# The Quest Continued

BPPL
Building Quality. Improving Life.

**BPPL HOLDINGS PLC**
ANNUAL REPORT 2018-19

# The Quest Continued

In the recently concluded financial year, BPPL really came into its own as an enterprise that faced both challenges and chance with equal dedication. Having recorded notable growth along with significant regional expansion, this year, our brand was recognised and utilised by more consumers than ever as we remained committed to create products that are not only useful but have a minimum impact on the environment. Our quest for sustainable living continues and great things lie ahead for our continued efforts at reaching greater heights.

BPPL

Building Quality. Improving Life.

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# About Us

**Following the recent commissioning of a synthetic yarn spinning facility and expansion of the synthetic filament production facility, BPPL Holdings PLC has diversified its product range into two principal areas – brush production and filament extrusion. Furthermore, with the coming on stream of these new production lines, the Group, has expanded the markets it serves to include the apparel sectors in Sri Lanka in addition to the North American region, where most of its brushware is sold.**

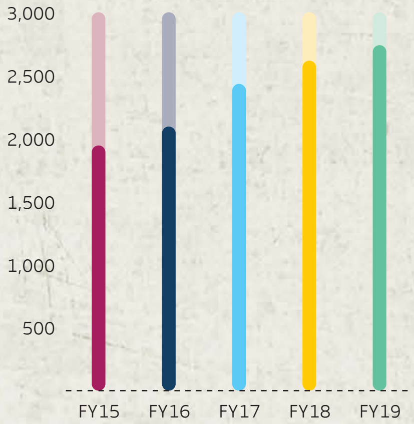
**The filament extrusion business offers tremendous opportunities for growth for the Group, especially due to the recycled products that these facilities will produce which complements its recycling efforts as the leading plastics recycler in Sri Lanka.**

# Year in Review

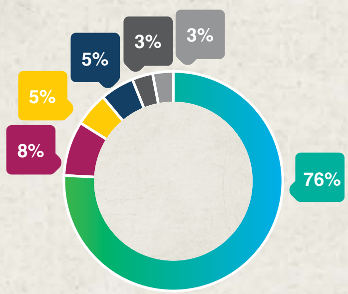
## 9.2%
*Compound Annual Growth Rate (CAGR)*

## 76%
*Contribution from USA & Canada*

## 370MN
*Profit After Tax*

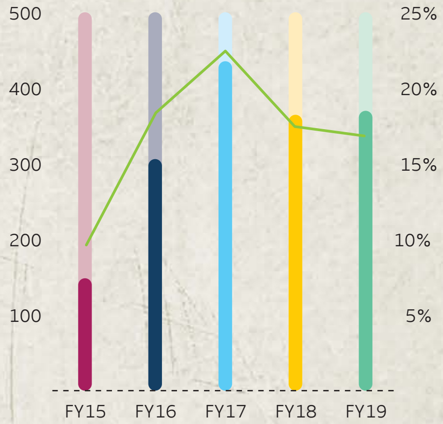



**Revenue (Million)**




**FY 19**

- USA & Canada
- Australia & New Zealand
- Europe & the UK
- Sri Lanka
- India
- Other

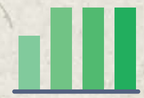



**Profit After Tax (PAT)**

- PAT (Rs. Million)
- PAT Margin (%)

Consolidated revenue for the 2018/19 financial year was up by 5%

Affected by an unexpected and unrealised exchange loss on US Dollar based loans of Rs. 57 Mn



Dividend remained at 42 cents per share as in the past year.

# Summary of Operations

## BRUSHWARE

*Products*

Brushes and cleaning tools for janitorial activities

Brushes for the food services sector

Brushes for building activities

Brushes for industrial applications


Brushes and cleaning products for households

A range of raw material components for other brush manufacturers

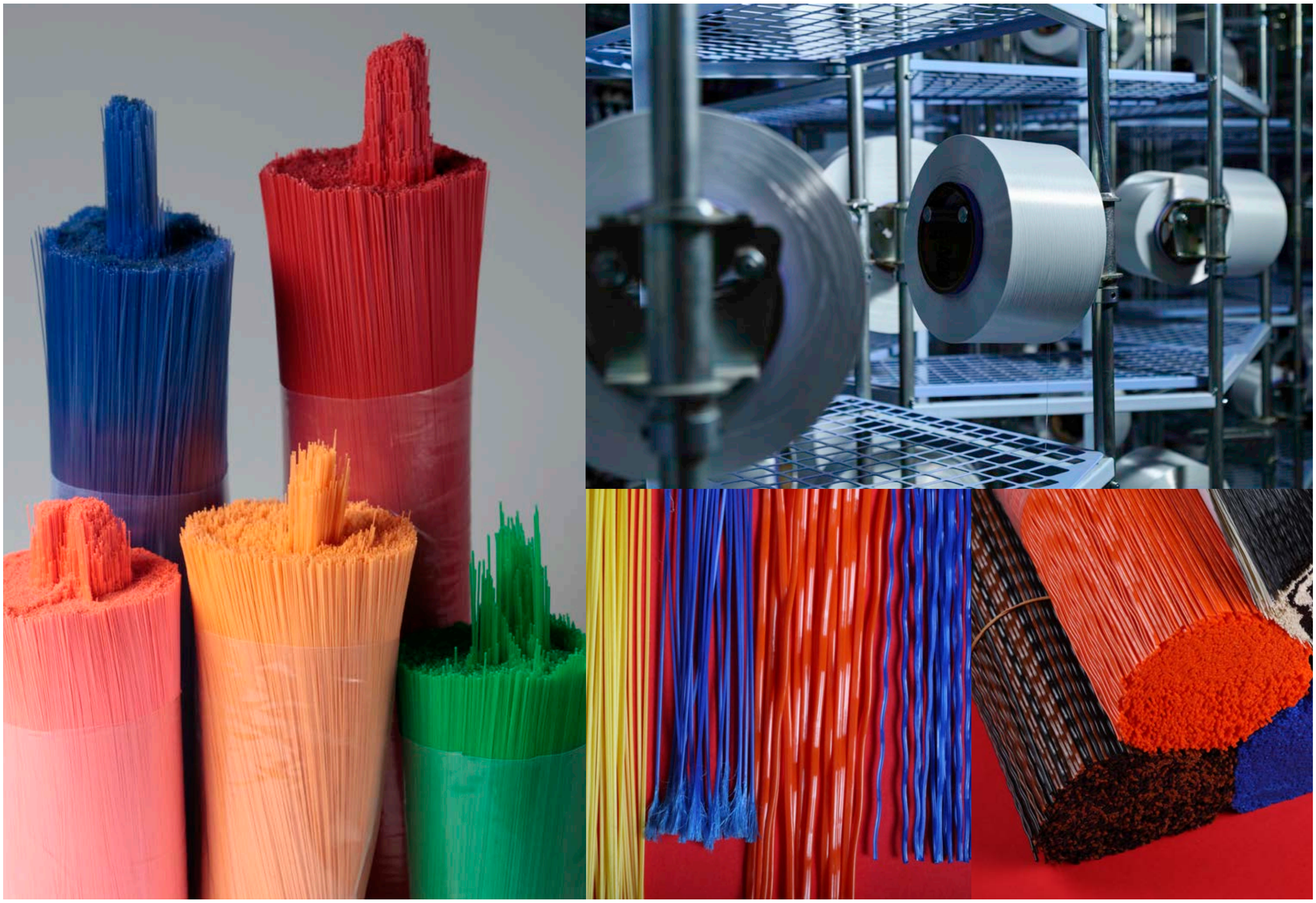
### MAIN MARKETS AND CUSTOMER TYPES

- Wholesalers and distributors of janitorial, food services, construction and industrial supplies.
- Distributors and retailers of household cleaning products.

### SIGNIFICANT EVENTS

Recycling plant for non-PET based plastic material setup

# Summary of Operations



## SYNTHETIC FILAMENTS AND YARN

*Products*

- Recycled PET, polypropylene and nylon single filaments used in cleaning, industrial and painting brushes and brooms
- Polyester-based multiple spun filaments or yarn used as raw materials for fabric production

## MAIN MARKETS AND CUSTOMER TYPES

- Manufacturers of brushware
- Manufacturers of polyester fabrics

## SIGNIFICANT EVENTS

- Third brush filament extrusion line commissioned


2.9 Mn Tonnes
TOTAL PET COLLECTION 2018/19
CONTINUING OUR
QUEST TO KEEP
PLASTIC BOTTLES
OUT OF LANDFILLS

# CEO's Review

**"We set up a recycling plant for non-PET based plastic materials in Sri Lanka towards the end of the financial year. This should also contribute towards widening profit margins as these recycled materials were being imported at a higher cost until recently."**

*Dear Shareholder,*
It gives me immense pleasure to present the Annual Report and audited Financial Statements of BPPL Holdings PLC for the financial year 2018-19.

This past year was one of consolidation for your Company where focus was on the sound implementation of several new production lines.

Operations of our single largest investment to-date, a recycled polyester yarn spinning line were optimised for higher production efficiencies during the year, following its commissioning at the end of the previous year. The complexities of this state-of-the-art production line were more than what was initially envisaged, which resulted in more time being required to complete the optimisation process. I'm happy to report though that this exercise has been completed and that we are now accepting large commercial orders from customers both in Sri Lanka and overseas.

We also implemented a third brush filament extrusion line during the year. The line was recently commissioned and, again, is now accepting orders for brush filaments from customers in the Indian sub-continent region.

Further, we set up a recycling plant for non-PET based plastic materials in Sri Lanka towards the end of the financial year. This should also contribute towards widening profit margins as these recycled materials were being imported at a higher cost until recently. Non-PET based recycled plastic materials such as polypropylene; LDPE and HDPE are used in our plastic brush backs as well as our brush filaments. Recycled plastics are generally less expensive than virgin plastics. It also helps to reduce any cost impact from escalating petroleum prices on our plastic brushware. Virgin plastic polymer is a derivative of crude oil and, therefore, is directly linked to global crude oil price movements.

Our recycling plant for PET based plastic materials is already using waste bottles from Sri Lanka with the PET flakes produced being used as the main raw material for PET based brush filaments and polyester yarn.

Financially, your Company recovered from the lower profitability recorded in the previous financial year following unprecedented floods in Sri Lanka in May/June 2017. These floods initially disrupted timber supply and subsequently impacted timber prices and labour costs due to temporary worker hiring in order to process orders as and when timber was received.

Unfortunately, the impact of this recovery was nullified by an unexpected and an unrealised exchange loss on US Dollar based loans taken to fund the new yarn and filament extrusion projects of Rs. 57 million. The Sri Lankan Rupee witnessed rapid depreciation vs the US Dollar during the reported period.

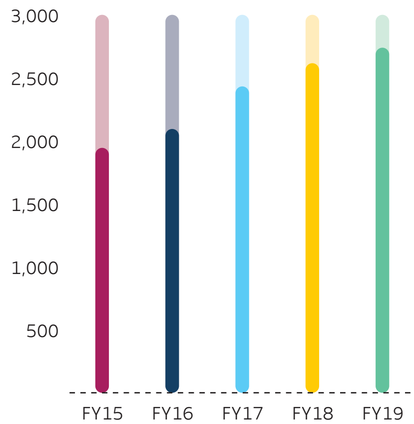
2018/19 full year net earnings as a result were Rs. 370 million or Rs. 1.20 per share, up marginally from Rs. 366 million or Rs. 1.19 per share recorded in the previous year.

## FINANCIAL PERFORMANCE

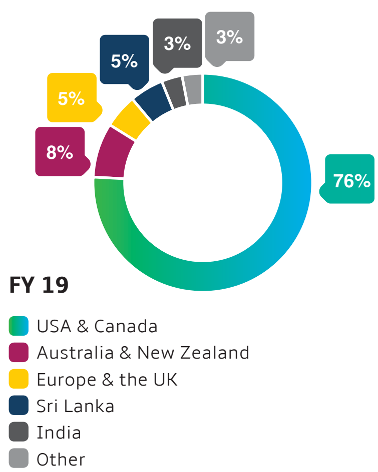
*Revenue*

Consolidated revenue for the 2018/19 financial year was up a moderate 5% to Rs. 2.7 billion as the previous financial year benefited from a one-time surge in brush sales to the North American region following hurricanes that affected the east coast of the United States. Such one-off sales were absent during the past year.

Overall growth in brush and related sales for the financial year was only 1% again due to this one-off sale in the previous year.




**Revenue (Million)**




**"The Group also continued to pursue its strategy of supplying own-branded goods to the household markets in the South-East Asian region for longer-term benefits. Tip Top branded goods are sold in Sri Lanka by four national retailers and are now available in 291 stores."**

The United States continued to account for a dominant 73% share of Group revenue although its share fell from 78% in the previous year due to strong growth in sales to the South Asian region. South Asia's share of sales was 11%, up from 7% in the previous year with growth primarily being driven by a 94% increase in brush filament sales to India. Overall brush filament sales were up 20% for the year and accounted for 19% of Group revenue. This significant growth in brush filament sales vindicates our decision of investing in the third filament extrusion line.

Contributions from the new recycled polyester yarn operations were limited during the year as focus was on optimising operations. Cricket jerseys for the Sri Lanka cricket team participating in the 2019 World Cup were made with yarn from this operation.

The Group also continued to pursue its strategy of supplying own-branded goods to the household markets in the South-East Asian region for longer-term benefits. Tip Top branded goods are sold in Sri Lanka by four national retailers and are now available in 291 stores. Similarly, JAB branded goods are listed by 11 retail chains in Indonesia with products currently available in 242 outlets. However, contributions from this channel to Group revenue are still low given the long gestation periods normally associated with branded products.

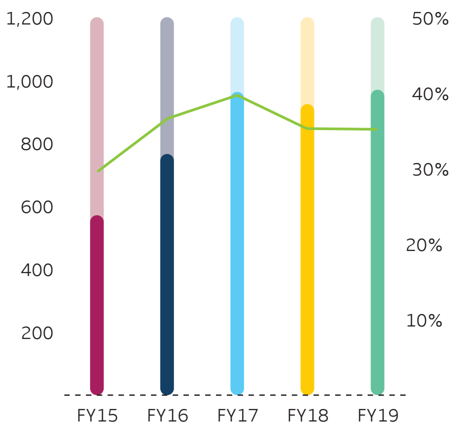
*Profitability*

The Group gross profit increased by 5% year-on-year, to Rs. 964 million, benefiting from the impact of increased sales.

The Group's full year Earnings-Before-Interest-and-Tax (EBIT) was moderately up to Rs. 445 million compared with Rs. 436 million recorded during the

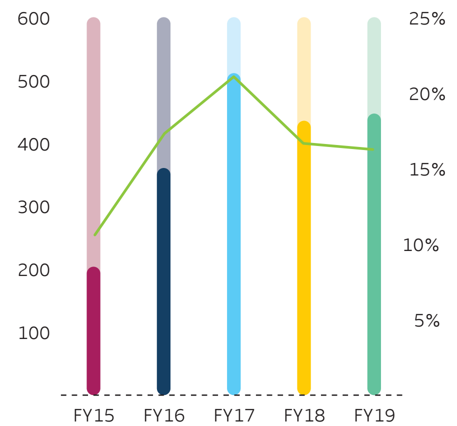
# CEO's Review

**The years ahead offer better prospects for earnings growth for your Company, with the commissioning of the yarn spinning plant and capacity enhancement in brush filament extrusion.**




**Gross Profit**

Gross Profit (Rs. Million)
GP Margin (%)




**Operating Profit / EBIT**

Operating Profit / EBIT (Rs. Million)
OP Margin (%)

previous year. Growth from lower expenses following the closure of our Malaysian branded sales operation and the relocation of North American sales management to Sri Lanka at the end of financial year 2017/18, was negated by the exchange losses referred to earlier. The decisions to close operations was taken in order to balance the near-term vs. longer-term returns provided to our shareholders.

The Group's full year Profit-Before-Tax was up marginally to Rs. 422 million from Rs. 414 million in the previous year.

The Group's Profit-After-Tax and profit attributable to our shareholders was Rs. 370 million as a higher corporate tax rate was compensated for by lower deferred taxes.

### *Dividends*

The total dividend for the financial year 2018/19 was 42 cents per ordinary share, comprising of a first interim dividend of 18 cents and a second interim dividend of 24 cents.

Total dividends for the year were the same as in the previous financial year.

### *Cash and Capital*

Group-wide focus on inventory management and debtor collection resulted in an operational cash flow after working capital changes of Rs. 520 million, up by 25% compared to the Rs. 417 million recorded in the previous financial year.

Although the receivables portfolio expanded during the year as a result of more sales, I am happy to report that Group non-performing debt did not increase and remains immaterial. The debtor settlement period improved to 87 days from 92 days at the end of the previous year.

The Group creditor settlement period on the other hand, worsened to 25 days from 28 days at the end of the previous financial year. Inventory turnover was also 105 days compared with 101 days in 2017/18. Our target remains to reduce this level of inventory turnover to 90 days. We require such a level of inventory in order to meet customer delivery commitments as some of our raw materials have to be imported from as far afield as Mexico and Canada.

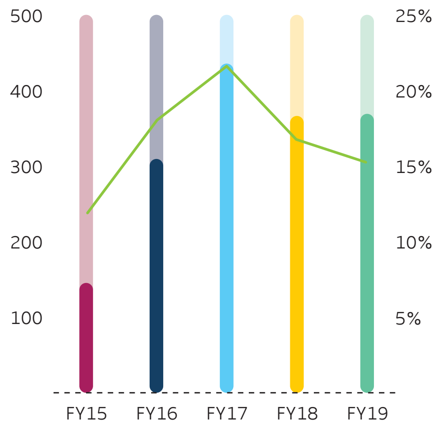
Cash generated from operational activities after working capital changes and interest and tax payments was Rs. 475 million in 2018/19. In addition, the Group borrowed Rs. 318 million in short- and long-term debt. Of these funds, Rs. 129 million was used towards dividends and a further Rs. 648 million for the acquisition of plant and equipment.

### *Debt to Equity*

The Group debt to equity ratio was 60% at the end of the financial year 2018/19, up from 49% as at end 2017/18, primarily due to additional borrowings for the yarn spinning and filament extrusion plants. The net debt level at the end of the financial year was Rs. 1.5 billion. However, we expect these debt levels to fall during the next financial year as funding for these projects are now completed.

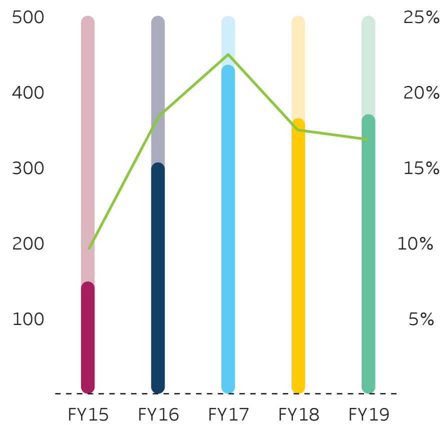
## MANAGING RISK

The primary risks the Group is exposed to, are foreign exchange fluctuations, an over-dependence on the US market and price volatility of raw materials largely caused by fluctuating world petroleum prices or possible floods in Sri Lanka. Of these, the impact of foreign exchange fluctuations is generally offset by Sri Lankan Rupee depreciation as almost all our revenue is in US Dollars whilst only some costs are US Dollar denominated.



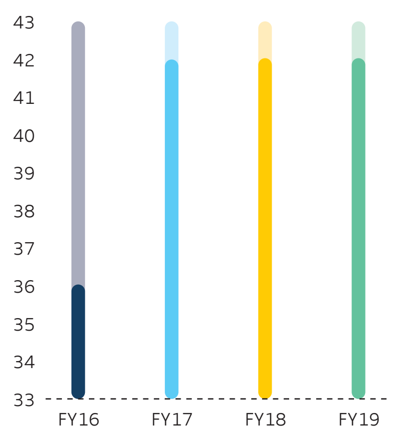

**PAT & ROE**

PAT (Rs. Million) ROE (%)




**Profit After Tax (PAT)**

PAT (Rs. Million) PAT Margin (%)




**Dividends per Share (in Cents)**

The impact it has on our US Dollar denominated debt will be hedged henceforth as per the Sri Lankan accounting standards, where exchange losses will be moved to a reserve on the Balance Sheet and set-off against Dollar denominated revenue. We could not hedge this during the current financial year, as project implementation had not been completed.

Secondly, our expanded recycling efforts of waste plastic limit exposure to world crude oil price fluctuations as recycled plastic prices are generally more stable.

The BPPL growth strategy has also attempted to address the fourth risk through the expansion of our brush filament and yarn spinning ventures, which not only reduces our dependency on a single product line, but also exposes the Group to other markets in the Indian sub-continent and the apparel export sectors in Sri Lanka and the rest of the Asian region, respectively.

## OUTLOOK

The years ahead offer better prospects for earnings growth for your Company, with the commissioning of the yarn spinning plant and capacity enhancement in brush filament extrusion. Both these plants are expected to contribute to revenue from the beginning of financial year 2019/20.

It is with immense pride I say that this is the first fully-fledged polyester yarn spinning plant in Sri Lanka. The apparel industry the world over is increasingly moving from supplying cotton-based apparels to polyester, as it's more versatile and less expensive. We will initially focus on producing recycled polyester yarn, which is a niche segment within this sector, but one with substantial growth potential.

Some key competitive advantages we possess in locating the plant in Sri Lanka are the follows:

1. As we know, there is a tremendous movement the world over to reduce the use of plastic and to recycle plastic whenever possible. This, in turn, has pressurised several global fashion brands to commit to converting virgin polyester yarn to recycled yarn made from used plastic bottles, within the next few years.
2. In doing so, global brands would insist on authenticity when declaring that their fabric is made with recycled plastic. This is vital for them to justify the premium they would have to pay for recycled yarn over virgin yarn. Recycled yarns are generally priced higher than their virgin equivalents, as production costs are higher in recycled due to a higher level of wastage.
3. We are one of a few parties in the world that can provide traceability to recycled plastic sources in volume, as we collect the waste plastic bottles ourselves. Almost all other yarn manufacturers purchase this plastic from recyclers once it's recycled and then converted to flakes or pellets.
4. Fabric making plants in Sri Lanka currently import all their yarn requirements. By sourcing polyester yarn from Sri Lanka, fabric manufacturers can significantly reduce lead times and inventory costs.

With brush filament manufacturing, again we have several competitive advantages, largely over Chinese producers such as:

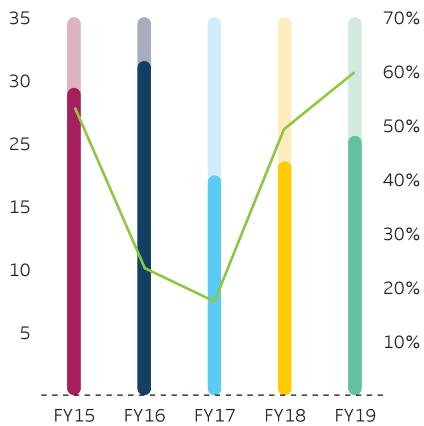
1. We have a large and stable customer within our Group in Beira Brush which helps to lower production costs due to economies of scale.

# CEO's Review

2. The Indian sub-continent offers ample room for expansion, as shipment times from Sri Lanka are significantly lower than from China. There is also a tariff advantage for purchases under the South Asian Association for Regional Cooperation preferential tariff arrangements.
3. Our use of recycled plastic as the main raw material helps to alleviate price volatility otherwise caused by crude oil price movements on virgin materials. We are able to provide fairly stable pricing for buyers compared to our competitors due to this.

