the Balance Sheet.

A provision is recognized in the Balance Sheet when the groups has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits for which a reliable estimate could be made is required to settle the obligation.

### 3.1 Taxation

Income tax expense on profit and loss for the year comprises current and deferred tax and is recognized in the Income Statement.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the Balance Sheet date and any adjustments to tax payable in respect of previous years.

Deferred tax is provided using the Balance Sheet liability method, providing for timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

# ACCOUNTING POLICIES



## **3.2 Employee Benefits**

### **3.2.1 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 method (PUC) as recommended by SLAS 16 'Employee Benefit'. 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 except for the following companies.

- (a) Lankem Ceylon PLC has obtained an insurance policy as described in Note 20.1 (iii) to the Financial Statements to meet the retiring gratuity payments to its employees.
- (b) E.B. Creasy & Company PLC, Darley Butler & Co. Ltd., E.B. Creasy Logistics Ltd., Creasy Foods Ltd. have recognized provision for the retirement gratuity from the first year of service for all employees based on the number of years of service into half month salary.

The actuarial gain losses are charged or credited to Income Statement in the period in which they arise. The assumptions based on which the results of actuarial valuation was determined and included in respective Note to the Financial Statements

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

### **3.2.2 Defined Contribution Plans**

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

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

## **3.3 Trade and Other Payables**

Trade and other payables are stated at their cost.

## **3.4 Income Statement**

### **3.4.1 Revenue Recognition**

Revenue, principally is recognized on an accrual basis in terms of Sri Lanka Accounting Standard No. 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.

### **3.4.2 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.

### **3.4.3 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.

### **3.4.4 Borrowing Cost**

Borrowing costs are recognized as an expense in the year 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 or its intended use or sale is capitalized as a part of that asset.

## **4. General**

### **4.1 Related Party Transactions**

Transactions with related parties are conducted on normal business terms. The relevant disclosures are contained in Notes 13, 22 and 23 to the Financial Statements.

### **4.2 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.

### **4.3 Segmental Reporting**

The consolidated result and the financial position of the Group are segmented based on its operating divisions and are disclosed accordingly in Notes 01 and 24 to the Financial Statements.

### **4.4 Comparative Figures**

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

### **4.5 Capital Commitments and Contingencies**

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

### **4.6 Events Occurring after the Balance Sheet Date.**

All material post-Balance Sheet events have been considered and where appropriate adjustments or disclosures have been made in the respective Notes to the Financial Statements

## **ACCOUNTING POLICIES**

## 5. Specific Policies

### 5.1 Policies Specific to Plantation Companies

The following accounting policies of the Plantation Companies differ from that of the Group since the nature of the operation of the plantation companies are significantly different from that of the Group. The Accounting Policies adopted by the Plantations Companies are in accordance with Sri Lanka Accounting Standard (SLAS) 32 - 'Plantations'.

#### 5.1.1 Immature and Mature Plantations

The cost of new planting, replanting 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 spent on replanting and new planting and capitalized on the immature areas. The remaining proportion of general charges is expenses in the accounting period in which it is incurred.

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

#### 5.1.2 Infilling Cost

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

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

#### 5.1.3 Depreciation

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

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

# ACCOUNTING POLICIES

Leasehold rights are being amortized/depreciated in equal annual amount over the following period:

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

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.

#### **5.1.4 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 period.

Permanent impairments to land development costs are charged to the Income Statement in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

#### **5.1.5 Limited Life Land Development Costs (Immature and Mature Plantations)**

The cost of new planting, replanting, interplanting 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 charged to the Income Statement 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 has been transferred to mature plantations and depreciated over its useful lifetime.

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

Permanent impairments to land development costs are charged to the Income Statement in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

### 5.1.6 Inventories

Inventories other than produce stocks are valued at the lower of cost and estimated realizable value, after making due allowances and slow moving items. Net realizable 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 attributable overheads
Harvested Crop	Valued at estimated selling realizable prices
Produce Stocks	Valued at estimated selling prices and since realized prices
Other Stocks	At actual cost

### 5.1.7 Retiring Benefits

The Retirement Benefit Plan adopted is as required under the Payment of Gratuity Act No. 12 of 1983 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 Sri Lanka Accounting Standard 16.

The actuarial valuations were carried out by a professional qualified actuary firm Messrs Actuarial & Management Consultants (Pvt) Ltd. as at 31st December, 2006.

The Company expects to carry out actuarial valuations once in every 2 years.

The principal actuarial assumptions used in determining the cost are stated in the respective Notes to the Financial Statements.

### 5.1.8 Grants and Subsidies

Grants and subsidies are credited to the Income Statement over the periods necessary to match them with the related cost which they are intended to compensate, on a systematic basis.

Grants related to assets including non-monetary grants at fair value are deferred in the Balance Sheet and credited to the Income Statement over the useful life of the related assets.

Grants related to income are recognized in the Income Statement in the period in which it is receivable.

#### *(a) Grants and Subsidies*

Grants and subsidies that compensate the Group for expenses incurred are recognized as revenue in profit and loss on a systematic basis in the periods in which the expenses are recognized.

Grants that compensate the Group for the cost of an asset are recognized in profit and loss over the useful life of the related assets.

#### *(b) 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.

## 5.2 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.



### **5.2.1 Property, Plant & Equipment**

#### **(a) 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.

#### **(b) Depreciation**

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

Building on Freehold Land	40 years
Plant & Machinery	10 years
Furniture & Fittings	08 years
Equipment	06 years
Motor Vehicles	04 years
Computer Software	04 years
Linen, Cutlery & 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.

### **5.2.2 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

### **5.2.3 Revenue**

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.

### **5.2.4 Revenue and Expenditure 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.

#### **(a) Income From Hotel**

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

#### **(b) Others**

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

## **ACCOUNTING POLICIES**

# Notes to the Financial Statements

## 1. Revenue

	CONSOLIDATED		COMPANY	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
E.B. Creasy & Company PLC	983,093	853,564	983,093	853,564
Darly Butler & Co. Ltd.	2,607,555	2,578,147	-	-
Creasy Foods Ltd.	234,080	179,220	-	-
Lankem Ceylon PLC	3,941,653	3,255,647	-	-
E.B. Creasy Logistics Ltd.	23,107	19,428	-	-
Laxapana Batteries PLC	196,492	207,109	-	-
Island Consumer Supplies (Pvt) Ltd.	-	737	-	-
Lankem Plantation Services Ltd.	946	800	-	-
Lankem Tea & Rubber Plantations (Pvt) Ltd.	148,623	203,030	-	-
Kotagala Plantations PLC	2,331,370	2,749,132	-	-
Agarapatana Plantations Ltd.	2,331,745	2,485,402	-	-
Sigiriya Village Hotels PLC	86,712	93,406	-	-
Beruwala Resorts Ltd.	85,388	77,958	-	-
Lankem Developments PLC	31,159	37,223	-	-
SunAgro Farms Ltd.	2,310	-	-	-
SunAgro LifeScience Ltd.	133,601	86,087	-	-
Lankem Consumer Products Ltd.	175,569	305,661	-	-
Lankem Chemicals Ltd.	541,446	496,105	-	-
Lankem Research Ltd.	59,029	51,118	-	-
Lankem Paints Ltd.	1,265,206	1,163,251	-	-
Associated Farms Ltd.	5,364	4,900	-	-
Marawila Resorts PLC	155,940	168,413	-	-
Colombo Fort Hotels Ltd.	-	3	-	-
	<b>15,340,388</b>	<b>15,016,343</b>	<b>983,093</b>	<b>853,564</b>
Intra-Group Sales	(2,807,400)	(2,807,832)	-	-
	<b>12,532,988</b>	<b>12,208,511</b>	<b>983,093</b>	<b>853,564</b>
Turnover Tax	(53,190)	(53,059)	(2,422)	(2,750)
	<b>12,479,798</b>	<b>12,155,452</b>	<b>980,671</b>	<b>850,814</b>



## 1.1 Segment Analysis of Group Revenue and Profit Before Tax

	Segment Revenue	Inter-Segment Revenue	Group Revenue 2008/09	Group Revenue 2007/08	Profit Before Tax 2008/09	Profit Before Tax 2007/08
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Distribution	2,737,572	106,665	2,844,237	2,825,901	77,235	34,016
Manufacturing	–	1,176,985	1,176,985	992,878	98,136	24,283
Chemical	3,113,894	440,489	3,554,383	2,795,418	347,052	349,787
Consumer	159,517	125,000	284,517	492,288	7,409	(70,119)
Hardware	1,319,339	958,261	2,277,600	2,070,164	4,819	29,850
Construction	31,159	–	31,159	37,223	(2,039)	(467)
Hotels	328,042	–	328,042	344,679	(134,679)	(72,008)
Plantations	4,812,684	–	4,812,684	5,438,364	51,139	1,129,518
Agriculture	7,674	–	7,674	–	(7,272)	–
Services	23,107	–	23,107	19,428	2,824	2,876
	12,532,988	2,807,400	15,340,388	15,016,343	444,624	1,427,736
Less: Inter-Company Sales			(2,807,400)	(2,807,832)	(90,902)	(528,573)
			12,532,988	12,208,511	353,722	899,163
Less: Turnover Tax			(53,190)	(53,059)		
			12,479,798	12,155,452		

Segmentation has been determined on the activities of the companies which sell the product & services. The Inter-segment revenue is based on commercially acceptable prices.

## 2. Other Income

	CONSOLIDATED		COMPANY	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
Gain on Disposal of Property, Plant & Equipment	11,803	10,981	4,461	3,826
Commission Income	6,342	3,791	–	–
Sale of Rubber Trees	111,745	73,926	–	–
Sale of Timber	26,875	13,082	–	–
Amortization of Capital Grant	12,707	9,936	–	–
Sale of Scraps/Refuse Tea	6,717	6,914	–	–
Rental Income	4,135	45,014	25,663	25,960
Dividend Income	27,797	31,175	45,293	29,782
Debenture Interest Income	37	–	–	–
Over Provision of Deferred Interest	20,646	–	–	–
Machine Hire Income	–	4,737	–	–
Reversal of Provision for Related Party Receivables	1,574	–	–	–
Gain/(Loss) on Deemed Disposal	–	(52,529)	–	–
Creditors no Longer Written Back	23,237	2,576	–	–
Write-Back of Provision for Bad and Doubtful Debt from Related Companies	–	69,499	–	–
Profit/(Loss) on Disposal of Investment	49,711	20,298	(771)	19,623
Sundry Income	28,938	21,805	89	217
	332,264	261,206	74,735	79,409

### 3. Net Financing Cost

	CONSOLIDATED		COMPANY	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
Interest Income	(56,063)	(4,971)	(24,701)	(20)
Exchange (Gain)/Loss	16,923	(58,555)	(1,106)	(2,551)
Interest Expense (Note 3.1)	503,480	440,594	72,068	58,546
	464,340	377,067	46,261	55,975

#### 3.1 Interest Expense

Interest on Short-Term Loans	240,186	210,270	25,051	13,900
Interest on Long-Term Loans	87,112	107,401	24,402	17,329
Interest on Finance Lease and JEDB/SLSPC Estate Lease	78,561	77,043	8,613	8,852
Overdraft Interest	106,421	21,667	14,002	15,931
Other Interest	37,003	53,643	–	2,534
	549,283	470,024	72,068	58,546
Amount Capitalized	(45,803)	(29,430)	–	–
	503,480	440,594	72,068	58,546

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#### 4. Profit before Taxation

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

	CONSOLIDATED		COMPANY	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
Auditor's Remuneration				
KPMG Ford, Rhodes, Thornton & Co.	7,628	6,708	1,100	930
Other Auditors	3,129	2,981	–	–
Fee Paid to Auditors for Non-Audit Services				
KPMG Ford, Rhodes, Thornton & Co.	989	482	120	150
Other Auditors	65	15	–	–
Depreciation on Property, Plant & Equipment	238,974	205,567	34,335	32,670
Amortization of Intangible Assets	211	–	–	–
Impairment of Goodwill	93,498	–	–	–
(Reversal)/Provision for Bad and Doubtful debts	24,863	(14,751)	2,400	3,020
Reversal for Doubtful Amounts due from Related Parties	(1,574)	–	–	–
Provision for Fall in Value of Inventory	11,678	6,384	9,213	–
Inventory Written-Off	2,087	3,625	–	3,625
Provision for Diminishing Value of Investments	17,757	356	–	–
Amortization of Immature/Mature Plantations	46,966	44,672	–	–
Amortization of Leasehold Land	12,899	12,899	–	–
Amortization of Immovable Lease Assets of JEDB/SLSPC Estates	34,998	26,448	–	–
Managing Agent's Fees	7,620	9,722	–	–
Repair and Maintenance Expenditure	4,682	2,133	–	–
Annual Licence Fees	440	432	–	–
Donations	158	32	–	–
Staff Cost (Note 4.1)	3,122,469	2,785,013	100,682	80,083

#### 4.1 Staff Cost

Wages and Salaries	2,550,641	2,231,203	71,811	59,823
Defined Contribution Plan Cost - EPF/ETF	359,281	302,537	8,802	8,095
Defined Benefit Plan Cost - Retiring Gratuity	160,424	251,273	7,221	6,202
Other Staff Cost	36,064	–	–	–
Bonus	16,059	–	12,848	5,963
	3,122,469	2,785,013	100,682	80,083

#### 5. Income Tax Expense

	CONSOLIDATED		COMPANY	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
Income Tax on Profit for the Year (Note 5.1)	177,199	160,638	7,042	–
Transferred to Deferred Tax (Note 19)	31,341	57,096	(4,592)	–
Over Provision from Previous Year	(1,419)	(290)	–	–
	207,121	217,048	2,450	–

## NOTES TO THE FINANCIAL STATEMENTS

## 5.1 Reconciliation of Accounting Profit to Income Tax Expense

	CONSOLIDATED		COMPANY	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
Profit before Tax	353,722	899,162	26,576	7,974
Intra-Group Eliminations	56,829	(16,645)	–	–
	410,551	882,517	26,576	7,974
Disallowable Expenses	1,119,948	652,582	52,465	84,083
Tax Deductible Expenses	(879,845)	(658,185)	(54,340)	(44,286)
Total Statutory Income	650,654	876,915	24,701	47,771
Income Subject to WHT and Exempted Income	–	(49,425)	–	(49,428)
Tax Exempt Income	(55,485)	(306,659)	–	–
Tax Loss Claimed during the Year	(24,391)	(66,408)	(4,879)	–
Taxable Income	570,778	454,423	19,822	(1,657)
<b>Income Tax @ 35% (2008 - 35%)</b>	<b>154,489</b>	<b>159,048</b>	<b>6,938</b>	<b>–</b>
Income Tax @ 15%	18,424	–	–	–
Income Tax at Other Tax Rates	984	–	–	–
Deemed Dividend Tax	985	–	–	–
SLR	2,317	1,590	104	–
<b>Income Tax Expense</b>	<b>177,199</b>	<b>160,638</b>	<b>7,042</b>	<b>–</b>

### 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 amendments thereto.

E.B. Creasy & Company PLC and other companies within the Group, excluding those which are enjoying a tax holiday or concessionary rate of taxation as referred to below, are liable to income tax at 35%.

In terms of Sections 46 and 51 of the Inland Revenue Act, profits from construction work and agricultural undertakings, enjoy a concessionary rate of tax of 15%.

Lankem Exports (Pvt) Ltd. and Lankem Agrochemicals 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. 4 of 1978, profits of York Hotels (Kandy) Ltd. are exempted from income tax for a period of 10 years from the year in which York Hotels (Kandy) Ltd. commences to make profits or within 5 years from the year the Company commenced commercial operations whichever is earlier. The Company is also entitled to a concessionary rate of tax at 2% of its turnover for 15 years immediately after the expiry of the said 10 years tax holiday. Other income is liable to income tax at the rate of 35%. 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. No tax has been provided since the Company has not commenced its commercial operations and had not recorded taxable income.

# NOTES TO THE FINANCIAL STATEMENTS

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In accordance with the powers conferred on the Board of Investment (BOI) of Sri Lanka, under Section 17 (2) of the BOI Law No. 4 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 to tax on profits from business for a period of 10 years commencing from the Year of Assessment - 2001/02. Accordingly, the Company is not liable to income tax on profits from business for the year.

In accordance with the Sections 22 (1) and 22 (2) of the Inland Revenue Act No. 10 of 2006, the profits and income of Lankem Research Ltd. is exempt from income tax for a period of 5 years commencing from the Year of Assessment - 2006/07. Accordingly, the Company is not liable to income tax on profits from business for the year.

