

LANKEM CEYLON PLC

ANNUAL REPORT 2019/20



LANKEM CEYLON PLC

Our Business Areas

Agri-Inputs

Paints

Chemicals

Consumer

Pest Control

Leisure

Packaging

Contents

Financial Highlights	5
Chairman's Message	6
Board of Directors	8
Sustainability Report	10
Annual Report of the Board of Directors	11
Corporate Governance	15
Risk Management	18
Remuneration Committee Report	20
Related Party Transactions Review Committee Report	21
Audit Committee Report	22
FINANCIAL INFORMATION	
Independent Auditors' Report	23
Statement of Profit or Loss and Other Comprehensive Income	27
Statement of Financial Position	28
Statement of Changes in Equity	29
Cash Flow Statement	30
Notes to the Financial Statements	31
Ten Year Summary	111
Share Information	112
Notice of Meeting	114
Notes	118
Form of Proxy	119
Corporate Information	Inner Back Cover

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. 15,423 Million

Total Equity

Rs. 3,934 Million

Total Assets

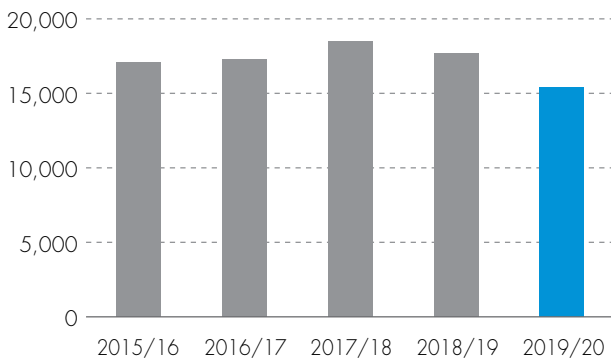
Rs. 18,356 Million

Net Assets Per Share

Rs. 39.48

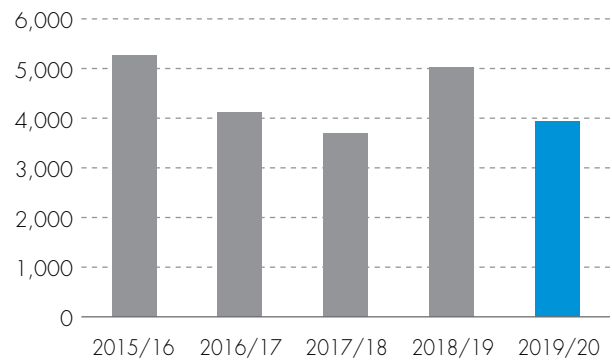
Revenue – Group

(Rs. Mn)



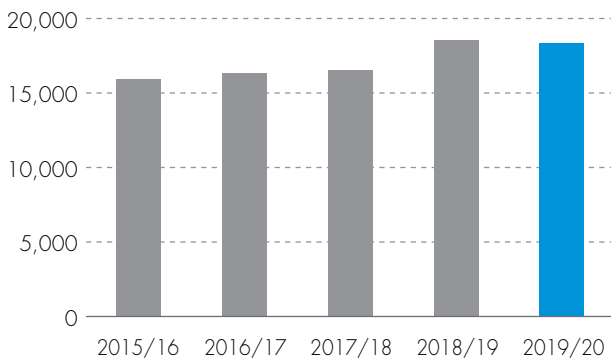
Total Equity – Group

(Rs. Mn)



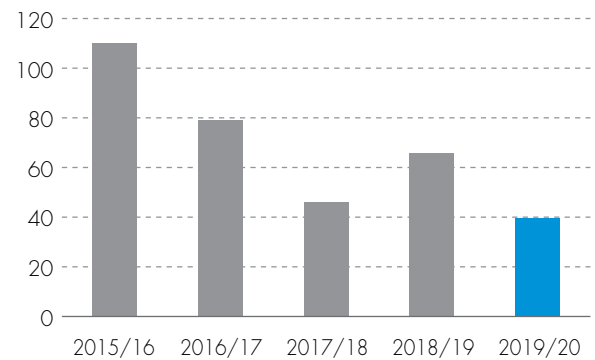
Total Assets – Group

(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 55th 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 2020.

It was a year of unprecedented challenges, defined by two devastating events which brought the economy to a standstill. The unforeseen Easter Sunday attacks in April coupled with the COVID-19 global pandemic resulted in severe and prolonged stress across many industry sectors and value chains in our business model. Consequently, the GDP growth decelerated to 2.3% in 2019 compared to 3.3% in the previous year. The business landscape became even more challenging due to subdued consumer and investor sentiments combined with political uncertainty, unprecedented currency devaluation and fall in price indices and market capitalisation in Colombo Stock Exchange.

On a positive note, interest rates declined during the year under review as the regulator adopted an accommodative monetary policy stance to support the revival of the economic activity and private sector credit growth. Further the debt moratorium extended to the private sector by the government enabled the corporate sector to sustain cash flows in an extremely challenging year.

Amidst such unprecedented challenges taking place all around us, the Group recorded a revenue of Rs. 15.4 billion, a drop of 13% over the previous year's achievement of Rs. 17.6 billion. The Company achieved a turnover of Rs. 2.9 billion for the year compared to the turnover of Rs. 3.2 billion recorded for the previous year. I am pleased to note that we adopted a stringent cost reduction initiative to streamline our operational expense base against the previous year. However, despite these initiatives facilitated internally to gear the Company's growth, the profitability was adversely affected by a weak topline impacted by negative externalities stated above. Thus, at Group level, the net loss stood at Rs. 1,025.5 million during the current financial year.

The year under review has been one of the most challenging for the Crop Protection Division which is one of the primary contributors to the Group's topline. Erratic weather conditions coupled with externalities such as regulatory controls, volatilities in internal supply and demand conditions, product shortages lead by regulatory barriers, manufacturing and logistical issues relating to our foreign suppliers adversely affected the performance of the Crop Protection division.

The division reported a net loss for the year under review primarily driven by lower than expected volumes of the new weedicide, that was introduced as an alternative for Glyphosate.

I believe 2021 will be a year of mixed fortunes for the Sri Lankan Agriculture industry given headwinds from a weakening domestic economy offset by development focused stable economic policies offered by the newly elected government. In this context, your management has focused on strategic initiatives to turnaround operations by introducing new and safer products which we believe will sustain the growth momentum. As such, the Crop Protection Division envisages to expand the business venture to become a "Total Solutions Provider" in Agricultural Input Market in the near term. Accordingly, the division will seize the opportunity to realign and relaunch our strategy to emerge as a strong player in this industry.

Further the Paints and Industrial Solution divisions along with the industry were severely affected during the year under review as the volume momentum during the month of March, which witnesses a seasonal peak in sales, was disrupted significantly on account of mixed consumer sentiments on spending patterns. This coupled with temporary shutdown of marketplaces and construction sites resulted in a drastic decline in demand for our Paints and Industrial solutions segments from March 2020 onwards. However, as we adopted a stringent cost realignment initiative to streamline our operational expenses during the past two years, both divisions managed to conclude the year on a positive note despite the negative externalities that existed in the domestic economy.

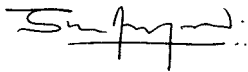
As the year ahead will be yet another challenging one for the paints and chemical industry on account of weakening domestic demand and many negative externalities, your management envisage to capitalize on numerous strategic initiatives to ensure that the operations will turnaround in the near term. Accordingly, we have invested in constructing a brand-new finished goods warehouse within the current Paints factory complex which we believe will yield synergies, efficiencies, and cost reductions for the divisions during the coming year.

Further, to support our growth, we will focus on ramping up our portfolio with necessary product offerings coupled with diversifying into related products and markets to strengthen our competitive position in the ensuing year. We believe a culmination of these strategies would help to create a scalable platform to grow our business in the near future.

The Company's finance cost declined by 8% on account of lower cost of debt compared to the previous year. The Board as well as the management are evaluating all options to streamline the finance cost further by minimising the loan base and the related interest in the near term.

The Board joins me in thanking Mr. R.N. Bopearachy who retired in July 2020, Mr. R.T. Weerasinghe who retired in August 2020, Mr. K.P. David and Mr. M.N.K Jayamanne who resigned in July 2020 for their valuable services rendered during their tenure of office. I wish to convey my appreciation to Mr. D.L. Vitharana who relinquished his position of Managing Director and retired from the Board with effect from July 2020. I am pleased to welcome Mr. P.S. Goonewardene as the newly appointed Managing Director in August 2020 and Mr. G.K.B Dasanayaka appointed in October 2020 to the Lankem Ceylon PLC Board, enhancing the collective skills and expertise on the Board.

On behalf of the Board, I wish to extend my sincere appreciation to my colleagues on the Board for their wise counsel and guidance in determining the strategic direction of the Company. I am humbled by the loyalty of our treasured employees, customers, many business partners and our valued shareholders for their trust and confidence placed in our business as we forge ahead in our endeavours.



S. D. R. Arudpragasam
Chairman

3rd December 2020

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.

P. SUREN GOONEWARDENE

[BBA(AUS.), CPA(AUS.), FCMA (SL), FCIM (UK)]

Managing Director

Mr. Suren Goonewardene was appointed to the Board of Directors as Managing Director with effect from 1st August 2020. He holds a bachelor's degree in Business Accounting from Monash University Australia, Member of the Certified Practising Accountants-Australia and is a Fellow Member of the Chartered Institute of Marketing U.K. and Certified Management Accountants of Sri Lanka.

He has functioned in the capacity of Chairman and Managing Director, Bharti Airtel Lanka Limited, Chief Operating Officer, Dialog Television and Fixed Line Services, Group Managing Director, Lanka Bell Limited, EW Information Systems and has also served on the Boards of Ceylon Shipping Corporation and the Civil Aviation Authority of Sri Lanka. He was a Council Member of the Employers' Federation of Ceylon and a former Vice President of the Indian Chamber of Commerce in Sri Lanka. He currently serves on the Boards of Arpico Finance PLC, First Guardian Equities Limited, Logi Fund Private Ltd., and Dawi Investment Trust (Private) Limited.

Mr. Goonewardene's experience spans across multiple industries and possess expertise in the fields of Telecommunication, Information Technology, Strategic Planning, Organizational Restructuring, Investment/Credit Management, Finance, Marketing & Sales, General Management and Business Consultancy.

ANUSHMAN RAJARATNAM [B.SC (HONS.), CPA, MBA]

Director

Mr. Anushman Rajaratnam joined the Board of Lankem Ceylon PLC in 2005 and served as the Company's Managing Director from 2009 until December 2016. He relinquished that position in December 2016 to take up the role as the Group Managing Director of The Colombo Fort Land & Building PLC (CFLB) in January 2017. In addition, he serves on the board of several subsidiary companies of the CFLB group. Prior to joining the CFLB group, he worked overseas for a leading global Accountancy Firm.

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 Pership 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 was a visiting lecturer for post graduate programs in management and finance.

R. SEEVARATNAM [B.SC. (LOND.), FCA (ENG.AND WALES) FCA (ICASI)]

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.

P.M.A. SIRIMANE [FCA, MBA]

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 as Group Finance Director of The Colombo Fort Land & Building PLC (CFLB) in addition to serving on the Boards of several subsidiaries of the CFLB Group.

G.K.B. DASANAYAKA ATTORNEY-AT-LAW

Director

Mr. Gotabaya Dasanayaka was appointed to the Board as an Independent Non-Executive Director on 1st October 2020. He is an Attorney-at-Law by profession. After a brief period at the unofficial Bar, he joined the Employers Federation of Ceylon (EFC) in 1979 and was Director General/CEO of the EFC from 2000-2006. His areas of work and expertise involved representing employers at International and National Level on Labour and related social issues, Employment Law, Employee Relations and Training & Development of Human Resources. He is an Honorary Life Member of the Chartered Institute of Personnel Management (Sri Lanka).

Mr. Dasanayaka worked with the International Labour Organization (ILO) as a Senior Professional Specialist (Employers activity) for the South Asian Region from 2007 to 2015. Since leaving the ILO, he offers consultancy services in employment related subjects. He also serves as an Independent Non-Executive Director in three other public listed companies.

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 2020. 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 110.

AUDITORS' REPORT

The Auditors' Report on the Financial Statements is given on pages 23 to 26.

ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 31 to 48.

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 34 to the Financial Statements on pages 98 to 99.

DIRECTORS' REMUNERATION

Directors' remuneration in respect of the Group for the financial year 2019/20 is Rs. 129 Million (2018/19 – Rs. 129.54 Million) and in respect of the Company for the financial year 2019/20 is Rs. 88.38 Million (2018/19 - Rs. 93.25 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 31.03.2020	No. of Shares As at 31.03.2019
Mr. S. D. R. Arudpragasam	25,000	25,000
Mr. A. Hettiarachchy	-	-
Mr. D. L. Vitharana (Retired on 31.07.2020)	-	-
Mr. R.N. Bopearachy (Retired on 31.07.2020)	-	-
Mr. K. P. David (Resigned w.e.f. 31.07.2020)	8,150	8,150
Mr. R. T. Weerasinghe (Retired on 03.08.2020)	7,000	7,000
Mr. Anushman Rajaratnam	37,500	1,500
Mr. A. C. S. Jayaranjan	-	-
Mr. R. Seevaratnam	-	-
Mr. M.N.K. Jayamanne (Resigned w.e.f. 31.07.2020)	-	-
Mr. P.M.A. Sirimane	-	-
Mr. P.S. Goonewardene (Appointed w.e.f. 01.08.2020)	-	-
Mr. G.K.B. Dasanayaka (Appointed w.e.f. 01.10.2020)	-	-

Annual Report of the Board of Directors

CORPORATE DONATIONS

Donations made by the Group amounted to Rs. 0.7 Million during the year under review. (2018/19 - Rs. 2.3 Million)

DIRECTORATE

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

Mr. S. D. R. Arudpragasam	Chairman
Mr. A. Hettiarachchy	Deputy Chairman
Mr. D. L. Vitharana (Retired on 31.07.2020)	Managing Director
Mr. P. S. Goonewardene (Appointed w.e.f. 01.08.2020)	Managing Director
Mr. R. N. Boppearatchy (Retired on 31.07.2020)	Director
Mr. K. P. David (Resigned w.e.f. 31.07.2020)	Director
Mr. R. T. Weerasinghe (Retired on 03.08.2020)	Director
Mr. Anushman Rajaratnam	Director
Mr. A. C. S. Jayaranjan	Director
Mr. R. Seevaratnam	Director
Mr. M. N. K. Jayamanne (Resigned w.e.f. 31.07.2020)	Director
Mr. P. M. A. Sirimane	Director
Mr. G. K. B. Dasanayaka (Appointed w.e.f. 01.10.2020)	Director

Mr. D.L. Vitharana relinquished his position as Managing Director and retired from the Board of Directors on 31st July 2020.

Mr. Peter Suren Goonewardene was appointed to the Board of Directors as Managing Director with effect from 1st August 2020.

Mr. R.N. Boppearatchy who served as a Non-Executive Director retired from the Board of Directors on 31st July 2020.

Mr. K.P. David and Mr. M.N.K. Jayamanne Executive Directors, resigned from the Board of Directors with effect from 31st July 2020.

Mr. R.T. Weerasinghe, Executive Director retired from the Board of Directors on 3rd August 2020.

Mr. G.K.B. Dasanayaka was appointed as an Independent Non-Executive Director of the Company with effect from 1st October 2020 and in accordance with Article 91 of the Articles of Association he retires and being eligible offers himself for re-election.

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

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, 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.C.S. Jayaranjan 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.

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. 10.96 Million during the year under review (2018/19 – Rs.10.55 Million) as audit fees and fees for audit related services by the Group. In addition, they were paid Rs. 1.96 Million (2018/19 – Rs. 2.05 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. 2.8 Million during the year under review (2018/19 – Rs. 5.6 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. 15,423 Million (2018/19 - 17,659 Million)

RESULTS

The Group made a loss before Tax of Rs. 1,182.5 Million against a loss of Rs. 884 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 and 18 to the Financial Statements on pages 64 to 67.

PROPERTY, PLANT & EQUIPMENT

During 2019/20 the Group invested Rs. 370.28 Million in Property, Plant & Equipment (2018/19 - 286.16 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 2020. Market value of the freehold land as at 31st March 2020 are disclosed in Note 12 to the Financial Statements on page 56.

STATED CAPITAL

The stated capital of the Company as at 31st March 2020 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 2020 comprised Other Capital Reserves of Rs. 4.83 Million, FVTOCI Loss of Rs. 19.18 Million and Retained loss of Rs. 1,280 Million. Whereas the total Group Reserves as at 31st March 2019 comprised Other Capital Reserves of 4.83 Million FVTOCI Reserves of Rs. 4.7 Million and Retained loss of Rs. 380.82 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 52 to 53.

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 thresholds are duly set out in Note 34 on page 97. 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 34 from pages 34 to 99.

SHARE INFORMATION

Information relating to earnings, dividend, net assets, market value per share and share trading is given on page 111.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Events occurring after the Reporting Period that would require adjustments to or disclosures are disclosed in Note 39 on page 108.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments and contingent liabilities as at the date of the Statement of Financial Position are disclosed in Notes 37 and 38 on page 107.

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.

Annual Report of the Board of Directors

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

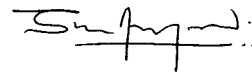
The Directors acknowledged their responsibility for the Company's system of internal control. The system is designed to give assurance regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can ensure 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.

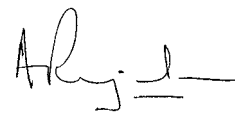
GOING CONCERN

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
Director



Mr. Anushman Rajaratnam
Director

By Order of the Board



Corporate Managers & Secretaries (Private) Limited
Secretaries

Colombo
3rd December 2020

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.

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. The Board currently comprise of the Chairman, Deputy Chairman, Managing Director, and five 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	Non-Executive (Chairman)
Mr. A. Hettiarachchy	Independent Non-Executive (Deputy Chairman)
Mr. D. L. Vitharana (Retired on 31.07.2020)	Executive (Managing Director)
Mr. P. S. Goonewardene (Appointed w.e.f. 01.08.2020)	Executive (Managing Director)
Mr. Anushman Rajaratnam	Executive
Mr. R. N. Bopearatchy (Retired on 31.07.2020)	Non-Executive
Mr. K. P. David (Resigned w.e.f. 31.07.2020)	Executive
Mr. R. T. Weerasinghe (Retired on 03.08.2020)	Executive
Mr. A. C. S. Jayaranjan	Independent Non-Executive
Mr. R. Seevaratnam	Independent Non-Executive
Mr. P. M. A. Srimane	Independent Non-Executive
Mr. M. N. K. Jayamanne (Resigned w.e.f. 31.07.2020)	Executive
Mr. G. K. B. Dasanayaka (Appointed w.e.f. 01.10.2020)	Independent Non-Executive

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 (Retired on 31.07.2020)	Managing Director Executive	1/4
Mr. P. S. Goonewardene (Appointed w.e.f. 01.08.2020)	Managing Director Executive	N/A
Mr. Anushman Rajaratnam	Executive	2/4
Mr. R.N. Bopearatchy (Retired on 31.07.2020)	Non-Executive	4/4
Mr. K. P. David (Resigned w.e.f. 31.07.2020)	Executive	4/4
Mr. R. T. Weerasinghe (Retired on 03.08.2020)	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. Srimane	Non-Executive	4/4
Mr. M. N. K. Jayamanne (Resigned w.e.f. 31.07.2020)	Executive	4/4
Mr. G. K. B. Dasanayaka (Appointed w.e.f. 01.10.2020)	Independent Non-Executive	N/A

Corporate Governance

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 divestment.
- 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 five are Independent and two 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. They also serve on the Board of some companies which has a significant shareholder 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. 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 34 to the Financial Statements on page 98.

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 23 containing the Auditors' reporting responsibility. Non-financial information of business segments is given on pages 49 to 111.