We expect both these business lines to become substantial contributors to BPPL's financial position and performance over the coming years.

With regards to our traditional brushware business, we will continue to focus on increasing market share, mainly in our traditional North American markets by identifying niche manufacturers of brushware and converting them to wholesalers who would purchase products from us. This is a market we understand well, having served it for many years now and we possess the necessary product ranges to cater to most professional segments of the market place.




**Finance Cost & Gearing**

Finance Cost (Rs. Million)
Gearing (%)

**"With regard to our traditional brushware business, we will continue to focus on increasing market share, mainly in our traditional North American markets."**

It is worth pointing out that the recent disruptions by terrorist activity and its impact on tourist arrivals to Sri Lanka could impact the availability of waste plastic bottles for recycling. Tourists are large uses of water and other beverages packaged in such bottles.

However, we expect this to be compensated by recent government directives to bottle manufacturers to produce clear water bottles as opposed to blue bottles. Blue bottles limit the level of recycling that can be done as we can only produce dark colour brush filaments from these bottles as opposed to clear bottles which can be dyed to any required colour.

In order to supply raw materials to both the filament and yarn segments, we will further increase our waste PET bottle collections during the new year to around 250 tonnes per month from an average of 175 tons per month in financial year 2018/19; 250 tonnes is fairly significant in that it accounts for approximately 20% of virgin PET imports into Sri Lanka.

Your Company currently has over 250 registered PET bottle collection agents and suppliers across the country and 12 bailing sites. A bailing site has machinery installed to compress/bail bottles for more efficient storage. It also lowers transport costs when bringing the bailed bottles to our recycling plant as it is more cost-efficient to transport bailed bottles compared to loose bottles.

We will also focus on making our middle management teams more targets driven during the coming year by incentivising them. We have already done this at a worker level with tremendous success.

In conclusion, I would like to state that I am extremely grateful to our shareholders for believing in our vision of producing sustainable value added products largely from waste and scaling production to supply a global marketplace whilst ensuring high ethical and quality standards throughout our operations. I would also like to offer my sincere appreciations to our Board of Directors, management, and staff, for their collective efforts at driving the company towards its objectives.

Finally, I would like to thank our customers and our business partners for their support and patronage over the years and I look forward to serving their needs better in the new financial year.

With best wishes,

**Dr. Anush Amarasinghe**
*Managing Director/Chief Executive Officer*

26th June 2019

# CONTINUING OUR QUEST TO INTRODUCE NEW PRODUCTS THAT CREATE SUSTAINABILITY

# Corporate Social Responsibility

## QUALITY, ENVIRONMENT, HEALTH AND SAFETY SYSTEMS

BPPL's quality systems are an integral aspect of our production process to ensure consistently high quality of all outputs in line with premium international standards. The BPPL quality management system is a multilayer system that are based on international best practices in processes to meet customer expectations with products that consistently meet applicable requirements and specifications

## UPGRADE TO THE ISO 45001:2018 OHSAS MANAGEMENT SYSTEM

During the current financial year we continued to improve our quality system to enhance overall operational efficiency while enhancing value for our customers through quality improvements to our products. A significant improvement in progress is the upgrade from OHSAS 18001:2007 to ISO 45001:2018 occupational health and safety (OHSAS) management system. This latest international standard provides a more comprehensive and in-depth structure for an organisation to manage its work place health and safety risks and to help prevent work-related injury and ill health through greater emphasis on management commitment, worker involvement, and risk control aspects. The audit for this transition has now been completed successfully and we are currently awaiting certification. With this transition, in future the Company can claim accreditation under ISO 45001:2018, instead of OHSAS 18001:2007. We will continue to maintain all other certifications as well.

## NEW CERTIFICATION

In order to continually enhance our quality standards we have continued to invest in aligning our operations with international certification. During the current financial year we obtained following new certifications:

1. **OekoTex 100 from Hohenstein, Germany**
   The accreditation was obtained for our yarn factory, of our subsidiary Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd), which is a pioneer in manufacturing monofilaments for cleaning tools and yarn for fabric manufacturers worldwide.

2. **GRS from Control Union**
   GRS (the Global Recycle Standard), which was also obtained for Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd) is an international, voluntary, standard that sets requirements for third-party certification of recycled content, chain of custody, social and environmental practices and chemical restrictions.

## OUR PEOPLE AND WORKPLACE SAFETY

*Compliance Status*

BPPL is fully compliant with all applicable labour laws and regulations and did not face any fines or penalties for non compliance or delay in compliance with labour laws.

| Applicable Regulation | Status of Compliance |
|---|---|
| Shop and Office Employees Act of 1954 | Fully complied |
| Factories Ordinance of 1942 | Fully complied |
| Employees Provident Fund Act of 1958 (and subsequent amendments) | Fully complied |
| Employees Trust Fund Act of 1980 | Fully complied |
| Over time, and holiday payments | Fully complied |

### *Employee Profile*

The total workforce expanded from 808 in the previous financial year to 871, with expansion across most of the rank and file.

| Staff Grade | 2017-18 | 2018-19 |
|---|---|---|
| Senior management | 8 | 8 |
| Executives | 65 | 68 |
| Staff | 77 | 91 |
| Factory floor employees(skilled, unskilled and helpers) | 656 | 701 |
| Management trainees | 2 | 3 |
| **Total** | 808 | 871 |

### NEW RECRUITMENTS 2018 -19

During the year we recruited 63 new employees primarily as part of factory staff and general staff.

| Staff Grade | |
|---|---|
| Senior management | 0 |
| Executives | 3 |
| Staff | 11 |
| Factory floor employees | 48 |
| Management trainees | 1 |
| **Total** | 63 |

### *New Recruitments by Skill Category*

As we expand our business and product range it is essential that we strengthen our cadre with the correct skills and competencies to achieve strategic and operational objectives. Therefore, during the year we enhanced our human capital base with the inclusion of technical skills by recruiting an engineer and other skilled and unskilled personnel, to support business expansion plans.

# Corporate Social Responsibility

| Skill Category | New Recruitments |
|---|---|
| Engineers | 1 |
| Management graduates | 3 |
| Skilled personnel | 22 |
| Unskilled personnel (Machine operations, packing, quality control) | 37 |

### *Workplace Safety*

As a Group policy we maintain strict occupational health and safety standards to minimise potential for work related accidents and injuries through neglect and lack of awareness.

### *Industrial Accidents 2018-19*

| Accidents | 2018-19 |
|---|---|
| Fatalities | 0 |
| Major accidents (more than 7 days of lost man days) | 10 |
| Minor accidents | 48 |
| Lost man days | 247 |

### *Training and Development*

Operating in a dynamic and highly competitive global environment, the quality of human resources is essential to obtain a competitive advantage. Therefore, training and development to upskill and introduce new methodologies and technologies, is a regular part of the Company's business operation. During the current financial year we invested Rs. 1.11 million on employee training by external resources, which covered 100% of the total workforce, where at least one or more training opportunities were given to all employees

| | 2018-19 |
|---|---|
| No of employees subjected to training | 871 |
| % of employees subjected to training | 100% |
| Training hours per employee | 2.4 hours |
| Training cost per employee Rs | Rs1,274 |

### *Grievance Management*

Prompt and fair management of workplace grievances is essential to create a culture of trust and cooperation, where employees are motivated and committed. To ensure a formal and unbiased process of grievance handing the Group has a common Grievance Committee comprising employee and management representation, to address any formal grievances.

We continued to improve the grievance management system by involving more representatives from all departments, and all grades, with more than 60% participation from unskilled personnel. A special awareness programme was conducted for all employees to educate them about the Committee, the Committee's vision and how it will benefit employees. A suggestion box system was implemented to allow employees to raise concerns freely. Due to the active management involvement and ongoing communications with all employee grades, we do not experience many formal grievances. During the current year a total of 17 grievances were recorded and over 60% of these concerns have already been resolved.

### *Employee Events*

BPPL encourages employees to develop a healthy work-life balance and many employee social events are conducted every year that provide the opportunity for staff to mingle, have fun and strengthen internal connections. During the current financial year we organised cricket matches and other welfare activities to ensure it was not 'all work and no fun,' for our employees. Some of these events are listed below.

- Employee cricket match
- Welfare cricket match
- Book distribution
- Welfare get together


*Employee cricket match*


*Welfare cricket match*


*Book distribution*


*Welfare get together*

## ENVIRONMENTAL RESPONSIBILITY

We ensure total compliance with all environmental protection regulations at our factories in Ingiriya, Mawgama and in Boralugoda, and the Environmental Protection License were renewed from the Central Environmental Authority for the factories during the year.

We did not face any fines or penalties for non compliance with any applicable environmental regulations.

### *Emissions*

Our total carbon dioxide emissions came to 1,520.04 MTs for the year, which is an increase compared to the previous year due to the Yarn factory coming in to operation in 2018. The carbon dioxide gas emissions per kilo of yarn was 0.014562 MTs for the year.

| Type of Emission | Emission Volume 2018-19 |
|---|---|
| Scope 1 and 2 Greenhouse gas emission at Eco Spindles | 1520.04 t CO2-e/Year |
| Greenhouse gas emissions per Yarn Kg at Eco Spindles | 0.014562 t CO2-e /yarn Kg |

### *Water*

We are highly conscious of the value of water as an essential natural resource and we make all efforts to prevent water wastage in our business operations. During the current financial year, we conducted awareness training for workers on how to reduce water wastage, which has contributed towards greater employee commitment towards conservation. In order to manage water consumption and prevent wastage we have also fixed water meters in relevant locations.

### *Manufacturing Waste*

Our primary waste types are garbage and manufacturing waste such as saw dust, rejected wooden blocks, cartons, polythene and saw dust. We have introduced various methods to manage this waste and for the proper disposal of these waste products, to minimise harmful environmental impacts and potential health hazards. During the current year, we have managed to successfully reduce most of these waste outputs through our waste management initiatives.

# Corporate Social Responsibility

| Type of waste | Volume 2017-18 | Volume 2018-19 |
|---|---|---|
| Polythene | 30,310 kg | 28,260 kg |
| Cartons | 344,254 kg | 333,144 kg |
| Rejected wooden blocks | 656,849 kg | 646,944 kg |
| Wood mix plastic dust | 27,734 kg | 25,824 kg |
| Saw dust | 691,479 kg | 681,360 kg |
| Garbage | 208,740 kg | 177,804 kg |

### *Food Waste*

Food waste is another type of waste that we have taken steps to manage by enhancing awareness of employees on how to reduce excess waste. We have also set up separate collection points to collect and hygienically dispose such food waste through a recycler.

| | Volume 2017-18 | Volume 2018-19 |
|---|---|---|
| Food waste | 910 kg | 840 kg |

### *Paper Waste*

Reducing the use of paper has direct beneficial environmental impacts and we have encouraged our employees to both consume less paper and to also reuse paper as much as possible. As a result, our paper consumption for the year has seen a reduction from 4.2 kgs, to 3.8 kgs. We have encouraged our employees to print on both sides of the paper and made this the default printer setting in all our printers. We also encourage employees to be selective in what they print, to avoid unnecessary printing and instead, to get used to digital reading and to also store documents in digital form instead of printing.

| | Volume 2017-18 | Volume 2018-19 |
|---|---|---|
| Paper waste | 4.2 kg | 3.8 kg |

### *Electronic waste*

In our waste management system, we take special care to ensure the safe disposal of electronic waste to prevent the leakage of hazardous chemicals into the natural environment. We have organised recycling facilities for UPS batteries and computer accessories such as mouse, keyboards and other plastic components. We also sell unusable electronic items to third parties that collect these products and dispose of them safely. Toners for printers are sent for refilling and replaced by new toners when necessary. This year, we also collected inoperative CFL bulbs and disposed of these through a professional recycling services provider.

### *Environmentally friendly products*

Our range of environmentally friendly products is gaining popularity globally, as more consumers become aware of environmentally friendly choices. Maintaining stringent quality standards and aligning with consumer demand trends, have ensured that our eco-friendly brushes are also highly effective and practical. We use bristles manufactured from recycled pet bottles for our collection of synthetic brushes, which has contributed towards reducing harmful plastic landfill in the country. Our selection of LEEDS and FSC certified wooden brushes provides the assurance that only properly monitored commercial cultivations, have been used in manufacturing this collection.

### *New Environmentally Friendly Products*

In line with our commitment towards sustainable business growth, we continually experiment and search for environmentally responsible new product development opportunities. During the current financial year, we launched a number of new products under our environmentally friendly portfolio.

1. **Wood plastic composite brooms**
   We introduced new household brooms made of recycled plastic with saw dust and natural bristles. The back of the brush is made from a newly introduced composite formula containing recycled plastic and saw dust, while the bristles are manufactured from natural fibre extracted from tampico or coco.

2. **Wooden Dish Brush**
   These wooden dish brushes have a back made out of wood and the bristles are tampico fibre.

3. **Bio-degradable broom** (On-going project)
   We are also working on a new project to develop a fully biodegradable broom. The product, including the broom back and the filaments, will be treated with a naturally synthesised pigment, which can be mixed with synthetic PP/PET materials. Once discarded and buried into the soil, bacteria will consume the pigment, which will break down polymer bonds, making the product decay into the soil.

### *Environmental conservation activities*

*Eco Spindles' special projects*

Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd), our latest venture has initiated a number of projects aimed at enhancing environmental sustainability of the business. The Company has tied up with the Responsible Fashion Summit to promote recycled yarn for ethical fashion and to raise consumer awareness about environmentally responsible options in the fashion industry.

As part of its ongoing material sourcing process the Company is establishing PET waste collection centres with baling facilities and infrastructures, across the country to encourage households and business to recycle PET waste. The island wide collection centres will also contribute towards transport efficiency, thereby reducing transport related environmental impacts.

The Company conducted a waste management programme at the Thalawila Church, where 1,332 Kgs of PET bottles were collected in 2019 during the festive season, cleaning up the environment.

Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd) has signed up as the recycling partner of "Asiri surakimu samanola," a project by Link Natural, where 6,000 Kgs of PET bottles were collected from Sri Pada during the festive season.

Raising industry awareness and promoting recycling, Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd) organised a PET Supplier Convention to reward island wide PET waste collectors for their recycling efforts. Participants received cash awards and certificates to motivate greater efforts in the future.

Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd) collaborated with the Road Development Authority and John Keells Holdings to collect waste PET bottles along the Southern Expressway. During this effort, 1,503 Kgs of PET bottles were collected by placing waste collection bins at all exits.

The Katunayaka expressway waste PET bottle collection programme, which was conducted with the Road Development Authority and Coca Cola Beverages (Pvt) Ltd. Collected 272 Kgs of PET bottles by placing waste collection bins at all exits of the expressway.

During the Katharagama Waste Management Programme, which was held in collaboration with Coca Cola Beverages (PVT) Ltd and the Soba Mithuru Youth Club, a total of 5,725 Kgs of waste PET bottles accumulated

At the Crow Island Beach Cleaning Programme which was organised with Parley for Ocean and Caritas Sri Lanka, saw the removal of 637 Kgs of PET bottles from the beach.

*Siripada PET bottles collection*


*PET Supplier Convention*


Southern *expressway waste PET bottles collection launch*

*Katunayake expressway waste PET bottles collection launch*

# Corporate Social Responsibility

*Crow Island beach clean up*

*Katharagama waste plastic clean up*

*Thalawila church plastic clean up*

Following the International Kite Festival at Galle Face Green, Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd) stepped in to clear up all the discarded PET bottles.

At the BMICH Book Fair 2018, Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd) collected 295 Kgs of waste PET bottles.

## COMMUNITY ENGAGEMENTS

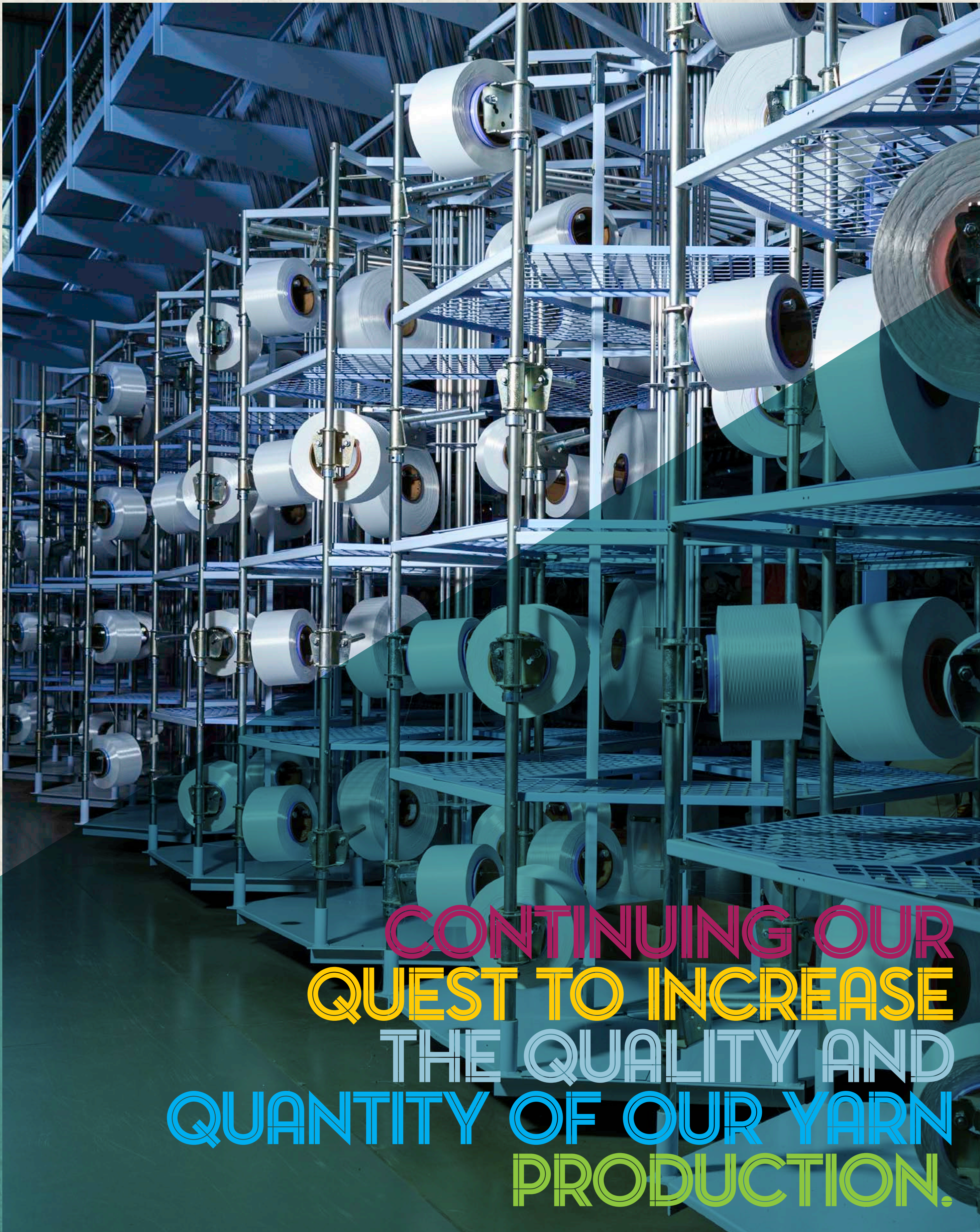
BPPL conducts many social welfare programmes for communities in the Ingiriya factory locality on a regular basis. These activities include the annual school book donations, food, and other items to the Ingiriya temple to be distributed among needy families in the village. In addition, we also support various public institutions such as the Ingiriya Police and Pradeshiya Sabha in their events.

As a continues religious activity we conducted the Poson dansala .

## AWARDS

We are proud to report that at the Presidential Environment Awards 2018, Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd) was awarded the bronze trophy in the category of Solid waste recovery/ Recycling/ Disposal or processing plants,. Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd) is Sri Lanka's first and only plastic recycling company to win a National Green Award at a Presidential Environment Award.

*Poson dansela*



Continuing our quest to increase the quality and quantity of our yarn production.

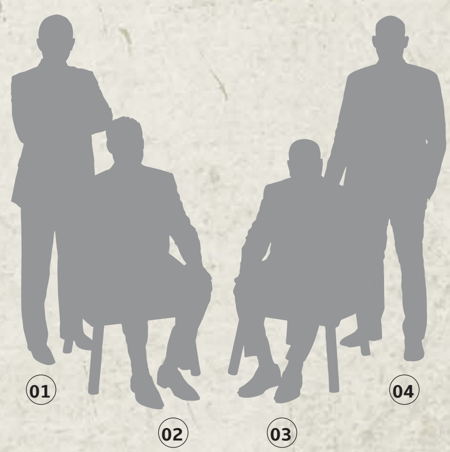
# Board of Directors

*01. Mr. Ranil Prasad Pathirana*
**Non-Executive Director**

*02. Mr. B D Prasad Devapriya Perera*
**Executive Director**

*03. Mr. Sarath Dayantha Amarasinghe*
**Chairman**

*04. Mr. Savantha Rishad Sproule De Saram*
**Independent Non-Executive Director**

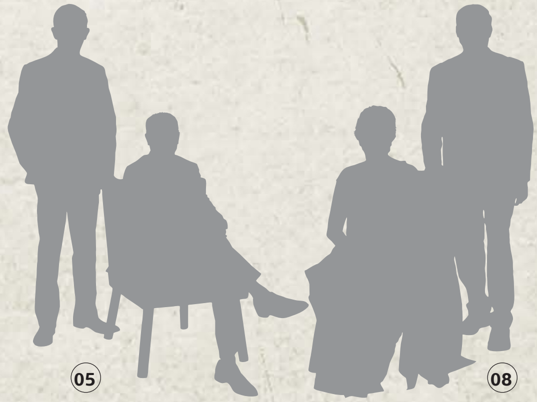


***05. Mr. Manjula Hiranya De Silva***
***Independent Non-Executive Director***

***06. Dr. Anush Amarasinghe***
***Managing Director/Chief Executive Officer***

***07. Ms. Sharmini Ratwatte***
***Independent Non-Executive Director***

***08. Mr. Vaithilingam Selvaraj***
***Executive Director/Chief Financial Officer***



# Board of Directors

***01. Mr. Ranil Prasad Pathirana***
***Non-Executive Director***

**Business Experience**
Mr. Ranil Pathirana has extensive experience in finance and management in financial, apparel/ manufacturing and energy sectors. He is a Fellow member of the Chartered Institute of Management Accountants, UK (FCMA) and holds a Bachelor of Commerce degree from the University of Sri Jayewardenepura.

Mr. Pathirana is a Director of the Hirdaramani Group Holding Companies, and the Managing Director of Hirdaramani International Exports (Pvt) Ltd.

**Non-Executive Directorships**
Beira Brush (Private) Limited
Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd)
BPPL Enterprises (Private) Limited
Sampath Bank PLC
Alumex PLC
Ceylon Hotels Corporation PLC
Ambeon Capital PLC
Odel PLC

***02. Mr. B D Prasad Devapriya Perera***
***Executive Director***

**Business Experience**
Mr. Perera, who is a science graduate with a second class from the University of Colombo and a certified Director of the Sri Lanka Institute of Directors, is the chief operating officer at Beira Brush (Pvt) Ltd. Starting his career at BPPL as a Management Trainee in 1991, Mr. Perera has served the Company for 27 years in various capacities. His previous employment was at Brandix Lanka Limited, as a sectional head.

Mr. Perera also holds Director positions at Beira Brush (Private) Limited, Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd) and BPPL Enterprises (Private) Limited.