Sigiriya Village Hotels PLC and Beruwala Resorts Ltd. are liable to taxation at the rate of 15% on the profits and income from activities relating to operating of hotels and at 35% on other income.

Profits from any agricultural undertakings which fall within Section 16 of the Inland Revenue Act No. 10 of 2006, would be exempt from income tax for a period of 5 years. The corporate rate of tax applicable to other income including the income not covered under Section 16 would be 35%.

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 from which the Company commences to make profit or any year of assessment not later than two years starts from the date of commencement of commercial operations which ever is earlier.

## 5.2 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, Lankem Ceylon PLC, Lankem Developments PLC, Beruwala Resorts Ltd., Sigiriya Village Hotels PLC, Lankem Tea & Rubber Plantations (Pvt) Ltd. and Kotagala Plantations PLC. There were no temporary differences or inlien of deferred tax asset for Darley Buttler & Co. Ltd., Filmpak Ltd., E.B.C. Milk Foods Ltd., Corporate System Ltd., Group Three Associates Ltd., E.B. Creasy Logistics Ltd., Lankem Plantation Services Ltd., Lankem Plantation Holdings Ltd., Lankem Exports Ltd., Lankem Chemicals Ltd., Lankem Paints Ltd., Lankem Consumer Products Ltd., Lankem Research Ltd., SunAgro LifeScience Ltd., SunAgro Farms Ltd., York Hotels (Kandy) Ltd. and Colombo Fort Hotels Ltd. and as such no provision has been made for deferred taxation.

In accordance with the BOI agreement dated 27th July, 1994, the profits and income of Marawila Resorts PLC are exempt from taxation until 31st March, 2011. After the expiration of the said tax exemption period, the following options are available to the Company:

### Option A

For a period of 10 years immediately after the aforementioned tax exemption period, the income tax payable shall be computed at 2% of the Turnover of the Company.

OR

### Option B

The provisions of the Inland Revenue Laws in force shall apply.

The Company needs to make the election, only 90 days prior to the expiration of the said tax exemption period after evaluating all tax implications prevailing at that time.

There is uncertainty regarding the timing at which the deferred tax liability arising after the tax exemption period should be recognized in the Financial Statements, and the categories of assets which should be considered for the purpose of the computation of the said deferred tax liability/assets, due to varied interpretations of SLAS 14. Based on the computations made by the management for each option described in the aforesaid paragraphs, the Company could have a deferred tax liability as at the Balance Sheet date.

However, due to the high level of uncertainty prevailing at present regarding the manner in which deferred tax is to be computed for companies with tax exemptions under BOI agreements and the point at which the deferred liability should be recognized in the Financial Statements, no adjustments have been made in these Financial Statements. The potential impact of the deferred tax liability in the Financial Statement is as follows:

	Option A		Option B	
	2009 Rs.	2008 Rs.	2009 Rs.	2008 Rs.
Balance at the Beginning of the Year	26,622	28,264	34,175	31,401
Origination/(Reversal) of Temporary Differences	(1,642)	(1,642)	4,608	2,774
Balance at end of the Year	24,980	26,622	38,783	34,175

## 6. 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.

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
Profit Attributable to Equity Holders of				
E.B. Creasy & Company PLC (Rs. '000)	103,708	61,620	24,126	7,974
Weighted Average Number of Ordinary Shares (No. '000)	2,535	2,535	2,535	2,535
Earnings per Share (Rs.)	40.91	24.31	9.52	3.15

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

## 7. Dividend Per Share

### 7.1 Proposed Dividend

The Directors have recommended the payment of first and final dividend of Rs. 2.50 per share (Rs. 2/- in 2007/08) which will be declared at the Extraordinary General Meeting to be held on 3rd December, 2009.

In accordance with the Sri Lanka Accounting Standard No. 12 - 'Events After 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, 2009.

### 7.2

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
Total Dividend Paid (Rs. '000)	5,071	5,071	5,071	5,071
Number of Ordinary Shares (No. '000)	2,535	2,535	2,535	2,535
Dividend per Share (Rs.)	2.00	2.00	2.00	2.00



## 8. Property, Plant & Equipment

### 8.1 Consolidated

	Balance as at 01.04.2008 Rs. '000	Additions Rs. '000	Disposals Rs. '000	Balance as at 31.03.2009 Rs. '000
<b>Cost or Valuation</b>				
<b>Freehold Assets</b>				
Freehold Land	987,389	13,805	–	1,001,194
Freehold Buildings	1,548,512	299,016	–	1,847,528
Mature/Immature Plantations	2,124,483	375,716	(3,021)	2,497,178
Plant and Machinery	860,736	160,706	(1,582)	1,019,860
Motor Vehicles	290,397	19,373	(14,735)	295,035
Furniture and Fittings	568,186	42,437	(10,325)	600,298
	6,379,703	911,053	(29,663)	7,261,093
<b>Leasehold Assets</b>				
Immovable Leased Assets	740,717	–	–	740,717
Leased Plant and Machinery	233,734	2,381	(23,279)	212,836
Leased Motor Vehicles	246,291	13,544	(7,360)	252,475
Leased Furniture and Fittings	12,476	7,381	(5,042)	14,815
	1,233,218	23,306	(35,681)	1,220,843
	7,612,921	934,359	(65,344)	8,481,936
	Balance as at 01.04.2008 Rs. '000	Charge for the Year Rs. '000	On Disposal Rs. '000	Balance as at 31.03.2009 Rs. '000
<b>Accumulated Depreciation</b>				
<b>Freehold Assets</b>				
Freehold Buildings	309,825	41,164	–	350,989
Mature/Immature Plantations	250,011	46,966	–	296,977
Plant and Machinery	410,061	61,493	(1,303)	470,251
Motor Vehicles	251,019	22,488	(7,930)	265,577
Furniture and Fittings	375,610	59,105	(15,929)	418,786
	1,596,526	231,216	(25,162)	1,802,580
<b>Leasehold Assets</b>				
Immovable Lease Assets	362,047	34,998	–	397,045
Leased Plant and Machinery	42,246	21,651	(10,600)	53,297
Leased Motor Vehicles	133,676	32,852	(10,539)	155,989
Leased Furniture and Fittings	2,942	221	–	3,163
	540,911	89,722	(21,139)	609,494
	2,137,437	320,938	(46,301)	2,412,074
Net Book Value	5,475,484			6,069,862
Capital Work-in-Progress	142,248	364,977	(335,850)	171,375
Carrying Amount	5,617,732			6,241,237

# NOTES TO THE FINANCIAL STATEMENTS



## 8.2 Company

	Balance as at 01.04.2008 Rs. '000	Additions Rs. '000	Transferred/ Disposals Rs. '000	Balance as at 31.03.2009 Rs. '000
<b>Cost or Valuation</b>				
<b>Freehold Assets</b>				
Freehold Land	320,000	–	–	320,000
Freehold Buildings	124,308	61,057	–	185,365
Plant and Machinery	175,226	36,571	(88)	211,709
Motor Vehicles	2,209	200	(623)	1,786
Furniture and Fittings	41,386	217	(2)	41,601
Computer	11,147	406	(4,813)	6,740
	674,276	98,451	(5,526)	767,201
<b>Leasehold Assets</b>				
Leased Plant and Machinery	76,296	9,099	–	85,395
Leased Motor Vehicles	32,448	–	(5,042)	27,406
	108,744	9,099	(5,042)	112,801
	783,020	107,552	(10,568)	880,002
	Balance as at 01.04.2008 Rs. '000	Charge for the year Rs. '000	Depreciation on Disposals Rs. '000	Balance as at 31.03.2009 Rs. '000
<b>Accumulated Depreciation</b>				
<b>Freehold Assets</b>				
Freehold Buildings	20,327	6,665	–	26,992
Plant and Machinery	82,208	10,055	–	92,263
Motor Vehicles	4,271	554	(624)	4,201
Furniture and Fittings	30,024	3,720	–	33,744
Computer	8,341	1,233	(4,813)	4,761
	145,171	22,227	(5,437)	161,961
<b>Leasehold Assets</b>				
Leased Plant and Machinery	17,580	6,410	–	23,990
Leased Motor Vehicles	19,651	5,697	(5,042)	20,306
	37,231	12,107	(5,042)	44,296
	182,402	34,335	(10,479)	206,257
Net Book Value	600,618			673,745
Capital Work-in-Progress	8,106	56,752	(64,695)	163
Written Down Value	608,724			673,908

### Company

The land and building of the Company have been revalued at Rs. 320 million and Rs. 123.9 million respectively by a 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.

Plant and Machinery includes the machinery of BIC pen production plant which is depreciated at 5% from the financial year 2007/08. The Directors are in view that the machines capacity is 78 million BIC pens with the cavity mould, due to base of production it was decided to depreciated 5% per annum.

## NOTES TO THE FINANCIAL STATEMENTS

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## Group

- (i) Lankem Ceylon PLC's Property, Plant & Equipment has been revalued 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 has been credited to revaluation reserve.
- (ii) The land and buildings of Lankem Developments PLC, a subsidiary, were revalued at Rs. 1.73 million and Rs. 4 million by a professional valuer during 1993/94 and 2004/05 on estimated market values. The net balance of Rs. 1.2 million and Rs. 2.68 million which resulted from excess of the revalued amount respectively over the net book value of the assets revalued, has been credited to revaluation reserve. Further, Lankem Developments PLC has mortgaged the land and building situated at Gonawela to Seylan Bank PLC in order to obtain working capital facilities. The carrying amount of land & buildings that has been included in the Financial Statements had the assets been carried at cost less depreciation amounts to Rs. 156,000/- (31.03.2008 - Rs. 156,000/-) and Rs. 162,268/- (31.03.2008 - Rs. 174,987/-) respectively.
- (iii) Land of Marawila Resorts PLC, a subsidiary, costing Rs. 21.4 million was revalued at Rs. 450 million in March 2007. The Holding Company's share of Rs. 161.1 million which resulted from the excess of the revalued amount over the net book value of the assets revalued has been credited to revaluation reserve.
- (iv) Buildings of Sigiriya Village Hotels PLC, a subsidiary, are constructed on land which is on a 99-year lease.
- (v) Leasehold land includes of leasehold rights to bare land of JEDB/SLSPC estates in Agarapatana Plantations Ltd. and Kotagala Plantations PLC. The leasehold rights to the land on all of these estates have been taken into the books of companies as of 22nd June, 1992 immediately after the formation of companies in terms of the ruling obtained from the Urgent Issues Task Force (UITF) of The Institute of Chartered Accountants of Sri Lanka. For this purpose the respective Boards of Directors decided at their meeting on 8th March, 1995 that this bare land would be revalued at the value (Agarapatana Plantations Ltd. - Rs. 341.59 million, Kotagala Plantations PLC - Rs. 358.93 million) established for this land by Valuation Specialist, D.R. Wickremasinghe, just prior to the date of formation of the respective companies. The leasehold rights to bare land are being amortized by equal amounts over the 53-year lease period.

Immovable leased assets consist 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 are as follows:

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

- (vi) Borrowing costs of Kotagala Plantations PLC, a subsidiary, amounting to Rs. 13.1 million (2007/08 - Rs. 9.6 million) on Tea and Rs. 30.9 million (2007/08 - Rs. 18.9 million) on Rubber incurred on term loans and overdrafts utilized to finance replanting expenditure of Tea and Rubber have been capitalized. The average rate of interest for capitalisation was 13.7% (2007/08 - 11%). The capitalization will cease when crops are ready for harvest.
- (vii) Borrowing cost of Agarapatana Plantations Ltd., a subsidiary, amounting to Rs. 45.8 million (2007/08 - Rs. 29.4 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.

- (viii) The land of York Hotels (Kandy) Ltd. costing Rs. 13.53 million has been revalued by an independent valuer. The surplus arising from such revaluation amounting to Rs. 32.4 million has been recognized as a revaluation reserve.



The capital work-in-progress costing Rs. 67.07 million revalued in March 2004 and the loss arising out of such revaluation amounts to Rs. 12.94 million. Further, Rs. 35.85 million of interest which has been capitalised in capital work-in-progress been removed due to the waive off of such interest by the bank. These amounts have been included in the Balance Sheet as appropriate.

The Company has not continued the construction work since 1996. As at 31st March, 2009, the work-in-progress amounts to Rs. 54.1 million and there is no evidence to say that the project will progress further and the realisability of such value. However, the Directors are confident that the project would be commenced with the help of The Colombo Fort Land & Building Company PLC and the banks.

- (ix) Mature/Immature plantations are investment in mature/immature plantations since the formation of the Agarapatana Plantations Ltd. and Kotagala Plantations PLC. The assets (including plantation assets) taken over by way of estate leases are set out in Note 9. Further, investment in immature plantations taken over by way of leases are shown in this Notes. When such plantations become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature under this Note. A corresponding movement, from immature to mature, in respect of the investment undertaken by JEDB\ SLSPC on the same plantation prior to the leases are shown under this Note.

Borrowing costs amounting to Rs. 13.1 million (2007/08 - Rs. 9.6 million) on tea and Rs. 30.9 million (2007/08 - Rs. 18.9 million) on rubber incurred on team loans and overdrafts utilized to finance replanting expenditure of tea and rubber have been capitalized. The average rate of interest for capitalization was 13.7% (2007/08 - 11%).

The capitalization will cease when they are ready for harvest.

Other immature plantation includes Eucalyptus, other Timber etc. Which have been cultivated and managed in separate fields and other crops such as Cinnamon, Coconut etc. and carried at cost less impairment.

- (x) The book value of land, buildings and parts of the machinery of Laxapana Batteries PLC as at 31st March, 1989 were written up by Rs. 67,070,951/- based on a revaluation

The book value of the entire Property, Plant & Equipment of the Company as at 31st March, 1992 were written up by Rs. 84,365,646/- based on a valuation by Mr. H.T.J.N. Fernando, Fellow of Institute of Valuers and Mr. P.B. Kalugalagedera, Chartered Valuation Surveyor at market value on a going concern basis.

The book value of the entire Property, Plant & Equipment of the Company as at 31st March, 2004 were written up by Rs. 33,576,004/- based on a valuation by Mr. M.B.R. Gunapala, Incorporated Valuer and M/s. The Automobile Association of Ceylon at market value on a going concern basis.

The book value of the entire Property, Plant, & Equipment of the Company as at 31st March, 2007 were written up by Rs. 76,494,407/- based on a valuation by Mr. M.B.R Gunapala, Incorporated Valuer and M/s. The Automobile Association of Ceylon at market value on a going concern basis.

Date of Valuation	Land	Machinery	Motor Vehicle	Furniture & Fittings	Building	Total
31.03.1989	5,880,441	46,468,217	-	-	14,722,293	67,070,951
31.03.1992	28,786,675	55,628,131	814,501	949,027	(1,812,688)	84,365,646
Disposal	(19,975,441)	-	(425,000)	-	-	(20,400,441)
31.03.2004	20,190,100	(3,141,886)	2,100,000	3,253	14,424,537	33,576,004
Transfer on Use	-	(98,954,462)	(1,049,998)	(1,006)	(5,582,561)	(105,588,027)
31.03.2007	57,800,000	4,835,161	3,835,312	(111,181)	10,135,115	76,494,407
Transfer on Use	-	(314,285)	(1,858,518)	(368,589)	(1,490,396)	(4,031,788)
	92,681,775	4,520,876	3,416,297	471,504	30,396,300	131,486,752
Tax Effective on Revaluation						(6,862,265)
						124,624,487

- (xi) 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 reporting date.
- (xii) Property, Plant & Equipment pledged as securities in obtaining loans have been disclosed in Notes 15.2.1, 17.6 and 17.7 to these Financial Statements.

## 9. Leasehold Land

	CONSOLIDATED	
	2009 Rs. '000	2008 Rs. '000
<b>Cost/Revaluation</b>		
As at 1st April, 2008	684,022	684,022
As at 31st March, 2009	684,022	684,022
<b>Accumulated Amortization</b>		
As at 1st April, 2008	203,546	190,647
Charge for the Year	12,899	12,899
As at 31st March, 2009	216,445	203,546
<b>Net Book Value</b>	<b>467,577</b>	<b>480,476</b>

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

All the leases executed as at the Balance Sheet date will be retroactive to 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 respective Boards decided at their meeting on 8th March, 1995 that this bare land would be revalued at the value (Agarapatana Plantations Ltd. - Rs. 341.59 million, Kotagala Plantations PLC - Rs. 358.93 million) established for this land by Valuation Specialist, D.R. Wickremasinghe just prior to the formation of the respective companies. The leasehold rights to bare land are being amortized by equal amounts over the 53-year lease period. The original cost of the leasehold right to bare land is as follows:

	2009 Rs. '000	2008 Rs. '000
Kotagala Plantations PLC	342,287	342,287
Agarapatana Plantations Ltd.	341,588	341,588
Beruwala Resorts Ltd. (Note 9.1)	147	147
	<b>684,022</b>	<b>684,022</b>

9.1 Beruwala Resorts Ltd., a subsidiary, of the Company, have leased out a land from Sri Lanka Tourism Development Authority for 30 years commencing from 01st August, 2007. The lease period will expire on 31st July, 2037. The Company has paid an amount of Rs. 1,200,000/- in year 2008/09 (2007/08 - Rs. 813,428/-).

