LANKEM CEYLON PLC

ANNUAL REPORT 2018 / 2019

LANKEM CEYLON PLC

Our Business Areas

Agri-Inputs

Paints

Chemicals

Consumer

Pest Control

Leisure

Packaging

Contents

Our Business Areas

Our Business Areas are Agri-Inputs, Paints, Chemicals, Consumer Products, Pest Control, Leisure and Packaging.

Vision

To be the front runner in the chemical industry of Sri Lanka.

Mission

Our mission as a manufacturer and formulator of chemical products is to expand our business through value addition and quality assurance with a commitment to society to continuously improve management and performance in the areas of health, safety and the environment.

Financial Highlights

Performance Highlights

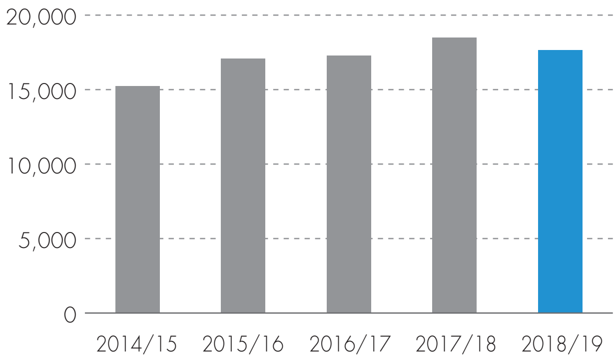
Revenue
Rs.17,659 Million

Total Equity
Rs.5,022 Million

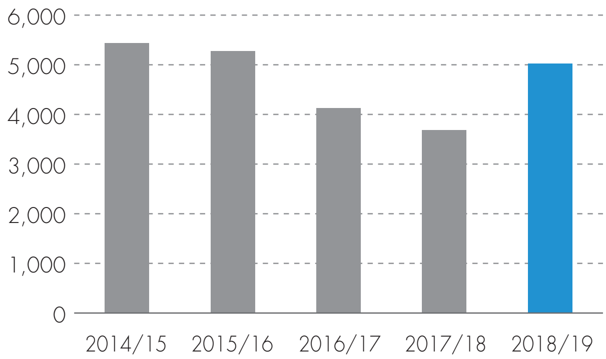
Total Assets
Rs.18,573 Million

Net Assets Per Share
Rs.65.84

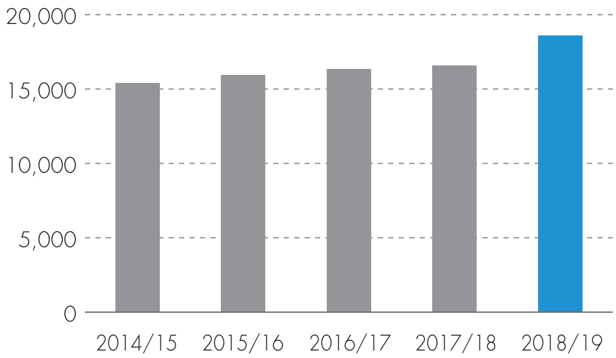
Revenue – Group
(Rs. Mn)



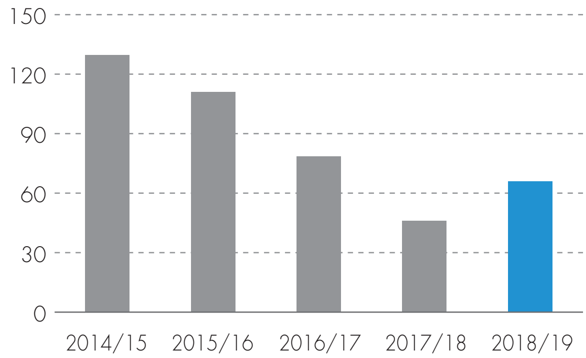
Total Equity – Group
(Rs. Mn)



Total Assets – Group
(Rs. Mn)



Net Assets Per Share – Group
(Rs.)



Chairman's Message

On behalf of the Board of Directors, I take pleasure in welcoming you to the 54th Annual General Meeting of Lankem Ceylon PLC and presenting you with the Annual Report and the Audited Financial Statements of your Company for the year ended 31st March 2019.

The year 2018 was undoubtedly a challenging year. Global economic, financial and geopolitical developments as well as several domestic challenges impacted the overall macroeconomic stability which saw the Country's economic growth decline to 3.2% from 3.4% reported during the previous year. The GDP growth in the current year was largely supported by service activities which recorded a growth of 4.7% coupled with 4.8% growth in the agriculture sector indicating a recovery as the sector had been underperforming during the two previous years. The Country's construction sector experienced a decline in growth while the industry sector remained stagnant.

The Group's performance during the year was in an environment which posed significant challenges such as steep devaluation of the local currency by 13% year on year following the Government's decision in September 2018 to permit greater flexibility in the determination of the exchange rate. Further, political uncertainty, together with rise in interest rates unduly burdened the Sri Lankan corporate sector in respect of borrowings needed for regular commercial activities.

Despite such unprecedented challenges taking place all around us the Lankem Group achieved a turnover of Rs. 17.7 Billion, a drop of 4% compared to Rs. 18.5 Billion achieved during the previous financial year. The Company achieved a turnover of Rs. 3.2 Billion for the year compared to the turnover of Rs. 4.2 Billion recorded for the previous year. At Group level, the net loss stood at Rs.884 Million during the current financial year.

The Agro Chemicals cluster which is one of the primary contributors to the Group's top line witnessed yet another challenging year driven by many negative externalities. Although poor weather patterns continued during the first half of the year and further regulatory restrictions on Agro chemicals, the Company's Agricultural Sector was able to conclude the year by reporting a modest profit. However going forward, we seek to take measured steps to sustain our growth objectives and have invested in many strategic initiatives for the coming year such as introducing a new weedicide and an insecticide for the farming community to improve their productivity. These strategies will drive our business model to add further value to our product portfolios in the near term.

A new strategic plan was also formulated and executed in the 3rd quarter of the year under review segregating the operations of the three core business units of the Company. Consequent to this, both Paints and Industrial Divisions embarked on a stringent cost reduction drive to streamline operational expenses against the previous year. We envisage that the culmination of these strategies will help establish long-term sustained profitability in the business sectors we operate amidst the impact of the degrowth of 2.1% witnessed in the Construction sector during the year under review.

The Company's focus would be to capitalize on Paints and Industrial Chemicals as the core businesses, which will guide the Company towards rapid growth in the years ahead. Therefore, in this quest, the Paints and Industrial Chemical divisions will be on a market stabilization drive in the coming year by rationalizing their Customer and Product portfolios to prioritize on customers and products that would yield the highest margins and returns.

The Company's finance cost reported a drop, a modest 2% compared to the previous year as the term loans were restructured with a lower interest rate coupled with a step-up capital repayment program. Thus, term loan interest reduced by 10% in comparison with the previous year. However, due to excessive fluctuation of the exchange rate, a higher exchange loss was recorded compared to the exchange gain reported during the previous year.

C.W. Mackie PLC reported yet another year with satisfactory performance in both revenue and profitability. Leisure sector of the Group also contributed positively in terms of turnover and profitability. However, the packaging sector could not contribute as expected due to high fluctuation of exchange rate and write off of old inventory resulting in negative contribution to the Group.

I believe 2019 will be a year of mixed fortunes for Sri Lanka given headwinds from weakening global growth and domestic political uncertainties. In this context, the year ahead will be a challenging year and the Company thus needs to take a firm grasp of the opportunities that are extended through the rapid development plans and the Government's investment initiatives planned to develop the economy. As we move forward, I am convinced these initiatives will turn around the performance of the Company and will support the Company to achieve sustained profitability.

Mr. Alagarajah Rajaratnam joined the Board in 1990, served as the Chairman of the Company from the year 2003 to September 2017 and resigned from the Board on 31st March 2019. I take this opportunity to convey our appreciation for steering the Company during difficult times and for his invaluable service and contribution to Lankem and wish him well for the future.

On behalf of the Board, I would like to thank our valued shareholders for their support and loyalty to the Company. I would also like to thank all our employees for their hard work and commitment in helping to drive the Company through the many changes during this challenging year, to ensure our long-term success. I also extend my sincere thanks to the Board of Directors for their advice and support.

I also wish to thank our numerous stakeholders for their long standing support and for their continued trust and confidence in the Company.

S. D. R. Arudpragasam
Chairman

28th August 2019

Board of Directors

S. D. R. Arudpragasam [FCMA (UK)]

Chairman

Mr. S. D. R. Arudpragasam joined the Board in 1989, was appointed Deputy Chairman in 1990 and as the Chairman on 1st October 2017. He serves as Chairman of several subsidiaries of The Colombo Fort Land & Building PLC including Chairman/ Managing Director of E.B. Creasy & Company PLC. He also holds the position of Deputy Chairman of The Colombo Fort Land & Building PLC in addition to serving on the Boards of other Companies within the CFLB Group.

A. Hettiarachchy [C.Eng, MIEE, MIProdE, MIChemE]

Deputy Chairman

Mr. A. Hettiarachchy was appointed to the Board as an Independent Non-Executive Director in April 2010 and was appointed Deputy Chairman on 1st October 2017. He is a Chartered Engineer and is the Director/ Chief of Research and Engineering Systems - Sri Lanka Institute of Nanotechnology. He is Chairman of the Board of ISL Services Limited, Chairman of LOLC Advanced Technologies (Private) Limited and Board Member of Central Industries PLC and serves as the Chairman of its Audit Committee. He has served on the Boards of Richard Pieris Arpico Finance Ltd, Hayleys PLC and functioned as Managing Director on the Boards of Haycarb PLC, Recogen Limited and Puritas Limited and also served on several other subsidiaries of Haycarb PLC and Hayleys PLC both in Sri Lanka and Overseas.

He was also a Board Member of the National Science Foundation, Coconut Research Institute, Member of the National Nano Committee and a member of several advisory Boards of the NSF. Mr. Hettiarachchy possess expertise in the fields of Process Design, Construction and Commissioning; Instrumentation and Control-Design, Installation and Commissioning; Mechanical Engineering, Thermal and Electrical Energy - Generation and Storage and Nano Technology.

D. L. Vitharana [MNI (Lond), MBA, M.Sc. (UK)]

Managing Director

Mr. D. L. Vitharana was appointed to the Board in 2005. He joined Lankem Ceylon PLC in 1997 and has headed the Lankem Agro cluster since 1999. Having served as Chief Operating Officer of Lankem Ceylon PLC since April 2009, was appointed as Managing Director from January 2017. Mr. Vitharana also serves on the Boards of several subsidiaries of the Lankem Group.

Anushman Rajaratnam [B.Sc (Hons.), CPA, MBA]

Director

Mr. Anushman Rajaratnam prior to joining Lankem Ceylon PLC had spent several years working overseas as a Consultant for a leading Accountancy Firm. He was appointed to the Board as Deputy Managing Director in the year 2005 and was appointed Managing Director in April 2009. He relinquished his position as Managing Director of Lankem Ceylon PLC in December 2016 and effective January 2017 serves as Group Managing Director of The Colombo Fort Land & Building PLC in addition to serving on the Boards of several subsidiaries of the CFLB Group.

R. N. Bopearatchy [B.Sc. (Cey), Dip. BM., MBA (Univ. of Col)]

Director

Mr. R. N. Bopearatchy was appointed to the Board in 1996. He has considerable expertise in product development, manufacturing and marketing of pesticides, pharmaceuticals and consumer products. Soon after graduation he was employed in research in the Plant Pathology Division of the Tea Research Institute and subsequently joined Chemical Industries Colombo Ltd., and was appointed to its Board. He also served on the Boards of Crop Management Services (Pvt) Ltd., the managing agents for Mathurata Plantations Ltd., CIC Fertilizers Ltd. and Cisco Speciality Packaging (Pvt) Ltd. He has held office as the Chairman of the Pesticide Association of Sri Lanka, the Toxicological Society of Sri Lanka and the International Mosquito Spiral Manufacturers Association (IMSMA). Mr. R. N. Bopearatchy currently holds several other directorships within The Colombo Fort Land & Building Group.

K. P. David [FCMA (UK), FCMA, FIPFM, CGMA]

Director

Mr. K. P. David, having commenced his career in the Banking sector, joined E. B. Creasy & Company PLC as Group Accountant in 1993. He proceeded to be Head of Finance/CFO of Lankem Ceylon PLC and its subsidiaries until February 2017.He was appointed to the Board of Lankem Ceylon PLC in 2007 and now functions as Managing Director of its Packaging Sector, in addition to holding several other directorships within the Lankem Group.

R. T. Weerasinghe [BBA – USA]

Director

Mr. R. T. Weerasinghe was appointed to the Board in April 2009. He joined Darley Butler & Company Ltd, in the year 1994 as a Trainee Product Manager and was seconded to Lankem Ceylon PLC as the Marketing Manager of the Consumer Division in 1998. He was promoted as General Manager of the Consumer Division in 2005 and was also appointed as General Manager of the Paints Division. In addition he was appointed as the Head of the Industrial Chemicals Division in 2009. Mr. Weerasinghe possesses expertise in the fields of Marketing and Management. Mr. Weerasinghe also serves on the Boards of certain subsidiaries of Lankem Ceylon PLC.

A. C. S. Jayaranjan [FCA, FCMA (UK), CGMA]

Director

Mr. A. C. S. Jayaranjan was appointed to the Board as an Independent Non-Executive Director in June 2010. He started his career as a professional at KPMG. Thereafter he has been working for over forty years in the commercial and industrial sectors at senior managerial level. He was the Chief Accountant at James Finlay & Company PLC and Deputy Chief Executive Officer/Executive Director Shaw Wallace & Hedges PLC.

Mr. Jayaranjan then joined as the Group Finance Director of Perships Group and later joined John Keells Holdings PLC, as Senior Vice President, Head of Learning & Development. His experience covers diverse areas in commerce and industry. Mr. Jayaranjan is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, and a Fellow Member of the Chartered Institute of Management Accountants (UK). He is a lecturer for the MBA program at the Colombo campus of London Metropolitan University.

Mr. R. Seevaratnam [B.Sc. (Lond.), FCA (Eng.and Wales) FCA (ICASL)]

Director

Mr. R. Seevaratnam was appointed to the Board as an Independent Non Executive Director in April 2014. He is a fellow member of The Institute of Chartered Accountants of England and Wales and of Sri Lanka and holder of a General Science Degree from the University of London. He was a former senior partner of KPMG. Mr. Seevaratnam is a Director of several listed and unlisted companies.

Mr. P.M.A. Sirimane [FCA, MBA]

Director

Mr. P.M.A. Sirimane was appointed to the Board on 1st September 2017. He joined the E B Creasy Group in October, 2009 and was appointed to the Board of E.B. Creasy & Company PLC in November 2009. Amongst other senior positions he has functioned as Managing Director/CEO of Mercantile Leasing Limited, Group Finance Director of United Tractor & Equipment Limited, Chief Financial Officer, Sri Lanka Telecom Limited and Director SLT Hong Kong Limited. He has served as a Member of several Committees of the Institute of Chartered Accountants of Sri Lanka and was an ex-officio member of the International Leasing Association. Mr. Sirimane also serves on the Boards of some of the subsidiaries of the E B Creasy Group and holds several other Directorships including that of The Colombo Fort Land & Building PLC where he now serves as Group Finance Director.

Mr. M.N.K. Jayamanne [MBA(Col), BSc(Agric)Hons, CIM(UK), ACS(Aus)]

Director

Mr. M.N.K. Jayamanne was appointed to the Board on 1st April 2018. He holds a Masters Degree in Business Administration from the University of Colombo and a Bachelor of Science Degree in Agriculture from the University of Peradeniya. He has more than 22 years of experience in the Agro Chemicals business covering all functional areas including Sales, Marketing, Research and Production.

Sustainability Report

As Our approach throughout the Company's history, we have strived to support the communities we serve. We take pride in the special relationship we have built with our employees, consumers, shareholders and all stakeholders, in every corner of the island and we work every day to maintain that relationship and ensure that we provide them with the products and information they need to stay abreast with new and emerging trends. We aim to achieve this objective by leveraging on eco-friendly operations that minimise wastage and optimise natural resources.

We are dedicated to setting higher benchmarks in the industry that reflect global best practices in all aspects of our operations. Green leadership has to be inherent; it is not a philosophy, strategy or thought process that can be implemented on the surface but one that must form the axis of an entity's accountable responsible conscience. This commitment has led the Company to inculcate a green and corporate responsibility framework, a framework that cascades its green consciousness and responsibility towards society, with the top management taking leadership in ensuring that the impact on the environment through business is minimised. There is also a concerted effort to continually introduce best practices and raise the bar in our actions. This approach is the backbone of Lankem, with each team member taking ownership for their actions and displaying immense responsibility and accountability. The results are now tangible, arbitrated by the accolades gained for green practices and CSR projects; however, our efforts are not limited to awards and titles. We are not solely focused on short term results; instead we take a futuristic approach. We believe that creating societal and environmental value is integral to sustaining long-term shareholder value.

Our People

Our people make us different—energetic about supporting and challenging all our stakeholders in equal measure. We're passionate about making a measurable impact in all we do. Our unique culture and approach deliver enduring results, true to each client's specific situation. We will always do the right thing by our clients, our people and our communities. We have always maintained that sustainable leadership comes from within and has to be driven by spearheads who are committed to being sustainable, leaving no stone unturned to continue reducing its carbon footprint. Lankem possesses a highly talented and diverse workforce within a safe and healthy workplace. We upgrade and upkeep safety standards across all divisions. A green culture can only be fostered through persistent practice, knowledge sharing and team building. Events in our 'Sustainable Calendar' include the annual painting of religious places of worship – Dalada Maligawa, Madhu Church, hospitals and medical institutes, the donation of school supplies to needy children and medical awareness workshops.

Recycling for a Sustainable Tomorrow

The Company also placed great emphasis on the environmental aspect considering its growing importance amidst clear evidence that this country's weather patterns are also significantly affected by the effects of global warming. Our efforts in this regard were of two types, i.e. activities carried out to conserve valuable resources in our day to day operations and activities performed to improve awareness on the need for protecting the environment beyond the confines of our offices.

The Group's business activities involve high consumption of both water and energy. These two aspects of our operations have become the focus of our sustainability efforts. As a company we understand that both are non-renewable resources and that as a large consumer of both these valuable sources, we need to minimise usage and practice sustainable best practices to recycle and recover both water and energy wherever possible.

Towards a Sustainable Future

Our environmental consciousness is ingrained into the conduct of our business. It is the ethos of Lankem. We strive to make an impact on the ecological canvas and ascertain our corporate stewardship as a 'sustainable' company.

Annual Report of the Board of Directors

The Board of Directors of Lankem Ceylon PLC present their Report on the affairs of the Company together with the Audited Financial Statements for the year ended 31st March 2019. The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007, and the Colombo Stock Exchange Listing Rules and are guided by recommended best practices.

General

The Company was re-registered on 18th March 2008 as required under the Companies Act No. 07 of 2007.

Principal Activities, Business and Future Prospects

The principal activities of the Company together with those of its subsidiary companies have been described along with the Corporate Information in this Annual Report. A review of the Company's business and its performance during the year with comments on financial results and future prospects is contained in the Chairman's Message of this Annual Report. This report together with the Financial Statements reflect the state of affairs of the Company. The Directors, to the best of their knowledge and belief, confirm that the Company has not engaged in any activities that contravene laws and regulations.

Financial Statements

The Financial Statements of the Group are given on pages 27 to 107.

Auditors' Report

The Auditors' Report on the Financial Statements is given on pages 24 to 26.

Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 31 to 55.

Interest Register

Directors' Interest in Transactions

The Directors have made general disclosures as provided for in Section 192 (2) of the Companies Act No. 07 of 2007. Arising from this, details of contracts in which they have an interest are disclosed in Note 29 to the Financial Statements on pages 91 to 99.

Directors' Remuneration

Directors' remuneration in respect of the Group for the financial year 2018/19 is Rs. 129.54 Million (2017/18 – Rs. 142.97 Million) and in respect of the Company for the financial year 2018/19 is Rs. 93.25 Million (2017/18 - Rs. 99.92) Million.

Directors' Interest in Shares

The Directors of the Company who have an interest in the shares of the Company have disclosed their shareholdings and any acquisitions/disposals to the Board in compliance with Section 200 of the Companies Act No. 07 of 2007. Details pertaining to Directors' direct Shareholdings are as follows:

	No. of Shares As at 31.03.2019	No. of Shares As at 31.03.2018
Mr. S. D. R. Arudpragasam	25,000	25,000
Mr. A. Hettiarachchy	-	-
Mr. D. L. Vitharana	-	-
Mr. A. Rajaratnam (Resigned w.e.f. 31.03.2019)	-	-
Mr. Anushman Rajaratnam	1,500	1,500
Mr. R.N. Bopearatchy	-	-
Mr. K. P. David	8,150	8,150
Mr. R. T. Weerasinghe	7,000	7,000
Mr. A. C. S. Jayaranjan	-	-
Mr. R. Seevaratnam	-	-
Mr. P.M.A. Sirimane	-	-
Mr. M.N.K. Jayamanne (Appointed w.e.f. 1st April 2018)	-	N/A
Mr. M.M.A.R.P. Goonetileke (Resigned w.e.f. 30th June 2018.)	-	-

Annual Report of the Board of Directors

Corporate Donations

Donations made by the Group amounted to Rs. 2,335,000/-, during the year under review. (2017/2018 - Rs. 1,035,000/-).

Directorate

The names of the Directors who held office during the financial year are given below. Brief profiles of the Directors currently in office appear on pages 8 and 9.

Mr. S. D. R. Arudpragasam	Chairman
Mr. A. Hettiarachchy	Deputy Chairman
Mr. D. L. Vitharana	Managing Director
Mr. A. Rajaratnam	Director (Resigned w.e.f. 31.03.2019)
Mr. Anushman Rajaratnam	Director
Mr. R. N. Bopearatchy	Director
Mr. K. P. David	Director
Mr. R. T. Weerasinghe	Director
Mr. A. C. S. Jayaranjan	Director
Mr. R. Seevaratnam	Director
Mr. P.M.A. Sirimane	Director
Mr. M.N.K. Jayamanne	Director (Appointed w.e.f. 1st April 2018)
Mr. M.M.A.R.P. Goonetileke	Director (Resigned w.e.f. 30th June 2018)

In terms of Articles 84 and 85 of the Articles of Association, Mr. A.C.S. Jayaranjan retires by rotation and being eligible offers himself for re-election.

Mr. M.N.K. Jayamanne was appointed an Executive Director of the Company with effect from 1st April 2018.

Mr. M.M.A.R.P. Goonetileke resigned from the Board of Directors with effect from 30th June 2018.

Mr. A. Rajaratnam resigned from the Board of Directors with effect from 31st March 2019.

Mr. Amrit Rajaratnam ceased to be Alternate Director to Mr. A. Rajaratnam with effect from 31st March 2019.

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

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

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

Auditors

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

The Auditors, Messrs KPMG Chartered Accountants were paid Rs. 10.55 Million during the year under review (2017/18 – Rs.9.75 Million) as audit fees and fees for audit related services by the Group. In addition, they were paid Rs. 2.05 Million (2017/18 – Rs. 1.05 Million) by the Group for non-audit related work, which consisted mainly of tax related work. In addition to the above, Group companies are engaged with other audit firms. Audit fees in respect of these firms amounted to Rs. 5.6 Million during the year under review (2017/18 – Rs. 2.89 Million). As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company. The Auditors do not have any interest in the Company.

Revenue

The revenue of the Group for the year was Rs. 17.66 Million (2017/18 - Rs. 18.47 Million).

Results

The Group made a loss before Tax of Rs. 1,049.96 Million against a loss of Rs. 349.16 Million in the previous year. The detailed results are given in the Statement of Comprehensive Income on page 27.

Investments

Investments made by the Group are given in Note 17 to the Financial Statements on pages 69 to 74.

Property, Plant & Equipment

During 2018/19 the Group invested Rs. 286.19 Million in Property, Plant & Equipment (2017/18 - 399.01 Million). Further, your Directors are of the opinion that the net amounts of Property, Plant & Equipment other than freehold land, appearing in the Statement of Financial Position are not greater than their market value as at 31st March 2019.Market value of the freehold land as at 31st March 2019 is disclosed in Note 12.4 to the Financial Statements on page 65.

Stated Capital

The stated capital of the Company as at 31st March 2019 was Rs. 930,346,000/- and is represented by 33,853,200 issued and fully paid Ordinary Shares.

Reserves

The total Group Reserves as at 31st March 2019 comprised Other Capital Reserves of Rs. 4.83 Million, Available for sales Reserves of (Rs. 4.71 Million) and Retained Reserves of Rs. 380.82 Million, whereas the total Group Reserves as at 31st March 2018 comprised Other Capital Reserves of Rs. 4.83 Million, Available for sales Reserves of Rs. 12.73 Million and Retained Reserves of Rs. 608.91 Million. The movements are shown in the Statement of Changes in Equity in the Financial Statements.

Taxation

The Group's liability to taxation has been computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, and subsequent amendments thereto.

Income tax and other taxes paid and liable by the Group are disclosed in Note 10 to the financial statements on pages 59 to 62.

Related Party Transactions

During the financial year there were no recurrent related party transactions which exceeded the respective thresholds mentioned in Section 9 of the Colombo Stock Exchange Listing Rules. However non recurrent related party transactions which exceeded the respective disclosure thresholds are duly set out in Note 29.5 on page 96. The Company has complied with the requirements of the Listing Rules on Related Party Transactions.

The Related Party Transactions presented in the financial statements are disclosed in Note 29 from page 91 to 99.

Share Information

Information relating to earnings, dividend, net assets, market value per share and share trading is given on pages 109 and 110.

Events Occurring after the Reporting Period

Events occurring after the Reporting Period that would require adjustments to or disclosures are disclosed in Note 34 on page 106.

Capital Commitments and Contingent Liabilities

Capital commitments and contingent liabilities as at the date of the Statement of Financial Position are disclosed in Note 31 and 32 on pages 105 and 106.

Annual Report of the Board of Directors

Employment Policy

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

Shareholders

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

Statutory Payments

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

Environmental Protection

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

Internal Control

The Directors acknowledge their responsibility for the Company's system of internal control. The system is designed to give assurance regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can ensure only reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable period of time.

The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing these Financial Statements.

Going Concern

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

For and on behalf of the Board

Mr. S. D. R. Arudpragasam	Mr. Anushman Rajaratnam
Director	Director

By Order of the Board

Corporate Managers & Secretaries (Private) Limited
Secretaries

Colombo
28th August 2019

Corporate Governance

Corporate Governance is a way of structuring the organization in order to safeguard the interests of a wide variety of stakeholders. It needs to balance the Corporate Governance with everyday business management in today's dynamic corporate world. We at Lankem firmly promise our stakeholders better business performance which is nurtured and backed through properly formulated governance practices and procedures.

We present below the Corporate Governance practices adopted and practiced by Lankem Ceylon PLC, in accordance with those listed in the code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka and the rules on Corporate Governance set out in the Colombo Stock Exchange Listing Rules.

1. The Board of Directors

1.1 The Board, Composition and Meetings

The Board of Directors of Lankem Ceylon PLC is responsible for the governance practices adopted in all the companies within the Group. As of the year ended 31st March 2019 the Board comprised of the Chairman, Deputy Chairman, Managing Director, and nine other Directors. All the Directors are professionals who have acquired a wealth of experience and knowledge in the fields of Management, Marketing and Finance.

Name of Director	
Mr. S. D. R. Arudpragasam (Chairman)	Non-Executive
Mr. A. Hettiarachchy (Deputy Chairman)	Independent Non-Executive
Mr. D. L. Vitharana (Managing Director)	Executive
Mr. A. Rajaratnam	Non-Executive (Resigned w.e.f. 31.03.2019)
Mr. Anushman Rajaratnam	Executive
Mr. R. N. Bopearatchy	Non Executive
Mr. K. P. David	Executive
Mr. R. T. Weerasinghe	Executive
Mr. A. C. S. Jayaranjan	Independent Non-Executive
Mr. R. Seevaratnam	Independent Non-Executive
Mr. P.M.A. Srimane	Non-Executive
Mr. M.N.K. Jayamanne	Executive (Appointed w.e.f. 01.04.2018)
Mr. M.M.A.R.P. Goonetileke	Executive (Resigned w.e.f. 30.06.2018)

The Board has met 4 times during the year under review. In addition to Board Meetings, matters are referred to the Board and decided by resolutions in writing.

The number of meetings of the Board and the individual attendance by members is shown below:

Total number of Meetings held: 4

Name of Director	Directorship Status	Board Meetings Attended
Mr. S. D. R. Arudpragasam	Chairman Non-Executive	4/4
Mr. A. Hettiarachchy	Deputy Chairman – Independent Non-Executive	4/4
Mr. D. L. Vitharana	Managing Director Executive	2/4
Mr. A. Rajaratnam (Resigned w.e.f. 31.03.2019)	Director Non-Executive	Excused
Mr. Anushman Rajaratam	Executive	2/4
Mr. R. N. Bopearatchy	Non Executive	2/4
Mr. K. P. David	Executive	3/4
Mr. R. T. Weerasinghe	Executive	4/4
Mr. A. C. S. Jayaranjan	Independent Non-Executive	4/4
Mr. R. Seevaratnam	Independent Non-Executive	3/4
Mr. P.M.A. Sirimane	Non-Executive	4/4
Mr. M.N.K. Jayamanne (Appointed w.e.f. 1st April 2018)	Executive	4/4
Mr. M.M.A.R.P. Goonetileke (Resigned with effect from 30th June 2018)	Executive	Excused

Availability of Formal Schedule of Matters

The code of Best Practice on Corporate Governance of The Institute of Chartered Accountants of Sri Lanka suggests that the Board should have a formal schedule of matters specially reserved for its decision making. Sufficient time was dedicated at meetings in order to ensure the following.

- Offer guidance on overall direction and related strategies, financial and non-financial objectives of Lankem Ceylon PLC.
- Formulation, implementation and monitoring of business strategy of the Company.
- Overseeing the effectiveness of the internal control systems and proactive risk management system.
- Ensuring compliance with legal requirements and ethical standards.

- Approval of budgets, corporate plans, major investments and divestments.
- Approval of interim and annual Financial Statements for publication.
- Approval and review of the succession planning of the Board and top management.
- Approval of any issue of equity and debt securities of the Company.
- Any other matter which is important to ensure that the Company conducts its business in the best interest of all stakeholders.

Company Secretary and Independent Professional Advice

Lankem Ceylon PLC and all the Directors seek advice from Corporate Managers & Secretaries (Private) Ltd, who are qualified to act as Secretaries as per the provisions of the Companies Act No. 07 of 2007. In addition, the Board seeks professional advice as and when, and where necessary from independent external professionals.

Independent Judgement

The Board of Directors as a whole and individually are committed to exhibit high standards of integrity and independence of judgement on various issues from strategy to performance.