**Other Directorships**
Beira Brush (Private) Limited
Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd)
BPPL Enterprises (Private) Limited

***03. Mr. Sarath Dayantha Amarasinghe***
***Chairman***

**Business Experience**
Mr. Sarath Dayantha Amarasinghe is a Chartered Engineer by profession. A Member of the Institute of Mechanical Engineers, UK – M I Mech E and a Member of the Institute of Marine Engineers, UK - M I Mar E. He is also a Member of the Institute of Chartered Engineers, UK and a Member of the Institute of Engineers, Sri Lanka – MIE (S.L). He counts over 35 years of service at Colombo Commercial Company (Engineers) Ltd., of which he served as its General Manager/ Managing Director for a period of 10 years. He also served as Chairman/ Managing Director at Alumex Group of Companies for a period of Seven years.

**Other Directorships**
Beira Brush (Private) Limited
Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd)
BPPL Enterprises (Private) Limited
Infinity Capital (Pvt) Ltd

***04. Mr. Savantha Rishad Sproule De Saram***
***Independent Non-Executive Director***

**Business Experience**
Savantha De Saram, is the Senior Partner of M/s D. L. & F. De Saram, Attorneys-at- Law, specialising in infrastructure, corporate restructuring, M&A, cross border financing (including project financing) and corporate and commercial law. He holds a LLB (Hons) from Holborn Law College London, and is a Barrister-of-Law (of Lincoln's Inn) and an Attorney-at- Law. He has been in practice for over 18 years. He currently serves as a Non-Executive director of Hunters & Co. PLC.

**Other Directorships**
Hunters and Co. PLC

***05. Mr. Manjula Hiranya De Silva***
***Independent Non-Executive Director***

**Business Experience**
Mr. Manjula De Silva holds a BA Hons (1st Class) degree in Economics from the University of Colombo and a MBA from London Business School, UK. He is also a FCMA (UK) and a CGMA. Mr. De Silva held the positions of CEO and Managing Director at HNB Assurance PLC. He is currently the Chairman at the National Insurance Trust Fund (NITF). He has formerly held positions at NDB Wealth Management and the Public Enterprises Reform Commission (PERC). He has also served as the Chairman of CIMA (Chartered Institute of Management Accountants) Sri Lanka Board. He is also a commission member of the Securities and Exchange Commission of Sri Lanka (SEC).

**Other Directorships**
National Insurance Trust Fund
Tea Smallholder Factories PLC

***06. Dr. Anush Amarasinghe***
***Managing Director/Chief Executive Officer***

**Business Experience**
Dr. Amarasinghe holds a Bachelor of Science and Ph.D. degree in Electronics Engineering from the Loughborough University of Technology, UK, and is a veteran investor with many years of hands-on business management experience.

Dr. Amarasinghe began his career as a Research Engineer at Thorn EMI Central Research Laboratories, UK where he patented two inventions on low cost, low energy consuming electronic ballasts for lighting equipment. Between 1993 and 1998 Dr. Amarasinghe worked at SG Securities as an investment research analyst and an investment banker. He was an early investor in Millennium Information Technologies (MillenniumIT) and in 1999 joined MillenniumIT as its Chief Financial Officer. He was elected to the Board in 2001 and was appointed Chief Operating Officer in 2004. In 2009 MillenniumIT was sold to the London Stock Exchange Group, UK, and Dr. Amarasinghe left the company in 2012, after serving a mandatory three-year post-sale agreement.

Whilst at MillenniumIT, Dr. Amarasinghe was also a founding partner and investor in E-Channelling, and was instrumental in listing E-Channelling on the Colombo Stock Exchange. Dr. Amarasinghe was also a director and an early investor in Alumex Anodising and Machine Tools (Pvt) Ltd.

BPPL Holdings PLC (BPPL) is Dr. Amarasinghe's most recent investment. He acquired the company in 2012.

**Other Directorships**
Beira Brush (Private) Limited
Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd)
BPPL Enterprises (Private) Limited
Infinity Capital (Pvt) Ltd

***07. Ms. Sharmini Ratwatte***
***Independent Non-Executive Director***

**Business Experience**
Ms. Sharmini Ratwatte is a Fellow member of the Chartered Institute of Management Accountants, UK and holds a Master of Business Administration from the University of Colombo. Sharmini is a Non-Executive Director at Ceylon Cold Stores PLC. She is also a Founder Trustee of the Federation of Environmental Organisations, and the Sunera Foundation.

Ms. Sharmini Ratwatte was recognised as the Zonta "Woman of Achievement - Management" in 2004.

**Other Directorships**
Ceylon Cold Stores
Trustee at Sunera Foundation

***08. Mr. Vaithilingam Selvaraj***
***Executive Director/Chief Financial Officer***

**Business Experience**
Mr. Selvaraj holds an MBA from the Australian Institute of Business, is an Associate Member of the Chartered Institute of Management Accountants, UK (ACMA) and a CGMA and Associate Member of the Institute of Data Processing Management (AIDPM). He is also a Graduate Member of the Sri Lanka Institute of Directors.

In terms of business management experience, Mr. Selvaraj counts over 34 years in the manufacturing sector, out of which 33 years were in senior managerial positions in the areas of finance, supply chain management, export sales, IT and general management. He served as the Chief Accountant of the Phoenix Group of Companies for nine years, and has been a Director of Moosajees (Private) Limited for 25 years.

Mr. Selvaraj is also on the boards of Beira Brush (Private) Limited, Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd), BPPL Enterprises (Private) Limited and Moosajees (Private) Limited. He is also a Non-Executive Director Moot Investments (Private) Limited and Gold Coins Feed Mills (Lanka) Limited.

**Other Directorships**
Beira Brush (Private) Limited
Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd)
BPPL Enterprises (Private) Limited
Moosajees (Private) Limited
Moot Investment s (Private) Limited
Gold Coins Feed Mills (Lanka) Limited

# Corporate Governance Review

BPPL Holdings PLC is a Public Limited Company listed on the Colombo Stock Exchange (CSE) and registered under the Companies Act No. 07 of 2007.

## STEWARDSHIP

Corporate governance and risk management combine to define how we conduct business at BPPL Holdings PLC. Together they form our playbook, articulating our vision, values and philosophy, providing structure for decision making at appropriate levels. Finely balanced to drive efficiency and innovation while providing sufficient safeguards to preserve value, they facilitate careful stewardship of the Company.

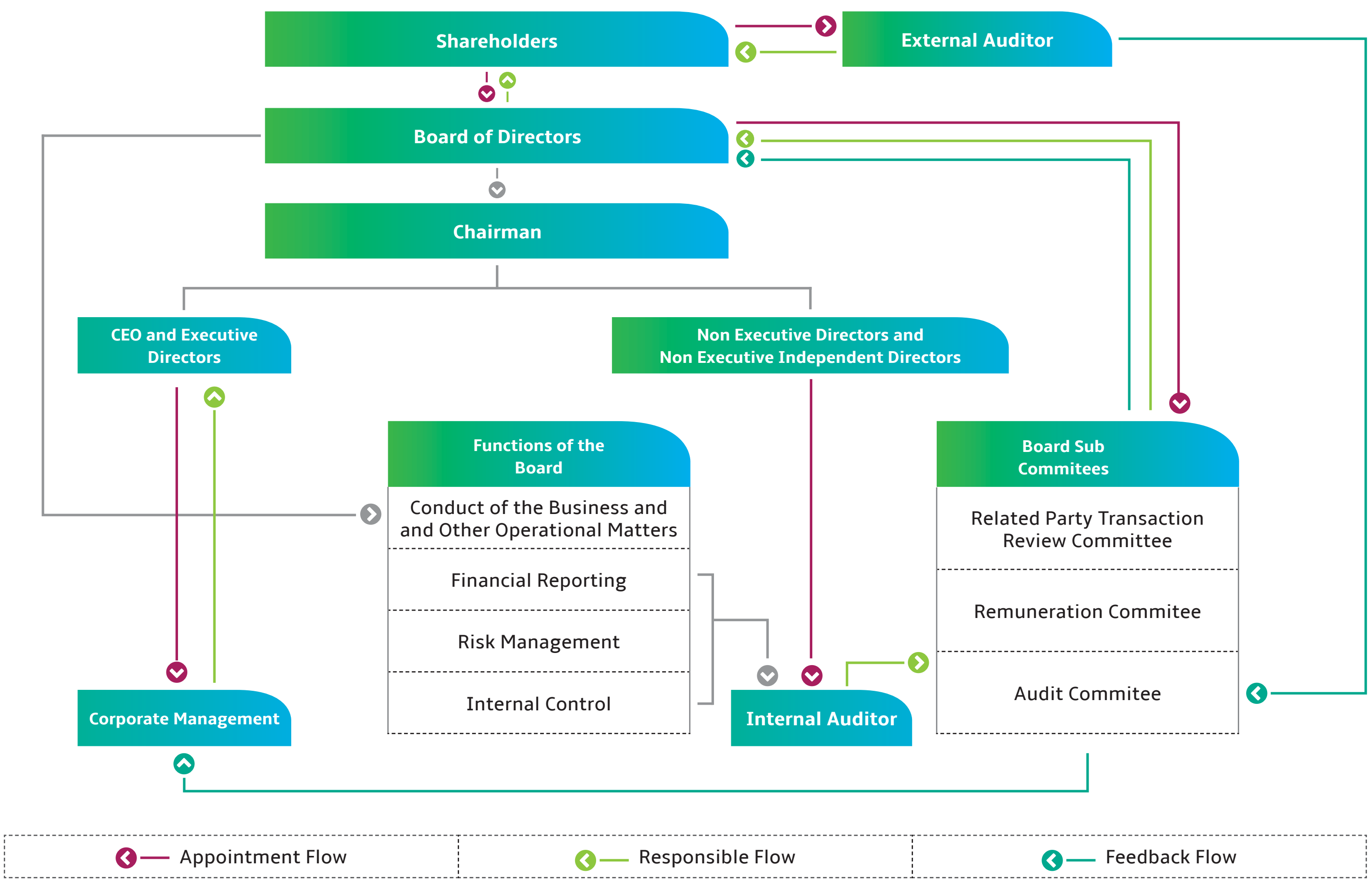
The Board is committed and takes responsibility to conduct the Company's business ethically and maintains the highest standards of Corporate Governance. The Board also ensures enhancement of stakeholders' value whilst ensuring that proper internal control systems are in place by complying with the generally accepted Corporate Governance practices such as,

- Listing Rules of the Colombo Stock Exchange (CSE)
- Companies Act No. 07 of 2007 and,
- Corporate Governance best practices stipulated jointly by the Securities & Exchange Commission (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICSAL).

The Company's Corporate Governance framework is expected to ensure transparency and a good governance system leading towards enhancing profitability and long-term economic and environmental sustainability.

## CORPORATE GOVERNANCE STRUCTURE

The Company's Governance Framework is depicted in the following diagram that indicates the appointment flow, responsibility flow and feedback flow.



## COMPOSITION OF THE BOARD

The Board has the overall responsibility and accountability for the management of the affairs of the Company, maintenance of prudent risk management practices and safeguarding stakeholder rights. The Board is currently comprised of eight Directors consisting of three Executive Directors and five Non-Executive Directors. Out of the five Non-Executive Directors, three are independent and their independent outlook is to bring an independent view and judgment to the Board with their wide range of expertise and significant experience. There is significant balance of power, minimising the tendency for one or few members of the board to dominate the board processes or decision making. Brief profiles of the Directors are set out on Pages 24 and 25.

| Name of the Director | Executive | Non-Executive | Independent |
|---|---|---|---|
| Dr. Anush Amarasinghe | √ | | |
| Mr. Sarath Amarasinghe | | √ | |
| Mr. Ranil Pathirana | | √ | |
| Mr. Manjula De Silva | | √ | √ |
| Ms. Sharmini Ratwatte | | √ | √ |
| Mr. Savantha De Saram | | √ | √ |
| Mr. Vaithilingam Selvaraj | √ | | |
| Mr. Prasad Perera | √ | | |

## OPERATION OF THE BOARD

Board meetings are held on a quarterly basis with the flexibility to arrange ad-hoc meetings to supplement these when required. Meetings are arranged well in advance with the agenda and information relating matters set before the board circulated at least one week in advance facilitating sufficient time for due consideration of the same. The board met 4 (four) times during the year under review. The attendance of the Directors for board meetings during the financial year ended 31st March 2019 are as follows,

| Name of the Director | Role | Board Meetings |
|---|---|---|
| Dr. Anush Amarasinghe | ED/Managing Director/CEO | 4/4 |
| Mr. Sarath Amarasinghe | NED/Chairman | 3/4 |
| Mr. Ranil Pathirana | NED | 4/4 |
| Mr. Manjula De Silva | INED | 4/4 |
| Ms. Sharmini Ratwatte | INED | 4/4 |
| Mr. Savantha De Saram | INED | 3/4 |
| Mr. Vaithilingam Selvaraj | ED/Director Finance/CFO | 4/4 |
| Mr. Prasad Perera | ED/Director-Factory operations | 4/4 |

## BOARD HIGHLIGHTS 2018/19

The Board approved,

- Making paint brushes in Sri Lanka and marketing under the Tip Top brand
- Assessing the locations and funding methods for the next phase of Group's expansion

## SUB COMMITTEES TO THE BOARD

The Board has delegated some of the functions to three Board sub committees, Audit Committee, Remuneration Committee and Related Party Transactions Committee which operate within clearly defined terms of reference. Each Sub Committee consists of three Non-Executive Directors and is chaired by a Non-Executive Independent Director

### 1. Audit Committee

The Audit Committee is required to help the Company achieve a balance between conformance and performance. It is responsible for reviewing the function and process of internal controls in the Company and ensuring the effectiveness of the controls. The committee also reviews the Financial Statements of the Company to monitor the integrity of same. Furthermore, all audit activities are monitored by the committee to ensure compliance and adherence to statutory and regulatory requirements and industry best practices.

The Audit Committee updates the Board at regular intervals of the outcome of its meetings and circulates the minutes of its meetings. The Audit Committee consists of the following three Non-Executive Directors, two of whom are Independent:

# Corporate Governance Review

**Mr. Manjula De Silva**
*Chairman - Non-Executive independent Director*
**Ms. Sharmini Ratwatte**
*Member- Non-Executive Independent Director*
**Mr. Ranil Pathirana**
*Member - Non-Executive Director*

The Company Secretary serves as its Secretary. The Board has appointed an external professional firm to carry out the internal audit functions as directed by the Audit Committee and submit their findings. The Internal Auditors and the Chief Financial Officer (CFO) are invited to attend the meetings. Other Senior Executives are invited to attend where necessary.

The Audit Committee held four meetings for the financial year ended 31st March 2019. Audit Committee Report on Page 32 describes the activities carried out during the financial year ended 31st March 2019.

**2. Remuneration Committee**

Remuneration Committee ensures that the Company has well–established, formal and transparent procedures in place for developing an effective remuneration policy for both Executive and Non-Executive Directors. No Director is involved in deciding his/her own remuneration to avoid potential conflicts of Interest. The committee is also responsible for setting up the remuneration policy and providing guidelines to the Board on the overall remuneration framework (including setting performance incentives and targets) to ensure that remuneration levels are sufficient to attract and retain the caliber of professionals required for the successful management and operations of the Company. The Remuneration Committee consists of the following three Non-Executive Directors two of whom are Independent:

**Mr. Savantha De Saram**
*Chairman - Non-Executive Independent Director*
**Ms. Sharmini Ratwatte**
*Member- Non-Executive Independent Director*
**Mr. Ranil Pathirana**
*Member - Non-Executive Director*

The Remuneration Committee held two meetings for the financial year ended 31st March 2019. The report on the Remuneration Committee is on page 33 and highlights its main activities.

**3. Related Party Transactions Review Committee**

The Related Party Transactions Review Committee ensures that the interest of shareholders as a whole is taken into account when engaging in transactions with related parties. The Related Party Transactions Review Committee consists of the following three Non-Executive Directors two of whom are Independent:

**Mr. Manjula De Silva**
*Chairman - Non-Executive Independent Director*
**Ms. Sharmini Ratwatte**
*Member- Non-Executive Independent Director*
**Mr. Ranil Pathirana**
*Member - Non-Executive Director*

The Related Party Transaction Committee held three meetings for the financial year ended 31st March 2019. The report of the Related Party Transactions Review Committee is on Page 34 and highlights its main activities.

## COMPLIANCE

**Statement of Compliance**

The Board places significant emphasis on strong internal compliance procedures. The Financial Statements of the Company are prepared in strict compliance with the guidelines of the Sri Lanka Accounting Standards and other statutory regulations. The Board of Directors, to the best of their knowledge and belief, are satisfied that all statutory payments have been made to date.

Each of the non-executive Directors have submitted a declaration of their independence /non-independence pursuant to Rule 7.10.2(b) of the Listing Rules of the Colombo Stock Exchange and the Board of Directors have made an annual determination as to the independence /non-independence of each non-executive Director based on their declarations pursuant to Rule 7.10.3(a) of the Listing Rules of the Colombo Stock Exchange. Accordingly, the following Directors are determined to be Independent Non-Executive Directors:

**Mr. Manjula De Silva**
**Ms. Sharmini Ratwatte**
**Mr. Savantha De Saram**

As a responsible organisation, BPPL Holdings PLC adheres to the following regulations, code and best practices published by different Government bodies.

- Companies Act No. 7 of 2007.
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Code of Best Practices on Corporate Governance jointly issued by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.
- Corporate Governance requirements listed under Section 7 & 9 of the listing Rules Issued by the Colombo Stock Exchange
- Listing Requirements of the Colombo Stock Exchange
- Inland Revenue Act No.24 of 2017
- Foreign Exchange Act No 12 of 2017
- Customs Ordinance
- Employees Provident Fund Act No 15 of 1958
- Employees Trust Fund Act No 46 of 1980
- Payment of Gratuity Act No 12 of 1983
- Factory Ordinance No 45 of 1942
- Shop and Office employees Act No 15 of 1954
- Workman Compensation Ordinance No 19 of 1934
- Maternity Benefits Ordinance No 32 of 1939

Corporate Governance requirements listed under Section 7 & 9 of the listing Rules Issued by the Colombo Stock Exchange (CSE)

| CSE- Section Reference | Requirement | Compliance Status |
|---|---|---|
| 7.10.1 | Non-Executive Directors | In Compliance |
| 7.10.2 | Independent Directors | In Compliance |
| 7.10.3 | Disclosure relating to Directors | In Compliance |
| 7.10.4 | Criteria for 'Independence' | In Compliance |
| 7.10.5 | Remuneration Committee | In Compliance |
| 7.10.6 | Audit Committee | In Compliance |
| 9 | Related Party Transaction | In Compliance |

# Risk Management

## MITIGATING STRATEGIES IMPLEMENTED

Risk Management is the identification, assessment and prioritisation of the uncertainty on objectives. BPPL Holdings PLC recognises the importance of Risk Management within the organisation and its operational environment .

The Board of directors assumes overall responsibility of formulating policy and implementing effective systems of control in financial and operational objectives of the company and in complying with legal regulations enforced by statutory bodies.

| Risk | Risk Assessment | BPPL Risk Mitigating Strategies | Risk Profile | |
|---|---|---|---|---|
| | | | Impact | Probability of Occurrence |
| Business Risk | The Group is engaged in manufacturing brushes, yarn and related products. Ninety five percentage of its production is directly or indirectly exported. Therefore it's exposed to all export market risks associated with growth. | Explore new market segments with new product development.<br>Diversified customer portfolio.<br>Ensure high level of customer engagement. | Moderate | Low |
| Operational Risk | Weakness in internal control systems, human errors and limitations, natural disasters , machine breakdowns, obsolete systems and practices. | Conducting periodic internal control audits and implementing standardised procedures.<br>Reduce human errors by providing adequate training. Use Integrated Computerised ERP system in all level of operation.<br>Conduct periodic machinery maintenance. | Moderate | Low |
| Environmental Risks | The Group uses plastic and wood based raw materials to its products. | Obtain annual license from Central Environmental Authority.<br>Use recycled plastic materials together with modern technology.<br>Use approved chemicals with allowed dose, have proper disposal and recycling system in the water treatment process.<br>Sourcing wood from Forest Stewardship Council (FSC) certified sources. | Moderate | Low |
| Human Resources | Reduction in productivity and quality due to employee turnover and poor employee retention. | Periodic salary survey and ensure market rate remuneration is paid.<br>Structured talent management process through productivity based incentives.<br>Effective staff training and developments programs.<br>Improve employee engagement through attractive welfare activities. | Moderate | Low |

| Risk | Risk Assessment | BPPL Risk Mitigating Strategies | Risk Profile | |
|---|---|---|---|---|
| | | | Impact | Probability of Occurrence |
| Product Quality Risk | Inconsistency in product quality and its negative impacts on prices and market share. | Retain international and local quality standard certifications and improve 5S system among all departments. | Moderate | Low |
| Information Technology Risk | IT software and hardware are exposed to failure risk, disaster risk, spam, viruses and malicious attacks. | Securing data through daily back up, firewall, antivirus and spam filters.<br>Use only licensed soft wares.<br>Protect hardware using adequate warranty and insurance cover. | Moderate | Low |
| Interest Rate Risk | Risk of increasing interest rates and its impact on Groups profits .<br>Fiscal and monitory policy changes have a direct impact on liquidity and production cost | 100% US Dollar based borrowing at competitive interest rates. | Moderate | Low |
| Foreign Exchange Rate Risk | Risk of adverse foreign exchange rate fluctuations and its impact on Groups profits. | Make foreign currency cash outflows using export proceeds and reach natural hedge.<br>Source more raw material from Sri Lanka. | High | Moderate |
| Investment Risk | Adequate return on investment depends on global economic trends and continuous orders from customers. | Undertake proper suitability, acceptability and feasibility study before making investments. | Moderate | Low |
| Inventory Risk | Risk of excess stock and higher inventory holding cost. Risk of inventory shortages and higher ordering costs.<br>Risk of holding obsolete and slow moving inventory items. | Maintaining inventories within the entitlement level minimise both inventory ordering and holding cost.<br>Conducting periodic inventory meetings and closely monitoring inventory levels to minimise slow moving inventories and avoid obsolete inventory items. | Moderate | Low |
| Credit Risk | Inability to recover credit from customers. | Efficient follow up on cash collection at SBU level.<br>Obtaining collaterals for local customers. | Moderate | Low |
| Reputation Risk | The potential for negative publicity, public perception or uncontrollable events to have an adverse impact on the Group's reputation thereby affecting the Group's revenue. | Managing and improving the Group's reputation through effective CSR programs. Compliance with Statutory requirements , code of best corporate governance and adoption of sustainable initiatives. | Moderate | Low |

# Report of the Audit Committee

The Audit Committee Charter, approved by the Board of Directors defines the purpose, authority, composition, meeting and responsibilities of the Committee. The Audit Committee is responsible for oversight of the integrity of the financial statements of the Company, of the Company's compliance with legal and regulatory requirements, of the independence and qualifications of the internal auditor and of the performance of the Company's internal audit function and internal auditors.

The Audit Committee consisted of three Non-Executive directors out of which two are Independent. Mr. Manjula De Silva, Chairman, Ms. Sharmini Tamara Ratwatte and Mr. Ranil Prasad Pathirana are members of the Committee. All members of the Audit Committee are fellow members of the Chartered Institute of Management Accountants (CIMA). The Company Secretary functions as Secretary to the Audit Committee.

Board approved to assign a professional firm to perform specific internal audits in accordance with the Internal audit Plan suggested by the Audit Committee which ensured that it covered the major operational aspects of the Company. KPMG, Chartered Accountants was selected as internal auditors and their final reports were reviewed by the Audit Committee after management response. The Audit Committee considers that the internal audit function is free from conditions that threaten the ability to carry out the internal audit activities in an unbiased manner. The Committee has reviewed the processes in place to ensure the effectiveness of internal controls that have been designed to provide reasonable assurance to the Directors that assets are safeguarded and represented in the financial statements accurately.