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 page 22 of this report.

4.4 Related Party Transactions Review Committee

The Related Party Transactions are disclosed in Note 34 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

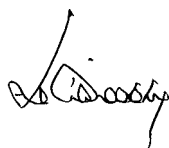
Mr. S.D.R. Arudpragasam
Member - Non-Executive Director

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
3rd December 2020

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 three occasions during the financial year ended 31st March 2020 and the number of Meetings and the individual attendance by members are as follows:

Mr. R. Seevaratnam – Chairman	3/3
Mr. A. Hettiarachchy	3/3
Mr. A.C.S. Jayaranjan	3/3

Further during the said period, on Thirteen occasions the RPTRC has reviewed and recommended Related Party Transactions 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 thresholds are duly set out on page 97 of the Annual Report. The Company has complied with the requirements of the Listing Rules on Related Party Transactions.



R. Seevaratnam
Chairman
Related Party Transactions Review Committee
3rd December 2020

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 2020 and the attendance was as follows:

Mr. A. C. S. Jayaranjan – Chairman	3/4
Mr. A. Hettiarachchy	4/4
Mr. A. R. Rasiah	3/4
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.

- Risk Management
- Efficiency of the system of internal controls
- Independence and objectivity of the external (statutory) Auditors
- Appropriateness of the principal accounting policies used
- 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 2020 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 2021 subject to the approval of the Shareholders at the Annual General Meeting of the Company.



A. C. S. Jayaranjan
Chairman
Audit Committee
3rd December 2020

Independent Auditor's Report



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

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 2020, 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 110.

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 2020, 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.

1. Impairment of Investment in Subsidiaries, Goodwill on consolidation and Equity Accounted Investees

(Refer to the significant accounting policy in Notes 3.1, 3.1.1.2 and explanatory Notes 16, 17, 18 and 19 to the Financial Statements).

Risk Description

The Company has recorded investments in subsidiaries amounting to Rs. 3,951 million and investments in equity-accounted investees amounting to Rs. 322.5 million as at 31st March 2020. A goodwill of Rs. 1,170.2 million has been recognized in the consolidated financial statements as at 31st March 2020. Additionally, the Company has recognized Rs. 583.1 million and Rs. 73.1 million as provision for impairment of investment in subsidiaries and equity-accounted investees respectively as at 31st March 2020.

The carrying amounts of each investment in subsidiaries, equity accounted investees where indications existed and goodwill on consolidation have been tested for impairment as at 31st March 2020. The carrying amount of these amounts 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.

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

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyrathne FCA	S.T.D.L. Perera FCA
G.A.U. Karunaratne FCA	R.M.D.B. Rajapakse FCA	Ms. B.K.D.T.N. Rodrigo FCA
R.H. Rajan FCA	M.N.M. Shameel ACA	Ms. C.T.K.N. Perera ACA
A.M.R.P. Alahakoon ACA		
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. P.M.K.Sumanasekara FCA		

Independent Auditor's Report



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, goodwill on consolidation and investment in equity-accounted investees as a key audit matter due to the magnitude of the amounts recognized in the financial statements and impairment assessment performed by the management contain certain judgmental assumptions which could be subject to management bias.

Our audit procedures included;

- Evaluating the carrying amounts and the recoverable amount of each investments in order to identify impairment indications under accounting standards.
- Assessing the management's basis used to determine the recoverable amounts of these 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 comparing with 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 impairment of investments in subsidiaries, equity accounted investees and goodwill on consolidation.

2. Impairment of Trade Receivables

(Refer to the significant accounting policies in Notes 3.4, 3.11.1 and explanatory note in Note 23 to the Financial Statements).

Risk Description

The Group has recognized trade receivables balance of Rs. 3,408.5 Million as at 31st March 2020, after netting off of provision for impairment of Rs. 392.4 Million.

The Group has estimated provision for impairment of trade receivables 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 because determining level of impairment allowance require the exercise of significant management judgment.

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.
- Evaluating the completeness, accuracy and relevance of data used in the preparation of the provision for impairment of trade receivables as at 31st March 2020.
- 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.

3. Management assessment of the Group's/ the Company's ability to continue as a going concern

(Refer to the significant accounting policies in Note 2.7 and explanatory Note 40 to the financial statements.)

Risk Description

The Group has recorded a loss of Rs. 1,025.5 million during the year ended 31st March 2020 and as of that date, accumulated losses amounted to Rs. 1,280 million and the Group's current liabilities exceeded its current assets by Rs. 2,436.3 million. Further, the Company has recorded a loss of Rs. 324.3 million during the year ended 31st March 2020 and as of that date, accumulated losses amounted to Rs. 815.2 million and the Company's current liabilities exceeded its current assets by Rs. 2,231.2 million. As disclosed in Note 40 to the financial statements, the Board of Directors of the Company are of the opinion that the going concern assumption is valid in the preparation of financial statements, due to the implementation of a new strategic plan, future growth potential of the Group / the Company.

Further, Note 41 to the financial statements describes the assessment carried out by the Board of Directors of the Company on the impact of COVID 19 outbreak to the financial statements of the Group / Company.

We identified the management assessment of the Group's / the Company's ability to continue as a going concern as a key audit matter because the management plans referred to above involves consideration of future events, circumstances and significant judgement and assumptions, which are uncertain and the effect of those uncertainties may significantly impact the management assessment of going concern of the Group's and the Company's ability to continue as going concern.



Our audit procedures included;

- Evaluating the performance of the significant components of the Group and assessing the significance of going concern indications.
- Obtaining representations where required from the Board of Directors of the Group / Company with regard to the planned actions to affirm the appropriateness of the use of going concern assumption.
- Assessing the adequacy of disclosures in the financial statements in relation to going concern of the Group/Company.

4. Recoverability of Deferred Tax Assets on accumulated tax losses

(Refer to the significant accounting policy in Note 3.20.2 and explanatory Note 31 to the Financial Statements).

The Group and the Company have recorded deferred tax assets of Rs. 771 million and Rs. 495.1 million respectively as at 31st March 2020 on deductible temporary differences arising from accumulated tax losses.

In recognizing this deferred tax asset, the management has considered expected utilization or recovery in the future through generation of future taxable profits by the Group entities or set off against deferred tax liabilities. This consideration involves significant judgment and estimates of the management in respect of assessing the sufficiency of future taxable profits and the probability of such future taxable profits being generated by the entities within the Group.

The recoverability of the deferred tax asset on accumulated tax losses was significant to our audit because it involves significant management judgments based on the assumptions that are affected by expected future business strategies.

Our audit procedures included;

- Assessing the Group's/Company's approach for evaluating the likelihood of the recoverability of deferred tax assets on accumulated tax losses.
- Challenging the key assumptions included in forecasting the future taxable profits after considering the accumulated unutilized tax losses by comparing the key inputs used in the forecasts, including future revenue growth, management of operating costs with historical performance of the entities;
- Assessing the appropriateness of the approval for the forecasts used by the management; and
- Assessing the adequacy of disclosures in the financial statements as required by the relevant accounting standards

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 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.

Independent Auditor's Report

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.



Chartered Accountants
Colombo, Sri Lanka
3rd December 2020

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st March	Notes	Consolidated		Company	
		2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Revenue	5	15,423,082	17,659,156	2,865,970	3,229,414
Cost of Sales		(12,718,294)	(14,430,374)	(2,299,764)	(2,753,439)
Gross Profit		2,704,788	3,228,782	566,206	475,975
Other Income	6	243,493	315,177	257,858	258,407
Distribution Costs		(1,005,469)	(1,058,462)	(329,338)	(351,359)
Administrative Expenses		(1,673,562)	(1,783,221)	(276,008)	(313,662)
Other Expenses	7	(72,251)	(101,939)	(89,812)	(142,696)
Impairment (Loss)/Reversal of Amount due from Related Parties and Trade Receivables		(167,473)	(11,103)	(63,176)	(46,946)
Operating Profit/(Loss)		29,526	589,234	65,730	(120,281)
Finance Income	8	84,461	108,185	129,083	101,874
Finance Costs	8	(1,296,587)	(1,459,513)	(719,715)	(787,266)
Net Finance Costs		(1,212,126)	(1,351,328)	(590,632)	(685,392)
Share of Loss of Associate	18	(7,926)	(334,521)	-	-
Share of Profit of Joint Venture	19	7,963	46,659	-	-
Loss before Tax	9	(1,182,563)	(1,049,956)	(524,902)	(805,673)
Income Tax Reversal	10	157,040	165,676	200,564	240,483
Loss for the year		(1,025,523)	(884,280)	(324,338)	(565,190)
Other Comprehensive Income / (Expense)					
<i>Items that will not be reclassified to profit or loss</i>					
Fair Value Loss on Financial Assets Designated at fair Value Through Other Comprehensive Income		(14,317)	(17,430)	(13,823)	(17,104)
Actuarial (Loss)/Gain on Defined Benefit Obligations	32	(28,964)	31,072	197	7,337
Revaluation Surplus on Lands		-	3,011,962	-	824,803
Share of Other Comprehensive Income of Equity-Accounted Investees (Net of Tax)	18	(176)	-	-	-
Tax Effect on Components of OCI	31	36,905	(713,885)	3,815	(232,999)
Other Comprehensive (Expense)/Income for the year, net of tax		(6,552)	2,311,719	(9,811)	582,037
Total Comprehensive (Expense)/Income		(1,032,075)	1,427,439	(334,149)	16,847
Profit / (Loss) Attributable to:					
Owners of the Company		(887,260)	(982,564)	(324,338)	(565,190)
Non-Controlling Interests		(138,263)	98,284	-	-
Loss for the year		(1,025,523)	(884,280)	(324,338)	(565,190)
Total Comprehensive Income / (Expense) Attributable to:					
Owners of the Company		(892,065)	698,717	(334,149)	16,847
Non-Controlling Interests		(140,010)	728,722	-	-
Total Comprehensive Income / (Expense) for the year		(1,032,075)	1,427,439	(334,149)	16,847
Loss per Share (Rs.)	11	(26.21)	(29.02)	(9.58)	(16.70)

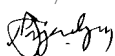
The Notes from pages 31 to 110 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statement of Financial Position

As at 31 st March	Notes	Consolidated		Company	
		31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	12	8,421,281	8,749,439	1,123,135	1,335,073
Bearer Biological Assets	13	-	-	-	-
Right-of-Use Assets	14	298,040	-	49,846	-
Investment Properties	15	531,952	363,087	153,301	-
Intangible Assets	16	1,170,226	1,170,226	-	-
Investments in Subsidiaries	17	-	-	3,367,889	3,163,936
Investments in Associates	18	102,511	149,713	249,380	291,399
Investments in Joint Venture	19	341,765	333,802	-	-
Financial Assets Measured at Fair Value Through OCI	20	28,086	41,977	26,149	39,546
Deferred Tax Assets	31	-	-	326,582	118,541
Total Non-Current Assets		10,893,861	10,808,244	5,296,282	4,948,495
Current Assets					
Inventories	22	2,541,327	2,374,752	695,500	643,382
Trade & Other Receivables	23	3,999,466	4,294,255	741,565	819,009
Amounts Due from Related Parties - Trade	34.1	7,484	-	14,566	1,947
Amounts Due from Related Parties - Non-Trade	34.2	362,824	330,300	625,407	512,429
Loans Due from Related Parties	34.3	183,945	115,700	229,865	83,485
Income Tax Recoverable		71,463	59,202	24,465	24,464
Financial Assets Measured at Fair Value through Profit or Loss	21	26,405	33,015	26,405	33,015
Bank & Cash Balances	24	209,716	490,471	19,886	37,484
Assets Held for Sale	25	60,000	67,365	60,000	67,365
Total Current Assets		7,462,630	7,765,060	2,437,659	2,222,580
Total Assets		18,356,491	18,573,304	7,733,941	7,171,075
EQUITY AND LIABILITIES					
Equity					
Stated Capital	26	930,346	930,346	930,346	930,346
Other Capital Reserves	27.1	4,833	4,833	-	-
Revaluation Reserve		1,700,657	1,679,064	593,858	593,858
Fair Value Through OCI Reserves	27.2	(19,182)	(4,706)	(12,935)	(2,982)
Accumulated Losses		(1,280,004)	(380,822)	(815,224)	(491,028)
Equity Attributable to Owners of the Company		1,336,650	2,228,715	696,045	1,030,194
Non-Controlling Interest		2,597,099	2,793,360	-	-
Total Equity		3,933,749	5,022,075	696,045	1,030,194
LIABILITIES					
Non-Current Liabilities					
Interest Bearing Borrowings	28	3,734,864	3,964,876	2,212,164	2,281,249
Lease Liabilities	29	224,751	795	18,123	-
Deferred Income	30	9,900	11,946	-	-
Deferred Tax Liabilities	31	243,479	583,965	-	-
Retirement Benefit Obligations	32	310,775	253,379	138,692	127,390
Total Non-Current Liabilities		4,523,769	4,814,961	2,368,979	2,408,639
Current Liabilities					
Interest Bearing Borrowings	28	5,311,286	3,744,641	2,392,488	1,562,527
Lease Liabilities	29	53,395	425	14,823	-
Loans Payable to Related Parties	28.3	143,144	215,144	276,090	148,090
Trade & Other Payables	33	2,695,415	2,807,203	993,340	1,102,887
Amounts Due to Related Parties - Trade	34.4	-	-	410	2,308
Amounts Due to Related Parties - Non-Trade	34.5	708,351	890,866	603,725	398,377
Income Tax Payable		100,650	91,974	-	-
Bank Overdraft	24	886,732	986,015	388,041	518,053
Total Current Liabilities		9,898,973	8,736,268	4,668,917	3,732,242
Total Liabilities		14,422,742	13,551,229	7,037,896	6,140,881
Total Equity and Liabilities		18,356,491	18,573,304	7,733,941	7,171,075
Net Assets per Share (Rs.)		39.48	65.84	20.56	30.43

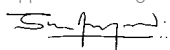
The Notes from pages 31 to 110 form an integral part of these Financial Statements.

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




Mr. 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

Colombo
3rd December 2020



Mr. Anushman Rajaratnam
Director

Statement of Changes in Equity

Group	Attributable to Owners of the Company						Non-Controlling Interest	Total
	Stated Capital	Other Capital Reserves	FVTOCI Reserves	Retained Earnings/ (Accumulated Losses)	Revaluation Reserve	Total		
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000		
Balance as at 01st April 2018	930,346	4,833	12,734	583,157	-	1,531,070	2,129,658	3,660,728
Profit/(Loss) for the year	-	-	-	(982,564)	-	(982,564)	98,284	(884,280)
Other Comprehensive Income/(Expenses) for the year (Net of Tax)	-	-	(17,440)	19,655	1,679,064	1,681,279	630,439	2,311,718
Effect of Acquisitions, Disposals and changes in Percentage in Subsidiaries				(1,070)	-	(1,070)	1,554	484
<i>Distribution to Equity Holders</i>								
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
Balance as at 01st April 2019	930,346	4,833	(4,706)	(380,822)	1,679,064	2,228,715	2,793,360	5,022,075
Loss for the year	-	-	-	(887,260)	-	(887,260)	(138,263)	(1,025,523)
Other Comprehensive Income/(Expenses) for the year (Net of Tax)	-	-	(14,476)	(15,222)	24,893	(4,805)	(1,747)	(6,552)
Realised Revaluation on Disposals	-	-	-	3,300	(3,300)	-	-	-
<i>Distribution to Equity Holders</i>								
Dividend Paid	-	-	-	-	-	-	(56,251)	(56,251)
Balance as at 31st March 2020	930,346	4,833	(19,182)	(1,280,004)	1,700,657	1,336,650	2,597,099	3,933,749

Company	Stated Capital	FVTOCI Reserves	Revaluation Reserves	Retained Earnings/ (Accumulated Losses)	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 01st April 2018	930,346	14,122	-	68,879	1,013,347
Loss for the year	-	-	-	(565,190)	(565,190)
Other Comprehensive Income/(Expenses) for the year (Net of Tax)	-	(17,104)	-	7,337	(9,767)
Revaluation of Land	-	-	824,803	-	824,803
Deferred tax Impact on Revaluation Surplus	-	-	(230,945)	(2,054)	(232,999)
Balance as at 31st March 2019	930,346	(2,982)	593,858	(491,028)	1,030,194
Balance as at 01st April 2019	930,346	(2,982)	593,858	(491,028)	1,030,194
Loss for the year	-	-	-	(324,338)	(324,338)
Other Comprehensive Income/(Expenses) for the year (Net of Tax)	-	(9,953)	-	142	(9,811)
Balance as at 31st March 2020	930,346	(12,935)	593,858	(815,224)	696,045

The Notes from pages 31 to 110 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Cash Flow Statement

For the Year Ended 31 st March	Notes	Consolidated		Company	
		2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Cash Flow from Operating Activities					
Loss before tax		(1,182,563)	(1,049,956)	(524,902)	(805,673)
<i>Adjustments for :</i>					
Depreciation/Amortisation	10	452,825	457,068	56,146	66,536
Amortisation of Right of Use Assets		38,408	-	22,494	-
Dividend Income	6	(710)	(8,534)	(99,803)	(98,621)
Loss / (Gain) on disposal of Financial Assets Measured at Fair Value through Profit or Loss	8	330	20,728	330	20,728
Loss / (Gain) on disposal of Financial Assets Measured at Fair Value through Other Comprehensive Income		-	-	-	3,289
Interest Expense	8	1,254,656	1,333,723	716,319	766,538
Amortisation of Deferred Income	30	(2,823)	(2,823)	-	-
(Gain) on Loss on disposal of Property, Plant & Equipment	6	(93,609)	(172,881)	(83,429)	(141,435)
Exchange (Loss)/ Gain	8	8,165	79,583	(10,755)	(9,660)
Interest Income	8	(54,095)	(82,705)	(118,304)	(91,411)
Provision for Retirement Benefit Obligation	32	59,436	70,856	24,350	23,985
Fair Value Loss on Financial Assets Measured at Fair Value Through Profit or Loss		3,400	-	3,400	-
Write Back of Creditors		(3,557)	(14,545)	-	(6,292)
Share of Loss from Associate	18	7,926	334,521	-	-
Share of Profit from Joint Venture	19	(7,963)	(46,659)	-	-
Provision for Impairment in Associates		-	-	42,019	31,101
Impairment of Property Plant and Equipment		18,427	-	-	-
Provision for Impairment of Investments in Subsidiaries		-	-	9,047	79,431
Provision for Impairment of Other Receivables		-	-	32,542	-
Provision for Impairment of Trade Receivables		64,382	36,467	19,253	21,646
Provision/(Reversal) for Impairment of Related Parties		103,091	(197)	44,451	27,623
Write Back of Amount Payable to Related Party Payable		-	-	(57,873)	-
Provision made for Obsolete Inventories		17,102	35,954	15,012	16,397
Operating Profit/(Loss) before Working Capital Changes		682,828	990,600	90,297	(95,818)
(Increase) / Decrease in Inventories		(183,677)	(384,030)	(67,130)	(63,687)
(Increase) / Decrease in Trade and Other Receivables		230,407	148,652	21,987	192,672
(Increase) / Decrease in Amounts due from Related Parties		(131,316)	(89,453)	(36,257)	(69,674)
Increase / (Decrease) in Trade and Other Payables		(83,643)	409,126	(103,223)	289,231
Increase / (Decrease) in Amounts due to Related Parties		(182,515)	290,027	(6,817)	126,198
Cash Generated from Operations		332,084	1,364,922	(101,143)	378,922
Income Tax Paid		(150,125)	(165,596)	-	(8)
Interest Paid		(922,108)	(1,333,723)	(515,402)	(688,504)
Gratuity Paid		(39,228)	(56,312)	(9,374)	(15,421)
Gratuity refund from planed assets		12,415	6,896	-	-
Net Cash Used in Operating Activities		(766,962)	(183,813)	(625,919)	(325,011)
Cash Flow from Investing Activities					
Purchase & Construction of Property, Plant & Equipment	12	(370,288)	(463,093)	(41,434)	(7,179)
Net Disposal / (Investment) Financial Assets Measured at Fair Value through Other Comprehensive Income		(778)	-	(768)	(10,676)
Proceeds from Disposal of Subsidiaries		-	-	-	484
Investment in Financial Assets Measured at Fair Value through Other Comprehensive Income		(656)	-	(656)	-
Proceed from disposal of Financial Assets Measured at Fair Value through Other Comprehensive Income		3,881	-	3,881	26,031
Grants received		777	-	-	-
Interest Received		54,095	82,705	55	951
Dividend Received		39,810	1,036	107,300	61,024
Proceeds from Disposal of Property, Plant & Equipment		140,914	266,416	118,316	203,654
Net Cash Generated from/(Used in) Investing Activities		(132,245)	(112,936)	186,694	274,289
Cash Flow from Financing Activities					
Dividend Paid		(56,251)	(66,575)	-	-
Loans Given to Related Parties		-	-	(200,000)	-
Proceeds from Long Term Loans	28	879,916	2,982,715	278,101	1,495,149
Repayment of Long Term Loans	28	(786,627)	(1,737,841)	(197,242)	(1,039,304)
Net Lease payment	29	(75,516)	(611)	(29,748)	-
Net movement in Short Term Borrowings	28	912,513	(1,242,076)	541,828	(876,890)
Loans Obtained from Related Parties		(84,300)	150,000	230,700	285,000
Settlement of Loans obtained from Related Parties		(72,000)	(93,000)	(72,000)	(269,074)
Net Cash Generated from/(used in) Financing Activities		717,735	(7,388)	551,639	(405,119)
Net Increase / (Decrease) in Cash & Cash Equivalents		(181,472)	(304,137)	112,414	(455,841)
Cash & Cash Equivalents at the beginning of the year		(495,544)	(191,407)	(480,569)	(24,728)
Cash & Cash Equivalents at the end of the year	24	(677,016)	(495,544)	(368,155)	(480,569)

The Notes from pages 31 to 110 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 for the year ended 31st March 2020 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 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 2020 were authorised for issue by the Board of Directors on 3rd December 2020.