Training for Directors

The Directors are provided with adequate and relevant training opportunities for their continuous development.

1.2 Segregation of the Role of Chairman and Chief Executive Officer

The role of Chairman and Chief Executive Officer is clearly segregated. The Managing Director functions in the capacity of Chief Executive Officer who is responsible for the operational matters of the Company. Functional Directors are responsible for the respective division of strategic business units.

1.3 Chairman's Role

The Chairman oversees good governance of the Company's affairs and monitors the satisfactory performance of duties and responsibilities allocated to the Board Members.

The Chairman conducts the Board Meetings ensuring effective participation of all Directors. The Chairman ensures that the Board is in complete control of the Company's affairs.

1.4 Financial Acumen

Currently the Board includes six finance professionals who possess the knowledge to offer the Board necessary guidance on matters relating to finance.

1.5 Board Balance

The Board at present comprises of six Non-Executive Directors of whom three are Independent and five Executive Directors. The Non-Executive Directors have submitted their declarations of their Independence or Non- Independence to the Board.

Mr. R. Seevaratnam serves on the Board of the Parent Company (PC) The Colombo Fort Land & Building PLC (CFLB) and has served on its Board for more than nine years. He also serves on the Boards of several subsidiaries of the PC where a majority of the Directors of certain subsidiaries serves on the Board of another and is on the Board of certain companies which has a significant shareholding in another. However, the Board after taking into consideration all other circumstances listed in the Rules pertaining to the criteria for defining independence is of the opinion that Mr. R. Seevaratnam is nevertheless Independent.

Mr. A.C.S. Jayaranjan and Mr. A. Hettiarachchy have served on the Board of the Listed Entity for over a period of nine years and are Directors on the Board of certain subsidiaries of the Company in which a majority of the Directors of the Company are Directors. However, the Board after taking into consideration all other circumstances listed in the Rules pertaining to the criteria for defining independence is of the opinion that Mr. A.C.S. Jayaranjan and Mr. A. Hettiarachchy are nevertheless Independent.

1.6 Supply of Information

Lankem Ceylon PLC has set up procedures to receive timely information including a clear agenda prior to the meetings. Minutes of all the meetings are properly recorded and circulated among Directors.

Apart from Board Meetings, Executive Directors and Senior Managers meet bi-weekly or more frequently in order to discuss specific matters. Decisions and important information from these meetings are conveyed to all Board Members at the Board Meetings.

Monthly Accounts and key financial parameters and performance of each division are discussed and necessary action is taken.

1.7 Nomination Committee and Appointments to the Board

New Directors are proposed for appointment by the Nomination Committee in consultation with the Chairman of the Company and in keeping with the provisions of the Articles of Association of the Company and the Rules on Corporate Governance.

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

The Company's Nomination Committee comprises of Mr. A. Hettiarachchy – Chairman, Mr. R. Seevaratnam, Independent Non Executive Directors and Mr. S.D.R. Arudpragasam, Non Executive Director.

1.8 Re- election of Directors

In terms of the Articles of Association of the Company, a Director appointed to the Board (other than an appointment to an Executive Office) holds office until the next Annual General Meeting and seeks re-election by the shareholders at that meeting. The Articles require one-third of Directors in office (excluding the office of Chairman, Managing or Joint Managing Director and any other Executive Office) to retire at each Annual General Meeting. The Directors to retire are those who have been longest in office since their last election. Retiring Directors are eligible for re-election by the shareholders.

2. Directors Remuneration

2.1 Remuneration Committee

The Remuneration Committee comprises of Mr. A. Hettiarachchy – Chairman, Mr. R. Seevaratnam, Independent Non Executive Directors and Mr. S.D.R. Arudpragasam, Non Executive Director.

The Remuneration Committee report is set out on page 20 of this report.

2.2 Disclosure of Remuneration

Aggregate remuneration paid to Directors is disclosed in Note 29.7 to the Financial Statements on page 97.

3. Relationship with Shareholders

3.1 Constructive Use of AGM/General Meetings

Lankem Ceylon PLC always welcomes the active participation of shareholders at General Meetings in order to promote and continue an effective dialogue between the two parties. Opportunities are available to shareholders to raise questions from the Chairman and other Directors at the Annual General Meeting/General Meetings. The required number of days' notice has been given in accordance with the Articles of Association of the Company and the Companies Act No. 07 of 2007.

3.2 Major Transactions

Lankem Ceylon PLC publishes its Annual Report together with quarterly, half yearly, nine months and twelve months ended interim reports in order to communicate information to the shareholders in a timely manner. All material and price sensitive information are included in these reports together with major transactions if any during the particular period of reporting.

4. Accountability and Audit

4.1 Financial Reporting

Lankem Ceylon PLC and its Board of Directors consider timely publication of its Annual and Quarterly Financial Statements as a high priority. These publications include all material, financial and non financial information in order to facilitate the requirements of existing and potential shareholders. Financial Statements were prepared based on the Sri Lanka Accounting Standards (SLFRS / LKAS).

The Annual Report of the Board of Directors on the affairs of the Company is given on pages 11 to 14 of this Annual Report.

The Directors are of the belief that the Company is capable of operating in the foreseeable future after the adequate assessment of the Company's financial position and resources. Therefore, the going concern principle has been adopted in the preparation of these Financial Statements. The Auditors' Report on Financial Statements is given on pages 24 to 26 containing the Auditors' reporting responsibility. Non-financial information of business segments is given on pages 27 to 107.

4.2 Internal Controls

The Board of Directors takes overall responsibility for the Company's internal control system. A separate Audit and Compliance Section has been established to review the effectiveness of the Company's internal controls in order to ensure reasonable assurance that assets are safeguarded and all transactions are properly authorized and recorded.

4.3 Audit Committee

The Audit Committee report is set out on pages 22 and 23 of this report.

4.4 Related Party Transactions Review Committee

The Related Party Transactions are disclosed in Note 29.5 to the financial statements.

The Report of the Related Party Transactions Review Committee appears on page 21.

Risk Management

Risk management carries out the process of identification of potential risk exposure and the application of proper risk management strategies to mitigate the impact to the business. Being a diversified conglomerate, a comprehensive risk approach is vital to the Company for the appropriate and adequate execution of risk management to accomplish the strategic objectives.

The risk management of the Company includes ongoing risk assessment procedures and standardized reviews operation to the support of long-term strategies, regulatory and litigation compliance, health and safety, environmental compliance, financial reporting and controls and information technology and security.

The Board of Directors of Lankem Ceylon PLC has the overall responsibility for risk oversight with a focus on the most significant risks facing the Company. The Company has established comprehensive internal control systems and other risk mitigation techniques to ensure the delivery of shareholder value and completion of its obligations to all other stakeholders.

1. Strategic Risks

Strategic risk consists of the factors which challenge the accomplishment of the strategic goals of the Company, including the market factors, industry trends, competitor activities, technological threats, innovation and state policy on businesses.

2. Operational Risk

Operational risks arise from the day to day activities of the business including the inappropriate application of procedures in the processes. The Company has developed standard operating procedures to implement the best practices and a sound internal control system to monitor the effectiveness of operations. Continuous assessments and monitoring activities are made by the Compliance Department to keep all risks in the acceptable limit.

3. Financial Risk

Financial risk covers the broad area of risk including the internal risk of application of accounting policies and external risks from financial market conditions mainly incorporating credit risk and market risk stemming from business operations.

3.1 Credit Default Risk Management

Credit default risks arise due to the non-payment by debtors which can lead to working capital issues. The Company implements proper credit controls and debt collection policies to ensure that the Company chooses the distributors with reliability and financial viability to honor their debts.

3.2 Market Risk Management

Market risk refers to the risk arising from the volatilities in the market forces. The Company faces market risks in the financial sphere in terms of the local rates of interest, inflation and exchange rates. In the present economic conditions, the Company is in a stable position to manage its interest rate risk and practical fluctuations. To facilitate to mitigate the risks, the Company has continuously implemented the mitigation techniques, carefully evaluating the market factors and applying adequate controls.

3.2.1 Foreign Exchange Risk

The Company operates in a business model where the dependency on imports for raw material items is high. As a result, the exposure to foreign exchange risk is reasonably high. The fluctuation in foreign exchange rates results in transaction of risk. The Company uses forward exchange rates for reporting purposes on the assumption that future spot rates will fall below the forward rate. By this means the Company effectively provides for its foreign exchange exposure by minimising any adverse impact.

3.2.2 Interest Rate Risk

The Company has faced increasing finance costs due to prevailing high interest rate regimes. The Company has been restructuring its debt portfolio on a continuous basis to minimise the downside risk of rising interest rates. Going forward, the Company is committed to reducing its level of debt in order to ensure that finance costs are retained under control.

3.2.3 Inflation Rate Risk

The Company serves both individual and institutional clients. Hikes in inflation rates due to the economic conditions deteriorate the purchasing power of customers. This reduces the potential market demand for our products and increase the Company's cost base, affecting the profitability margins. The Company closely monitors fluctuations in price levels and focuses on the efficient management of its cost base to ensure minimal increase in price to customers.

3.2.4 Liquidity Risk

Due to the nature of the industry where the Company operates, a strong adherence to clear working capital management policies is much significant to the Company. The Company has been continuously revising the limits on approved credits, allowed provisions, cash and cash equivalents and feasible short term investment and funding options.

3.2.5 Investment Risk

Investment risk incorporates the threat of investments not yielding the anticipated results. The Company has in the recent past focused on organic growth. The Company conducts detailed feasibility studies and selects projects only exceeding the expected rate of return. Further regular controlling and monitoring of the performance of newly implemented projects are carried out. Moreover, suitable feedback controls are implemented to rectify any issues that may arise as well as feed forward controls are established to deter the reoccurrences of adverse variances. In addition, investments in capital and money markets are also closely monitored to avoid and mitigate risk of investment returns due to the market conditions.

Business Risk

New entrants into markets that the Company is already present as well as intensification of competition from existing market players are significant business risks that may challenge the market share of the Company. Further, the variation in consumer spending patterns is also a potential business risk. The Company researches and updates the market information for its decision making in order to effectively manage the business risk.

Counterparty Risk

The Group may be exposed to the risk of losses on cash and other financial instruments held or managed on its behalf by financial institutions, in the instance that its counterparties default on their obligations. The Group policy is to limit its exposure by dealing solely with leading counterparties and monitoring their credit ratings.

Industrial and Environmental Risks

The Group may be exposed to capital costs and environmental liabilities because of its past, present or future operations. The main industrial and environmental risks result from the storage of chemicals at certain sites and the waste generated from production process. These risks are predominantly managed by obtaining certifications and new methods through research and development, subject to specific legislation and close supervision by the relevant authorities.

Legal and Compliance

The Company addresses this area with great concern in order to protect its corporate reputation. Legal and compliance risk relates to changes in the statutory and regulatory environment, compliance requirements with policies and procedures, including those relating to financial reporting, health and safety and intellectual property risks. Statutory and regulatory risk is the risk that the government or regulatory actions will cause us to have to change our business models or practices. The Company implements ongoing assessments on the strict adherence to all necessary regulations in relation to statutes, regulatory guidelines and environmental rules.

Remuneration Committee Report

The Remuneration Committee comprises of the following members:

Mr. A. Hettiarachchy	Chairman - Independent/ Non-Executive Director
Mr. S.D.R. Arudpragasam	Member - Non-Executive Director
Mr. R. Seevaratnam	Member - Independent/ Non-Executive Director

The main function of the Remuneration Committee is to assist the Board in developing and administering an equitable and transparent method for setting policy on the overall human resources strategy of the Group, the remuneration of Directors and senior management of the Group, and for determining their remuneration packages, on the basis of their merit, qualifications, and competence, and having regard to the Company's operating results, individual performance, and comparable market statistics.

The Managing Director assists the Committee by providing relevant information and participating in the deliberations of the Committee.

The key objective of the committee is to attract, motivate and retain qualified and experienced personnel and to ensure that the remuneration of executives at each level of management is competitive and are rewarded in a fair manner based on their performance.

Mr. A. Hettiarachchy
Chairman
Remuneration Committee

28th August 2019

Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee (RPTRC) which was formed in conformity with the Listing Rules of the Colombo Stock Exchange is entrusted with the responsibility of ensuring compliance with the rules and regulations governing Related Party Transactions for Listed Entities its main focus being enhancement of corporate transparency and fairness to all stakeholders.

Composition

The Company's Related Party Transactions Review Committee comprises of the following members:

Mr. R. Seevaratnam	Chairman - Independent/Non-Executive Director
Mr. A. Hettiarachchy	Independent/Non-Executive Director
Mr. A.C.S. Jayaranjan	Independent, Non - Executive Director

The Company's Secretaries Corporate Managers & Secretaries (Private) Limited functions as the Secretaries to the Related Party Transactions Review Committee.

Meetings of the Committee

The Related Party Transactions Review Committee has met on two occasions during the financial year ended 31st March 2019 and the number of Meetings and the individual attendance by members are as follows:

Mr. R. Seevaratnam – Chairman	2/2
Mr. A. Hettiarachchy	1/2
Mr. A.C.S. Jayaranjan	2/2

Further during the said period, on six occasions the RPTRC has reviewed and recommended Related Party Transactions in respect of the Company by Resolutions in writing which the Committee for purpose hereof construe as equivalent to meetings being held.

Other members of the Board and the Management were present at discussions where appropriate. The proceedings of the RPTRC are regularly reported to the Board of Directors.

Functions of the Committee

- Review all proposed Related Party Transactions (Except for exempted transactions).
- Determining whether the relevant Related Party Transaction is fair to, and in the best interests of the Company and its stakeholders.
- Obtain updates on previously reviewed Related Party Transactions from Senior Management and approve any material changes.
- Establish guidelines for Senior Management to follow in ongoing dealings with related parties.
- Direct the transactions for Board approval / Shareholder approval as deemed appropriate.
- Ensuring that immediate market disclosures and disclosures in the Annual Report as required by the applicable rules and regulations are made in a timely and detailed manner.

Conclusion

The Related Party Transactions Review Committee has reviewed the Related Party Transactions entered into during the financial year under review and has communicated its comments and observations to the Board of Directors.

The Board of Directors have also declared in the Annual Report that there were no recurrent related party transactions which exceeded the respective thresholds mentioned in Section 9 of the Colombo Stock Exchange Listing Rules. However non-recurrent related party transactions which exceeded the respective disclosure thresholds are duly set out on page 96 of the Annual Report. The Company has complied with the requirements of the Listing Rules on Related Party Transactions.

R. Seevaratnam

R. Seevaratnam
Chairman
Related Party Transactions Review Committee

28th August 2019

Audit Committee Report

The Audit Committee has the responsibility of assisting the Board in fulfilling its overall responsibility to the shareholders in relation to the integrity of the Company's financial reporting process in accordance with the Companies Act and other legislative reporting requirements including the adequacy of disclosures in the financial statements in accordance with the Sri Lanka Accounting Standards. The Audit Committee also has responsibility to ensure that the internal controls of the Company are in accordance with legal and regulatory requirements. The Committee evaluates the performance and the independence of the Company's external audit functions.

Composition

The Company's Audit Committee comprises of two Independent Non – Executive Directors of Lankem Ceylon PLC (LCPLC) an Independent Non – Executive Director of E.B. Creasy & Company PLC (EBC) and an Independent Non – Executive Director of The Colombo Fort Land & Building PLC (CFLB) (Parent Company).

The Names of the members are given below:

Mr. A. C. S. Jayaranjan - Chairman
(Independent, Non-Executive Director (LCPLC)

Mr. A. Hettiarachchy
(Independent, Non-Executive Director (LCPLC)

Mr. A. R. Rasiah
(Independent, Non-Executive Director (EBC)

Mr. A. M. de S. Jayaratne
(Independent, Non-Executive Director (CFLB)

The Committee has a blend of experience in the commercial sector with financial expertise and high standing of integrity and business acumen in order to carry out their role effectively and efficiently. The Committee comprises of three finance professionals.

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

Meetings and Attendance

The Audit Committee has met on four occasions during the financial year ended 31st March 2019 and the attendance was as follows:

Mr. A. C. S. Jayaranjan – Chairman	4/4
Mr. A. Hettiarachchy	2/4
Mr. A. R. Rasiah	4/4
Mr. A. M. de S. Jayaratne	4/4

The Managing Director and the Chief Financial Officer also attends meetings of the Audit Committee. Further other members of the Board and the Management Committee, as well as the External Auditors were present at discussions where appropriate. The proceedings of the Audit Committee are regularly reported to the Board of Directors.

Terms of Reference

The Committee is governed by the specific terms of reference set out in the Audit Committee Charter. The Committee focuses on the following objectives in discharging its responsibilities taking into consideration the terms of reference together with the requirements of the Listing Rules of the Colombo Stock Exchange.

(a) Risk Management

(b) Efficiency of the system of internal controls

(c) Independence and objectivity of the external (statutory) Auditors

(d) Appropriateness of the principal accounting policies used

(e) Financial Statement integrity

Compliance

During the year under review, the Committee has assisted the Board in ensuring compliance with the statutory provisions prior to publication of Interim Financial Statements and the Annual Report. The Committee has taken necessary measures to ensure that Interim Financial Statements and the Annual Report are published in a timely manner and they are prepared and presented in accordance with the Sri Lanka Accounting Standards and also in compliance with the Companies Act and the regulatory requirements. The Committee has assessed the adequacy of existing controls and risk management procedures and recommends to the Board, additional controls and risk mitigating strategies that could be implemented to strengthen the existing internal control system. Further the Committee has reviewed the routine operations of the Company and assessed the future prospects of its business operations and accordingly makes sure that the going concern assumption used in the preparation of the financial statements, is appropriate.

External Audit

The Company has appointed KPMG, Chartered Accountants, as its External Auditors for the financial year ended 31st March 2019 and the services provided by them are segregated between audit/assurance services and other advisory services. The Committee has reviewed the progress and the conduct of the statutory audit function and discussed the audit-related issues with the Auditors. KPMG Chartered Accountants has also issued a declaration as required by the Companies Act No. 07 of 2007, that they do not have any relationship or interest in any of the companies in the Group, which may have a bearing on the independence of their role as Auditors. The Committee after evaluating the independence and performance of the External Auditors has recommended to the Board the reappointment of KPMG, Chartered Accountants, for the financial year ending 31st March 2020 subject to the approval of the Shareholders at the Annual General Meeting of the Company.

A. C. S. Jayaranjan
Chairman
Audit Committee

28th August 2019

Independent Auditor's Report

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TO THE SHAREHOLDERS OF LANKEM CEYLON PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Lankem Ceylon PLC ("the Company") and the Consolidated Financial Statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31st March 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies and other explanatory information as set out on pages 27 to 107.

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 31st 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 Company Financial statements and the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Company Financial statements and the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Investment in Subsidiaries and Equity Accounted Investees

(Refer to the significant accounting policy in Note 3.1 and explanatory Note 17 to the Financial Statements).

Risk Description

The Company has recorded investments in subsidiaries amounting to Rs.3,738 million and investments in equity-accounted investees amounting to Rs. 323 million as at 31st March 2019. Further, the Company has provided Rs. 574 million and Rs. 31 million as provision for impairment of investment in subsidiaries and equity-accounted investees respectively as at 31st March 2019.

The carrying amounts of each investment in subsidiaries and equity accounted investees have been tested for impairment as individual Cash Generating Units. The carrying amount of these investments could be materially misstated due to inappropriate judgments and estimates used by the management in calculating the recoverable amount for each cash generating units ("CGU") as part of their impairment assessment.

Investments which do not generate adequate returns may be an indication of impairment. Due to the investments being material in the financial statements, it will have significant impact on the financial performance of the Company.

We have identified the impairment of investments in subsidiaries and equity-accounted investees as a key audit matter due to the magnitude of the amounts recognized in the financial statements as well as estimation uncertainty involved in determining the impairment amounts.

Our audit procedures included;

- Evaluating the carrying amounts and the recoverable amount of each investments in order to identify any impairment indication under accounting standards.
- Assessing the management's basis used to determine the carrying value of the investments by our own expectations based on our knowledge of the investments and experience of the industry in which it operates.
- Assessing the credibility of business plan and cash flow forecasts used by the management for the assessment of recoverability of the investments.

- Assessing the accuracy of management's assumptions to externally derived data as well as our own assessments in relation to key inputs such as projected economic growth, competition, cost inflation and discount rates.
- Assessing the adequacy of disclosures in the Financial Statements in relation to impairments of investments in subsidiaries and equity accounted investees.

Revaluation of Freehold Lands

(Refer to the significant accounting policy in Note 3.5.3 and explanatory Note 12.4 to the Financial Statements).

Risk Description

The Group has revalued its freehold lands and reported a carrying value of Rs. 5,141 million as at 31st March 2019 and recognized a revaluation gain of Rs. 2,924 million for the year ended 31st March 2019.

The group has engaged external professional valuers with appropriate expertise to determine the fair value of the freehold lands in accordance with recognized industry standards.

We identified this as a key audit matter because of the magnitude of the amounts recognized in the financial statements and significant judgments and estimates involved in assessing the fair value of the freehold lands.

Our audit procedures included;

- Assessing the competency, objectivity and capabilities of the independent external valuers engaged by the management.
- Discussion with management and the external valuers and comparing the key assumptions used against externally published market comparable, where applicable or with other benchmark data and challenging the reasonableness of key assumptions based on our knowledge.
- Engaging our own internal resources to assess the reasonability of the valuation technique, per perch and per square feet prices.
- Assessing the appropriateness of the valuation technique used by the external valuers taking in to account the profile of the land.
- Evaluating the adequacy of the disclosures in the financial statements in accordance with the relevant accounting standards.

Impairment of Trade Receivables

(Refer to the significant accounting policy in Note 3.2.2.2 and explanatory note in Note 19 to the Financial Statements).

As disclosed in Note 19 to the Financial Statements, the group has recognized trade receivables balance of Rs. 3,611 Million as at 31st March 2019, after netting off of provision for impairment of Rs.328 Million.

With the application of SLFRS 9 – Financial Instruments, the Group has estimated provision for impairment based on the expected credit losses to be incurred, which is estimated by taking into account the credit history of the customers, current and forecasted market and economic conditions, all of which involves a significant degree of management judgment.

We identified impairment of trade receivables as a key audit matter for our audit, as it requires management to exercise subjective judgement in making assumptions and estimates for the assessment of impairment allowance on trade receivables.

Our audit procedures include,

- Evaluating the appropriateness of the impairment methodology adopted by the Group in accordance with SLFRS 9 and challenging the key assumptions and evaluating the reasonableness of the key judgments and methodology used by the management with the assistance of our specialists.
- Evaluating the completeness, accuracy and relevance of data used in preparation of the impairment provision and transition adjustments.
- Comparing the economic factors used in the models to market information to assess whether they are aligned with the market and economic development.
- Evaluating the adequacy of the Group's disclosures regarding the degree of judgments and estimation involved in arriving at the provision for impairment of trade receivables and transition adjustments.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the Financial Statements and our auditor's report thereon.

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

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with

Independent Auditor's Report

KPMG

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 Company and the Group's internal control.
- 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 auditors' 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.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3029.

KPMG

Chartered Accountants
Colombo, Sri Lanka

28th August 2019

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st March	Notes	Consolidated 2019 Rs.'000	Consolidated 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Revenue	5	17,659,156	18,479,195	3,229,414	4,204,150
Cost of Sales		(14,430,374)	(15,101,896)	(2,753,439)	(3,471,902)
Gross Profit		3,228,782	3,377,299	475,975	732,248
Other Income	6	316,571	638,586	258,604	452,592
Distribution Expenses		(1,070,959)	(1,268,654)	(370,680)	(536,598)
Administration Expenses		(1,783,221)	(1,720,127)	(313,663)	(379,279)
Other Expenses	7	(101,939)	(40,464)	(170,517)	(125,265)
Share of Loss of Associate		(334,521)	(97,602)	-	-
Share of Profit / (Loss) of Joint Venture		46,659	(20,697)	-	-
Net Finance Costs	8	(1,351,328)	(1,217,496)	(685,392)	(704,812)
Loss before Tax	9	(1,049,956)	(349,155)	(805,673)	(561,114)
Income Tax Reversal / (Expenses)	10	165,676	(127,949)	240,483	46,295
Loss for the Year		(884,280)	(477,104)	(565,190)	(514,819)
Other Comprehensive Income / (Expense)					
Gain / (Loss) on Financial Assets Designated at Fair Value through Other Comprehensive Income / AFS		(17,430)	24,694	(17,104)	25,448
Financial Assets designated at Fiar Value through Other Comprehensive Income / AFS - Reclassified to profit or loss		-	(13,710)	-	(11,870)
Actuarial Gain/(Loss) on Defined Benefit Obligations		31,072	(75,892)	7,337	(45,059)
Revaluation Surplus		3,011,962	-	824,803	-
Tax Effect on Actuarial Gain or Loss & Revlauation surplus		(713,885)	13,791	(232,999)	12,617
Other Comprehensive Income / (Expense) for the year, net of tax		2,311,719	(51,117)	582,037	(18,864)
Total Comprehensive Income / (Expense) for the year		1,427,439	(528,221)	16,847	(533,683)
Loss Attributable to:					
Owners of the Company		(982,564)	(583,357)	(565,190)	(514,819)
Non-Controlling Interests		98,284	106,253	-	-
		(884,280)	(477,104)	(565,190)	(514,819)
Total Comprehensive Income Attributable to					
Owners of the Company		698,717	(622,983)	16,847	(533,683)
Non-Controlling Interests		728,722	94,762	-	-
		1,427,439	(528,221)	16,847	(533,683)
Basic Loss per Share (Rs.)	11	(29.02)	(25.45)	(16.70)	(22.46)

The Notes from pages 31 to 107 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statement of Financial Position

As at 31st March	Notes	Consolidated 31.03.2019 Rs. '000	Consolidated 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	12	8,749,439	5,853,743	1,335,073	639,209
Biological Assets	13	-	-	-	-
Leasehold Properties	14	-	-	-	-
Investment Properties	15	363,087	448,644	-	-
Intangible Assets	16	1,170,226	1,170,226	-	-
Investments in Subsidiaries	17.1	-	-	3,163,936	3,245,273
Investments in Associates	17.2	149,713	484,234	291,399	322,500
Investments in Joint Venture	17.3	333,802	287,143	-	-
Investments Classified as Available for Sale/ Fair Value through OCI	17.4	41,977	64,186	39,546	61,157
Deferred Tax Assets	26	-	-	118,541	111,058
Total Non-Current Assets		10,808,244	8,308,176	4,948,495	4,379,197
Current Assets					
Inventories	18	2,374,752	2,026,676	643,382	596,092
Trade & Other Receivables	19	4,294,255	4,479,372	819,009	1,054,717
Amounts Due from Related Parties - Trade	29.1	-	-	1,947	9,164
Amounts Due from Related Parties - Non Trade	29.1	330,300	241,044	512,429	450,484
Loans Due from Related Parties	29.2	115,700	115,700	83,485	85,700
Income Tax Recoverable		59,202	53,102	24,464	24,457
Investments Classified as Fair Value through Profit or Loss	17.5	33,015	68,411	33,015	68,411
Cash and Cash Equivalants	20	490,471	1,210,568	37,484	753,696
Asset held for sale	21	67,365	60,000	67,365	60,000
Total Current Assets		7,765,060	8,254,873	2,222,580	3,102,721
Total Assets		18,573,304	16,563,049	7,171,075	7,481,918
EQUITY AND LIABILITIES					
Equity					
Stated Capital	22	930,346	930,346	930,346	930,346
Other Capital Reserves	23.1	4,833	4,833	-	-
Revaluation reserve		1,679,064	-	593,858	-
Available for Sale Reserves	23.2	(4,706)	12,734	(2,982)	14,122
Retained Earnings / (Accumulated Losses)		(380,822)	608,907	(491,028)	111,864
Equity Attributable to Owners of the Company		2,228,715	1,556,820	1,030,194	1,056,332
Non-Controlling Interest		2,793,360	2,129,658	-	-
Total Equity		5,022,075	3,686,478	1,030,194	1,056,332
LIABILITIES					
Non-Current Liabilities					
Interest Bearing Borrowings	24	3,965,671	2,607,274	2,281,249	1,536,621
Deferred Income	25	11,946	14,769	-	-
Deferred Tax Liabilities	26	583,965	198,199	-	-
Retirement Benefit Obligations	27	253,379	264,371	127,390	127,503
Total Non-Current Liabilities		4,814,961	3,084,613	2,408,639	1,664,124
Current Liabilities					
Interest Bearing Borrowings	24	3,620,201	4,976,244	1,437,663	2,603,335
Loans Payable to Related Parties	24.2	215,144	158,144	148,090	132,164
Trade & Other Payables	28	2,932,068	2,559,633	1,227,752	966,896
Amounts Due to Related Parties - Trade	29.4	-	-	2,308	10,355
Amounts Due to Related Parties - Non Trade	29.4	890,866	600,839	398,376	270,288
Income Tax Payable		91,974	95,123	-	-
Bank Overdraft	20	986,015	1,401,975	518,053	778,424
Total Current Liabilities		8,736,268	9,791,958	3,732,242	4,761,462
Total Liabilities		13,551,229	12,876,571	6,140,881	6,425,586
Total Equity and Liabilities		18,573,304	16,563,049	7,171,075	7,481,918
Net Assets per Share (Rs.)		65.84	45.99	30.43	31.20

The Notes from pages 31 to 107 form an integral part of these Financial Statements.
I certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act. No. 07 of 2007.

Asoka Piyadigama
Chief Financial Officer

The Board of Directors are responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Board of Directors of Lankem Ceylon PLC.