The Committee reviewed the financial reporting system adopted by the Group in the preparation of its quarterly and annual Financial Statements to ensure reliability of the processes and consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Accounting Standards.

The Audit Committee held four meetings during the year under review. The attendance of the Directors at the Audit Committee meetings for the financial year ended 31st March 2019 were as follows;

| | |
|---|---|
| Mr. Manjula De Silva | 4/4 |
| Ms. Sharmini Tamara Ratwatte | 4/4 |
| Mr. Ranil Prasad Pathirana | 2/4 |

KPMG Internal auditors and the Chief Financial Officer (CFO) is invited to attend the meetings. Other Senior Executives of the management personnel are also invited to attend the meetings where necessary.

The Committee received information and support from management during the year to enable it to carry out its duties and responsibilities effectively.

The Audit Committee is satisfied that the control environment prevailing in the organisation provides reasonable assurance regarding the reliability of the financial reporting of the Company, the assets are safeguarded and the Listing Rules of the CSE have been met.

**Manjula De Silva**
*Chairman*
Audit Committee

26th June 2019

# Report of the Remuneration Committee

The Remuneration Committee, appointed by and responsible to the Board of Directors, consists of the following two Non-Executive Independent Directors namely Mr. Savantha Rishad Sprould De Saram and Ms. Sharmini Tamara Ratwatte and Non executive Director namely Mr. Ranil Prasad Pathirana. The Committee is chaired by Mr. Savantha Rishad Sprould De Saram.

| Name of the Director | Role | Non-Executive | Independent |
|---|---|---|---|
| Mr. Savantha Rishad Sprould De Saram | Chairman | √ | √ |
| Ms. Sharmini Tamara Ratwatte | Member | √ | √ |
| Mr. Ranil Prasad Pathirana | Member | √ | |

The Committee met once during the financial year. The attendance of the Directors at the Remuneration Committee meeting for the financial year ended 31st March 2019 was as follows;

| | |
|---|---|
| Mr. Savantha Rishad Sprould De Saram | 1/1 |
| Ms. Sharmini Tamara Ratwatte | 1/1 |
| Mr. Ranil Prasad Pathirana | 1/1 |

## ROLE OF THE COMMITTEE

The Remuneration Committee has reviewed and recommended to the Board of Directors the policy of remuneration for the executive staff. The aggregate remuneration received by the Directors was Rs. 27.7 Million.

## REMUNERATION POLICY

In a highly competitive environment, attracting and retaining high caliber executives is a key challenge faced by the Company. In this context, the Committee took into account competition, market information and performance evaluation methodology in declaring the overall remuneration policy.

**Savantha Rishad Sprould De Saram**
*Chairman*
Remuneration Committee
Colombo

26th June 2019

# Report of the Related Party Transactions Review Committee

The Company complies with the relevant legislation by forming the Related Party Transactions Committee to ensure that the interests of shareholders as a whole are taken into account when engaging in transactions with related parties.

The Related Party Transactions Review Committee consists of two Independent Non- Executive Directors namely Mr. Manjula De Silva and Ms. Sharmini Tamara Ratwatte, and one Non –Executive Director namely Mr. Ranil Prasad Pathirana.

The Committee is chaired by Mr. Manjula De Silva. The Committee held three meetings during the year under review. The Company Secretary functions as Secretary to the Committee. The attendance of the Directors at the Related Party Transaction Review Committee meetings for the financial year ended 31st March 2019 were as follows;

| | |
|---|---|
| Mr. Manjula De Silva | 3/3 |
| Ms. Sharmini Tamara Ratwatte | 3/3 |
| Mr. Ranil Prasad Pathirana | 1/3 |

## THE POLICIES AND PROCEDURES

The Company has in place a Related Party Transactions Policy whereby the categories of persons who shall be considered as “related parties” has been identified. In accordance with the Related Party Transactions Policy, self-declarations are obtained from each Director and Key Management Personnel of the Company for the purpose of identifying parties related to them.

As per the existing practice, a detailed report on the related party transactions is submitted to the Board of Directors periodically and such transactions are also disclosed to the shareholders through the Company’s financial statements. The Related Party Transactions Review Committee reinforces its functions by revisiting the Terms of References of the Committee and Related Party Transactions Policy and re-aligning the internal procedures and policies with the requirements thereof.

The Company’s ERP system provides complete, timely, adequate and relevant information to the Board and senior management and thereby to the Related Party Transactions Review Committee.

The Related Party Transactions Review Committee reviewed the related party transactions and their compliances of BPPL Holdings PLC and communicated the same to the Board.

During the financial year ended 31st March 2019, there were no non-recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange. The recurrent related party transactions entered into by the Company during the financial year ended 31st March 2019 are given in note 27.1 of the financial statements.

**Manjula De Silva**
*Chairman*
Related Party Transactions Review Committee

26th June 2019

# Annual Report of the Board of Directors

The Directors have pleasure in presenting the Third Annual Report of the Company for the year ended 31st March 2019, after listing on the Colombo Stock Exchange.

## PRINCIPAL ACTIVITIES

The principal activities of the Company and the Group are detailed in Note 1.2 of the financial statements.

## FINANCIAL STATEMENTS

The financial statements of the Group and Company for the year ended 31st March 2019 which have been prepared in accordance with Sri Lanka Accounting Standards (SLRFS/LKAS) with the inclusion of signatures of the Managing Director /CEO, Director-Finance /Chief Financial Officer and Senior Manager Finance are set out on pages 44 to 85 which form a part of the Annual Report.

## AUDITOR'S REPORT

The Auditor's Report is set out on pages 40 to 43 of the Annual Report.

## FINANCIAL RESULTS AND APPROPRIATIONS

**Revenue**

Revenue generated by the Company amounted to Rs. 643 million (2018 – Rs. 668 million) whilst Group revenue amounted to Rs. 2,741 million (2018 – Rs. 2,616 million).

**Profit and Appropriations**

The profit or loss after tax of the Company was Rs. -1 million (2018 – Rs. 132 million) whilst the Group profit attributable to the equity holders of the Company was Rs. 370 million (2018 – Rs. 366 million).

The Company's total comprehensive income or loss net of tax was Rs. -0.7 Million (2018 – Rs. 66 Million) and the Group total comprehensive income attributable was Rs. 372 Million (2018 – Rs. 294 Million).

## DIVIDEND AND RESERVES

As required by Section 56(2) of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act No. 7 of 2007, and has obtained a certificate from the auditors, prior to declaring all dividends. The Company paid interim dividends of 18 cents per share and 24 cents per share on 16th August 2018 and 18th February 2019 respectively for the year ended 31st March 2019.

## ACCOUNTING POLICIES

All the significant accounting policies adopted by the Company and the Group are mentioned in Note 2 to the financial statements.

## DONATIONS

Total donations made by the Company and the Group during the year amounted to Rs. 671,033 (2018 – Rs. 613,085) and Rs. 1,917,472 (2018 – Rs. 1,731,606) respectively.

## RELATED PARTY TRANSACTIONS

The Company's transactions with related parties given in Note 27 to the financial statements, have complied with Colombo Stock Exchange Listing Rule 9 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

## CAPITAL EXPENDITURE

The Company's and Group's capital expenditure on property, plant and equipment amounted to Rs. 130 Million (2018 – Rs. 130 Million) and Rs. 727 Million (2018 – Rs. 976 Million) respectively and all other information and movements have been disclosed in Note 4 to the financial statements.

The Company's and Group's additions to intangible assets amounted to Rs. 1.6 Million (2018 – Rs. 1.2 Million) and Rs. 3.7 Million (2018 – Rs. 7.1 Million) respectively and all other information and movements have been disclosed in Note 5 to the financial statements.

## VALUATION OF PROPERTY, PLANT & EQUIPMENT

All information relating to property, plant and equipment is given in Note 2.4.7 to the financial statements.

## STATED CAPITAL

The stated capital of the Company as at 31st March 2019 was Rs. 100,371,584/- represented by 306,843,357 Shares.

## SHARE INFORMATION

The distribution and composition of shareholders and the information relating to dividends, market value per share, and share trading are given in the Investor Information section of the Annual Report.

## MAJOR SHAREHOLDERS

Details of the twenty largest shareholders of the Company and the percentages held by each of them are disclosed in the Investor Information section of the Annual Report.

## INVESTMENTS

Detailed description of the long term investments held as at the reporting date is given in Note 6 to the financial statements.

## REVENUE RESERVES

Revenue reserves as at 31st March 2019 for the Company and the Group amounted to Rs. 184 Million (2018 – Rs. 313 Million) and Rs. 2,063 Million (2018 – Rs. 1,820 Million) respectively. The movement and composition of the reserves are disclosed in the Statement of Changes in Equity.

# Annual Report of the Board of Directors

## THE BOARD OF DIRECTORS

The Directors of the Company as at 31st March 2019 were as follows and their brief profiles are given in the Board of Directors section of the Annual Report:

Mr. S D Amarasinghe
Dr. Anush Amarasinghe
Mr. R P Pathirana
Mr. V Selvaraj
Mr. B D P D Perera
Mr. M H De Silva
Mrs. S T Ratwatte
Mr. S R Sproule De Saram

## RETIREMENT AND RE-ELECTION OF DIRECTORS

As per Article 81 of the Articles of Association of the Company, Mr. B D P D Perera and Mr. M H De Silva retire by rotation, and being eligible, offer themselves for re-election.

A resolution for the re-appointment of Mr. S D Amarasinghe who is over the age of 70 years will be proposed at the annual general meeting of the Company.

## INTERESTS REGISTER AND INTERESTS IN CONTRACTS

The Company has maintained an Interests Register as required by the Companies Act No. 7 of 2007.

All the Directors have made a general disclosure relating to share dealings and other Directorships to the Board of Directors as required by Section 192(2) of the Companies Act No. 7 of 2007 and no additional interests have been disclosed by any Director. The Interests Register is available at the office of the Company Secretaries of the Company, in keeping with the requirements of Section 119(1) (d) of the Companies Act No. 7 of 2007.

## DIRECTORS REMUNERATION

Details of the remuneration and other benefits received by the Directors are set out in Note 27.2 to the financial statements.

## CORPORATE GOVERNANCE

The Board of Directors is committed towards maintaining an effective Corporate Governance Framework and implementing systems and structures required to ensure best practices in Corporate Governance and their effective implementation. Details of Corporate Governance Framework and Systems followed by the Company are given in the Corporate Governance Review section of the Annual Report.

## EMPLOYMENT

The Group has an equal opportunity policy and these principles are practiced in specific selection, training, development and promotion policies, ensuring that all decisions are based on merit. The Group practices equality of opportunity for all employees irrespective of ethnicity, religion political opinion, gender, marital status or different physical attributes.

The number of persons employed by the Company and Group as at 31st March 2019 was 252 (2018 - 264) and 871 (2018 - 808) respectively.

## ENVIRONMENTAL PROTECTION

The Group complies with the relevant environmental laws, regulations and endeavors to comply with best practices applicable. Details of activities in the above area are contained in the report on sustainability included in this Annual Report.

## STATUTORY PAYMENTS

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries, and all other known statutory dues as were due and payable by the Company and its subsidiaries as at the statement of financial position date have been paid or where relevant provided for.

## RISK MANAGEMENT

The Board confirms that there is an ongoing process of identifying evaluating and managing any significant risks faced by the Group. The significant risks faced by the group and the group's risk mitigating strategies are given in the Risk Management section of the Annual Report.

## EVENTS AFTER THE REPORTING PERIOD

Except for the event disclosed in Note 26 to the financial statements, there have been no other events subsequent to the reporting date which require disclosure or adjustments to the financial statements.

## GOING CONCERN

The Directors are satisfied that the Company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future, to justify adopting the going concern basis in preparing these financial statements.

### AMOUNTS PAYABLE TO THE FIRM HOLDING OFFICE AS AN AUDITOR

Details of audit fees paid to the Auditors for the period under review are set out in Note 19 to the financial statements.

### AUDITOR'S RELATIONSHIP OR ANY INTEREST WITH THE COMPANY

The Directors are satisfied that the auditors did not have any relationship or any interest with the Company that would impair their independence.

### APPOINTMENT OF AUDITORS

A resolution to re-appoint the auditors, M/s. Ernst & Young, Chartered Accountants, who have expressed their willingness to continue, will be proposed at the Annual General Meeting of the Company.

### COMPLIANCE WITH LAWS AND REGULATIONS

To the best of knowledge and belief of the Directors, the Company or Group has not engaged in any activity which contravenes laws and regulations of the country.

### ANNUAL REPORT

The Board of Directors approved the financial statements on 26th June 2019. The appropriate number of copies of this report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board on 3rd July 2019.

### ANNUAL GENERAL MEETING

The annual general meeting will be held at Elevate Banquet Hall, 28th Floor, Access South Tower, No. 278/4, Union Place Colombo - 02 on Friday 26th July 2019 at 02.30 pm. The Notice of Meeting appears on page 93 of this Annual Report.

This Annual Report of the Directors has been signed on behalf of the Board by:

**Dr. Anush Amarasinghe**
*Director*

**Mr. Vaithilingam Selvaraj**
*Director*

**Secretarius (Private) Limited**
*Secretaries*

Colombo

3rd July 2019


# CONTINUING OUR QUEST TO CREATE PROPERTIES THAT UPHOLD OUR IMPECCABLE STANDARDS.

# FINANCIAL REPORTS

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# Independent Auditor's Report

Ernst & Young
Chartered Accountants
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Sri Lanka

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## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BPPL HOLDINGS PLC

### *Report on the audit of the financial statements*

*Opinion*

We have audited the financial statements of BPPL HOLDINGS PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2019 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

*Basis for Opinion*

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

*Key audit matters common to both Group and the Company*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| As at 31 March 2019, Capital Work in Progress amounts to Rs. 1,315,373,467, which includes expenses incurred during the year amounting to Rs. 526,455,902. Cost capitalised during the year relates to Yarn project as more fully described in Note 4 and comprise of capitalised borrowing costs, purchase cost of machineries and building construction related overhead.<br><br>Identification and measurement of capitalisable expenditure and amount of borrowing cost eligible for capitalisation require management judgment and estimates.<br><br>Due to the magnitude of the amounts involved and the significance of the judgements and estimates associated with the capitalisation of expenses, we considered the Capital work in progress as a key audit matter | Among other audit procedures over capital work in progress we performed following specific procedures:<br><br>▪ We tested the operating effectiveness of the controls over authorisation of capital expenditure and determining if such are directly attributable to the project.<br>▪ We validated costs incurred through discussion with management and inspection of relevant documents.<br>▪ We test- checked if the capitalised costs meet the capitalisation criteria as per LKAS 16: Property, Plant and Equipment and LKAS 23: Borrowing Costs.<br><br>We assessed the adequacy of the Group's disclosures given in note 2.2, 2.4.7 and 4 to the financial statements. |

*Other Information included in The 2019 Annual Report*

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

*Other Information Included in The 2019 Annual Report (Continued)*

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# Independent Auditor's Report

*Responsibilities of the Management and those Charged with Governance*

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*Report on other legal and regulatory requirements*

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

The Institute of Chartered Accountant of Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 1864.

Ernst & Young

26 June 2019
Colombo

# Statement of Financial Position

| **As at 31 March 2019** | **Note** | **Group 2019 Rs.** | **Group 2018 Rs.** | **Company 2019 Rs.** | **Company 2018 Rs.** |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-Current Assets** | | | | | |
| Property, Plant and Equipment | 4 | **2,822,260,956** | 2,262,121,611 | **832,654,175** | 802,921,208 |
| Lease Hold Right/ Prepaid Lease Rental | 4.10 | **8,351,903** | 8,537,731 | **-** | - |
| Intangible Asset | 5 | **16,285,112** | 15,822,656 | **2,374,193** | 1,214,038 |
| Investment in Subsidiaries | 6 | **-** | - | **367,626,688** | 367,626,688 |
| Deferred Tax Assets | 12 | **1,292,655** | 1,970,438 | **-** | - |
| Total Non-Current Assets | | **2,848,190,626** | 2,288,452,436 | **1,202,655,056** | 1,171,761,934 |
| **Current Assets** | | | | | |
| Inventories | 7 | **702,319,787** | 619,417,182 | **177,968,793** | 129,435,982 |
| Trade and Other Receivables | 8 | **736,429,981** | 725,647,667 | **96,848,366** | 121,797,257 |
| Income Tax Receivables | | **2,135,057** | 2,356,752 | **1,997,728** | 1,997,728 |
| Cash and Bank Balances | 15 | **31,382,261** | 24,262,260 | **3,255,894** | 3,810,953 |
| Total Current Assets | | **1,472,267,086** | 1,371,683,861 | **280,070,781** | 257,041,920 |
| **Total Assets** | | **4,320,457,712** | 3,660,136,297 | **1,482,725,837** | 1,428,803,854 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and Reserves** | | | | | |
| Stated Capital | 9 | **100,371,584** | 100,371,584 | **100,371,584** | 100,371,584 |
| Revaluation Reserve | | **259,933,800** | 259,933,800 | **257,827,800** | 257,827,800 |
| Retained Earnings | | **2,063,171,469** | 1,819,860,551 | **183,747,515** | 313,335,990 |
| Total Equity | | **2,423,476,853** | 2,180,165,935 | **541,946,899** | 671,535,374 |
| **Non-Current Liabilities** | | | | | |
| Interest Bearing Loans and Borrowings | 10 | **459,775,200** | 585,834,000 | **-** | - |
| Deferred Tax Liabilities | 12 | **125,446,809** | 118,970,610 | **86,929,547** | 83,172,861 |
| Retirement Benefit Obligations | 13 | **61,726,743** | 61,550,915 | **18,094,994** | 16,901,615 |
| Total Non-Current Liabilities | | **646,948,752** | 766,355,525 | **105,024,541** | 100,074,476 |
| **Current Liabilities** | | | | | |
| Trade and Other Payables | 14 | **187,470,170** | 196,438,185 | **674,404,093** | 595,087,025 |
| Income Tax Payable | | **39,899,693** | 3,544,859 | **-** | - |
| Interest Bearing Loans and Borrowings | 10 | **1,022,662,244** | 513,631,793 | **161,350,304** | 62,106,979 |
| Total Current Liabilities | | **1,250,032,107** | 713,614,837 | **835,754,397** | 657,194,004 |
| **Total Equity and Liabilities** | | **4,320,457,712** | 3,660,136,297 | **1,482,725,837** | 1,428,803,854 |

These Financial Statements are in compliance with the requirements of the Companies Act No :07 of 2007.

*Senior Manager Finance*

The board of directors is responsible for these Financial Statements. Signed for and on behalf of the board by:

*Director*

*Director*

The accounting policies and notes on pages 50 through 85 form an integral part of the financial statements.

26 June 2019
Colombo

# Statement of Profit and Loss

| Year ended 31 March 2019 | Note | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|---|
| **Revenue** | 3 | **2,741,355,255** | 2,616,348,715 | **643,003,161** | 667,778,658 |
| Cost of Sales | | **(1,777,549,947)** | (1,694,688,859) | **(541,734,407)** | (558,074,130) |
| **Gross Profit** | | **963,805,308** | 921,659,856 | **101,268,754** | 109,704,528 |
| Other Operating Income | 16 | **10,330,778** | 9,011,932 | **3,463,548** | 96,926,748 |
| Distribution Costs | | **(212,423,774)** | (251,579,255) | **(29,459,800)** | (28,982,919) |
| Administrative Expenses | | **(316,453,620)** | (243,620,723) | **(67,126,394)** | (30,874,383) |
| **Operating Profit** | | **445,258,692** | 435,471,810 | **8,146,108** | 146,773,974 |
| Finance Cost | 18 | **(23,859,262)** | (21,589,221) | **(5,898,284)** | (6,467,800) |
| Finance Income | 17 | **388,173** | 242,076 | **2,928** | 3,246 |
| **Profit Before Tax** | 19 | **421,787,603** | 414,124,665 | **2,250,752** | 140,309,420 |
| Income Tax Expense | 11 | **(52,296,862)** | (48,510,393) | **(3,646,947)** | (8,266,682) |
| **Profit for the Year** | | **369,490,741** | 365,614,272 | **(1,396,195)** | 132,042,738 |
| | | | | | |
| Earnings per Share - Basic | 20 | **1.20** | 1.19 | **(0.00)** | 0.43 |
| Earnings per Share - Diluted | 20 | **1.20** | 1.19 | **(0.00)** | 0.43 |
| Dividend Per Share | 21 | **0.42** | 0.42 | **0.42** | 0.42 |
| | | | | | |
| **Attributable to:** | | | | | |
| Equity Holders of the Parent | | **369,490,741** | 365,614,272 | | |
| | | **369,490,741** | 365,614,272 | | |

The accounting policies and notes on pages 50 through 85 form an integral part of the financial statements.

# Statement of Comprehensive Income

| Year ended 31 March 2019 | Note | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|---|
| Profit for the Year | | **369,490,741** | 365,614,272 | **(1,396,195)** | 132,042,738 |
| **Other Comprehensive Income** | | | | | |
| *Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods (Net of tax)* | | | | | |
| Retirement Benefit Obligation Actuarial Gain/(Loss) | 13 | **3,126,903** | (9,609,538) | **783,838** | (2,829,629) |
| Deferred Tax Attributable to Actuarial (Gain)/Loss | | **(440,344)** | 1,364,365 | **(109,737)** | 396,148 |
| Deferred Tax Attributable to Land Revaluation | 12 | **-** | (63,576,254) | **-** | (63,260,354) |
| *Net Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods (Net of Tax)* | | **2,686,559** | (71,821,427) | **674,101** | (65,693,835) |
| Other Comprehensive Income for the Year (Net of Tax) | | **2,686,559** | (71,821,427) | **674,101** | (65,693,835) |
| Total Comprehensive Income for the Year, Net of Tax | | **372,177,300** | 293,792,845 | **(722,094)** | 66,348,904 |
| **Attributable to:** | | | | | |
| Equity Holders of the Parent | | **372,177,300** | 293,792,845 | | |
| | | **372,177,300** | 293,792,845 | | |

The accounting policies and notes on pages 50 through 85 form an integral part of the financial statements.

# Statement of Changes in Equity

| Year ended 31 March 2019<br>Group | Note | Stated Capital Rs. | Revaluation Reserve Rs. | Retained Earnings Rs. | Total Rs. | Total Equity Rs. |
|---|---|---|---|---|---|---|
| **Balance as at 01 April 2017** | | 100,371,584 | 259,933,800 | 1,654,940,657 | 2,015,246,041 | 2,015,246,041 |
| Profit for the Year | | - | - | 365,614,272 | 365,614,272 | 365,614,272 |
| **Other Comprehensive Income** | | | | | | |
| Retirement Benefit Obligation Actuarial Gain/(Loss) | 13 | - | - | (9,609,538) | (9,609,538) | (9,609,538) |
| Deferred Tax on Acturial (Gain)/Loss | 12 | - | - | 1,364,365 | 1,364,365 | 1,364,365 |
| Deferred Tax Attributable to Land Revaluation | | - | - | (63,576,254) | (63,576,254) | (63,576,254) |
| **Total Comprehensive Income** | | - | - | 293,792,845 | 293,792,845 | 293,792,845 |
| Dividend Paid | | - | - | (128,872,951) | (128,872,951) | (128,872,951) |
| **Balance as at 31 March 2018** | | 100,371,584 | 259,933,800 | 1,819,860,551 | 2,180,165,935 | 2,180,165,935 |
| Profit for the Year | | - | - | 369,490,741 | 369,490,741 | 369,490,741 |
| **Other Comprehensive Income** | | | | | | |
| Retirement Benefit Obligation Actuarial Gain/(Loss) | 13 | - | - | 3,126,903 | 3,126,903 | 3,126,903 |
| Deferred Tax on Acturial (Gain)/Loss | | - | - | (440,344) | (440,344) | (440,344) |
| Deferred Tax Attributable to Land Revaluation | | - | - | - | - | - |
| **Total Comprehensive Income** | | - | - | 372,177,300 | 372,177,300 | 372,177,300 |
| Dividend Paid | | - | - | (128,866,381) | (128,866,381) | (128,866,381) |
| **Balance as at 31 March 2019** | | 100,371,584 | 259,933,800 | 2,063,171,469 | 2,423,476,853 | 2,423,476,853 |

The accounting policies and notes on pages 50 through 85 form an integral part of the financial statements.