This is the first set of Financial Statements in which SLFRS 16 Leases have been applied. Changes to significant accounting policies are described in Note 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 has been measured at fair value
- Class of Land under Property, Plant and Equipment is carried at fair value
- Financial Assets Classified at fair value through Profit and Loss
- Financial Assets classified at Fair Value Through Other Comprehensive Income
- Non-Current assets held for sale

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	3.11
Valuation of Retirement Benefit Obligations	3.15
Provisions, Contingent Assets and Liabilities	3.16
Deferred Tax Assets and 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 2020 is included in the following notes.

Note 32 : Measuring of defined benefit Obligations:
Key actuarial assumptions

Note 31 : Recognition of deferred tax liability

Note 18 : Impairment test:

key assumptions underlying recoverable amounts

Note 12 : Valuation of Property, Plant and Equipment

Note 41 : Impact on COVID-19 pandemic to financial statements of the Group

Notes to the Financial Statements

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. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Group Finance manager.

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 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 date of the Statement of Financial Position 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 and it is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the financial statement of the group continue to be prepared 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.

The accounting policies have been consistently applied by Group entities. Certain comparative amounts in the Statement of Profit or Loss and Other Comprehensive Income and Statement of Financial Position have been reclassified or rearranged, wherever necessary, to conform with the current year's presentation.

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 or 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

Notes to the Financial Statements

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	40
Imperial Hotels Ltd. (Previously known as York Hotels (Kandy) Ltd.)	40
Ceytra (Pvt) Ltd.	35
Kelani Valley Canneries Ltd.	49
Sunquick Lanka Properties (Private) Limited	28

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 18 to the financial statements and the details of the joint venture are provided in Note 19 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 Company has consistently applied the accounting policies as set-out in the Note 3 to all periods presented in these Financial Statements, except for the changes arising out of transition to SLFRS 16.

3.2.1 SLFRS 16 Leases

The Group has adopted SLFRS 16 Leases using the modified retrospective approach from 1st April 2019 and therefore the comparative information has not been restated and continues to be reported under LKAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease.

The effect of initially applying these standards mainly attributed to the following;

- recognition of right-of-use assets
- recognition of corresponding lease liabilities

The Group has adopted SLFRS 16 with a date of initial application of 1st April 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below.

The Group applied SLFRS 16 using the modified retrospective approach, under which the Right of use asset is measured to be equal to lease liability as at 1st April 2019 without restating comparative information. The details of the changes in accounting policies are disclosed below.

3.2.1.1 Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under LKAS 17. Under SLFRS 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3.5.9.

On transition to SLFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied SLFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under LKAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under SLFRS 16 was applied only to contracts entered into or changed on or after 1st April 2019.

3.2.1.2 Accounting treatment by lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SLFRS 16, the Group recognizes right-of-use assets and lease liabilities for the leases – i.e. these leases are on-balance sheet.

a) Leases classified as operating leases under LKAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1st April 2019. Right-of-use assets are measured at either:

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all the leases.

The Group used the following practical expedients when applying SLFRS 16 to leases previously classified as operating leases under LKAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Notes to the Financial Statements

b) Leases previously classified as finance leases

For leases that were classified as finance leases under LKAS 17, the carrying amount of the right-of-use asset and the lease liability as at 1st April 2019 are determined at the carrying amount of the lease asset and lease liability under LKAS 17 immediately before that date.

c) Impact on transition

On transition to SLFRS 16, the Group recognized an additional Rs. 263,619,000/- of right-of-use assets and Rs. 246,355,000/- of lease liabilities. The difference due to prepayment in the lease rentals amounting to Rs. 17,264,000/- as at 1st April 2019.

Description	Impact as at 1st April 2019	
	Group	Company
Operating lease commitments as at 31st March 2019 as disclosed under LKAS 17 in the financial statements	-	-
Discounted using the incremental borrowing rate as at 1st April 2019	12% - 17%	15%
- Recognition exemption for short term leases	-	-
- Extension and Termination options reasonably certain to be exercised	-	-
Lease Liabilities Recognized as at 1st April 2019 (Rs.)	246,355,000	53,748,000
Of which are:		
Current Lease liabilities (Rs.)	49,271,000	28,486,000
Non-Current Lease Liabilities (Rs.)	197,084,000	25,262,000

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

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 to hold 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.
- 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.

On the initial recognition of an equity investment that is not held for trading, the Group 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

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.
- 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).

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

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:

Notes to the Financial Statements

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 and 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.

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.

3.4.5 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.

3.4.6 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.

3.4.7 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.

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.

Notes to the Financial Statements

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.

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 Leases

The Group has early adopted SLFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under LKAS 17 and IFRIC 4.

The details of accounting policies under LKAS 17 and IFRIC 4 are disclosed separately if they are different from those under SLFRS 16 and the impact of changes is disclosed in Note 3.2.

Policy applicable from 1st April 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1st April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. Where the lease agreement includes an annual adjustment on a variable such as GDP deflator, the Group shall annually reassess the liability considering such variable and recognise the amount of remeasurement of the lease liabilities as an adjustment to the right-of-use asset.

i) As a Lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payments.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short Term Leases and Leases of Low Value Assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low value assets and short terms leases. The Group recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii) As a Lessor

The Group leases out its investment property, including own property and right of use assets. The Group has classified these leases as operating leases.

The Group is required to make any adjustments on transition to SLFRS 16 for leases in which it acts as a lessor, except for a sub – lease.

The Group sub – leases some of its properties. Under IAS 17, the head lease and sub lease contracts were classified as operating leases. On transition to SLFRS 16, the right of use assets recognized from the head leases are presented in investment property, and measured at fair value at that date. The Group assessed the classification of the sub – lease contracts with reference to the right of use asset rather than the underlying asset, and concluded that they are operating leases under SLFRS 16.

Policy applicable before 1st April 2019

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.

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.

Notes to the Financial Statements

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 properties in the Group are as follows:

Lankem Ceylon PLC - Building: 20 years

Sigiriya Village Hotel PLC - Land: 20 years

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 or 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.

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 its 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

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) 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 Comprehensive Income.

d) 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.

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.

Notes to the Financial Statements

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

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.

Notes to the Financial Statements

D. Performance Obligations and Revenue Recognition Policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises 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
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

(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 Financial instruments at fair value through other comprehensive income 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

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 Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and losses on disposal of FVTOCI 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 recognised 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. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.22 Cash Flow Statement

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.

Notes to the Financial Statements

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 38 to the Financial Statements. Commitments are disclosed in Note 37 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

The Institute of Chartered Accountants of Sri Lanka has issued following amendments to Sri Lanka Accounting Standards (SLFRSs/LKASs) which will become applicable for financial periods beginning after 1st January 2020. Accordingly, the Group has not applied the following amendments to standards in preparing these Financial Statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements.

- Amendments to references to conceptual framework in Sri Lanka Financial Reporting Standards

These amendments are effective 1 January 2020 and include limited revisions of definitions of an asset and a liability, as well as new guidance on measurement and derecognition, presentation and disclosure. The concept of prudence has been reintroduced with the statement that prudence supports neutrality.

- Definition of a business (Amendments to SLFRS 3)

These amendments are effective 1 January 2020 on a prospective basis and assist entities in determining whether a transaction should be accounted for as a business combination or asset acquisition.

- Definition of material (Amendments to LKAS 1 and LKAS 8)

Definition of Material Amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (the amendments) to align the definition of "material" across the standards and to clarify certain aspects of the definition. None of the amendments above are expected to result in a material impact on the Group's financial statements.

5. REVENUE

For the Year Ended 31 st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000

5.1 Revenue Streams

Revenue from contracts with customers

Sale of Goods	14,251,757	15,962,814	2,865,970	3,229,414
Rendering of Services	1,171,325	1,696,342	-	-
	15,423,082	17,659,156	2,865,970	3,229,414

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 31 st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000

5.3 Segment Revenue

Trading - Consumer Products	5,552,421	6,735,093	48,472	71,648
Trading - Industrial Products	8,871,762	9,599,764	2,817,498	3,157,766
Leisure	1,171,435	1,700,969	-	-
	15,595,618	18,035,826	2,865,970	3,229,414
Less: Inter-Segment Revenue	(172,536)	(376,670)	-	-
	15,423,082	17,659,156	2,865,970	3,229,414

For the Year Ended 31 st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000

5.4 Timing of Revenue Recognition

Products and services transferred at a point in time	15,423,082	17,659,156	2,865,970	3,229,414
Products and services transferred over time	-	-	-	-
	15,423,082	17,659,156	2,865,970	3,229,414

For the Year Ended 31 st March	Operating Profit/(Loss)		Profit/(Loss) before Tax	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000

5.5 Segment Operating Profit/(Loss) – Consolidated

Consumer Products	44,987	88,942	(41,329)	(48,882)
Industrial Products	59,542	183,150	(876,441)	(808,270)
Leisure	(73,883)	270,373	(189,530)	120,899
Others	(1,120)	46,769	(75,263)	(313,703)
	29,526	589,234	(1,182,563)	(1,049,956)

Notes to the Financial Statements

5.6 Assets and Liabilities

As at	Total Assets		Total Liabilities	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
Trading - Consumer Products	2,211,519	2,090,717	1,721,519	1,538,346
Trading - Industrial Products	10,613,940	10,696,316	9,998,671	9,334,488
Leisure	5,219,826	5,481,375	1,830,206	1,866,625
Others	311,407	304,896	872,347	811,770
	18,356,492	18,573,304	14,422,743	13,551,229

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

As at	Additions to Right of Use Assets		Additions to Property, Plant & Equipment		Depreciation/Amortisation and Impairment	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
Trading - Consumer Products	-	-	94,403	47,391	52,215	45,063
Trading - Industrial Products	71,548	-	236,759	152,668	292,426	244,665
Leisure	-	-	39,126	86,128	137,154	130,019
Others	-	-	-	-	596	602
	71,548	-	370,288	286,187	482,391	420,349

6. OTHER INCOME

For the Year Ended 31 st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Profit on Disposal of Property, Plant and Equipment	93,609	172,881	83,429	141,435
Dividend Income - Quoted Companies	710	1,036	60,703	61,024
- Unquoted Companies	-	7,498	39,100	37,597
Write Back of Creditors	3,557	14,545	-	6,292
Amortisation of Grants and Subsidies	2,823	2,823	-	-
Commission income	132	412	-	-
Write Back of Amounts due to Related Parties	-	-	57,873	-
Rent Income	137,678	104,588	-	-
Sundry Income	4,984	11,394	16,753	12,059
	243,493	315,177	257,858	258,407

7. OTHER EXPENSES

For the Year Ended 31 st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Impairment of Property, Plant and Equipment (Note 12.1)	18,427	-	-	-
Provision for Obsolete Inventories	-	17,654	-	-
Loss on Disposal of Investments	330	-	330	3,289
Impairment of Investment in Subsidiaries (Note 17.1)	-	-	9,047	79,431
Impairment of Investment in Associates (Note 18.2.1)	-	-	42,019	31,101
Sundry Expenses	53,494	84,285	38,416	28,875
	72,251	101,939	89,812	142,696

8. NET FINANCE COSTS

For the Year Ended 31 st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
(A) Finance Income				
Interest Income	(26,043)	(61,826)	(55)	(1,754)
Interest from Loans due Form Related Parties	(28,052)	(20,880)	(96,297)	(67,501)
Commission on Corporate Guarantee	-	-	(21,976)	(22,959)
Foreign Exchange Gain	(30,366)	(25,479)	(10,755)	(9,660)
Total Finance Income	(84,461)	(108,185)	(129,083)	(101,874)
(B) Finance Costs				
Interest on Term Loans	799,741	931,502	465,560	543,880
Interest on Overdraft and Trust Receipt Loans	327,598	329,768	188,119	191,244
Interest on Lease Liabilities	34,811	201	6,670	-
Short Term Loans and Other Interest	92,506	72,252	55,966	31,414
Foreign Exchange Loss	38,531	105,062	-	-
Loss on Financial Assets Measured at FVTPL	3,400	20,728	3,400	20,728
Total Finance Costs	1,296,587	1,459,513	719,715	787,266
Net Finance Costs	1,212,126	1,351,328	590,632	685,392

Notes to the Financial Statements

9. LOSS BEFORE TAX

Is stated after charging all expenses including the following:

For the Year Ended 31 st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Depreciation/Amortisation				
– Property, Plant & Equipment	443,983	420,349	56,150	66,536
– Investment Property	8,842	36,719	-	-
– Right of Use Assets	38,408	-	22,493	-
Auditor's Remuneration				
– KPMG	10,959	10,547	2,700	2,700
– Other Auditors	2,761	5,601	-	-
Non-Audit Services				
– KPMG	2,743	2,049	827	-
– Other Auditors	1,717	1,454	1,717	1,454
Salaries and Wages	1,119,188	1,215,518	480,119	549,506
Defined Benefit Plan Cost - Retiring Gratuity	59,436	70,856	24,349	23,985
Defined Contribution Plan Cost - EPF & ETF	153,006	137,589	56,165	58,479
Managing Agent Fees	30,912	25,883	-	-
Donations	715	2,335	-	-

10. INCOME TAX EXPENSE

For the Year Ended 31 st March	Consolidated		Company	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Current Income Tax Expense				
Taxation on Profit for the Year (Note 10.1)	122,233	142,408	-	-
Under Provision in Respect of Previous Year	24,308	20,036	3,662	-
	146,541	162,444	3,662	-
Deferred Tax Expense				
Deferred Tax recognised through Profit or Loss (Note 31)	(303,581)	(328,120)	(204,226)	(240,483)
	(157,040)	(165,676)	(200,564)	(240,483)

10.1 Current Income Tax Expense

Reconciliation of Accounting Loss to Income Tax Expense

For the Year Ended 31 st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Accounting Loss before Taxation	(1,182,563)	(1,049,956)	(524,902)	(805,673)
Intra-Group Adjustments	107,019	337,062	-	-
	(1,075,544)	(712,894)	(524,902)	(805,673)
Aggregate Disallowable Expenses	1,478,647	1,548,032	505,455	1,005,137
Aggregate Allowable Expenses	(469,328)	(570,598)	(75,959)	(56,451)
Tax Exempt Income	(2,494)	(18,951)	-	-
Income not part of Assessable Income	(98,307)	(337,016)	-	(309,609)
	(167,026)	(91,427)	(95,404)	(166,596)
Statutory Loss from Business (Note 10.2)	641,393	713,633	(95,404)	(166,596)
Profit from Business	474,367	622,206	-	-
Other Sources of Income	98,307	133,674	-	69,553
Tax Losses utilized during the year	(79,604)	(232,600)	-	(69,553)
Qualifying Payments utilized during the year	-	(22,050)	-	-
Taxable Income	493,070	501,230	-	-
Income Tax @ 28%	92,822	117,556	-	-
Income Tax @ 24%	14,752	-	-	-
Income Tax @ 18%	2,904	-	-	-
Income Tax @ 14%	11,755	24,352	-	-
Income Tax @ 10 %	-	500	-	-
Income Tax on Profit for the Year	122,233	142,408	-	-

10.2 Accumulated Tax Losses

For the Year Ended 31 st March	Consolidated		Company	
	2020 Rs.'000	2019 Rs.'000	2020 Rs.'000	2019 Rs.'000
Balance at the beginning of the year	5,460,391	4,954,342	2,893,383	2,804,657
Adjustments to opening balance	(179,256)	25,016	221,289	(8,317)
Tax Loss utilized during the year	(79,604)	(232,600)	-	(69,553)
Tax Loss for the year	641,393	713,633	95,404	166,596
Balance at the end of the year	5,842,924	5,460,391	3,210,076	2,893,383

10.3 As per IRD notice No. PN/IT/2020-03 dated 12th February 2020, the Company is liable to pay income tax at the rate of 28% on its business profits up to 31st December 2019 and at 18% thereafter (2019 : Full year 28%). However, no provision for income tax is made during the year as the Company has not earned any profit liable for tax.

Notes to the Financial Statements

10.4 Income tax rates used by the entities within the Group in calculating the income tax provision for the year ended 31st March 2020 are as follows,

Name of the Company	Income tax Rate for profits earned up to 31st December 2019	Income tax Rate(s) for profits earned from 1st January 2020 to 31st March 2020
SunAgro LifeScience Limited	28%	28%
Associated Farms Limited	No Taxable Income	No Taxable Income
Lankem Paints Limited	No Taxable Income	No Taxable Income
Lankem Chemicals Limited	No Taxable Income	No Taxable Income
Lankem Consumer Products Limited	No Taxable Income	No Taxable Income
Lankem Exports Limited	No Taxable Income	No Taxable Income
Lankem Research Limited	No Taxable Income	No Taxable Income
SunAgro Farms Limited	No Taxable Income	No Taxable Income
SunAgro Foods Limited	No Taxable Income	No Taxable Income
Nature's Link Limited	No Taxable Income	No Taxable Income
Lankem Technology Services Limited	No Taxable Income	No Taxable Income
Marawila Resorts PLC	No Taxable Income	No Taxable Income
Sigiriya Village PLC	No Taxable Income	No Taxable Income
Colombo Fort Hotel Limited	28%	28%
Beruwala Resorts PLC	No Taxable Income	No Taxable Income
BOT Hotel Services Limited	No Taxable Income	No Taxable Income
Galle Fort Hotel Limited	No Taxable Income	No Taxable Income
Imperial Hotels Limited* (Note 10.5) (Previously known as York Hotels (Kandy) Ltd.)	28%	24%
Lak Kraft (Pvt) Limited	No Taxable Income	No Taxable Income
Sherwood Holidays Limited	No Taxable Income	No Taxable Income
C.W.Makies PLC (Group Figure)*	28%, 14%	18%, 24%
JF Packaging (Pvt) Limited	No Taxable Income	No Taxable Income
Alliance Five (Pvt) Limited	14%	14%
Kiffs (Pvt) Limited*	28%	24%, 18%
Ceylon Tapes Limited*	28%	14%, 24%, 28%

Since the legislative process relating the amendment of laws need to be completed to consider revised tax rates communicated through the notice no PN/IT/2020-03 dated 12th February 2020 as tax rates substantively enacted as at the reporting date, the Group continued to apply the tax rates used up to 31st December 2019 in calculating the provision for income tax for the full year ended 31st March 2020.