Mr. S. D. R. Arudpragasam
Director

Mr. Anushman Rajaratnam
Director

Colombo
28th August 2019

Statement of Changes in Equity

Group	Attributable to Owners of the Company							
	Stated Capital Rs. '000	Other Capital Reserves Rs. '000	Available for Sale Reserves Rs. '000	Retained Profit / (Accumulated Loss) Rs. '000	Revaluation Reserves Rs. '000	Total Rs. '000	Non-Controlling Interest Rs. '000	Total Rs. '000
Balance as at 01st April 2017	536,218	4,833	1,750	1,340,938	-	1,883,739	2,237,370	4,121,109
Right Issue	394,128	-	-	-	-	394,128	-	394,128
Direct cost on Right Issue	-	-	-	(1,009)	-	(1,009)	-	(1,009)
Effect of Acquisitions, Disposals and changes in Percentage Holding in Subsidiaries	-	-	-	2,716	-	2,716	(38,567)	(35,851)
Profit /(Loss) for the year	-	-	-	(583,357)	-	(583,357)	106,253	(477,104)
Other Comprehensive Income for the year	-	-	10,984	(50,610)	-	(39,626)	(11,491)	(51,117)
Deffered tax on revaluation surplus on land	-	-	-	(99,771)	-	(99,771)	(89,583)	(189,354)
Dividend Paid	-	-	-	-	-	-	(74,324)	(74,324)
Balance as at 31st March 2018	930,346	4,833	12,734	608,907	-	1,556,820	2,129,658	3,686,478
Balance as at 01st April 2018	930,346	4,833	12,734	608,907	-	1,556,820	2,129,658	3,686,478
Adjustment on initial application of SLFRS - 9	-	-	-	(25,750)	-	(25,750)	-	(25,750)
Adjusted balance as at 1st April 2018	930,346	4,833	12,734	583,157	-	1,531,070	2,129,658	3,660,728
Effect of Acquisitions, Disposals and changes in Percentage Holding in Subsidiaries	-	-	-	(1,070)	-	(1,070)	1,554	484
Profit /(Loss) for the year	-	-	-	(982,564)	-	(982,564)	98,284	(884,280)
Other Comprehensive Income for the year	-	-	(17,440)	19,655	1,679,064	1,681,279	630,439	2,311,718
Dividend Paid	-	-	-	-	-	-	(66,575)	(66,575)
Balance as at 31st March 2019	930,346	4,833	(4,706)	(380,822)	1,679,064	2,228,715	2,793,360	5,022,075

Company	Stated Capital Rs. '000	Available for Sale Reserves Rs. '000	Revaluation Reserves Rs. '000	Retained Profit / (Accumulated Loss) Rs. '000	Total Rs. '000
Balance as at 01st April 2017	536,218	544	-	684,600	1,221,362
Right issue	394,128	-	-	-	394,128
Direct cost on Right Issue	-	-	-	(1,009)	(1,009)
Loss for the year	-	-	-	(514,819)	(514,819)
Deffered tax effect on revaluation surplus	-	-	-	(24,466)	(24,466)
Other Comprehensive Income for the year	-	13,578	-	(32,442)	(18,864)
Balance as at 31st March 2018	930,346	14,122	-	111,864	1,056,332
Balance as at 01st April 2018	930,346	14,122	-	111,864	1,056,332
Adjustment on initial application of SLFRS - 9					
- Impact on trade receivables	-	-	-	(23,343)	(23,343)
- Impact on amounts due from related companies	-	-	-	(19,642)	(19,642)
Adjusted balance as at 1st April 2018	930,346	14,122	-	68,879	1,013,347
Revaluation of Land	-	-	824,803	-	824,803
Deffered tax impact on revaluation surplus	-	-	(230,945)	(2,054)	(232,999)
Loss for the year	-	-	-	(565,190)	(565,190)
Other Comprehensive Income for the year	-	(17,104)	-	7,337	(9,767)
Balance as at 31st March 2019	930,346	(2,982)	593,858	(491,028)	1,030,194

The Notes from pages 31 to 107 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Cash Flow Statement

For the Year Ended 31st March	Notes	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Cash Flow from Operating Activities					
Loss before Taxation		(1,049,956)	(349,155)	(805,673)	(561,114)
Adjustments for :					
Depreciation /Amortisation / Impairment	9	457,068	494,517	66,536	93,097
Dividend Income	6	(8,534)	(2,692)	(98,621)	(77,023)
Loss / (Gain) on fair value through P&L Investments	8	20,728	(69,283)	20,728	(69,283)
Loss / (Gain) on disposals of AFS Investments		-	(20,020)	3,289	(45,239)
Interest Expense		1,333,723	1,404,800	766,538	910,942
Amortization of Grant	25	(2,823)	(2,823)	-	-
(Profit) / Loss on Disposal of Property, Plant & Equipment		(172,881)	(450,391)	(141,435)	(284,652)
Exchange Loss/(Gain)		79,583	(62,359)	(9,660)	(42,839)
Interest Income		(82,705)	(55,662)	(91,411)	(94,008)
Defined Benefit Plan Cost - Retiring Gratuity		70,856	46,106	23,985	16,514
Impairment of AFS investments		-	3,175	-	3,175
Write Back of Creditors		(14,545)	(3,576)	(6,292)	(2,538)
Share of Loss from Associate	17.2	334,521	97,602	-	-
Share of (Profit) / Loss of Joint Venture		(46,659)	20,697	-	-
Provision for Impairment of Investment in Associates		-	-	31,101	-
Provision for Impairment of Investment in Subsidiaries		-	-	79,431	39,759
Provision for Impairment of Other Receivables		-	37,289	-	37,289
Provision for Impairment of Trade Receivables		36,467	30,620	21,646	52,980
Provision / (Reversal) for Impairment of Related Parties		(197)	(30,700)	27,623	13,301
Provision made for Inventories		35,954	2,684	16,397	34,561
Operating Profit before Working Capital Changes		990,600	1,090,829	(95,818)	24,922
(Increase) / Decrease in Inventories		(384,030)	748,110	(63,687)	614,040
(Increase) / Decrease in Trade and Other Receivables		148,652	(101,192)	192,672	178,921
(Increase) / Decrease in Amounts due from Related Parties		(89,453)	(10,841)	(69,674)	(41,462)
Increase / (Decrease) in Trade and Other Payables		409,126	(468,674)	289,231	(388,955)
Increase / (Decrease) in Amounts due to Related Parties		290,027	214,486	126,198	18,325
Cash Generated from Operations		1,364,922	1,472,718	378,922	405,791
Income Tax Paid		(165,596)	(179,406)	(8)	-
Interest Paid		(1,333,723)	(1,392,128)	(688,504)	(793,173)
Gratuity Paid		(56,312)	(131,003)	(15,421)	(77,397)
Gratuity refund from planed assets		6,896	78,473	-	67,859
Net Cash used in Operating Activities		(183,813)	(151,346)	(325,011)	(396,920)
Cash Flow from Investing Activities					
Purchase & Construction of Property, Plant & Equipment		(463,093)	(399,007)	(7,179)	(56,655)
Investment in Subsidiaries		-	(662,615)	-	(320,181)
Net Disposal / (Investment) in FVOCI/AFS & FVTPL Investments		-	141,231	(10,676)	162,248
Procced from disposal of subsidiaries		-	-	484	138,122
Procced from disposal of Fair Value through OCI/ AFS & FVTPL Investments		-	-	26,031	-
Acqusition of Joint Venture		-	(36,570)	-	-
Interest Received		82,705	55,662	951	4,443
Dividend Received		1,036	2,692	61,024	77,023
Proceeds from Disposal of Property, Plant & Equipment		266,416	823,203	203,654	734,405
Net Cash Generated from / (Used in) Investing Activities		(112,936)	(75,404)	274,289	739,405
Cash Flow from Financing Activities					
Dividend Paid		(66,575)	(74,324)	-	-
Proceeds from Right Issue		-	394,128	-	394,128
Direct cost on Right Issue		-	(1,009)	-	(1,009)
Proceeds from Long Term Loans		2,982,715	1,155,941	1,495,149	666,445
Repayment of Long Term Loans		(1,737,841)	(931,461)	(1,039,304)	(541,025)
Net Lease payment during the year		(611)	(3,026)	-	-
Net movement in Short Tern Borrowings		(1,242,076)	443,672	(876,890)	36,754
Loans Obtained from Related Parties		150,000	262,544	285,000	391,199
Settlement of Loans obtained from Related Parties		(93,000)	(530,500)	(269,074)	(742,086)
Net Cash Generated from / (Used in) Financing Activities		(7,388)	715,965	(405,119)	204,406
Net Increase / (Decrease) in Cash & Cash Equivalents		(304,137)	489,215	(455,841)	546,891
Cash & Cash Equivalents at the beginning of the year		(191,407)	(680,622)	(24,728)	(571,619)
Cash & Cash Equivalents at the end of the year	20	(495,544)	(191,407)	(480,569)	(24,728)

The Notes from pages 31 to 107 form an integral part of these Financial Statements
Figures in brackets indicate deductions.

Notes to the Financial Statements

1. REPORTING ENTITY

1.1. Domicile and Legal Form

Lankem Ceylon PLC (the "Company") is a public limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Company is situated at No 98, Sri Sangaraja Mawatha, Colombo 10, Sri Lanka.

The Consolidated Financial Statements of the Company as at and for the year ended 31st March 2019 comprise of the Company and its subsidiaries (together referred to as the "Group" and individually as 'Group entities') and the Group's interest in Associates.

1.2. Principal Activities and Nature of the Operation

Lankem Ceylon PLC, manages a portfolio of investments consisting of a range of diverse business operations. The principal business line of the Company is manufacturing and distributing of chemicals, paints and consumer products.

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

1.3. Parent Company and Ultimate Parent Company

The immediate and ultimate holding company of Lankem Ceylon PLC is The Colombo Fort Land & Building PLC.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company and those consolidated with such, comprise of the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows, together with Accounting Policies and Notes to the Financial Statements. The consolidated Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS), as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the requirements of the Companies Act No. 07 of 2007.

The Consolidated Financial Statements for the year ended 31st March 2019 were authorised for issue by the Board of Directors on 28th August 2019.

This is the first set of Financial Statements in which SLFRS 15 Revenue from Contracts with Customers and SLFRS 09, Financial Instruments have been applied. Changes to significant accounting policies are described in Note No. 3.2

2.2 Basis of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis and applied consistently with an adjustment being made for inflationary factors affecting the Financial Statements except for the following:

- Retirement Benefit Obligation
- Class of Land under Property, Plant and Equipment is valued under Revaluation model.
- Financial Assets Classified at fair value through Profit and Loss
- Financial Assets classified at Fair Value Through Other Comprehensive Income

2.3 Use of Estimates, Judgments and Assumptions

The preparation of the Consolidated Financial Statements in conformity with Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Information about critical judgments, estimates and assumptions in applying accounting policies that could have a significant effect on the Financial Statements are mentioned below:

	Policy No.
Investment in Subsidiaries: whether the Group has control over an investee;	3.1.3
Measurement of Fair Value of Financial Instruments	3.4
Measurement of Intangible Assets	3.8
Impairment of Financial Assets	3.11
Valuation of Employee Benefit Obligations	3.15
Provisions, Contingent Assets and Liabilities	3.16
Deferred Tax Assets & Liabilities	3.20.2

2.3.1. Assumptions and Estimation Uncertainties

Information about the assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustments in the year ended 31st March 2019 is included in the following notes.

Note 27 : Measuring of defined benefit Obligations: Key actuarial assumptions
Note 26 : Recognition of deferred tax liability
Note 19 : Impairment test: key assumptions underlying recoverable amounts
Note 12.4 : Valuation of Property Plant and Equipment

2.3.2 Measurement of Fair Values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values.

When measuring fair value of an asset or liability, the Group uses observable market data as far as possible. Fair Values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques permited by SLFRS 13 as follows,

Level 1 :	quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 :	inputs other than quoted prices included in Level 1 that are observable for the asset or Liability either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3 :	inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

2.4 Functional and Presentation Currency

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

Monetary assets and liabilities denominated in foreign currencies have been translated into local currency as per the exchange rate at the reporting date while all non-monetary items are reported at the rate prevailing at the time transactions were affected.

2.5 Accounting Policies and Comparative Information

The Accounting Policies applied by the Company are, unless otherwise stated, consistent with those used in the previous year. Previous year's figures and phrases have been rearranged, wherever necessary, to conform to the current year's presentation.

2.6 Materiality and Aggregation

Each material class of similar items is presented separately in the consolidated financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by LKAS 1: Presentation of Financial Statements.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on net basis, or to realize the assets and settle the liability simultaneously.

2.7 Going Concern

The management has made an assessment of its ability to continue as a going concern an it is satisfied that it has the resources to continue in business for the foreseable future. Therefore the financial statement of the group continue to be prepaired on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements, unless otherwise indicated.

3.1 Basis of Consolidation

3.1.1 Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date - i.e. when control is transferred to the Group. Control over and investee is achieved when the Group is exposed or has right, to variable returns from its' involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships, such amounts are generally recognised in Profit or Loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market based value of the replacement awards compared with the market based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

3.1.2 Non-controlling interests

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- At fair value; or
- At their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

The total profit and loss for the year of the Company and its subsidiaries included in consolidation, are shown in the consolidated Statement of Profit or Loss with the proportion of profit and loss after taxation pertaining to minority shareholders of subsidiaries being deducted as 'Non-Controlling Interest'. All assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the consolidated Statement of Financial Position. The interest of minority shareholders of subsidiaries in the fair value of net assets of the Group are indicated separately in the consolidated Statement of Financial Position under the heading 'Non-Controlling Interest'.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill

3.1.3 Subsidiaries

Subsidiaries are entities controlled by the Group. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

Control over an investee

Specifically, the Group controls an investee if, and only if, the Group has:

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

Consolidation of entities in which the Group holds less than a majority of voting rights

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:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

The following companies, with equity control equal to or less than 50%, have been consolidated as subsidiaries based on above criteria.

Company Name	Holding %
Marawila Resorts PLC	39.45
York Hotel (Kandy) Ltd.	39.62
Ceytra (Pvt) Ltd.	34.76
Kelani Valley Canneries Ltd.	48.89
Sunquick Lanka Properties (Private) Limited	28.22

The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date the control effectively commences until the date that control effectively ceases.

3.1.4 Investments in Associates and Joint Venture

An Associate is an entity in which the Group has significant influence, but no control over the financial and operating policies Significant influence is presumed to exist when the Group holds between 20 percent and 50 percent of the voting power of another entity.

Joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group determines significant influence or joint control by taking into account similar considerations necessary to determine control over subsidiaries.

The Group's investments in associate and joint venture are accounted for using the equity method and are recognised initially at cost which includes the transaction cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

At each reporting date, the Group determines whether there is objective evidence that the investment in associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the income statement.

When the Group's share of losses exceeds its interest in the associate, the carrying amount of that interest, including any long term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The Group discontinues the use of the equity method from the date that it ceases to have significant influence over an associate or joint control over the joint venture and accounts for the investment in accordance with the Group's accounting policy for financial instruments. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

There are no significant restrictions on the ability of the associate to transfer funds to the Group in the form of cash dividends or repayment of loans and advances. Details of the associates within the Group are provided in Note 17.2 to the financial statements and the details of the joint venture are provided in Note 17.3 to the Financial Statements.

3.1.5 Loss of control

On the loss of control, the Group de-recognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or Financial Assets Fair Value Through Other Comprehensive Income (FVTOCI)depending on the level of influence retained.

3.1.6 Transactions eliminated on consolidation

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

3.2. Changes in Accounting Policies

The Group has adopted SLFRS 15 Revenue from Contracts with Customers and SLFRS 9 Financial Instruments from 1st April 2018. A number of other new standards are also effective from 1st April 2018 but they do not have a material effect on the Group's Financial Statements.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these Financial Statements has not been restated to reflect the requirements of the new standards.

The effect of initially applying these standards is mainly attributed to the followings:

- Changes in Classification of Financial Instruments.
- Impairment losses recognised on financial assets.
- Change of the Revenue Recognition.

3.2.1 SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations. Under SLFRS 15 revenue from contracts with customers, an entity should recognize as revenue the amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services excluding amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control over a product or service to a customer. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

3.2.1.1 Impact on the adoption of new SLFRS Standards as at 1st April 2018

The Group has applied SLFRS 15 using the cumulative transition effect method – i.e. by recognising the cumulative effect of initially applying SLFRS 15 as an adjustment to the opening balance of equity at 1st April 2018 and therefore the comparative information has not been restated and continues to be reported under LKAS 18. The details of accounting policies under LKAS 18 and SLFRS 15 are disclosed in Note 5 separately.

The effect of initially applying of SLFRS 15 is mainly attributed to recognition of revenue from FMCG product contracts with a right of return, slotting fees and allowances to distributors, reimbursement of vehicle hire, dealer incentives and settlement discounts.

The following table summarises the impacts of adopting SLFRS 15 on the Group's statement of financial position as at 31st March 2018 and 2019 and its profit or loss and other comprehensive income for the year then ended 31st March 2018 and 2019 for each line item affected. There was no material impact on the Group's statement of cash flows for the year ended 31st March 2019.

Impact on the statement of financial position;

Group	31st March 2019			31st March 2018		
As at	As reported	SLFRS 15 Adjustments	Amounts without adopting SLFRS 15	As reported	SLFRS 15 Adjustments	After adopting SLFRS 15
	Rs. 000'	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Total non-current assets	10,808,244	-	10,808,244	8,308,176	-	8,308,176
Inventories	2,374,752	79,238	2,295,514	2,026,676	122,202	2,148,878
Trade and other receivables	4,294,255	-	4,294,255	4,479,372	-	4,479,372
Other current assets	1,096,053	-	1,096,053	1,748,825	-	1,748,825
Total assets	18,573,304	79,238	18,494,066	16,563,049	122,202	16,685,251
Total equity	5,022,075	-	5,022,075	3,686,478	-	3,686,478
Total non-current liabilities	4,814,961	-	4,814,961	3,084,613	-	3,084,613
Trade and other payables	2,932,068	79,238	2,852,830	2,559,633	122,202	2,681,835
Other current liabilities	5,804,200	-	5,804,200	7,232,325	-	7,232,325
Total liabilities	13,551,229	79,238	13,471,991	12,876,571	122,202	12,998,773
Total equity and liabilities	18,573,304	79,238	18,494,066	16,563,049	122,202	16,685,251

Notes to the Financial Statements

Impact on the consolidated statement of profit or loss and other comprehensive income;

For the year ended	31st March 2019			31st March 2018		
Group	As reported Rs. 000'	SLFRS 15 Adjustments Rs. 000	Amounts without adopting SLFRS 15 Rs. 000	As reported Rs. 000	SLFRS 15 Adjustments Rs. 000	After adopting SLFRS 15 Rs. 000
Revenue	17,659,156	(58,563)	17,717,719	18,479,195	(100,606)	18,378,589
Cost of sales	(14,430,374)	(42,964)	(14,387,410)	(15,101,896)	-	(15,101,896)
Other income	316,571	-	316,571	638,586	-	638,586
Distribution expenses	(1,070,961)	101,527	(1,172,488)	(1,268,654)	100,606	(1,168,048)
Others	(3,358,672)	-	(3,358,672)	(3,224,335)	-	(3,224,335)
Profit for the year	(884,280)	-	(884,280)	(477,104)	-	(477,104)
Total comprehensive income for the year	1,427,439	-	1,427,439	(528,221)	-	(528,221)

For the year ended	31st March 2019			31st March 2018		
Company	As reported Rs. 000'	SLFRS 15 Adjustments Rs. 000	Amounts without adopting SLFRS 15 Rs. 000	As reported Rs. 000	SLFRS 15 Adjustments Rs. 000	After adopting SLFRS 15 Rs. 000
Revenue	3,229,414	(38,903)	3,268,317	4,204,150	(44,576)	4,159,574
Cost of sales	(2,753,439)	-	(2,753,439)	(3,471,902)	-	(3,471,902)
Other income	258,604	-	258,604	452,592	-	452,592
Distribution expenses	(370,680)	38,903	(409,583)	(536,598)	44,576	(492,022)
Others	(929,089)	-	(929,089)	(1,163,061)	-	(1,163,061)
Profit for the year	(565,190)	-	(565,190)	(514,819)	-	(514,819)
Total comprehensive income for the year	16,847	-	16,847	(533,683)	-	(533,683)

FMCG product contracts with a right of return (C.W Mackie PLC)

Under LKAS 18, revenue for these contracts was recognised when a reasonable estimate of the returns could be made, provided that all other criteria for revenue recognition were met. If a reasonable estimate could not be made, then revenue recognition was deferred until the return period lapsed or a reasonable estimate of returns could be made. Under SLFRS 15, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Therefore, for those contracts for which the Group was unable to make a reasonable estimate of returns, revenue is recognised sooner under SLFRS 15 than under LKAS 18. The impact of these changes on items other than revenue is a decrease in the refund liability, which is included in trade and other payables. In addition, there is a new asset for the right to recover returned goods, which is presented as part of inventory.

Slotting fees and allowances to distributors/Vehicle Hire/Dealer Incentive/ Settlement Discount

Rent and electricity paid to customers in respect of allocation of space for product displaying, allowances paid to distributors to promote sales, Vehicle Hire, Dealer Incentive and Settlement Discount paid to dealers / distributors are reclassified from distribution expenses as a revenue deduction component in respect of contract with customers.

3.2.2 SLFRS 9 Financial Instruments

SLFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The standards replaces LKAS 39 Financial Instruments: Recognition and Measurement.

As a result of adoption of SLFRS 9, the Group has adopted consequential amendments to LKAS 1 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Impairment losses on financial assets are presented under "other expenses ", similar to the presentation under LKAS 39, and not presented separate in the statement of profit or loss and OCI due to materially considerations.

Additionally, the Group has adopted consequential amendments to SLFRS 9 Financial Instruments, disclosures that are applied to disclosures for year ended 31st March 2019, but have not been generally applied to comparative information.

3.2.2.1 Classification and Measurement of Financial Assets and Financial Liabilities

SLFRS 9 contains three principal classification categories for financial assets; measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 eliminates the previous LKAS 39 categories of held to maturity, loans and receivables and available for sale.

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification and measurement of financial liabilities. The adoption of SLFRS 9 has no significant effect on the Group's accounting policies related to financial liabilities.

The following table explains the original measurement categories under LKAS 39 and the new measurement categories under SLFRS 9 for each class of the Group's financial assets and financial liabilities as at 1st April 2018.

The effect of adopting SLFRS 9 on the carrying amounts of financial assets as at 1st April 2018 relates solely to the new impairment requirements.

Financial Assets	Original Classification under LKAS 39	New Classification under SLFRS 9
Other Non Current Financial Assets	AFS	FVT - OCI - Equity Instruments
Trade and Other Receivables	Loans and Receivables	Amortised Cost
Amounts Due from Related Company	Loans and Receivables	Amortised Cost
Loans Due from Related Party	Loans and Receivables	Amortised Cost
Cash and Cash Equivalents	Loans and Receivables	Amortised Cost
Other Current Financial Assets	FVTPL	FVTPL - Equity Instruments

(i) Trade and Other Receivables that were classified as loans and receivables under LKAS 39 are now classified at amortised cost.

(ii) Amounts Due from Related Company that were classified as loans and receivables under LKAS 39 are now classified at amortised cost.

(iii) Cash and cash equivalents includes cash in hand, balances with banks and short term monetary investment with maturities less than 3 months. These were classified as loans and receivables under LKAS 39 and now as amortised cost.

(iv) Loans due from Related Companies that are classified as loans and other Receivables under LKAS 39 are now classified as amortised cost.

(v) Long term investments that were previously classified as available for sale financial assets are now classified as fair value through OCI. The Company intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. Based on the materiality ground, the Company has not recognized impairment for those balances.

Notes to the Financial Statements

The effect of adopting SLFRS 9 on the carrying amounts of Financial Assets as at 1st April 2018 is as follows.

Group

Financial Assets	Original Classification under LKAS 39	New Classification under SLFRS 9	Original Carrying amount under LKAS 39 Rs. 000	New Carrying amount under SLFRS 9 Rs. 000
Trade and Other Receivables	Loans and Receivables	Amortised Cost	4,479,372	4,453,622
Amounts Due from Related Company	Loans and Receivables	Amortised Cost	241,044	241,044
Cash and Cash Equivalents	Loans and Receivables	Amortised Cost	1,210,568	1,210,568
Financial assets measured at fair value through other comprehensive income				
Quoted equity securities	Available for sale	Fair value through other comprehensive income	29,653	29,653
Unquoted equirt securities	Available for sale	Fair value through other comprehensive income	34,533	34,533
Financial assets measured at fair value through profit or loss				
Quoted equity securities	Fair value through profit or loss	Fair value through profit or loss	68,411	68,411

Company

Financial Assets	Original Classification under LKAS 39	New Classification under SLFRS 9	Original Carrying amount under LKAS 39 Rs. 000	New Carrying amount under SLFRS 9 Rs. 000
Trade and Other Receivables	Loans and Receivables	Amortised Cost	1,054,717	1,031,374
Amounts Due from Related Company	Loans and Receivables	Amortised Cost	450,484	430,842
Cash and Cash Equivalents	Loans and Receivables	Amortised Cost	753,696	753,696
Financial assets measured at fair value through other comprehensive income				
Quoted equity securities	Available for sale	Fair value through other comprehensive income	26,874	26,874
Unquoted equirt securities	Available for sale	Fair value through other comprehensive income	34,283	34,283
Financial assets measured at fair value through profit or loss				
Quoted equity securities	Fair value through profit or loss	Fair value through profit or loss	68,411	68,411

The effect of adopting SLFRS 9 on the carrying amounts of financial liabilities as at 1st April 2018 is as follows.

Financial Liabilities	Original Classification under LKAS 39	New Classification under SLFRS 9
Trade and Other Payables	Other Financial Liabilities measured at amortised cost	Other Financial Liabilities measured at amortised cost
Amounts due to Related Companies	Other Financial Liabilities measured at amortised cost	Other Financial Liabilities measured at amortised cost
Loans Due from Related Party	Other Financial Liabilities measured at amortised cost	Other Financial Liabilities measured at amortised cost
Bank Overdraft	Other Financial Liabilities measured at amortised cost	Other Financial Liabilities measured at amortised cost
Interest Bearing Borrowings	Other Financial Liabilities measured at amortised cost	Other Financial Liabilities measured at amortised cost

There were no changes to the classification of financial liabilities.

Group

Financial Liabilities	Original Classification under LKAS 39	New Classification under SLFRS 9	Original Carrying amount under LKAS 39 Rs. 000	New Carrying amount under SLFRS 9 Rs. 000
Trade and Other Payable	Other financial liabilities measured at amortised cost	Amortised Cost	2,559,633	2,559,633
Amounts Due to Related Company	Other financial liabilities measured at amortised cost	Amortised Cost	600,839	600,839
Interest Bearing Loans and Borrowings	Other financial liabilities measured at amortised cost	Amortised Cost	7,741,662	7,741,662
Bank Overdrafts	Other financial liabilities measured at amortised cost	Amortised Cost	1,401,975	1,401,975

Company

Financial Liabilities	Original Classification under LKAS 39	New Classification under SLFRS 9	Original Carrying amount under LKAS 39 Rs. 000	New Carrying amount under SLFRS 9 Rs. 000
Trade and Other Payable	Other financial liabilities measured at amortised cost	Amortised Cost	966,896	966,896
Amounts Due to Related Company	Other financial liabilities measured at amortised cost	Amortised Cost	270,288	270,288
Interest Bearing Loans and Borrowings	Other financial liabilities measured at amortised cost	Amortised Cost	4,272,120	4,272,120
Bank Overdrafts	Other financial liabilities measured at amortised cost	Amortised Cost	778,424	778,424

There were no changes of the carrying amounts of financial assets and financial liabilities under LKAS 39 to the carrying amounts under SLFRS 9 on transition to SLFRS 9 on 1st April 2018.

3.2.2.2 Impairment of Financial Assets

SLFRS 9 replaces the "incurred loss" model in LKAS 39 with an "Expected Credit Loss model"(ECL). The new impairment model applies to financial assets carried at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under SLFRS 9 credit losses are recognised earlier than under LKAS 39.

For assets in the scope of the SLFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of SLFRS 9 impairment requirements at 1st April 2018 result in an allowance for impairment as follows

Group

The following table summarises the impact, net of tax of transition to SLFRS 9 on the opening balance of reserves and retained earnings

New under SLFRS 9	Classification	Impact of adopting SLFRS 9 on the opening balance (Rs.000)
Impairment allowance on expected credit loss		
- Trade and other receivables		25,750
Impact as at 1st April 2018		25,750

Company

The following table summarises the impact, net of tax of transition to SLFRS 9 on the opening balance of reserves and retained earnings

New under SLFRS 9	Classification	Impact of adopting SLFRS 9 on the opening balance (Rs.000)
Impairment allowance on expected credit loss		
- Trade and other receivables		23,343
- Amounts due from related companies		19,642
Impact as at 1st April 2018		42,985

3.2.2.3 Transition

Changes in accounting policies resulting from the adoption of SLFRS 9 have been applied retrospectively, except as described below:

The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SLFRS 9 are adjusted in retained earnings as at 1st April 2018. Accordingly, the information presented for 2018 does not generally reflect the requirements of SLFRS 9, but rather those of LKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
- The determination of the business model within which a financial asset is held
- The designation and revocation of previous designation of certain financial assets and financial liabilities as measured at FVTPL
- The designation of certain investments in equity instruments not held for trading as FVTOCI

The following table reconciles to the closing impairment allowance for financial assets under LKAS 39 to the opening ECL allowance determined under SLFRS 9 as at 1st April 2018.

Group	LKAS 39 carrying amount at 31st March 2018 Rs. 000	Re-measurement Rs. 000	SLFRS 9 carrying amount at 1st April 2018 Rs. 000
Financial Assets			
Amortised Cost			
Trade and other receivables			
Brought forward:			
Loans and receivables	4,479,372		
Re-measurement (Impairment)		(25,750)	
Carried forward:			
Amortised cost			4,453,622
Cash and cash equivalents			
Brought forward:			
Loans and receivables	1,210,568		
Re-measurement		-	
Carried forward:			
Amortised cost			1,210,568
Amounts due from related companies			
Brought forward:			
Loans and receivables	241,044		
Re-measurement		-	
Carried forward:			
Amortised cost			241,044
Financial assets measured at fair value through other comprehensive income			
Quoted equity securities			
Brought forward:			
Loans and receivables	29,653		
Re-measurement		-	
Carried forward:			
Amortised cost			29,653
Unquoted equity securities			
Brought forward:			
Loans and receivables	34,533		
Re-measurement		-	
Carried forward:			
Amortised cost			34,533
Financial assets measured at fair value through profit or loss			
Quoted equity securities			
Brought forward:			
Loans and receivables	68,411		
Re-measurement		-	
Carried forward:			
Amortised cost			68,411

Company	LKAS 39 carrying amount at 31st March 2018 Rs. 000	Re-measurement Rs. 000	SLFRS 9 carrying amount at 1st April 2018 Rs. 000
Financial Assets			
Amortised Cost			
Trade and other receivables			
Brought forward:			
Loans and receivables	1,054,717		
Re-measurement (Impairment)		(23,343)	
Carried forward:			
Amortised cost			1,031,374
Cash and cash equivalents			
Brought forward:			
Loans and receivables	753,696		
Re-measurement		-	
Carried forward:			
Amortised cost			753,696
Amounts due from related companies			
Brought forward:			
Loans and receivables	450,484		
Re-measurement		(19,642)	
Carried forward:			
Amortised cost			430,842
Financial assets measured at fair value through other comprehensive income			
Quoted equity securities			
Brought forward:			
Loans and receivables	26,874		
Re-measurement		-	
Carried forward:			
Amortised cost			26,874
Unquoted equity securities			
Brought forward:			
Loans and receivables	34,283		
Re-measurement		-	
Carried forward:			
Amortised cost			34,283
Financial assets measured at fair value through profit or loss			
Quoted equity securities			
Brought forward:			
Loans and receivables	68,411		
Re-measurement		-	
Carried forward:			
Amortised cost			68,411

3.3 Foreign Currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at prevailing exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

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

3.4 Financial Instruments

3.4.1 Recognition and Initial Measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not a FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.4.2. Classification and Subsequent Measurement

3.4.2.1. Financial Assets

Policy applicable from 1st April 2018

On initial recognition, a financial asset is classified as measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss (FVTPL).