# Statement of Changes in Equity

| Company | Note | Stated Capital Rs. | Revaluation Reserve Rs. | Retained Earnings Rs. | Total Equity Rs. |
|---|---|---|---|---|---|
| **Balance as at 01 April 2017** | | 100,371,584 | 257,827,800 | 375,860,037 | 734,059,421 |
| Profit for the Year | | - | - | 132,042,738 | 132,042,738 |
| **Other Comprehensive Income** | | | | | |
| Actuarial Gain/(Loss) on Retirement Benefit Obligation | 13 | - | - | (2,829,629) | (2,829,629) |
| Deferred Tax on Acturial (Gain)/Loss | 12 | - | - | 396,148 | 396,148 |
| Deferred Tax Attributable to Land Revaluation | | - | - | (63,260,354) | (63,260,354) |
| **Total Comprehensive Income** | | - | - | 66,348,904 | 66,348,904 |
| Dividend Paid | | - | - | (128,872,951) | (128,872,951) |
| **Balance as at 31 March 2018** | | 100,371,584 | 257,827,800 | 313,335,990 | 671,535,374 |
| Profit for the Year | | - | - | (1,396,195) | (1,396,195) |
| **Other Comprehensive Income** | | | | | |
| Actuarial Gain/(Loss) on Retirement Benefit Obligation | 13 | - | - | 783,838 | 783,838 |
| Deferred Tax on Acturial (Gain)/Loss | 12 | - | - | (109,737) | (109,737) |
| **Total Comprehensive Income** | | - | - | (722,094) | (722,094) |
| Dividend Paid | | - | - | (128,866,381) | (128,866,381) |
| **Balance as at 31 March 2019** | | 100,371,584 | 257,827,800 | 183,747,515 | 541,946,899 |

The accounting policies and notes on pages 50 through 85 form an integral part of the financial statements.

# Statement of Cash Flows

| Year ended 31 March 2019 | Note | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|---|
| **Operating Activities** | | | | | |
| Profit Before Tax | | **421,787,603** | 414,124,665 | **2,250,752** | 140,309,420 |
| **Adjustments for** | | | | | |
| Depreciation | 4 | **85,333,913** | 75,368,500 | **18,999,538** | 16,168,930 |
| Amortisation | 5 | **3,382,424** | 2,806,356 | **395,903** | 213,571 |
| Provision for Retirement Benefit Obligations | 13 | **14,857,121** | 11,398,691 | **3,893,557** | 3,154,900 |
| Interest Income | 17 | **(388,173)** | (242,076) | **(2,928)** | (3,246) |
| Dividend Income | 16 | **-** | - | **-** | (93,607,909) |
| Finance Cost | 18 | **23,859,262** | 21,589,221 | **5,898,284** | 6,467,800 |
| (Profit)/Loss From Disposal Of Property Plant & Equipment | | **(726,129)** | 611,527 | **609,342** | 837,209 |
| Unrealised Exchange loss | 10 | **74,167,539** | 5,745,835 | **9,533,987** | 1,712,344 |
| Provision for Slow Moving Stocks | | **(1,075,939)** | (319,683) | **161,862** | (1,784,659) |
| **Operating Profit/(Loss) Before Working Capital Changes** | | **621,197,622** | 531,083,036 | **41,740,297** | 73,468,361 |
| **Working Capital Adjustments** | | | | | |
| (Increase)/Decrease in Inventories | | **(81,826,666)** | (74,929,399) | **(48,694,673)** | (18,412,194) |
| (Increase)/Decrease in Trade and Other Receivables | | **(10,782,314)** | (96,260,791) | **24,948,891** | (7,034,572) |
| Increase/(Decrease) in Trade and Other Payables | | **(8,968,015)** | 56,666,701 | **79,317,066** | 139,915,935 |
| **Net Cash Generated from Operations** | | **519,620,627** | 416,559,547 | **97,311,581** | 187,937,530 |
| Income Tax Paid | | **(9,006,697)** | (62,026,552) | **-** | (10,626,935) |
| Retirement Benefit Obligations Costs paid | 13 | **(11,554,391)** | (5,630,129) | **(1,916,340)** | (2,680,540) |
| Interest Paid | | **(23,859,262)** | (21,589,221) | **(5,898,284)** | (6,467,800) |
| **Net Cash flows from/(used in) Operating Activities** | | **475,200,278** | 327,313,645 | **89,496,957** | 168,162,255 |
| **Investing Activities** | | | | | |
| Acquisition of Property, Plant and Equipment | 4 | **(120,405,754)** | (151,476,821) | **(42,107,657)** | (36,903,880) |
| Cost Incurred on WIP | 4 | **(526,455,902)** | (772,307,471) | **(7,267,690)** | (87,888,223) |
| Acquisition of Intangible Assets | 5 | **(3,659,052)** | (7,112,916) | **(1,556,058)** | (1,230,000) |
| Proceeds From Disposal Of Property Plant & Equipment | | **2,114,528** | 6,445,196 | **33,504** | 3,311,053 |
| Interest Received | 17 | **388,173** | 242,076 | **2,928** | 3,246 |
| Dividend Received | 16 | **-** | - | **-** | 93,607,909 |
| **Net Cash flows from/(used in) Investing Activities** | | **(648,018,007)** | (924,209,936) | **(50,894,973)** | (29,099,895) |
| **Financing Activities** | | | | | |
| Repayment of Interest Bearing Loans and Borrowings | 10 | **(3,513,192,148)** | (1,881,922,155) | **(799,983,737)** | (566,005,311) |
| Proceeds from Interest Bearing Loans and Borrowings | 10 | **3,831,024,795** | 2,617,466,688 | **896,497,400** | 564,503,687 |
| Dividends Paid | | **(128,866,381)** | (128,872,951) | **(128,866,381)** | (128,872,951) |
| **Net Cash flows from/(used in) Financing Activities** | | **188,966,266** | 606,671,582 | **(32,352,718)** | (130,374,575) |
| **Net Increase/ (Decrease) in Cash and Cash Equivalents** | | **16,148,536** | 9,775,291 | **6,249,266** | 8,687,785 |
| **Cash and Cash Equivalent at the beginning of the year** | 15 | **(774,156)** | (10,549,447) | **(8,504,026)** | (17,191,811) |
| **Cash and Cash Equivalent at the end of the year** | 15 | **15,374,380** | (774,156) | **(2,254,760)** | (8,504,026) |

The accounting policies and notes on pages 50 through 85 form an integral part of the financial statements.

# Notes to the Financial Statement

## 1. CORPORATE INFORMATION

### *1.1 General*

BPPL Holdings PLC ("Company") is a limited liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company and principle place of business is located at level 17, Access Towers, No. 278/4, Union Place, Colombo 02.

### *1.2 Principal Activities and Nature of Operations*

**Company**

During the year, the principal activities of the Company were manufacturing and exporting of wooden handles for brooms and brushes.

**Group**

During the year, the principal activities of the Group were manufacturing and exporting of wooden handles, brooms, brushes, mops and synthetic fibre.

### *1.3 Parent Enterprise and Ultimate Parent Enterprise*

The Company's parent undertaking is Infinity Capital (Private) Limited, which is incorporated in Sri Lanka.

### *1.4 Date of Authorisation for Issue*

The consolidated financial statements of BPPL Holdings PLC for the year ended 31 March 2019 were authorised for issue in accordance with a resolution of the board of directors on 26 June 2019.

## 2. GENERAL POLICIES

### *2.1 Basis of Preparation*

The consolidated financial statements of the Group have been on an accrual basis under the historical cost convention unless otherwise stated. The consolidated financial statements are presented in Sri Lankan Rupees which is the Groups functional and presentation currency.

*2.1.1 Statement of Compliance*

The financial statements which comprise the statement of profit and loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows for the year then ended and notes (to the "financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) as issued by the Institute of Charted Accountants of Sri Lanka (CA Sri Lanka) and the requirements of the Companies Act No. 7 of 2007.

*2.1.2 Comparative Information*

Accounting policies adopted by the group remains the unchanged when compared to the previous financial year with the exemption of the following. On 1st April 2018 group has adopted SLFRS 15 and SLFRS 9. The Group has not restated comparative information for 2018 on financial instruments in the scope of SLFRS 9 and SLFRS 15. Therefore, the comparative information for 2018 is reported under LKAS 39 and LKAS 18 which is not comparable to the information presented for 2019. Information on the adoption of SLFRS 9 and SLFRS 15 are disclosed in note 2.4.13 and 2.4.14.

*2.1.3 Going Concern*

The Directors 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.

### *2.2 Significant Accounting Judgements, Estimates and Assumptions*

**Judgments**

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements.

**Deferred Tax Assets:**

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Capitalisation of borrowing cost on the foreign currency loan obtained to finance the capital work in progress:

Maximum amount of borrowing costs capitalised on the foreign loan obtained to finance the capital work in progress is the amount of borrowing costs on the functional currency equivalent borrowing. The maximum amount of currency exchange differences attributed to interest rates that are capitalised is limited to the difference between the interest costs on the foreign currency loan and the local currency loan.

**Estimates and Assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of statement of financial position, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the financial statements.

## 2.3 Consolidation Policy

*2.3.1 Basis of Consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

i. Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
ii. Exposure, or rights, to variable returns from its involvement with the investee
iii. The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

i. The contractual arrangement(s) with the other vote holders of the investee
ii. Rights arising from other contractual arrangements
iii. The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

## 2.4 Summary of Significant Accounting Policies

*2.4.1 Foreign Currency Translation*

The financial statements are presented in Sri Lankan Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

*2.4.2 Taxation*

**a) Current Taxes**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date in the country where the Company operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Profit or Loss.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and the amendments thereto.

Management has used its judgment on the application of tax laws including transfer pricing regulations involving identification of associated undertakings, estimation of the respective arm's length prices and selection of appropriate pricing mechanism.

As per the Inland Act No. 24 of 2017 and amendments thereto, BPPL Holdings PLC, Beira Brush (Pvt) Ltd and BPPL Enterprises (Pvt) Ltd Companies are liable to Income Tax at 14% on Qualified Export Profits and liable to Income Tax at 28% on other Taxable Profits during the year 2018/2019.

Pursuant to the agreement dated 17 September 2009 entered into with the Board of Investment of Sri Lanka under section 17 of the Board of Investment Law No. 4 of 1978, Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd) was exempt from

# Notes to the Financial Statement

income taxes on profit the business of manufacturing of plastic resins and monofilament yarn, for a period of 07 years, reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operation which ever year is earlier as may be specified in a certificate issued by the Board. Thereafter it will be 10% for a period of 02 years immediately succeeding the last date of the tax exemption period and thereafter profit and income of the enterprise shall be charged for any year of assessment at the rate of 15%. The Company is liable to pay tax on other income. Accordingly, Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd) will be taxed at 10% during the Financial Year 2018/2019.

**b) Deferred Taxation**

Deferred income tax is provided, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit and loss and other comprehensive income.

**c) Tax on Dividend Income**

Tax on dividend income from subsidiaries is recognised as an expense in the consolidated statement of profit and loss and other comprehensive income.

*2.4.3 Borrowing Costs*

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

*2.4.4 Intangible Assets*

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of profit and loss and other comprehensive income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. The rates of amortisations estimated as follows.

| Assets Category | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Enterprise Resource Planning System | 8 Years | 8 Years | 8 Years | 8 Years |

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in statement of profit and loss and other comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

*2.4.5 Inventories*

Inventories are valued at the lower of cost and net realisable 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 ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and condition are accounted using the following cost formulae:-

| | |
|---|---|
| Raw Materials | At actual cost on weighted average cost basis |
| Finished Goods & Work-in-progress | At the cost of direct materials, direct labour and an appropriate proportion of manufacturing overheads based on normal operating capacity, but excluding borrowing Costs. |
| Consumables & Spares | At purchase cost on weighted average basis. |
| Good in Transit | At Purchase cost |

*2.4.6 Cash and Cash Equivalents*

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

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

*2.4.7 Property, Plant and Equipment*

Property, Plant and Equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the Property, Plant and Equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of Property, Plant and Equipment are required to be replaced at intervals, the Company derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the Plant and Equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Statement of Profit or Loss as incurred.

When items of Property, Plant and Equipment are subsequently revalued, the entire class of such assets is revalued. Any revaluation surplus is recognised in other comprehensive income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Profit or Loss, in which case the increase is recognised in the Statement of Profit or Loss. A revaluation deficit is recognised in the Statement of Profit or Loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Lands are measured at fair value at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on straight line basis over the estimated useful lives of all Property, Plant and Equipment.

# Notes to the Financial Statement

Depreciation is calculated on straight line basis over the estimated useful lives of the assets as follows;

| Assets Category | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Buildings on Freehold Land | 40 Years | 40 Years | 40 Years | 40 Years |
| Plant and Machinery | 10 - 20 Years | 10 - 20 Years | 10 - 20 Years | 10 - 20 Years |
| Motor Vehicles | 6 Years | 6 Years | 6 Years | 6 Years |
| Furniture and Fittings | 08 Years | 08 Years | 08 Years | 08 Years |
| Factory Equipment | 08 Years | 08 Years | 08 Years | 08 Years |
| Air Conditioner and Generator | 08 Years | 08 Years | 08 Years | 08 Years |
| Office Equipment | 08 Years | 08 Years | 08 Years | 08 Years |

An item of Property, Plant and Equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss when the asset is derecognised.

*2.4.8 Provisions*

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as an interest expense.

*2.4.9 Retirement Benefit Obligations*

**a) Defined Contribution Plans –Employees' Provident Fund and Employees' Trust Fund**

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

Employees are eligible to Employees' Provident Fund (EPF) contributions and Employees' Trust Fund (ETF) contributions as per the respective statutes. These obligations come within the scope of a defined contribution plan as per LKAS -19 on 'Employee Benefits'.

The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively. The contributions made are expensed to Profit or Loss as and when the contributions are made.

**b) Defined Benefit Plan – Gratuity**

In accordance with the Gratuity Act No. 12 of 1983, a liability arises for a defined benefit obligation to employees. Such defined benefit obligation is a post-employment benefit obligation falling within the scope of Sri Lanka Accounting Standard LKAS -19 on 'Employee Benefits'.

The liability recognised in the Statement of financial position is the present value of the defined benefit obligation at the reporting date. The calculations performed annually by a qualified actuary using the projected unit credit method (PUC). Any actuarial gains and losses arising are recognised immediately in other comprehensive income. The discount rate has been derived considering the yield of government bonds.

However, as per the payment of Gratuity Act No. 12 of 1983 this liability only arises upon completion of 5 years of continued service.

The gratuity liability is not externally funded.

*2.4.10 Operating Lease*

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

*2.4.11 Impairment of Non Financial Assets*

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company makes an estimate of recoverable amount.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot "exceed' the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in the Statement of Profit and loss and other Comprehensive Income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

*2.4.12 Financial Instruments*

**i. Financial Assets**

**Initial recognition and measurement**

*Policy applicable before 1st April 2018*

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include investments in equity securities, short term deposits, trade and other receivables, cash and bank balances.

*Policy applicable after 1st April 2018*

Financial assets within the scope of SLFRS 9, are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

# Notes to the Financial Statement

**Subsequent measurement**

*Policy applicable before 1st April 2018*

The subsequent measurement of financial assets depends on their classification:

The categories of the financial assets are limited only to (a), (b) and (c) below.

**a) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate ("EIR"), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR method. The amortisation is included in finance income in the Statement of Profit or Loss.

**b) Financial Assets at fair value through profit or loss**

Financial assets at fair value through profit or loss includes financial assets held for trading. Financial assets are classified as held for trading if those are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit and loss are carried in the Statement of Financial Position at fair value with changes in fair value recognised in finance income or finance costs in the income statement. The Group has not designated any financial assets upon initial recognition as financial asset at fair value through profit or loss.

The Group evaluates its financial assets held for trading to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances.

**c) Available-for-sale financial investments**

For available-for-sale financial investments include equity securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are valued at cost.

*Policy applicable after 1st April 2018*

From 1st April 2018, the Group classifies all of these financial assets in the measurement category of financial assets at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through OCI. Categories of financial assets as per SLFRS 9 are limited only for the followings.

**I. Financial assets at amortised cost**

This category is the most relevant to the Group. The Group measures financial assets (debt instruments)at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade and other receivables, short term deposits and cash and bank.

**II. Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss

**III. Financial assets designated at fair value through OCI (equity instruments)**

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

**Derecognition**
A financial asset is derecognised when:

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

**Impairment of financial assets**
*Policy applicable before 1st April 2018*
The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

**a) Financial assets carried at amortised cost**
If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Profit or Loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the Statement of Profit or Loss.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the Statement of Profit or Loss.

**b) Available-for-sale financial investments**
For available-for-sale financial investments, the Company/ Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

*Policy applicable after 1st April 2018*
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

# Notes to the Financial Statement

**ii. Financial Liabilities**

**Initial recognition and measurement**

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings and. Accordingly Group financial liabilities have been classified as and loans and borrowings.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification as described below:

- Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

The accounting for financial liabilities under SLFRS 9 remains largely the same as it was under LKAS 39.

**Derecognition**

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

**Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

**Fair value of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 22.

*2.4.13 Statement of profit and loss and other comprehensive income*

**Revenue Recognition**

*Policy applicable before 1st April 2018*

**LKAS 18 Revenue and LKAS 11 Construction Contracts**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

**a) Sale of Goods**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

**b) Rent Income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

**c) Interest**
For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the Statement of Profit or Loss of Profit or Loss.

**d) Dividends**
Revenue is recognised when the Company's right to receive the payment is established.

**e) Others**
Other income is recognised on an accrual basis.

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

*Policy applicable after 1st April 2018*

**Revenue Recognition**
The Group is in the business of manufacturing and exporting of wooden handles, brooms, brushes, mops and synthetic fibre. SLFRS 15 "Revenue from Contracts with Customers" supersedes LKAS 11 Construction Contracts, LKAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer.

SLFRS 15 requires the Group to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

The Group adopted SLFRS 15 using the modified retrospective method of adoption. Based on the assessment performed, the Group concluded that SLFRS 15 does not have a material impact on the Group's Consolidated Financial Statements.

**a) Sale of Goods**
Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, considering relevant terms of delivery. The normal credit term is 30 to 120 days upon Bill of Lading date.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points and calims). In determining the transaction price for the sale of products, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

**b) Significant Financing Component**
Occasionally, the Group receives short-term advances from its customers. Using the practical expedient in SLFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

**c) Rent Income**
Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

**d) Interest**
For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the Statement of Profit or Loss of Profit or Loss.

**e) Dividends**
Revenue is recognised when the Company's right to receive the payment is established.

**f) Others**
Other income is recognised on an accrual basis.

# Notes to the Financial Statement

*2.4.14 Operating Segment*

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments operating results are reviewed regularly by the Group's Chief Executive Officer (CEO) to make decisions about resources to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

### *2.5 Effects of Sri Lanka Accounting Standards Issued but not Yet Effective:*

The following SLFRS issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in future and have not been applied in preparing these Financial Statements. Those SLFRS will have an effect on the Accounting Policies currently adopted by the Company and may have an impact on the future Financial Statements.

**a) SLFRS 16 Leases**

SLFRS 16 provides a single lessee accounting model, requiring leases to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value even though lessor accounting remains similar to current practice. This supersedes: LKAS 17 Leases, IFRIC 4 determining whether an arrangement contains a Lease, SIC 15 Operating Leases- Incentives; and SIC 27. Evaluating the substance of Transactions Involving the Legal form of a Lease. Earlier application is permitted. SLFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. Based on the preliminary evaluation of impact analysis of SLFRS 16. However, the Group is currently in the process of evaluating the accounting impact and the current systems and processes will be modified when necessary.