# NOTES TO THE FINANCIAL STATEMENTS

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## 10. Intangible Assets

CONSOLIDATED

	2009 Rs. '000	2008 Rs. '000
<b>Goodwill (Note 10.1)</b>		
Balance as at 1st April	82,026	15,260
Goodwill on Acquisition	122,391	–
Increase due to Changes in Equity Holdings	(18,399)	66,766
Impairment of Goodwill	(93,498)	–
Balance as at 31st March	92,520	82,026
<b>Trade Mark (Note 10.2)</b>		
<b>Cost</b>		
Purchased during the Year	1,150	–
At the end of the Year	1,150	–
<b>Amortization</b>		
Amortized during the Year	212	–
At the end of the Year	212	–
<b>Net Book Value</b>	938	–
<b>Total</b>	93,458	82,026

### 10.1 Goodwill

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

Name of the Subsidiary	Rs. '000
Lankem Development PLC	885
Island Consumer Supplies Ltd.	1,507
Lankem Plantation Holdings Ltd.	9,408
Lankem Tea & Rubber Plantation (Pvt) Ltd.	21,402
Agarapatana Plantations Ltd.	59,318
	92,520

The impairment loss was recognized in respect of goodwill allocated to the following companies:

Name of the Subsidiary	Rs. '000
Sigiriya Village Hotels PLC	17,287
Colombo Fort Hotels Ltd.	31,071
Beruwala Resorts Ltd.	45,140
	93,498

### 10.2 Trade Mark

Darley Butler & Company Ltd., a subsidiary, of the Company has paid an amount of Rs. 1,150,000/- to Adamjee Pharma (Pvt) Ltd. to acquire the Agency Right of Navana Pharmaceuticals Ltd. This has been recognized under trade mark and which to be amortized over the Company's Agency Right period of 3 years.

## NOTES TO THE FINANCIAL STATEMENTS



## 11. Investments

### 11.1 Investments in Subsidiaries

	31.03.2009					31.03.2008				
	No. of Shares	Company Holding %	Group Holding %	Cost as at 31.03.2009 Rs. '000	Market Value Rs. '000	No. of Shares	Company Holding %	Group Holding %	Cost as at 31.03.2008 Rs. '000	Market Value Rs. '000
<b>Investee</b>										
<b>Quoted Investments</b>										
Lankem Ceylon PLC	9,536,408	45	48	139,071	274,172	9,536,408	45	48	139,193	443,443
Laxapana Batteries PLC	19,281,368	71	75	110,232	77,125	4,474,900	50	56	37,475	33,562
				<b>249,303</b>	<b>351,297</b>				<b>176,668</b>	<b>477,005</b>
<b>Unquoted Investments</b>										
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	0.32	27	396		-	-	-	-	
				<b>31,673</b>					<b>31,277</b>	
Less: Provision for Fall in Value of Investment (Note 11.1.1)				<b>(1,500)</b>					<b>(1,500)</b>	
				<b>30,173</b>					<b>29,777</b>	
				<b>279,477</b>					<b>206,445</b>	

**11.1.1** The Company has 100% holding in Filmpak Ltd. as at the Balance Sheet date. Filmpak Ltd. has incurred a net loss of Rs. 137,950/- during the year under review. The accumulated losses were Rs. 5,376,783/-, its current liabilities exceeds current assets by Rs. 1,123,233/- 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, other than investment in Filmpak Ltd., as at 31st March, 2009 is not less than their realisable value as at that date.



## 11.2 Other Long-Term Investments

	COMPANY					
	31.03.2009			31.03.2008		
	No. of Shares	Cost Rs. '000	Market Value Rs. '000	No. of Shares	Cost Rs. '000	Market Value Rs. '000
<b>Quoted Investments</b>						
DFCC Bank PLC	5,581	215	381	5,581	215	703
		215	381		215	703

	CONSOLIDATED					
	31.03.2009			31.03.2008		
	No. of Shares	Cost Rs. '000	Market Value Rs. '000	No. of Shares	Cost Rs. '000	Market Value Rs. '000
<b>Quoted Investment</b>						
Muller & Phipps (Ceylon) PLC	36,848,620	36,944	18,424	42,499,120	42,499	42,499
Hunas Falls Hotels PLC	400	7	14	400	7	35
Pegasus Resorts PLC	960	9	13	960	9	20
York Arcade Holdings PLC	90,000	420	125	90,000	435	457
Colonial Motors PLC	50,044	100	–	50,044	100	2,052
Commercial Development Company PLC	600	6	–	600	6	28
DFCC Bank PLC	12,554	457	482	1,625	317	554
Renuka City Hotels PLC	526	30	41	210	30	51
Others	22,195	957	2,690	–	30	74
		38,930	21,789		43,433	45,770
Less: Provision for Fall-in Value of Investments		(17,141)				
		21,789			43,433	

	CONSOLIDATED					
	31.03.2009			31.03.2008		
	No. of Shares	Cost Rs. '000	Market Value Rs. '000	No. of Shares	Cost Rs. '000	Market Value Rs. '000
<b>Unquoted Investments</b>						
Ceylon Biscuits Ltd. - Ordinary	5,041,680	30	–	126,042	30	–
Colombo Motor Trades Ltd.	1,800	18	–	1,800	18	–
Tootal Thread Co. Ltd.	–	–	–	1,000	–	–
International Manufacturers Ltd.	3,300	23	–	2,300	23	–
Coats Thread Exports (Pvt) Ltd.	–	–	–	36	–	–
SunAgro Farms Ltd. [Note 11.2.(a)]	–	–	–	–	12,000	–
Creasy Plantation Management Ltd.	122,994	1,230	–	–	1,229	–
Lankem Technology Services	200	5,000	–	–	–	–
Lankem Plantation Services Ltd.	–	–	–	–	30,000	–
		6,301	–		43,299	–

11.2.(a) The investment in SunAgro Farms Ltd. is classified as a subsidiary as at 31st March, 2009.

	CONSOLIDATED					
	31.03.2009			31.03.2008		
	No. of Shares	Cost Rs. '000	Market Value Rs. '000	No. of Shares	Cost Rs. '000	Market Value Rs. '000
<b>Unit Trusts</b>						
National Equity Fund (NAMAL)	150,000	1,500	1,605	150,000	1,500	2,387
Lankem Development PLC - Pyramid Unit Trust	55,920	498,	498	55,290	517	686
Comtrust Equity Fund	94,856	918	918	94,856	784	1,074
		2,916	3,021		2,801	4,146
Less: Provision for Fall in Value of Investment		-			(496)	
		2,916			2,305	
<b>Investment in Debentures</b>						
Bank of Ceylon	200	22,937				
		22,937				
<b>Total Investment</b>		<b>53,943</b>			<b>89,037</b>	

### 11.3 Short-Term Investments

	CONSOLIDATED					
	31.03.2009			31.03.2008		
	No. of Shares	Cost Rs. '000	Market Value Rs. '000	No. of Shares	Cost Rs. '000	Market Value Rs. '000
National Development Bank PLC	515,900	47,088	45,915	-	-	-
Commercial Bank PLC	66,100	5,743	5,238	-	-	-
Dialog PLC	25,000	122	123	-	-	-
C.W. Mackie PLC	1,044,600	16,670	17,236	-	-	-
Nations Trust Bank PLC	3,300	79	78	-	-	-
		69,702	68,590		-	
Provision for Fall in Value of Investments		(1,112)			-	
<b>Total Short-Term Investments</b>		<b>68,590</b>			<b>-</b>	

### 11.4 Group Companies Investment in Subsidiaries

Investor	Investee	% Holding		No. of Shares as at	
		31.03.2009	31.03.2008	31.03.2009	31.03.2008
Darley Butler & Co. Ltd.	Laxapana Batteries PLC	3.39	5.95	914,006	535,702
	Lankem Ceylon PLC	2.22	2.22	466,316	466,316
	Marawila Resorts PLC	-	-	94	94
	Agarapatana Plantations Ltd. (Note 11.4.1)	7.83	15.66	6,000,000	3,000,000
Creasy Foods Ltd.	Lankem Ceylon PLC	0.10	0.10	20,420	20,420
	York Arcade Holdings PLC	0.21	0.21	25,000	25,000
Island Consumer Supplies (Pvt) Ltd.	Marawila Resorts PLC	0.11	0.11	78,000	78,000
	Sigiriya Village Hotels PLC	0.66	0.66	23,518	23,518
	Beruwala Resorts Ltd. (Note 11.4.3)	9.48	9.48	48,360,000	4,836,000
	Lankem Plantation Holdings Ltd.	-	7.32	1	3,000,001

## NOTES TO THE FINANCIAL STATEMENTS

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Investor	Investee	% Holding		No. of Shares as at	
		31.03.2009	31.03.2008	31.03.2009	31.03.2008
Lankem Ceylon PLC	Lankem Developments PLC	48.40	47.00	2,904,034	2,820,134
	Sigiriya Village Hotels PLC	45.32	45.32	1,576,619	1,576,619
	Colombo Fort Hotels Ltd. (Note 11.4.2)	28.91	33.33	45,000,000	15,000,000
	Lankem Plantation Holdings Ltd.	51.22	43.90	19,500,001	18,000,000
	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. (Note 11.4.3)	23.21	23.21	118,381,000	11,838,100
	Lankem Exports (Pvt) Ltd.	99.97	99.97	9,997	9,997
	Marawila Resorts PLC	28.07	28.07	19,649,956	19,649,956
	Lankem Paints Ltd.	100.00	100.00	1,999,993	1,999,993
	Lankem Consumer Products Ltd.	100.00	100.00	1,999,993	1,999,993
	Lankem Chemicals Ltd.	100.00	100.00	1,999,993	1,999,993
	Lankem Research Ltd.	100.00	100.00	250,007	250,007
	SunAgro LifeScience Ltd.	100.00	100.00	7	7
	SunAgro Farms Ltd.	99.99	99.99	1,200,000	1,200,000
Associated Farms Ltd.	99.99	-	55,398	-	
Lankem Plantation Holdings Ltd.	Lankem Tea & Rubber Plantations (Pvt) Ltd.	98.98	98.98	826,088	826,088
	Kotagala Plantations PLC	38.00	38.00	12,100,000	12,100,000
	Agarapatana Plantations Ltd. (Note 11.4.1)	46.00	46.00	35,417,276	8,854,319
Sigiriya Village Hotels PLC	Marawila Resorts PLC	0.32	0.32	225,008	225,008
	Beruwala Resorts Ltd. (Note 11.4.3)	16.74	16.74	85,384,000	8,538,400
	Associated Farms Ltd.	-	99.99	-	55,398
	York Hotels (Kandy) Ltd.	71.51	-	90,000,000	-
	Colombo Fort Hotels Ltd.	4.17	-	6,501,537	-
Colombo Fort Hotels Ltd.	Marawila Resorts PLC	20.63	20.63	14,443,409	14,443,409
	Beruwala Resorts Ltd. (Note 11.4.3)	19.03	19.03	97,045,180	9,705,518
	Sigiriya Village Hotels PLC	20.16	20.16	701,300	701,300
	York Hotels (Kandy) Ltd.	28.15	99.68	35,430,111	7,758,843
Lankem Developments PLC	Marawila Resorts PLC	0.45	0.45	312,500	312,500
Lankem Tea & Rubber Plantations (Pvt) Ltd.	Marawila Resorts PLC	0.46	0.58	406,000	324,800
	Kotagala Plantations PLC	30.00	30.00	9,602,100	9,602,100
	Colombo Fort Hotels Ltd. (Note 11.4.2)	54.69	63.06	85,137,159	28,379,053
York Hotels (Kandy) Ltd	Marawila Resorts PLC	-	-	1,042	1,042
Kotagala Plantations PLC	Beruwala Resorts Ltd. (Note 11.4.3)	1.42	1.42	7,250,000	725,000
	Marawila Resorts PLC	0.06	0.06	39,000	39,000
	Agarapatana Plantations Ltd. (Note 11.4.1)	7.83	-	6,000,000	-
Agarapatana Plantations Ltd.	Beruwala Resorts Ltd. (Note 11.4.3)	1.58	1.58	8,050,000	805,000
	Marawila Resorts PLC	0.31	0.31	216,337	216,337
Marawila Resorts PLC	Beruwala Resorts Ltd. (Note 11.4.3)	1.00	1.00	4,500,000	450,000
	Colombo Fort Hotels Ltd.	6.18	-	9,621,605	-

**11.4.1** During the year, the shares of Agarapatana Plantations Ltd. were subdivided on the basis of 4 shares to 1 existing share. Accordingly, the number of shares at the beginning of the year increased to 12,000,000.

**11.4.2** During the year, the shares of Colombo Fort Hotels Ltd. were subdivided on the basis of 3 shares for every existing issued 1 ordinary share.

**11.4.3** During the year, the shares of Beruwala Resorts Ltd. were subdivided on the basis of 10 ordinary shares for every existing issued 1 ordinary share.





## 12. Inventories

	CONSOLIDATED		COMPANY	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
Raw Materials	531,647	355,727	64,049	57,537
Food and Beverages	4,784	-	-	-
Growing Crop - Nurseries	31,867	-	-	-
Work-in-Progress	13,240	36,903	7,015	7,496
Finished Goods	654,964	1,017,868	49,590	44,914
Consumable Stocks	95,372	20,501	6,762	10,474
By Product - Zinc Off-cut	260	711	-	-
General and Others	1,443	-	-	-
Goods-in-Transit	319,797	552,789	65,197	89,571
	<b>1,653,374</b>	<b>1,984,499</b>	<b>192,613</b>	<b>209,991</b>
Provision for Obsolete Inventories	(26,346)	(14,668)	(9,213)	-
	<b>1,627,028</b>	<b>1,969,831</b>	<b>183,400</b>	<b>209,991</b>

Inventories pledged as securities in obtaining loans are disclosed in Note 17.6 and 17.7.

## 13. Amount due from Related Companies

	CONSOLIDATED		COMPANY	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
The Colombo Fort Land & Building Company PLC	156,591	31,863	-	-
Corporate Managers & Secretaries (Private) Limited	1,000	7,496	-	-
Voyages (Ceylan) Ltd.	3,155	3,155	-	-
Muller & Phipps (Ceylon) PLC	119,415	119,415	-	-
Sherwood Holidays Ltd.	8,103	6,300	-	-
Carplan Ltd.	144	128	-	-
York Convention (Pvt) Ltd.	-	255	-	-
Colonial Motors PLC	4,816	20,310	-	-
Tropical Beach Resort Ltd.	19	4	-	-
Great Western Resort Ltd.	-	4	-	-
Lankem Ware House Ltd.	8	8	-	-
Filmpak Ltd.	-	-	-	746
Lankem Ceylon PLC	-	-	4,875	-
Lankem Developments PLC	-	-	1,836	827
E.B. Creasy Logistics Ltd.	-	-	6,932	3,312
Island Consumer Supplies (Pvt) Ltd.	-	1,900	33,403	1,656
Dutch Dairy Foods Ltd.	31,945	31,945	-	-
Union Construction Ltd.	2,589	2,589	-	-
York Hotel Management Services Ltd.	7,072	2,826	-	-
Great Eastern Resorts Ltd.	16	-	-	-
Darley Butler Food Products Ltd.	690	-	-	-
Oral Care (Pvt) Ltd.	1,521	-	-	-
	<b>337,084</b>	<b>228,199</b>	<b>47,046</b>	<b>6,541</b>
Less: Provision for Bad Debts	(154,796)	(156,370)	-	-
	<b>182,288</b>	<b>71,829</b>	<b>47,046</b>	<b>6,541</b>

# NOTES TO THE FINANCIAL STATEMENTS



## 14. Trade and Other Receivables

	CONSOLIDATED		COMPANY	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
Trade Receivables	1,249,080	1,228,567	60,460	80,485
Provision for Bad Debts	(143,824)	(118,961)	(20,358)	(22,814)
	1,105,256	1,109,606	40,102	57,672
Other Debtors	8,336	2,548	–	2,234
Deposits & Prepayments	155,826	269,018	20,355	32,285
Dividend Receivables	–	–	15,565	–
Employee Advances	84,391	–	–	–
Commissioner General of Inland Revenue	–	470	–	–
Other Tax Recoverables	341,288	31,428	14,338	25,627
Other Receivables (Note 14.1)	90,903	458,508	19,031	21,000
	1,786,000	1,871,579	109,391	138,818

### 14.1 Other Receivables

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

	CONSOLIDATED		COMPANY	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
At the beginning of the Year	3,924	2,651	826	705
Loans Granted during the Year	10,764	4,218	1,091	1,037
Recoveries during the Year	(7,263)	(2,945)	(1,196)	(916)
At the end of the Year	7,425	3,924	721	826

## 15. Cash & Cash Equivalents

### 15.1 Favourable Balance

	CONSOLIDATED		COMPANY	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
Demand Promissory Notes	–	20,000	–	–
Fixed Deposits	145,434	183	–	–
Cash at Bank	171,520	2,617	2,401	1,467
Cash in Hand	52,257	324,422	239	513
Cash in Transit	(2,321)	(5,710)	–	–
	366,890	341,511	2,640	1,980

### 15.2 Unfavourable Balance

Bank Overdraft	(905,219)	(1,120,808)	(89,155)	(95,526)
Cash & Cash Equivalents for the Purpose of Cash Flow Statement	(538,329)	(779,297)	(86,515)	(93,546)

#### 15.2.1 Security Details Over Bank Overdraft Facilities

##### Company

The bank overdraft facility is secured by existing primary concurrent floating mortgage bonds totalling to Rs. 36 million over land & building situated at No. 98, Sri Sangarajah Mawatha, Colombo 10, Lodgement of post-dated cheques for Rs. 25 million and post-dated cheques drawn in favour of E.B. Creasy & Company PLC.