Financial assets are not reclassified subsequently to their recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL;

- It is held within a business model whose objective is tohold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL;
- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.
- A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL;
- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

On the initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial assets that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

a) Business Model Assessment

Policy applicable from 1st April 2018

The Group makes an assessment of the objectives of the business model in which a financial asset is held as a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes;

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- How the performance of the portfolio is evaluated and reported to the Group's management.
- The risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;
- How managers of business are compensated. eg: whether compensation is based on the fair value of assets managed or the contractual cash flows collected.
- The frequency, volume and timing of sales of financial assets in prior periods, the reason for such sale and expectation about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

3.4.2.2 Assessment Whether Contractual Cash Flows are Solely Payments of Principal and Interest

Policy applicable from 1st April 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group Considers:

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).
- A prepayment feature is consistent with the solely payments of principle and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method an impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Policy applicable from 1st April 2018

The Group classified its financial assets into one of the following categories.

- Loans and Receivables;
- Held to Maturity;
- Available for Sale and
- At FVTPL, and within this category as;
  - Held for Trading
  - Designated as at FVTPL
  - Derivative hedging instruments

a) Subsequent measurement and gains and losses:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Held-to-maturity Financial Assets	Measured at amortised cost using the effective interest method.
Available for sale Financial Assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

3.4.2.3.Financial Liabilities

i) Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost of FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3.4.3 De-recognition

3.4.3.1 Financial Assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters in to transactions where by it transfers assets recognised in its Statements of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

3.4.3.2 Financial Liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.4.4 Offsetting

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

3.4.5 Other Payables

Other payables are stated at the amounts they are estimated to realise inclusive of provisions for impairment. Other payables includes amounts due to related companies and income tax payables.

3.4.6 Assets and Basis of their Valuation

Assets classified as Current Assets in the Statement of Financial Position are Cash, Bank balances and those which are expected to be realised in cash during the normal operating cycle of the Group's business, or within one year from the reporting date, whichever is shorter. Assets other than current assets are those which the Group intends to hold beyond a period of one year from the reporting date.

3.5 Property, Plant and Equipment

Property, Plant and Equipment are tangible items that are held for use in the production or supply of goods or services or for administrative purposes and are expected to be used during more than one period.

3.5.1 Recognition and Measurement

Property, Plant and Equipment are recognised, if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be measured reliably.

Property, Plant & Equipment except Land are initially measured at its cost and subsequently at cost less accumulated depreciation and accumulated impairment losses.

At the time of transition from SLASs to SLFRSs/ LKASs, the Company has elected to recognise their land at deemed cost by applying the optional exemption included in the transitional provisions of SLFRS 1, "First time Adoption of Sri Lanka Accounting Standards". Accordingly, previously recognised revalued amount has been considered as deemed cost of the land as at 1st April 2011 and the cost model has been applied subsequently as per LKAS 16. However, since 31st March 2019 the Company has shifted from cost model to revaluation model as per LKAS 16. The change in accounting policy from cost model to revaluation model has not led for a retrospective restatement due to the exemption available in the paragraph 17 of LKAS 8 "Accounting Policies, Change in Accounting Estimates and Errors". As per paragraph 17 of LKAS 8, the initial application of a policy to revalue assets in accordance with LKAS 16 "Property, Plant and Equipment" is a change in an accounting policy to be dealt with as a revaluation in accordance with LKAS 16, rather than in accordance with LKAS 8. LKAS 16 provides that when an item of property, Plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount at the date of revaluation.

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

When significant parts of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and Equipment.

3.5.2 Cost Model

The Group applies cost model to Property, Plant and Equipment except for lands and records at cost of purchase or construction together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

3.5.3 Revaluation Model

The Group applies the revaluation model for the entire class of lands. Such lands are carried at a revalued amount, being their fair value at the date of revaluation, less subsequent accumulated impairment losses. Land of the Group are revalued at once in every three years on a roll over basis to ensure that the carrying amounts do not differ materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognised in Other Comprehensive Income and accumulated in equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of Income. In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the Statement of Income or debited in the Other Comprehensive Income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognised in other Comprehensive Income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

3.5.4 Gains and Losses on Disposal

Gains and losses on disposal of an item of Property, Plant and Equipment are determined by comparing the proceeds from disposal with the carrying amount of Property, Plant and Equipment, and are recognised net within "other income/other expenses" in Profit or Loss.

3.5.5 Subsequent Costs

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

3.5.6 De-Recognition

The carrying amount of an item of Property, Plant and Equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of Property, Plant and Equipment is included in Profit or Loss when the item is derecognised. When replacement costs are recognised in the carrying amount of an item of Property, Plant and Equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

3.5.7 Depreciation

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

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

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

Assets	Years
Freehold Buildings	10-40
Plant, Machinery & Equipment	04-13 1/3
Motor Vehicles	04-05
Office Equipment	08-10
Furniture & Fittings	08-10
Computer Equipment	04-05
Linen, Cutlery & Crockery	On replacement basis\ 4 Years

The useful life and residual value of assets are reviewed, and adjusted if required, at the end of each financial year.

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

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

3.5.8 Capital Work in Progress

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

3.5.9 Finance Leases

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

3.5.10 Operating Leases

Leases, where the lessor effectively retains substantially all of the risks and benefits of ownership over the term of the lease, are classified as operating leases. Lease payments are recognised as an expense in the Statement of Profit or Loss over the term of the lease and not recognised in the Statement of Financial Position.

3.6 Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

The Group has chosen cost model to measure investment property and consequently investment property is measured at deemed cost less accumulated depreciation and any impairment losses. Depreciation is recognised on a straight line basis over the estimated useful life of the investment property.

The estimated useful life of investment property in the Group is as follows:

C.W. Mackie PLC - building: 40 years

Investment properties are derecognised when disposed of, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the year of retirement of disposal. Transfers are made to and from investment property only when there is a change in use in accordance with the criteria listed in LKAS 40-Investment Property.

Where group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the Consolidated Financial Statements, and accounted for in accordance with LKAS 16-Property, Plant and Equipment.

3.7 Borrowing Costs

Borrowing Costs that are directly attributable to acquisition, construction of products of a qualifying asset, which takes a substantial period of time to get ready for its intended use or sale, are capitalised as a part of the asset.

Borrowing Costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the Statement of Comprehensive Income.

The amounts of the Borrowing Costs which are eligible for capitalisation determined in accordance with LKAS 23 – Borrowing Costs.

Notes to the Financial Statements

3.8 Intangible Assets

Goodwill

Goodwill that arises on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each Cash Generating Unit.(or Group of Cash Generating Unit) to which the goodwill relates. When the recoverable amount of the Cash Generating Unit less than it's carrying value, an impairment loss is recognised. Impairment losses relating to goodwill cannot be revised in future periods.

3.9. Inventories

Raw materials, finished goods and work in progress of the group are valued at the lower of cost on a weighted average basis and net realisable value. Provision is made for obsolete, slow moving and defective inventories where necessary.

The cost includes expenditure incurred in acquiring the inventories and bringing them to their existing condition. In the case of manufactured inventories, cost includes raw material cost and packing material cost.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

3.10 Derecognition of Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognised 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

(a) the Group has transferred substantially all the risks and rewards of the asset, or

(b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.11 Impairment

3.11.1 Non-derivative financial assets

Policy applicable from 1st April 2018

a) Financial Instruments and Contract Assets

The Group recognises loss allowances for ECLs (Expected Credit Loss) on:

- Debt investments measured at FVOCI and contract Assets
- Financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the bank balances for which credit risk has not increased significantly since initial recognition which are measured at 12 month ECLs.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company considers a financial asset to be in default when:

- The debtor is unlikely to pay its credit obligation to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 365 days past due.
- The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

b) Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e, the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

c) Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are creditimpaired. A financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset occurred.

Evidence that a financial asset is credit-impaired includes the following observable data;

- Significant financial difficulty of the borrower; or the issuer
- A breach of contract such as default or being more than 365 been past due.
- The restructuring of a loan advance by the group on terms that the group would not consider otherwise.
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

d) Presentation of allowance for ECL in the statement of financial position

Loss allowance for financial assets measured at amortised cost is deducted from the gross carrying amount of the assets. For debt Securities at Fair Value Through Other Comprehensive Income. The Loss allowance is charged to Profit and Loss and is recognised in Other Compressive Income.

e) Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. For Individual customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the written off. However, Financial Assets that are written off could still be subject to enforcement activities in order to comply with the Group procedures for recovery of amount due.

Policy applicable before 1st April 2018

Financial assets not classified as FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- Default or delinquency by a debtor;
- Indication that a debtor or issuer would enter bankruptcy;
- Adverse changes in the payment status or borrowers or issuers;
- Restructuring of an amount due to the group on terms that the Group would not consider otherwise.
- The disappearance of an active market for a security because of financial difficulties: or
- Observable data indicating that there was a measurable decrease in the expected cash flows from financial assets.

For an investment in an equity instrument, objective evidence of impairment included a significant or prolonged decline in its fair value below its cost. The Company considered a decline of 20% to be significant and a period of nine months to be prolonged.

Financial Assets Measured at Amortised Cost	The Group considered evidence of impairment for these assets at both individual asset level and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.
	An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

Available-for Sale Financial Assets	Impairment losses on available-for-sale financial assets were recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified was the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-forsale were not reversed through profit or loss.

3.11.2 Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

3.12 Cash and Cash Equivalents

Cash and cash equivalents comprise of cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short term commitments.

3.13 Assets Held-for-Sale

Before the classification as held-for-sale, non-current assets and liabilities in the disposal group are measured in accordance with relevant SLFRSs. Non-current assets and disposal groups classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets are classified as held for distribution when the Company/Group committed to distribute the assets or disposal group to its owners.

Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

3.14 Stated Capital

Ordinary shares

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

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

3.15 Employee Benefits

3.15.1 Short-Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.15.2 Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in Profit or Loss in the periods during which related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(a) Employees' Provident Fund

The Company and employees contribute 12-15% and 8-10% respectively on the salary of each employee to the Employees' Provident Fund.

(b) Employees' Trust Fund

The Group contributes 3% of the salary of each employee to the Employees' Trust Fund. The total amount recognised as an expense of the Group for contribution to ETF is disclosed in the notes to Financial Statements.

3.15.3 Defined Benefit Plan – Gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted.

The defined benefit obligation for the Company and Group are based on actuarial valuations. An actuarial valuation was carried out by a professionally qualified firm of actuaries as recommended by LKAS 19 – 'Employee Benefits'. The valuation method used by the actuary is "Projected Credit Unit method". When the calculation results in a benefit to the Company, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the company. An economic benefit is available to the Company if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit relates to past service by employees is recognised in Profit or Loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in Profit or Loss. Actuarial gain/losses for the period are recognised fully in the statement of Other Comprehensive Income.

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

Lankem Ceylon PLC and C.W. Mackie PLC have obtained insurance policies to meet the retiring gratuity payments to its employees.

3.16 Provisions, Contingent Assets and Contingent Liabilities

Provisions are made for all obligations existing as at the date of Statement of Financial Position when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow.

All contingent liabilities are disclosed as a note to the Financial Statements unless the outflow of resources is remote.

Contingent assets are disclosed in the notes, where inflow of economic benefit is probable.

3.17 Revenue

3.17.1 Revenue

Policy applicable from 1st April 2018

Revenue will be recognised upon satisfaction of performance obligation. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods and service.

A. Revenue Streams

The Group generates revenue primarily from sale of goods under revenue from contracts with customers. The rental income and repair income are the other sources of income included under revenue.

B. Disaggregation of Revenue from

Contract with Customers Revenue from contract with customers (including revenue related to a discontinuing operation) is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition under Note 5.

C. Contract Balances

Contract Assets

Cost to obtain contract

The Company capitalises incremental costs to obtain a contract with a customer for the assets with more than one year amortisation period and if it expects to recover those costs. The costs that will be incurred regardless of whether the contract is obtained – including costs that are incremental to trying to obtain a contract, are expensed as they are incurred. The cost to obtain contract will be amortised over the contract period on a systematic basis.

Cost of fulfilling a contract

The Company capitalises the costs incurred in fulfilling a contract with a customer for which are not in the scope of other guidance and only if the fulfillment costs meet the following criteria:

- relate directly to an existing contract or specific anticipated contract;
- generate or enhance resources that will be used to satisfy performance obligations in the future; and
- are expected to be recovered.

The cost of fulfilling a contract will be amortised over the contract period on a systematic basis.

Contract Liabilities

The Company recognise a contract liability for the deferred revenue on the extended warranty provided for the customers.
The contract liability shall be realized to revenue on the basis of utilizing the warranty by the customers or on a systematic basis accordingly.

Performance Obligations and Revenue Recognition Policies
Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over a good or services to a contract.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies

Type of Product	Nature and timing of performance obligations including significant payment terms	Revenue recognition under SLFRS 15 (Aplicable from 1st April 2018)	Revenue recognition under LKAS 18 (Applicable before 1st April 2018)
(a) Sale of Goods	Customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. Invoices are usually payable within 30/60/90 days based on the product category	Customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. Invoices are usually payable within 30/60/90 days based on the product category	Revenue from the sale of goods is recognised when the significant risk and rewards of ownership of the goods have passed to the buyer with the group retaining neither a continuing managerial involvement to the degree usually associated with ownership, nor an effective control over the goods sold.

(b) Rendering of Services

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

(c) Revenue from Construction Contracts

Revenue from construction contracts are calculated on the basis of the percentage completion method. Revenue is accounted proportionately and accrued accordingly on the jobs which are substantially completed as at the date of Statement of Financial Position. The stage of completion is assessed by reference to the surveys of work performed.

(d) Revenue from Hotel Services

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

(e) Dividend Income

Dividend income is recognised when the shareholders' right to receive such dividend is established.

(f) Finance Income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets and fair value gains on financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

3.17.2 Other Sources of Revenue

Dividend Income

Dividend Income is recognised in the Statement of Profit or Loss on the date when the entities right to receive payment is established.

Finance Income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets and Fair Value Gains on Financial Assets at fair value through Profit or Loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Other Income - Other income recognised based on the actual basis

Gains and losses of a revenue nature on the disposal of Property, Plant and Equipment and other non-current assets are recognised by comparing the net sales proceeds with the carrying amount of the corresponding asset and are recognised net within 'other income' in the Statement of Profit or Loss.

3.18 Government Grants

3.18.1 Capital nature grants and subsidies

Grants and subsidies are credited to the Statement of Profit or Loss over the periods necessary to match them with related costs which they are intended to be compensated on a systematic basis. Grants related to assets, including non-monetary grants at fair value is deferred in the Statement of Financial Position and credited to the Statement of Profit or Loss over useful life of the related assets. Grants related to income are recognised in the Statement of Profit and Loss in the period in which it is receivable.

3.18.2 Revenue nature grants and subsidies

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

3.19 Expenses

All expenditure incurred in running the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to Statement of Comprehensive Income in arriving at the profit/(loss) for the year. Expenditure incurred for the purpose of acquiring and extending or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

3.19.1 Operating lease payments

Where the Company has the use of assets under operating leases, payments made under the leases are recognised in the Statement of Profit or Loss on a straight line basis over the term of the lease. Lease incentives received are recognised in the Statement of Profit or Loss as an integral part of the total lease expense over the term of the lease. Contingent rentals are charged to the Statement of Profit or Loss in the accounting period in which they are incurred.

3.19.2 Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and losses on disposal ofFVTOCI financial assets , fair value losses on financial assets measured at fair value through profit or loss and impairment losses recognised on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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

3.20 Taxation

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

3.20.1 Current tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates and tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Current income tax relating to items recognised directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate

3.20.2 Deferred tax

Deferred Tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for: goodwill not deductible for tax purposes. the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

The principal temporary differences arise from depreciation on Property, Plant and Equipment; tax losses carried forward, impairment of trade and other receivables and provisions for defined benefit obligations. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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

Deferred Tax Assets and Liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

3.21 Earnings per Share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.22 Statement of Cash Flow

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

3.23 Segmental Information

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

3.24 Events Occurring After the Reporting Date

All material, events after the reporting date have been considered and where appropriate adjustments or disclosures have been made in respective notes to the Financial Statements.

3.25 Comparative Figures

Where necessary, the comparative figures have been re-classified to conform to the current year's presentation.

3.26 Capital Commitments and Contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Group's control. Contingent liabilities are disclosed in Note 32 to the Financial Statements. Commitments are disclosed in Note 31 to the Consolidated Financial Statements.

3.27 Related Party Transactions

Disclosures have been made in respect of the transactions between parties who are defined as related parties as per
Sri Lanka Accounting Standards No. 24 – Related Party Disclosures.

3.28 Financial Risk Management Policies

The Group's principal financial liabilities comprise of loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Group also holds available-for-sale investments and enters into derivative transactions.

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

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

Following new standard has been issued but not yet effective as at the reporting date and has not been applied in preparing these Financial Statements. The extent of the impact of this standard to the Consolidated Financial Statements has not been determined as at 31st March 2019. It is not expected to have a significant impact on the Group's Financial Statements.

4.1. SLFRS 16 – Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosures of leases for both parties to a lease contract. SLFRS 16 is effective for annual reporting period beginning on or after 1st January 2019, with early adoption permitted.

SLFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognised a right-of use asset representing its right to use the underlying assets and lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

SLFRS 16, replaces existing leasing guidance, including LKAS 17 lease, IFRIC 4 Determining whether as arrangement contains a lease, SIC -15 Operating leases – Incentives and SIC-27 Evaluating the Substance of transactions involving the legal form of a lease.

The Group is in the process of assessing the potential impact on its Consolidated Financial Statements resulting from the application of SLFRS 16.

Notes to the Financial Statements

5. REVENUE

For the Year Ended 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
5.1 Revenue Streams				
Revenue from contracts with customers				
Sale of Goods	15,962,814	16,924,039	3,229,414	4,204,150
Rendering of Services	1,696,342	1,555,156	-	-
	17,659,156	18,479,195	3,229,414	4,204,150

5.2 Business Segment Analysis of Revenue

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

Trading Consumer Products	–	Manufacturing, Selling and Distribution of Consumer Products
Trading Industrial Products	–	Manufacturing, Selling and Distribution of Industrial Products
Leisure	–	Owning and Operation of Resort Hotels
Others	–	Special Projects and Other Services

For the Year Ended 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
5.3 Segment Revenue				
Trading - Consumer Products	6,735,093	6,968,466	71,648	112,540
Trading - Industrial Products	9,599,764	10,296,351	3,157,766	4,091,610
Leisure	1,700,969	1,555,835	-	-
	18,035,826	18,820,652	3,229,414	4,204,150
Less: Inter-Segment Revenue	(376,670)	(341,457)	-	-
	17,659,156	18,479,195	3,229,414	4,204,150

For the Year Ended 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
5.4 Timing of Revenue Recognition				
Products and services trasferred at a point in time	17,659,156	18,479,195	3,229,414	4,204,150
Products and services trasferred over time	-	-	-	-
	17,659,156	18,479,195	3,229,414	4,204,150

For the Year Ended 31st March	Operating Profit 2019 Rs. '000	Operating Profit 2018 Rs. '000	Profit/(Loss) before Tax 2019 Rs. '000	Profit/(Loss) before Tax 2018 Rs. '000
5.5 Segment Profit – Consolidated				
Consumer Products	88,942	101,653	(48,882)	(99,022)
Industrial Products	183,150	674,957	(808,270)	(179,770)
Leisure	270,373	200,991	120,899	91,460
Others	46,769	9,039	(313,703)	(161,823)
	589,234	986,640	(1,049,956)	(349,155)

5.6 Assets and Liabilities

As at	Total Assets 31.03.2019 Rs. '000	Total Assets 31.03.2018 Rs. '000	Total Liabilities 31.03.2019 Rs. '000	Total Liabilities 31.03.2018 Rs. '000
Trading - Consumer Products	2,090,717	2,180,056	1,538,346	1,683,142
Trading - Industrial Products	10,696,316	9,912,476	9,334,488	8,871,920
Leisure	5,481,375	4,043,106	1,866,625	1,580,398
Others	304,896	427,411	811,770	741,111
	18,573,304	16,563,049	13,551,229	12,876,571

Additions to Property, Plant and Equipment, Depreciation and Amortisation.

As at	Additions to Property Plant & Equipment 31.03.2019 Rs. '000	Additions to Property Plant & Equipment 31.03.2018 Rs. '000	Depreciation/ Amortisation and Impairment 31.03.2019 Rs. '000	Depreciation/ Amortisation and Impairment 31.03.2018 Rs. '000
Trading – Consumer Products	47,391	34,673	45,063	51,810
Trading – Industrial Products	152,668	280,775	244,665	290,075
Leisure	86,128	64,039	130,019	146,358
Others	-	19,520	602	234
	286,187	399,007	420,349	488,477

6. OTHER INCOME

For the Year Ended 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Profit on Disposal of Property, Plant and Equipment	172,881	450,391	141,435	284,652
Dividend Income - Quoted Companies	1,036	2,692	61,024	73,405
- Unquoted	7,498	-	37,597	3,618
Creditors no longer payable written back	14,545	3,576	6,292	2,538
Amortisation of Grants and Subsidies	2,823	2,823	-	-
Commission income	412	173	-	-
Gain on disposal of AFS and FVTPL Investments	-	20,020	-	45,239
Reversal of impairment loss on related party receivable	197	30,700	197	31,741
Reversal of impairment loss on trade receivable	1,197	1,371	-	-
Rent Income	104,588	94,390	-	-
Sundry Income	11,394	32,450	12,059	11,399
	316,571	638,586	258,604	452,592

Notes to the Financial Statements

7. OTHER EXPENSES

For the Year Ended 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
Provision for obsolete and slow moving inventory	17,654	-	-	-
Loss on disposal of Investments	-	-	3,289	-
Provision for Investment in Subsidiaries	-	-	79,431	39,759
Provision of Fair Value through OCI/AFS Investments	-	3,175	-	3,175
Provision for Impairment of Investment in Associates	-	-	31,101	-
Provision for Impairment of Amounts due from Related Parties	-	-	25,605	45,042
Sundry Expenses	84,285	37,289	30,256	37,289
	101,939	40,464	170,517	125,265

8. NET FINANCE COSTS

For the Year Ended 31st March	Consolidated 2019 Rs. '000	Consolidated 2018 Rs. '000	Company 2019 Rs. '000	Company 2018 Rs. '000
(A) Finance Income				
Interest Income	(53,983)	(17,502)	(1,754)	(4,443)
Net change in fair value of financial assets at fair value through profit or loss:	-	(69,283)	-	(69,283)
Interest from Related Companies	(20,881)	(27,842)	(67,501)	(62,033)
Commission on Corporate Guarantee	(7,842)	(10,318)	(22,959)	(27,532)
Foreign Exchange Gain	(25,479)	(62,359)	(9,660)	(42,839)
Total Finance Income	(108,185)	(187,304)	(101,874)	(206,130)
(B) Finance Costs				
Interest on Term Loans	931,502	787,791	543,880	605,232
Interest on Overdraft and Trust Receipt Loans	329,969	400,838	191,244	227,173
Interest on Finance Lease Obligations	201	1,354	-	-
Other Interest	72,051	190,851	31,414	78,537
Foreign Exchange Loss	105,062	23,966	-	-
Net change in fair value of financial assets at fair value through profit or loss:	20,728	-	20,728	-
Total Finance Costs	1,459,513	1,404,800	787,266	910,942
Net Finance Costs	1,351,328	1,217,496	685,392	704,812

9. LOSS BEFORE TAX

Is stated after charging all expenses including the following:

	Consolidated		Company	
For the Year Ended 31st March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Depreciation / Amortisation / Impairment				
Property, Plant and Equipment	420,349	488,477	66,536	93,097
Investment Properties	36,719	6,040	-	-
Auditor's Remuneration				
KPMG	10,547	9,754	2,700	2,575
Other Auditors	5,601	2,891	-	-
Non-Audit Services				
KPMG	2,049	1,050	-	733
Other Auditors	1,454	3,002	1,454	1,454
Salaries and Wages	1,215,518	1,341,260	549,506	646,412
Defined Benefit Plan Cost - Retiring Gratuity	55,874	46,106	23,985	16,514
Defined Contribution Plan Cost - EPF and ETF	137,589	153,515	58,479	66,855
Managing Agent Fees	25,883	21,999	-	-
Provision for Impairment of Trade Receivables	38,810	30,620	21,341	52,981
Provision for Impairment of Obsolete Inventories	35,954	2,684	16,455	34,562
Donations	2,335	1,035	-	-

10. INCOME TAX EXPENSE / (REVERSAL)

	Consolidated		Company	
For the Year Ended 31st March	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Current Income Tax Expense (Note 10.1)				
Taxation on Profit for the Year	142,408	149,330	-	15,414
Under / (Over) Provision on Taxation in respect of previous year	20,036	(2,719)	-	-
	162,444	146,611	-	15,414
Deferred Tax Expense				
Deferred Tax recognized through Profit or Loss (Note 26)	(328,120)	(18,662)	(240,483)	(61,709)
	(165,676)	127,949	(240,483)	(46,295)

10.1 Current Income Tax Expense

Reconciliation of Accounting Loss to Income Tax Expense

For the Year Ended 31st March	Consolidated 2019 Rs.'000	Consolidated 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Accounting Loss before Taxation	(1,049,956)	(349,155)	(805,672)	(561,114)
Intra-Group Adjustments	337,062	105,098	-	-
	(712,894)	(244,057)	(805,672)	(561,114)
Aggregate Disallowable Expenses	1,548,032	788,537	1,005,137	49,592
Aggregate Allowable Expenses	(570,598)	(591,967)	(56,451)	(128,120)
Tax Exempt (Income)/Loss	(18,951)	(166,212)	-	-
Income not part of Assessable Income	(337,016)	(525,706)	(309,609)	(455,684)
	(91,427)	(739,405)	(166,595)	(1,095,326)
Statutory Loss from Business (Note 10.2)	713,633	1,303,774	166,596	1,095,326
Statutory Profit from Business	622,206	564,369	-	-
Other Sources of Income	133,674	140,849	69,553	89,564
Tax Losses utilized during the year	(232,600)	(59,549)	(69,553)	(31,348)
Qualifying Payments utilized during the year	(22,050)	(26,587)	-	(3,168)
Taxable Income	501,230	619,082	-	55,048
Income Tax @ 28%	117,556	112,349	-	15,414
Income Tax @ 14%	24,352	-	-	-
Income Tax @ 12%	-	36,981	-	-
Income Tax @ 10%	500	-	-	-
Taxation on Profit for the Year	142,408	149,330	-	15,414

10.2 Reconciliation of Accumulated Tax Losses

For the Year Ended 31st March	Consolidated 2019 Rs.'000	Consolidated 2018 Rs.'000	Company 2019 Rs.'000	Company 2018 Rs.'000
Balance at the beginning of the year	4,954,342	3,557,515	2,804,657	1,733,871
Adjustments in relation to previous year	25,016	152,602	(8,317)	6,808
Tax Loss utilized during the year	(232,600)	(59,549)	(69,553)	(31,348)
Tax Loss for the year	713,633	1,303,774	166,596	1,095,326
Balance at the end of the year	5,460,391	4,954,342	2,893,383	2,804,657

10.3 Corporate income taxes of the companies in the Group are computed in accordance with the Inland Revenue Act No. 24 of 2017.

Lankem Ceylon PLC and other Companies within the Group, excluding those which are enjoying a tax holiday or concessionary rate of taxation as referred to below, are liable to income tax at 28%.

10.4 Lankem Paint Ltd., Lankem Chemicals Ltd. Lankem Research Ltd., Lankem Consumer Products Ltd., Lankem Export Ltd., Nature's Link Ltd., Sun Agro Farms Ltd., Sun Agro Food Ltd., Lankem Technology Services Ltd., Associated Farms (Pvt) Ltd., and Lankem Agrochemicals Ltd. were non-operative during the year.

10.5 Sigiriya Village Hotels PLC,Marawila Resorts PLC, Galle Fort Hotel (Pvt) Ltd., Beruwala Resorts PLC, Lakcraft , Sherwood holidays are liable for taxation at 14% on the profits and income from activities relating to operating of hotels and liable for taxation at 28% on other income in accordance with the provision of Inland Revenue Act. No. 24 of 2017.

10.6 In accordance with the agreement entered into with the Board of Investments of Sri Lanka under Section 17 of the G.C.E.C. Law No.4 of 1978, profits of York Hotels (Kandy) Ltd. are exempted from income tax for a period of ten years from the year in which the Company commences to make profits or within five years from the year the company commenced commercial operations, which ever is earlier. The company is also entitled to a concessionary rate of tax at 2% of its turnover for 15 years immediately after the expiry of the said 10 years tax holiday. Other income is liable to income tax at 28%.

However, Board of Investment has given a notice of cancellation and termination of all rights, privileges and benefits conferred on the enterprise under the conduct and operation of the project with effect from 23rd November 2002.

10.7 C. W. Mackie PLC and its subsidiaries, except Ceymac Rubber Company Limited, are liable for income tax at the rate of 28% on taxable profits in accordance with the provisions of Inland Revenue Act No. 24 of 2017. Ceymac Rubber Company Limited is liable for income tax at the concessionary rate of 14% under predominary concept on export activities and same rate will be applicable for entire taxable income as a single tax rate.

10.8 Changes Applicable to the Group under Inland Revenue Act No. 24 of 2017

10.8.1 Deferred tax expense on companies resident in Sri Lanka are calculated based on the tax rates specified in the Inland Revenue Act No. 24 of 2017, which are expected to be applied to the temporary differences when they reverse. As per provisions of Inland Revenue Act No. 24 of 2017, deferred tax is recognised on the revaluation surplus on freehold land.

10.8.2 Revaluation surplus on freehold land

As per Section 6 and Chapter IV of the Inland Revenue Act No. 24 of 2017, free hold lands used for business or investment purpose would be liable to tax at the time of realisation. Accordingly, deferred tax is recognised on the revaluation surplus of freehold lands which are treated as capital assets used in the business for tax purpose.

Freehold lands which are treated as investment assets for tax purposes would not be considered for deferred tax, since the Act requires deemed cost of the asset to be equal to market value as at 30th September 2017.

10.8.3. Tax loss carried forward

As per the Gazzette notification issued in relation to the transitional provisions, any unclaimed losses as at 31st March 2018, is deemed to be a loss incurred for the year of assessment commencing on or after April 1, 2018 and shall be carried forward up to 6 years. Accordingly the Group has evaluated the recoverability of unclaimed losses through taxable profit forecasts and deferred tax assets have been recognised.