## 3. REVENUE

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Rs. | Rs. | Rs. | Rs. |
| Export Sales | 2,606,315,063 | 2,487,723,027 | 279,828,693 | 308,665,471 |
| Inter company sales | - | - | 353,012,450 | 347,383,968 |
| Local Sales | 127,300,056 | 121,858,497 | 2,423,132 | 4,996,252 |
| Scrap sales | 1,250 | 34,224 | - | - |
| Rejected Log Sales | 7,738,886 | 6,732,967 | 7,738,886 | 6,732,967 |
| | 2,741,355,255 | 2,616,348,715 | 643,003,161 | 667,778,658 |

## 4. PROPERTY, PLANT AND EQUIPMENT

### *4.1 At Cost*

| Group | Balance as at 01.04.2018 Rs. | Additions/ Transfers Rs. | Disposals/ Transfers Rs. | Balance as at 31.03.2019 Rs. |
|---|---|---|---|---|
| Buildings on Freehold Land | 309,855,633 | 26,407,226 | - | 336,262,859 |
| Plant and Machinery | 943,974,936 | 74,966,895 | (2,308,180) | 1,016,633,651 |
| Motor Vehicles | 72,384,535 | 4,936,821 | (3,560,911) | 73,760,445 |
| Furniture and Fittings | 20,311,304 | 1,290,253 | (27,295) | 21,574,262 |
| Factory Equipment | 130,152,167 | 70,247,164 | (3,780,021) | 196,619,310 |
| Tools | 5,460,458 | 14,620,453 | - | 20,080,911 |
| Office Equipment | 43,172,366 | 8,505,525 | (635,580) | 51,042,311 |
| | 1,525,311,399 | 200,974,337 | (10,311,986) | 1,715,973,750 |
| **At Valuation** | | | | |
| Freehold Lands | 503,760,001 | - | - | 503,760,001 |
| | 503,760,001 | - | - | 503,760,001 |
| **In the Course of Construction** | | | | |
| Yarn Project | 715,976,337 | 333,299,198 | - | 1,049,275,535 |
| Other Projects | 153,509,811 | 193,156,704 | (80,568,583) | 266,097,932 |
| | 869,486,148 | 526,455,902 | (80,568,583) | 1,315,373,467 |
| **Total Value of Assets** | 2,898,557,548 | 727,430,239 | (90,880,569) | 3,535,107,218 |

# Notes to the Financial Statement

## 4. PROPERTY, PLANT AND EQUIPMENT *CONTD.*

### *4.2 Depreciation*

| At Cost | Balance as at 01.04.2018 Rs. | Charge for the Year Rs. | Transfers Rs. | Disposals Rs. | Balance as at 31.03.2019 Rs. |
|---|---|---|---|---|---|
| Buildings on Freehold Land | 78,974,107 | 7,286,320 | - | - | **86,260,427** |
| Plant and Machinery | 409,965,506 | 38,782,228 | - | (2,077,823) | **446,669,911** |
| Motor Vehicles | 41,226,959 | 9,078,460 | - | (3,309,568) | **46,995,851** |
| Furniture and Fittings | 7,663,190 | 2,370,786 | - | (27,295) | **10,006,681** |
| Factory Equipment | 71,920,251 | 18,925,807 | - | (3,051,271) | **87,794,787** |
| Tools | 2,481,232 | 4,093,866 | - | - | **6,575,098** |
| Office Equipment | 24,204,692 | 4,796,445 | - | (457,630) | **28,543,507** |
| **Total Depreciation** | 636,435,937 | 85,333,913 | - | (8,923,588) | **712,846,262** |

### *4.3 Net Book Values*

| At Cost | 2019 Rs. | 2018 Rs. |
|---|---|---|
| Buildings on Freehold Land | **250,002,432** | 230,881,526 |
| Plant and Machinery | **569,963,740** | 534,009,430 |
| Motor Vehicles | **26,764,594** | 31,157,576 |
| Furniture and Fittings | **11,567,581** | 12,648,114 |
| Factory Equipment | **108,824,522** | 58,231,916 |
| Tools | **13,505,813** | 2,979,226 |
| Office Equipment | **22,498,804** | 18,967,674 |
| | **1,003,127,488** | 888,875,462 |
| **At Valuation** | | |
| Freehold Lands | **503,760,001** | 503,760,001 |
| | **503,760,001** | 503,760,001 |
| **In the course of Construction** | | |
| Yarn Project | **1,049,275,535** | 715,976,337 |
| Other Projects | **266,097,932** | 153,509,811 |
| | **1,315,373,467** | 869,486,148 |
| | | |
| | **2,822,260,956** | 2,262,121,611 |

*4.4* During the financial year 2015/16 following companies have stated their properties at revalued amounts by expert independent valuer De Silva DPLC . The surplus arising from the revaluation was transferred to revaluation reserve.

| Property | Carrying Value at Cost | Extent | Methord of Valuation and Significant Unobservable Inputs | Valuation | Date of Valuation |
|---|---|---|---|---|---|
| **BPPL Holding PLC** | | | | | |
| Land - Ingiriya | 19,619,330 | 9A-1R-30.8P | Per Perch Value 300,000 | 453,240,000 | 30/03/2016 |
| Land - Padukka | 2,911,000 | 0A-3R-21P | Per Perch Value 150,000 | 21,150,000 | 30/03/2016 |
| **Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd)** | | | | | |
| Land - Mawgama | 27,264,000 | 01A-2R-27P | Per perch Value Rs. 110,000/- | 29,370,000 | 31/03/2016 |

### *4.5 Significant Unobservable Inputs*

Description of the above valuation techniques together with narrative descriptions on sensitivity of the fair value measurement to changes in significant unobservable inputs are tabulated below;

| Valuation Technique | Significant unobservable valuation inputs | Sensitivity of the fair value measurement to inputs |
|---|---|---|
| Market Comparable Method | | |
| This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property. In this process outlier transactions, indicative of particular motivated buyers or sellers are too compensated for since the price may not adequatley reflect the fair market value. | Price per perch of land | Estimated fair value would increase/(decrease) if :<br><br>Price per perch increases/ (decreases) |

# Notes to the Financial Statement

## 4. PROPERTY, PLANT AND EQUIPMENT *CONTD.*

### *4.5 Company*

| At Cost | Balance as at 01.04.2018 Rs. | Additions/ Transfers Rs. | Disposals/ Transfers Rs. | Balance as at 31.03.2019 Rs. |
|---|---|---|---|---|
| Buildings on Freehold Land | 196,612,652 | 25,225,746 | - | **221,838,398** |
| Plant and Machinery | 137,346,018 | 58,701,429 | (1,875,592) | **194,171,855** |
| Motor Vehicles | 8,149,089 | - | - | **8,149,089** |
| Furniture and Fittings | 10,678,631 | 211,650 | - | **10,890,281** |
| Factory Equipment | 50,261,178 | 45,135,707 | (206,882) | **95,190,003** |
| Office Equipment | 7,473,320 | 315,674 | - | **7,788,994** |
| | 410,520,888 | 129,590,206 | (2,082,474) | **538,028,620** |
| **At Valuation** | | | | |
| Freehold Lands | 474,390,001 | - | - | **474,390,001** |
| | 474,390,001 | - | - | **474,390,001** |
| **In the course of construction** | | | | |
| Capital Work in Progress | 87,482,548 | - | (80,214,855) | **7,267,693** |
| | 87,482,548 | - | (80,214,855) | **7,267,693** |
| **Total Gross Carrying Amount** | 972,393,437 | 129,590,206 | (82,297,329) | **1,019,686,314** |

### *4.6 Depreciation*

| At Cost | Balance as at 01.04.2018 Rs. | Charge for the Year Rs. | Disposals Rs. | Balance as at 31.03.2019 Rs. |
|---|---|---|---|---|
| Buildings on Freehold Land | 60,870,095 | 4,556,629 | - | **65,426,724** |
| Plant and Machinery | 67,950,407 | 5,562,850 | (1,349,266) | **72,163,991** |
| Motor Vehicles | 3,086,036 | 1,002,049 | - | **4,088,085** |
| Furniture and Fittings | 3,641,174 | 1,211,782 | - | **4,852,956** |
| Factory Equipment | 29,144,467 | 6,107,010 | (90,362) | **35,161,115** |
| Office Equipment | 4,780,050 | 559,218 | - | **5,339,268** |
| **Total Depreciation** | 169,472,229 | 18,999,538 | (1,439,628) | **187,032,139** |

### *4.7 Net Book Values*

| At Cost | 2019 Rs. | 2018 Rs. |
|---|---|---|
| Buildings on Freehold Land | **156,411,674** | 135,742,557 |
| Plant and Machinery | **122,007,864** | 69,395,611 |
| Motor Vehicles | **4,061,004** | 5,063,053 |
| Furniture and Fittings | **6,037,325** | 7,037,457 |
| Factory Equipment | **60,028,888** | 21,116,711 |
| Office Equipment | **2,449,726** | 2,693,270 |
| | **350,996,481** | 241,048,659 |
| **At Valuation** | | |
| Freehold Lands | **474,390,001** | 474,390,001 |
| | **474,390,001** | 474,390,001 |
| **In the Course of Construction** | | |
| Capital Work in Progress | **7,267,693** | 87,482,548 |
| | **7,267,693** | 87,482,548 |
| **Total Carrying Amount of Property, Plant and Equipment** | **832,654,175** | 802,921,208 |

*4.8* During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 129,590,206/- (2018 - Rs. 129,542,553/-). Cash payments amounting to Rs. 49,375,347/- (2018 - Rs. 124,792,103/-) were made during the year for purchase of Property, Plant and Equipment.

During the financial year, the Group acquired Property, Plant and Equipment to the aggregate value of Rs.727,430239/- (2018 - Rs.976,227,658/-). Cash payments amounting to Rs. 636,549,670/- (2018 - Rs.923,784,292/-) were made during the year for purchase of Property, Plant and Equipment.

*4.9* Property, Plant and Equipment of Company includes fully depreciated assets having a gross carrying amounts of Rs.13,179,273/- (2018 - Rs. 36,450,592/-)

Property, Plant and Equipment of Group includes fully depreciated assets having a gross carrying amounts of Rs. 97,445,597/- (2018- Rs.111,260,608/- )

*4.10* The Group started the construction of a Yarn Project in FY 2016/17. This project is expected to be completed in FY 2019/20. The carrying amount of the Yarn Project at 31 March 2019 was Rs.1,049,275,535/- (2018: Rs.715,976,337/-). The Yarn Project is financed by a Loans obtained from Hongkong and Shanghai Banking Corporation and Hattion National Bank PLC.

The amount of borrowing costs capitalised to Capital Work in Progress during the year ended 31 March 2019 was Rs.125,092,255/- (2018 -18,774,214/- ).

## 4. PROPERTY, PLANT AND EQUIPMENT *CONTD.*

Project wise cost capitalised during the year as follows,

| | Yarn Project Rs. | Other Projects Rs. | Total Rs. |
|---|---|---|---|
| Other Costs | 936,065,545 | 254,215,869 | 1,190,281,414 |
| Qualifying Borrowing Costs | 113,209,990 | 11,882,063 | 125,092,053 |
| | 1,049,275,535 | 266,097,932 | 1,315,373,467 |

### *4.11 Lease Hold Right/ Prepaid Lease Rental*

| Group | 2019 Rs. | 2018 Rs. |
|---|---|---|
| At 01 April | **8,537,731** | 8,723,559 |
| Amortisation for the Year | **(185,828)** | (185,828) |
| At 31 March | **8,351,903** | 8,537,731 |

Lease hold land represents the lease rental paid to acquire lease hold land rights of land situated in Horana, Obtained from the Board of Investment in Sri Lanka by the agreement dated 09 May 2013. The amount paid upfront has been amortised over the lease period of 50 years.

## 5. INTANGIBLE ASSETS

| Group | 2019 Rs. | 2018 Rs. |
|---|---|---|
| **Summary At Cost** | | |
| As at 1 April | **39,778,282** | 32,665,365 |
| Acquired / Incurred during the year | **3,659,052** | 7,112,916 |
| As at 31 March | **43,437,334** | 39,778,282 |
| **Amortisation** | | |
| As at 1 April | **23,955,626** | 21,335,097 |
| Amortisation for the year | **3,196,596** | 2,620,528 |
| As at 31 March | **27,152,222** | 23,955,626 |
| **Net book value** | | |
| As at 1 April | **15,822,656** | 11,330,268 |
| As at 31 March | **16,285,112** | 15,822,656 |

Intangible assets consists of ERP System.

| Company | 2019 Rs. | 2018 Rs. |
|---|---|---|
| **Summary At Cost** | | |
| As at 1 April | 3,382,710 | 2,152,710 |
| Acquired / Incurred during the year | 1,556,058 | 1,230,000 |
| As at 31 March | 4,938,768 | 3,382,710 |
| **Amortisation** | | |
| As at 1 April | 2,168,672 | 1,955,101 |
| Amortisation for the year | 395,903 | 213,571 |
| As at 31 March | 2,564,575 | 2,168,672 |
| **Net book value** | | |
| As at 1 April | 1,214,038 | 197,609 |
| As at 31 March | 2,374,193 | 1,214,038 |

## 6. INVESTMENT IN SUBSIDIARIES

### *6.1 Company*

| | Direct Holding | | Direct Investment | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 Rs. | 2018 Rs. |
| Beira Brush (Pvt) Ltd | 100% | 100% | 9,102,220 | 9,102,220 |
| Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd) | 100% | 100% | 358,524,458 | 358,524,458 |
| BPPL Enterprises (Pvt) Ltd | 100% | 100% | 10 | 10 |
| **Total** | | | 367,626,688 | 367,626,688 |

### *6.2 Group Companies*

| Company | Principle Place of Business | Relationship | Principal Activities |
|---|---|---|---|
| Beira Brush (Pvt) Ltd | level 17,Access Tower, No 278/4, Union Place , Colombo 02. | Subsidiary | Manufacturing and exporting of brooms and brushes. |
| Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd) | level 17,Access Tower, No 278/4, Union Place , Colombo 02. | Subsidiary | Manufacturing of monofilament for direct and indirect export. |
| BPPL Enterprises (Pvt) Ltd | level 17,Access Tower, No 278/4, Union Place , Colombo 02. | Subsidiary | Buying and exporting brush, mop and cleaning material. |

# Notes to the Financial Statement

## 7. INVENTORIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Rs. | Rs. | Rs. | Rs. |
| Raw Materials | 434,172,103 | 414,737,196 | 113,047,172 | 76,450,605 |
| Work in Progress | 17,527,346 | 6,440,490 | 17,353,941 | 5,979,266 |
| Finished Goods | 65,006,520 | 55,647,217 | 16,351,680 | 14,972,382 |
| Consumables and Spares | 129,729,812 | 114,002,015 | 31,731,866 | 20,919,114 |
| Goods In Transit | 60,463,730 | 34,245,927 | - | 11,468,619 |
| Less: Allowance for slow moving inventory (Note 7.1) | (4,579,724) | (5,655,663) | (515,866) | (354,004) |
| | 702,319,787 | 619,417,182 | 177,968,793 | 129,435,982 |

### *7.1 Allowance for Slow Moving Inventory*

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Rs. | Rs. | Rs. | Rs. |
| Balance as at the Beginning of the Year | 5,655,663 | 5,975,346 | 354,004 | 2,138,663 |
| Provision/ (Reversals) Made during the Year | (1,075,939) | (319,683) | 161,862 | (1,784,659) |
| Balance as at the End of the Year | 4,579,724 | 5,655,663 | 515,866 | 354,004 |

## 8. TRADE AND OTHER RECEIVABLES

### *8.1 Summary*

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Rs. | Rs. | Rs. | Rs. |
| Trade Receivables - Other | 656,485,811 | 661,796,211 | 57,563,541 | 91,215,364 |
| - Related Parties (Note 8.2) | - | - | 11,242,854 | 133,411 |
| Provision for bad debts (Note 8.3) | - | (913,905) | - | - |
| | 656,485,811 | 660,882,305 | 68,806,395 | 91,348,775 |
| Other Debtors - Other | 33,143,305 | 25,027,224 | 10,323,036 | 1,037,144 |
| Loans to Company Officers (Note 8.4) | 2,995,000 | 14,000 | 2,995,000 | 14,000 |
| Advances and Prepayment | 41,607,095 | 32,709,053 | 12,525,166 | 22,382,253 |
| Other Receivables | 2,198,769 | 7,015,085 | 2,198,769 | 7,015,085 |
| | 736,429,981 | 725,647,667 | 96,848,366 | 121,797,257 |

### *8.2 Trade Receivables - Related Party*

| | | Company | |
|---|---|---|---|
| | | 2019 | 2018 |
| | Relationship | Rs. | Rs. |
| Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd) | Subsidiary | 11,242,854 | 133,411 |
| | | 11,242,854 | 133,411 |

### 8.3 Provision for Bad Debts

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Rs. | Rs. | Rs. | Rs. |
| Balance as at the Beginning of the Year | 913,905 | 1,988,905 | - | - |
| Provision/ (Reversals) Made during the Year | (913,905) | (1,075,000) | - | - |
| Balance as at the End of the Year | - | 913,905 | - | - |

### 8.4 Loans to Company Officers

| | Balance as at 01.04.2018 Rs. | Loans Granted During the year Rs. | Repayments During the year Rs. | Balance as at 31.03.2019 Rs. |
|---|---|---|---|---|
| Loans to Company Officers | 14,000 | 2,981,000 | - | 2,995,000 |
| | 14,000 | 2,981,000 | - | 2,995,000 |

### 8.5 Trade Debtors Age Analysis

| Group | | Neither past due | Past due but not impaired | | |
|---|---|---|---|---|---|
| | Total | nor impaired | 30-90 Days | 91-120 Days | >120 Days |
| 2019 | 656,485,811 | 375,984,398 | 259,615,597 | 17,722,155 | 3,163,661 |
| 2018 | 660,882,305 | 294,048,808 | 327,593,936 | 10,239,344 | 29,000,217 |

| Company | | Neither past due | Past due but not impaired | | |
|---|---|---|---|---|---|
| | Total | nor impaired | 30-90 Days | 91-120 Days | >120 Days |
| 2019 | 68,806,395 | 40,405,911 | 26,257,821 | 2,142,663 | - |
| 2018 | 91,348,775 | 34,440,535 | 51,891,696 | 2,489,600 | 2,526,944 |

## 9. STATED CAPITAL

| | Company | | | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Rs. | Rs. | Number | Number |
| Ordinary Shares | 100,371,584 | 100,371,584 | 306,843,357 | 306,843,357 |

# Notes to the Financial Statement

## 10. INTEREST BEARING LOANS AND BORROWINGS

### 10.1 Group

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Amount Payable within one year Rs. | Amount Payable after one year Rs. | Total Rs. | Amount Payable within one year Rs. | Amount Payable after one year Rs. | Total Rs. |
| Bank Loan (Note 10.1.1) | 1,006,654,363 | 459,775,200 | 1,466,429,563 | 488,595,377 | 585,834,000 | 1,074,429,376 |
| Bank Overdraft (Note 15.2) | 16,007,881 | - | 16,007,881 | 25,036,416 | - | 25,036,416 |
| | 1,022,662,244 | 459,775,200 | 1,482,437,444 | 513,631,793 | 585,834,000 | 1,099,465,792 |

#### 10.1.1 Bank Loan

| | Balance as at 01.04.2018 Rs. | New Loans Obtained Rs. | Loan Repayment Rs. | Exchange Gain / (Loss) Rs. | Balance as at 31.03.2019 Rs. |
|---|---|---|---|---|---|
| NDB - Money Market Loan | 427,994,924 | 2,983,917,750 | (2,813,909,271) | (1,058,002) | 596,945,401 |
| HNB -Money market Loan | 20,227,698 | 587,870,000 | (490,559,800) | (1,318,700) | 116,219,198 |
| HNB - Term Loan | 81,606,755 | 150,683,495 | (94,935,959) | 8,620,187 | 145,974,478 |
| HSBC - Term Loan | 544,600,000 | - | (113,787,118) | 69,943,255 | 500,756,137 |
| Money Market Loan Sampath Bank | - | 108,553,550 | - | (2,019,200) | 106,534,350 |
| | 1,074,429,376 | 3,831,024,795 | (3,513,192,148) | 74,167,539 | 1,466,429,563 |

### 10.2 Company

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Amount Payable within one year Rs. | Amount Payable after one year Rs. | Total Rs. | Amount Payable within one year Rs. | Amount Payable after one year Rs. | Total Rs. |
| Bank Loan (Note 10.2.1) | 155,839,650 | - | 155,839,650 | 49,792,000 | - | 49,792,000 |
| Bank Overdraft (Note 15.2) | 5,510,654 | - | 5,510,654 | 12,314,979 | - | 12,314,979 |
| | 161,350,304 | - | 161,350,304 | 62,106,979 | - | 62,106,979 |

#### 10.2.1 Bank Loan

| | Balance as at 01.04.2018 Rs. | New Loans Obtained Rs. | Loan Repayment Rs. | Exchange Gain / (Loss) Rs. | Balance as at 31.03.2019 Rs. |
|---|---|---|---|---|---|
| NDB - Money Market Loan | 49,792,000 | 896,497,400 | (799,983,737) | 9,533,987 | 155,839,650 |
| | 49,792,000 | 896,497,400 | (799,983,737) | 9,533,987 | 155,839,650 |

### *10.3 Terms and Conditions*

(1) Beira Brush (Pvt) Ltd
Term Loan - Hatton National Bank
Security - Secured
Repayment - 48 installments
Interest - 5%

(2) Beira Brush (Pvt) Ltd
Money Market Loan - National Development Bank
Security - Secured
Repayment - To be paid within 90 days
Interest - 5.5% fixed

(3) BPPL Holdings PLC
Money Market Loan - National Development Bank
Security - Secured
Repayment - To be paid within 90 days
Interest - 5.5% fixed

(4) Eco Spindles(Pvt) Ltd
Term Loan - Hatton National Bank
Security - Secured
Repayment - To be repaid within 60 months
Interest - 3M LIBOR+5%

(5) Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd)
Term Loan - HSBC
Security - Secured
Repayment - To be paid within 48 months
Interest - 1 Month LIBOR + 3.15%

(6) Eco Spindles(Pvt) Ltd
Money Market Loan - Hatton National Bank
Security - Secured
Repayment - To be paid within 90 days
Interest - 3M LIBOR + 3.5%

## 11. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 March are as follows :

| | Group | | Company | |
|---|---|---|---|---|
| **Statement of Profit or Loss** | **2019** | **2018** | **2019** | **2018** |
| **Current Income Tax** | **Rs.** | **Rs.** | **Rs.** | **Rs.** |
| Current Income Tax charge | **46,811,147** | 26,833,467 | - | 4,224,500 |
| Under/(Over) Provision of current taxes in respect of prior years | **(1,227,922)** | (31,759) | | (403,140) |
| **Dividend Tax** | - | 10,400,879 | - | - |
| **Deferred Income Tax** | | | | |
| Deferred Taxation Charge/(Reversal) (Note 11.2) | **6,713,636** | 11,307,806 | **3,646,947** | 4,445,322 |
| Income tax expense reported in the Statement of Profit or Loss | **52,296,862** | 48,510,393 | **3,646,947** | 8,266,682 |

# Notes to the Financial Statement

## 11. INCOME TAX EXPENSE *CONTD.*

*11.1* A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows :

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Accounting Profit before Tax | 421,787,603 | 414,124,665 | 2,250,753 | 140,309,420 |
| Solar Income | - | (6,337,283) | - | - |
| Deductible Expenses | (225,800,901) | (242,314,130) | (51,276,616) | (127,849,267) |
| Non deductible expenses | 160,266,624 | 98,518,448 | 23,696,325 | 21,735,512 |
| Investment Income | 385245 | - | - | - |
| Taxable Profit/ (Loss) | 356,253,326 | 263,991,700 | (25,329,538) | 34,195,665 |
| | | | | |
| Less - Deduction Under Section 32 | - | (3,116,937) | - | - |
| Profit attributable to BOI exempt sales | - | (146,297,712) | - | - |
| Taxable Income | 356,253,326 | 114,577,051 | (25,329,538) | 34,195,665 |
| | | | | |
| Income tax expense reported in the Statement of Profit or Loss | | | | |
| Income tax at 10% | 15,372,787 | - | - | - |
| Income tax at 12% | - | 24,152,473 | - | 4,012,940 |
| Income tax at 14% | 31,438,360 | - | - | - |
| Income tax at 28% | - | 2,680,994 | - | 211,560 |
| | 46,811,147 | 26,833,467 | - | 4,224,500 |

### *11.2 Deferred Tax Expenses / (Income)*

| | | | | |
|---|---|---|---|---|
| Deferred tax expense / (income) arising due to origination and reversal of timing differences | 6,713,636 | 11,307,807 | 3,646,947 | 4,445,322 |

## 12. DEFERRED TAX

Deferred Income taxes are calculated on all temporary differences under the liability method using the principal tax rate of 15% for Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd) and 14% for all other Companies.