##### Group

The bank overdraft of Creasy Foods Ltd., a subsidiary of the Company, is secured on the land, buildings and stocks at Unit Three Industrial Estate, Ekala, Ja-Ela.

The bank overdraft of Darley Butler & Company Ltd., a subsidiary of the Company is secured on corporate guarantee given by the Company amounting to Rs. 135 million.



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

- (a) Mortgage of an immovable property of the New Portmore Estate.
- (b) Primary mortgage over leasehold rights to bare land and building of Glenanore and Haputale Estates.
- (c) Primary mortgage over the leasehold rights of Holmwood Estate.
- (d) Corporate guarantee executed by E.B. Creasy & Company PLC guaranteeing a sum of Rs. 10.5 million.
- (e) Primary mortgage over leasehold rights to bare land and building of Torrington Estate.
- (f) Stock in trade, movable assets and books debts under a paripassu agreement along with Hatton National bank.
- (g) 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. 50 million).

Bank Overdraft facilities of Kotagala Plantations PLC, a subsidiary of the Company, are secured by pledging followings, 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.

Bank Overdraft facility of Beruwala Resorts PLC, a subsidiary of the Company, from Seylan Bank PLC secured by pledging, fixed deposits at Bank of Ceylon amounting to Rs. 500,000/-.

## 16. Stated Capital

	CONSOLIDATED		COMPANY	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
<b>Issued and Fully Paid</b>				
2,535,458 Ordinary Shares	<b>25,731</b>	25,731	<b>25,731</b>	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.

## 17. Interest-Bearing Loans and Borrowings

### 17.1 Amount Payable after One Year

Long-Term Loans (Note 17.5)	<b>1,159,799</b>	828,271	<b>64,144</b>	75,392
JEDB/SLSPC Estates (Note 17.4.a)	<b>415,316</b>	420,670	–	–
Finance Lease Obligations (Note 17.3)	<b>114,168</b>	179,437	<b>28,173</b>	39,618
	<b>1,689,283</b>	1,428,378	<b>92,317</b>	115,010

Liabilities directly associated with assets classified as held for sale.

	CONSOLIDATED		COMPANY	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
<b>17.2 Amount Payable within One Year</b>				
Short-Term Loans	<b>616,033</b>	47,613	–	–
Long-Term Loans (Note 17.5)	<b>306,068</b>	319,509	<b>44,063</b>	29,921
Trust Receipt Loan (Note 17.7)	<b>129,975</b>	70,595	<b>39,315</b>	11,833
JEDB/SLSPC Estates (Note 17.4.a)	<b>5,356</b>	2,662	–	–
Finance Lease Obligations (Note 17.3)	<b>92,231</b>	92,774	<b>18,624</b>	15,557
	<b>1,149,663</b>	533,153	<b>102,002</b>	57,311

Liabilities directly associated with assets classified as held for sale.

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	CONSOLIDATED		COMPANY	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
<b>17.3 Finance Lease Obligations</b>				
At the beginning of the Year	357,173	392,692	70,852	87,766
New Leases Obtained	98,221	110,427	10,528	6,668
Repayments Made during the Year	(203,274)	(145,946)	(23,830)	(23,582)
At the end of the Year	252,120	357,173	57,550	70,852
Finance Charge Unamortized	(45,721)	(84,962)	(10,752)	(15,678)
Net Lease Obligations	206,399	272,211	46,798	55,175

**Finance Lease Obligation Repayable within  
One Year from Year end**

Gross Liability	119,355	143,177	24,982	24,828
Finance Charge Unamortized	(27,124)	(50,403)	(6,358)	(9,271)
Net Lease Obligations Repayable within One Year from Year end	92,231	92,774	18,624	(15,557)

**Finance Lease Obligation Repayable after One Year end**

Gross Liability	132,765	213,996	32,568	46,025
Finance Charge Unamortized	(18,597)	(34,559)	(4,395)	(6,407)
Net Lease Obligations Repayable after One Year from Year end	114,168	179,437	28,173	39,618

**17.4 Lease Obligations JEDB/SLSPC Estates**

	CONSOLIDATED	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000
At the beginning of the Year	807,673	847,936
Repayments Made during the Year	(4,103)	(40,262)
At the end of the Year	803,570	807,673
Finance Charge Unamortized	(382,898)	(384,341)
Net Lease Obligations (Note 17.4.a)	420,672	423,332

**Note 17.4.a**

**Analysis of Finance Lease Obligations by Year of Repayment**

**Lease Obligations Repayable within One Year from Year end**

Gross Liability	22,170	4,092
Finance Charge Unamortized	(16,814)	(1,429)
Net Lease Obligations Repayable within One Year from Year end	5,356	2,662

**Payable within Two to Five Years**

Gross Lease Obligations	89,133	89,146
Less: Finance Charges Allocated to Future Periods	(65,333)	(66,246)
Net Lease Obligations	23,800	22,900

**Lease Obligation Repayable after Five Years**

Gross Lease Obligations	692,267	714,436
Less: Finance Charges Allocated to Future Periods	(300,751)	(316,666)
Net Lease Obligations	391,516	397,770
Net Lease Liability Repayable after One Year	415,316	420,670



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

**17.4.2 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.

**17.4.3 Kotagala Plantations PLC**

In terms of the amendments 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 is to be inflated annually by the Gross Domestic Product (GDP) deflator 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. 29.2 million. (Refer Note 17.4.3.a)

The charge to the Income Statement for the current financial year on account of interest is Rs. 24.1 million (2007/08 - Rs. 24.3 million).

	Rs. million
17.4.3.a Gross Lease Obligation per Year	22.2
Contingent Interest (Frozen for Six Years)	7.0
All-Inclusive Lease Rental per Year	29.2

**17.5 Term Loan**

	CONSOLIDATED		COMPANY	
	31.03.2009 Rs. '000	31.03.2008 Rs. '000	31.03.2009 Rs. '000	31.03.2008 Rs. '000
At the beginning of the Year	1,147,780	1,331,537	105,313	76,851
Obtained during the Year	599,733	170,822	46,292	75,000
Repayment during the Year	(309,366)	(347,170)	(43,398)	(46,539)
Exchange Fluctuation	27,720	(7,409)	-	-
Balance at the end of the Year	1,465,867	1,147,780	108,207	105,313
Loan Repayable within One Year	(306,068)	(319,509)	(44,063)	(29,921)
Loan Repayable after One Year	1,159,799	828,271	64,144	75,392

## NOTES TO THE FINANCIAL STATEMENTS



## 17.6 Consolidated

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

Company	Lender/Rate of Interest (p.a.)	2009 Rs. million	2008 Rs. million	Repayment	Security
E.B. Creasy & Company PLC	Commercial Bank of Ceylon PLC 18%-24%	16.41	21.80	48 Equal monthly instalments of Rs. 546,875/-	Primary mortgage of property of The Colombo Fort Land & Building Company PLC
	Lanka Orix Factors Ltd. 24%	5.82	10.00	Equal monthly instalments over a period of 4 years	An on demand Promissory Note for Rs. 15,000,000/- with an interest of 24% p.a. Primary Mortgage Bond for machinery worth of Rs. 30 million. Corporate Guarantee of The Colombo Fort Land & Building Company PLC
	Hatton National Bank PLC AWPLR + 25%	54.69	73.50	Equal monthly instalments over a period of 4 years	Existing Secondary Mortgage Bond for Rs. 75 million over property situated at No. 98, Sri Sangaraja Mawatha, Colombo 10
	Lanka Orix Leasing Company PLC 6.5%	16.29	-	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
	Indian Bank AWPLR+5%	15.00	-	12 equal monthly instalments commencing from 1st July, 2008	LC Application and Agreement, Counter Guarantee Working Capital Term Loan Agreement, LC Application and Agreement executed, Trust Receipt Agreement, Counter Guarantee and Working Capital Term Loan Agreement.
		108.21	105.30		
Laxapana Batteries PLC	Hatton National Bank PLC AWPLR or 3 months TB rate (whichever is higher) + 1.5%	34.11	55.00	29 instalments of Rs. 1.9 million commencing March 2008 and final instalment of Rs. 1.81 million	(a) Primary floating Mortgage Bond of Rs. 90 million over the Company's Head Office and Factory buildings and machinery at Panagoda, Homagama (b) Corporate Guarantee of M/s. E.B. Creasy & Company PLC for Rs. 50 million
		34.11	55.00		
Lankem Ceylon PLC	Commercial Bank of Ceylon PLC	15.88	3.12	Expiry on 30th September, 2009	(a) Lien over USD 154,000 Lying in the A/C No. 1400523632 in the name of the Company
		15.00	-	Expiry on 30th September, 2009	(b) Letter of Authority relating to the above deposit to be obtained (c) Letter of Set-Off relating to the above deposit obtained (d) General Terms and Conditions relating to Term Loans for Rs. 15.5 million to be obtained. (e) General Terms and Conditions relating to Term Loans for Rs. 15.0 million to be obtained

# NOTES TO THE FINANCIAL STATEMENTS



Company	Lender/Rate of Interest (p.a.)	2009 Rs. million	2008 Rs. million	Repayment	Security
Seylan Bank PLC		6.48	17.59	43 equal monthly instalments	(a) Mortgage and Power of Attorney instalments over quoted company shares with a market value of Rs. 100 million (b) Corporate Guarantee of Lankem Tea & Rubber Plantations (Pvt) Ltd. for Rs. 50 million (c) Absolute ownership over computers for Rs. 1,709,000/- (d) Absolute ownership over IBM mini computer server for Rs. 10,682,000/- (e) Demand Promissory Note, Facility Agreement Form for Rs. 50 million (f) Loan Agreement Form for Rs. 2 million and Rs. 50 million series of loans. General Security Agreement
PABC Bank PLC		54.93	1.82	In 47 equal monthly instalments of Rs. 1,230,000/- each and a final instalment of Rs. 1,190,000/- together with interest payable monthly on reducing balance of capital	(a) Primary Mortgage Bond for Rs. 87.0 million over land including factory building at 113/10, Maithree Mawatha, Ekala, Ja-Ela (b) Overdraft Agreement
Lanka Puthra Development Bank Ltd.					
Loan I		2.66	3.80	60 equal monthly instalments	(a) Mortgage over Primary Bond of Rs. 5.7 million which pledges some machinery of the Company
Loan II		6.20	9.08	60 equal monthly instalments	(b) Corporate Guarantee of Rs. 19 million has been pledged by E.B. Creasy & Company PLC
		101.15	35.41		
Beruwala Resorts Ltd.	Ministry of Tourism	3.26	3.30	48 equal monthly instalments or Rs. 778,480/-	Corporate Guarantee of Lankem Ceylon PLC for Rs. 20 million
	Merchant Credit of SL	11.35	16.70		
		14.61	20.00		
Sigiriya Village Hotels PLC	Commercial Bank of Ceylon PLC	7.67	9.67	Equal monthly instalments of Rs. 166,666/-	Corporate Guarantee for Rs. 10 million by Lankem Ceylon PLC
		7.67	9.67		
York Hotels (Kandy) Ltd.	Hatton National Bank PLC Term Loan 1 10% (with effect from October 2003)	6.00	18.00	As per reschedulement agreement, Rs. 1.0 million per month ending September 2009	Primary Floating Mortgage Bond for Rs. 68 million executed over property known as 'Hotel Tree Top', Halloluwa, Kandy.
		6.00	18.00		
Kotagala Plantations PLC	National Development Bank PLC Approved facility - Rs. 103 million - 11.78%	19.10	24.80	Repayable over 10 years from 30.11.2001 in equal monthly instalments of Rs. 410,287/-, Rs. 148,433/- and Rs. 57,497/-, respectively	Primary mortgage over leasehold rights of Stonycliff, Vogan, Gikiyanakande and Dalkeith Estates and all immovable properties of these Estates



Company	Lender/Rate of Interest (p.a.)	2009 Rs. million	2008 Rs. million	Repayment	Security
	Approved facility - Rs. 124 million - 11.51%	45.29	57.80	Repayable over 10 years from 30.05.2003, 30.06.2003 and 30.08.2003 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 - 23.74%	215.00	-	Repayable over 5 years from 21.12.2012, 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, Gikiyanakande and Dalkeith Estates and all immovable properties of these Estates
<b>DFCC Bank PLC</b>					
	Approved facility - Rs. 211 million - 11.55%	57.57	70.30	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, Raigam and Padukka Estates
	Approved facility - Rs. 50 million - 12.75%	32.92	37.90	Repayable over 10 years from 23.06.2005 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 - 12%	3.89	4.80	Repayable over 8 years from 25.06.2005 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. 7.46 million from Lankem Tea & Rubber Plantations (Pvt) Ltd.
	Seylan Bank PLC Approved facility - Rs. 40 million - 16%	-	3.37	Repayable over 3 years from 31.08.2005 in 36 equal monthly instalments of Rs. 1,110,000/- Edurugala and Sorana Estates	Primary Mortgage over leasehold rights to the land and building and floating assets of Yulliefield, Chrystlers Farm,
	Lanka Orix Leasing Company Ltd. Approved facility - Rs. 40 million - 18%	39.52	40.00	Repayable over 7 years from 30.03.2009 in 84 monthly instalments of Rs. 476,191/- each	An on demand Promissory Note for Rs. 40 million with interest at 18% p.a. until the receipt of re-finance of the subsidiary loan from the DFCC Bank, and thereafter at the interest shall be paid together with any taxes 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 Plantations (Pvt) Ltd.
	Sampath Bank PLC Approved facility - Rs. 50 million - 18%	50.00	50.00	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