10.8.4. Financial Cost Carried Forward

As per the Subsection (3) of Section 18 of the Inland Revenue Act No. 24 of 2017, financial cost for which a deduction is denied as a result of Subsection (1) of the same section, may be carried forward and treated as incurred during any of following six years of assessment, only to the extent of any unused limitation in Subsection (2) of the same section for the year. Accordingly, the group has evaluated the recoverability of unclaimed financial costs and assets have been recognized.

10.9 Deferred Taxation

i Deferred tax has been computed by using the tax rate of 28% for the Company and subsidiaries which are liable for income tax at the standard rate for the assessment year 2018/19. The subsidiaries which are liable for income tax at reduced rates (below the standard rate) for the assessment year 2018/19 have computed the deferred tax at the tax rate of 14%.

ii No provision has been made for deferred tax in the financial statements of York Hotels (Kandy) Ltd. as no material temporary differences have arisen during the year which are expected to reverse in the future.

Notes to the Financial Statements

iii No deferred tax assets have been recognised in the financial statements of Lankem Ceylon PLC and subsidiaries, namely SunAgro Farms Ltd., Lankem Exports (Pvt) Ltd., Lankem Consumer Products Ltd., Lankem Research Ltd., Lankem Paints Ltd., SunAgro Foods Ltd., Colombo Fort Hotels Ltd, Kelani Velli Canneries Ltd, Ceytra Limited, Lankem Chemicals Ltd., Lankem Technology Services (Pvt) Ltd., Associated Farms Ltd. and Ceymac Rubber Company Limited because it is not probable that future taxable profit will be available against which these companies can utilise the benefit details are given below:

As at	31.03.2019		31.03.2018	
	Temporary Differences Rs. Million	Deffered Tax Asset Rs. Million	Temporary Differences Rs. Million	Deffered Tax Asset Rs. Million
SunAgro Farms Ltd.	58.9	16.5	59.0	16.5
Lankem Exports (Pvt) Ltd.	31.1	8.7	31.1	8.7
Lankem Consumer Products Ltd.	192.5	53.9	192.4	53.9
Lankem Research Ltd.	13.3	1.6	12.7	1.5
Lankem Paints Ltd.	90.2	25.3	91.2	25.5
Lankem Chemicals Ltd.	2.7	0.8	2.6	0.8
SunAgro Foods Ltd.	355.6	99.6	305.1	85.4
Colombo Fort Hotels Ltd.	4.3	1.2	17.2	4.8
Lankem Ceylon PLC	1,769.7	495.5	2,196.9	618.6
Kelani Velley Canneries Ltd.	259.2	72.5	229.1	64.1
Ceytra (Private) Limited	45.5	12.7	53.1	3.6
Ceymac Rubber Company Limited	22.3	3.1	-	-
Lankem Technology Services (Pvt) Ltd.	0.3	0.1	0.3	0.1
Associated Farms Ltd.	21.2	5.9	21.1	5.9

11. BASIC EARNINGS / (LOSS) PER SHARE

Basic Earnings / (Loss) per share is based on the profit / (Loss) for the year attributable to owners of the Company divided by weighted average number of ordinary shares in issue during the year.

	Consolidated		Company	
For the Year Ended 31st March	2019	2018	2019	2018
Profit / (Loss) attributable to Equity Holders of the Company (Rs.'000)	(982,564)	(583,357)	(565,190)	(514,819)
Weighted Average Number of Ordinary Shareholders (No.'000)	33,853	22,921	33,853	22,921
Basic Earnings / (Loss) per Share (Rs.)	(29.02)	(25.45)	(16.70)	(22.46)

12. PROPERTY, PLANT & EQUIPMENT

12.1 Consolidated

	Balance As at 01.04.2018 Rs. '000	Transfers/ Adjustments Rs. '000	Revaluation during the Year Rs. '000	Additions during the Year Rs. '000	Impairment Losses for the Year Rs. '000	Disposals during the Year Rs. '000	Asset Held For Sale Rs. '000	Balance As at 31.03.2019 Rs.'000
Cost/Deemed Cost								
Freehold								
Land	2,276,331	-	2,924,209	193	-	(52,198)	(7,365)	5,141,170
Buildings	3,056,727	(31,212)	87,753	54,532	-	(59,638)	-	3,108,162
Land Development Cost	9,404	-	-	-	-	-	-	9,404
Plant & Machinery	2,120,457	-	-	116,246	-	(34,809)	-	2,201,894
Motor Vehicles	479,139	-	-	32,841	-	(73,956)	-	438,024
Furniture and Fittings	508,626	489	-	36,857	-	(5,683)	-	540,289
Office Equipment	489,546	1,066	-	35,676	-	(7,226)	-	519,062
Linen & Soft Furnishings	133,595	-	-	9,842	-	(1,057)	-	142,380
	9,073,825	(29,657)	3,011,962	286,187	-	(234,567)	(7,365)	12,100,385
Leasehold								
Motor Vehicles	6,314	-	-	-	-	-	-	6,314
Office Equipment	1,962	-	-	-	-	-	-	1,962
	8,276	-		-	-	-	-	8,276
Total Cost / Deemed Cost	9,082,101	(29,657)	3,011,962	286,187	-	(234,567)	(7,365)	12,108,661

	Balance As at 01.04.2018 Rs.'000	Transfers/ Adjustments Rs. '000	Depreciation on revaluation adjustment Rs. '000	Charge for the Year Rs. '000	Impairment loss for the Year Rs. '000	Disposals during the Year Rs. '000	Assets Held For Sale Rs. '000	Balance As at 31.03.2019 Rs.'000
Accumulated Depreciation								
Freehold								
Building	906,065	(32,504)	-	115,318	5,135	(39,331)	-	954,683
Plant & Machinery	1,301,405	-	-	148,887	-	(25,589)	-	1,424,703
Motor Vehicles	297,621	-	-	53,408	-	(65,484)	-	285,545
Furniture and Fittings	385,236	63	-	33,343	-	(4,959)	-	413,683
Office Equipment	343,010	(63)	-	53,953	-	(5,437)	-	391,463
Linen & Soft Furnishings	101,031	-	-	8,733	-	(233)	-	109,531
	3,334,368	(32,504)	-	413,642	5,135	(141,033)	-	3,579,608
Leasehold								
Motor Vehicles	3,205	-	-	1,044	-	-	-	4,249
Office Equipment	1,902	-	-	529	-	-	-	2,431
	5,107	-	-	1,573	-	-	-	6,680
Total Depreciation	3,339,475	(32,504)	-	415,215	5,135	(141,033)	-	3,586,288
Net Carrying Amount	5,742,626							8,522,373
Capital Work in Progress	111,117	(56,386)	-	175,776	(3,441)	-	-	227,066
Total Carrying Amount of Property, Plant & Equipment	5,853,743							8,749,439

Notes to the Financial Statements

12.2 Company

	Balance As at 01.04.2018 Rs. '000	Revaluation Rs. '000	Additions during the Year Rs. '000	Disposals during the Year Rs. '000	Asset Held For Sale Rs. '000	Balance As at 31.03.2019 Rs. '000
Cost/Deemed Cost						
Freehold						
Land	144,777	824,803	-	(27,000)	(7,365)	935,215
Land Development Cost	9,404	-	-	-	-	9,404
Buildings	474,433	-	865	(55,894)	-	419,404
Plant & Machinery	426,580	-	199	(22,973)	-	403,806
Motor Vehicles	99,219	-	500	(52,656)	-	47,063
Furniture and Fittings	240,524	-	5,615	(4,308)	-	241,831
	1,394,937	824,803	7,179	(162,831)	-	2,056,723
Total Cost / Deemed Cost	1,394,937	824,803	7,179	(162,831)	(7,365)	2,056,723

	Balance As at 01.04.2018 Rs. '000	Revaluation Rs. '000	Charge for the Year Rs. '000	Disposals during the Year Rs. '000	Asset Held For Sale Rs. '000	Balance As at 31.03.2019 Rs. '000
Accumulated Depreciation						
Freehold						
Buildings	166,983		21,230	(38,395)		149,818
Plant & Machinery	306,823		27,589	(13,967)		320,445
Motor Vehicles	67,345		7,386	(44,638)		30,093
Furniture and Fittings	214,577		10,331	(3,614)		221,294
Total Depreciation	755,728	-	66,536	(100,614)		721,650
Total Carrying Amount of Property, Plant & Equipment	639,209					1,335,073

12.3 Fully depreciated property, plant and equipment still in use

Consolidated

The gross carrying amount of fully depreciated property, plant and equipment still in use as at 31 March 2019 is Rs. 674 Million (2018 - Rs.626 Million).

Company

The gross carrying amount of fully depreciated property, plant and equipment still in use as at 31st March 2019 is Rs. 367 Million (2018 - Rs. 306 Million).

12.4 The portfolio of the lands owned by Group companies are as follows:

Company Name	Location	Extent	Number of Buildings	Name of the Valuer	Effective Date of the Latest Valuation	Carrying Value of Lands As at 31.03.2019 Rs. '000	Market value of Land As at 31.03.2019 Rs. '000
i. Lankem Ceylon PLC							
Land	St. Anthony's Road, Ekala	2A:3R:36.35P	11	Mr. P. P. T. Mohideen Chartered Valuer	31.01.2019	381,080	381,080
Land	Maguruwila Road,Gonawala	5A:1R:27.90P	18	Mr. P. P. T. Mohideen Chartered Valuer	31.01.2019	524,135	524,135
Land	Maduramadu, Vembu, Puttalam	8A:3R:30.86P	2	Mr. P. P. T. Mohideen Chartered Valuer	31.03.2019	30,000	30,000
ii Marawila Resorts PLC							
Land	Marawila	29A:1R:33.6P	52	Mr. P. P. T. Mohideen Chartered Valuation	31.03.2019	1,180,700	1,180,700
iii Sigiriya Village Hotels PLC							
Land	Freehold :Mankani, Trincomalee	8A:1R:2P	-	Mr P P T Mohideen	31.03.2019	231,400	231,400
	Leasehold :Sigiriya	16A:3R:5.5P	39	Chartered Valuer			
iv B.O.T. Hotels Services (Pvt) Ltd.							
Land	Kapparatota Road, Weligama	3A:0R:10.59P	1	Mr P P T Mohideen Chartered Valuer	31.03.2019	525,550	525,550
v C.W. Mackie PLC							
Land	Munagama, Horana.	3A:0R:5.21P	4	Mr K. T. D. Tissera	31.03.2019	742,000	742,000
Land	Munagama, Horana.	2A:3R:33.07P	8				
Land	Aramanagolla, Horana	5A:0R:0.5P	11				
Land	Thebuwana, Narthupana	5A:1R:10P	8				
Land	Kaluaggala, Hanwella	2A:0R:35P	7				
vi Galle Fort Hotel (Pvt) Ltd.							
Land	Galle Fort, Galle	0A:1R:37.5P	8	Mr P P T Mohideen Chartered Valuer	31.03.2019	1,216,700	1,216,700
vii Beruwala Resorts PLC							
Land	Freehold :Moragalla, Beruwala	0A:0R:2.8P	-	Mr P P T Mohideen	31.03.2016	305	1,112
	Leasehold :Moragalla, Beruwala	7A:3R:21.76P	24	Incorporated Valuer			
viii JF Packaging (Pvt) Ltd.							
Land	Minuwangoda Road, Kotugoda.	2A:0R:30P	4	Mr P P T Mohideen Chartered Valuer	31.03.2019	295,800	295,800
ix Ceylon Tapes (Pvt) Ltd							
Land	23/20, Samagi Mawatha, Ja-Ela.	0A:1R:5P	3	Mr P P T Mohideen Chartered Valuer	31.03.2019	13,500	13,500
						5,141,170	

12.4.1 Beruwala Resorts PLC, a subsidiary, has constructed a building on a land which was leased out from Sri Lanka Tourism Development Authority for 30 years commencing from 1st August, 2007. The lease period will expire on 31st July, 2037. The Company has paid the lease rental of Rs. 2,754,000/- in year 2018/19 (2017/18 - Rs. 1,836,000/-).

12.4.2 Sigiriya Village Hotels PLC, a subsidiary, has constructed a building on a land which was leased out from Sri Lanka Tourism Development Authority for 30 years commencing from 2nd September, 2009. The lease period will expire on 1st September 2039. The Company has paid the lease rental of Rs. 2,377,469/- in year 2018/19 (2017/18 - Rs. 2,377,469/-).

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

12.4.4 Property, Plant & Equipment pledged as securities in obtaining loans have been disclosed in Note 24.5 to these Financial Statements.

12.5 Sensitivity Analysis

Possible changes at the reporting date to one of the significant unobservable inputs, holding the other inputs constant, would have the following impacts.

Market price per perch (10% movement)	Market Value as at 31st March 2019	Increase + 10%	Decrease - 10%
Lankem Ceylon PLC	935,215	93,522	(93,522)
Sigiriya Village Hotels PLC	231,400	23,140	(23,140)
Marawila Resort PLC	1,180,700	118,070	(118,070)
B.O.T Hotel Services (Pvt) Ltd	525,500	52,550	(52,550)
Galle Fort Hotels (Pvt) Ltd	1,216,700	121,670	(121,670)
Ceylon Tapes (Pvt) Ltd	13,500	1,350	(1,350)
JF Packaging Ltd	295,800	29,580	(29,580)
CW Mackie PLC	742,000	74,200	(74,200)

12.6 All above revaluations are based on market value. The revalued figures were incorporated in these Financial Statements for the first time due to change in accounting policy relating to the entire category of lands in Property, Plant and Equipment.

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 active 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 particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.

	Consolidated		Company	
	2019	2018	2019	2018
Land	2,216,784	2,276,331	110,427	144,777
Total	2,216,784	2,276,331	110,427	144,777

13. BIOLOGICAL ASSETS

i) SunAgro Farms Ltd. - Mature Plantations

	Consolidated	
As at	Total 31.03.2019 Rs. '000	Total 31.03.2018 Rs. '000
Cost		
At the beginning of the year	3,020	3,020
At the end of the year	3,020	3,020
Depreciation		
At the beginning of the year	3,020	3,020
At the end of the year	3,020	3,020
Carrying amount	-	-

The requirement of recognition of bearer biological assets at its fair value less cost to sell under LKAS 41 was superseded by the ruling issued on 2nd March 2012, by The Institute of Chartered Accountants of Sri Lanka. Accordingly, the Group has elected to measure the bearer biological assets at cost using LKAS 16 - Property Plant and Equipment.

14. LEASEHOLD PROPERTIES

As at	Consolidated Balance as at 31.03.2019 Rs. '000	Balance as at 31.03.2018 Rs. '000
Cost/Valuation		
Leasehold Right to Bare Land		
Balance at the beginning of the year	2,555	2,555
	2,555	2,555
Balance at the end of the year	2,555	2,555
Accumulated Depreciation and Impairment		
Leasehold Right to Bare Land		
Balance at the beginning of the year	2,555	2,555
Balance at the end of the year	2,555	2,555
Carrying Amount	-	-

15. INVESTMENT PROPERTY

As at	Consolidated 31.03.2019 Rs. '000	31.03.2018 Rs. '000
Cost		
Balance at the beginning of the year	487,993	252,674
Additions during the period	1,131	235,319
Disposals during the year	(49,969)	-
Balance at the end of the year	439,155	487,993
Accumulated Depreciation		
Balance at the beginning of the year	39,349	33,309
Charge for the Year	36,719	6,040
Balance at the end of the year	76,068	39,349
Carrying Amount	363,087	448,644

Consolidated

C. W. Mackie PLC

The company has rented out a part of C. W. Mackie PLC building complex and value of land and buildings of that portion has been classified as 'investment property' and accounted on "cost model" as required by LKAS 40-Investment Property.

As per the valuation carried out on 31 March 2019, by Mr. K. T. D. Tissera, J. P. U. M., an independent professional valuer, Diploma in Valuation (Sri Lanka), F. R. I. C. S.(Eng.), F. I. V. (Sri Lanka), Chartered Valuation Surveyor, these properties were valued based on income method for existing use basis.

Fair value of the investment property as at 31 March 2019 is as follows;

Company/Location	Fair value Rs.Mn
C. W. Mackie PLC No: 36, D.R.Wijewardena Mawatha, Colombo 10	270.8
Sunquick Lanka Properties (Private) Limited Munagama, Horana	275.0
Total	545.8

Rent income is included in the statement of comprehensive income as follows;

For the year ended 31 March	2019 Rs.000's	2018 Rs.000's	2019 Rs.000's	2018 Rs.000's
Rent income				
Direct operating expenses arising from investment property that generated rental income during the year	21,101	16,917	14,272	15,070

York Hotels (Kandy) Ltd.

As s result of a change in the company 's bussiness plan, land recognised as property plant and equipment previously has been classified as investment property and accounted on "Cost Model" as required by LKAS 40 – Investment Property. The company intends to hold the land for capital appreciation. The above investment property is situated at Halloluwa, Katugastota and the extent of the land is 6 A, 1 R & 36 P. The carrying amount of investment property as at 31st March 2016, amounted to Rs. 157.1 Million.

As per the valuation carried out on 31st March 2016 by Mr. R.S. Wijesuriya, an Independent Incorporated Valuer, fair value of investment property as at 31st March 2016 is Rs. 374 Million.

16. INTANGIBLE ASSETS

	Consolidated	
As at	31.03.2019 Rs. '000	31.03.2018 Rs. '000
Goodwill		
Balance at the beginning of the year	1,170,226	984,264
Goodwill on Acquisition of Subsidiary	-	185,962
Balance at the end of the year	1,170,226	1,170,226

This represents the excess of the cost of acquisition over the attributable net assets of the following companies. The aggregate carrying amount of Goodwill allocated to each company is as follows:

	Consolidated	
As at	31.03.2019 Rs. '000	31.03.2018 Rs. '000
C.W. Mackie PLC	165,935	165,935
Galle Fort Hotel (Pvt) Ltd.	329,072	329,072
Sherwood Holidays Ltd	30,267	30,267
JF Packaging Ltd	435,500	435,500
Ceylon Tapes Ltd	23,490	23,490
Kiffs (Private) Limited	143,777	143,777
Alliance Five (Private) Limited	42,185	42,185
	1,170,226	1,170,226

The recoverable value of C.W. Mackie PLC was based on fair value less cost to sell and the others were based on value in use. Value in use was determined by discounting the future cash flows generated from the investment. Key assumptions used are given below:

Business growth	–	Based on historical growth rate and business plan
Inflation	–	Based on the current inflation and the total cost subjected to the inflation
Discount Rate	–	Average market borrowing rate adjusted for risk premium
Margin	–	Based on current margin and business plan

17. INVESTMENTS

17.1 Investments in Subsidiaries

17.1.1 Company

As at	Group Holding 2019 %	Company Holding 2019 %	Group Holding 2018 %	Company Holding 2018 %	No. of Shares 31.03.2019	Market Value 31.03.2019 Rs.'000	Cost 31.03.2019 Rs.'000	No. of Shares 31.03.2018	Market Value 31.03.2018 Rs.'000	Cost 31.03.2018 Rs.'000
Quoted Investments										
C.W.Mackie PLC	55.34	55.34	55.34	55.34	19,916,811	925,335	895,770	19,916,811	967,957	895,770
Sigiriya Village Hotels PLC	51.60	23.15	51.60	23.15	2,080,518	97,160	41,634	2,083,760	85,643	41,851
Marawila Resorts PLC	39.55	7.32	39.55	7.32	16,478,829	26,366	98,066	16,700,919	40,082	99,756
Beruwala Resorts PLC	52.68	-	52.68	-	-	-	-	-	-	-
Total Quoted Investments							1,035,470			1,037,377
Unquoted Investments										
Colombo Fort Hotels Ltd.	69.11	68.85	69.11	68.85	2,329,326,024		1,595,115	2,329,326,024	-	1,595,115
Lankem Plantation Services Ltd.	60.00	60.00	60.00	60.00	179,993		1,800	179,993	-	1,800
Lankem Exports (Pvt) Ltd.	100.00	100.00	100.00	100.00	10,000		100	10,000	-	100
Lankem Paints Ltd.	100.00	100.00	100.00	100.00	2,000,000		20,000	2,000,000	-	20,000
Lankem Consumer Products Ltd.	100.00	100.00	100.00	100.00	2,000,000		20,000	2,000,000	-	20,000
Lankem Chemicals Ltd.	100.00	100.00	100.00	100.00	2,000,000		20,000	2,000,000	-	20,000
Lankem Research Ltd.	100.00	100.00	100.00	100.00	250,007		2,500	250,007	-	2,500
SunAgro Life Science Ltd.	100.00	100.00	100.00	100.00	200,000		2,000	200,000	-	2,000
SunAgro Farms Ltd.	100.00	100.00	100.00	100.00	1,200,000		12,000	1,200,000	-	12,000
SunAgro Foods Ltd.	100.00	100.00	100.00	100.00	4,999,994		50,275	4,999,994	-	50,275
Lankem Technology Services Ltd.	100.00	100.00	100.00	100.00	4,999,995		5,000	4,999,995	-	5,000
JF Packaging Limited	100.00	100.00	100.00	100.00	673,151		923,240	673,151	-	923,240
Associated Farms (Pvt) Ltd.	100.00	100.00	100.00	100.00	55,398		554	55,398	-	554
Nature's Link Limited	100.00	100.00	100.00	100.00	5,000,000		50,000	5,000,000	-	50,000
Total Unquoted Investments							2,702,584			2,702,584
Gross Carrying Amount							3,738,054			3,739,961
Less: Provision for Impairment										
in Value of Investments (Note 17.1.2)							(574,118)			(494,688)
Net Carrying Amount							3,163,936			3,245,273

17.1.2 Provision for Impairment in Subsidiaries

As at	Company 31.03.2019 Rs.'000	Company 31.03.2018 Rs.'000
Lankem Consumer Products Ltd.	20,000	20,000
Lankem Paints Ltd.	20,000	20,000
SunAgro Farms Ltd.	12,000	12,000
Associated Farms (Pvt) Ltd.	554	554
Lankem Plantation Services Ltd	1,800	1,800
Colombo Fort Hotels Ltd.	453,745	385,580
SunAgro Foods Ltd	50,275	50,275
Nature's Link Limited	12,843	4,078
Lankem Exports (Pvt) Limited	100	100
Lankem Research Ltd	2,500	-
Lankem Technology Services Ltd	301	301
	574,118	494,688

i) The Company has made a provision for impairment on investments in subsidiaries due to continuous losses, negative operating cash flows and reduction in net assets in subsidiaries. The net assets/ adjusted net assets value of the respective subsidiaries have been considered as the recoverable amounts for the calculation of the provision for impairment as at the reporting date.

ii) All the subsidiaries of the Group are incorporated in Sri Lanka.

Notes to the Financial Statements

17.2 Investments in Associates

17.2.1 Investments in Associates – Consolidated

As at	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Unquoted Investments		
Consolidated Tea Plantations Ltd. (CTPL)	-	351,436
Waverly Power (Pvt) Ltd. - (WPL)	149,713	132,798
Total Unquoted Investments	149,713	484,234
Balance as at beginning of the year	484,234	581,836
Net Share of Loss for the year	(334,521)	(97,602)
Balance at the end of the year	149,713	484,234

17.2.2 Investments in Associates – Company

As at	Principal Business Activities	Holding 2019 %	Holding 2018 %	No. of Shares 31.03.2019	Cost 31.03.2019 Rs.'000	No. of Shares 31.03.2018	Cost 31.03.2018 Rs.'000
Unquoted Investments							
Consolidated Tea Plantations Ltd.	Investing in Plantations	47.56	47.56	19,500,001	220,500	19,500,001	220,500
Waverly Power (Pvt) Ltd	Generating electricity for the national grid	43.59	43.59	3,400,000	102,000	3,400,000	102,000
Gross Carrying Amount					322,500		322,500
Provision for Impairment in Associates (17.2.2.1)					(31,101)		-
Net Carrying Amount					291,399		322,500

17.2.2.1 Provision for Impairment in Associates

	Company	
As at	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Consolidated Tea Plantations Ltd.	31,101	-
	31,101	-

17.2.3 Summarised financial information of Associates Companies

Summary of the Statement of Financial Position

As at	CTPL 31.03.2019 Rs.'000	WPL 31.03.2019 Rs.'000	CTPL 31.03.2018 Rs.'000 Restated	WPL 31.03.2018 Rs.'000
Non-current Assets	11,876,714	174,635	11,498,054	179,873
Current Assets	3,428,099	88,587	4,553,460	47,771
Total Assets	15,304,813	263,222	16,051,514	227,644
Non-current Liabilities	6,312,895	61,299	6,238,676	64,679
Current Liabilities	8,628,050	7,588	7,965,137	7,434
Total Liabilities	14,940,945	68,887	14,203,813	72,113
Equity Attributable to the Owners of the Company	363,868	194,335	1,847,701	155,531
Minority Interest	(800,906)	-	(1,173,572)	-
Total Net Assets	(437,038)	194,335	674,129	155,531
Ownership interest	47.56%	43.59%	47.56%	43.59%
Investees share of Net Assets	(30,820)	84,711	320,616	67,796
Goodwill	30,820	65,002	30,820	65,002
Carrying amount of interest	-	149,713	351,436	132,798

Summmary of the Statement of Profit or Loss

For the Year Ended	CTPL 31.03.2019 Rs.'000	WPL 31.03.2019 Rs.'000	CTPL 31.03.2018 Rs.'000 Restated	WPL 31.03.2018 Rs.'000
Revenue	12,031,209	87,815	12,874,404	63,864
Depreciation and amortization	(469,688)	(14,513)	(387,256)	(13,498)
Interest expense	(1,235,204)	(7,451)	(813,682)	(11,159)
Income and expenses	(11,942,838)	(27,047)	(11,851,568)	(19,422)
Investees share of Profit / (Loss)	-	16,915	(106,227)	8,625

17.2.4 Consolidated Tea Plantation Ltd. (CTPL) Group has invested in plantation sector (Kotagala Plantations PLC, Agarapatana Plantations Ltd. and Lankem Tea & Rubber Plantations (Pvt) Ltd.) and other sectors (Lankem Developments PLC, Waverly power (Pvt) Ltd. and Union Commodities) as at 31st March 2019. Since the plantation sector companies have incurred operating losses, CTPL reported negative net assets of Rs. 437 Mn as at 31st March 2019. However, the Company has recognized the investee's share of net assets only up to the carrying amount of the investment of Rs. 351 Mn, since the Company is only liable up to the investment made in CTPL.

17.3 Investment in Joint Venture

Sunquick Lanka (Private) Limited

CW Makie PLC has 49% interest in Sunquick Lanka (Private) Limited, group's interest is accounted using the equity method in the Consolidated Financial Statements.

The Group's interest in Sunqick Lanka (Private) Limited is accounted for using the equity method in the Consolidated Financial Statements. Summarized financial information of the joint venture and the reconciliation with the carrying amount of the investment in the Financial Statements are set out below.

Summarised financial information of the joint venture and reconciliation with the carrying amount of the investment in the financial statements are set out below.

As at	SQL 31.03.2019 Rs.'000	SQL 31.03.2018 Rs.'000
Summmary of the Statement of Finanical Position		
Non-current Assets	427,457	240,747
Current Assets	878,611	888,751
Non - Current Liabilities	-	4,669
Current Liabilities	(624,839)	(538,823)
Equity	681,229	586,007
Gross carrying amount of the investments	333,802	287,143
Summmary of the Statement of Profit or Loss		
Revenue	1,475,450	1,041,722
Operating Expenses	(1,376,635)	(1,075,862)
Other operating income	4,732	-
Finance Income	7,249	1,967
Finance Cost	-	(10,065)
Income tax	(15,225)	-
Other comprehensive income	(348)	-
Total comprehensive income/(expenses) for the year	95,223	(42,238)
Group's Share of Profit/(Loss) for the year	46,659	(20,697)
Equity Reconciliation		
Carrying Value as at 1st April	287,143	-
Investment made during the year	-	307,840
Share of Profit / (Loss)	46,659	(20,697)
Carrying Value as at 31st March	333,802	287,143

17.4 Investments Classified as Available for Sale/Fair Value Through OCI

		Consolidated		Company	
As at 31st March	Note	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Quoted Investments	17.4.1.	17,779	29,653	15,598	26,874
Unquoted Investments	17.4.2.	24,198	34,533	23,948	34,283
		41,977	64,186	39,546	61,157

17.4.1 Quoted Investments

Group

As at	Consolidated No. of Shares 31.03.2019	Fair Value 31.03.2019 Rs.'000	No of Shares 31.03.2018	Fair Value 31.03.2018 Rs.'000
Bank, Finance & Insurance				
Nations Trust Bank PLC	6,365	600	6,365	527
National Development Bank PLC	5,724	588	5,724	788
Total		1,188		1,315
Hotels & Travel				
Hunas Falls Hotels PLC	400	72	400	26
Pegasus Resorts PLC	960	23	960	27
Renuka City Hotels PLC	525	131	525	140
Royal Palms Beach Hotels PLC	375	6	375	7
Total		232		200
Plantations				
Kotagala Plantations PLC	1,085,762	7,600	918,167	7,254
Lankem Development PLC	2,352,340	7,998	2,687,691	19,620
Total		15,598		26,874
Healthcare				
Ceylon Hospitals PLC	130	9	130	10
Total		9		10
Other				
Chevron Lubricants Lanka PLC	12,000	752	12,000	1,254
Total		752		1,254
Total Quoted Investments		17,779		29,653

Company

As at	Company No of Shares 31.03.2019	Fair Value 31.03.2019 Rs.'000	No of Shares 31.03.2018	Market Value 31.03.2018 Rs.'000
Lankem Development PLC	2,352,340	7,998	2,687,691	19,620
Kotagala Plantations PLC	1,085,762	7,600	918,167	7,254
Total		15,598		26,874

17.4.2 Unquoted Investments

Group

As at	Consolidated Fair Value 31.03.2019	Fair Value 31.03.2019 Rs.'000	No. of Shares 31.03.2018	Fair Value 31.03.2018 Rs.'000
Nanotechnology (Pvt) Ltd.	3,810,182	12,336	3,810,182	14,288
Lankem Tea & Rubber Plantations (Pvt) Ltd	8,342	1,554	8,342	2,728
Agarapatana Plantation Ltd.	1,760,204	10,058	1,760,204	17,267
Asia Pacific Golf Courses Limited	2,500	250	2,500	250
Total		24,198		34,533

Sector classification and market value of shares of quoted investments are based on the official valuation list published by the Colombo Stock Exchange.