### *12.1 Deferred Tax Liability*

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Balance as at Beginning of the Year | 118,970,611 | 43,802,702 | 83,172,862 | 15,863,333 |
| Provision / (Reversal) Made During the Year | 6,074,519 | 12,986,478 | 3,646,947 | 4,445,322 |
| Impact on Other Comprehensive Income | 401,679 | 62,181,430 | 109,737 | 62,864,206 |
| Balance as at the end of the Year | 125,446,809 | 118,970,610 | 86,929,547 | 83,172,861 |
| | | | | |
| **Deferred Tax Liabilities** | | | | |
| Property, Plant and Equipments | 70,426,349 | 64,163,936 | 26,274,712 | 22,328,294 |
| Retirement Benefit Obligation | (7,429,870) | (6,849,332) | (2,366,226) | (1,970,078) |
| Actuarial (Gain)/ Loss on Defined Benefit Obligation | (334,146) | (1,078,924) | (167,073) | (396,148) |
| Deferred Tax Attributable to Land Revaluation | 63,260,354 | 63,260,354 | 63,260,354 | 63,260,354 |
| Allowances for slow moving stock | (475,878) | (525,423) | (72,221) | (49,561) |
| | 125,446,809 | 118,970,610 | 86,929,546 | 83,172,861 |

*12.2 Deferred Tax Asset*

| | Group 2019 Rs. | Group 2018 Rs. |
|---|---|---|
| Balance as at Beginning of the Year | **1,970,438** | 322,226 |
| Provision / (Reversal) Made During the Year | **(639,118)** | 1,678,671 |
| Impact on Other Comprehensive Income | **(38,665)** | (30,460) |
| Balance as at the end of the Year | **1,292,655** | 1,970,438 |
| **Deferred Tax Asset** | | |
| Property, Plant and Equipments | **489,360** | 1,262,865 |
| Retirement Benefit Obligation | **979,088** | 452,636 |
| Actuarial (Gain)/ Loss on Defined Benefit Obligation | **(38,665)** | 285,440 |
| Allowances for slow moving stock | **178,772** | 285,397 |
| Deferred Tax Attributable to Land Revaluation | **(315,900)** | (315,900) |
| | **1,292,655** | 1,970,438 |

## 13. EXPENSE ON RETIREMENT BENEFIT OBLIGATION

*13.1 Expense on Retirement Benefit Obligation*

| | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| Current Service Cost | **8,394,276** | 5,511,659 | **2,118,888** | 1,421,203 |
| Interest Cost on Benefit Obligation | **6,462,845** | 5,887,032 | **1,774,669** | 1,733,697 |
| | **14,857,121** | 11,398,691 | **3,893,557** | 3,154,900 |
| Actuarial (Gain)/Loss on Obligation | **(3,126,903)** | 9,609,538 | **(783,838)** | 2,829,629 |
| | **(3,126,903)** | 9,609,538 | **(783,838)** | 2,829,629 |
| | **11,730,218** | 21,008,229 | **3,109,719** | 5,984,529 |

*13.2 Retirement Benefit Obligation*

Changes in the Present Value of the Defined Benefit Obligation are as follows:

| | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| Defined Benefit Obligation as at the Beginning of the Year | **61,550,915** | 46,172,815 | **16,901,615** | 13,597,626 |
| Interest Cost | **6,462,845** | 5,887,032 | **1,774,669** | 1,733,697 |
| Current Service Cost | **8,394,276** | 5,511,659 | **2,118,888** | 1,421,203 |
| Benefits Paid | **(11,554,391)** | (5,630,129) | **(1,916,340)** | (2,680,540) |
| | **64,853,645** | 51,941,377 | **18,878,832** | 14,071,986 |
| Actuarial (Gain)/Loss on Obligation | **(3,126,903)** | 9,609,538 | **(783,838)** | 2,829,629 |
| Defined Benefit Obligation as at the End of the Year | **61,726,743** | 61,550,915 | **18,094,994** | 16,901,615 |

# Notes to the Financial Statement

## 13. EXPENSE ON RETIREMENT BENEFIT OBLIGATION *CONTD.*

*13.3* An actuarial valuation of the employee retirement benefit liability scheme was carried out by Piyal S. Goonetileke and Associates as at 31 March 2018 and 2019. The principle assumptions used are follows.

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| Rate of Interest | **11.50% p.a.** | 10.50% p.a. | **11.50% p.a.** | 10.50% p.a. |
| Rate of Salary Increase | **10.00% p.a.** | 10.00% p.a. | **10.00% p.a.** | 10.00% p.a. |
| Retirement Age : Male | **55 years** | 55 years | **55 years** | 55 years |
| : Female | **50 years** | 50 years | **50 years** | 50 years |

### *13.4 Sensitivity of Assumptions Used in the Actuarial Valuation*

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions used with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Income Statement and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

| | Group | | Company | |
|---|---|---|---|---|
| | **Effect on Profit or Loss** | **Performa Post Employment Benefit Liability** | **Effect on Profit or Loss** | **Performa Post Employment Benefit Liability** |
| | **2019** | **2019** | **2019** | **2019** |
| | **Rs.** | **Rs.** | **Rs.** | **Rs.** |
| **Assumed change in Financial Assumptions** | | | | |
| If Discount Rate Increased By 1% | **4,404,424** | (4,404,424) | **1,287,218** | (1,287,218) |
| If Discount Rate Decreased By 1% | **(5,118,511)** | 5,118,511 | **(1,474,201)** | 1,474,201 |
| If Salary Increment Rate Increased By 1% | **(4,924,981)** | 4,924,981 | **(1,391,131)** | 1,391,131 |
| If Salary Increment Rate Decreased By 1% | **4,314,918** | (4,314,918) | **1,237,536** | (1,237,536) |

*13.5* Following payments are expected weighted average life span obligation on the future years:

| | Group | | Company | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| | **Rs.** | **Rs.** | **Rs.** | **Rs.** |
| **Years from the Current Period** | | | | |
| 1st Following Year | **12,106,022** | 3,753,495 | **1,048,424** | 1,168,509 |
| 2nd Following Year | **4,911,798** | 12,218,870 | **1,271,783** | 984,882 |
| 3rd Following Year | **9,003,595** | 4,931,379 | **4,525,610** | 1,459,309 |
| 4th Following Year | **8,161,589** | 8,956,571 | **3,684,727** | 4,779,155 |
| 5th Following Year | **12,266,706** | 7,893,288 | **2,208,709** | 3,528,893 |
| Beyond 5 Years | **73,756,555** | 59,986,300 | **29,139,395** | 20,459,831 |

## 14. TRADE AND OTHER PAYABLES

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2019 | 2018 | 2019 | 2018 |
| | | Rs. | Rs. | Rs. | Rs. |
| Trade Payable | - Related Parties (Note 14.1) | - | - | 288,946,636 | 196,618,758 |
| | - Others | 120,429,002 | 128,415,394 | 16,384,871 | 28,631,349 |
| Other Payable | - Related Parties (Note 14.2) | - | - | 358,524,448 | 358,524,448 |
| | - Others | 49,198,111 | 52,816,390 | 10,008,289 | 10,877,470 |
| Sundry Creditors including Accrued Expenses | | 17,843,057 | 15,206,401 | 539,849 | 435,000 |
| | | 187,470,170 | 196,438,185 | 674,404,093 | 595,087,025 |

### *14.1 Trade Payables - Related Parties*

| | Relationship | Company | |
|---|---|---|---|
| | | 2019 | 2018 |
| | | Rs. | Rs. |
| BPPL Enterprises (Pvt) Ltd | Subsidiary | 1,868,059 | 1,868,059 |
| Beira Brush (Pvt) Ltd | Subsidiary | 287,078,577 | 194,750,699 |
| | | 288,946,636 | 196,618,758 |

### *14.2 Other Payables - Related Parties*

| | Relationship | Company | |
|---|---|---|---|
| | | 2019 | 2018 |
| | | Rs. | Rs. |
| Beira Brush (Pvt) Ltd | Subsidiary | 358,524,448 | 358,524,448 |
| | | 358,524,448 | 358,524,448 |

## 15. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Rs. | Rs. | Rs. | Rs. |
| ***15.1 Favourable Cash and Cash Equivalents Balance*** | | | | |
| Cash and Bank Balances | 31,382,261 | 24,262,260 | 3,255,894 | 3,810,953 |
| | 31,382,261 | 24,262,260 | 3,255,894 | 3,810,953 |
| ***15.2 Unfavourable Cash and Cash Equivalents Balance*** | | | | |
| Bank Overdraft | (16,007,881) | (25,036,416) | (5,510,654) | (12,314,979) |
| Cash and cash equivalents for the purpose of Statement of Cash Flows | 15,374,380 | (774,156) | (2,254,760) | (8,504,026) |

## 16. OTHER OPERATING INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Bad Debt Recovery | 913,905 | 1,075,000 | - | - |
| Dividend Income | - | - | - | 93,607,909 |
| Profit on Disposal of PPE | 726,129 | (611,527) | (609,342) | (837,209) |
| Rent Income | - | - | 2,640,000 | 2,640,000 |
| Drying Income | - | - | 1,404,000 | 1,404,000 |
| Sundry Income | 8,690,744 | 8,548,459 | 28,890 | 112,049 |
| | 10,330,778 | 9,011,932 | 3,463,548 | 96,926,748 |

## 17. FINANCE INCOME

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Interest Income | 388,173 | 242,076 | 2,928 | 3,246 |
| | 388,173 | 242,076 | 2,928 | 3,246 |

## 18. FINANCE COST

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| Interest Expense on Overdrafts | 463,177 | 685,128 | 276,713 | 296,224 |
| Interest Expense on Bank Loans | 23,396,084 | 20,904,093 | 5,621,571 | 6,171,576 |
| | 23,859,262 | 21,589,221 | 5,898,284 | 6,467,800 |

## 19. PROFIT/(LOSS) BEFORE TAX

*Stated after Charging/(Crediting)*

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | Rs. | Rs. | Rs. | Rs. |
| **Including in Cost of Sales** | | | | |
| Depreciation | **72,538,732** | 63,033,401 | **17,142,546** | 14,234,246 |
| Personnel Costs including the following; | | | | |
| - Defined Benefit Plan Costs -Gratuity | **8,558,897** | 6,618,382 | **3,830,918** | 3,104,144 |
| - Defined Contribution Plan Costs - EPF & ETF | **6,044,188** | 4,939,787 | **786,690** | 654,039 |
| **Including in Administration Expenses** | | | | |
| Personnel Costs including the following; | | | | |
| - Defined Benefit Plan Costs -Gratuity | **6,298,224** | 4,780,309 | **62,639** | 50,755 |
| - Defined Contribution Plan Costs - EPF & ETF | **14,394,022** | 14,558,940 | **1,401,014** | 1,143,277 |
| Directors' Fees and Emoluments | **27,693,334** | 29,671,046 | **12,284,715** | 1,300,000 |
| Auditors' Remuneration - Fees and Expenses | **1,374,008** | 1,120,687 | **539,849** | 487,863 |
| Depreciation | **12,976,896** | 12,521,108 | **1,856,969** | 1,934,661 |
| Amortisation | **395,730** | 213,571 | **395,730** | 213,571 |
| Exchange (Gain) / Loss - Interest Bearing Loans & Borrowings | **40,942,095** | 5,745,835 | **9,533,987** | 1,712,344 |
| Other | **-** | (6,413,028) | **-** | (1,723,965) |
| **Including in Selling and Distribution Costs** | | | | |
| Advertising Costs | **6,426,519** | 2,608,932 | **3,594,381** | 1,316,973 |

## 20. EARNINGS PER SHARE

*20.1* Basic Earnings Per Share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. The weighted average number of ordinary shares outstanding during the period and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

*20.2* The following reflects the income and share data used in the basic Earnings Per Share computations.

| | Group | | Company | |
|---|---|---|---|---|
| | Year ended | Year ended | Year ended | Year ended |
| | 2019 | 2018 | 2019 | 2018 |
| | Rs. | Rs. | Rs. | Rs. |
| **Amount Used as the Numerator:** | | | | |
| Net Profit/(Loss) Attributable to Ordinary Shareholders for basic Earnings/(Loss) Per Share | **369,490,741** | 365,614,272 | **(1,396,195)** | 132,042,738 |

# Notes to the Financial Statement

## 20. EARNINGS PER SHARE *CONTD*.

| | As at 2019 Number | As at 2018 Number | As at 2019 Number | As at 2018 Number |
|---|---|---|---|---|
| ***20.3 Number of Ordinary Shares Used as Denominator:*** | | | | |
| Weighted Average number of Ordinary Shares in issue | **306,843,357** | 306,843,357 | **306,843,357** | 306,843,357 |
| Earnings Per Share - Basic (Original) | **1.20** | 1.19 | **(0.00)** | 0.43 |
| Earnings Per Share - Diluted (Original) | **1.20** | 1.19 | **(0.00)** | 0.43 |

## 21. DIVIDENDS PER SHARE

| | Group | | Company | |
|---|---|---|---|---|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| **Declared and paid during the year** | | | | |
| Dividends on Ordinary Shares | **128,866,381** | 128,872,951 | **128,866,381** | 128,872,951 |
| Dividends Per Share | **0.42** | 0.42 | **0.42** | 0.42 |

## 22. FAIR VALUE

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

Cash and short-term deposits, trade receivables and trade payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

Long-term floating-rate receivables/borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 March 2019, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

***Fair value hierarchy - Company and Group***

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

*Company*

| Non-Financial Assets Measured at Fair Value | 31-Mar-2019 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Land | **474,390,001** | - | - | 474,390,001 |

*Group*

| Non-Financial Assets Measured at Fair Value | 31-Mar-2019 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Land | **503,760,000** | - | - | 503,760,000 |

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Company is exposed to market risk, credit risk and liquidity risk.

The Company's senior management oversees the management of these risks. The Company's senior management is supported by the Board of Directors (BOD) that advises on financial risks and the appropriate financial risk governance framework for the Company. BOD provides assurance to the Company's senior management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Company policies and risk appetite. It is the Company's policy that all derivative activities for risk management purposes are required to be approved by Board of Directors of Beira Group.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

### *Market Risk*

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

The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance.

### *Interest Rate Risk*

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

*Interest Rates Sensitivity*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings).

# Notes to the Financial Statement

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *CONTD.*

| | Increase/ (Decrease) in basis points | Effect on Profit Before Tax Group Rs.'000' | Company Rs.'000' |
|---|---|---|---|
| 2019 | + 100 basis points | (14,824) | (1,613) |
| | - 100 basis points | 14,824 | 1,613 |
| 2018 | + 100 basis points | (10,995) | (621) |
| | - 100 basis points | 10,995 | 621 |

The assumed spread of basis points for the interest rate sensitivity analysis is based on the currently observable market environment changes to base rates such as LIBOR.

***Foreign Currency Risk***

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency).

*Foreign Currency Sensitivity*

The following table demonstrates the sensitivity of net operating cash flows before taxation and derivative financial instruments existing as at 31 March in GBP,CAD and USD to a reasonably possible change of such underlining foreign currencies (GBP,CAD and USD) exchange rate against LKR, with all other variables held constant. The company's exposure to foreign currency changes for all other currencies is not material.

| | Foreign Currency | Change in exchange rate | Effect on Profit Before Tax Group Rs '000' | Company Rs '000' |
|---|---|---|---|---|
| 2019 | GBP | 1% | 28 | 27 |
| | CAD | 1% | 55 | - |
| | USD | 1% | (8,483) | (1,038) |
| 2018 | GBP | 1% | 4 | - |
| | CAD | 1% | 178 | 106 |
| | USD | 1% | (4,618) | 307 |

***Equity Price Risk***

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company's Board of Directors reviews and approves all equity investment decisions.

***Credit Risk***

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities which includes deposits with banks.

### *Trade Receivables*

Customer credit risk is managed by each company subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on the credit risk evaluation model and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored and contracts are signed and agreed with all credit customers.

Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for Impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 8. The Company does not hold collateral as security.

### *Financial Instruments and Cash Deposits*

Credit risk from balances with banks is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties as per the Treasury Policy and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Company's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Company's Treasury Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure. The Company's maximum exposure to credit risk for the components of the statement of financial position is the carrying amounts as illustrated in Note 8 except for financial guarantees and derivative financial instruments.

### *Liquidity Risk*

The Company monitors its risk to a shortage of funds by setting up a minimum liquidity level. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual payments.

### *Group*

**As at 31 March 2019**

| | On Demand Rs. | Less Than 3 Months Rs. | 3 to 12 Months Rs. | 1 to 5 Years Rs. | > 5 Years Rs. | Total Rs. |
|---|---|---|---|---|---|---|
| Interest-Bearing Loans and Borrowings | 1,006,654,363 | 4,001,970 | 12,005,911 | 459,775,200 | - | **1,482,437,444** |
| Trade and Other Payable | - | 120,429,002 | 67,041,168 | - | - | **187,470,170** |
| | 1,006,654,363 | 124,430,972 | 79,047,079 | 459,775,200 | - | **1,669,907,614** |

**As at 31 March 2018**

| | On Demand Rs. | Less Than 3 Months Rs. | 3 to 12 Months Rs. | 1 to 5 Years Rs. | > 5 Years Rs. | Total Rs. |
|---|---|---|---|---|---|---|
| Interest-Bearing Loans and Borrowings | 488,595,377 | 6,259,104 | 18,777,312 | 585,834,000 | - | 1,099,465,793 |
| Trade and Other Payable | - | 128,415,394 | 68,022,791 | - | - | 196,438,185 |
| | 488,595,377 | 134,674,499 | 86,800,103 | 585,834,000 | - | 1,295,903,979 |

# Notes to the Financial Statement

## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *CONTD.*

*Company*

**As at 31 March 2019**

| | On Demand Rs. | Less Than 3 Months Rs. | 3 to 12 Months Rs. | 1 to 5 Years Rs. | > 5 Years Rs. | Total Rs. |
|---|---|---|---|---|---|---|
| Interest - Bearing Loans and Borrowings | 155,839,650 | 1,377,664 | 4,132,991 | - | - | **161,350,304** |
| Trade and Other Payable | - | 374,909,319 | 299,494,774 | - | - | **674,404,093** |
| | 155,839,650 | 376,286,983 | 303,627,765 | - | - | **835,754,397** |

**As at 31 March 2018**

| | On Demand Rs. | Less Than 3 Months Rs. | 3 to 12 Months Rs. | 1 to 5 Years Rs. | > 5 Years Rs. | Total Rs. |
|---|---|---|---|---|---|---|
| Interest - Bearing Loans and Borrowings | 49,792,000 | 3,078,745 | 9,236,234 | - | - | 62,106,979 |
| Trade and Other Payable | - | 387,155,797 | 207,931,228 | - | - | 595,087,025 |
| | 49,792,000 | 390,234,542 | 217,167,462 | - | - | 657,194,004 |

## 24. COMMITMENTS AND CONTINGENCIES

### *24.1 Capital Expenditure Commitments*

*Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd)*

The Company has purchase commitments for acquisition of Property, Plant and Equipment incidental to the ordinary course of business as at 31 March, as follows;

| | 2019 Rs. | 2018 Rs. |
|---|---|---|
| Contracted but not Provided for | - | 67,123,663 |
| | - | 67,123,663 |

Other than that the Company does not have significant capital commitments and contingencies as at the reporting date.

### *24.2 Contingencies*

*Beira Brush (Pvt) Ltd*

The Company has filed a case against Chiesel Consumer Products (Pvt) Ltd at Magistrate Court Colombo Fort on the basis of this Company is not settled the receivable balance of Rs.913,905.

## 25. ASSETS PLEDGED

| Company | Nature of Assets | Nature of Liability | Facility Granted 2019 | Facility Granted 2018 |
|---|---|---|---|---|
| BPPL Holdings PLC | Inventory, Trade Receivables, Land & Buildings | Money market Loan - NDB | **USD3,390,000** | USD 2,500,000 |
| Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd) | Yarn Plant & Machinery | HSBC Term Loan | **LKR 500,756,136** | LKR 536,344,139 |
| | | HNB Term Loan | **LKR 145,974,477** | LKR 40,658,950 |
| Beira Brush (Pvt) Ltd | Machinery (Imported) | Term Loan - HNB | **-** | USD 1,000,000 |
| | Inventory and Trade Receivables | Money Market Loan - NDB | **LKR 441,105,450** | LKR 1,435,196,364 |

## 26. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the financial statements.

## 27. RELATED PARTY DISCLOSURES

***Company***

*Terms and Conditions*

The sales to and purchases from related parties are made at terms equivalent to those that in arm's length transactions.

Outstanding balances at the year-end are unsecured and interest free.

| Nature of Transactions | Subsidiaries* Rs. | Total 2019 Rs. | Total 2018 Rs. |
|---|---|---|---|
| Beginning of the Year | (555,009,795) | **(555,009,795)** | (442,703,513) |
| Sale of goods | 353,012,450 | **353,012,450** | 355,079,074 |
| Purchase of goods | (39,602,330) | **(39,602,330)** | (47,286,949) |
| Fund Transfers | (497,949,850) | **(497,949,850)** | (471,814,794) |
| Settlement of Liabilities on Behalf of the Company | 103,321,294 | **103,321,294** | 51,716,387 |
| | (636,228,231) | **(636,228,231)** | (555,009,795) |

**Included in:** Trade and Other Receivables and Trade and Other Payables

**Subsidiaries Included***

- Beira Brush (Pvt) Ltd
- Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd)
- BPPL Enterprises (Pvt) Ltd

# Notes to the Financial Statement

## 27. RELATED PARTY DISCLOSURES *CONTD.*

### *27.1 Recurrent related party transactions*

| Name of the Related Party | Relationship | Nature of the Transaction | Aggregate value of Related Party Transactions entered into during the financial year | Aggregate value of Related Party Transactions as a Percentage of Revenue | Terms and Conditions of the Related Party Transactions |
|---|---|---|---|---|---|
| Beira Brush (Pvt) Ltd | Subsidiary | Sales | 353,012,450 | 55% | The transactions from related parties are made at terms equivalent to those that in arm's length transactions. |
| | | Purchases | (39,602,330) | -6% | |
| | | Settlement of sales/ Fund transfers | (497,949,850) | -77% | |
| | | Expenses paid | 103,321,294 | 16% | |
| Eco Spindles (Pvt) Ltd (Formally known as Beira Enviro Solutions (Pvt) Ltd) | Subsidiary | Sales | 17,198 | 0% | |
| | | Purchases | - | 0% | |
| | | Fund transfers | 5,586,500 | 1% | |
| | | Expenses paid | 5,505,744 | 1% | |

### *27.2 Transactions with Directors/ Key Management Personnel*

*Key Management Personnel Compensation - Group*

| | 2019 Rs. | 2018 Rs. |
|---|---|---|
| Short Term Employee Benefits (Cash & Non-Cash) | **25,683,514** | 25,233,109 |
| Post Employment Benefits | **2,009,820** | 4,437,937 |
| Total Compensation paid to key Management Personnel | **27,693,334** | 29,671,046 |

*Key Management Personnel Compensation - Company*

| | 2019 Rs. | 2018 Rs. |
|---|---|---|
| Short Term Employee Benefits (Cash & Non-Cash) | **11,018,048** | - |
| Post Employment Benefits | **-** | - |
| | **11,018,048** | - |

## 28. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable segments as follows:

| | Brushware | | Filament | | Eliminations and Adjustments | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. | 2019 Rs. | 2018 Rs. |
| **Operating Segments** | | | | | | | | |
| *For the Year Ended,* | | | | | | | | |
| Revenue | 2,904,802,962 | 2,891,223,076 | 532,442,473 | 444,736,196 | (695,890,180) | (719,610,557) | 2,741,355,255 | 2,616,348,715 |
| Cost of Sales | (2,169,358,428) | (2,168,103,332) | (312,081,394) | (247,721,316) | 703,889,875 | 721,135,789 | (1,777,549,947) | (1,694,688,859) |
| **Gross Profit** | 735,444,534 | 723,119,744 | 220,361,079 | 197,014,880 | 7,999,695 | 1,525,232 | 963,805,308 | 921,659,856 |
| Other Operating Income | 5,741,027 | 97,248,837 | 8,633,750 | 9,415,003 | (4,043,999) | (97,651,909) | 10,330,778 | 9,011,931 |
| Distribution Costs | (199,724,038) | (247,271,180) | (12,699,736) | (4,307,874) | - | - | (212,423,774) | (251,579,054) |
| Administrative Expenses | (221,166,398) | (219,129,128) | (95,287,222) | (24,491,796) | - | - | (316,453,620) | (243,620,924) |
| Finance Cost | (23,632,779) | (21,468,591) | (226,483) | (120,630) | - | - | (23,859,262) | (21,589,221) |
| Finance Income | 219,598 | 152,514 | 168,575 | 89,563 | - | - | 388,173 | 242,077 |
| **Profit Before Tax** | 296,881,944 | 332,652,196 | 120,949,963 | 177,599,146 | 3,955,696 | (96,126,677) | 421,787,603 | 414,124,665 |
| Income Tax Expense | (36,479,712) | (38,179,420) | (15,817,150) | 69,906 | - | (10,400,879) | (52,296,862) | (48,510,393) |
| **Profit for the Period** | 260,402,232 | 294,472,776 | 105,132,813 | 177,669,052 | 3,955,696 | (106,527,556) | 369,490,741 | 365,614,272 |
| **Assets & Liabilities** | | | | | | | | |
| *Balance as at,* | | | | | | | | |
| Total Non-Current Assets | 1,551,840,185 | 1,541,310,546 | 1,663,977,537 | 1,114,769,112 | (367,627,096) | (367,627,222) | 2,848,190,626 | 2,288,452,436 |
| Total Current Assets | 2,358,775,472 | 1,788,422,726 | 226,907,877 | 176,772,007 | (1,113,416,263) | (593,510,872) | 1,472,267,086 | 1,371,683,861 |
| **Total Assets** | 3,910,615,657 | 3,329,733,272 | 1,890,885,414 | 1,291,541,119 | (1,481,043,359) | (961,138,094) | 4,320,457,712 | 3,660,136,297 |
| Total Equity | 2,092,384,518 | 1,958,381,409 | 714,651,916 | 609,300,002 | (383,559,580) | (387,515,477) | 2,423,476,854 | 2,180,165,935 |
| Total Non-Current Liabilities | 180,904,066 | 175,601,018 | 653,000,100 | 590,754,508 | (186,955,414) | - | 646,948,752 | 766,355,525 |
| Total Current Liabilities | 1,637,327,073 | 1,195,750,845 | 523,233,398 | 91,486,609 | (910,528,365) | (573,622,617) | 1,250,032,106 | 713,614,837 |
| **Total Liabilities** | 3,910,615,657 | 3,329,733,272 | 1,890,885,414 | 1,291,541,119 | (1,481,043,359) | (961,138,094) | 4,320,457,712 | 3,660,136,297 |

Inter-segment revenues are eliminated upon consolidation; and operation results, assets and liabilities of segments are reflected in the eliminations and adjustments column.