Company	Lender/Rate of Interest (p.a.)	2009 Rs. million	2008 Rs. million	Repayment	Security
	Deutsche Bank Approved facility - 18%	-	63.70	In 4 equal monthly instalments of Rs. 3,500,000/- and in 2 equal monthly instalments of Rs. 7,500,000/- and in 3 equal monthly instalments of Rs. 7,300,000/- and in 2 equal monthly instalments of Rs. 7,200,000/- and in 1 equal monthly instalment of Rs. 7,100,000/- and in final 4 instalments of Rs. 6,900,000/- (Capital) together with interest after a grace period of 16 months commencing from the 28th September, 2006. (The interest will be recovered on a monthly basis during the grace period also.)	Trust Certificate from National Development Bank PLC
	People's Leasing Company PLC Term Loan - 24%	12.79	13.00	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, Loan Agreement, acceptance and receipt and Corporate Guarantee from Lankem Tea & Rubber Plantations (Pvt) Ltd.
	People's Leasing Company PLC E-Friends - 25%	1.77	1.77	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	
	Term Loan	1.50	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.
		<b>479.35</b>	<b>368.94</b>		
Agarapatana Plantations Ltd.	DFCC Bank - ADB Loan Disbursement 1 - 97/98 (14046) - 13.70%	30.42	38.70	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 land and buildings of Balmoral, Hauteville and Nayabedde Estates
	Disbursement 1 - 97/98 (16251 B) - 11.75%	16.38	21.10	1st instalment of Rs. 390,917/- and 119 monthly instalments of Rs. 390,715/- payable commencing from 01.11.2003	Further Mortgage over leasehold rights to the land and buildings of Balmoral, Hauteville and Nayabedde Estates
	Disbursement 1 - 97/98 (16251 C) - 11.75%	4.67	5.70	1st instalment of Rs. 86,373/- and 119 monthly instalments of Rs. 83,333/- payable commencing from 01.11.2003	Further Mortgage over leasehold rights to the land and buildings of Balmoral, Hauteville and Nayabedde Estates
	Disbursement 1 - 00/01 (21566) - 13.27%	16.89	19.60	1st instalment of Rs. 217,545/- and 119 monthly instalments of Rs. 217,432/- payable commencing from 01.10.2005	Further Mortgage over leasehold rights to the land and buildings of Balmoral, Hauteville and Nayabedde Estates
	Disbursement 1 - 01/02 (238895) - 17.75%	3.73	4.70	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	8.44	12.20	48 instalments of Rs. 312,502/- and instalment of Rs. 401,000 commencing from December 2003	Primary Mortgage over leasehold rights to the land and buildings of Pitaratmale and Kahagalle Estates
	Lanka Orix Leasing Company PLC (E-Friends Loans Scheme) Disbursement 1-07/08	3.41	3.80	60 instalments of Rs. 62,917/- payable commencing from 31.10.2008	Corporate Guarantee of Lankem Tea & Rubber Plantations (Pvt) Ltd. An on demand Promissory Note for Rs. 3,775,000/- with interest, @ 6.5% p.a. together with any taxes which may be imposed by the Government from time to time (interest @ 25% p.a.) charged till the receipt of re-finance from Central Bank.
	People's Leasing Company PLC (E-Friends Loan Scheme) Disbursement 1-08/09	41.25	-		Corporate Guarantee from Lankem Tea & Rubber Plantations (Pvt) Ltd.
	National Development Bank PLC (NDB - Securitised Loan) Disbursement 1-08/09	150.00	-	21 instalments commencing from 29th April, 2009	Corporate Guarantee from Forbes and Walkers Tea Brokers
		<b>275.19</b>	<b>105.80</b>		



Company	Lender/Rate of Interest (p.a.)	2009 Rs. million	2008 Rs. million	Repayment	Security
Marawila Resorts PLC	Hatton National Bank PLC Loan I - 4%+3 months LIBOR	86.45	86.18	Capital payment of US\$ 293,839 for the period ending 30th November, 2004. The balance to be paid in 5 equal annual instalments of US\$ 176,710.93 plus interest on or before 30th November each year	Land and other movable and immovable properties of Marawila Resorts PLC
	Loan II Interest Free 4%+3 months LIBOR	195.35	187.90	To be repaid in 5 equal annual instalments of US\$ 386,240.83 on or before 30th November each year	Land and other movable and immovable properties of Marawila Resorts PLC
	Loan III Interest Free	157.31	153.80	To be repaid in 5 equal annual instalments of US\$ 312,842 on or before 30th November each year (interest free)	Land and other movable and immovable properties of Marawila Resorts PLC
		439.11	427.88		
Lankem Developments PLC	Seylan Bank PLC	0.46	1.65	To be repaid in 60 equal monthly instalments of Rs. 91,600/- with an interest rate of 13.5% p.a.	Primary mortgage of Rs. 3.0 million over property situated at Gonawela and Corporate Guarantee from Lankem Ceylon PLC
		0.46	1.65		
		1,465.86	1,147.65		

### 17.7 Trust Receipt Loan

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

	CONSOLIDATED	
	2009 Rs. '000	2008 Rs. '000
<b>Name of the Borrower</b>		
Creasy Foods Ltd.	7,361	3,371
E.B. Creasy & Company PLC	39,315	11,833
Darley Butler & Co. Ltd.	83,299	55,391
At the end of the Year	129,975	70,595

Following securities have been pledged to obtain the facility:

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

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

#### **Creasy Foods Ltd.**

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

### 17.8 Group

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

(ii) A loan of Rs. 50 million was obtained by York Hotels (Kandy) Ltd. (YHKL), a subsidiary of the Company, at an interest rate of 10% p.a. to part finance the proposed hotel in Halloluwa, Kandy. This loan was secured by Primary Floating Mortgage Bond of Rs. 67.9 million executed over property situated at Halloluwa, Kandy. As per the reschedulement agreement entered into with the Hatton National Bank PLC, YHKL has agreed to continue the repayment of Rs. 1.0 million per month from July 2005 with a lump sum of Rs. 3.0 million on 31st December, 2005 and Rs. 6.0 million on 31st March, 2006.

## NOTES TO THE FINANCIAL STATEMENTS



As per the reschedulement agreement entered into with the Hatton National Bank PLC, the Company has agreed to continue the repayment of Rs. 1.0 million per month from July 2007.

- (iii) Marawila Resorts PLC (MRPLC), a subsidiary of the Company, has obtained loans denominated in foreign currency from Hatton National Bank PLC to fund the construction of the hotel at the rate of 3 months LIBOR +2% (Floor of 5%). This loan is secured by the land and other movable and immovable properties of MRPLC.

In terms of the rescheduling arrangement made with Hatton National Bank PLC in July 2008, the Company has to settle the outstanding facilities as follows:

**Reschedulement of Term Loan Facility Outstanding of US\$ 753,834**

Outstanding balance to be repaid in quarterly instalments of US\$ 7,500 and interest to be payable on a monthly basis.

**Reschedulement of Term Loan Facility Outstanding of US\$ 1,703,444**

Outstanding balance to be repaid in quarterly instalments of US\$ 7,500 and interest to be payable on a monthly basis.

**Reschedulement of Term Loan Facility Outstanding of US\$ 1,371,407**

US\$ 312,842.30 on or before 30th November each year (interest free).

**18. Deferred Income and Capital Grants**

	CONSOLIDATED		COMPANY	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
At the beginning of the Year	330,509	299,698	–	–
Addition during the Year	108,569	40,747	–	–
Amortized during the Year	(12,707)	(9,936)	–	–
At the end of the Year	426,371	330,509	–	–

The above represents the following:

- (a) The funds have been received by Kotagala Plantations PLC and Agarapatana Plantations Ltd., subsidiaries of the Company, from the Plantation Development Support Programme (PDSP), Asian Development Bank-Plantation Reform Project (ADB-PRP) and Ministry of Livestock Development & Estate Infrastructure (MLSD & EI) 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 Grants and Subsidies.

	CONSOLIDATED		COMPANY	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000

**19. Deferred Tax Asset/(Liability)**

**19.1 Deferred Tax Asset**

As at beginning of the Year	277	476	–	–
Origination and Reversal of Temporary Differences	(272)	(199)	–	–
As at end of the Year	5	277	–	–

As at the end of the year, following deferred tax assets have not been recognized in the Financial Statements as the management of these companies are of the opinion that these assets would not be crystallized in the foreseeable future.

	2009 Rs. million	2008 Rs. million
Darley Butler & Co. Ltd.	5.97	5.40
Agarapatana Plantations Ltd.	256.43	275.46
E.B. Creasy Logistics Ltd.	0.23	–



	CONSOLIDATED		COMPANY	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
<b>19.2 Deferred Tax Liability</b>				
At the beginning of the Year	93,754	36,857	13,297	13,297
Transferred from/(to) Income Statement	31,069	56,897	(4,593)	–
At the end of the Year	124,823	93,754	8,704	13,297

## 20. Retirement Benefit Obligations

	CONSOLIDATED		COMPANY	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
At the beginning of the Year	951,181	833,526	27,993	24,046
Surplus on Actuarial Valuation of Retirement Benefit Obligations as at the beginning of the Year	(2,621)	–	–	–
	948,560	833,526	27,993	24,046
Current Service Cost	1,062	–	–	–
Interest Cost	2,302	–	–	–
Actuarial Losses/(Gains)	1,094	–	–	–
Provision for the Year	155,967	186,290	7,221	5,783
	1,108,985	1,019,816	35,214	29,829
Transfer of Employees to Related Companies	(3,194)	–	–	–
Payments during the Year	(89,714)	(68,635)	(1,510)	(1,836)
At the end of the Year	1,016,077	951,181	33,704	27,993

### 20.1 Company

The Company has recognized provision for the retirement gratuity from the first year of service for all employees based on the number of years of service into half month salary and it also complied with Gratuity Act No. 12 of 1983. However, gratuity payment to an employee arises only on the completion of 5 years of continued service with the Company.

According to SLAS 16 (Revised 2006) - 'Employee Benefits', the Company is required to determine the retirement benefit obligation through an actuarial valuation and the Company has not complied with the said standard.

### 20.2 Group

A significant portion of the gratuity of the Group relates to Agarapatana Plantations Ltd. (APL) and Kotagala Plantations PLC (KPPLC) which have provisions amounting to Rs. 536.22 million and Rs. 381.70 million respectively.

- (i) The gratuity liability of Agarapatana Plantations Ltd. amounting to Rs. 536.22 million as at 31st March, 2009 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 14 days wages for workers and half a month's salary for staff each completed year of service, the liability would have been Rs. 793.33 million (2007/08 - Rs. 778.28 million). Hence, there is a contingent liability of Rs. 257.11 million (2007/08 - Rs. 274.97 million) which would crystallize only if APL ceases to be a going concern.



The key assumptions used by the actuary include the following:

- (a) Rate of Interest - 10% p.a.
- (b) Salary Increment Rate - Workers and staff 10% increase on 31st March, 2009 and thereafter 12% increase once in two years
- (c) Retirement Age - Workers 60 years  
Staff 60 years
- (d) The Company will continue in business as a going concern. The liability is not externally funded.

The actuarial present value of the accrued benefits as at 31st March, 2009 is Rs. 536,215,957/-. This item is grouped under retirement benefit obligations in the Balance Sheet.

- (ii) The gratuity liability of Kotagala Plantations PLC (KPPLC) amounting to Rs. 381.70 million as at 31st March, 2009 is the amount advised by Actuarial & Management Consultants (Pvt) Ltd. If Kotagala Plantations PLC had provided for gratuity for employees on the basis of 14 days wages and half a month's salary for each completed year of service, the liability would have been Rs. 472.79 million (2007/08 - Rs. 455.09 million). Hence, there is a contingent liability of Rs. 91.09 million (2007/08 - Rs. 91.81 million) which would crystallize only if KPPLC ceases to be a going concern.

The key assumptions used by the actuary include the following:

- (a) Rate of Interest - 10% p.a. (Net of tax)
- (b) Rate of Salary Increase  
Workers - 12% 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. 200/- for workers.
- (e) The Company will continue in business as a going concern.

The liability is not externally funded.

- (iii) The employees of Lankem Ceylon PLC are covered by a defined benefit plan. The liability prior to 1st April, 1992 amounting to Rs. 0.6 million is unfunded and is provided by way of an accounting provision in the books of the Company.

	2009 Rs. '000	2008 Rs. '000
At the beginning of the Year	1,455	1,455
Payments for the Year	(816)	-
At the end of the Year	639	1,455

The liability subsequent to this date is externally funded by way of an insurance policy purchased from Eagle Insurance Company PLC, which covers 480 staff attached to the Company.

Eagle Insurance Company PLC has confirmed that the Insurance Fund meets the definition of a 'Qualified Insurance Policy', as set out in Sri Lanka Accounting Standard 16 (Revised 2006) - 'Employee Benefits'.

The premium for the current year including the life cover is Rs. 24.01 million (2008 - Rs. 14.86 million).

## NOTES TO THE FINANCIAL STATEMENTS

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According to the valuation done by Eagle Insurance Company PLC (EICPLC), fair value of defined benefit obligation, present value of fund assets and actuarial assumptions as computed by EICPLC are as follows:

	2009 Rs. '000	2008 Rs. '000
Fair Value of Defined Benefit Obligation	95,831,515	95,300,390
Present Value of Fund Assets	67,562,791	38,080,759
<b>Assumptions:</b>		
Discount Rate as at 31st March	12%	12%
Expected Return of Fund as at 1st April	8.7%	7.9%
Future Salary Increases	10%	10%

- (iv) Marawila Resorts PLC, a subsidiary of the Company, has adopted SLAS 16 (Revised 2006) - 'Employee Benefits', which applies prospectively for the financial period. Accordingly, the transitional liability as at 1st April, 2008 is less than that would have been recognized as at 1st April, 2008 under the Company's previous Accounting Policy. The Company recognizes the effect of change in Accounting Policy, directly in retained earnings.

SLAS 16 (Revised 2006) requires the use of 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, 2009.

- (a) Expected Salary Increment Rate      8%
- (b) Discount Rate                              12%
- (c) Staff Turnover Factor (As a %)        3%

The Company's retirement benefit obligation would have been Rs. 3.7 million as at the Balance Sheet date had the retirement benefit obligation been calculated as per the requirement of the Payment of Gratuity Act No. 12 of 1983.

- (v) Lankem Developments PLC, a subsidiary of the Company, has adopted the SLAS 16 (Revised 2006) 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, 2009.

- (a) Expected Salary Increment Rate      10%
- (b) Discount Rate                              12%

The Company's retirement benefit obligation would have been Rs. 154,953/- as at the Balance Sheet date had the retirement benefit obligation been calculated as per the requirement of the Payment of Gratuity Act No. 12 of 1983.

## NOTES TO THE FINANCIAL STATEMENTS



- (vi) (a) Laxapana Batteries PLC, a subsidiary of the Company, has adopted SLAS 16 (Revised 2006) - 'Employee Benefits', which applies prospectively for the financial periods beginning on or after 1st July, 2007 and is therefore applicable for the financial year 2008/09. Comparative figures which reflects the requirements of the previous SLAS 16, have not been adjusted.
- (b) SLAS 16 (Revised 2006) 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 using the gratuity formula as per SLAS 16 (Revised 2006):
- |  |     |
|--|-----|
| Rates of Interest                            | 20% |
| Rates of Salary Increase                     | 18% |
| The Company will continue as a going concern |     |
- (c) The transitional liability (as at 1st April, 2008) is less than that would have been recognized as at 1st April, 2008 under the Company's previous accounting policy, and therefore the Company recognized the net decrease of defined benefit obligation amounting to Rs. 1,104,935/- in the Statement of Changes in Equity.
- (d) The liability as per payment of Gratuity Act as at 31st March, 2009 amounts to Rs. 14,512,213/-.
- (vii) Darley Butler & Company Ltd. (DBCL), a subsidiary of the Company, has recognized provision for the retirement gratuity from the first year of service for all employees based on the number of years of service into half month salary and it also complied with Gratuity Act No. 12 of 1983. However, gratuity payment to an employee arises only on the completion of 5 years of continued service with DBCL.

According to SLAS 16 (Revised 2006) - 'Employee Benefits', DBCL is required to determine the retirement benefit obligation through an actuarial valuation and DBCL has not complied with the said standard.