*Revised tax rates as per notice No. PN/IT/2020-03 are applied in instances where the impact of applying the revised tax rates are not material to the financial statements of the Group. Had the Group applied the income tax rate substantially enacted to all entities within the Group, the provision for income tax that would be increase by approximately Rs. 4 million.

(b) Associate

Company	Income tax Rate for profits earned up to 31st December 2019	Income tax Rate for profits earned from 1st January 2020 to 31st March 2020
Consolidated Tea Plantations Ltd.	No Taxable Income	No Taxable Income
Waverly Power (Pvt) Ltd.	Exempt from Income Tax	Exempt from Income Tax

(c) Joint Venture

The joint venture company, Sunquick Lanka (Pvt) Ltd has used the tax rate of 28% in calculating the income tax provision for the year ended 31st March 2020. (2019: 28%)

10.5 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 Imperial Hotels Ltd. (Previously known as 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.

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.

11. LOSS PER SHARE

11.1 Basic loss per share

Loss per share is based on the loss for the year attributable to owners of the Company divided by weighted average number of ordinary shares in issue during the year.

For the Year Ended 31 st March	Consolidated		Company	
	2020	2019	2020	2019
Loss attributable to Equity Holders of the Company (Rs.'000)	(887,260)	(982,564)	(324,338)	(565,190)
Weighted Average Number of Ordinary Shares (No.'000)	33,853	33,853	33,853	33,853
Loss per Share (Rs.)	(26.21)	(29.02)	(9.58)	(16.70)

11.2 Diluted loss per share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, diluted Loss per Share is same as Basic Loss per Share shown above.

Notes to the Financial Statements

12. PROPERTY, PLANT & EQUIPMENT

12.1 Consolidated

	Balance As at 01.04.2019 Rs.'000	Transferred to Investment Property Rs.'000	Transferred to Right-of - use assets Rs.'000	Other Transfers Rs.000	Capitalised during the year Rs.'000	Additions during the Year Rs.'000	Disposals during the Year Rs.'000	Balance As at 31.03.2020 Rs.'000	Balance As at 31.03.2019 Rs.'000
Cost / Revalued Amount									
Freehold									
Land	5,141,170	(156,356)	-	-	-	-	-	4,984,814	5,141,170
Buildings	3,108,162	(45,949)	(20,000)	-	9,273	33,588	(10,320)	3,074,754	3,108,162
Land Development Cost	9,404	-	-	-	-	-	-	9,404	9,404
Plant & Machinery	2,201,894	-	-	-	-	54,177	(72,543)	2,183,528	2,201,894
Motor Vehicles	438,024	-	-	4,325	-	56,079	(35,455)	462,973	438,024
Furniture & Fittings	540,289	-	-	(520)	-	12,771	(8,636)	543,904	540,289
Office Equipment	519,062	-	-	-	-	18,475	(7,797)	529,740	519,062
Linen & Soft Furnishings	142,380	-	-	2,482	-	14,040	(3,947)	154,955	142,380
	12,100,385	(202,305)	(20,000)	6,287	9,273	189,130	(138,698)	11,944,072	12,100,385
Leasehold									
Motor Vehicles	6,314	-	(2,145)	(4,169)	-	-	-	-	6,314
Office Equipment	1,962	-	-	(1,962)	-	-	-	-	1,962
	8,276	-	(2,145)	(6,131)	-	-	-	-	8,276
Capital Work in Progress	227,066	-	-	-	(9,273)	181,158	-	398,951	227,066
Total cost/Revalued Amount	12,335,727	(202,305)	(22,145)	-	-	370,288	(138,698)	12,343,023	12,335,727
Accumulated Depreciation/ Impairment									
Freehold									
Building	954,683	(24,598)	(3,600)	-	118,412	370	(3,052)	1,042,215	954,683
Plant & Machinery	1,424,703	-	-	(1,869)	175,816	18,057	(50,020)	1,566,687	1,424,703
Motor Vehicles	285,545	-	-	4,249	51,919	-	(27,424)	314,289	285,545
Furniture & Fittings	413,683	-	-	(7)	32,019	-	(8,558)	437,137	413,683
Office Equipment	391,463	-	-	1,869	48,536	-	(7,232)	434,636	391,463
Linen & Soft Furnishings	109,531	-	-	2,438	17,281	-	(2,472)	126,778	109,531
	3,579,608	(24,598)	(3,600)	6,680	443,983	18,427	(98,758)	3,921,742	3,579,608
Leasehold									
Motor Vehicles	4,249	-	-	(4,249)	-	-	-	-	4,249
Office Equipment	2,431	-	-	(2,431)	-	-	-	-	2,431
Total Depreciation	6,680	-	-	(6,680)	-	-	-	-	6,680
	3,586,288	(24,598)	(3,600)	-	443,983	18,427	(98,758)	3,921,742	3,586,288
Net Carrying Value of Property, Plant and Equipment	8,749,439							8,421,281	8,749,439

12.2 Company

	Balance As at 01.04.2019 Rs.'000	Transferred to Investment Property Rs.'000	Additions during the Year Rs. '000	Disposals during the Year Rs. '000	Transferred to Right to use of Assets Rs. '000	Balance As at 31.03.2020 Rs.'000	Balance As at 31.03.2019 Rs.'000
Cost / Revalued Amount							
Land	935,215	(131,950)	-	-	-	803,265	935,215
Land Development Cost	9,404	-	-	-	-	9,404	9,404
Buildings	419,404	(45,949)	23,270	(7,898)	(20,000)	368,827	419,404
Plant & Machinery	403,806	-	5,854	(63,896)	-	345,764	403,806
Motor Vehicles	47,063	-	5,800	(3,500)	-	49,363	47,063
Furniture, Fittings & Office Equipment	241,831	-	6,510	(4,514)	-	243,827	241,831
Cost / Revalued Amount	2,056,723	(177,899)	41,434	(79,808)	(20,000)	1,820,450	2,056,723
	Balance As at 01.04.2019 Rs.'000	Transferred to Investment Property Rs.'000	Charge for the Year Rs. '000	Disposals during the Year Rs. '000	Transferred to Right to use of Assets Rs. '000	Balance As at 31.03.2020 Rs.'000	Balance As at 31.03.2019 Rs.'000
Accumulated Depreciation							
Buildings	149,818	(24,598)	20,009	(1,650)	(3,600)	139,979	149,818
Plant & Machinery	320,445	-	22,571	(43,198)	-	299,818	320,445
Motor Vehicles	30,093	-	4,971	(2,957)	-	32,107	30,093
Furniture, Fittings & Office Equipment	221,294	-	8,599	(4,482)	-	225,411	221,294
Total Depreciation	721,650	(24,598)	56,150	(52,287)	(3,600)	697,315	721,650
Total Carrying Amount of Property, Plant & Equipment	1,335,073					1,123,135	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 2020 is Rs. 956Mn (2019 - Rs. 674 Mn).

Company

The gross carrying amount of fully depreciated property, plant and equipment still in use as at 31st March 2020 is Rs. 385 Mn (2019 - Rs. 367 Mn)

Notes to the Financial Statements

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	Significant Unobservable input/Value for Perch Rs. '000	Carrying Value of Lands As at 31.03.2020 Rs. '000	Market value of Land As at 31.03.2020 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	720 - 880	381,080	381,080
Land	Maguruwila Road,	5A:1R:27.90P	10	Mr. P. P. T. Mohideen	31.01.2019	407 - 497	392,185	392,185
Land	Maduramadu, Vembu	8A:3R:30.86P	2	Mr. P. P. T. Mohideen	31.03.2019	19 - 23	30,000	30,000
ii Marawila Resorts PLC								
Land	Marawila	29A:1R:33.6P	52	Mr. P. P. T. Mohideen Chartered Valuer	31.03.2019	225 - 276	1,180,700	1,180,700
iii Sigiriya Village Hotels PLC								
Land	Sigiriya Mankani, Trincomalee	7A:12		Mr. P. P. T. Mohideen Chartered Valuer	31.03.2019	69 - 85	207,082	207,082
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	964 - 1,178	525,500	525,500
v C.W. Mackie PLC								
Land	Munagama, Horana.	3A:0R:5.21P	4	Mr. K.T.D. Tissera	31.03.2019			
Land	Munagama, Horana.	2A:3R:33.07P	8	Mr. K.T.D. Tissera	31.03.2019			
Land	Aramanagolla, Horana	5A:0R:0.5P	11	Mr. K.T.D. Tissera	31.03.2019	225 - 275	742,000	742,000
Land	Thebuwana, Narthupana	5A:1R:10P	8	Mr. K.T.D. Tissera	31.03.2019			
Land	Kaluaggala, Hanwella	2A:0R:35P	7	Mr. K.T.D. Tissera	31.03.2019			
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	14,129 - 17,269	1,216,700	1,216,700
vii Beruwala Resorts PLC								
Land	Freehold : Moragalla, Beruwala	0A:0R:2.8P	-	Mr. P. P. T. Mohideen Chartered Valuer	31.03.2019	0.19 - 0.23	267	267
viii JF Packaging (Pvt) Ltd.								
Land	Minuwangoda Road, Kotugoda.	2A:0R:30P	4	Mr. P. P. T. Mohideen Chartered Valuer	31.03.2019	761 - 930	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	270 - 330	13,500	13,500
							4,984,814	4,984,814

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 2020	Increase + 10%	Decrease - 10%
Lankem Ceylon PLC	803,265	80,327	(80,327)
Sigiriya Village Hotel PLC	207,082	20,708	(20,708)
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)
Beruwala Resorts PLC	267	27	(27)
C.W. Mackie PLC	742,000	74,200	(74,200)
	4,984,814	498,482	(498,482)

12.6 All above revaluations are based on market value. The Board of Director of the Group are of the view that fair values of these lands have not changed significantly from the carrying amount as at 31st March 2020.

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.

12.7 Impairment of Property, Plant & Equipment

The Group has assessed its Property, Plant & Equipment for impairment where indications are identified. Based on such assessment, provision for impairment has been recognised.

As such SunAgro Foods (Pvt) Ltd and SunAgro Farms (Pvt) Ltd. has recognised an impairment provision on its property, plant & Equipments as follows:

Company	Assets	Impairment as at 31st March 2020 Rs. '000
SunAgro Foods (Pvt) Ltd.	Plant & Machinery	18,057
SunAgro Farms (Pvt) Ltd.	Buildings	370

Recoverable values of these assets were measured with reference to their fair values less cost to sell.

12.8 Property, Plant & Equipment pledged as securities in obtaining loans have been disclosed in Note 28.4 to these Financial Statements.

Notes to the Financial Statements

13. BIOLOGICAL ASSETS

i) SunAgro Farms Ltd. - Mature Plantations

As at	Consolidated	
	31.03.2020 Rs. '000	31.03.2019 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	-	-

14. RIGHT-OF-USE ASSETS

As at	Consolidated		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
Cost				
Adjustment due to initial application of SLFRS 16 (Note 3.2)	263,619	-	53,748	-
Transferred from Property, Plant and Equipment (Note 12)	22,145	-	20,000	-
Adjusted Balance as at 1st April	285,764	-	73,748	-
Additions during the year	71,548	-	2,191	-
Balance at the end of the year	357,312	-	75,939	-
Accumulated Amortisation				
Adjustment due to initial application of SLFRS 16 (Note 3.2)	17,264	-	-	-
Transferred from Property, Plant and Equipment	3,600	-	3,600	-
Adjusted Balance as at 1st April	20,864	-	3,600	-
Amortisation for the year	38,408	-	22,493	-
Balance at the end of the year	59,272	-	26,093	-
Written down value as at 31st March	298,040	-	49,846	-

1.5. INVESTMENT PROPERTY

As at	Consolidated		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
Cost				
Balance at the beginning of the year	439,155	487,993	-	-
Additions during the year	-	1,131	-	-
Disposals during the year	-	(49,969)	-	-
Reclassified from Property, Plant and Equipment (Note 12)	202,305	-	177,899	-
Balance at the end of the year	641,460	439,155	177,899	-
Accumulated Depreciation				
Balance at the beginning of the year	76,068	39,349	-	-
Charge for the Year	8,842	36,719	-	-
Reclassified from Property, Plant and Equipment (Note 12)	24,598	-	24,598	-
Balance at the end of the year	109,508	76,068	24,598	-
Carrying Amount	531,952	363,087	153,301	-

Consolidated

C. W. Mackie PLC

Part of the C.W. Mackie PLC Building complex has been given out on rent and the 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 31st March 2019, by Mr. K.T.D. Tissera, an independent professional valuer J.P.U.M., Diploma in Valuation (Sri Lanka), F.R.I.C.S. (Eng), F.I.V. (Sri Lanka), Chartered Valuation Surveyor, these properties were valued based on income method for existing use basis.

Fair value of the investment property as at 31st March 2020 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 (Pvt) Ltd., Munagama, Horana	275
Total	545.8

Amounts included in the statement of comprehensive income in respect of this property is as follows;

For the year ended 31st March	2020 Rs.000's	2019 Rs.000's
Rent income	137,348	118,300
Direct operating expenses arising from investment property that generated rental income during the year	21,875	21,101

Notes to the Financial Statements

Imperial Hotels Ltd. (Previously known as York Hotels (Kandy) Ltd.)

As a result of a change in the company's business plan, land recognised as property plant and equipment previously has been classified as investment property and accounted under "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.

As per the valuation carried out by Mr. P.P.T. Mohideen, Chartered Valuation Surveyor, fair value of investment property as at 31st March 2020 is Rs. 480 Mn.

Sigiriya Village Hotels PLC

During the year, as a result of a change in the Company's business plan, land previously recognised under property, plant and equipment has been classified as investment property and accounted under "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 in Trincomalee and the extent of the land is 8 A, 1 R & 2.3 P.

Lankem Ceylon PLC

The Company has rented out a part of the Factory complex located in Maguruwila Road, Gonawala. Value of land and buildings of that portion has been classified as 'investment property' and accounted under "Cost Model" as required by LKAS 40 – Investment Property.

Amounts included in the statement of comprehensive income in respect of this property is;

For the year ended 31st March	2020 Rs.000's	2019 Rs.000's
Rent income	7,560	-
Direct operating expenses arising from investment property that generated rental income during the year	871	-

16. INTANGIBLE ASSETS

As at	Consolidated	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000
Goodwill		
Balance at the beginning of the year	1,170,226	1,170,226
Goodwill on Acquisition of Subsidiary	-	-
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:

As at	Consolidated	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000
C.W. Mackie PLC	165,935	165,935
Galle Fort Hotel (Pvt) Ltd.	329,072	329,072
Ceylon Tapes Ltd.	23,490	23,490
JF Packaging Ltd.	435,500	435,500
Sherwood Holidays Ltd.	30,267	30,267
Kiffs (Private) Limited	143,777	143,777
Alliance Five (Private) Limited	42,185	42,185
	1,170,226	1,170,226

16.1 Impairment assessment of Goodwill

The Group has carried out an impairment assessment for the Goodwill recognized in the consolidated financial statements as at 31st March 2020. Recoverable amounts of these investments were measured as follows

16.1.1 Recoverable values measured with reference to the value in use

Investee	Significant unobservable inputs	Value of the input
Ceylon Tapes (Pvt) Ltd.	Average Growth rate	12%
	Discount rate (range)	13% - 15%
	Term	5 years (terminal value thereafter)
JF Packaging Ltd.	Average Growth rate	10%
	Discount rate (range)	13% - 16%
	Term	5 years (terminal value thereafter)
Kiffs (Pvt) Ltd.	Average Growth rate	12%
	Discount rate (range)	13% - 15%
	Term	5 years (terminal value thereafter)
Alliance Five (Pvt) Ltd.	Average Growth rate	14%
	Discount rate (range)	13% - 15%
	Term	5 years (terminal value thereafter)
Sherwood Holidays Ltd.	Average Growth rate	4.5%
	Discount rate (range)	20% - 24%
	Term	5 years (terminal value thereafter)

16.1.2 Recoverable values measured with reference to the fair value less cost to sell

Investee	Significant unobservable / observable inputs	Value of the input
CW Mackie PLC	Adjusted NAV	Rs. 80 – Rs. 90
Galle Fort Hotel (Pvt) Ltd.	Market multiple (Price to book value)	Rs. 110 – Rs. 120
	Control premium (range)	15% - 25%

Above fair values are classified as Level 2 as per the fair value hierarchy under SLFRS 13.

Notes to the Financial Statements

17. INVESTMENTS IN SUBSIDIARIES

17.1 Company

As at	Group Holding 2020 %	Company Holding 2020 %	Group Holding 2019 %	Company Holding 2019 %	No. of Shares 31.03.2020	Market Value 31.03.2020 Rs.'000	Cost 31.03.2020 Rs.'000	No. of Shares 31.03.2019	Market Value 31.03.2019 Rs.'000	Cost 31.03.2019 Rs.'000
Quoted Investments										
C.W. Mackie PLC	55.34	55.34	55.34	55.34	19,916,811	772,772	895,770	19,916,811	925,335	895,770
Sigiriya Village Hotels PLC	51.60	23.15	51.60	23.15	2,080,518	52,302	41,634	2,080,518	97,160	41,634
Marawila Resorts PLC	39.55	7.32	39.55	7.32	16,478,829	18,371	98,066	16,478,829	26,366	98,066
Total Quoted Investments							1,035,470			1,035,470
Unquoted Investments										
Colombo Fort Hotels Ltd.	69.11	68.85	69.11	68.85	93,526,729		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	626,000		215,000	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 (Private) Limited	100.00	100.00	100.00	100.00	673,151		923,240	488,034	-	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							2,915,584			2,702,584
							3,951,054			3,738,054
Less: Provision for Impairment of Investment in Subsidiaries (17.1)							(583,165)			(574,118)
Net Carrying Amount							3,367,889			3,163,936

17.1 Provision for Impairment of Investments in Subsidiaries

As at	Company	
	31.03.2020 Rs.'000	31.03.2019 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.	459,291	453,745
SunAgro Foods Ltd.	50,275	50,275
Nature's Link Limited	15,686	12,843
Lankem Exports Limited	100	100
Lankem Research Ltd.	2,500	2,500
Lankem Technology Services Ltd.	959	301
	583,165	574,118

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.

18. INVESTMENTS IN ASSOCIATES

18.1 Consolidated

As at	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Unquoted Investments		
Consolidated Tea Plantations Ltd. (CTPL)	-	-
Waverly Power (Pvt) Ltd. (WPL)	102,511	149,713
Total Unquoted Investments	102,511	149,713
Balance as at beginning of the year	149,713	484,234
Net Share of Loss for the year	(7,926)	(334,521)
Other Comprehensive Expense	(176)	-
Dividend Paid	(39,100)	-
Balance at the end of the year	102,511	149,713

18.2 Company

As at	Principal Business Activities	Holding 2020 %	Holding 2019 %	No. of Shares 31.03.2020	Cost 31.03.2020 Rs.'000	No. of Shares 31.03.2019	Cost 31.03.2019 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 of Investment in Associates (18.2.1)					(73,120)		(31,101)
Net Carrying Amount					249,380		291,399

18.2.1 Provision for Impairment of Investments in Associates

As at	Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Consolidated Tea Plantations Ltd.	73,120	31,101
	73,120	31,101

Consolidated Tea Plantation Ltd. (CTPL) Group has invested in the 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 (Pvt) Ltd.) as at 31st March 2020. Since the plantation sector companies have incurred operating losses, CTPL reported a dilution of its net assets as at 31st March 2020. Considering these indications, the Company has assessed impairment of its investment in CTPL. As a result, an impairment of Rs. 42 Mn was recognised during the year ended 31st March 2020 (2019: Rs. 31.1 Mn).