# Investor Information

## ORDINARY SHAREHOLDERS AS AT 31ST MARCH 2019

| Shareholdings | Resident Number of Shareholders | Resident No of Shares | Resident Percentage (%) | Non Resident Number of Shareholders | Non Resident No of Shares | Non Resident Percentage (%) | Total Number of Shareholders | Total No of Shares | Total Percentage (%) |
|---|---|---|---|---|---|---|---|---|---|
| 1 to 1000 Shares | 323 | 97,835 | 0.03% | 1 | 1,000 | 0.00% | 324 | 98,835 | 0.03% |
| 1,001 to 10,000 Shares | 155 | 712,255 | 0.23% | 1 | 1,400 | 0.00% | 156 | 713,655 | 0.23% |
| 10,001 - 100,000 Shares | 106 | 3,987,876 | 1.30% | 0 | - | 0.00% | 106 | 3,987,876 | 1.30% |
| 100,001 - 1000,000 Shares | 44 | 16,536,391 | 5.39% | 3 | 920,233 | 0.30% | 47 | 17,456,624 | 5.69% |
| Over 1,000,000 Shares | 5 | 281,986,367 | 91.90% | 1 | 2,600,000 | 0.85% | 6 | 284,586,367 | 92.75% |
| **Total** | 633 | 303,320,724 | 98.85% | 6 | 3,522,633 | 1.15% | 639 | 306,843,357 | 100.00% |

| Category | No of Shareholders | No of Shares |
|---|---|---|
| Individual | 582 | 14,299,312 |
| Institutional | 57 | 292,544,045 |
| **Total** | 639 | 306,843,357 |

## SHARE TRADING INFORMATION

| Year Ended | 31-Mar-19 | 31-Mar-18 |
|---|---|---|
| **Share Information** | | |
| Highest Price (Rs.) | **13.50** | 16.00 |
| Lowest Price (Rs.) | **9.80** | 12.00 |
| Closing Price (Rs.) | **9.90** | 13.20 |

## PUBLIC HOLDING AS AT 31ST MARCH 2019

The Company is in compliance with the Minimum Public Holding requirements for Companies listed in the Diri Savi Board as per Rule 7.13.1 (b) of the Listing Rules of the Colombo Stock Exchange, under Option 2, i.e. Float-Adjusted Market Capitalisation is less than Rs.1 Billion with 200 Public Shareholders and a Public Holding percentage of 10%.

## ORDINARY SHARES OF THE COMPANY HELD BY THE PUBLIC AS AT 31ST MARCH 2019;

| | |
|---|---|
| Float-Adjusted Market Capitalisation | Rs. 303.8 Mn |
| Percentage of Ordinary Shares Held by the Public | 10% |
| Number of Public Shareholders | 636 |

There were no non-voting shares as at 31st March 2019.
The Stock Exchange code for BPPL Holding PLC shares is “BPPL”.

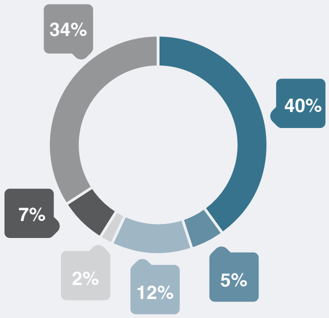
## TWENTY MAJOR SHAREHOLDERS

| No | Name of the Shareholder | No. of Shares as at 31st March 2019 | % |
|---|---|---|---|
| 1 | Infinity Capital (Pvt) Ltd | 154,382,777 | 50.31% |
| 2 | LOLC Investments Ltd | 80,546,372 | 26.25% |
| 3 | Hirdaramani Investment Holdings Private Limited | 41,229,208 | 13.44% |
| 4 | J.B. Cocoshell (Pvt) Ltd | 2,942,840 | 0.96% |
| 5 | Seylan Bank PLC/ARRC Capital (Pvt) Ltd | 2,885,170 | 0.94% |
| 6 | Deutsche Bank AG Singapore Branch | 2,600,000 | 0.85% |
| 7 | Miss. Page Marianne Mahilmalar | 1,000,000 | 0.33% |
| 7 | Mr. Samaranayake Nihal Parakrama De Alwis | 1,000,000 | 0.33% |
| 9 | Seylan Bank PLC/ Karagoda Loku Gamage Udayananda | 802,690 | 0.26% |
| 10 | Jafferjee Brothers (Exports) Limited | 772,800 | 0.25% |
| 11 | Mr. Fernando Merrill Joseph | 750,000 | 0.24% |
| 12 | Mr. Esufally Murtaza Ali Abidhussen Hassanaly | 733,400 | 0.24% |
| 13 | Mr. Hirdaramani Mahesh Lalchand | 732,100 | 0.24% |
| 13 | Mr. Hirdaramani Akshay Anil | 732,100 | 0.24% |
| 15 | Mr. Vasudevan Subramaniam | 715,000 | 0.23% |
| 16 | Hatton National Bank PLC-Comtrust Equity Fund | 656,500 | 0.21% |
| 17 | Ambeon Holdings PLC | 645,100 | 0.21% |
| 18 | Alpex Marine (Pvt) Ltd | 642,000 | 0.21% |
| 19 | Gf Capital Global Limited | 476,600 | 0.16% |
| 20 | Katunayake Garments Limited | 419,200 | 0.14% |
| | | 294,663,857 | 96.03% |

# Statement of Value Added

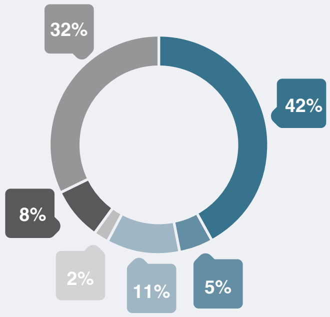
| For the year ended 31 March | Group 2019 Rs. | Group 2018 Rs. | Company 2019 Rs. | Company 2018 Rs. |
|---|---|---|---|---|
| Turnover | **2,741,355,255** | 2,616,348,715 | **643,003,161** | 667,778,658 |
| Other Income | **10,330,778** | 9,011,931 | **3,463,548** | 96,926,748 |
| Finance Income | **388,173** | 242,077 | **2,928** | 3,246 |
| Cost of Material & Services | **(1,611,969,603)** | (1,550,727,147) | **(359,135,446)** | (356,050,159) |
| **Value added** | **1,140,104,603** | 1,074,875,576 | **287,334,191** | 408,658,493 |

| | Group 2019 | % | Group 2018 | % | Company 2019 | % | Company 2018 | % |
|---|---|---|---|---|---|---|---|---|
| Distributed as follows: | | | | | | | | |
| **To Employess** | | | | | | | | |
| as remuneration and other employee costs | **476,874,896** | **42%** | 432,113,704 | 40% | **130,923,528** | **46%** | 116,625,844 | 29% |
| **To Government** | | | | | | | | |
| as income tax | **52,296,862** | **5%** | 48,510,393 | 5% | **3,646,947** | **1%** | 8,266,684 | 2% |
| **To Providers of Capital** | | | | | | | | |
| as dividends to shareholders | **128,866,381** | **11%** | 128,872,951 | 12% | **128,866,381** | **44%** | 128,872,951 | 32% |
| as interest to finance providers | **23,859,262** | **2%** | 21,589,221 | 2% | **5,898,284** | **2%** | 6,467,801 | 2% |
| **Retained in Business** | | | | | | | | |
| as depreciation and amortisation | **88,716,461** | **8%** | 78,174,833 | 7% | **19,395,245** | **7%** | 16,382,478 | 4% |
| as profit/(loss) for the year | **369,490,741** | **32%** | 365,614,473 | 34% | **(1,396,195)** | **0%** | 132,042,735 | 32% |



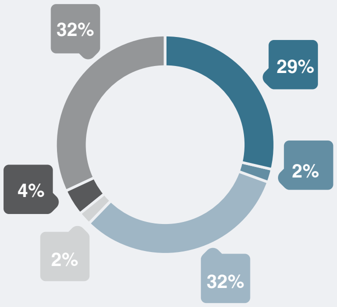

**Group 2018**

- As remuneration and other employee costs
- As income tax
- As dividends to shareholders
- As interest to finance providers
- As depreciation and amortisation
- As profit/(loss) for the year



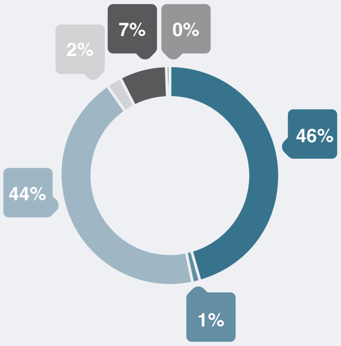

**Group 2019**

- As remuneration and other employee costs
- As income tax
- As dividends to shareholders
- As interest to finance providers
- As depreciation and amortisation
- As profit/(loss) for the year




**Company 2018**

- As remuneration and other employee costs
- As income tax
- As dividends to shareholders
- As interest to finance providers
- As depreciation and amortisation
- As profit/(loss) for the year




**Company 2019**

- As remuneration and other employee costs
- As income tax
- As dividends to shareholders
- As interest to finance providers
- As depreciation and amortisation
- As profit/(loss) for the year

# Five Year Summary

| | 2019<br>Rs. | 2018<br>Rs. | 2017<br>Rs. | 2016<br>Rs. | 2015<br>Rs. |
|---|---|---|---|---|---|
| **Revenue** | 2,741,355,255 | 2,616,348,715 | 2,422,402,089 | 2,087,533,093 | 1,931,010,849 |
| Profit Before Tax | 421,787,603 | 414,124,665 | 491,095,800 | 330,573,657 | 174,774,095 |
| Taxation | (52,296,862) | (48,510,393) | (55,090,849) | (23,695,879) | (25,671,567) |
| Profit After Tax | 369,490,741 | 365,614,272 | 436,004,951 | 306,877,778 | 149,102,528 |
| Profit / (Loss) from Discontinued Operation Net of Tax | - | - | - | - | (952,343) |
| Profit for the Period | 369,490,741 | 365,614,272 | 436,004,951 | 306,877,778 | 148,150,185 |
| **Funds Employed** | | | | | |
| Stated Capital | 100,371,584 | 100,371,584 | 100,371,584 | 81,193,880 | 81,193,880 |
| Reserves | 259,933,800 | 259,933,800 | 259,933,800 | 259,933,800 | - |
| Retained Earnings | 2,063,171,470 | 1,819,860,551 | 1,654,940,657 | 1,359,127,817 | 1,166,876,562 |
| **Assets Employed** | | | | | |
| Non-Current Assets | 2,848,190,626 | 2,288,452,436 | 1,441,138,594 | 1,290,380,064 | 1,045,553,255 |
| Current Assets | 1,472,267,086 | 1,371,683,861 | 1,195,950,683 | 1,015,197,900 | 1,082,675,774 |
| Current Liability | 1,250,032,106 | 713,614,837 | 448,795,304 | 428,315,153 | 653,259,635 |
| Capital Employed (Net Debt Basis) | 3,874,532,037 | 3,255,369,669 | 2,358,934,222 | 2,096,381,295 | 1,912,030,894 |
| **Cash Flow** | | | | | |
| Net Cash Inflow/Outflow from Operating Activities | 475,200,278 | 327,313,645 | 407,357,216 | 459,070,532 | 35,796,019 |
| Net Cash Inflow/Outflow from Investing Activities | (648,018,007) | (924,209,936) | (218,336,325) | (52,047,418) | (214,500,990) |
| Net Cash Inflow/Outflow from Financing Activities | 188,966,266 | 606,671,582 | (169,050,976) | (426,027,554) | 164,641,775 |
| Net Increase/Decrease in Cash and Cash Equivalents | 16,148,536 | 9,775,291 | 19,969,914 | (19,004,440) | (14,063,196) |
| **Key Indicators** | | | | | |
| Current Ratio | 1.18 | 1.92 | 2.66 | 2.37 | 1.66 |
| Gearing Ratio | 60% | 49% | 17% | 23% | 53% |
| Asset Turnover Ratio | 0.63 | 0.71 | 0.92 | 0.91 | 0.91 |
| Earnings per Share (Rs) | 1.20 | 1.19 | 1.42 | 1.00 | 26.69 |
| Dividends per Share (Rs) | 0.42 | 0.42 | 0.42 | 0.36 | 11.62 |
| Net assets per Share (Rs) | 7.90 | 7.11 | 6.57 | 5.57 | 224.88 |
| Return on Equity | 15% | 17% | 22% | 18% | 12% |
| Return on Capital Employed | 11% | 13% | 22% | 17% | 11% |
| Interest Cover (Times) | 18.97 | 20.40 | 25.53 | 11.77 | 7.15 |
| Dividend Payout Ratio | 35% | 35% | 30% | 36% | 44% |

# Office Address

### HEAD OFFICE
Level 17,
Access Towers,
No. 278/4, Union Place,
Colombo 02

### WOOD, BRUSH AND MOP FACTORIES
No 88,
Ratnapura Road,
Ingiriya

### SYNTHETIC FILAMENT FACTORY
Batuvita,
Mawgama,
Horana.

### RECYCLING AND YARN PLANT
Lot 7,
Horana Export Processing Zone,
Boralugoda,
Poruwadanda,
Horana.

### OFFSHORE OFFICES:

**Indonesia**
Jl. Raya Pulo Gebang KM 3
Rt 012 Rw 007 Kel.Pulo Gebang. Kec.
Cakung Jakarta Timur 13950
Indonesia.

# Corporate Information

## COMPANY NAME
B P P L Holdings PLC

## DATE OF INCORPORATION
26th August 1991

## LEGAL FORM
Incorporated in Sri Lanka on 26th August 1991 as a public company under the Companies Act No. 17 of 1982 [N (PBS) 291)], re-registered under the Companies Act No. 07 of 2007 on 21st January 2009 (PB 859), converted to a private limited liability on 20th July 2012 (PB 859 PV),converted to a public company on 29th July 2016 (PB 859 PV) and subsequently converted to Public Quoted Company (PB 859 PQ) on 29th June 2017 . Authority of Incorporation: Registrar of Companies (ROC), Colombo.

## COMPANY REGISTRATION NUMBER
PB 859 PQ

## REGISTERED OFFICE AND CURRENT PLACE OF BUSINESS
B P P L Holdings PLC,
Level 17, Access Towers,
No. 278/4, Union Place,
Colombo 02.
Tel : +94 11 2307168
Fax: +94 11 2307169

## BOARD OF DIRECTORS
Mr. Sarath Dayantha Amarasinghe - *Chairman*
Dr. Anush Amarasinghe - *Managing Director / Chief Executive Officer*
Mr. Vaithilingam Selvaraj - *Executive Director / Chief Financial Officer*
Mr. B. D. Prasad Devapriya Perera - *Executive Director*
Mr. Ranil Pathirana - *Non-Executive Director*
Mr. Manjula De Silva - *Independent Non- Executive Director*
Mrs. Sharmini Ratwatte - *Independent Non- Executive Director*
Mr. Savantha De Saram - *Independent Non-Executive Director*

## COMPANY SECRETARY
Secretarius (Pvt) Ltd.
3rd Floor, 40, Galle Face Court,
Colombo 03.
Tel : +94 11 2333431
Fax: +94 11 2381907

## COMPANY REGISTRAR
S S P Corporate Services (Private) Limited,
101, Inner Flower Road, Colombo 03.
Tel : +94 11 2573894
Fax : +94 11 2573609
Email : sspsec@sltnet.lk

## AUDITORS TO THE COMPANY
Messrs. Ernst & Young (Chartered Accountants)
201, De Saram Place,
Colombo 10.
Tel : +94 11 2204444
Fax: +94 11 2697369

## LAWYERS TO THE COMPANY
AIM LAW
Attorneys-at-Law and Notaries Public
No. 514C, R A De Mel Mawatha
Colombo 03.
Tel: +94 11 2503426/ +94 712 228 044
Email: aimlaw@sltnet.lk

## COMPANY WEBSITE
www.bpplholdings.com

## COMPANY E-MAIL
info@bpplholdings.com

## BANKERS TO THE COMPANY
**Bank of Ceylon**
04, Bank of Ceylon Mawatha,
Colombo 01.

**National Development Bank**
42, DHPL Building,
Nawam Mawatha,
Colombo 02.

**Sampath Bank**
110, Sir James Pieris Mawatha,
Colombo 02.

**Hongkong and Shanghai Banking Corporation Limited**
24, Sir Baron Jayathilake Mawatha,
Colombo 01.

**Hatton National Bank**
HNB Towers,
479, T.B. Jayah Mawatha,
Colombo 10.

# Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of B P P L Holdings PLC will be held on 26th July 2019 at 2.30pm Elevate Banquet Hall, 28th Floor, Access South Tower, No.278/4, Union Place, Colombo - 02 for the following purposes:

1. To read the Notice convening the Meeting.

2. To receive and consider the Annual Report and the Financial Statements for the Financial Year ended 31st March 2019 with the Report of the Auditors thereon.

3. To re-elect as Director, Mr. B D P D Perera who retires by rotation in terms of Article 81 of the Articles of Association of the Company.

4. To re-elect as Director, Mr. M H De Silva who retires by rotation in terms of Article 81 of the Articles of Association of the Company.

5. To re-appoint as Director, Mr. S D Amarasinghe who retires, in terms of Section 211 of the Companies Act No. 7 of 2007 and for which notice of the following resolution is given:

   "THAT the age limit stipulated in terms of Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. S D Amarasinghe who is 82 years and that he be re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 7 of 2007."

6. To re-appoint Messrs. Ernst & Young, Chartered Accountants, as Auditors and to authorise the Directors to determine their remuneration.

7. Any Other Business of which due notice has been given in terms of the relevant laws and regulations.

By Order of the Board
**B P P L HOLDINGS PLC**

**Secretarius (Private) Limited**
*Secretaries*

Colombo

3rd July 2019

**Notes:**
- A member unable to attend is entitled to appoint a Proxy to attend and vote in his/her place.
- A form of proxy is enclosed for this purpose.
- A proxy need not be a member of the Company.
- In order to be valid, the completed Proxy Form must be lodged at the Registered Office of the Company not less than forty eight hours before the time fixed for the meeting.

# Notes

# Form of Proxy

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

of ...................................................................................................................................................................
being a member/members of B P P L HOLDINGS PLC hereby appoint:

Mr./Mrs./Miss ..............................................................................................................................................

of ...................................................................................................................................................................
or failing him/her,

| | |
|---|---|
| MR. S D AMARASINGHE | of Colombo, or failing him |
| DR. K A AMARASINGHE | of Colombo, or failing him |
| MR. V SELVARAJ | of Colombo, or failing him |
| MR. B D P D PERERA | of Malabe, or failing him |
| MR. R P PATHIRANA | of Rajagiriya, or failing him |
| MR. M H DE SILVA | of Nugegoda, or failing him |
| MRS. S T RATWATTE | of Dehiwela, or failing her |
| MR. S R SPROULE DE SARAM | of Colombo |

as my/our proxy to represent me/us and vote on my/our behalf at the Annual General Meeting of the Company to be held on 26th July 2019 at 2.30 p.m. and at any adjournment thereof and at every poll which may be taken in consequence thereof.

I/We, the undersigned, hereby direct my/our proxy to vote for me/us and on my/our behalf on the specified resolution as indicated by the letter "X" in the appropriate cage:

| | FOR | AGAINST |
|---|---|---|
| To re-elect as Director, Mr. B D P D Perera who retires by rotation in terms of Article 81 of the Articles of Association of the Company. | | |
| To re-elect as Director, Mr. M H De Silva who retires by rotation in terms of Article 81 of the Articles of Association of the Company. | | |
| To re-appoint as Director, Mr. S D Amarasinghe who retires in terms of Section 211 of the Companies Act No. 7 of 2007 and for which notice of the following resolution is given: | | |
| "THAT the age limit stipulated in terms of Section 210 of the Companies Act No. 7 of 2007 shall not apply to Mr. S D Amarasinghe who is 82 years and that he be re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 7 of 2007." | | |
| To re-appoint Messrs. Ernst & Young, Chartered Accountants, as Auditors and to authorise the Directors to determine their remuneration. | | |

As witness my/our hands on this ................ day of ............................ Two Thousand & Nineteen.

.........................................................
Signature/s

*INSTRUCTIONS AS TO COMPLETION OF THE FORM OF PROXY ARE SET OUT ON THE REVERSE.*

# Form of Proxy

## INSTRUCTIONS AS TO COMPLETION OF THE FORM OF PROXY

1. Kindly perfect the Form of Proxy by filling in legibly your full name and address and signing in the space provided. Please fill in the date of signature.

2. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.

3. If the appointer is a Company/Corporation, the Form of Proxy should be executed under its Common Seal or by a duly authorised officer of the company or Corporation in accordance with its Articles of Association.

4. The completed Form of Proxy should be deposited at the Registered office of the Company at Level 17, Access Towers, No. 278/4, Union Place, Colombo 2 not later than forty eight hours before the time appointed for the holding of the meeting.

Please fill in the following details:

| | |
|---|---|
| Name | : ........................................................................................................ |
| | ........................................................................................................ |
| Address | : ........................................................................................................ |
| | ........................................................................................................ |
| Jointly with | : ........................................................................................................ |
| Share Folio No. | : ........................................................................................................ |

optima
Designing Your Year!
Designed & Produced by
Optima Designs (Pvt) Ltd.
A full service design and print company.
www.optimadesigns.lk

BPPL
Building Quality. Improving Life.

**B P P L Holdings PLC,**
Level 17, Access Towers, No. 278/4, Union Place, Colombo 02.
Tel : +94 11 2307168 | Fax: +94 11 2307169