## 21. Trade and Other Payables

	CONSOLIDATED		COMPANY	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
Trade Payables	1,094,383	1,260,931	31,832	30,164
Unclaimed Dividend	8,062	3,688	4,256	1,192
Bills Payable	230,096	451,568	142,860	204,948
Interest Payable	10,709	524	-	-
Other Taxes Payable	89,804	66,527	-	-
Deposits from Dealers	31,064	-	-	-
Payable to Employees	117,189	143,038	-	-
Accrued Expenses and Other Payables	943,321	1,113,070	28,747	13,852
	<b>2,524,628</b>	<b>3,039,346</b>	<b>207,695</b>	<b>250,156</b>

### *Kotagala Plantations PLC*

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



21.1 The accrued expenses and other payables for the Group included the following statutory payments and penalties payable by Marawila Resorts PLC, Sigiriya Village Hotels PLC and Beruwala Resorts Ltd. as at 31st March, 2009 which have not been paid on the due dates:

	31.03.2009 Rs. '000	31.03.2008 Rs. '000
GST Payable	7,707	27,719
GST/VAT Penalty Payables	–	4,350
BTT Payable	836	–
ESC Payable	3,482	3,226
VAT Payable	57,707	55,500
PAYE Tax Payables	2,006	2,384
EPF Payable	33,891	20,688
ETF Payable	1,044	1,368
ETF Penalty Payables	245	235
Turnover Tax Payable	1,863	4,894
Pradeshiya Saba Tax Payable	8,993	7,411
Tourist Development Levy	2,131	1,550
Payable to Board of Investment of Sri Lanka	4,126	3,741
VAT Penalty Payable	3,088	3,479
ESC Penalty Payable	610	85
PAYE Penalty Payable	87	236
EPF Penalty Payable	6,290	3,914
Pradeshiya Saba Penalty Payable	466	466
TDL Penalty Payable	34	34
BOI Penalty Payable	374	374
Dividend Tax Payable	–	–
Stamp Duty Payable	99	94
	<b>135,079</b>	<b>141,748</b>

## 22. Amount due to Related Companies

As at 31st March	CONSOLIDATED		COMPANY	
	2009 Rs. '000	2008 Rs. '000	2009 Rs. '000	2008 Rs. '000
Colonial Motors PLC	1,683	4,128	–	–
The Colombo Fort Land & Building Company PLC	90,113	73,547	–	–
Guardian Assets Management Ltd.	2,250	2,250	2,250	2,250
Carplan Ltd.	163	602	–	–
Corporate Managers & Secretaries (Private) Limited	550	–	–	–
York Hotel Management Services Ltd.	14,788	23,883	–	–
Harissons Malayalam Finance Services Ltd.	140	140	–	–
York Arcade Holdings PLC	58	–	–	–
Sherwood Holidays Ltd.	178	280	–	–
Corporate Systems Ltd.	–	–	753	802
Lankem Ceylon PLC	–	–	–	356
Creasy Plantation Management Ltd.	4,000	4,000	–	–
Darley Butler & Co. Ltd.	–	–	209,938	86,749
Filmpak Ltd.	–	–	81	–
York Hotels (Kandy) Ltd.	–	–	34	–
Group Three Associates (Pvt) Ltd.	–	–	1,587	1,659
E.B.C. Milk Foods Ltd.	545	–	545	390
Colombo Fort Investments PLC	–	6,644	–	–
Kotagala Plantations PLC	–	–	–	–
Lankem Technology Services Ltd.	5,000	–	–	–
	<b>119,468</b>	<b>115,474</b>	<b>215,188</b>	<b>92,206</b>





## 23. 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, 2009:

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

Company	Name of Director	Nature of Transaction	Amount Rs.
Lankem Ceylon PLC	Mr. A. Rajaratnam	Rent charged for office premises	17,409,230
	Mr. S.D.R. Arudpragasam	Settlements during the period	(11,000,000)
	Mr. R.N. Bopearatchy	Incurred reimbursable expenses	(1,178,294)
Laxapana Batteries PLC	Mr. A. Rajaratnam	Sale of raw materials	39,546,804
	Mr. S.D.R. Arudpragasam	Incurred reimbursable expenses	1,549,278
	Mr. S. Rajaratnam	Consumables Purchase	60,592
	Mr. R.N. Bopearatchy	Sub lease rentals for battery machine	2,261,286
	Mr. R.C.A. Welikala	Electricity cost on wood powder plant	(5,084,377)
		Trust receipt loan interest on imports	711,949
		Transferred to Darley Butler & Company Ltd.	(39,045,532)
Darley Butler & Co. Ltd.	Mr. A. Rajaratnam	Sale of consumables	847,998,697
	Mr. S.D.R. Arudpragasam	Settlement of sale of consumables	(847,998,697)
	Mr. S. Rajaratnam	Rent charged for office premises	9,384,912
	Mr. G.R. Jayatilaka (Resigned w.e.f. 31st March, 2009)	Incurred reimbursable expenses	109,520,022
	Mr. R.N. Bopearatchy	Raw material purchase	(19,354,623)
	Mr. R.C.A. Welikala	Fund transfer	(256,481,856)
		Fund transfer on right Issue	(82,929,840)
		Lankem settlement	10,000,000
		Dividend from Darley Butler & Co. Ltd. (DBCL) 2008/09	13,500,000
		Transferred from Laxapana Batteries PLC	39,045,532
		Transferred from Creasy Foods Ltd.	52,315,803
		Gratuity Paid to DBCL	599,651
		I/Co balance of Darley Food Products & Oral Care (Pvt) Ltd., settled with DBCL	2,210,954
E.B. Creasy Logistics Ltd.	Mr. A. Rajaratnam	Clearing and agency fees	(853,813)
	Mr. S.D.R. Arudpragasam	Incurred reimbursable expenses	7,109,346
	Mr. S. Rajaratnam	Fund Transfer	(2,636,030)
	Mr. R.C.A. Welikala		
Creasy Foods Ltd.	Mr. A. Rajaratnam	Incurred reimbursable expenses	35,750,748
	Mr. S.D.R. Arudpragasam	Fund Transfer	16,565,055
	Mr. S. Rajaratnam	Transferred to DBCL Current Account	(52,315,803)
	Mr. G.R. Jayatilaka (Resigned w.e.f. 31st March, 2009)		
	Mr. R.N. Bopearatchy		
Lankem Developments PLC	Mr. A. Rajaratnam	Rent charged for office premises	1,835,362
	Mr. S.D.R. Arudpragasam	Incurred reimbursable expenses	(825,904)
	Mr. R.N. Bopearatchy		
Island Consumer Supplies (Pvt) Ltd.	Mr. A. Rajaratnam	Reimbursable expenses	44,444
	Mr. S.D.R. Arudpragasam	Transfer of interest	15,503,380
	Mr. S. Rajaratnam	Dividend receivable	16,200,000
	Mr. R.C.A. Welikala		

Company	Name of Director	Nature of Transaction	Amount Rs.
Corporate Systems Ltd.	Mr. A. Rajaratnam Mr. S.D.R. Arudpragasam Mr. S. Rajaratnam Mr. R. C. A. Welikala	Incurred reimbursable expenses	49,365
Filmpak Ltd.	Mr. A. Rajaratnam Mr. S. D.R. Arudpragasam Mr. S. Rajaratnam Mr. R.C.A. Welikala	Staff expenses	(827,548)
E.B.C. MilkFoods Ltd.	Mr. A. Rajaratnam Mr. S.D.R. Arudpragasam	Staff expenses	(154,577)
Group Three Associates (Pvt) Ltd.	Mr. A. Rajaratnam Mr. S.D.R. Arudpragasam Mr. S. Rajaratnam Mr. R.N. Bopearatchy Mr. R.C.A. Welikala	Incurred reimbursable expenses	71,676

**(b) (ii) Group**

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

Company	Nature of Interest	Nature of Transaction	Amount Rs.
Lankem Ceylon PLC (LCP)			
Lankem Developments PLC	Immediate Parent	Loan interest Management fees	(1,694,483) 623,186
Lankem Chemicals Ltd.	Immediate Parent	Reimbursement of expenses	399,025,000
Lankem Paints Ltd.	Immediate Parent		
Lankem Consumer Products Ltd.	Immediate Parent		
Lankem Tea & Rubber Plantations (Pvt) Ltd.	Intermediate Parent		
Kotagala Plantations PLC	Intermediate Parent		
Lankem Research Ltd.	Immediate Parent		
SunAgro LifeScience Ltd.	Immediate Parent		
E.B. Creasy & Company PLC	Subsidiary		
The Colombo Fort Land & Building Company PLC	Subsidiary		
Lankem Paints Ltd.	Immediate Parent	Interest income	29,755,000
Lankem Chemicals Ltd.	Immediate Parent		
Lankem Developments PLC	Immediate Parent	Loan received & paid	6,988,000
Colombo Fort Investments PLC	Affiliate		
Kotagala Plantations PLC	Intermediate Parent	Sale of goods	1,394,206,569
Agarapatana Plantations Ltd.	Intermediate Parent		
Lankem Paints Ltd.	Immediate Parent		
Lankem Consumer Products Ltd.	Immediate Parent		
Lankem Developments PLC	Immediate Parent		
Lankem Chemicals Ltd.	Immediate Parent		
Lankem Research Ltd.	Immediate Parent		
E.B. Creasy & Company PLC	Subsidiary	Office rent	(17,476,000)
The Colombo Fort Land & Building Company PLC	Subsidiary	Dividend paid	(10,547,000)
Lankem Technology Services Ltd.	Immediate Parent	Purchase of shares	45,500,000
Island Consumer Supplies (Private) Ltd.	Affiliate		

## NOTES TO THE FINANCIAL STATEMENTS



Company	Nature of Interest	Nature of Transaction	Amount Rs.
<b>Lankem Plantation Services Ltd. (LPSL)</b>			
The Colombo Fort land & Building Company PLC	Affiliate	Interest received (12% p.a.)	200,000
<b>Lankem Developments PLC (LDP)</b>			
Sigiriya Village Hotels PLC	Affiliate	Interest income	26,259
Sigiriya Village Hotels PLC	Affiliate	Loan granted	500,000
<b>Marawila Resorts PLC (MRP)</b>			
York Hotel Management Services Ltd.	Affiliate	Reimbursement of expenses	5,824,205
Sigiriya Village Hotels PLC	Affiliate		
Beruwala Resorts Ltd.	Affiliate		
Agarapatana Plantations Ltd.	Affiliate	Settlements and advances	1,365,937
Colonial Motors PLC	Affiliate		
Sherwood Holidays Ltd.	Affiliate		
The Colombo Fort Land & Buildings Company PLC	Ultimate Parent		
Kotagala Plantations PLC	Affiliate		
York Conventions (Pvt) Ltd.	Affiliate		
Colombo Fort Hotels Ltd.	Affiliate	Investment	9,621,605
<b>Sigiriya Village Hotels PLC (SVH)</b>			
Voyages (Ceylan) Ltd.	Affiliate	Hotel services provided to clients	562,949
York Tours Ltd.	Affiliate		
York Hotel Management Services Ltd.	Affiliate	Reimbursement of expenses	5,729,041
Sherwood Holidays Ltd.	Affiliate		
Carplan Ltd.	Affiliate		
Tropical Beach Resorts Ltd.	Affiliate		
Great Eastern Resorts Ltd.	Affiliate		
Beruwala Resorts Ltd.	Affiliate		
Agarapatana Plantations Ltd.	Affiliate		
Lankem Tea & Rubber Plantations (Pvt) Ltd.	Affiliate	Advances received	5,300,000
Colombo Fort Hotels Ltd.	Affiliate	Investments	6,501,536
Agarapatana Plantations Ltd.	Affiliate	Rent charged	1,252,800
Associated Farms Ltd.	Affiliate	Purchase of farm products	3,659,726
<b>Colombo Fort Hotels Ltd. (CFHL)</b>			
The Colombo Fort Land & Building Company PLC	Ultimate Parent	Publishing and legal charges	53,650
York Hotels Management Services Ltd.	Affiliate	Settlement through new shares issue	(4,549,184)
The Colombo Fort Land & Buildings Company PLC	Ultimate Parent		
<b>Beruwala Resorts Ltd. (BRL)</b>			
Island Consumer Supplies (Pvt) Ltd.	Affiliate	Fund transfer	1,900,000
Carplan Ltd.	Affiliate	Reimbursement of expenses	(3,283,831)
York Hotel Management Services Ltd.	Affiliate		
Agarapatana Plantations Ltd.	Affiliate	Purchase of tea & paints	(359,988)
Lankem Paints Ltd.	Affiliate		
<b>Lankem Tea &amp; Rubber Plantations (Pvt) Ltd. (LTR)</b>			
Kotagala Plantations PLC	Affiliate	Management agents' fee	170,373,863
Agarapatana Plantations Ltd.	Affiliate		

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Company	Nature of Interest	Nature of Transaction	Amount Rs.
Kotagala Plantations PLC	Affiliate	Reimbursable of expenses	(158,185,960)
Agarapatana Plantations Ltd.	Affiliate	Tea window income & APL debit note	8,140,250
The Colombo Fort Land & Buildings Company PLC	Ultimate Parent	Group Service Fee	(11,393,925)
Kotagala Plantations PLC	Affiliate	Dividend	17,283,780
Lankem Plantation Holdings Ltd.	Immediate Parent	Dividend	(21,780,000)
Lankem Plantations Holdings Ltd.	Immediate Parent	Short-term loan granted	222,620
<b>Kotagala Plantation PLC (KPP)</b>			
Agarapatana Plantations Ltd.	Affiliate	Reimbursement of expenses	4,611,000
Lankem Plantation Services Ltd.	Affiliate		
Sherwood Holidays Ltd.	Affiliate		
The Colombo Fort Land & Building Company PLC	Ultimate Parent	Transfer of funds	90,000,000
Agarapatana Plantations Ltd.	Affiliate	Settlement of loan	10,000,000
Lankem Plantation Services Ltd.	Affiliate	Interest on short-term loan (at 12%)	(480,000)
E.B. Creasy & Company PLC	Intermediate Parent	Rent income	1,100,000
<b>Agarapatana Plantations Ltd. (APL)</b>			
Sherwood Holidays Ltd.	Affiliate	Rental expenses	24,403,350
The Colombo Fort Land & Building Company PLC	Ultimate Parent	Interest expenses	480,000
Creasy Plantation Management Ltd.	Affiliate		
<b>Lankem Paints Ltd. (LPL)</b>			
Lankem Consumer Products Ltd.	Affiliate	Transfer of funds	3,267,580
Lankem Chemicals Ltd.	Affiliate		
Sigiriya Village Hotels PLC	Affiliate	Sale of goods	329,286
Marawila Resorts PLC	Affiliate		
<b>Lankem Consumer Products Ltd. (LCPL)</b>			
SunAgro LifeScience Ltd.	Affiliate	Transfer of funds	(58,733)
Lankem Chemicals Ltd.	Affiliate		
SunAgro LifeScience Ltd.	Affiliate	Sale of goods	96,007
<b>Laxapana Batteries PLC (LBP)</b>			
Lankem Consumer Products Ltd.	Affiliated	Consumable purchases	128,741
<b>Associated Farms Ltd. (AFL)</b>			
SunAgro Farms	Affiliate	Advance	270,063
<b>Darley Butler &amp; Co. Ltd. (DBCL)</b>			
Laxapana Batteries PLC	Affiliate	Settlements	71,268,419
Laxapana Batteries PLC	Affiliate	Reimbursable expenses	4,239,868
Laxapana Batteries PLC	Affiliate	Transferred from E.B. Creasy & Co. PLC Current Account	(39,045,532)
Creasy Foods Ltd.	Affiliate	Purchase and transfer of raw material & consumable	275,313,922
Laxapana Batteries PLC	Affiliate	Reimbursable expenses	4,239,868



Company	Nature of Interest	Nature of Transaction	Amount Rs.
Lankem Tea & Rubber Plantations (Pvt) Ltd.	Affiliate	Debenture interest receivable Debenture redemption	19,997,260 20,000,000
Kotagala Plantations PLC	Affiliate	Disposal of share of Agarapatana Plantations Ltd.	120,000,000
<b>York Hotels (Kandy) Ltd. (YHK)</b>			
Sigiriya Village Hotels PLC	Affiliate	Issuance of shares	117,157,761
Colombo Fort Hotels Ltd.	Affiliate		
Sigiriya Village Hotels PLC	Affiliate	Fund transfers	15,380,000
Sigiriya Village Hotels PLC	Affiliate	Salaries & wages	331,750
Sigiriya Village Hotels PLC	Affiliate	Reimbursement of expenses	569,547
<b>Lankem Exports (Pvt) Ltd. (LEL)</b>			
Lankem Ceylon PLC	Immediate Parent	Reimbursement of expenses	242,872

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

	EBC	DBCL	EBL	FPL	CSL	GTA	CFL	LBP	LPHL	LTR	APL	KPP	SVH	MRP	BRL	LDP	SALS	LCPL	LC	LPL	ICSL	LCP	LEL	LRL	CFHL	YHK	AFL	LPSL	SAF
Mr. A. Rajaratnam	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. S.D.R. Arudpragasam	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Mr. R.N. Bopearatchy	✓	✓				✓	✓	✓								✓	✓	✓	✓	✓	✓	✓							✓
Mr. S. Rajaratnam	✓	✓	✓	✓	✓	✓	✓	✓													✓								
Mr. R.C.A. Welikala	✓	✓	✓	✓	✓	✓	✓	✓																					
Mr. G.R. Jayatilaka	✓	✓					✓						✓	✓	✓											✓		✓	

Mr. G.R. Jayatilaka resigned from the Boards of EBC, DBCL, CFL, SVH, MRP, BRL, YHK and LPSL with effect from 31st March, 2009.

The above notes should be read in conjunction with Note No. 11.1, 13, 20, 22 and 26 to the Financial Statement.

#### (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

	2008/09 Rs. '000	2007/08 Rs. '000
Salaries/Other Employee Benefits	33,206	22,911

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

There were no other transactions with Key Management Personnel other than those disclosed in Note 23 (b) to these Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

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## Group

### (i) Loans to the Directors

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

### (ii) Compensation paid to Key Management Personnel

	2008/09 Rs. '000	2007/08 Rs. '000
Salaries/Other Employee Benefits	91,308	82,782

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

There were no other transactions with Key Management Personnel other than those disclosed in Note 23 (b) to these Financial Statements.