The recoverable value of CTPL has been calculated based on the estimated fair value less cost to sell. Fair value less cost to sell has been estimated using a valuation technique that consider fair values of the components within CTPL. This valuation technique is a combination of both "Market Based" and "Income Based" valuation approaches. The fair value so determined is classified as Level 3 in terms of fair value measurement principles in SLFRS 13 – "Fair Value Measurement".

The Company has assumed that cost to sell is immaterial in arriving at the recoverable amount.

Notes to the Financial Statements

18.3 Summarised financial information of Associates Companies

Summary of the Statement of Financial Position

As at	CTPL	WPL	CTPL	WPL
	31.03.2020 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2019 Rs.'000
Non-Current Assets	12,372,117	164,632	11,876,714	174,635
Current Assets	2,621,443	93,283	3,428,099	88,587
Total Assets	14,993,560	257,915	15,304,813	263,222
Non-current Liabilities	8,022,025	148,013	6,312,895	61,299
Current Liabilities	9,120,567	23,855	8,628,050	7,588
Total Liabilities	17,142,592	171,868	14,940,945	68,887
Equity Attributable to the Owners of the Company	(2,149,032)	86,047	363,868	194,335
Non-Controlling Interest	(191,869)	-	(800,906)	-
Total Net Assets	(2,340,901)	86,047	(437,038)	194,335
Ownership interest	47.56%	43.59%	47.56%	43.59%
Investees Share of Net Assets	(30,820)	37,509	(30,820)	84,711
Goodwill	30,820	65,002	30,820	65,002
Carrying amount of interest	-	102,511	-	149,713

Summary of the Statement of Profit or Loss

For the Year Ended	CTPL	WPL	CTPL	WPL
	31.03.2020 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2019 Rs.'000
Revenue	9,472,595	30,314	12,031,209	87,815
Depreciation and Amortisation	(475,350)	(13,581)	(469,688)	(14,513)
Other Expenses	(12,586,044)	(34,907)	(11,942,838)	(27,047)
Profit after Tax	(2,682,731)	(18,174)	(1,654,946)	49,529
Other Comprehensive Income	17,657	(403)	72,375	9,275
Investees share of Profit / (Loss)	-	(7,926)	(351,436)	16,915
Investees Share of Other Comprehensive Income	-	176	-	-

19. INVESTMENT IN JOINT VENTURE

Sunquick Lanka (Private) Limited

C.W. Mackie PLC has 49% interest in Sunquick Lanka (Private) Limited, a joint venture formed for the purpose of manufacturing, processing and marketing Co-Ro's products in the form of concentrates and ready to drink (RTD) products marketed under 'Sunquick' brand.

The Group's interest in Sunquick 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.

As at	Consolidated	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Summary of the Statement of Financial Position		
Non-current Assets	635,497	427,457
Current Assets	1,105,448	878,611
Non-Current Liabilities	(55,276)	-
Current Liabilities	(988,189)	(624,839)
Equity	697,480	681,229
Gross carrying amount of the investments	341,765	333,802
Summary of the Statement of Profit or Loss		
Revenue	1,264,116	1,475,450
Operating Expenses	(1,168,291)	(1,376,635)
Other operating income	4,085	4,732
Finance Income	-	7,249
Finance Cost	(32,642)	-
Income tax	(51,017)	(15,225)
Other comprehensive income	-	(348)
Total comprehensive income for the year	16,251	95,223
Group's Share of Profit for the year	7,963	46,659
Equity Reconciliation		
Carrying Value as at 1st April	333,802	287,143
Share of Profit	7,963	46,659
Carrying Value as at 31st March	341,765	333,802

20. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at	Note	Consolidated		Note	Company	
		31.03.2020 Rs. '000	31.03.2019 Rs. '000		31.03.2020 Rs. '000	31.03.2019 Rs. '000
Quoted Investments	20.1.1	10,899	17,779	20.2.1	9,212	15,598
Unquoted Investments	20.1.2	17,187	24,198	20.2.2	16,937	23,948
		28,086	41,977		26,149	39,546

Notes to the Financial Statements

20.1 Consolidated

20.1.1 Quoted Investments

As at	Consolidated			
	No of Shares 31.03.2020	Fair Value 31.03.2020 Rs.'000	No. of Shares 31.03.2019	Fair Value 31.03.2019 Rs.'000
Bank, Finance & Insurance				
Nations Trust Bank PLC	6,365	421	6,365	600
National Development Bank PLC	5,724	434	5,724	588
Total		855		1,188
Hotels & Travel				
Hunas Falls Hotels PLC	400	56	400	72
Pegasus Resorts PLC	960	18	960	23
Renuka City Hotels PLC	525	101	525	131
Royal Palms Beach Hotels PLC	375	5	375	6
Total		180		232
Plantations				
Kotagala Plantations PLC	1,085,762	5,491	1,085,762	7,600
Lankem Developments PLC	2,352,340	3,721	2,352,340	7,998
Total		9,212		15,598
Healthcare				
Ceylon Hospitals PLC	130	10	130	9
Total		10		9
Other				
Chevron Lubricants Lanka PLC	12,000	642	12,000	752
Total		642		752
Total Quoted Investments		10,899		17,779

Market value per share of quoted investments are based on published stock market prices as at 20th March 2020 (2018/19 - 31st March 2019).

20.1.2 Unquoted Investments

As at	Consolidated			
	No. of Shares 31.03.2020	Fair Value 31.03.2020 Rs.'000	No. of Shares 31.03.2019	Fair Value 31.03.2019 Rs.'000
Nanotechnology (Pvt) Ltd.	3,810,182	8,596	3,810,182	12,336
Lankem Tea & Rubber Plantations (Pvt) Ltd.	8,342	485	8,342	1,554
Agarapathana Plantations Limited	1,760,204	7,856	1,760,204	10,058
Asia Pacific Golf Courses Limited	2,500	250	2,500	250
Total		17,187		24,198

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

20.2 Company

20.2.1 Quoted Investments

As at	Company			
	No of Shares 31.03.2020	Fair Value 31.03.2020 Rs.'000	No of Shares 31.03.2019	Market Value 31.03.2019 Rs.'000
Lankem Developments PLC	2,352,340	3,721	2,352,340	7,998
Kotagala Plantations PLC	1,085,762	5,491	1,085,762	7,600
Total		9,212		15,598

20.2.2 Unquoted Investments

As at	Company			
	Fair Value 31.03.2020 Rs.'000	Fair Value 31.03.2020 Rs.'000	No. of Shares 31.03.2019	Fair Value 31.03.2019 Rs.'000
Nanotechnology (Pvt) Ltd.	3,810,182	8,596	3,810,182	12,336
Lankem Tea & Rubber Plantations (Pvt) Ltd.	8,342	485	8,342	1,554
Agarapatana Plantation Ltd.	1,760,204	7,856	1,760,204	10,058
Total		16,937		23,948

The Group/Company holds these investments for strategic purpose.

21. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

As at	Consolidated/Company			
	No. of Shares 31.03.2020	Fair Value 31.03.2020 Rs.'000	No. of Shares 31.03.2019	Fair Value 31.03.2019 Rs.'000
Nations Trust Bank PLC	46,751	2,955	46,751	4,203
Tokyo Cement Company PLC (Voting)	133,270	2,999	148,270	3,069
Tokyo Cement Company PLC (Non-Voting)	-	-	63,667	1,178
Colonial Motors PLC	338,547	14,388	338,547	12,222
MTD Walkers PLC	-	-	68,845	1,019
Union Bank Colombo PLC	374,000	3,029	384,000	4,224
Orient Garments PLC	-	-	610,320	4,272
Renuka Agri Foods PLC	200,000	2,740	200,000	2,620
ACME Printing & Packaging PLC	134,239	294	59,474	208
		26,405		33,015

Notes to the Financial Statements

22. INVENTORIES

As at	Consolidated		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
Raw Materials	556,171	658,613	198,815	263,933
Work-in-Progress	72,615	86,487	23,831	38,158
Finished Goods	1,725,811	1,474,364	385,251	314,324
Goods-in-Transit	246,884	208,627	146,141	102,780
Consumable Stock	140,450	129,103	-	-
Packing & Other Materials	4,145	5,205	-	-
	2,746,076	2,562,399	754,038	719,195
Less: Provision for Obsolete Inventories (Note 22.1)	(204,749)	(187,647)	(58,538)	(75,813)
	2,541,327	2,374,752	695,500	643,382

22.1 Provision for Obsolete Inventories

As at	Consolidated		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
Balance as at 1st April	187,647	151,693	75,813	84,215
During the year Provision	49,389	60,811	15,012	16,455
Inventory Write-off	(32,287)	(24,857)	(32,287)	(24,857)
Balance as at 31st March	204,749	187,647	58,538	75,813

23. TRADE AND OTHER RECEIVABLES

As at	Consolidated		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
Trade Receivables	3,800,997	3,939,363	857,603	877,748
Provision for Impairment of Trade Receivables (Note 23.1.1)	(392,423)	(328,041)	(198,912)	(180,390)
	3,408,574	3,611,322	658,691	697,358
Other Receivables	124,926	187,121	15,926	31,824
Deposits, Advances and Prepayments	253,972	249,052	-	-
Staff Loans	25,477	23,862	92	139
Taxes Recoverable (Note 23.2)	210,068	246,319	66,856	89,688
Provision for Impairment of Other Receivables (Note 23.1.2)	(23,551)	(23,421)	-	-
	590,892	682,933	82,874	121,651
	3,999,466	4,294,255	741,565	819,009

23.1.1 Provision for Impairment on Trade Receivables

As at	Consolidated		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
Balance as at 1st April	328,041	317,324	180,390	159,049
Provision made during the year	69,320	14,257	18,522	21,341
Reversal during the year	(1,997)	(1,197)	-	-
Written-off during the year	(2,941)	(2,343)	-	-
Balance as at 31st March	392,423	328,041	198,912	180,390

23.1.2 Provision for Impairment of Other Receivables

As at	Consolidated		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
Balance as at 1st April	23,421	23,421	-	-
Provision made during the year	130	-	-	-
Balance as at 31st March	23,551	23,421	-	-

23.2 Taxes Recoverable

As at	Consolidated		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
Nation Building Tax Recoverable	7,841	2,913	1,468	-
Economic Service Charge Recoverable	110,660	146,913	65,388	89,688
Withholding Tax Recoverable	13,559	13,411	-	-
Value Added Tax Recoverable	78,008	83,082	-	-
	210,068	246,319	66,856	89,688

24. CASH AND CASH EQUIVALENTS

As at	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
Favourable Balance				
Fixed Deposits	5,355	208,045	3,009	10,000
Cash at Bank	195,812	273,563	15,860	26,538
Cash in Hand	8,549	8,863	1,017	946
	209,716	490,471	19,886	37,484
Unfavourable Balance				
Bank Overdraft	(886,732)	(986,015)	(388,041)	(518,053)
	(677,016)	(495,544)	(368,155)	(480,569)

Notes to the Financial Statements

25. ASSETS HELD FOR SALE

The Company has classified its lease rights at Nawam Mawatha and Kandathoduwawa, Puttalam as held for Sale since the Board of Directors has decided to proceed with selling the asset. Indicative values/proceeds of lands are Rs. 60 Million as at 31st March 2020.

As at	Consolidated		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
Balance at the beginning	67,365	60,000	67,365	60,000
Addition for the year	-	7,365	-	7,365
Disposal during the year	(7,365)	-	(7,365)	-
Balance at the end of the year	60,000	67,365	60,000	67,365

26. STATED CAPITAL

As at	31.03.2020		31.03.2019	
	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	33,853,200	930,346
Issued during the year	-	-	-	-
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.

27. CAPITAL RESERVES

	Other Capital Reserves Rs.'000	FVOCI Reserve Rs.'000	Total Rs.'000
Consolidated			
Balance as at 1st April 2019	4,833	(4,706)	127
Loss on Financial Assets Measured at FVOCI (Net of Tax)	-	(14,476)	(14,476)
Balance as at 31st March 2020	4,833	(19,182)	(14,349)
Company			
Balance as at 1st April 2019	-	(2,982)	(2,982)
Loss on Financial Assets Measured at FVOCI (Net of Tax)	-	(9,953)	(9,953)
Balance as at 31st March 2020	-	(12,935)	(12,935)

27.1 Other Capital Reserves

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

27.2 Fair Value through OCI Reserves

The amount set aside out of retained profits for the changes in the fair value of investments is classified as fair Value through OCI.

28. INTEREST BEARING BORROWINGS

As at	Consolidated		Company		
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000	
Payable after one year					
Long Term Loans	(Note 28.1)	3,734,864	3,964,876	2,212,164	2,281,249
Payable within one year					
Long Term Loans	(Note 28.1)	1,349,814	993,408	638,785	488,841
Short Term Loans	(Note 28.2)	3,663,746	2,626,368	1,490,647	948,821
Interest Payables		297,726	124,865	263,056	124,865
		5,311,286	3,744,641	2,392,488	1,562,527
Loans Payable to Related Parties	(Note 28.3)	143,144	215,144	276,090	148,090
Total		5,454,430	3,959,785	2,668,578	1,710,617
Total Interest bearing Borrowings		9,189,294	7,924,661	4,880,742	3,991,866

28.1 Long Term Loans

As at	Consolidated		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
Balance at the beginning	4,958,285	3,713,410	2,770,090	2,314,245
Loans obtained during the year	879,916	2,945,779	278,101	1,495,149
Effect on foreign currency fluctuations	33,104	36,936	-	-
Payments made during the year	(786,627)	(1,737,841)	(197,242)	(1,039,304)
Balance at the end	5,084,678	4,958,284	2,850,949	2,770,090
Payable within one year	1,349,814	993,408	638,785	488,841
Payable after one year	3,734,864	3,964,876	2,212,164	2,281,249

28.2 Short Term Loans

As at	Consolidated		Company	
	31.03.2020 Rs. '000	31.03.2019 Rs. '000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
Term Loans	2,378,002	1,627,709	333,547	487,999
Trust Receipt Loans	1,285,744	998,659	1,157,100	460,822
	3,663,746	2,626,368	1,490,647	948,821

Notes to the Financial Statements

28.3 Loans Payable to Related Parties

As at	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Balance at the beginning	215,144	158,144	148,090	132,164
Loans transferred / obtained during the year	-	150,000	200,000	285,000
Payments made during the year	(72,000)	(93,000)	(72,000)	(269,074)
Balance at the end	143,144	215,144	276,090	148,090
Payable within one year	143,144	215,144	276,090	148,090
Payable after one year	-	-	-	-
Loans payable to related parties are as follows:				
The Colombo Fort Land & Building PLC	70,000	70,000	-	-
Sigiriya Village Hotels PLC	-	-	49,164	49,164
J.F. Packaging (Pvt) Ltd.	-	-	26,926	26,926
C.W. Mackie PLC	-	-	200,000	-
Lankem Developments PLC	10,600	10,600	-	-
Waverly Power (Pvt) Limited	12,544	12,544	-	-
E.B. Creasy & Company PLC	-	72,000	-	72,000
Lankem Tea & Rubber Plantations Ltd.	50,000	50,000	-	-
	143,144	215,144	276,090	148,090

Following interest rates are applied on the outstanding balance by the Company;

Party	Interest Rate
C.W. Mackie PLC	13.5%
Sigiriya Village Hotels PLC	AWPLR + 2%
J.F. Packaging (Pvt) Ltd.	AWPLR + 2%

Following interest rates are applied on the outstanding balance by the Group.

Party	Interest Rate
The Colombo Fort Land & Building PLC	AWPLR + 2%
Lankem Developments PLC	AWPLR + 2%
Waverly Power (Pvt) Limited	AWPLR + 2%
Lankem Tea & Rubber Plantations Ltd.	AWPLR + 2%

28.4 Assets pledged as Security Against Interest Bearing Borrowings

Company	Lender	Balance as at 31.03.2020 (Rs.) Mn	Balance as at 31.03.2019 (Rs.) Mn	Terms of Repayment	Security Pledged
Lankem Ceylon PLC	Sampath Bank PLC			In 60 monthly installments with step-up capital repayment plan, with 24 months capital grace period, as follows.	
	Loan 01	60.11	60.11	1-12 Months - Rs. 0.25 Mn, 13- 24 Months - Rs. 0.625 Mn, 25-36 Months - Rs. 0.750 Mn, 37-48 Months - Rs. 0.875 Mn, 49-59 Months - Rs. 2.71 Mn & 60th Month Rs. 0.302 Mn per month, interest to be serviced separately on monthly basis.	(a) Term Loan Agreement of Rs. 60.11 Mn (b) Term Loan Agreement of Rs. 189.8 Mn (c) Hypothecation bond over stocks located Pannala and book debts of the Company for the total value of Rs. 450 Mn (d) Corporate guarantee of E.B. Creasy & Company PLC Rs. 250 Mn
	Loan 02	189.89	83.21	In 60 monthly installments in following manner after a grace period of 24 months. 1-12 Months - Rs. 0.75 Mn, 13-24 Months - Rs. 1.875 Mn, 25-36 Months - Rs. 2.250 Mn, 37-48 Months - Rs. 2.625 Mn, 49-59 Months - Rs. 8.130 Mn & 60th Month Rs. 10.458 Mn per month, interest to be serviced separately on monthly basis.	

Notes to the Financial Statements

Company	Lender	Balance as at 31.03.2020 (Rs.) Mn	Balance as at 31.03.2019 (Rs.) Mn	Terms of Repayment	Security Pledged
Commercial Bank of Ceylon PLC					
	Loan 02	26.8	36.5	In December 2017 Existing loan was convert to new reschedulement facility. Repayable in 55 equal monthly of Rs. 0.96 Mn and a final installment of Rs. 0.76 Mn together with interest.	
	Loan 03	138.40	162.40	In December 2017 Existing loan was convert to new reschedulement facility. In 57 monthly installments of Yr -1 Rs. 0.5 Mn ,Yr -2 Rs. 2 Mn, Yr- 3 Rs. 3 Mn ,Yr- 4 Rs. 5 Mn ,Yr -5 Rs. 5.5 Mn for 8 months and a final installment of Rs. 4.4 Mn. together with interest payable monthly on reducing balance of capital	a) Primary Mortgage for Rs. 200 Mn over land at Ja-ela & Gonawala. b) Secondary Mortgage Bond No. 528 dated 07-04-1998 for Rs.50 Mn executed over above property.
	Loan 04	32.80	37.20	In 60 monthly installments of Yr -1 Rs. 0.5 Mn ,Yr -2 Rs. 2 Mn, Yr- 3 Rs. 3 Mn ,Yr- 4 Rs. 5 Mn ,Yr -5 Rs. 6 Mn for 11 months and a final installment of Rs. 8 Mn. together with interest payable monthly on reducing balance of capital	c) Tertiary Mortgage Bond for Rs. 307 Mn over above property.
	Loan 05	91.50	103.5	In 60 monthly installments of Yr -1 Rs. 0.5 Mn ,Yr -2 Rs. 1 Mn, Yr- 3 Rs. 1.5 Mn ,Yr- 4 Rs. 2 Mn ,Yr -5 Rs. 4 Mn for 11 months and a final installment of Rs. 8.5 Mn. together with interest payable monthly on reducing balance of capital.	d) Additional Mortgage Bond for Rs.400 Mn over stocks and assignment of book debts to be executed by the Company.
	Loan 06	164.00	188.0	In 60 monthly installments of Yr -1 Rs. 0.2 Mn ,Yr -2 Rs. 0.7 Mn, Yr- 3 Rs. 1.3 Mn ,Yr- 4 Rs. 2 Mn ,Yr -5 Rs. 6 Mn for 11 months and a final installment of Rs. 8 Mn. together with interest payable monthly on reducing balance of capital.	(e) Corporate guarantee of E.B. Creasy & Company PLC Rs. 382 Mn
	Loan 07	72.80	82.3	In 60 monthly installments of Yr -1 Rs. 0.1 Mn, Yr -2 Rs. 0.4 Mn, Yr- 3 Rs. 0.6 Mn ,Yr- 4 Rs. 1 Mn ,Yr -5 Rs. 1.2 Mn for 11 months and a final installment of Rs. 1.6 Mn. together with interest payable monthly on reducing balance of capital.	
	Peoples' Bank	545.00	545.00	In May 2018 Existing loan Rs. 555 Mn was convert to new reschedulement facility. After reschedule Rs. 2.5 Mn for 6 Months , Rs.8.0 Mn for 12 Months and Rs.17.76 Mn for 25 Months.	Mortgage over stocks and Book debts on crystallization basis.