Company

As at	Company No of Shares 31.03.2019	Fair Value 31.03.2019 Rs.'000	No of Shares 31.03.2018	Fair Value 31.03.2018 Rs.'000
Nanotechnology (Pvt) Ltd.	3,810,182	12,336	3,810,182	14,288
Lankem Tea & Rubber Plantation (Pvt) Ltd.	8,342	1,554	8,342	2,728
Agarapatana Planatations Limited	1,760,204	10,058	1,760,204	17,267
Total		23,948		34,283

17.5 Investments Classified as Fair Value through Profit or Loss

As at	Consolidated/Company No. of Shares 31.03.2019	Fair Value 31.03.2019 Rs.'000	No. of Shares 31.03.2018	Fair Value 31.03.2018 Rs.'000
Nations Trust Bank PLC	46,751	4,203	45,759	3,693
Tokyo Cement Company PLC (Voting)	148,270	3,069	148,270	8,007
Tokyo Cement Company PLC (Non Voting)	63,667	1,178	63,667	2,929
Colonial Motors PLC	338,547	12,222	338,547	24,985
MTD Walkers PLC	68,845	1,019	68,845	1,411
Union Bank Colombo PLC	384,000	4,224	384,000	4,915
Serendib Engineering Group PLC	-	-	1,576,951	12,458
Orient Garments PLC	610,320	4,272	610,320	4,272
Renuka Agri Foods PLC	200,000	2,620	200,000	3,240
Maskeliya Plantations PLC	-	-	8,000	154
ACME Printing & Packaging PLC	59,474	208	397,881	2,347
		33,015		68,411

18. INVENTORIES

As at	Consolidated 31.03.2019 Rs.'000	31.03.2018 Rs.'000	Company 31.03.2019 Rs. '000	31.03.2018 Rs. '000
Raw Materials	658,613	610,598	263,933	207,061
Work-in-Progress	86,487	81,746	38,158	44,623
Finished Goods	1,474,364	1,297,254	314,324	389,341
Goods-in-Transit	208,627	49,529	102,780	39,282
Consumable Stock	129,103	123,199	-	-
Packing & Other Materials	5,205	16,043	-	-
	2,562,399	2,178,369	719,195	680,307
Less: Provision for Obsolete and Slow Moving Inventories	(187,647)	(151,693)	(75,813)	(84,215)
	2,374,752	2,026,676	643,382	596,092

19. TRADE AND OTHER RECEIVABLES

As at	Consolidated 31.03.2019 Rs. '000	Consolidated 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
Trade Receivables	3,939,363	4,168,135	877,748	1,087,787
Provision for Impairment on Trade Receivables (Note 19.1.1)	(328,041)	(291,574)	(180,390)	(135,706)
	3,611,322	3,876,561	697,358	952,081
Other Receivables	187,121	154,882	31,824	29,387
Deposits, Advances and Prepayments	249,052	292,860	-	-
Staff Loan	23,862	20,546	139	141
Tax Recoverable (Note 19.2)	246,319	157,944	89,688	73,108
Provision for Impairment on Other Receivables (Note 19.1.2)	(23,421)	(23,421)	-	-
	682,933	602,811	121,651	102,636
	4,294,255	4,479,372	819,009	1,054,717

19.1 Provision for impairment

As at	Consolidated 31.03.2019 Rs. '000	Consolidated 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
Provision for impairment on Trade Receivables (Note 19.1.1)	328,041	291,574	180,390	135,706
Provision for impairement on Other Receivables (Note 19.1.2)	23,421	23,421	-	-
	351,462	314,995	180,390	135,706

19.1.1 Provision for Impairment on Trade Receivables

The movement in the allowance for impairment in respect of trade and other receivables during the year is given below. Comparative amounts for 2018 represents the allowance for impairment losses under LKAS 39.

As at	Consolidated 31.03.2019 Rs. '000	Consolidated 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
Balance as at 1st April under LKAS 39	291,574	224,457	135,706	94,344
Adjustment on initial application of SLFRS 9	25,750	-	23,343	-
Balance as at 1st April under SLFRS 9	317,324	224,457	159,049	94,344
Measurement of loss allowance for the year	14,257	80,443	21,341	41,362
Reversal of impairment loss	(1,197)	-	-	-
Write-off during the year	(2,343)	(13,326)	-	-
Balance as at 31st March	328,041	291,574	180,390	135,706

Notes to the Financial Statements

19.1.2 Provision for Impairment on Other Receivables

As at	Consolidated 31.03.2019 Rs. '000	Consolidated 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
Balance as at 1st April	23,421	23,421	-	-
Provision made during the year	-	-	-	-
Balance as at 31 March	23,421	23,421	-	-

19.2 Taxes Recoverable

As at	Consolidated 31.03.2019 Rs. '000	Consolidated 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
Nation Building Tax Recoverable	2,913	971	-	-
Economic Service Charge Recoverable	146,913	108,495	89,688	73,108
Withholding Tax Recoverable	13,411	470	-	-
Value Added Tax Recoverable	83,082	48,008	-	-
	246,319	157,944	89,688	73,108

20. CASH AND CASH EQUIVALENTS

As at	Consolidated 31.03.2019 Rs.'000	Consolidated 31.03.2018 Rs.'000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
Favourable Balance				
Fixed Deposits	208,045	319,360	10,000	166,451
Cash at Bank	273,563	880,483	26,538	584,831
Cash in Hand	8,863	10,725	946	2,414
	490,471	1,210,568	37,484	753,696
Unfavourable Balance				
Bank Overdraft	(986,015)	(1,401,975)	(518,053)	(778,424)
	(495,544)	(191,407)	(480,569)	(24,728)

21. ASSET HELD FOR SALE

The company has classified its lease rights at Nawam Mawatha and Kandathoduwawa,Putlam as held for Sale since the Board of Directors has decided to proceed with selling the asset . Indicate values/proceeds of lands are Rs. 60 Million and Rs. 7.3 Million as at 31st March 2019.

22. STATED CAPITAL

As at	31.03.2019		31.03.2018	
	No. of Shares	Value of Shares Rs.'000	No. of Shares	Value of Shares Rs.'000
Fully paid ordinary shares at beginning of the year	33,853,200	930,346	24,000,000	536,218
Issued during the year	-	-	9,853,200	394,128
At the end of the Year	33,853,200	930,346	33,853,200	930,346

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

23. CAPITAL RESERVES

	Other Capital Reserves Rs.'000	FVOCI / AFS Reserve Rs.'000	Total Rs.'000
Consolidated			
Balance as at 01st April 2018	4,833	12,734	17,567
Net Loss on Financial Assets Available for Sale / FVOCI	-	(17,440)	(17,440)
Balance as at 31st March 2019	4,833	(4,706)	127
Company			
Balance as at 01st April 2018	-	14,122	14,122
Net Loss on Financial Assets Available for Sale / FVOCI	-	(17,104)	(17,104)
Balance as at 31st March 2019	-	(2,982)	(2,982)

23.1 Other Capital Reserves

The amount set aside out of the retained profits by C. W. Mackie PLC as Export Development Grant Reserve.

23.2 Available for Sale Reserves

The amount set aside out of retained profits for the changes in the fair value of investments is classified as available for sale.

24. INTEREST BEARING BORROWINGS

As at		Consolidated 31.03.2019 Rs. '000	Consolidated 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
Payable after one year					
Finance Lease Obligations- Others	(Note 24.1)	795	1,201	-	-
Long Term Loans - Others	(Note 24.3)	3,964,876	2,606,073	2,281,249	1,536,621
		3,965,671	2,607,274	2,281,249	1,536,621
Payable within one Year					
Finance Lease Obligations- Others	(Note 24.1)	425	463	-	-
Long Term Loans - Others	(Note 24.3)	993,408	1,107,337	488,841	777,624
Short Term Loans	(Note 24.4)	2,626,368	3,868,444	948,822	1,825,711
		3,620,201	4,976,244	1,437,663	2,603,335
Loans Payable to Related Parties	(Note 24.2)	215,144	158,144	148,090	132,164
Total		3,835,345	5,134,388	1,585,753	2,735,499
Total Interest bearing Borrowings		7,801,016	7,741,662	3,867,002	4,272,120

24.1 Finance Lease Obligations – Others

As at	Consolidated 31.03.2019 Rs. '000	Consolidated 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
Balance at the beginning	1,664	3,233	-	-
Leases acquired during the year	463	1,854	-	-
Payments made during the year	(611)	(3,026)	-	-
Less: Interest in Suspense	(296)	(397)	-	-
Balance at the end of the year	1,220	1,664	-	-

Analysis of Finance Lease Obligations by year of repayment:

As at	Consolidated 31.03.2019 Rs. '000	Consolidated 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
Payable within one year				
Gross Lease Obligations	570	3,401	-	-
Less: Finance Charges Unamortised	(145)	(2,938)	-	-
Net Lease Obligations	425	463	-	-
Payable within two to five years				
Gross Lease Obligations	958	1,498	-	-
Less: Finance Charges Unamortised	(163)	(297)	-	-
Net Lease Obligations	795	1,201	-	-

24.2 Loans Payable to Related Parties

As at	Consolidated 31.03.2019 Rs. '000	Consolidated 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
Balance at the beginning	158,144	426,100	132,164	483,050
Loans transferred / obtained during the year	150,000	262,544	285,000	391,199
Payments made during the year	(93,000)	(530,500)	(269,074)	(742,085)
Balance at the end	215,144	158,144	148,090	132,164
Payable within one year	(215,144)	(158,144)	(148,090)	(132,164)
Payable after one year	-	-	-	-

Loans payable to related parties are as follows:

As at	Consolidated 31.03.2019 Rs. '000	Consolidated 31.03.2018 Rs. '000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
The Colombo Fort Land & Building PLC	70,000	80,000	-	-
Sigiriya Village Hotels PLC	-	-	49,164	49,164
J.F.Packaging Ltd.	-	-	26,926	78,000
Lankem Development PLC	10,600	10,600	-	-
Waverly Power (Pvt) Limited	12,544	12,544	-	-
E.B. Creasy & Company PLC	72,000	5,000	72,000	5,000
Lankem Tea & Rubber Plantations (Pvt) Ltd	50,000	50,000	-	-
	215,144	158,144	148,090	132,164

The Company has obtained loans from related parties and interest on the outstanding balances is charged at the rates as specified below;

	Amount Rs. '000
E.B. Creasy & Company PLC (at AWPLR + 2%)	72,000
Sigiriya Village Hotels PLC (at AWPLR + 2%)	49,164
J.F.Packaging Ltd. (at 16.5%)	26,926
	148,090

24.3 Long Term Loans – Others

	Consolidated		Company	
As at	31.03.2019 Rs. '000	31.03.2018 Rs. '000	31.03.2019 Rs. '000	31.03.2018 Rs. '000
Balance at the beginning	3,713,410	3,488,707	2,314,245	2,188,825
Loans obtained during the year	2,945,779	1,142,324	1,495,149	666,445
Effect on foreign currency fluctuations	36,936	13,619	-	-
Payments made during the year	(1,737,841)	(931,240)	(1,039,304)	(541,025)
Balance at the end	4,958,284	3,713,410	2,770,090	2,314,245
Payable within one year	(993,408)	(1,107,337)	(488,841)	(777,624)
Payable after one year	3,964,876	2,606,073	2,281,249	1,536,621

24.4 Short Term Loans

	Consolidated		Company	
As at	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Term Loans	1,627,709	2,497,540	487,999	1,104,430
Trust Receipt Loans	998,659	1,370,904	460,823	721,281
	2,626,368	3,868,444	948,822	1,825,711

24.5 Assets pledged as Security Against Interest Bearing Borrowings

Company	Lender	Balance as at 31.03.2019 (Rs.) Million	Balance as at 31.03.2018 (Rs.) Million	Terms of Repayment	Security Pledged
Lankem Ceylon PLC	Sampath Bank PLC				
	Loan 01	60.11	-	In 60 monthly installments with step-up capital repayment plan, with 12 months capital grace period, as follows. 1-12 Months - Rs.0.25 Million, 13-24 Months - Rs.0.625 Million, 25-36 Months - Rs.0.750 Million, 37-48 Months - Rs.0.875 Million, 49-59 Months - Rs.2.71 Million & 60th Month Rs.0.302 Million per month, interest to be serviced separately on monthly basis.	(a) Term Loan Agreement of Rs. 60.11 Million (b) Term Loan Agreement of Rs. 189.8 Million (c) Hypothicaticon bond over stocks and book debts of Pannala Rs.450 Million (d) Corporate guarntee of E.B. Creasy & Company PLC Rs. 250 Million
	Loan 02	83.21	-	In addition to this loan Rs.106.68 Million is granted in Month of April 19. In 60 monthly installments in following manner after a grace period of 12 months. 1-12 Months - Rs.0.75 Million, 13-24 Months - Rs.1.875 Million, 25-36 Months - Rs.2.250 Million, 37-48 Months - Rs.2.625 Million, 49-59 Months - Rs.8.130 Million & 60th Month Rs.10.458 Million per month, interest to be serviced separately on monthly basis.	

Company	Lender	Balance as at 31.03.2019 (Rs.) Million	Balance as at 31.03.2018 (Rs.) Million	Terms of Repayment	Security Pledged
	Commercial Bank of Ceylon PLC				
	Loan 02	36.5	178.8	In December 2017 Existing loan was convert to new reschedulement facility. In 55 monthly installments of Yr -1 Rs.0.5 Million, Yr -2 Rs.2 Million, Yr - 3 Rs.3.5 Million ,Yr - 4 Rs.5 Million , Yr - 5 Rs. 7 Million for 6 months and a final instalmment of Rs.6.8 Million together with interest payable monthly on reducing balance of capital	
	Loan 03	162.4	172.40	In 57 monthly installments of Rs.4.2 Million /- each and a final installments of Rs.2.2 Million together with interest payable monthly on reducing balance of capital.	
	Loan 04	37.2	198.50	In 60 monthly installments of Yr -1 Rs.0.5 Million, Yr - 2 Rs.2 Million, Yr - 3 Rs.3 Million ,Yr - 4 Rs.5 Million , Yr -5 Rs.6 Million for 11 months and a final instalmment of Rs.8 Million together with interest payable monthly on reducing balance of capital	a) Primary Mortgage for Rs.200 Million over land at Ja-ela & Gonawala. b) Secondary Mortgage Bond No. 528 dated 07-04-1998 for Rs.50 Million executed over above property. c) Tertiary Mortgage Bond for Rs. 307 Million over above property. d) Additional Mortgage Bond for Rs.400 Million over stocks and assignment of book debts to be executed by the Company.
	Loan 05	103.5	111.00	In 60 monthly installments of Yr -1 Rs.0.5 Million , Yr - 2 Rs.1 Million, Yr - 3 Rs.1.5 Million ,Yr - 4 Rs.2 Million , Yr - 5 Rs.4 Million for 11 months and a final instalmment of Rs.8.5 Million together with interest payable monthly on reducing balance of capital	
	Loan 06	188.0	86.50	In 60 monthly installments of Yr -1 Rs.0.2 Million, Yr - 2 Rs.0.7 Million, Yr - 3 Rs.1.3 Million, Yr - 4 Rs.2 Million, Yr - 5 Rs.6 Million for 11 months and a final instalmment of Rs.8 Million together with interest payable monthly on reducing balance of capital	
	Loan 07	82.3	39.70	In 60 monthly installments of Yr -1 Rs.0.1 Million, Yr - 2 Rs.0.4 Million, Yr - 3 Rs.0.6 Million,Yr - 4 Rs.1 Million, Yr - 5 Rs.1.2 Million for 11 months and a final instalmment of Rs.1.6 Million together with interest payable monthly on reducing balance of capital	

Company	Lender	Balance as at 31.03.2019 (Rs.) Million	Balance as at 31.03.2018 (Rs.) Million	Terms of Repayment	Security Pledged
	Peoples' Bank	545	575.50	In May 2018 Existing loan Rs.555 Million was convert to new reschedulement facility. Month 1 installments is Rs.20.5 Million. After reschdulement. Month 2 onwards Rs.2.5 Million for 6 Months, Rs.8.0 Million for 12 Months and Rs.17.76 Million for 25 Months.	Mortgage over stocks and Book debts on crystallization basis.
	National Development Bank			Payable quarterly on or before the last banking day of each quarter	
	Loan - 1	-	247.25	Yr 1 to Yr 4 - Q1-Q3 equal installments of Rs.15.25 Million and Q4 - 26.50 Million.	
				Yr 5 - Q1-Q4 equal installments of Rs.15.25 Million	
				Yr 5 - Q1-Q4 equal installments of Rs.15.25 Million	
	Loan -2	250.9	-	Payable over 48 monthly installments inclusive of 6 month of grace period	Mortgage over stocks and Book debts.
	Bank of Ceylon				
	Loan 1	-	507.14	In 84 monthly installments of Rs.7.143 Million each	
	Loan 2	335.00	-	In 60 monthly installments inclusive of 12 Months grace period	Assignment over public quoted shares 16,000,000 of C.W.Mackie PLC.
	Seylan Bank	-	23.21		
	Commercial Leasing PLC	-	26.09		
	Central Finance Co PLC	21.56	28.15	In 48 monthly equal installments of Capital & Interst Rs.0.917 Million each.	Mortgage and special power of Attorney of 10 No.of Double cab vehicle Promissory note.
	Union Bank Colombo PLC				
	Loan 01	32.49	40.00	In 36 monthly installments of Yr -1 Rs.0.75 Million, Yr - 2 Rs.1 Million, Yr - 3 Rs.1.5 Million for 11 months and a final instalmment of Rs.2.5 Million. together with interest payable monthly on reducing balance of capital.	
	Loan 02	74.00	80.00	In 60 monthly installments of Yr - 1 to Yr - 3 Rs.0.6 Million, Yr - 4 Rs.2.45 Million, Yr - 5 Rs.2.45 Million for 11 months and a final instalmment of Rs.2.05 Million. together with interest payable monthly on reducing balance of capital.	

Company	Lender	Balance as at 31.03.2019 (Rs.) Million	Balance as at 31.03.2018 (Rs.) Million	Terms of Repayment	Security Pledged
	Nations Trust bank	273.69	-	In 47 monthly installments of 10 Monthly installments Rs.1.00 Million, 12 Monthly installments of Rs.3.00 Million, 12 Monthly installments of Rs.9.00 Million,12 Monthly installments of Rs.12.00 Million and final installments of Rs.2.00 Million. interest to be serviced separately on monthly basis.	Mortgage over stocks and book debts of Rs. 300 Million. Letter of comfort from Colombo Fort Land & Building PLC
	Hatton National bank	405.00	-	In 60 equal monthly installments Rs.6.75 Million together with interest commencing after an initial grace period of 12 months	Letter of awareness/ comfort from Colombo Fort Land & Building PLC
	Peoples Leasing & Finance PLC	79.24		In 48 monthly installments in following manner. 1st 12 Months - Rs.0.50 Million, 2nd 12 Months - Rs.1.00 Million, Balance in equal installment with in period of 24 Months.	Security Cheques (roll over) for Rs.79.24 Million, and Promissory Note of Rs.79.24 Million
		2,770.10	2,314.24		
BOT Hotel Services (Pvt) Ltd.	PABC Bank PLC Term Loan	-	33.38	Repayable over 78 monthly installments	The property of the Hotel premises which is situated in Kapparathota, Weligama - Rs.50 Million and Corporate guarantee from Beruwala Resorts PLC for Rs.75 Million.
		-	33.38		
Beruwala Resorts PLC	PABC Bank PLC Term Loan	-	176.41	Repayable over 102 monthly installment. Repayment to commence after a grace period of 18 Months from the first draw down.	Primary mortgage over land and buildings of BOT Hotel Services Ltd. situated at Weligama.
	Cargills Bank PLC Term Loan 1	3.90	9.00	Repayable over 48 monthly installment.	Laundry Machine & Equipments.
	Cargills Bank PLC Term Loan 2	1.00	2.06	Repayable over 48 monthly installment.	Mazda car for Rs.5.9 Million.
	Cargills Bank PLC Term Loan 3	3.17	5.18	Repayable over 47 Monthly installments. Repayment to Commence after a grace period of 18 months from the first draw down.	Secondary mortgage over laundry machine.
	Term Loan 4 USD	176.77	-		"Primary Mortgage executed over Land and Buildings of B.O.T Hotel Services (Pvt) Ltd situated at Weligama for the Term Loan from Cargills Bank Ltd"
	Term Loan 5	56.34	-		
		241.18	192.65		

Notes to the Financial Statements

Company	Lender	Balance as at 31.03.2019 (Rs.) Million	Balance as at 31.03.2018 (Rs.) Million	Terms of Repayment	Security Pledged
Sigiriya Village Hotels PLC	Sampath Bank PLC	127.43	127.29	Repayable over 35 monthly installments.	Rs.100.5 Million Lien over Beruwala Resort PLC shares totaling to 85,384,000 numbers lodged in Sampath Bank custodial account and Rs.17.5 Million Mortagagee over Hotel Kitchen Equipment and other accessories.
	Term Loan				
		127.43	127.29		
Marawila Resorts PLC	Hatton National Bank PLC				
	Term Loan	-	224.63	To be repaid in five years	Existing Secondary Floating mortgage Bonds totaling US$ 5.37 Million over the Hotel premises at Marawila.
	Commercial Bank of Ceylon PLC	69.3	29.90		Floating mortgage Bond No: CTY/MBO/17/06/03 dateds 10/08/2017 for Rs.25,000,000/- obtained over assignment of book debtstotaling US$ 5.37 Million over the Hotel premises at Marawila
	Commercial Bank of Ceylon PLC	218.57	-	To be repaid in June 2024.	Primary concurrent mortgage over the existing Land and secondary mortgage to be enhanced by US $ 0.27 Million. Additional security to be executed over the new property where the new rooms are constructed and Plant & Machinery installed there.
		287.87	247.53		
Galle Fort Hotels (Pvt) Ltd.	Cargills Bank PLC				
	Loan 01	53.91	61.88	Repayable over 58 monthly installments.	Primary nrortgage bond over properly for Rs 35 Million and 0.775Million USD, mentioned as Lot X in the plan no 130 situated at Galle Fort village.
	Loan 02	21.26	27.63	Repayable over 59 monthly installments.	
	Loan 03	34.26	39.14	Repayable over 59 equal monthly installments.	
		109.43	128.65		
Ceylon Tapes (Pvt) Ltd.	DFCC Bank PLC		-	Repayable over 60 monthly installments after a grace period of 6 months from the first disbursement	Land worth of Rs.12.5 Million and machinery worth Rs.8 Million have been pledged when obtaining the loan.
	Term Loan	-	2.17		
	Commercial Bank	-	26.25		Floating primary mortgage bond for Rs.50 Million over the property called Franalyn estate and morefully as lot A in plan no. 7221 dated 26.11.2015 made by Mr. P A K J Perera in extent of A2: R 3: p 18.25 to be executed by the company.
		-	28.42		

Company	Lender	Balance as at 31.03.2019 (Rs.) Million	Balance as at 31.03.2018 (Rs.) Million	Terms of Repayment	Security Pledged
JF Packaging Ltd.	Sampath Bank PLC				
	Loan I	31.17	41.25	Repayable over 59 monthly installments	Hypothecation Bond for Rs.105 Million over stocks and book debts held at factory premises at No. 306, Minuwangoda Road, Kotugoda.
	Loan II	6.27	12.55	Repayable over 35 monthly installments	Mortgage over Drylaminating machine and related equipments.
	Loan III	112.72	134.35	Repayable over 60 monthly installments	Corporate guarantee of Lankem Ceylon PLC and Shares of Alliance Five (Pvt) Ltd.
	Bank of Ceylon				
	Loan II, III, ,VI, VII	430.28	14.91	Repayable over 60 monthly installments	Primary mortgage of Land, building and machinery 1:1048576 at No.306, Minuwangoda Road, Kotugoda.
	Loan I	4.13	16.53	Repayable over 96 monthly installments	
	Loan IV	128.52	136.25	Repayable over 48 monthly installments	
	Loan V	96.22	119.1	Repayable over 72 monthly installments	
	Hatton National Bank PLC				
	Nation Trust Bank PLC				
	Loan I	113.13	-	Repayable over 48 monthly installments	Mortgage over stocks and book debts held at factory premises at No:306,Minuwangoda Road, Kotugoda and corporate guarantee of Lankem Ceylon PLC
		922.44	474.94		
Kiffs (Private) Limited	National Development Bank PLC				
	Loan I	6.88	-	Repayable over 48 monthly installments	Primary mortgage over equipment located at No:179/6 , Ragama road, Kadawatha
		6.88	-		
SunAgro Foods Ltd.	Sampath Bank PLC				
		-	7.76	In 47 equal monthly installments of Rs.2.08 Million. and a final installment of Rs.2.05 Million on 26th day of each month commencing after a grace period of 12 months.	Corporate Guarantee from Lankem Ceylon PLC amounting to Rs.110 Million.
	Commercial Bank of Ceylon PLC	-	2.39	In 35 equal monthly installments of Rs.695,000/- and a final installment of Rs.675,000/- together with interest.	
		-	10.15		

Company	Lender	Balance as at 31.03.2019 (Rs.) Million	Balance as at 31.03.2018 (Rs.) Million	Terms of Repayment	Security Pledged
Kelani Valley Canneries Limited	Commercial Bank of Ceylon PLC	3.49	4.04		Mortgage bond over the machinery valued Rs.3 Million and motor vehicle valued Rs.9 Million at Kaluaggala, Hanwella
		3.49	4.04		
C. W. Mackie PLC	Commercial Bank of Ceylon PLC	291.55	-		
		291.55	-		
SunAgro LifeScience Ltd.	Commercial Bank of Ceylon PLC	144.06	147.06	Repayable Over 60 Monthly Installment.	Corporate Guarantee from Lankem Ceylon PLC amounting to Rs.100 Million.
	Peoples Leasing & Finance PLC	53.86	-	Repayable over 48 monthly installments.	Security Cheques (roll over) for Rs.53.86 Million, and Promissory Note of Rs.53.86 Million
		197.92	147.06		

25. DEFERRED INCOME

	Consolidated		Company	
As at	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
At the beginning of the year	27,897	27,897	-	-
At the end of the year	27,897	27,897	-	-
Amortisation				
At the beginning of the year	13,128	10,305	-	-
Amortisation for the year	2,823	2,823	-	-
At the end of the year	15,951	13,128	-	-
	11,946	14,769	-	-

26. DEFERRED TAX (ASSETS) / LIABILITIES

	Consolidated		Company	
As at	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Balance as at the beginning of the year	198,199	41,298	(111,058)	(61,198)
Organisation of Temporary Differences				
Recogized through P&L	(328,119)	(18,662)	(240,482)	(61,709)
Recogized through OCI	713,885	(13,791)	232,999	11,849
Recogized through Equity	-	189,354	-	-
Balance as at the end of the year	583,965	198,199	(118,541)	(111,058)

26.1 Deferred Tax Composition

As at	Consolidated 31.03.2019 Rs.'000	Consolidated 31.03.2018 Rs.'000	Company 31.03.2019 Rs.'000	Company 31.03.2018 Rs.'000
Deferred Tax Assets				
Defined Benefit Obligations	59,976	58,147	35,669	35,701
Tax Losses carried forward	551,028	291,352	314,633	170,156
Provision for Impairment of Trade Receivables	101,053	16,546	91,976	11,066
Provision for obsolete Inventories	2,653	-	-	-
On Finance Expenses	20,101	-	-	-
Deferred lease rent liability	354	-	-	-
	735,165	366,045	442,278	216,923
Deferred Tax Liabilities				
Property, Plant and Equipment	592,519	374,890	68,327	81,399
Revaluation surplus	726,611	189,354	255,410	24,466
	1,319,130	564,244	323,737	105,865
Net Deferred Tax Assets / (Liabilities)	(583,965)	(198,199)	118,541	111,058

Deferred tax liabilities have been computed by using an effective tax rate of 28% for the Company and for the subsidiaries of the Group, the effective tax rate ranging from 14% to 28% have been used for the deferred tax computation.

27. RETIREMENT BENEFIT OBLIGATIONS

As at	Consolidated 31.03.2019 Rs.'000	Consolidated 31.03.2018 Rs.'000	Company 31.03.2019 Rs.'000	Company 31.03.2018 Rs.'000
Present Value of the Funded Obligations (Note 27.2)	236,780	238,982	130,745	130,618
Present Value of the Unfunded Obligations (Note 27.4)	72,741	72,661	-	-
Present Value of the Obligations	309,521	311,643	130,745	130,618
Fair Value of Retirement Benefit Assets (Note 27.1)	(56,142)	(47,272)	(3,355)	(3,115)
Present Value of Net Obligations	253,379	264,371	127,390	127,503

Company

An Actuarial valuation has been carried out as at 31st March 2019 by Messrs. Actuarial and Management Consultants (Private) Ltd. as required by the Sri Lanka Accounting Standard 19 'Employee Benefits'.

Plan Assets of the Company are held by an approved external gratuity fund where it invests in insurance scheme amounting to Rs. 3.3 Million as at the date of Statement of Financial Position.

The valuation method used by the actuary is the 'Project Unit Credit Method', the method recommended by Sri Lanka Accounting Standard 19 -'Employee Benefits'.