## 24. Segmental Information

### 24.1 Assets & Liabilities

	TOTAL ASSETS		TOTAL LIABILITIES	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
<b>Segment</b>				
Distribution	779,046	1,108,834	890,199	967,706
Manufacturing	841,056	828,838	447,049	748,428
Chemical	404,866	469,710	687,598	336,119
Consumer	135,972	121,628	87,339	92,684
Hardware	562,473	604,888	573,580	519,976
Construction	17,114	23,323	17,556	10,620
Hotels	1,448,268	1,234,339	898,059	802,926
Plantations	5,507,875	5,178,038	4,265,103	3,820,822
Agriculture	39,940	–	2,042	–
Services	15,678	16,067	10,519	17,003
	9,752,288	9,585,665	7,879,044	7,316,284
Unallocated	1,067,092	868,881	221,380	446,841
Goodwill	92,520	82,026	–	–
	10,911,900	10,536,572	8,100,424	7,763,125

### 24.2 Property, Plant & Equipment

	ADDITIONS TO PROPERTY, PLANT & EQUIPMENT		DEPRECIATION & AMORTIZATION	
	2008/09 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000	2007/08 Rs. '000
<b>Segment</b>				
Distribution	19,625	3,666	24,946	9,317
Manufacturing	118,817	32,188	35,340	32,670
Chemical	35,235	15,171	18,612	17,906
Consumer	345	2,221	2,895	3,110
Hardware	6,673	40,664	14,794	12,649
Construction	150	125	347	336
Hotels	15,307	14,216	47,380	46,045
Plantations	1,058,197	582,962	172,082	149,232
Agriculture	22,451	–	793	–
Services	287	2,682	1,377	336
	1,277,087	693,859	318,566	271,601
Unallocated	22,249	14,015	2,372	5,086
	1,299,336	707,874	320,938	276,687

## 25. Capital Expenditure Commitments

There were no material capital expenditure commitments existing as at the Balance Sheet date.

### Agarapatana Plantations Ltd.

Following are the capital commitments approval as at the Balance Sheet date:

	Rs. million
(a) Field Development	88.6
(b) Machinery & Factory Development	67.8

### Kotagala Plantations PLC

The budgeted capital development programme for the next financial year amounting to approximately Rs. 292.8 million (2007/08 - Rs. 547.8 million).

## 26. Contingent Liabilities

### 26.1 Company

(a) Contingent liabilities exist in relation to guarantees issued by E.B. Creasy & Company PLC to banks on behalf of its subsidiaries in relation to bank facilities obtained as given below:

	31.03.2009 Rs. '000	31.03.2008 Rs. '000
Darley Butler & Co. Ltd.	930,380	930,380
Laxapana Batteries PLC	62,450	62,450
Lankem Ceylon PLC	588,770	548,770
Creasy Foods Ltd.	16,500	16,500
	<b>1,598,100</b>	<b>1,531,100</b>

### 26.2 Group

- (i) 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 reporting date in relation to the various regulatory and legal matters. In addition to which penalties may be imposed on certain statutory payments.
  - (b) Lankem Tea & Rubber Plantations (Pvt) Ltd. has given guarantees to DFCC Bank for the borrowings by Agarapatana Plantations Ltd. amounting to Rs. 26.09 million and Rs. 7.47 million respectively on ADB credit line.
  - (c) Guarantee given to DFCC Bank 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, E-Friends Loan of Rs. 1.768 million and Rs. 1.5 million.
  - (e) Corporate guarantee to Lanka Orix Leasing Company Ltd. on behalf of Kotagala Plantations PLC, to secure term loan 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.
- (ii) Contingent liabilities exist in relation to the following for Lankem Plantation Holdings Ltd. (LPHL):  
Contingent liabilities exist that may result in a liability crystallizing in the event of an unfavourable action amounting to approximately Rs. 9.75 million. However, the Group is of the view that this contingency will not arise.



- (iii) A contingency also exists in relation to the payment of retiring gratuities for Agarapatana Plantations Ltd. and Kotagala Plantations PLC as described in Note 20.1 to these Financial Statements. A contingent liability exists that may result in a liability crystallizing in the event of an unfavourable action which amounts to approximately Rs. 257.11 million for Agarapatana Plantations Ltd. and Rs. 91.09 million for Kotagala Plantations PLC. However, the companies are of the view that these contingencies will not arise. Further, there could be a contingent liability on net obligation to lessor as more fully described in Note 17.4.2.
- (iv) Contingent liabilities exist in relation to the following for Beruwala Resorts Ltd. (BRL), Marawila Resorts PLC (MRPLC) and Sigiriya Village Hotels PLC (SVHPLC). Liabilities that could arise due to delay in payments of statutory dues (EPF, ETF, BTT, Income Tax and GST) have not been provided for.
- (v) Lankem Ceylon PLC, a subsidiary of the Company, has given guarantees to third parties for facilities obtained by its subsidiaries and the outstanding as at 31st March, 2009 on account of Sigiriya Village Hotels PLC amounted to Rs. 7.6 million (2008 - Rs. 9.6 million), Darley Butler & Co. Ltd. Rs. 155 million (2008 - Rs. 130 million), Beruwala Resorts Ltd. Rs. 11.34 million (2008 - Rs. 20 million), Lankem Paints Ltd. Rs. 50 million (2008 - Rs. 50 million) and Lankem Developments PLC Rs. 22.08 million.

## 27. Events Occurring after the Balance Sheet Date

### 27.1 Company

The Directors have recommended payment of a first and final dividend of Rs. 2.50 per share for the year ended 31st March, 2009 and this will be declared at the Extraordinary General Meeting to be held on 3rd December, 2009.

### 27.2 Group

#### *Laxapana Batteries PLC*

The Company suspended production of Penlite Batteries in June, 2007 due to technical issues in the manufacturing process. Production was not recommenced pending the resolution of the issues. An impairment loss of Rs. 1.7 million was recognized on raw materials no longer in use and included under other expenses.

The management is pursuing efforts to dispose of the plant for manufacture of Penlite Batteries.

The plant and machinery had been valued at Rs. 7.5 million by an Independent Valuer and the management is of the view that no further provision for impairments is required.

The carrying amount of the Property, Plant & Equipment and inventory, which is product specific to Penlite Batteries and included in the Financial Statements as at 31st March, 2009 are as follows:

	2009 Rs.	2008 Rs.
Plant & Machinery	7,505,760	8,066,534
Inventories		
Raw Material	7,941,293	7,970,685
Write-Down of Inventory	(1,702,237)	-
	6,239,056	7,970,685
Work-in-Progress	715,159	742,539
Machinery Spare Parts	1,585,271	1,076,253
	8,539,486	9,789,477
	<b>16,045,246</b>	<b>17,856,011</b>

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.





## 28. Comparative Information

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

## 29. Going Concern

### Group

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

- (i) The Financial Statements of Agarapatana Plantations Ltd. (APL) are prepared on the assumption that APL is a going concern, i.e., as continuing in operation for the foreseeable future. It is therefore, assumed that APL has neither the intention nor the necessity of liquidation or of curtailing materially the scale of its operations. However, a petition for winding-up of APL has been filed on 9th April, 1997 in the District Court of Colombo by a creditor on the alleged grounds of failure to pay an outstanding debt. Despite the fact that the alleged debt was a disputed debt, the Lawyers of APL tendered in Open Court on 12th May, 1997 a bank pay order in favour of the said creditor in full settlement of the alleged claim. The Court having made note of the particulars of the bank pay order handed over the same to the Lawyer for the petitioner who accepted such bank pay order without demur.

As far as APL was concerned, it was believed that the debt has been discharged and the petitioner would withdraw the winding-up petition. However, on 28th May, 1997, the petitioner's Lawyers - for reasons best known only to themselves - filed a motion in the District Court of Colombo seeking to return the bank pay order earlier accepted by them. On 6th June, 1997, the District Court of Colombo refused to make an order for the petitioner to return the said bank pay order. At the same time, the District Court also rejected the request by APL for the dismissal of winding-up application. Thereafter, APL filed an appeal in the Court of Appeal on 12th June, 1997, seeking dismissal of the winding-up petition. The Court of Appeal thereupon issued a stay order on the proceeding in the District Court until 14th July, 1997. This matter is pending in the Court of Appeal and the stay order has been extended on several occasions.

As at 31st March, 2009 the Company's Current Liabilities exceeded its Current Assets by Rs. 361.79 million (2007/08 - Rs. 89.6 million) and the Company is dependent on creditors and borrowings for the continuation of its operations.

- (ii) York Hotels (Kandy) Ltd. (YHKL), a subsidiary, has defaulted the payments of loan instalments as agreed with the Hatton National Bank PLC which is more fully described in Note 17.6 to the Financial Statements. If the Company could not service the bank loan according to the reschedulement terms, the Bank may execute the Mortgage Bond.
- (iii) Sigiriya Village Hotels PLC (SVHPLC), a subsidiary, has experienced severe cash flow problems during the year and has not been able to settle its statutory obligations on due dates. These factors, together with the loss of Rs. 35 million incurred during the year raise substantial doubt that the Company will be able to continue as a going concern unless continuous financial assistance is received from related companies.

# NOTES TO THE FINANCIAL STATEMENTS

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- (iv) Financial Statements of the Beruwala Resorts Ltd. (BRL), a subsidiary of the Company, have been prepared on the basis of the Company being a going concern, which may not be appropriate unless continuous support is received from the lending institution and related parties of the Company.
- (v) Lankem Tea & Rubber Plantations (Pvt) Ltd. a subsidiary of the Company, recorded an accumulated loss of Rs. 64.35 million as at 31st March, 2009 and, as of that date, the Company's total liabilities exceeded its total assets by Rs. 56 million. These facts have raised serious doubt about the ability of the Company to continue as a going concern. However the Directors of Lankem Tea & Rubber Plantations (Pvt) Ltd. have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

The Directors are of the opinion that the following will mitigate this position:

- (a) The Company has recorded a profit of Rs. 67.33 million during the year ended 31st March, 2009.
- (b) Increase in the revenue of the two plantation companies managed by the Company also ensured higher revenue being earned. With favourable rubber and tea prices forecasted for the current financial year, record revenue levels are expected.
- (c) Lankem Plantation Holdings Ltd. has direct holding of 37.8% and 30% indirect holding of Kotagala Plantations PLC, the total value of the investment being Rs. 1,465 million (21,700,630 Shares at Rs. 16/- current market price).
- (d) The Company has improved its liquidity position during the year, where a net current asset position of Rs. 165.8 million at the beginning of the year has improved to Rs. 181.83 million at the end of the year. While the current asset deficit of Rs. 361.3 million as at the beginning of the year has reduced to Rs. 339.98 million at the end of 31st March, 2009 in Lankem Plantation Holdings Ltd.
- (e) The Company is expected to receive dividend income amounting to Rs. 8.64 million from Kotagala Plantations PLC, Lankem Plantation Holdings Ltd. (the Holding Company of Lankem Tea & Rubber Plantations (Pvt) Ltd.), is also expected to receive dividend income of Rs. 10.90 million from Kotagala Plantations PLC for the year ended 31st March, 2009.
- (vi) Marawila Resorts PLC (MRPLC), a subsidiary, incurred a net loss of Rs. 46 million during the year under review and as at 31st March, 2009 the accumulated losses amount to Rs. 828.8 million due to continued losses incurred. Further, the Current Liabilities of MRL exceed its Current Assets by Rs. 137.9 million as at the reporting date. The Directors are confident that the Company would continue as a going concern with continued assistance from Financial Institutions and Lankem Ceylon PLC. Accordingly, the Company has adopted the going concern basis in the preparation of these Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

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- (vii) Lankem Plantation Holdings Ltd. (LPHL), a subsidiary, recorded a profit of Rs. 21.4 million during the year under review. However, the Company incurred losses in previous years and as at 31st March, 2009 had accumulated losses amounting to Rs. 241.4 million. As of that date, its Current Liabilities exceeds its Current Assets by Rs. 339.98 million. Therefore, the said unfavourable working capital position together with continuous financial difficulties have raised serious doubt as to the ability of the Company to continue as a going concern, even though there has been a slight improvement from the financial position reported in the previous year.
- (viii) Colombo Fort Hotels Ltd. (CFHL), a subsidiary, has not been generating operating income since its incorporation. The accumulated losses amount to Rs. 70.6 million as at 31st March, 2009. These factors raise doubt as to whether CFHL can continue as a going concern. However, the Financial Statements of CFHL have been prepared on a going concern basis without making any adjustment that may be required to the recorded assets and the classification of liabilities. The validity of the above going concern assumption depends on the continuous financial support from its ultimate Holding Company, The Colombo Fort Land & Building Company PLC.
- (ix) Laxapana Batteries PLC (LBPLC), a subsidiary of the Company, has accumulated losses as at Balance Sheet date amounting to Rs. 139,817,649/- due to losses incurred for several financial years and the current year losses amounting to Rs. 349,718/-, the Company's ability to continue in business as a going concern is to a large extent depended on the continuing support available to the Company from its Parent Company Messrs E.B. Creasy & Company PLC and Related Company Messrs Darley Butler & Co. Ltd. and lending institutions.
- (x) Filmepak Ltd., a subsidiary of the Company, incurred a loss of Rs. 137,950/- during the year ended 31st March, 2009 and as at that date accumulated loss was Rs. 5,376,783/-. Further, total liabilities exceeds the total assets by Rs. 5,376,783/- and the current liabilities exceeds the current assets by Rs. 1,123,233/- the Company's ability to continue as a going concern is doubtful due to the facts disclosed above hence, Company's ability to continue as a going concern depends on the financial support of the Parent Company, E.B. Creasy & Company PLC. However, the Financial Statements have being prepared on going concern assumption.

# Statement of Value Added

	2008/09	2007/08
	%	%
	Rs. '000	Rs. '000
Turnover from Operations	12,479,798	12,155,452
Cost of Goods and Services	(8,443,917)	(8,558,305)
	4,035,881	3,597,147
Other Income including Exceptional Items	332,264	261,206
<b>Total Value Added</b>	<b>4,368,145</b>	<b>3,858,353</b>

## Distribution of Value Added Tax

### To: Employees

Salaries, Wages and Other Related Costs	71.48	3,122,469	72.18	2,785,013
Directors' Remuneration	2.09	91,308	2.15	82,783
	73.57	3,213,777	74.33	2,867,796

### To: Government

Turnover Tax	1.22	53,190	1.38	53,059
Corporate Tax	4.74	207,121	5.63	217,048
	5.96	260,311	7.00	270,107

### To: Lenders of Capital

Interest	10.63	464,340	9.77	377,067
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### To: Shareholders

Dividend	0.12	5,071	0.13	5,071
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### Retained for Growth

Depreciation & Amortization	7.35	320,938	7.17	276,687
Retained Earnings	2.37	103,708	1.60	61,620
	9.71	424,646	8.77	338,307

	100.00	4,368,145	100.00	3,858,353
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Statement of Value Added



	2008/09	2007/08
A - To Employees	73.57	74.33
B - To Government	5.96	7.00
C - To Lenders of Capital	10.63	9.77
D - To Shareholders	0.12	0.13
E - Retained for Growth	9.72	8.77

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# Share Information

## 1. Market Value

The market value of the Company's shares on 31st March, 2009 was Rs. 165/- (highest during the year - Rs. 324.75 and lowest during the year - Rs. 190/-). The market value on 31st March, 2008 - Rs. 265/-.

### Public Holding

The percentage of shares held by the public as at 31st March, 2009 was 36.38% (31st March, 2008 - 24.68%).