Company	Lender	Balance as at 31.03.2020 (Rs.) Mn	Balance as at 31.03.2019 (Rs.) Mn	Terms of Repayment	Security Pledged
	National Development Bank				
	Loan -2	227.82	250.90	Payable over 48 monthly installments inclusive of 6 months grace period	Mortgage over stocks and Book debts
	Bank of Ceylon				
	Loan 2	288.02	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.
	Central Finance Co PLC	14.42	21.56	In 48 monthly equal installments of Capital & Interest Rs.0.917 Mn each.	Mortgage and special power of Attorney of 10 No.of Double cab vehicle Promissory note.
	Union Bank Colombo PLC				
	Loan 01	22.00	32.49	In 36 monthly installments of Yr -1 Rs. 0.75 Mn, Yr -2 Rs. 1 Mn, Yr- 3 Rs. 1.5 Mn for 11 months and a final installment of Rs. 2.5 Mn. together with interest payable monthly on reducing balance of capital.	Pledge over trading shares for Rs.121 Mn held in slash Account. Shares given below; C.W.Mackie 2137,526 No. of Shares Marawilla resorts PLC 11,023,676 No. of Shares, Lankem Development PLC 2480,626 No. of Shares.
	Loan 02	67.40	74.00	In 60 monthly installments of Yr -1 to Yr-3 Rs. 0.6 Mn , Yr-4 Rs. 2.45 Mn, Yr- 5 Rs. 2.45 Mn for 11 months and a final installment of Rs. 2.05 Mn. together with interest payable monthly on reducing balance of capital.	
	Nations Trust bank	274.11	273.69	In Sep 19 Existing loan of Rs. 275 Mn was convert to new reschedule facility. In 36 monthly installments of 12 Monthly installments Rs.0.5Mn ,6 Monthly installments of Rs. 1.00 Mn,6 Monthly installments of Rs.5.00 Mn ,11 Monthly installments of Rs. 20.00 Mn and final installments of Rs.14.11 MN interest to be serviced separately on monthly basis.	Mortgage over stocks and book debts of Rs. 300 Mn, Letter of awareness/ comfort from Colombo Fort Land & Building PLC
	Haton National bank	403.60	405.00	In 99 monthly installments with 11 month grace period and 18 Monthly installments Rs.0.2 Mn,12 Monthly installments of Rs. 0.5 Mn, 12 Monthly installments of Rs. 1.0 Mn, 12 Monthly installments of Rs. 5 Mn, 12 Monthly installments of Rs. 7.5 Mn, 12 Monthly installments of Rs. 10 Mn, 9 Monthly installments of Rs. 12.5 Mn, and final installments of Rs.0.9 Mn.	Letter of awareness/ comfort from Colombo Fort Land & Building PLC
	Peoples Leasing & Finance PLC	74.23	79.24	In 48 monthly installments in following manner. 1st 12 Months - Rs.0.50 Mn, 2nd 12 Months - Rs. 1.00 Mn, Balance in equal installment with in period of 24 Months.	Security Cheque to be lodged with People's Leasing & Finance PLC for Rs. 79.24 Mn, Promissory Note of Rs.79.24 Mn

Notes to the Financial Statements

Company	Lender	Balance as at 31.03.2020 (Rs.) Mn	Balance as at 31.03.2019 (Rs.) Mn	Terms of Repayment	Security Pledged
	Pan Asia Banking Corporation PLC	158.00	-	Repayable with in 6 years with a grace period of 12 months	Quoted shares held in the SLASH account at the Central Depository System in join names of Pan Asia Banking Corporation PLC / Lankem Ceylon PLC (Valued as at 14.10.2019 is Rs.213Mn)
		2,850.94	2,770.10		
Beruwala Resorts PLC					
	Term Loan USD	187.97	176.77		Primary mortgage over land and buildings of BOT Hotel Services Ltd. situated at Weligama.
	Term Loan SLR	62.6	64.41		Mortgage executed over brand new high capacity laundry machinery manufactured in the USA worth of Rs. 20,000,000/- for the Term Loan from Cargills Bank Ltd
		250.57	241.18		
Sigiriya Village Hotels PLC	Sampath Bank PLC	143.54	127.43	Repayable over 35 monthly installments.	Mortgage over leasehold right of the land of the Company.
		143.54	127.43		
Marawila Resorts PLC	Commercial Bank of Ceylon PLC	93.56	69.3	18.4 Mn im May 2023, 48.5 Mn in December 2022 and 26.6.5 in August 2024.	Floating mortgage Bond No: CTY/MBO/17/06/03 dated 10/08/2017 for Rs.25,000,000/- obtained over assignment of book debts totaling US\$ 5.37 Mn over the Hotel premises at Marawila
	Commercial Bank of Ceylon PLC	211.71	218.57	To be repaid in June 2024.	Floating Primary Mortgage Bond for Rs. 120,000,000/- to be obtained over the property situated at "Club Palm Bay". Thalwilawella, Marawila more fully depicted as Lots 03 to 09 in Plan No. 5656 dated 16.10.2016 drawn by Mr. W S S A Fernando (L/S) in extent of A 24: R:0 P 2.7 owned by Marawila Resorts PLC.
		305.27	287.87		

Company	Lender	Balance as at 31.03.2020 (Rs.) Mn	Balance as at 31.03.2019 (Rs.) Mn	Terms of Repayment	Security Pledged
Galle Fort Hotels (Pvt) Ltd.	Cargills Bank PLC				
	Loan 01	20.68	21.26	Repayable over 39 equal monthly installments of Rs. 0.53Mn together with interest.	Primary mortgage bond over property for Rs 35 Mn and 0.775Mn USD, mentioned as Lot X in the plan No. 130 situated at Galle Fort village.
	Loan 02	55.72	53.91	Repayable over 38 equal monthly installments of US\$ 7,574 and a final installment of US\$ 7,568 together with interest.	
	Loan 03	35.45	34.26	Repayable over 40 equal monthly installments of US\$ 4,584 and a final installment of US\$ 4,613 together with interest.	
	111.85	109.43			
JF Packaging Ltd.	Sampath Bank PLC				
	Loan I	-	31.17	Repayable over 59 monthly installments	Hypothecation Bond for Rs.105 Mn over stocks and book debts held at factory premises at No. 306, Minuwangoda Road, Kotugoda.
	Loan II	-	6.27	Repayable over 35 monthly installments	Mortgage over Dry laminating machine and related equipment's
	Loan III	-	112.72	Repayable over 60 monthly installments	Corporate guarantee of Lankem Ceylon PLC and Shares of Alliance Five (Pvt) Ltd.
	Loan 4	98.59	-	Repayable over 60 monthly installments, 01-12 months- Rs. 0.32Mn, 13-24 months Rs.1Mn, 25-36 months 1.75Mn, 37-48 months Rs. 2.25Mn, 49- 60 months Rs.3Mn.	Corporate guarantee of Lankem Ceylon PLC for Rs.98.87Mn mortgage over shares of Alliance Five (Pvt) Ltd.
	Loan 5	25.17	-	Repayable over 60 monthly installments, 01-12 months- Rs. 0.12Mn, 13-24 months Rs.0.25Mn, 25-36 months 0.45Mn, 37-48 months Rs. 0.58Mn, 49- 60 months Rs.74Mn.	Mortgage over Dry laminating machine and related equipment's
	Loan 6	2.66	-	Repayable over 60 monthly installments	
	Loan 7	24.50	-	Repayable over 24 monthly installments, 01-12 months- Rs. 0.12Mn, 13-24 months Rs.0.2 and a final installment of Rs. 1.1Mn	
Loan 8	3.92	-	Repayable over 2 years in 23 equal monthly installments 01-12 months- Rs. 0.12Mn, 13-24 months Rs.0.2 and a final installment of Rs. 1.1Mn		

Notes to the Financial Statements

Company	Lender	Balance as at 31.03.2020 (Rs.) Mn	Balance as at 31.03.2019 (Rs.) Mn	Terms of Repayment	Security Pledged
	Bank of Ceylon				
	Loan 1	-	4.13	Repayable over 96 equal monthly installments of Rs. 1.03 Mn.	Primary mortgage of Land, building and machinery situated at No. 306, Minuwangoda Road, Kotugoda.
	Loan 2	-	0.68	Repayable over 60 monthly installments	
	Loan 3	-	3.36	Repayable over 60 monthly installments	
	Loan 4	122.57	128.52	Repayable over 48 equal monthly installments of Rs. 3.12 Mn.	
	Loan 5	71.97	96.22	Repayable over 72 equal monthly installments of Rs. 2.08 Mn.	
	Loan 6	238.33	297.92	Repayable over 60 equal monthly installments of Rs. 0.4 Mn.	
	Loan 7	102.67	128.33	Repayable over 60 equal monthly installments of Rs. 2.33 Mn.	
	Nation Trust Bank PLC				
	Loan 1	105.13	113.13	Repayable over 48 monthly installments of Rs. 1 Mn	Mortgage over stocks and book debts held at factory premises at No. 306, Minuwangoda Road, Kotugoda.
		1,006.89	922.45		
Kiffs (Private) Limited	National Development Bank PLC				
	Loan 1	5.00	6.88	Repayable over 48 monthly installments	Primary mortgage over equipment located at No. 179/6, Ragama Road, Kadawatha
		5.00	6.88		
Kelani Valley Canneries Limited	Commercial Bank of Ceylon PLC	2.74	3.49		Mortgage bond over the machinery valued Rs. 3 Mn and motor vehicle valued Rs. 9 Mn at Kaluaggala, Hanwellla
		2.74	3.49		
C. W. Mackie PLC	Commercial Bank of Ceylon PLC	191.71	291.55		
		191.71	291.55		

Company	Lender	Balance as at 31.03.2020 (Rs.) Mn	Balance as at 31.03.2019 (Rs.) Mn	Terms of Repayment	Security Pledged
SunAgro Foods Ltd.	Sampath Bank PLC	9.6	144.06	In 25 monthly installment of Rs. 0.1 Mn each for 1st 12 months, Rs. 0.2 Mn each for next 12 months and a final installment of Rs. 6.4 Mn on 26th day of the each month commencing from September 2019.	Corporate Guarantee from Lankem Ceylon PLC amounting to Rs.10 Mn.
		222.66	197.92		
SunAgro LifeScience Ltd.	Commercial Bank of Sri Lanka	127.06	-	12 installements of 0.4 MN, 12 installements of 1 MN, 12 installements of 2.5 MN, 12 installements of 4.5 MN, 12 installements of 5.5 MN & final payment Rs. 667,014	Corporate Gaurantee Rs. 100 MN - 01/30/2014 obtained from Lankem Ceylon PLC & Rs. 100 MN - 03/03/2017 (Lankem Ceylon PLC)
	Peoples Leasing & Finance PLC - Long Term Loan	46.85	-	12 installements of 0.5 MN, 12 installements of 1 MN & Balance Equal installments within next 24 months.	Security cheque of Rs. 53,858,157 & Promissory note of Rs. 53,858,157
	Peoples Leasing & Finance PLC - Short Term Loan	153.02	-	Monthly Repayment Rs. 150,000	Security cheque to be lodged with People's Leasing Finance PLC for Rs. 154,972,027 Promissory Note of Rs. 154,972,027 & Corporate guarantee of M/S LANKEM CEYLON PLC (PQ128) to the value of Rs. 154,972,027.
	Siyapatha Finance	48.74	-	Monthly payments as per the schedule given by the Siyapatha Finance	Lankem Ceylon PLC for Rs. 50,000,000
		375.67	-		

Notes to the Financial Statements

29. LEASE LIABILITIES

As at	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Balance at the beginning	1,220	1,664	-	-
Adjustment on the initial application of SLFRS 16 (Note 3.2)	246,355	-	53,748	-
Adjusted Balance as at 1st April	247,575	1,664	53,748	-
Leases obtained during the year	71,548	262	2,191	-
Payments made during the year	(75,788)	(611)	(29,663)	-
Interest charged during the year	34,811	201	6,670	-
Less: Interest in Suspense	-	(296)	-	-
Balance at the end of the year	278,146	1,220	32,946	-
Amounts Recognised in Profit and Loss				
Interest charged during the year	34,811	201	6,670	-
Amounts Recognised in Cash Flow				
Payments made during the year	(75,788)	(611)	(29,663)	-
29.1 Maturity Analysis of Lease Liabilities				
Less than one year	53,395	425	14,823	-
More than one year	224,751	795	18,123	-
	278,146	1,220	32,946	-

30. DEFERRED INCOME

As at	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
At the beginning of the year	27,897	27,897	-	-
Grants received during the year	777	-	-	-
At the end of the year	28,674	27,897	-	-
Amortisation				
At the beginning of the year	15,951	13,128	-	-
Amortisation for the year	2,823	2,823	-	-
At the end of the year	18,774	15,951	-	-
	9,900	11,946	-	-

Consolidated

Kelani Valley Canneries Limited

Kelani Valley Canneries Limited (KVC) has been awarded a government grant in December 2016 from Industrial Development Board of Ceylon, amounting to Rs. 500,000/- for the acquisition of fully automated jam cup filling machine which was total cost of Rs. 1.3 million. During the year, the company has received Rs. 702,375/- related the above said grant. The grant was received under the scheme with the aim of facilitating Micro Small and Medium Enterprise's (MSME) engaged in food based products by supporting them with funds needed to acquire new technology or purchase modern machinery to enhance the quality or productivity of their production. The government grant recognised as deferred income is being amortised over the useful life of the machinery.

In accordance with the term of the grant KVC shall start the production with above machinery and shall not sell, assign, pledge, mortgage, gift let rent the machinery for a period of five years from the date of purchase of machinery.

SunAgro Foods Limited

A Grant received from the USAID/CORE project amounting to Rs. 27,497,000/- for the purpose of establishing an out grower cereal cultivation with 1,000 farmers and to set up a processing facility for cereal legume mixture manufacturing in the trincomalee district.

The grant has been amortized over the useful life time of the assets.

31. DEFERRED TAX ASSETS/(LIABILITIES)

As at	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Balance as at the beginning of the year	(583,965)	(198,199)	118,541	111,058
Recognised through Profit or Loss	303,581	328,119	204,226	240,482
Recognised through OCI	36,905	(713,885)	(3,815)	(232,999)
Balance as at the end of the year	(243,479)	(583,965)	326,582	118,541

31.1 Deferred Tax Assets

Lankem Ceylon PLC, Sun Agro Life Science (Pvt) Limited, JF Packaging (Pvt) Ltd, Alliance Five (Pvt) Ltd, Kiffs (Pvt) Ltd and Ceylon Tapes Limited has recognized deferred tax assets as at 31st March 2020. The Composition of these deferred tax assets are as follows,

As at	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Deferred Tax Assets				
Defined Benefit Obligations	48,413	38,764	38,834	35,669
Tax Losses carried forward	696,846	314,633	495,168	314,633
Impairment of Debtors	68,992	94,610	55,695	91,976
Provision for Obsolete Inventories	30,706	2,653	16,391	-
Unclaimed Finance Cost	17,007	20,101	-	-
Deferred Lease Rent Liability	13,591	354	-	-
Gain on FVTOCI Investments	10,996	-	10,996	-
Property, Plant & Equipment	(168,717)	(72,193)	(53,822)	(68,327)
Revaluation Surplus	(271,086)	(256,040)	(199,448)	(255,410)
Investment Properties	(35,990)	-	(35,990)	-
Right of Use Assets	(15,222)	-	(1,242)	-
	395,535	142,882	326,582	118,541

Notes to the Financial Statements

31.2 Deferred Tax Liabilities

Marawila Resorts PLC, Sigiriya Village Hotel PLC, Beruwala resorts PLC, BOT Hotel Services (Pvt) Ltd, Gall Fort Hotel Ltd and C.W. Mackie Group PLC has recognized deferred tax liabilities as at 31st March 2020. The comparison of the deferred tax liabilities are as follows,

As at	Consolidated	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Deferred Tax Liabilities		
Defined Benefit Obligations	21,926	21,212
Tax Losses carried forward	74,247	236,395
Impairment of Debtors	150	6,442
Provision for Obsolete Inventories	469	-
Unclaimed Finance Cost	689	-
Deferred Lease Rent Liability	2,085	-
Gain on FVTOCI Investments	1,670	-
Property, Plant & Equipment	(348,430)	(520,325)
Revaluation Surplus	(395,158)	(470,571)
Investment Properties	-	-
Right of Use Assets	3,338	-
	(639,014)	(726,847)
Net Deferred Tax Liabilities	(243,479)	(583,965)

31.3 Accumulated Tax Losses

As per the Gazette 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 1st April 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.

The deferred tax asset arising from accumulated tax losses carried forward was recognized only up to the extent of the expected future taxable profits. In estimating the future taxable profits, the Company / Group has considered the expected level of future business operations along with the impact of the implementation of new strategic plan.

31.4 Disallowed Finance Cost

As per the Subsection (3) of Section 18 of the Inland Revenue Act No. 24 of 2017, finance 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 finance costs and assets have been recognized.

31.5 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.

31.6 Deferred Tax Assets not Recognised

- i. The Deferred Tax is arrived at by using the Income Tax rates substantively in enacted as at the reporting date (i.e. 31st March 2020). The Group has not considered tax rates specified in the IRD notice PN/IT/2020-03 in calculating the deferred tax asset/liability as the legislative process relating to the amendments of laws are yet to be completed.
- ii. No provision has been made for deferred tax in the financial statements of Imperial Hotels Limited (Previously known as York Hotels (Kandy) Ltd.) as no material temporary differences have arisen during the year which are expected to reverse in the future.
- iii. Deferred tax assets have been recognised in respect of deductible temporary difference mentioned below:

As at	31.03.2020		31.03.2019	
	Temporary Differences Rs. Million	Deferred Tax Asset Rs. Million	Temporary Differences Rs. Million	Deferred Tax Asset Rs. Million
SunAgro Farms Ltd.	59.7	16.7	58.9	16.5
Lankem Exports (Pvt) Ltd.	31.2	8.7	31.1	8.7
Lankem Consumer Products Ltd.	192.1	53.8	192.5	53.9
Lankem Research Ltd.	13.4	3.8	13.3	1.6
Lankem Paints Ltd.	83.7	23.4	90.2	25.3
Lankem Chemicals Ltd.	2.9	0.8	2.7	0.8
SunAgro Foods Ltd.	432.3	121.1	355.6	99.6
Colombo Fort Hotels Ltd.	4.9	1.4	4.3	1.2
Lankem Ceylon PLC	1,457.5	408.1	1,769.7	495.5
Kelani Velley Canneries Ltd.	289.8	81.1	259.2	72.5
Lankem Technology Services (Pvt) Ltd.	0.3	0.1	0.3	0.1
Ceytra (Private) Ltd.	50.8	14.2	45.5	12.7
Ceymac Rubber Company Ltd.	24.3	6.8	22.3	3.1
Associated Farms Ltd.	21.3	6.0	21.2	5.9

32. RETIREMENT BENEFIT OBLIGATIONS

As at	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Present Value of the Funded Obligations (Note 32.2)	288,098	236,780	142,567	130,745
Present Value of the Unfunded Obligations	81,561	72,741	-	-
Present Value of the Obligations	369,659	309,521	142,567	130,745
Fair Value of Retirement Benefit Assets (Note 32.1)	(58,884)	(56,142)	(3,875)	(3,355)
Present Value of Net Obligations	310,775	253,379	138,692	127,390

Company

An Actuarial valuation has been carried out as at 31st March 2020 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. 3.8 Mn. 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'.