27.1 Fair Value of Retirement Benefit Assets

As at	Consolidated 31.03.2019 Rs.'000	Consolidated 31.03.2018 Rs.'000	Company 31.03.2019 Rs.'000	Company 31.03.2018 Rs.'000
Movements in Fair Value of Plan Assets				
Fair Value of Plan assets at the beginning of the year	47,272	107,380	3,115	64,486
Contribution Paid to the Plan Assets	11,642	8,348	-	-
Expected Return on Plan Assets	4,804	16,777	343	12,319
Benefits paid by the Plan Assets / the Company	(6,896)	(78,473)	-	(67,859)
Actuarial Gains	(680)	(6,760)	(103)	(5,831)
Fair Value of Retirement Benefit Assets	56,142	47,272	3,355	3,115

27.2 Present Value of the Funded Obligations

For the Year Ended	Consolidated 31.03.2019 Rs.'000	Consolidated 31.03.2018 Rs.'000	Company 31.03.2019 Rs.'000	Company 31.03.2018 Rs.'000
Movement in Present Value of Funded Obligations				
Balance at the beginning of the year	238,982	225,313	130,618	139,954
Transfer in	(1,340)	-	(1,340)	-
Provision for the year	60,942	45,573	24,328	28,833
	298,584	270,886	153,606	168,787
Benefits paid by the Plan Assets / the Company	(30,894)	(90,344)	(15,421)	(77,397)
Actuarial (Gains)/Losses	(30,910)	58,440	(7,440)	39,228
Present Value of Defined Benefit Obligations	236,780	238,982	130,745	130,618
Expenses Recognised in the Statement of Profit or Loss				
Current Service Cost	27,393	18,112	10,107	11,339
Interest Cost	33,549	27,461	14,221	17,494
Provision for the Year	60,942	45,573	24,328	28,833
Expected Return on Plan Assets	(343)	(16,777)	(343)	(12,319)
	60,599	28,796	23,985	16,514
Net Actuarial (Gains)/Losses	(30,910)	58,440	(7,440)	39,228
	(30,910)	58,440	(7,440)	39,228

27.3 Present Value of Net Obligations

As at	Consolidated 31.03.2019 Rs.'000	Consolidated 31.03.2018 Rs.'000	Company 31.03.2019 Rs.'000	Company 31.03.2018 Rs.'000
Fair Value of Plan Assets	56,142	47,272	3,355	3,115
Present Value of Funded Obligations	(236,780)	(238,982)	(130,745)	(130,618)
Present Value of Net Obligations	(180,638)	(191,710)	(127,390)	(127,503)

27.4 Present Value of the Unfunded Obligations

As at	Consolidated 31.03.2019 Rs. '000	Consolidated 31.03.2018 Rs. '000
Movement in Present Value of Unfunded Obligations		
Balance at the beginning of the year	72,661	66,287
Acquisition of Subsidiaries	-	10,683
Provision for the year	14,718	17,310
	87,379	94,280
Gratuity Paid	(13,775)	(32,311)
Actuarial (Gains)/Losses	(863)	10,692
Present value of Defined Benefit Obligations	72,741	72,661

As at	Consolidated 31.03.2019 Rs. '000	31.03.2018 Rs. '000
Expenses Recognised in the Statement of Comprehensive Income		
Current Service Cost	13,662	10,278
Interest on Obligations	1,056	7,032
Provision for the year	14,718	17,310
Net Actuarial (Gains)/Losses	(863)	10,692
	13,855	28,002

Consolidated

(i) The retirement benefit obligations as at 31st March 2019 for Marawila Resorts PLC, Sigiriya Village Hotels PLC, Beruwala Resorts PLC and C.W.Mackie PLC are based on actuarial valuation carried out by Messrs. Piyal S. Goonethilleke and Associates as per which liability as at 31st March 2019 were Rs. 8.5 Million, Rs. 15.8 Million, Rs. 14.3 Million and Rs. 42 Million respectively.

ii) JF Packaging Ltd.
The retirement benefit obligations as at 31st March 2019 is based on actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Private) Ltd. as per which liability as at 31st March 2019 was Rs.12.85 Million.

iii) LKAS 19 - 'Employee benefit' requires to apply Project Credit Unit method to make a reliable estimate of the retirement benefit obligation in order to determine the present value of the retirement benefit obligation. The key assumptions made in arriving at the retirement benefit obligation as at 31st March 2019 in respect of following companies are stated below:

Company Name	Expected Salary Increment Rate	Discount Rate	Liability as at 31.03.2019 Rs. Million
Lankem Ceylon PLC	10%	11.5%	130.74
Marawila Resorts PLC	7.5%	11.5%	8.46
Sigiriya Village Hotels PLC	7.5%	11.5%	15.80
C.W. Mackie PLC	11.5%	9.1%	95.27
Beruwala Resorts PLC	7.5%	10.5%	8.67
BOT Hotel Services (Pvt) Ltd	10.5%	12.5%	5.65
Lankem Consumer Products Ltd.	10%	11.5%	0.60
SunAgro Farms Ltd.	10%	11.0%	0.27
SunAgro LifeScience Ltd.	10%	11.5%	2.24
Galle Fort Hotels (Pvt) Ltd.	10%	11.5%	4.67
Ceylon Tapes (Pvt) Ltd.	10%	11.5%	5.26
SunAgro Foods Ltd.	10%	11.5%	0.21
Lankem Paints Ltd.	10%	11.5%	6.48
JF Packaging Ltd.	10%	11.5%	12.85
Lak Kraft Ltd.	10%	11.5%	0.47
Sherwood Holidays Ltd.	10%	11.5%	1.10
Alliance Five (Pvt) Ltd	10%	11.5%	6.46
Kiffs (Private) Ltd.	10%	11.5%	4.18

27.5 Sensitivity of assumptions employed in actuarial valuation

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	2019		2018	
Consolidated	Increase Rs.'000	Decrease Rs.'000	Increase Rs.'000	Decrease Rs.'000
Movement by 1%				
Discount Rate	(59,569)	74,458	(20,836)	29,144
Future salary scale	74,153	(43,363)	29,624	(20,477)

	2019		2018	
Company	Increase Rs.'000	Decrease Rs.'000	Increase Rs.'000	Decrease Rs.'000
Movement by 1%				
Discount Rate	(4,486)	12,169	(5,890)	13,287
Future salary scale	12,222	(4,486)	13,303	(6,043)

28. TRADE AND OTHER PAYABLES

	Consolidated		Company	
As at	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Trade Payables	1,701,285	1,411,550	834,752	558,155
Other Payables	392,165	220,711	97,572	85,300
Accrued Expenses	557,165	679,110	283,844	273,650
ESC Payable	5,444	7,245	4,067	5,500
Unclaimed Dividend	15,824	14,142	7,453	7,453
NBT Payable	14,324	19,583	64	5,222
VAT Payable	51,153	126,348	-	31,616
Advance Received	180,275	68,248	-	-
Other Levies Payable	14,433	12,696	-	-
	2,932,068	2,559,633	1,227,752	966,896

29. RELATED PARTY TRANSACTIONS

29.1 Amounts Due from Related Parties

	Consolidated		Company	
As at	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
a. Amounts due from Related Parties – Trade				
Subsidiaries				
SunAgro Foods Ltd.	-	-	715	715
C.W. Mackie PLC	-	-	20	20
SunAgro LifeScience Ltd	-	-	1	-
Ceylon Tapes (Private) Ltd	-	-	242	-
Beruwala Resorts PLC	-	-	253	3,348
Marawilla Resorts PLC	-	-	329	3,891
BOT Hotel Services (Pvt) Ltd	-	-	341	756
Sigiriya Village Hotels PLC	-	-	-	422
Kiffs (Pvt) Ltd		-	16	-
Lak Kraft (Pvt) Ltd	-	-	30	12
	-	-	1,947	9,164

	Consolidated		Company	
As at	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
b. Amounts due from Related Parties – Non-trade				
Subsidiaries				
Associated Farms (Pvt) Ltd.	-	-	19,886	19,853
Lankem Consumer Products Ltd.	-	-	157,338	157,074
Colombo Fort Hotels Ltd.	-	-	472,725	409,410
JF Packaging Ltd	-	-	12,691	4,836
SunAgro Foods Ltd.	-	-	64,978	44,176
SunAgro Farms Ltd.	-	-	892	883
Lankem Exports (Pvt) Ltd	-	-	168	99
Ceylon Tapes (Private) Ltd	-	-	437	14,012
Galle Fort Hotels (Pvt) Ltd.	-	-	500	-
Nature's Link Ltd.	-	-	2,868	2,332
Lankem Research Ltd.	-	-	1,200	1,025
	-	-	733,683	653,700
Less : Provision for Impairment				
Debts - Related Parties (29.1.1)	-	-	(266,482)	(221,818)
	-	-	467,201	431,882

Notes to the Financial Statements

As at	Consolidated 31.03.2019 Rs.'000	Consolidated 31.03.2018 Rs.'000	Company 31.03.2019 Rs.'000	Company 31.03.2018 Rs.'000
Affiliates				
E.B. Creasy & Company PLC	934	1,412	191	138
Darley Butler & Co Ltd.	4,555	892	3,893	775
Lankem Developments PLC	16,894	11,249	16,891	11,249
Lankem Tea & Rubber Plantations (Pvt) Ltd.	25	25	-	-
Waverly Power (Pvt) Ltd.	-	451	-	451
Kotagala Plantations PLC	12,935	2,935	12,257	2,257
Agarapatana Plantations Ltd.	12,117	1,173	12,117	1,173
The Colombo Fort Land & Building PLC	-	55,033	-	-
York Hotel Management Services Ltd.	59,742	43,298	-	-
Ceylon Trading Company Ltd.	162	-	-	-
Union Commodities (Pvt) Ltd	19,178	5,843	-	-
Lanka Special Steels Ltd	16	225	16	225
Candy Delights Ltd	6,317	2,107	-	2,107
Colombo Fort Group Services (Pvt) Ltd	-	15	-	15
Duramedical Lanka Ltd	151	151	151	151
Carplan Ltd	-	61	-	61
Sunquick Lanka (Pvt) Ltd	-	116,245	-	-
Colonial Motors (Pvt) Ltd	120,178	-	-	-
The Colombo Fort Land & Building PLC	66,719	-	98	-
Ceytape (Pvt) Ltd	10,834	-	-	-
	330,757	241,115	45,614	18,602
Less: Provision for Impairment				
Related Parties (Note 29.1.1)	(457)	(71)	(386)	-
	330,300	241,044	45,228	18,602
Total amounts due from Related Parties	330,300	241,044	512,429	450,484

29.1.1 Provision for Impairment – Related Parties

As at	Consolidated 31.03.2019 Rs.'000	Consolidated 31.03.2018 Rs.'000	Company 31.03.2019 Rs.'000	Company 31.03.2018 Rs.'000
Subsidiaries				
Lankem Consumer Products Ltd.	-	-	157,338	157,074
Associated Farms (Pvt) Ltd.	-	-	19,886	19,853
SunAgro Foods Ltd.	-	-	65,693	44,891
SunAgro Farms Ltd.	-	-	892	-
Lankem Exports (Pvt) Ltd	-	-	168	-
Nature's Link Ltd	-	-	2,868	-
Lankem Research Ltd.	-	-	1,200	-
Colombo Fort Hotels Ltd.	-	-	18,019	-

As at	Consolidated 31.03.2019 Rs.'000	Consolidated 31.03.2018 Rs.'000	Company 31.03.2019 Rs.'000	Company 31.03.2018 Rs.'000
Galle Fort Hotels (Private) Ltd	-	-	6	-
J.F.Packaging Ltd	-	-	396	-
Ceylon Tapes (Private) Ltd	-	-	1	-
Beruwala Resorts PLC	-	-	4	-
Lakkraft (Pvt) Ltd	-	-	7	-
Marawilla Resorts PLC	-	-	4	-
	-	-	266,482	221,818
Affiliates				
Darley Butler & Co Ltd.	43	43	-	-
Lankem Tea & Rubber Plantations (Pvt) Ltd.	25	25	-	-
Agarapatana Plantations Ltd	321	-	321	-
Lankem Developments PLC	68	3	65	-
	457	71	386	-
	457	71	266,868	221,818

29.2 Loans due from Related Parties

As at	Consolidated 31.03.2019 Rs.'000	Consolidated 31.03.2018 Rs.'000	Company 31.03.2019 Rs.'000	Company 31.03.2018 Rs.'000
The Colombo Fort Land & Building PLC	85,000	85,000	-	-
Colombo Fort Hotels Ltd.	-	-	55,000	55,000
Lankem Developments PLC	30,700	30,700	30,700	30,700
Receivable after one year	115,700	115,700	85,700	85,700
Provisions for Impairment				
Colombo Fort Hotels Ltd	-	-	(2,096)	-
Lankem Developments PLC	-	-	(119)	-
	115,700	115,700	83,485	85,700

29.3 Movement in provision of impairment - Related Parties

The Company has made a provision for impairment of Rs. 25.4 Million on amounts due from Related Companies as at 31st March 2019 due to adverse operational results of those related Companies This has resulted in continuous operating losses and negative operating cash flows in Related Companies and adjusted net asset basis has been considered as the recoverable amount for the calculation of provision for impairment as at the reporting date.

	Consolidated		Company	
As at	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Balance as at 1st April under LKAS 39	71	71	221,818	177,817
Adjustment on initial application of SLFRS 9	-	-	19,642	-
Balance as at 1st April under SLFRS 9	71	71	241,460	177,817
Measurement of loss allowance for the year	583	-	25,605	44,001
Reversal of impairment loss	(197)		(197)	
Balance as at 31st March	457	71	266,868	221,818

29.4 Amounts Due to Related Parties

(a) Amounts due to Related Parties – Trade

	Consolidated		Company	
As at	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Subsidiaries				
SunAgro LifeScience Limited	-	-	-	3,405
Ceylon Tapes (Pvt) Ltd	-	-	-	5,843
JF Packaging (Pvt) Ltd.	-	-	2,308	1,107
	-	-	2,308	10,355

(b) Amounts due to Related Parties - Non Trade

	Consolidated		Company	
As at	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs. '000	31.03.2018 Rs. '000
Subsidiaries				
Sigiriya Village Hotels PLC	-	-	17,714	11,268
Lankem Technology Services Ltd.	-	-	4,613	4,668
Lankem Chemicals Ltd.	-	-	53,930	54,159
Lankem Paints Ltd.	-	-	17,687	18,043
SunAgro LifeScience Ltd.	-	-	143,386	81,849
	-	-	237,330	169,987

As at	Consolidated 31.03.2019 Rs.'000	Consolidated 31.03.2018 Rs.'000	Company 31.03.2019 Rs. '000	Company 31.03.2018 Rs. '000
Affiliates				
York Hotel Management Services Ltd.	53,958	35,384	-	7,171
Kotagala Plantations PLC	7,869	8,000	-	-
Agarapatana Plantation Ltd.	11,461	12,736	53	53
Lankem Development PLC	5,175	3,730	-	-
Lankem Tea & Rubber Plantations (Pvt) Ltd	10	896	10	10
E.B. Creasy & Company PLC	28,750	24,103	28,340	24,013
Carplan Ltd.	813	14	512	-
Colonial Motors PLC	15	275	-	-
The Colombo Fort Land & Building PLC	112,919	109,710	38,909	44,145
Waverly Power (Pvt) Ltd.	53,371	145	51,498	-
E.B. Creasy Logistic (Pvt) Ltd.	11,549	3,476	11,549	3,476
Darley Butler & Co Ltd.	180	169	-	-
KIA Motors (Lanka) Ltd.	115	-	-	-
York Arcade Holdings PLC	-	500	8,032	-
CM Holdings PLC	507	332	507	332
Union Commodities (Pvt) Ltd	55,094	86,196	20,014	20,940
Laxapana Batteries PLC	-	15	-	15
Colombo Fort Group Services (Pvt) Ltd	2,496	2,091	1,622	146
Sunquick Lanka (Pvt) Ltd.	546,584	313,067	-	-
	890,866	600,839	161,046	100,301
Total amounts due to Related Parties	890,866	600,839	398,376	270,288

29.5 Transactions with Related Parties

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24 - Related Party Disclosure, the details of which are reported below:

For the year Ended	Consolidated 31.03.2019 Rs.'000	Consolidated 31.03.2018 Rs.'000	Company 31.03.2019 Rs.'000	Company 31.03.2018 Rs.'000
Subsidiaries				
(Purchases)/Sale of Goods	-	-	14,091	3,737
(Reimbursement)/ Charging of Expenses	-	-	89,367	92,075
Fixed Asset Transfers	-	-	(33)	(396)
(Receipt)/Payment of Outstanding Balances	-	-	(87,239)	(142,927)
Interest (Expenses)/Income	-	-	69,335	42,776
Settlement of Loan (Obtained) / Granted	-	-	135,000	(170,813)
Loans (Granted) / Obtained	-	-	(186,074)	141,199

For the year Ended	Consolidated 31.03.2019 Rs.'000	Consolidated 31.03.2018 Rs.'000	Company 31.03.2019 Rs.'000	Company 31.03.2018 Rs.'000
Associates				
(Receipt)/Payment of Outstanding Balances	(59,456)	(6,131	(59,456)	(6,131)
Interest (Expenses)/Income	2,468	7,406	5,642	7,753
(Reimbursement)/ Charging of Expenses	10	60	10	60
Settlement of Loan (Obtained) / Granted	-	(12,982)	-	-
Loans (Granted) / Obtained	-	12,544	-	-
Dividend	7,497	-	7,497	-
Joint Venture				
(Receipt)/Payment of Outstanding Balances	1,251,113	608,719	-	-
(Reimbursement)/ Charging of Expenses	118,154	223,629	-	-
(Purchases)/Sale of Goods	(1,632,067)	(998,565)	-	-
Asset Transfer	-	271,270	-	-
Investment related transactions	-	(307,840)	-	-
Affiliates				
(Purchases)/Sale of Goods	(232,757)	(203,481)	(24,437)	45,546
(Receipt)/Payment of Outstanding Balances	223,083	324,674	5,305	25,108
(Reimbursement)/ Charging of Expenses	34,402	18,457	38,921	(15,683)
Rent Income	3,406	2,139	-	-
Management Fees	(53,236)	(81,662)	-	-
Interest (Expenses)/Income	(4,837)	(30,434)	(7,169)	(31,687)
Settlement of Loan (Obtained) / Granted	(140,000)	(559,681)	(150,000)	(545,237)
Loans (Granted) / Obtained	203,000	280,000	83,000	275,000
Write Off	15	-	15	-
Advance payments for purchases	101,809	-	-	-
Key Management Personnel				
(Receipt)/Payment of Outstanding Balances	-	-	-	-

Except for the following transactions, there were no non-recurrent related party transactions entered in to by the Company during the financial year, the value of which exceeded 10% of shareholders equity or 5% of the total assets of the group or recurrent related party transactions the value of which exceeded 10% of gross revenue of the group during the year ended 31st March 2019.

Name of the Related Party	Relationship	Value of the related party transactions Rs.	Value of the related party transactions as a % of Equity and as a % of Total Assets	Terms and Conditions	The rational for entering into the transactions.
E.B. Creasy & Company PLC	Related Party	250,000,000	24% of Total Equity 3% of Total Assets	Obtaining the corporate gurantee subject to commission of 2% per annum.	To secure working capital facilities from a bank.
J.F.Packaging Ltd.	Wholly owned Subsidiary	325,000,000	24% of Total Equity 4% of Total Assets	Providing the corporate guarantee subject to commission of 2% per annum.	To enable subsidiary to obtain banking Facilities to fund its working capital requirements.
		122,000,000	12% of Total Equity 2% of Total Assets		
		52,098,099	5% of Total Equity 1% of Total Assets	Setting off the receivable balance against payable balance.	Restructure of inter company payables and receivables.

29.6 Terms and Conditions of Transactions with Related Parties

Transactions with related parties are carried out in the ordinary course of the business at commercial rates. Outstanding balances at the end of the year are unsecured. Interest on outstanding balances has been charged at the prevailing market rate (unless otherwise stated).

29.7 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard 24 - Related Party Disclosures, Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, Key Management Personnel include the members of the Board of Directors of Lankem Ceylon PLC and its subsidiary companies.

(a) Loans to Key Management Personnel

No loans have been given to Key Management Personnel during the year.

(b) Key Management Personnel Compensation

Details of compensation for Executive and Non-Executive Directors are disclosed below:

	Consolidated		Company	
As at	31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Short-term Employee Benefits	129,540	142,972	93,245	99,916

(c) Key Management Personnel Shareholding of the Company

The shareholdings of the Directors are disclosed on page 11 of this Annual Report.

(d) Transactions with close family members

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

29.8 The Directors of the Company are also Directors of the following companies:

Name of the Company	Relationship	Name of the Director												
		Mr. A. Rajaratnam (Resigned w.e.f. 31.03.2019)	Mr. S.D.R. Arudpragasam	Mr. Anushman Rajaratnam	Mr. D.L.Vitharana	Mr. R.N Bopearatchy	Mr. K.P.David	Mr.R.T. Weerasinghe	Mr.A.Hettiarachchy	Mr.A.C.S. Jayaranjan	Mr. R. Seevaratnam	Mr. P.M.A. Sirimane	Mr. M.N.K. Jayamanne (Appointed w.e.f. 01.04.2018)	Mr. M.M.A.R.P. Goonatileke (Resigned w.e.f. 30.06.2018)
Lankem Ceylon PLC	-	√	√	√	√	√	√	√	√	√	√	√	√	√
The Colombo Fort Land & Building PLC	Parent	√	√	√							√	√		
Associated Farms (Pvt) Ltd.	Subsidiary		√				√							
B.O.T. Hotel Services (Pvt) Ltd.	Subsidiary		√				√							
Beruwala Resorts PLC	Subsidiary	√	√											
C.W. Mackie PLC	Subsidiary	√	√	√										
Ceylon Tapes (Pvt) Ltd	Subsidiary		√	√	√		√	√	√	√		√		
Colombo Fort Hotels Ltd	Subsidiary	√	√	√										
Galle Fort Hotels (Pvt) Ltd.	Subsidiary		√	√										
JF Packaging Limited	Subsidiary		√	√	√		√	√	√	√		√		

Notes to the Financial Statements

Name of the Company	Relationship	Mr. A. Rajaratnam (Resigned w.e.f. 31.03.2019)	Mr. S.D.R. Arudpragasam	Mr. Anushman Rajaratnam	Mr. D.L.Vitharana	Mr. R.N Bopearatchy	Mr. K.P.David	Mr.R.T. Weerasinghe	Mr.A.Hettiarachchy	Mr.A.C.S. Jayaranjan	Mr. R. Seevaratnam	Mr. P.M.A. Sirimane	Mr. M.N.K. Jayamanne (Appointed w.e.f. 01.04.2018)	Mr. M.M.A.R.P. Goonatileke (Resigned w.e.f. 30.06.2018)
Lankem Chemicals Ltd.	Subsidiary		√	√	√	√	√							
Lankem Consumer Products Ltd.	Subsidiary		√	√	√	√	√							
Lankem Exports (Pvt) Ltd.	Subsidiary		√		√		√							
Lankem Paints Ltd.	Subsidiary		√	√	√	√	√							
Lankem Research Ltd.	Subsidiary		√	√	√	√	√							
Lankem Technology Services Ltd.	Subsidiary		√			√	√							
Marawila Resorts PLC	Subsidiary	√	√											
Nature's Link Ltd.	Subsidiary		√		√	√	√	√						
Sigiriya Village Hotels PLC	Subsidiary	√	√											
SunAgro Farms Ltd.	Subsidiary		√	√		√	√							
SunAgro Foods Ltd.	Subsidiary		√	√	√	√	√							
SunAgro LifeScience Ltd.	Subsidiary		√	√	√	√	√	√						
Sherwood Holidays Ltd.	Subsidiary	√	√											
Agarapatana Plantations Ltd	Related	√	√											
Carplan Ltd	Related	√	√											
CM Holdings PLC	Related	√	√	√										
Colombo Fort Investments PLC	Related	√	√											
Colonial Motors (Ceylon) Ltd.	Related	√	√	√										
Consolidated Rubber Plantations PTE Ltd	Related			√										
Candy Delights Ltd	Related	√	√			√					√	√		
Darley Butler & Co Ltd	Related	√	√			√					√	√		
E.B. Creasy & Company PLC	Related	√	√			√					√	√		
E.B. Creasy Logistics Ltd.	Related		√			√						√		
Financial Trust Ltd.	Related	√		√										
Island Consumer Supplies (Pvt) Ltd.	Related		√			√						√		
KIA Motors (Lanka) Ltd.	Related	√	√											
Kotagala Plantations PLC	Related	√	√											
Lankem Developments PLC	Related	√	√		√	√	√					√		
Lankem Tea & Rubber Plantations (Pvt) Ltd.	Related	√	√	√										
Laxapana Batteries PLC	Related		√			√						√		
Union Commodities (Pvt) Ltd.	Related		√	√										
York Arcade Holdings PLC	Related	√	√											
York Hotel Management Services Ltd.	Related		√											
Consolidated Tea Plantation Ltd	Associate	√	√											
Waverly Power (Pvt) Ltd.	Associate	√	√	√										

- Mr. M.M.A.R.P. Goonetileke resigned from the Board of Lankem Ceylon PLC with effect from 30th June 2018.
- Mr. A. Rajaratnam resigned from the Boards of Colombo Fort Hotels Ltd and Sherwood Holidays Ltd on 15th May 2018, Waverly Power (Pvt) Ltd on 16th May 2018, Darley Butler & Company Ltd, and Candy Delights Ltd on 31st May 2018, Carplan Ltd and KIA Motors (Lanka) Ltd on 12.03.2019, C.W Mackie PLC on 19.03.2019, Colonial Motors (Ceylon) Ltd, Beruwala Resorts PLC, Sigiriya Village Hotels PLC, Marawila Resorts PLC and Lankem Ceylon PLC on 31.03.2019 and Lankem Developments PLC on 20.06.2019.
- Mr. S.D.R Arudpragasam resigned from the Boards of Carplan Limited and KIA Motors (Lanka) Ltd on 29.07.2019.
- Mr. Anushman Rajaratnam was appointed to the Boards of Marawila Resorts PLC, Beruwala Resorts PLC and Sigiriya Village Hotels PLC on 10.04.2019 and Lankem Developments PLC on 20.06.2019.

30. FINANCIAL INSTRUMENTS

30.1 Financial Risk Management

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

1. Credit Risk
2. Liquidity Risk
3. Market Risk (including currency risk and interest rate risk)

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

Risk Management Framework

The Board of Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

30.1.1 Credit Risk

Credit risk is the risk of Financial loss to the Group if a customer or counter party to a Financial instrument fails to meet its contractual obligation, and arises principally from the Group's receivables from customers, investments in debt securities.

The Group's credit exposure is closely monitored. Credit given is reviewed with the predetermined approval procedures and contractual agreement made for every high value transaction. The carrying amount of financial assets represents the maximum credit exposure.

As at	Note	Consolidated		Company	
		31.03.2019 Rs.'000	31.03.2018 Rs.'000	31.03.2019 Rs.'000	31.03.2018 Rs.'000
Trade & Other Receivables	19	4,294,255	4,479,372	819,009	1,054,717
Amounts Due from Related Parties - Trade	29.1	-	-	1,947	9,164
Amounts Due from Related Parties - Non - Trade	29.1	330,300	241,044	512,429	450,484
Loans Due from Related Parties	29.2	115,700	115,700	83,485	85,700
Cash and Cash Equivalents	20	481,608	1,199,843	36,538	751,282
		5,221,863	6,035,959	1,453,408	2,351,347

The aging of Trade & Other Receivables, Amounts Due from Related Parties (Trade & Non-Trade) and Loans Due from Related Parties at the reporting date as follows;

As at	Consolidated				Company			
	31.03.2019		31.03.2018		31.03.2019		31.03.2018	
	Gross Rs. '000	Impairment Rs. '000	Gross Rs. '000	Impairment Rs. '000	Gross Rs. '000	Impairment Rs. '000	Gross Rs. '000	Impairment Rs. '000
Past due 0-365 days	4,645,717	351,462	4,794,367	314,995	1,001,346	180,390	1,199,587	135,706
More than one year	446,457	457	356,815	71	864,997	269,083	758,002	221,818
	5,092,174	351,919	5,151,182	315,066	1,866,343	449,473	1,957,589	357,524

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, the Management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. However, geographically there is no concentration of credit risk.

The Group establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables. The main components of this allowance are specific loss component that relates to individually significant exposures, and a collective loss component established for group of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics of those receivables and future macro-economic conditions.

Amounts due from related companies

The amounts due from related parties mainly consist of receivables from associates and other related ventures and those are closely monitored by the group.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each related company.

Balances with Bank

The Group held balance with Banks of Rs. 481.6 Mn as at 31st March 2019 (Rs. 1,200 as at 31st March 2018) which represent its maximum credit exposure on these assets.

30.1.2 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligation associated with its financial liabilities that are settled by delivering cash or any other financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding netting agreements.

As at 31st March 2019	Consolidated				Company			
	Carrying Amount Rs. '000	Contractual Cash Flows Rs. '000	Less than One year Rs. '000	More than One year Rs. '000	Carrying Amount Rs. '000	Contractual Cash Flows Rs. '000	Less than One year Rs. '000	More than One year Rs. '000
Non-Derivative Financial Liabilities								
Term Loans/Finance Obligations/ Debentures	7,585,872	7,586,182	3,620,201	3,965,671	3,718,912	3,718,912	1,437,663	2,281,249
Loans, Trade & Non-Trade Amounts due to Related Companies	1,106,010	1,106,010	1,106,010	-	548,774	548,774	548,774	-
Other Financial Liabilities								
Trade & Other Payables	2,932,068	2,932,068	2,932,068	-	1,227,752	1,227,752	1,227,752	-
Bank Overdrafts	986,015	986,015	986,015	-	518,053	518,053	518,053	-
	12,609,967	12,610,275	8,644,440	3,965,834	6,013,491	6,013,491	3,732,242	2,281,249

As at 31st March 2018	Consolidated				Company			
	Carrying Amount Rs. '000	Contractual Cash Flows Rs. '000	Less than One year Rs. '000	More than One year Rs. '000	Carrying Amount Rs. '000	Contractual Cash Flows Rs. '000	Less than One year Rs. '000	More than One year Rs. '000
Non-Derivative Financial Liabilities								
Term Loans/Finance Obligations/ Debentures	7,583,518	7,586,753	4,979,182	2,607,571	4,139,956	4,139,956	2,603,335	1,536,621
Loans, Trade & Non-Trade Amounts due to Related Companies	758,983	758,983	758,983	-	412,807	412,807	412,807	-
Other Financial Liabilities								
Trade & Other Payables	2,559,633	2,559,633	2,599,633	-	966,896	966,896	966,896	-
Bank Overdrafts	1,401,975	1,401,975	1,401,975	-	778,424	778,424	778,424	-
	12,304,109	12,307,344	9,699,773	2,607,571	6,298,083	6,298,083	4,761,462	1,536,621

30.1.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, etc. will affect the Group's income or the value of its holdings of Financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the returns.

301.3.1 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 Group has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange fluctuations.

Sensitivity Analysis

The following table demonstrates the sensitivity to a reasonably possible change in the USD/LKR exchange rate, with all other variables held constant, of the Group's profit before tax due to changes in the fair value of the Group's forward exchange contracts. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period.

	Strengthening/(Weakening) in exchange rate USD	Effect on Profit before Tax	
		Consolidated Rs.'000	Company Rs.'000
As at 31st March 2019	+10%	(136,136)	(54,945)
	-10%	136,136	54,945
As at 31st March 2018	+10%	(51,497)	(16,464)
	-10%	51,497	16,464

30.1.3.2 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. The exposure to the risk of change in market interest rates relates primarily to the Group's long-term debt obligation and investment with floating interest rates.

The Group and Company are exposed to changes in market interest rates through bank overdraft and other bank borrowings which were borrowed at a variable interest rate. The Group has option not to mitigate its interest rate risk in the case that the market interest rate were to be lower than the fixed interest rate that the Group has already commited to. However, the Group utilises various Financial Instruments to manage exposure to interest rate risk arising due to finanacial instruments.

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

As at	Increase/(Decrease) in basis points Rupee Borrowings		Effect on Profit or Loss before Tax	
			Consolidated	Company
As at 31st March 2019	+100	decrease	51,723	33,163
	-100	increase	(51,723)	(33,163)
As at 31st March 2018	-100	decrease	56,999	37,770
	-100	increase	(56,999)	(37,770)

30.2 Fair Value Hierarchy

The table below analyses financial instruments carried at fair value by valuation method. Fair value disclosures are given below.