## 2. Distribution of Ordinary Shares

No. of Shares Held	31st March, 2009			31st March, 2008		
	No. of Shareholders	Total Holdings	% of Total Shares	No. of Shareholders	Total Holdings	% of Total Shares
1 - 1,000	531	68,104	2.69	496	63,559	2.51
1,001 - 5,000	19	35,055	1.38	18	32,111	1.27
5,001 - 10,000	3	18,942	0.75	2	12,942	0.51
10,001 - 50,000	3	65,200	2.57	3	69,700	2.75
50,001 - 100,000	1	100,000	3.94	1	100,000	3.94
100,001 - 500,000	6	905,258	35.70	6	928,359	36.61
500,001 - 1,000,000	-	-	-	-	-	-
Over 1,000,000	1	1,342,899	52.96	1	1,328,787	52.41
	<b>564</b>	<b>2,535,458</b>	<b>100.00</b>	<b>527</b>	<b>2,535,458</b>	<b>100.00</b>

### Categories of Shareholders

	31st March, 2009			31st March, 2008		
	No. of Shareholders	Total Holdings	% of Total Shares	No. of Shareholders	Total Holdings	% of Total Shares
Individuals	520	433,756	17.11	489	608,237	23.99
Institutions	44	2,101,702	82.89	38	1,927,221	76.01
	<b>564</b>	<b>2,535,458</b>	<b>100.00</b>	<b>527</b>	<b>2,535,458</b>	<b>100.00</b>

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### 3. Twenty Major Shareholders

	No. of Shares 31.03.2009	%	No. of Shares 31.03.2008	%
The Colombo Fort Land & Building Company PLC	1,342,899	52.96	1,328,787	52.41
Dr. Thirugnanasambandar Senthilverl	203,500	8.03	–	–
Union Investments (Pvt) Ltd.	167,700	6.61	167,700	6.61
J.B. Cocoshell (Pvt) Ltd.	164,900	6.50	–	–
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	118,509	4.67
Colonial Motors PLC	100,000	3.94	100,000	3.94
Thurston Investments Ltd.	29,800	1.18	25,000	0.99
Mr. Richard Daya Alles Weragoda and Mr. Warnakulasuriya Milroy Kusumsiri Thamel	25,000	0.99	–	–
Mr. Thotawattage Rohan Lakshana Perera	10,400	0.41	10,200	0.40
Photokina Ltd.	6,804	0.27	6,804	0.27
Sisira Investors Ltd.	6,138	0.24	6,138	0.24
Mr. Horanagamage Don Anton Damascene Perera	6,000	0.24	–	–
Mr. Mohamed Hussain Mohammed Sanoon	3,500	0.14	3,500	0.14
The Incorporated Trustees of the Church of England	3,373	0.13	3,373	0.13
Cocoshell Activated Carbon Company Ltd.	3,000	0.12	–	–
Waldock Mackenzie Ltd./A.H. Udeshi	2,800	0.11	–	–
Consolidated Holdings Ltd.	2,596	0.10	2,596	0.10
Mr. Sri Dhaman Rajendram Arudpragasam	1,900	0.07	34,500	1.36
	2,449,468	96.61	2,071,756	81.70

## SHARE INFORMATION

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# Group Financial Summary

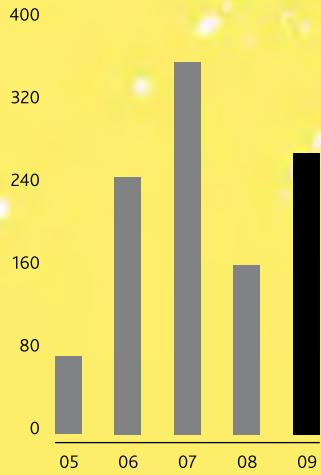
	1999/00 Rs. '000	2000/01 Rs. '000	2001/02 Rs. '000	2002/03 Rs. '000	2003/04 Rs. '000	2004/05 Rs. '000	2005/06 Rs. '000	2006/07 Rs. '000	2007/08 Rs. '000	2008/09 Rs. '000
<b>TRADING RESULTS</b>										
Turnover	5,206,197	5,541,786	5,601,720	6,283,700	6,905,008	7,985,351	9,976,254	10,797,072	12,155,452	12,479,798
Profit before Tax	(94,682)	73,627	(507,573)	(290,062)	221,571	553,582	478,222	573,875	899,162	353,722
Income Tax Expense	(3,213)	(21,664)	(18,854)	(36,549)	(59,654)	(70,425)	(115,343)	(145,281)	(217,048)	(207,121)
Profit for the year	(97,895)	51,963	(526,427)	(326,611)	161,917	483,157	362,879	428,594	682,115	146,601
Minority Interest	(33,026)	(60,493)	58,214	31,875	(75,020)	(140,173)	(93,832)	(305,119)	(620,494)	(42,893)
Pre-Acquisition Profit/(Loss)	-	-	-	-	-	-	-	-	-	-
Equity Holders of the Company	(79,048)	(8,530)	(468,213)	(294,736)	86,897	342,984	269,047	123,475	61,620	103,708
<b>ASSETS EMPLOYED</b>										
Property, Plant & Equipment	3,741,326	3,744,041	3,813,587	4,045,247	4,121,480	4,473,506	4,948,425	5,804,020	6,098,209	6,708,819
Investments	211,946	211,657	212,389	204,542	5,304	4,727	3,984	3,783	89,037	53,943
Intangible Assets	204,998	192,294	214,580	201,238	77,977	3,110	15,260	15,260	82,026	93,458
Non-Current Assets	-	-	-	-	-	-	-	-	-	-
Net Current Assets	(1,052,600)	(952,112)	(1,661,817)	(1,774,012)	(1,433,106)	(1,302,599)	(1,383,216)	(1,044,300)	(692,001)	(788,190)
	3,105,670	3,195,880	2,578,739	2,677,015	2,771,655	3,178,744	3,584,453	4,778,763	5,577,270	6,068,030
<b>SHAREHOLDERS' FUNDS</b>										
Stated Capital	25,355	25,355	25,355	25,355	25,355	25,355	25,355	25,355	25,731	25,731
Reserves	674	(12,927)	(479,070)	(518,050)	(233,570)	166,476	604,783	882,022	383,753	658,898
Preliminary Expenses	(3,237)	-	-	-	-	-	-	-	-	-
Deferred Expenditure	-	-	-	-	-	-	-	-	-	-
	22,792	12,428	(453,715)	(492,695)	(208,215)	191,831	630,138	907,377	409,484	684,629
<b>LONG-TERM LIABILITIES</b>										
DEFERRED LIABILITIES	2,161,348	2,192,210	2,138,820	2,287,415	2,126,093	1,944,215	1,731,274	1,847,870	1,758,887	2,115,654
MINORITY INTEREST	540,753	547,409	500,568	579,021	605,821	660,918	726,331	870,383	1,044,935	1,140,900
	380,777	443,833	393,066	303,274	247,956	381,780	496,710	1,707,955	2,363,964	2,126,847
	3,082,878	3,183,452	3,032,454	3,169,710	2,979,870	2,986,913	2,954,314	4,426,208	5,167,786	5,383,401
	3,105,670	3,195,880	2,578,739	2,677,015	2,771,655	3,178,744	3,584,453	4,778,763	5,577,270	6,068,030

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# Graphical Review

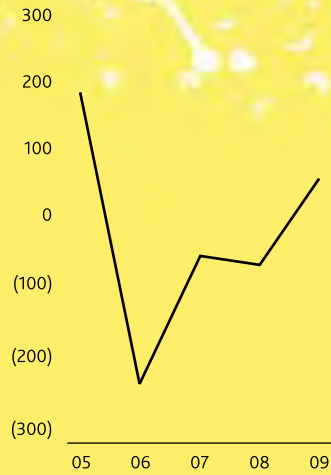
**Net Asset Per Share**

Rs.



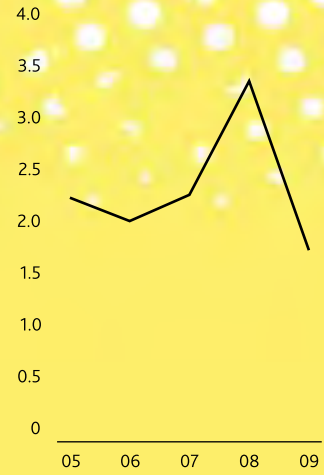
**NAV Growth Per Share**

%



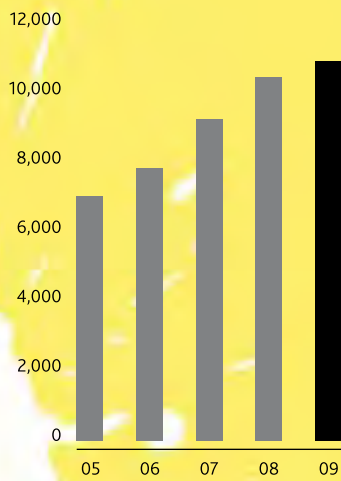
**Interest Cover**

No. of Times



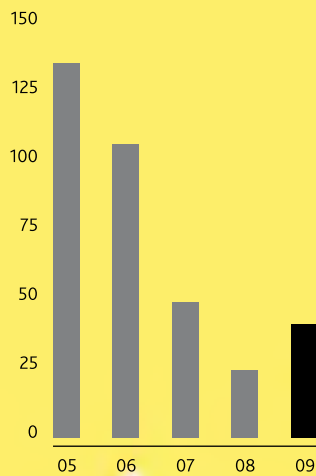
**Total Assets**

Rs. million



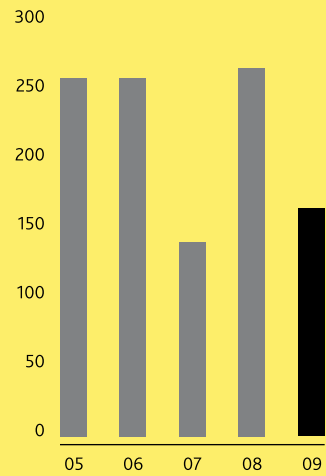
**Earning Per Share**

Rs.



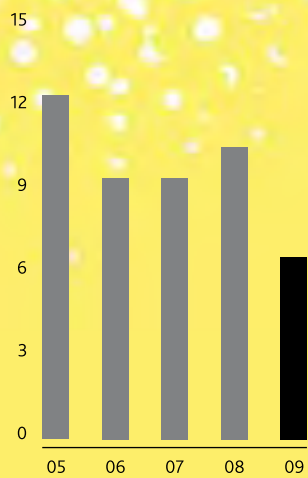
**Share Price**

Rs.

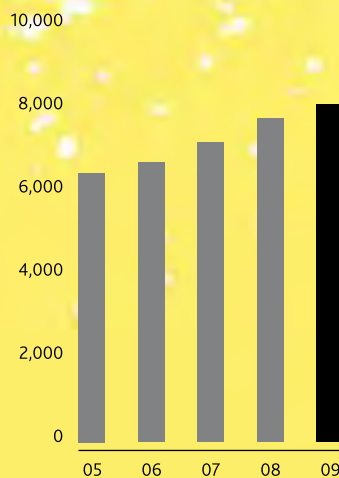




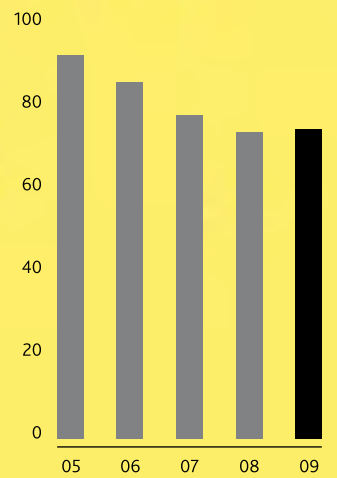
**Operating Profit as a % of Turnover**  
%



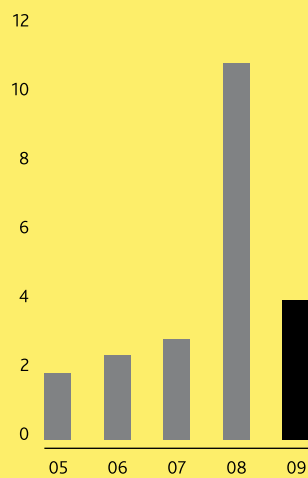
**Total Liability**  
Rs.



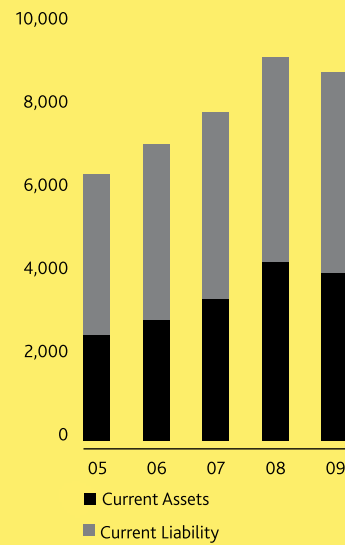
**Total Liability as a % of Total Assets**  
%



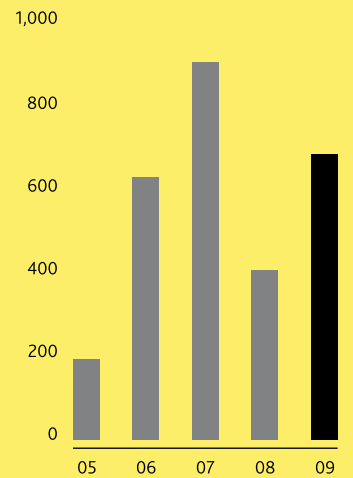
**Price Earning Ratio**  
No. of Times



**Working Capital**  
Rs. million



**Shareholders' Fund**  
Rs. million



■ Current Assets  
■ Current Liability

887



# Form of Proxy

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

1. Alagarajah Rajaratnam of Colombo or failing him
2. Sri Dhaman Rajendram Arudpragasam of Colombo or failing him
3. Sanjeev Rajaratnam of Colombo or failing him
4. Rohan Chrisantha Anil Welikala of Colombo or failing him
5. Ranjit Noel Bopearatchy of Colombo

as my/our proxy to represent me/us to speak and to vote on my/our behalf at the Extraordinary General Meeting of the Company to be held on 3rd December, 2009 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting.

	For	Against
• To receive and consider the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March, 2009 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
• To declare a First & Final Dividend as recommended by the Directors.	<input type="checkbox"/>	<input type="checkbox"/>
• To amend the Articles of Association as set out in the Notice of Meeting.		
Special Resolution 1	<input type="checkbox"/>	<input type="checkbox"/>
Special Resolution 2	<input type="checkbox"/>	<input type="checkbox"/>

As witness my/our hands this ..... day of .....2009.

.....  
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 way 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 below:

# FORM OF PROXY

## Instructions as to Completion of Form of Proxy

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 signed under seal or under the hand of an authorised officer or Attorney.
3. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company, the original POA together with a photocopy of the same, or a copy certified by a Notary Public must be lodged with the Company's Secretaries, Corporate Managers and Secretaries (Private) Limited 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: .....

#### **Name of Company**

E.B. Creasy & Company PLC

#### **Legal Form**

A Public Quoted Company with Limited Liability Incorporated in Sri Lanka in 1929 under the Joint Stock Companies Ordinance 1861

The Company was re-registered in accordance with the Companies Act No. 07 of 2007 on 30th July, 2008

#### **Company No.**

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(1)2448534  
E-Mail: ebcl@sri.lanka.net

#### **Board of Directors**

##### **Chairman**

A. Rajaratnam, FCA  
(Alternate - Anushman Rajaratnam)

##### **Managing Director**

S.D.R. Arudpragasam, FCMA

##### **Deputy Managing Director**

S. Rajaratnam, B.Sc. CA

#### **Directors**

G.R. Jayatilaka, B.Sc. (Cey.) - Resigned w.e.f. 31st March, 2009

R.C.A. Welikala

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

#### **Senior Management**

M.F. Jiffry, E.D.B.A, Dip. in Food Sc. & Tech.

K.D. Sumanasekera, FCA, Dip. in Com.

C.S.M.D.A. Seneviratne, FCMA

A.R. Peiris, B.Sc. (Cey.), FCMA

S.W. Gunawardena, B.Sc. MBA

#### **Secretaries**

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

#### **Auditors**

Messrs KPMG Ford, Rhodes, Thornton & Co.  
Chartered Accountants

#### **Legal Advisers**

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

#### **Bankers**

Hatton National Bank PLC  
Standard Chartered Bank  
Commercial Bank of Ceylon PLC  
Deutsche Bank AG  
Bank of Ceylon  
National Development Bank PLC  
Union Bank of (Colombo) Ltd.  
People's Bank  
Seylan Bank PLC  
Indian Bank

#### **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.  
E.B. Creasy Trading Ltd.  
Lankem Ceylon PLC  
Lankem Developments PLC  
Lankem Paints Ltd.  
Lankem Consumer Products Ltd.  
Lankem Chemicals Ltd.  
Lankem Agrochemicals Ltd.  
Lankem Exports (Pvt) Ltd.  
SunAgro LifeScience Ltd.  
SunAgro Farms Ltd.  
Lankem Research Ltd.  
Lankem Technology Services Ltd.  
Nature's Link Ltd.  
Sigiriya Village Hotels PLC  
Marawila Resorts PLC  
Colombo Fort Hotels Ltd.  
Beruwala Resorts Ltd.  
York Hotels (Kandy) Ltd.  
Associated Farms Ltd.  
Lankem Plantation Holdings Ltd.  
Lankem Tea & Rubber Plantations (Pvt) Ltd.  
Kotagala Plantations PLC  
Agarapatana Plantations Ltd.  
Creasy Plantation Management Ltd.  
Lankem Plantation Services Ltd.

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