Notes to the Financial Statements

32.1 Fair Value of Retirement Benefit Assets

As at	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Movements in Fair Value of Plan Assets				
Fair Value of Plan assets at the beginning of the year	56,142	47,272	3,355	3,115
Contribution Paid to the Plan Assets	13,025	11,642	-	-
Expected Return on Plan Assets	5,785	4,804	386	343
Benefits paid by the Plan Assets / the Company	(12,415)	(6,896)	-	-
Actuarial Gains/(Losses)	(3,653)	(680)	134	(103)
Fair Value of Retirement Benefit Assets	58,884	56,142	3,875	3,355

32.2 Present Value of the Funded Obligations

For the Year Ended	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Movement in Present Value of Funded Obligations				
Balance at the beginning of the year	236,780	238,982	130,745	130,618
Transfer in	(3,476)	(1,340)	(3,476)	(1,340)
Provision for the year	44,321	60,942	24,735	24,328
	277,625	298,584	152,004	153,606
Benefits paid by the Plan Assets / the Company	(9,535)	(30,894)	(9,374)	(15,421)
Actuarial (Gains)/Losses	20,008	(30,910)	(63)	(7,440)
Present Value of Defined Benefit Obligations	288,098	236,780	142,567	130,745
Expenses Recognised in the Statement of Profit or Loss				
Current Service Cost	18,329	27,394	9,700	10,107
Interest Cost	25,992	33,548	15,035	14,221
	44,321	60,942	24,735	24,328
Expected Return on Plan Assets	(5,785)	(343)	(386)	(343)
	38,536	60,599	24,349	23,985
(Gain)/Loss Recognise in OCI	20,008	(30,910)	(63)	(7,440)
	20,008	(30,910)	(63)	(7,440)

32.3 Present Value of Net Obligations

As at	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Fair Value of Plan Assets (Note 32.1)	58,884	56,142	3,875	3,355
Present Value of Funded Obligations (Note 32.2)	(288,098)	(236,780)	(142,567)	(130,745)
Present Value of Net Obligations	(229,214)	(180,638)	(138,692)	(127,390)
Present Value Unfunded Obligation (Note 32.3)	(81,561)	(72,741)	-	-
	(310,775)	(253,379)	(138,692)	(127,390)

32.4 Present Value of the Unfunded Obligations

As at	Consolidated	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Movement in Present Value of Unfunded Obligations		
Balance at the beginning of the year	72,741	72,661
Transfer Out	(716)	-
Provision for the year	20,900	14,718
	92,925	87,379
Gratuity Paid	(16,668)	(13,775)
Actuarial (Gains)/Losses	5,304	(863)
Present value of Defined Benefit Obligations	81,561	72,741
Expenses Recognised in the Statement of Comprehensive Income		
Current Service Cost	13,498	13,662
Interest on Obligations	7,402	1,056
Provision for the year	20,900	14,718
Net Actuarial (Gains)/Losses	5,304	(863)
	26,204	13,855

Notes to the Financial Statements

Consolidated

(i) The retirement benefit obligations as at 31st March 2020 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 2020 were Rs. 11.6 Mn, 17.9 Mn, 12Mn and 79.8 Mn respectively.

ii) JF Packaging Ltd.

The retirement benefit obligations as at 31st March 2020 is based on actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Private) Ltd. as per which liability as at 31st March 2020 was Rs.15.9 Mn.

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. These key assumptions were made in arriving at the retirement benefit obligation as at 31st March 2020 in respect of following companies are stated below:

Company Name	Expected Salary Increment Rate	Discount Rate	Liability as at
			31.03.2020 Rs. Million
Lankem Ceylon PLC	8%	10.0%	138.7
Marawila Resorts PLC	7.5%	10.0%	11.6
Sigiriya Village Hotels PLC	7.5%	10.0%	17.9
C.W. Mackie PLC	10%	10.0%	79.8
Beruwala Resorts PLC	7.5%	10.0%	12.0
BOT Hotel Services (Pvt) Ltd.	10.0%	10.0%	1.7
Lankem Consumer Products Ltd.	10%	10.0%	-
SunAgro Farms Ltd.	8%	10.0%	-
SunAgro LifeScience Ltd.	7.5%	10.0%	2.6
Galle Fort Hotels (Pvt) Limited	10%	10.0%	2.3
Ceylon Tapes (Pvt) Limited	10%	10.0%	6.9
SunAgro Foods Ltd.	8%	10.0%	0.2
Lankem Paints Ltd.	7.5%	10.0%	6.9
JF Packaging Ltd.	10%	10.0%	15.9
Lak Kraft (Pvt) Ltd.	10%	10.0%	0.0
Sherwood Holidays Ltd.	10%	10.0%	1.0
Alliance Five (Pvt) Ltd.	10%	10.0%	7.0
Kiffs (Private) Limited	10%	10.0%	5.2

32.5 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.

Consolidated	2020		2019	
	Increase Rs.'000	Decrease Rs.'000	Increase Rs.'000	Decrease Rs.'000
Movement by 1%				
Discount Rate	(56,907)	61,264	(59,569)	74,458
Future salary scale	61,264	(58,895)	74,153	(43,363)

Company	2020		2019	
	Increase Rs.'000	Decrease Rs.'000	Increase Rs.'000	Decrease Rs.'000
Movement by 1%				
Discount Rate	(3,243)	3,431	(4,486)	12,169
Future salary scale	3,436	(3,300)	12,222	(4,486)

33. TRADE AND OTHER PAYABLES

As at	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Trade Payables	1,547,968	1,701,285	660,121	834,752
Other Payables	374,866	392,165	146,501	97,572
Accrued Expenses	364,087	432,299	147,797	158,979
ESC Payable	-	5,444	-	4,067
WHT Payable	6,164	-	-	-
Unclaimed Dividend	16,496	15,824	7,438	7,453
NBT Payable	2,761	14,324	-	64
VAT Payable	59,724	51,153	31,483	-
Advance Received	316,204	180,275	-	-
Other Levies Payable	7,145	14,434	-	-
	2,695,415	2,807,203	993,340	1,102,887

Notes to the Financial Statements

34. RELATED PARTY TRANSACTIONS

34.1 Amounts Due from Related Parties - Trade

As at	Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Subsidiaries		
SunAgro Foods Ltd.	715	715
C.W. Mackie PLC	20	20
SunAgro LifeScience Ltd.	1	1
Ceylon Tape (Pvt) Ltd.	-	242
Beruwala Resorts PLC	406	253
Marawila Resorts PLC	893	329
BOT Hotel Services (Pvt) Ltd.	331	341
Sigiriya Village Hotels PLC	921	-
Galle Fort Hotels (Pvt) Ltd.	38	-
Lak Kraft (Pvt) Ltd.	12	30
Kiffs (Pvt) Ltd.	97	16
JF Packaging Ltd.	12,266	-
Less: Provision for Impairment of Amounts due from Related Parties - Trade (Note 34.1.1)	(1,134)	-
Net Carrying Amount	14,566	1,947

As at	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Affiliates				
Ceylon Trading Company Ltd.	555	-	-	-
Kotagala Plantations PLC	697	-	-	-
E.B. Creasy & Company PLC	975	-	-	-
York Hotel Management Services Ltd.	174	-	-	-
Darley Butler & Co. Ltd.	72	-	-	-
Candy Delights (Pvt) Ltd.	3,002	-	-	-
Union Commodities Ltd.	2,009	-	-	-
Net Carrying Amount	7,484	-	-	-

34.1.1 Movement of Provision for Impairment of Amounts due from Related Parties - Trade

As at	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Balance as at the beginning of the year	-	-	-	-
Provision for the year	-	-	1,134	-
Balance as at the end of the Year	-	-	1,134	-

34.1.2 Provision for Impairment of Amounts due from Related Parties - Trade

As at	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Subsidiaries				
SunAgro Foods Ltd.	-	-	715	-
Beruwala Resorts PLC	-	-	11	-
Marawila Resorts PLC	-	-	25	-
BOT Hotel Services (Pvt) Ltd.	-	-	8	-
Sigiriya Village Hotels PLC	-	-	10	-
JF Packaging (Pvt) Ltd.	-	-	365	-
	-	-	1,134	-

34.2 Amounts due from Related Parties – Non-Trade

As at	Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Subsidiaries		
Associated Farms (Pvt) Ltd.	19,920	19,886
Lankem Consumer Products Ltd.	158,310	157,338
Colombo Fort Hotels Ltd.	541,658	472,725
JF Packaging Ltd.	24,532	12,691
SunAgro Foods Ltd.	69,402	64,978
SunAgro Farms Ltd.	1,601	892
Lankem Exports (Pvt) Ltd.	237	168
Ceylon Tape (Pvt) Ltd.	1,821	437
Galle Fort Hotels (Pvt) Ltd.	6,055	500
Nature's Link Ltd.	4,796	2,868
Lankem Research Ltd.	1,287	1,200
	829,619	733,683
Less: Provision for Impairment of Amounts due from Related Parties - Non-Trade (Note 34.2.2)	(280,985)	(266,482)
Net Carrying Amount	548,634	467,201

Notes to the Financial Statements

As at	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Affiliates				
E.B. Creasy & Company PLC	178	934	178	191
Darley Butler & Co. Ltd.	7,903	4,555	7,868	3,893
Lankem Developments PLC	3	16,894	-	16,891
Lankem Tea & Rubber Plantations (Pvt) Ltd.	25	25	-	-
Kotagala Plantations PLC	45,509	12,935	45,509	12,257
Agarapatana Plantations Ltd.	39,643	12,117	29,187	12,117
CWM Hotels Holdings Ltd.	81,939	-	-	-
York Hotel Management Services Ltd.	78,795	59,742	-	-
Ceylon Trading Company Ltd.	-	162	-	-
Union Commodities (Pvt) Ltd.	36,560	19,178	-	-
Lanka Special Steels Ltd.	27	16	27	16
Candy Delights Ltd.	4,455	6,317	-	-
Duramedical Lanka Ltd.	151	151	151	151
Colombo Fort Group Service (Pvt) Ltd.	200	-	-	-
Colonial Motors Ltd.	-	120,178	-	-
The Colombo Fort Land & Buildings PLC	5,883	66,719	134	98
Property & Investment Holdings (Pvt) Ltd.	150,000	-	-	-
Ceytape (Pvt) Ltd.	229	10,834	-	-
	451,500	330,757	83,054	45,614
Less: Provision for Impairment of Amounts due from Related Parties - Non-Trade (Note 34.2.2)	(88,676)	(457)	(6,281)	(386)
Net Carrying Amount	362,824	330,300	76,773	45,228
Total Amounts due from Related Parties - Non-Trade	362,824	330,300	625,407	512,429

34.2.1 Movement of Provision for Impairment of Amounts due from Related Parties - Non-Trade

As at	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Balance as at the beginning of the year	457	71	266,868	241,460
Provision for the year	88,219	386	20,397	25,408
Balance as at the end of the Year	88,676	457	287,266	266,868

34.2.2 Provision for Impairment of Amounts due from Related Parties – Non-Trade

As at	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Subsidiaries				
Lankem Consumer Products Ltd.	-	-	158,310	157,338
Associated Farms (Pvt) Ltd.	-	-	19,920	19,886
SunAgro Foods Limited	-	-	69,402	65,693
SunAgro Farms Ltd.	-	-	1,601	892
Lankem Exports (Pvt) Ltd.	-	-	237	168
Nature's Link Pvt Ltd.	-	-	4,796	2,868
Lankem Research Limited	-	-	1,287	1,200
Colombo Fort Hotels Limited	-	-	24,591	18,019
Galle Fort Hotels Private Ltd.	-	-	109	6
J.F. Packaging Ltd.	-	-	731	396
Ceylon Tape (Pvt) Ltd.	-	-	1	1
Beruwala Resorts PLC	-	-	-	4
Lakkraft (Pvt) Ltd.	-	-	-	7
Marawilla Resorts PLC	-	-	-	4
	-	-	280,985	266,482
Affiliates				
Darley Butler & Co. Ltd.	98	43	56	-
Lankem Tea & Rubber Plantation (Pvt) Ltd.	25	25	-	-
Agarapatana Plantations Ltd.	2,891	321	2,570	321
Lankem Developments PLC	68	68	-	65
E.B. Creasy & Company PLC	2	-	2	-
Kotagala Plantations PLC	3,653	-	3,653	-
CWM Hotels Holdings Ltd.	81,939	-	-	-
	88,676	457	6,281	386
	88,676	457	287,266	266,868

Notes to the Financial Statements

34.3 Loans due from Related Parties

As at	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
The Colombo Fort Land & Building Co. PLC	-	85,000	-	-
Colombo Fort Hotels Ltd.	-	-	55,000	55,000
Lankem Developments PLC	-	30,700	-	30,700
Kotagala Plantations PLC	200,000	-	200,000	-
	200,000	115,700	255,000	85,700
Less: Provision for Impairment of Loans due from Related Parties (Note 34.3.1)	(16,055)	-	(25,135)	(2,215)
Net Carrying Amount	183,945	115,700	229,865	83,485

34.3.1 Movement of Provision for Impairment of Loans due from Related Parties

As at	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Balance as at the beginning of the year	-	-	2,215	-
Provision for the year	16,055	-	23,039	2,215
Reversal during the year	-	-	(119)	-
Balance as at the end of the Year	16,055	-	25,135	2,215

34.3.2 Provision for Impairment of Loans due from Related Parties

As at	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Provisions for Impairment				
Colombo Fort Hotels Ltd.	-	-	9,080	2,096
Kotagala Plantations PLC	16,055	-	16,055	-
Lankem Developments PLC	-	-	-	119
	16,055	-	25,135	2,215

34.4 Amounts Due to Related Parties - Trade

As at	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Subsidiaries				
BOT Hotel Services (Pvt) Ltd.	-	-	89	-
Ceylon Tapes (Pvt) Ltd.	-	-	321	-
JF Packaging (Pvt) Ltd.	-	-	-	2,308
	-	-	410	2,308

34.5 Amounts due to Related Parties - Non-Trade

As at	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs. '000	31.03.2019 Rs. '000
Subsidiaries				
Sigiriya Village Hotels PLC	-	-	24,145	17,714
Lankem Technology Services Ltd.	-	-	-	4,613
Lankem Chemicals Ltd.	-	-	-	53,930
C.W. Mackie PLC	-	-	15,586	-
Lankem Paints Ltd.	-	-	21,249	17,687
SunAgro LifeScience Ltd.	-	-	387,335	143,386
	-	-	448,315	237,330
Affiliates				
York Hotel Management Services Ltd.	56,160	53,958	9,084	-
Darley Butler & Co. Ltd.	217	-	-	-
Kotagala Plantations PLC	7,869	7,869	-	-
Agarapathana Plantation Ltd.	11,891	11,461	33	53
Lankem Developments PLC	13,947	5,175	7,387	-
Lankem Tea & Rubber Plantations Ltd.	46	10	10	10
E.B. Creasy & Company PLC	21,872	28,750	21,093	28,340
Carplan Ltd.	110	813	110	512
Colonial Motors PLC	24	15	-	-
Laxapana Batteries PLC	31	-	31	-
The Colombo Fort land & Building PLC	124,633	112,919	37,095	38,909
Waverly Power (Pvt) Ltd.	57,510	53,371	54,017	51,498
E.B. Creasy Logistic (Pvt) Ltd.	11,920	11,549	10,603	11,549
Darley Butler & Co Ltd.	-	180	-	-
KIA Motors (Lanka) Ltd.	19	114	-	-
York Arcade Holdings PLC	61	-	-	8,032
CM Holdings PLC	363	507	363	507
Union Commodities Ltd.	49,080	55,094	13,905	20,015
Colombo Fort Group Service (Pvt) Ltd.	2,275	2,496	1,679	1,622
Sunquick Lanka (Pvt) Ltd.	350,323	546,585	-	-
	708,351	890,866	155,410	161,047
Total Amounts due to Related Parties	708,351	890,866	603,725	398,377

Notes to the Financial Statements

34.6 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		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Associates				
(Receipt)/Payment of Outstanding Balances	(41,560)	(59,456)	(41,619)	(59,456)
Interest (Expenses)/Income	1,579	2,468	-	5,642
(Reimbursement)/Charging of Expenses	-	10	-	10
Dividend	39,100	7,497	39,100	7,497
Joint Venture				
(Receipt)/Payment of Outstanding Balances	1,436,864	1,251,113	-	-
(Reimbursement)/Charging of Expenses	101,712	118,154	-	-
(Purchases)/Sale of Goods	(1,600,173)	(1,632,067)	-	-
Affiliates				
(Purchases)/Sale of Goods	(131,591)	(232,757)	(9,866)	(24,437)
(Receipt)/Payment of Outstanding Balances	89,717	223,083	(97,591)	5,305
(Reimbursement)/Charging of Expenses	56,470	34,402	30,000	38,921
Rent Income	4,939	3,406	4,939	-
Management Fees	49,493	(53,236)	-	-
Interest (Expenses)/Income	26,488	(4,837)	17,978	(7,169)
Settlement of Loan (Obtained)/Granted	(196,355)	(140,000)	(76,000)	(150,000)
Loans (Granted)/Obtained	204,500	203,000	200,000	83,000
Write off	-	15	-	15
Advance payments for purchases	-	101,809	-	-
Subsidiaries				
(Purchases)/Sale of Goods	-	-	48,969	14,091
(Reimbursement)/Charging of Expenses	-	-	12,071	89,367
Fixed Asset Transfers	-	-	3,500	(33)
(Receipt)/Payment of Outstanding Balances	-	-	(83,920)	(87,239)
Interest (Expenses)/Income	-	-	84,308	69,335
Settlement of Loan (Obtained)/Granted	-	-	72,000	135,000
Loans (Granted)/Obtained	-	-	30,700	(186,074)

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 2020.

	Name of the Related Party	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 rationale for entering into the transactions.
1.	SunAgro LifeScience Ltd.	Wholly owned Subsidiary	162,999,039	12% of total equity and 0.8% of total assets	Obtaining of corporate guarantee subject to commission of 2% per annum.	Rescheduling of financing facilities at lower interest rates.
2.	SunAgro LifeScience Ltd.	Wholly owned Subsidiary	154,972,026	11% of Equity and 0.8% of total assets	Providing a corporate guarantee subject to commission of 2% per annum.	Enabling subsidiary to reschedule its financing facilities at lower interest rates.
3.	E.B. Creasy & Company PLC	Related party	285,000,000	20% of Equity and 1% of total assets	Obtaining a corporate guarantee subject to commission of 2% per annum.	Rescheduling of banking facilities an obtaining additional facility.
4.	SunAgro LifeScience Ltd.	Wholly owned Subsidiary	250,000,000	18% of Equity and 1.4% of total assets	Obtaining a corporate guarantee subject to commission of 2% per annum.	Enable restructuring of credit facility.
5.	SunAgro LifeScience Ltd.	Wholly owned Subsidiary	50,000,000	4% of Equity and 0.3% of total assets	Providing a corporate guarantee subject to commission of 2% per annum.	Enable subsidiary to business loan facilities.
6.	E.B. Creasy & Company PLC	Related party	100,000,000	7% of Equity and 0.5% of total assets	Consumer/Business related Property, Plant and Equipment.	
7.	E.B. Creasy & Company PLC	Related party	382,000,000	28% of Equity and 2% of total assets	Obtaining a corporate guarantee subject to commission of 2% per annum.	Enable restructure and enhancement of banking facility.
8.	SunAgro LifeScience Ltd.	Wholly owned Subsidiary	213,000,000	17% of Equity and 1.2% of total assets	Increase in investment	Further infusion of capital to strengthen the equity position of the company's subsidiary, SunAgro LifeScience Limited.
9.	Kotagala Plantations PLC	Related party	200,000,000	15% of Equity and 1% of total assets	Loans given to related party and charge interest based on market rates.	To meet Group's short term funding requirements
10.	C.W. Mackie PLC	Subsidiary	200,000,000	15% of Equity and 1% of total assets	Obtained loan from related party and charge interest at 13.5%.	To meet Group's short term funding requirements

Notes to the Financial Statements

34.7 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).