The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical Assets or Liabilities

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

Level 3: Inputs for the Asset or Liability that are not based on observable market data (unobservable inputs)

31st March 2019	Consolidated Level 1 Rs. '000	Consolidated Level 2 Rs. '000	Consolidated Level 3 Rs. '000	Company Level 1 Rs. '000	Company Level 2 Rs. '000	Company Level 3 Rs. '000
Investments Classified as Financial Assets FVTOCI	17,779	-	24,198	15,598	-	23,948
Investments Classified as Financial Assets FVTPL	33,015	-	-	33,015	-	-
	50,794	-	24,198	48,613	-	23,948

31st March 2018	Consolidated Level 1 Rs. '000	Consolidated Level 2 Rs. '000	Consolidated Level 3 Rs. '000	Company Level 1 Rs. '000	Company Level 2 Rs. '000	Company Level 3 Rs. '000
Investments Classified as Available for Sale	29,653	-	34,533	26,874	-	34,283
Investments Classified as FVTPL	68,411	-	-	68,411	-	-
	98,064	-	34,533	95,285	-	34,283

30.3 Accounting Classifications and Fair Value

The value of financial assets and liabilities, together with carrying amounts shown in the financial statements of financial position as follows:

Group As at 31st March 2019	Financial Assets at Fair Value through Profit or Loss Rs.000	Financial Assets at Amortised cost Rs.000	Financial Assets at Fair Value through Other Comprehensive Income Rs.000	Financial Liabilities at Amortised Cost Rs.000	Total Carrying Amount Rs.000	Fair Value Rs.000
Assets						
Bank & Cash Balances	-	490,471	-	-	490,471	490,471
Trade & Other Receivables	-	4,294,255	-	-	4,294,253	4,294,253
Investments Classified as Fair Value through Profit or Loss	33,015	-	-	-	33,015	33,015
Investments Classified as Available for Sale /FV through OCI	-	-	41,977	-	41,977	41,977
Amounts due from related parties		446,000	-	-	446,000	446,000
	33,015	5,230,724	41,976	-	5,305,716	5,305,715
Liabilities						
Interest Bearing Borrowings	-	-	-	7,585,872	7,585,872	7,585,872
Trade and Other Payables	-	-	-	2,932,068	2,932,068	2,932,068
Bank Overdrafts	-	-	-	986,015	986,015	986,015
Amounts due to related parties	-	-	-	1,106,010	1,106,010	1,106,010
	-	-	-	12,609,965	12,609,965	12,609,965

Group As at 31st March 2018	Fair Value through Profit or Loss Rs.000	Held to Maturity Rs.000	Loans & Receivables Rs.000	Available for Sale Rs.000	Other Financial Liabilities Rs.000	Total Carrying Amount Rs.000	Fair Value Rs.000
Bank & Cash Balances	-	-	1,210,568	-	-	1,210,568	1,210,568
Trade & Other Receivables	-		4,479,372	-	-	4,479,372	4,479,372
Investments Classified as Fair Value through Profit or Loss	68,411		-	-	-	68,411	68,411
Investments Classified as Available for Sale	-		-	64,186	-	64,186	64,186
Amounts due from related parties			356,744			356,744	356,744
	68,411	-	6,046,684	64,186	-	6,179,281	6,179,281
Interest Bearing Borrowings	-	-	-	-	7,583,518	7,583,518	7,583,518
Trade and Other Payables	-	-	-	-	2,559,633	2,559,633	2,559,633
Bank Overdrafts	-	-	-	-	1,401,975	1,401,975	1,401,975
Amounts due to related parties	-	-	-	-	758,983	758,983	758,983
	-	-	-	-	12,304,109	12,304,109	12,304,109

Company As at 31st March 2019	Financial Assets at Fair Value through Profit or Loss Rs.000	Financial Assets at Amortised cost Rs.000	Financial Assets at Fair Value through Other Comprehensive Income Rs.000	Financial Liabilities at Amortised Cost Rs.000	Total Carrying Amount Rs.000	Fair Value Rs.000
Bank & Cash Balances	-	37,484	-	-	37,484	37,484
Trade & Other Receivables	-	819,009	-	-	819,009	819,009
Investments Classified as Fair Value through Profit or Loss	33,015	-	-	-	33,015	33,015
Investments Classified as FV through OCI/ Available for Sale	-	-	39,546	-	39,546	39,546
Amounts due from related parties	-	597,861	-	-	597,861	597,861
	33,015	1,454,354	39,546	-	1,526,915	1,526,915
Interest Bearing Borrowings	-	-	-	3,718,912	3,718,912	3,718,912
Trade and Other Payables	-	-	-	1,227,752	1,227,752	1,227,752
Bank Overdrafts	-	-	-	518,053	518,053	518,053
Amounts due to related parties	-	-	-	548,774	548,774	548,774
	-	-	-	6,013,491	6,013,491	6,013,491

Company As at 31st March 2018	Fair Value through Profit or Loss Rs.000	Held to Maturity Rs.000	Loans & Receivables Rs.000	Available for Sale Rs.000	Other Financial Liabilities Rs.000	Total Carrying Amount Rs.000	Fair Value Rs.000
Bank and Cash Balances	-	-	753,696	-	-	753,696	753,696
Trade & Other Receivables	-		1,054,717	-	-	1,054,717	1,054,717
Investments Classified as Fair Value through Profit or Loss	68,411		-	-	-	68,411	68,411
Investments Classified as Available for Sale	-		-	61,157	-	61,157	61,157
Amounts due from related parties	-		545,348	-		545,348	545,348
	68,411	-	2,353,761	61,157	-	2,483,329	2,483,329
Interest Bearing Borrowings	-	-	-	-	4,139,956	4,139,956	4,139,956
Trade and Other Payables	-	-	-	-	966,896	966,896	966,896
Bank Overdrafts	-	-	-	-	778,424	778,424	778,424
Amounts due to related parties	-	-	-	-	412,807	412,807	412,807
	-	-	-	-	6,298,083	6,298,083	6,298,083

31 COMMITMENTS

31.1 Company

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

31.2 Consolidated

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

32. CONTINGENT LIABILITIES

32.1 Company

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

Lankem Ceylon PLC has issued Corporate Guarantees for borrowings obtained by the related companies and letters of comfort as indicated below as at 31st March 2019.

Name of the Company	Amount Rs. '000
Darley Butler & Co. Ltd.	130,000
Lankem Developments PLC	62,080
SunAgro Lifescience Ltd.	200,000
SunAgro Foods Ltd.	110,000
JF Packaging Limited	597,000
Agarapatana Planatations Limited	200,000
	1,299,080

Comfort letters are provided for SunAgro Foods Ltd., SunAgro Farms Ltd., Lankem Consumer Products Ltd., Lankem Exports (Pvt) Ltd., Lankem Research Limited, Lankem Technology Services Ltd., Lankem Chemicals Ltd., Lankem Paints Ltd. and Nature's Link Limited by Lankem Ceylon PLC.

32.2 Consolidated

(i) C.W. Mackie PLC

The following contingent liabilities exist as at the reporting date on account of the letters of comfort and guarantees given by the Company:

Letters of comfort and guarantees provided on behalf of the subsidiaries are as follows.

Name of the Company	Amount Rs. Million	
	2019	2018
Ceymac Rubber Company Ltd.	99	99
Ceytra (Pvt) Ltd	8	8
Kelani Velley Canneries Limited	90	90
	197	197

These corporate guarantees have been provided for Hatton National Bank PLC and Commercial Bank of Ceylon PLC on behalf of the subsidiary companies Ceymac Rubber Company Limited, Ceytra (Private) Limited and Kelani Valley Canneries Limited for short term loan facilities, where repayment terms are less than 12 months.

There are no material contingent liabilities outstanding as at the reporting date other than as disclosed above which require adjustments to or disclosures in Financial Statements.

33. GOING CONCERN

The Group and the Company has incurred a loss of Rs. 884 Million and Rs. 565 Million respectively for the year ended 31st March 2019. Further, the Group and the Company has reported accumulated losses of Rs. 381 Million and Rs. 491 Million respectively and current liabilities exceed the current assets by Rs. 971 Million and Rs. 1,510 Million respectively as at 31st March 2019. However, the management envisage that implementation of new strategic plan focusing on core-business of the company and expansion of operations of subsidiaries will help to establish long term sustained profitability in the business sectors in which the Group and the Company operates. Thus, the Directors are of the view that the Group and the Company is able to continue as going concern in foreseeable future and accordingly, the consolidated financial statements are prepared on going concern basis.

34. EVENTS OCCURRING AFTER THE REPORTING PERIOD

34.1 Company

The land loacted at Kandathoduwawa Puttlam, which was held for sale at 31st March 2019 was subsequently sold during June 2019.

34.2 Consolidation

(i) The Directors of C. W. Mackie PLC have recommended the payment of a first and final dividend of Rs. 3.50 per ordinary share amounting to Rs. 125 Million for the year ended 31st March, 2019 for approval by the shareholders at the Annual General Meeting held on 27th June 2019. In Accordance with the Sri Lanka Accounting Standard 10 (LKAS 10) " Events after the reporting period", this proposed Dividend has not been recognized as a liability as at 31st March 2019.

Subsequent to the reporting period, no circumstances have arisen that would require adjustments to/or disclosure in the financial statements other than those disclosed above.

35. SUBSIDIARY COMPANIES OF THE GROUP

Details of subsidiaries in which Lankem Ceylon PLC held an indirect interest are set out below:

Indirect Subsidiary	Effective Holding (%)
York Hotels (Kandy) Ltd.	39.63
B.O.T Hotel Services (Pvt) Ltd.	57.82
Ceymac Rubber Company Ltd.	54.63
Ceytra (Pvt) Ltd.	34.77
Kelani Vallye Canneries Limited	48.83
SunQuick Lanka Properties (Pvt Ltd	28.22
Galle Fort Hotel (Pvt) Ltd.	69.11
Lak Kraft (Pvt) Ltd.	69.11
Sherwood Holidays Ltd.	69.11
Ceylon Tapes Ltd.	100.00
Kiffs (Pvt) Ltd.	100.00
Alliance Five (Pvt) Ltd	100.00

36. NON-CONTROLLING INTERESTS IN SUBSIDIARIES

	Marawila Resorts PLC		Colombo Fort Hotels Ltd.		C.W. Makies PLC		Other Individually Immaterial Subsidiaries	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Total assets	1,909,820	1,615,107	2,498,540	2,476,808	5,736,091	4,553,795	4,667,175	6,589,531
Total liabilities	748,578	692,305	850,711	767,297	2,792,951	2,173,736	1,479,552	3,125,073
Net assets	1,161,242	922,802	1,647,829	1,709,511	2,943,140	2,380,059	3,187,624	3,464,458
Carrying amount of NCI	698,321	551,203	(219,316)	(201,895)	936,591	687,092	1,377,679	1,093,258
Revenue	456,637	444,535	-	-	9,695,319	9,272,290	1,244,332	3,260,118
Profit/(loss) after tax	(14,358)	(1,144)	(60,216)	(47,279)	216,470	236,455	106,832	(28,795)
Total comprehensive income	238,440	1,554	(60,184)	(47,292)	608,633	221,231	1,000,411	(41,285)
Profit/(loss) allocated to NCI	(8,680)	(13,728)	(17,431)	(14,604)	74,359	124,664	50,036	9,921
Cash flows from operating activities	55,994	58,881	(4,878)	147,400	344,533	(86,316)		
Cash flows from/(used in) investing activities	(32,725)	(27,942)	522	(147,022)	(221,448)	(187,526)		
Cash flows from financing activities	13,458	(33,214)	-	-	(84,530)	204,474		
Dividend paid to NCI	-	-	-	-	66,575	56,254		
NCI percentage (%)	60.45%	60.45%	30.89%	30.89%	44.66%	44.66%		
Principal place of business	Thalwilawella, Thoduwawa, Marawila.		8-5/2, Layden Bastian Road, York Arcade Building, Colombo 01.		No. 36, D. R. Wijewardena Mawatha, Colombo 10.			

37. COMPARATIVE INFORMATION

37.1 Re-classifications

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

Ten Year Summary

	2018/19 Rs.' 000	2017/18 Rs.' 000	2016/17 Rs.' 000	2015/16 Rs.' 000	2014/15 Rs.' 000	2013/14 Rs.' 000	2012/13 Rs.' 000	2011/12 Rs.' 000	2010/11 Rs.' 000	2009/10 Rs.' 000
Statement of Profit or Loss										
Revenue	17,659,156	18,479,195	17,261,207	17,073,999	15,221,745	15,563,475	24,046,619	24,158,766	23,030,604	11,046,103
Share of Profit / (Loss) of Associate	(334,521)	(97,602)	(75,280)	(217,950)	(268,945)	(65,773)	-	-	-	-
Share of Profit / (Loss) of Joint Venture	46,659	(20,697)	-	-	-	-	-	-	-	-
Profit/(Loss) Before Income Tax	(1,049,956)	(349,155)	(613,132)	(140,306)	(260,499)	(71,414)	801,700	1,025,104	2,108,564	803,582
Income Tax Expense	165,676	(127,949)	(118,332)	(114,274)	(113,299)	(144,226)	(248,557)	(299,950)	(236,815)	(255,000)
Profit/(Loss) for the Year	(884,280)	(477,104)	(731,464)	(254,580)	(373,798)	(215,640)	553,143	725,154	1,871,749	548,582
Profit Attributable to Non-Controlling Interests	98,284	106,253	58,272	179,232	(22,797)	141,059	439,984	248,801	740,643	191,274
Profit Attributable to Owners of the Company	(982,564)	(583,357)	(789,736)	(444,874)	(351,001)	(356,699)	113,159	476,353	1,131,106	357,308
Statement of Financial Position										
Equity										
Stated Capital	930,346	930,346	536,218	536,218	536,218	536,218	536,218	536,218	536,218	281,218
Capital Reserves	4,833	4,833	4,833	3,409	3,409	3,409	3,409	3,930	3,930	443,080
Available for Sale Reserve	(4,706)	12,734	1,750	3,713	13,425	11,060	9,007	6,977	12,389	-
Revenue Reserves	(380,822)	608,907	1,340,938	2,118,926	2,508,635	3,137,131	3,482,940	3,135,964	2,597,468	1,088,624
Revaluation Reserves	1,679,064	-	-	-	-	-	-	-	-	-
Non-Controlling Interests	2,793,360	2,129,658	2,237,370	2,609,592	2,376,717	2,348,838	2,270,684	3,542,850	3,484,748	1,898,619
Total Equity	5,022,075	3,686,478	4,121,109	5,271,858	5,438,404	6,251,920	6,477,163	7,225,939	6,634,753	3,711,541
Assets										
Non-Current Assets	10,808,244	8,308,176	8,198,896	8,391,539	8,586,898	7,696,595	7,411,407	11,963,862	10,207,147	8,348,347
Current Assets	7,765,060	8,254,873	8,149,165	7,541,213	6,827,636	7,163,600	6,932,590	9,383,432	7,447,940	5,036,069
Total Assets	18,573,304	16,563,049	16,348,061	15,932,752	15,414,534	14,860,195	14,343,997	21,347,294	17,655,087	13,384,416
Liabilities										
Non-Current Liabilities	4,814,961	3,084,613	2,820,406	1,687,142	2,329,142	1,476,009	1,547,309	5,450,131	5,301,551	4,684,213
Current Liabilities	8,736,268	9,791,958	9,406,546	8,973,752	7,599,195	7,347,530	6,494,430	8,671,224	5,718,783	4,988,661
Total Liabilities	13,551,229	12,876,571	12,226,952	10,660,894	9,928,337	8,823,539	8,041,739	14,121,355	11,020,334	9,672,874
Cash Flow Statement										
Net Cash Flow Generated from/ (Used in) Operating Activities	(183,813)	(151,346)	256,358	(559,568)	917,449	146,332	144,499	1,160,123	593,060	601,347
Net Cash Flow Generated from/ (Used in) Investing Activities	(112,936)	(75,404)	(831,756)	(340,790)	(1,211,181)	(573,837)	(3,193,687)	(2,085,613)	(948,060)	(1,665,322)
Net Cash Flow Generated from/ (Used in) Financing Activities	(7,388)	715,965	1,160,724	142,233	567,211	188,434	2,199,613	115,911	1,000,657	1,419,468
Net Increase/(Decrease) in Cash and Cash Equivalents	(304,137)	489,215	585,326	(758,125)	273,479	(239,071)	(849,575)	(809,579)	645,657	355,493
Key Indicators										
Earnings per Share (Rs.)	(29.02)	(25.45)	(32.91)	(17.96)	(14.63)	(14.86)	4.71	19.85	47.16	15.72
Dividend Per Share (Rs.)	-	-	-	-	-	-	1.50	2.50	2.50	2.25
Net Assets per Share (Rs.)	65.84	45.99	78.49	110.93	129.56	153.66	167.98	153.92	131.25	86.33
Market Capitalisation (Rs. Million)	745	1,263	1,056	1,920	2,474	2,400	3,468	4,320	9,636	1,365
Current Ratio (No.of Times)	0.89	0.84	0.87	0.84	0.90	0.97	1.07	1.08	1.30	1.01
Interest Cover (No.of times)	0.22	0.71	0.36	0.77	0.41	0.85	1.86	3.40	5.66	3.73
Price Earnings Ratio (No.of Times)	(1.32)	(1.49)	(1.34)	(4.45)	(7.05)	(6.73)	30.65	9.07	8.51	4.14
Return on Equity (%)	(0.47)	(22.43)	(0.33)	(0.05)	(0.08)	-9.14	2.69	12.93	35.91	19.71
Gearing (%)	65.84	72.55	68.24	60.35	55.25	49.45	45.61	52.18	46.16	54.63
Dividend Payout Ratio (%)	-	-	-	-	-	-	31.81	12.60	5.30	14.32

Notes:

1) The Statement of Financial Position for FY 2012/13 & FY 2013/14 is restated in line with SLFRS 10.
2) The Statement of Profit or Loss for FY 2013/14 is restated in line with SLFRS 10.
3) The Statement of Financial Position for FY 2010/11 & FY 2011/12 is restated in line with SLFRS/LKAS.
4) The Statement of Profit or Loss for FY 2011/12 is restated in line with SLFRS/LKAS.
5) The Starement of Proft or Loss for the year 2017/18 is reclassified will now SLFRS15.

Share Information

Twenty Major Shareholders

Position	Name	31.03.2019 No of Ordinary Shares	31.03.2019 %	31.03.2018 No of Ordinary Shares	31.03.2018 %
1.	The Colombo Fort Land and Building PLC	15,000,000	44.31	15,000,000	44.31
2.	E.B. Creasy & Company PLC	10,974,635	32.42	10,974,635	32.42
3.	Associated Electrical Corporation PLC	1,507,877	4.45	1,507,877	4.45
4.	Colombo Fort Investments PLC	966,300	2.85	965,000	2.85
5.	Darley Butler & Company PLC	536,614	1.59	536,614	1.59
6.	Seylan Bank PLC/ Dr. Thirugnanasambandar Senthilverl	431,427	1.27	422,360	1.25
7.	Guardian Asset Management Ltd	400,300	1.18	400,300	1.18
8.	Sri Lanka Insurance Corporation Ltd. - General Fund	306,169	0.90	306,169	0.90
9.	Capital Investments Limited	274,000	0.81	274,000	0.81
10.	Acuity Partners (Pvt) Limited/Colombo Investment Trust PLC	225,000	0.66	225,000	0.66
11.	C M Holdings PLC	160,000	0.47	160,000	0.47
12.	Acuity Partners (Pvt) Limited/Colombo Fort Investments PLC	150,000	0.44	150,000	0.44
13.	A E C Properties (Pvt) Ltd.	150,000	0.44	150,000	0.44
14.	People's Leasing & Finance PLC/HI Line Trading (Pvt) Ltd	145,817	0.43	146,827	0.43
15.	Employees Trust Fund Board	82,283	0.24	82,283	0.24
16.	Bank of Ceylon No. 1 Account	72,400	0.21	72,400	0.21
17.	Mr Anthony Isidore De Silva and Mr. Francis Xavier Ranjith Pereira	55,047	0.16	55,047	0.16
18.	Mr. Mohottige Don Hemantha Mannapperuma	54,274	0.16	51,509	0.15
19.	Corporate Holdings (Private) Limited A/C No.01	48,377	0.14	48,377	0.14
20.	Colombo Investment Trust PLC	45,000	0.13	45,000	0.13
	TOTAL	31,585,520	93.26	31,573,398	93.23

Public Holding

The Percentage of Shares held by the public as at 31st March 2019 was 14.65% .(31.03.2018- 14.59%)

Public Shareholders

The Number of Public Shareholders as at 31st March 2019 were 1,998 (31.03.2018 -1997)

The applicable option under CSE Rule 7.13.1 on minimum public holding is option 2 and the Float Adjusted Market Capitalization as of 31.03.2019 was Rs. 109.11Million.

Market Value

The Market Value of an Ordinary Share of Lankem Ceylon PLC is given below:

	As at 31.03.2019 Rs.	As at 31.03.2018 Rs.
Highest	44.90	65.00
Lowest	18.10	35.40
Last Traded Price	22.00	37.30
(Volume weighted Average)		

Share Information

Distribution of Shares

No. of Shares Held	As At 31st March 2019 No. of Shareholders	Total Holdings	% of Total Holdings	As as 31st March 2018 No. of Shareholders	Total Holdings	% of Total Holdings
1 - 1,000	1,571	364,059	1.08	1,567	371,114	1.10
1,001 - 10,000	390	1,097,664	3.24	394	1,120,776	3.31
10,001 - 100,000	49	1,163,338	3.44	48	1,142,528	3.37
100,001 - 1,000,000	11	3,745,627	11.06	11	3,736,270	11.04
Over 1,000,000	3	27,482,512	81.18	3	27,482,512	81.18
	2,024	33,853,200	100.00	2,023	33,853,200	100.00

Analysis of Ordinary Shareholders

No. of Shares Held	As At 31st March 2019 No. of Shareholders	Total Holdings	%	As as 31st March 2018 No. of Shareholders	Total Holdings	%
Individuals	1,876	1,939,716	5.73	1,876	1,950,880	5.76
Institutions	148	31,913,484	94.27	147	31,902,320	94.24
	2,024	33,853,200	100.00	2,023	33,853,200	100.00

Notice of Meeting

Notice is hereby given that the Fifty Fourth Annual General Meeting of Lankem Ceylon PLC will be held at the Grand Oriental Hotel, No. 2, York Street, Colombo 01, on 30th September 2019 at 3.45 p.m. for the following purposes namely:

1 To receive and consider the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st March 2019, with the Report of the Auditors thereon.

2 To re-elect as a Director, Mr. A.C.S. Jayaranjan who retires in accordance with Articles 84 and 85 of the Articles of Association.

3 To reappoint Mr. R. N. Bopearatchy who is over seventy years of age as a Director. Special Notice has been received from a shareholder of the intention to pass a resolution which is set out below in relation to his reappointment (see Note No.4).

4 To reappoint Mr. R. Seevaratnam who is over seventy years of age as a Director. Special Notice has been received from a shareholder of the intention to pass a resolution which is set out below in relation to his reappointment (see Note No.5).

5 To reappoint Mr. A. Hettiarachchy who has attained the age of seventy years as a Director. Special Notice has been received from a shareholder of the intention to pass a resolution which is set out below in relation to his reappointment (see Note No.6).

6 To authorize the Directors to determine contributions to charities.

7 To reappoint as Auditors, Messrs KPMG Chartered Accountants and to authorize the Directors to determine their remuneration.

By Order of the Board,

Corporate Managers and Secretaries (Private) Limited
Secretaries

Colombo
28th August 2019

Note:

1. Any member of the Company who is entitled to attend and vote at this meeting may appoint a proxy to attend and vote instead of him or her. A proxy need not be a member of the Company.
2. A Form of Proxy for the Meeting is enclosed with this report.
3. The instrument appointing a proxy must reach the Registered Office of the Company's Secretaries, Corporate Managers & Secretaries (Private) Limited, No. 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01, not less than forty-eight (48) hours before the time appointed for the holding of the meeting.
4. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:

   Resolved –

   "That Mr. R. N. Bopearatchy who is seventy eight years of age be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No.7 of 2007 shall not apply to the said Director, Mr. R. N. Bopearatchy".
5. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:

   Resolved –

   "That Mr. R. Seevaratnam who as at the date of the Annual general Meeting would have reached seventy six years of age be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director, Mr. R. Seevaratnam ".
6. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:

   Resolved –

   "That Mr. A. Hettiarachchy who has attained the age of seventy years be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director, Mr. A. Hettiarachchy".

Notes

Notes

Form of Proxy

I/We... of ....

.... being a member/members of Lankem Ceylon PLC, hereby appoint

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

1. Sri Dhaman Rajendram Arudpragasam	of Colombo or failing him,
2. Ariyawansa Hettiarachchy	of Colombo or failing him,
3. Damitha Laksiri Vitharana	of Colombo or failing him
4. Anushman Rajaratnam	of Colombo or failing him,
5. Ranjit Noel Bopearatchy	of Colombo or failing him,
6. Kamalanesan Ponniah David	of Colombo or failing him,
7. Ruwan Tharka Weerasinghe	of Colombo or failing him,
8. Anthony Crossette Selvanayagam Jayaranjan	of Colombo or failing him,
9. Ranjeevan Seevaratnam	of Colombo or failing him,
10.Parakrama Maithri Asoka Sirimane	of Colombo or failing him,
11. Mahapelige Nishantha Kumara Jayamanne	of Colombo

as my/our proxy to represent me/us and to speak and vote on my/our behalf at the Annual General Meeting of the Company to be held on 30th September 2019 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting.

	For	Against
1. To receive the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st March 2019 with the Report of the Auditors thereon.		
2. To re-elect Mr. A.C.S. Jayaranjan as a Director.		
3. To re-appoint Mr. R. N. Bopearatchy as a Director.		
4. To re-appoint Mr. R. Seevaratnam as a Director.		
5. To re-appoint Mr. A. Hettiarachchy as a Director.		
6. To authorize the Directors to determine contributions to charities.		
7. To reappoint as Auditors, Messrs KPMG, Chartered Accountants, and to authorize the Directors to determine their remuneration.		

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

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

....

Signature

Note:

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

Instructions as to completion are noted on the reverse hereof;

Form of Proxy

Instructions as to Completion

1. Perfect the Form of Proxy, after filling in legibly your full name and address by signing in the space provided and filling in the date of signature.

2. In the case of Corporate Members the Form of Proxy must be under the Common Seal of the Company or under the hand of an Authorized Officer or Attorney.

3. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company's Secretaries, the original POA together with a photocopy of the same, or a copy certified by a Notary Public must be lodged with the Company's Secretaries, along with the Form of Proxy.

4. The completed Form of Proxy should be deposited at the Registered Office of the Company's Secretaries, Corporate Managers & Secretaries (Private) Limited., 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01, not less than forty-eight (48) hours before the time appointed for the meeting.

Corporate Information

Board of Directors

Chairman
S. D. R. Arudpragasam, FCMA (UK)

Deputy Chairman
A. Hettiarachchy, C.Eng, MIEE, MIProdE, MIChemE

Managing Director
D. L. Vitharana, MNI (Lond.), MBA, M.Sc. (UK)

Directors
R. N. Bopearatchy, B.Sc (Cey), Dip. BM, MBA (Univ. of Col.)
Anushman Rajaratnam, B.Sc. (Hons.), CPA, MBA
(Alternate, Mr. S. Rajaratnam)
K. P. David, FCMA (UK), FCMA, FIPFM, CGMA
R. T. Weerasinghe, BBA (USA)
A. C. S Jayaranjan FCA, FCMA (UK), CGMA
R. Seevaratnam, B.Sc. (Lond.), FCA (Eng.and Wales) FCA (ICASL)
P. M. A. Sirimane, FCA, MBA
M. N.K. Jayamanne, MBA(Col), BSc(Agric)Hons, CIM(UK), ACS (Aus)

Secretaries
Corporate Managers & Secretaries (Private) Limited

Bankers
Commercial Bank of Ceylon PLC
Bank of Ceylon
Sampath Bank PLC
People's Bank
National Development Bank PLC
Hatton National Bank PLC
PABC Bank PLC
Seylan Bank PLC
Nations Trust Bank PLC
Union Bank of Colombo PLC

Lawyers
Messrs Julius & Creasy Attorneys-at-Law

Auditors
Messrs KPMG Chartered Accountants

Name of the Company
Lankem Ceylon PLC

Legal Form
A limited liability company incorporated and domiciled in Sri Lanka

Date of Incorporation
15th September 1964

Company Number
PQ 128

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

Registered Office
No. 98, Sri Sangaraja Mawatha, Colombo 10.

Principal Activities of the Company
Manufacturing and Distributing of Chemicals, Paints and Consumer Products

Rating Outlook
Corporate Credit Rating of (SL) BB with Negative Outlook assigned by ICRA Lanka Ltd. in October 2018

Lankem Paints Ltd.
Distribution of Paints

Lankem Consumer Products Ltd.
Distribution of Consumer Products

Lankem Chemicals Ltd.
Distribution of Industrial Chemicals

Lankem Agrochemicals Ltd.
Distribution of Agrochemicals

SunAgro LifeScience Ltd.
Import, Marketing and Distribution of Agrochemicals

Lankem Research Ltd.
Research and Development

C.W. Mackie PLC
Manufacturer, Exporter, Importer and Distributor of Consumer, Hardware and Rubber Products

Lankem Plantation Services Ltd.
Non-Operational

Sigiriya Village Hotels PLC
Owning and Operation of Resort Hotel

Marawila Resorts PLC
Owning and Operation of Resort Hotel

Colombo Fort Hotels Ltd.
Investment in Hotel Companies

Lak Kraft (Private) Ltd.
Managing of Boutique Hotel

Sherwood Holidays Ltd.
Managing of Bungalows

Beruwala Resorts PLC
Owning and Operation of Resort Hotel

Imperial Hotels Ltd.
(formerly known as York Hotels (Kandy) Ltd.)
Investment in Properties

B.O.T. Hotel Services (Pvt.) Ltd.
Owning and Operation of Resort Hotel

Galle Fort Hotel (Pvt) Ltd.
Owning and Operation of a Boutique Hotel

SunAgro Farms Ltd.
Non-Operational

Associated Farms (Pvt) Ltd.
Farming and Dairying

Lankem Technology Services Ltd.
Provision of Information Technology and Allied Services

Nature's Link Ltd.
Manufacturing of Herbal/Natural based products

Lankem Exports (Pvt) Ltd.
Export of Non Traditional Goods

SunAgro Foods Ltd.
Growers, Importers, Exporters, Processors and Marketers of Food Items

Ceylon Tapes (Pvt) Ltd.
Manufacturing & Trading of Packing Tape

J.F. Packaging Ltd.
Manufacturing of Polymer Packing

Kiffs (Pvt) Ltd
Manufacturing and Distribution of PET Bottles.

Alliance Five (Pvt) Ltd
Business of Injection Moulding

Associates

Consolidated Tea Plantations Ltd.
(formerly known as Lankem Plantation Holdings Limited)

Waverly Power (Pvt) Ltd.

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Printed by Printage (Pvt) Ltd