34.8 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:

As at	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Short-term Employee Benefits	127,670	129,540	88,380	93,245
Terminal benefits	1,330	-	-	-
Total compensation paid to key management personnel	129,000	129,540	88,380	93,245

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

Name of the Company	Relationship	Name of the Director												
		Mr. S.D.R. Arudpragasam	Mr. Anushman Rajaratnam	Mr. D.L. Vitharana	Mr. R.N. Bopearachy	Mr. K.P. David	Mr. R.T. Weerasinghe	Mr. A. Hettiarachy	Mr. A.C.S. Jayarajan	Mr. R. Seevaratnam	Mr. P.M.A. Sirimane	Mr. M.N.K. Jayamanne	Mr. P.S. Goonewardene	Mr. G.K.B. Dasanayaka
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	√	√	√		√	√	√	√		√		√	
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	√	√											

Name of the Company	Relationship	Name of the Director											
		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. Heitarachchy	Mr. A.C.S. Jayaranjan	Mr. R. Seevaratnam	Mr. P.M.A. Sirimane	Mr. M.N.K. Jayamanne	Mr. P.S. Goonewardene
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	√											
C M 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. (Currently known as E.B. Creasy Ceylon (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. D.L. Vitharana retired from the Board of Lankem Ceylon PLC on 31st July 2020.
- Mr. R.N. Bopearatchy retired from the Board of Lankem Ceylon PLC on 31st July 2020.
- Mr. K.P. David and Mr. M.M.K. Jayamanne resigned from the Board of Lankem Ceylon PLC with effect from 31st July 2020.
- Mr. P.S. Goonewardene was appointed to the Board of Directors of Lankem Ceylon PLC with effect from 1st August 2020 and was also appointed to the Boards of the Company's subsidiaries namely Associated Farms (Pvt) Ltd, Ceylon Tapes (Private) Limited, J.F. Packaging Limited, Lankem Chemicals Ltd, Lankem Consumer Products Ltd, Lankem Paints Ltd, Lankem Exports (Pvt) Ltd, Lankem Technology Services Ltd, Lankem Research Ltd, Nature's Link Ltd, SunAgro Farms Ltd, SunAgro Foods Ltd and SunAgro LifeScience Ltd with effect from 1st October 2020.
- Mr. R.T. Weerasinghe retired from the Board of Directors of Lankem Ceylon PLC on 3rd August 2020 and also resigned from the Boards of J.F. Packaging Ltd and Ceylon Tapes (Private) Ltd with effect from 30th September 2020.
- Mr. G.K.B. Dasanayaka was appointed to the Board of Directors of Lankem Ceylon PLC with effect from 1st October 2020.
- Mr. S.D.R. Arudpragasam resigned from the Boards of Carplan Limited and KIA Motors (Lanka) Ltd on 29.07.2019.

Notes to the Financial Statements

35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

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 presents information about the Group's exposure to each of the above risks, the Group's supervision, policies and processes for measuring risk, and the Group's management of capital.

Risk Management Framework

The Company's Board of Directors has overall responsibility of the establishment and oversight of the Group's risk management Framework. They are responsible for the developing and monitoring the Group's risk management policies and reports regularly to the Board of Directors on its activities.

The Group's risk management Policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions and the Group's activities. The Group through its training and management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee of Lankem Ceylon PLC, Oversees how management monitors compliance with the company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

35.1 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, amounts due from related companies placements with banking instruments and in government securities.

Exposure to credit risk

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

As at	Note	Consolidated		Company	
		31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Trade Receivables	23	3,408,574	3,611,322	658,691	697,358
Amounts Due from Related Parties - Trade	34.1	7,484	-	14,566	1,947
Amounts Due from Related Parties - Non-Trade	34.1	362,824	330,300	625,407	512,429
Loans Due from Related Parties	34.2	183,945	115,700	229,865	83,485
Cash and Bank Balances	24	209,716	490,471	19,886	37,484
Financial Assets measured at Fair Value through Profit or Loss	21	26,405	33,015	26,405	33,015
Financial Assets measured at Fair Value through OCI	20	28,086	41,977	26,149	39,546
		4,227,034	4,622,785	1,600,969	1,405,264

35.2 Impairment Losses of Trade Receivables, Amount due from and Loan due from Related Parties

As at	Consolidated				Company			
	31.03.2020		31.03.2019		31.03.2020		31.03.2019	
	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	4,047,937	85,110	4,090,583	33,261	1,797,038	293,644	1,544,049	251,044
More than one year	412,044	412,044	295,237	295,237	218,803	218,803	198,429	198,429
	4,459,981	497,154	4,385,820	328,498	2,015,841	512,447	1,742,478	449,473

The movements in the allowance for impairment in respect of trade and other receivable, amount due to related parties and loan from related parties are disclosed in the respective notes of the Financial Statements.

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

Balances with Bank

The Group held balance with Banks of Rs. 201.2 Mn as at 31st March 2020 (Rs. 481.6 Mn as at 31st March 2019) which represent its maximum credit exposure on these assets.

35.3 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, excluding future estimated interest payments.

As at 31st March 2020	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							
Interest Bearing Borrowings	9,046,150	9,046,150	5,311,286	3,734,864	4,604,652	4,604,652	2,392,488	2,212,164
Loans Payable to Related Parties	143,144	143,144	143,144	-	276,090	276,090	276,090	-
Trade Payables	1,547,968	1,547,968	1,547,968	-	660,121	660,121	660,121	-
Amounts Due to Related Parties - Trade	-	-	-	-	410	410	410	-
Amounts Due to Related Parties - Non Trade	708,351	708,351	708,351	-	603,725	603,725	603,725	-
Bank Overdraft	886,732	886,732	886,732	-	-	-	-	-
	12,332,345	12,332,345	8,597,481	3,734,864	6,144,998	6,144,998	3,932,834	2,212,164

Notes to the Financial Statements

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								
Interest Bearing Borrowings	7,709,517	7,709,517	3,744,641	3,964,876	3,843,777	3,843,777	1,562,527	2,281,249
Loans Payable to Related Parties	215,144	215,144	215,144	-	276,090	276,090	276,090	-
Trade Payables	1,701,285	1,701,285	1,701,285	-	834,752	834,752	834,752	-
Amounts Due to Related Parties - Trade	-	-	-	-	410	410	410	-
Amounts Due to Related Parties - Non-Trade	890,866	890,866	890,866	-	603,725	603,725	603,725	-
Bank Overdraft	986,015	986,015	986,015	-	388,041	388,041	388,041	-
	11,502,827	11,502,827	7,537,951	3,964,876	5,946,795	5,946,795	3,665,545	2,281,249

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

35.4 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.

35.4.1 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 31 st March 2020	+10%	(144,137)	(54,945)
	-10%	144,137	54,945
As at 31 st March 2019	+10%	(136,136)	(54,945)
	-10%	136,136	54,945

35.4.2 Interest Rate Risk

At the reporting date, the interest rate profit of the Company's interest bearing financial instruments was as follows;

As at	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Variable rate instruments				
Financial assets	-	-	-	-
Financial Liabilities	9,189,294	7,924,661	4,880,743	3,991,867
	9,189,294	7,924,661	4,880,743	3,991,867

Sensitivity Analysis

The following table demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the profit before tax. A reasonably possible of +/- 0.1% is used, consistent with current trends in interest rates.

	Strengthening/(Weakening) in exchange rate USD	Effect on Profit before Tax	
		Consolidated Rs.'000	Company Rs.'000
As at 31 st March 2020	+100	68,515	41,034
	-100	(68,515)	(41,034)
As at 31 st March 2019	+100	51,723	33,163
	-100	(51,723)	(33,163)

35.5 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: Valuation techniques based on observable inputs either directly - i.e as prices or indirectly - i.e. Derived from prices. This category includes instruments valued using: quoted market prices active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or the valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques based on observable inputs either directly - i.e as prices or indirectly - i.e. Derived from prices. This category includes instruments valued using: quoted market prices active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or the valuation techniques where all significant inputs are directly or indirectly observable from market data.

31st March 2020	Consolidated			Company		
	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Financial Assets Measured at Fair Value	10,899	17,187	-	9,212	16,937	-
Financial Assets Measured at Fair Value through Profit or Loss	26,405	-	-	26,405	-	-
	37,304	17,187	-	35,617	16,937	-

Notes to the Financial Statements

31 st March 2019	Consolidated			Company		
	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000
Financial Assets Measured at Fair Value Through Other Comprehensive Income	17,779	24,198	-	15,598	23,948	-
Financial Assets Measured at Fair Value through Profit or Loss	33,015	-	-	33,015	-	-
	50,794	24,198	-	48,613	23,948	-

Unquoted investments have been valued based on the Net Asset values of the Company as follows.

	Net Assets Value	
	As at 31st March 2020	As at 31st March 2019
Nanotechnology (Pvt) Ltd.	58	186
Lankem Tea & Rubber Plantations (Pvt) Ltd	2.39	3.20
Agarapathana Plantations Limited	4.5	5.7
Asia Pacific Golf Courses Limited	100	100

35.6 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:

COMPANY	Financial Assets Measured at FVTPL Rs.000	Financial Assets Measured at Amortised cost Rs.000	Financial Assets Measured at FVOCI Rs.000	Financial Liabilities Measured at Amortised Cost Rs.000	Total Carrying Amount Rs.000	Fair Value Rs.000
As at 31st March 2020						
Financial Assets						
Trade Receivables	-	658,691	-	-	658,691	658,691
Amounts Due from Related Parties - Trade	-	15,700	-	-	15,700	15,700
Amounts Due from Related Parties - Non-Trade	-	624,274	-	-	624,274	624,274
Loans Due from Related Parties	-	229,865	-	-	229,865	229,865
Financial Assets Measured at Fair Value through Profit or Loss	26,405	-	-	-	26,405	26,405
Financial Assets Measured at Fair Value through OCI	-	-	26,149	-	26,149	26,149
Bank & Cash Balances	-	19,886	-	-	19,886	19,886
	26,405	1,548,416	26,149	-	1,600,970	1,600,970
Financial Liabilities						
Interest Bearing Borrowings	-	-	-	4,604,652	4,604,652	4,604,652
Loans Payable to Related Parties	-	-	-	276,090	276,090	276,090
Trade Payables	-	-	-	660,121	660,121	660,121
Amounts Due to Related Parties - Trade	-	-	-	410	410	410
Amounts Due to Related Parties - Non Trade	-	-	-	603,725	603,725	603,725
Bank Overdraft	-	-	-	388,041	388,041	388,041
	-	-	-	6,533,039	6,533,039	6,533,039

COMPANY	Financial Assets Measured at FVTPL Rs.000	Financial Assets Measured at Amortised cost Rs.000	Financial Assets Measured at FVOCI Rs.000	Financial Liabilities Measured at Amortised Cost Rs.000	Total Carrying Amount Rs.000	Fair Value Rs.000
As at 31st March 2019						
Financial Assets						
Trade Receivables	-	697,358	-	-	697,358	697,358
Amounts Due from Related Parties - Trade	-	1,947	-	-	1,947	1,947
Amounts Due from Related Parties - Non-Trade	-	512,429	-	-	512,429	512,429
Loans Due from Related Parties	-	83,485	-	-	83,485	83,485
Financial Assets Measured at Fair Value through Profit or Loss	33,015	-	-	-	33,015	33,015
Financial Assets Measured at Fair Value through OCI	-	-	39,546	-	39,546	39,546
Bank & Cash Balances	-	37,484	-	-	37,484	37,484
	33,015	1,332,703	39,546	-	1,405,264	1,405,264
Financial Liabilities						
Interest Bearing Borrowings	-	-	-	3,843,777	3,843,777	3,843,777
Loans Payable to Related Parties	-	-	-	148,090	148,090	148,090
Trade Payables	-	-	-	834,752	834,752	834,752
Amounts Due to Related Parties - Trade	-	-	-	2,308	2,308	2,308
Amounts Due to Related Parties - Non-Trade	-	-	-	398,376	398,376	398,376
Bank Overdraft	-	-	-	518,053	518,053	518,053
	-	-	-	5,745,356	5,745,356	5,745,356

CONSOLIDATED	Financial Assets Measured at FVTPL Rs.000	Financial Assets Measured at Amortised cost Rs.000	Financial Assets Measured at FVOCI Rs.000	Financial Liabilities Measured at Amortised Cost Rs.000	Total Carrying Amount Rs.000	Fair Value Rs.000
As at 31st March 2020						
Financial Assets						
Trade Receivables	-	3,408,574	-	-	3,408,574	3,408,574
Amounts Due from Related Parties - Trade	-	7,484	-	-	7,484	7,484
Amounts Due from Related Parties - Non-Trade	-	362,824	-	-	362,824	362,824
Loans Due from Related Parties	-	183,945	-	-	183,945	183,945
Financial Assets Measured at Fair Value through OCI	26,405	-	-	-	26,405	26,405
Financial Assets Measured at Fair Value through Profit or Loss	-	-	28,086	-	28,086	28,086
Bank & Cash Balances	-	209,716	-	-	209,716	209,716
	26,405	4,172,543	28,086	-	4,227,034	4,227,034
Liabilities						
Interest Bearing Borrowings	-	-	-	9,046,150	9,046,150	9,046,150
Loans Payable to Related Parties	-	-	-	143,144	143,144	143,144
Trade Payables	-	-	-	1,547,968	1,547,968	1,547,968
Amounts Due to Related Parties - Trade	-	-	-	-	-	-
Amounts Due to Related Parties - Non-Trade	-	-	-	708,351	708,351	708,351
Bank Overdraft	-	-	-	886,732	886,732	886,732
	-	-	-	12,332,345	12,332,345	12,332,345

Notes to the Financial Statements

CONSOLIDATED As at 31st March 2019	Financial Assets Measured at FVTPL Rs.000	Financial Assets Measured at Amortised cost Rs.000	Financial Assets Measured at FVOCI Rs.000	Financial Liabilities Measured at Amortised Cost Rs.000	Total Carrying Amount Rs.000	Fair Value Rs.000
Financial Assets						
Trade Receivables	-	3,611,322	-	-	3,611,322	7,222,644
Amounts Due from Related Parties - Trade	-	-	-	-	-	-
Amounts Due from Related Parties - Non-Trade	-	330,300	-	-	330,300	660,599
Loans Due from Related Parties	-	115,700	-	-	115,700	231,400
Financial Assets Measured at Fair Value through OCI	-	-	41,977	-	41,977	83,954
Financial Assets Measured at Fair Value through Profit or Loss	33,015	-	-	-	33,015	66,029
Bank & Cash Balances	-	490,471	-	-	490,471	980,942
	33,015	4,547,793	41,977	-	4,622,785	9,245,568
Financial Liabilities						
Interest Bearing Borrowings	-	-	-	4,604,652	4,604,652	4,604,652
Loans Payable to Related Parties	-	-	-	215,144	215,144	215,144
Trade Payables	-	-	-	1,701,285	1,701,285	1,701,285
Amounts Due to Related Parties - Trade	-	-	-	-	-	-
Amounts Due to Related Parties - Non-Trade	-	-	-	890,866	890,866	890,866
Bank Overdraft	-	-	-	986,015	986,015	986,015
	-	-	-	8,397,962	8,397,962	8,397,962

36. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may or may not make dividend payments to shareholders, return capital to shareholders or issue new shares or other instruments.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings by total equity. Total borrowings including non-current and current borrowings as shown in the statements of financial position. Total equity is calculated as 'Total equity' in the statements of financial position.

The Company's Debt to Equity ratio at the end of the reporting periods is as follows:

As at 31st March	Consolidated		Company	
	31.03.2020 Rs.'000	31.03.2019 Rs.'000	31.03.2020 Rs.'000	31.03.2019 Rs.'000
Total Liabilities	14,422,744	13,551,229	7,037,896	6,140,881
Less: Cash and cash equivalents	(209,716)	(490,471)	(19,886)	(37,484)
Net debts	14,213,028	13,060,758	7,018,010	6,103,397
Total Equity	1,375,750	2,228,715	696,046	1,030,194
Debt to Equity ratio (Gearing Ratio)	10.33	5.86	10.08	5.92

37. COMMITMENTS

37.1 Company

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

37.2 Consolidated

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

38. CONTINGENT LIABILITIES

38.1 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 2020.

Name of the Company	Amount Rs. '000
Darley Butler & Co. Ltd.	260,000
Lankem Developments PLC	62,080
SunAgro Lifescience Ltd.	404,972
SunAgro Foods Ltd.	120,000
JF Packaging (Pvt) Ltd.	546,870
Agarapathana Plantations Ltd.	200,000
	1,593,922

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 and Marawila Resorts PLC by Lankem Ceylon PLC.

38.2 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	
	2020	2019
Ceymac Rubber Company Ltd.	99	99
Ceytra (Pvt) Ltd.	8	8
Kelani Velly Canneries Limited	90	90
	197	197

These corporate guarantees have been provided for Hatton National Bank PLC and Commercial Bank of Ceylon by C.W. Mackie PLC on behalf of its subsidiaries' short term loan facilities, where repayment terms are less than 12 months.

Notes to the Financial Statements

39. EVENTS OCCURRING AFTER THE REPORTING PERIOD

39.1 Company/Group

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

The Company has disposed on 24th July 2020 an equity stake of 23.12%, in subsidiary company Sigiriya Village Hotels PLC on the trading floor of the Colombo Stock Exchange at a consideration of Rs. 66.57 Mn.

40. GOING CONCERN

The Group and the Company has incurred a loss of Rs. 1,025.5 Million and Rs. 324.3 Million respectively for the year ended 31st March 2020. Further, the Group and the Company has reported accumulated losses of Rs. 1,280 Million and Rs. 815.2 Million respectively and current liabilities exceed the current assets by Rs. 2,436.3 Million and Rs. 2,231.2 Million respectively as at 31st March 2020. 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.

41. IMPACT ON COVID-19 PANDEMIC TO THE FINANCIAL STATEMENTS OF THE GROUP

On 11th March 2020, the World Health Organization declared the COVID-19 as a Global Pandemic Situation. The pandemic has significantly affected the Sri Lanka economy as well as the business environment of the Group. The Board of Directors have evaluated and determined the below impact to the businesses carried out by the Group in short to medium term.

The Group has evaluated all guidelines issued by the Government as well as international best practices and the Lankem Group of Companies have developed health and safety guidelines to ensure suitable working arrangements and safe conditions for employees, customers and other stakeholders.

Lankem Ceylon PLC being operated in number of sectors has considered the impact of COVID 19 Pandemic to its financial statements.

Investment Holding

With regard to the investments, there may not be a significant change in judgement used in the determining the fair value of the investments due to impact of the COVID-19. The impairment of investments were tested as per the accounting standards and necessary provisions were made to the financial statements.

Leisure Sector

The Group operates in the leisure sector that has been significantly affected by the outbreak. Stringent measures taken by the health authorities in the country compelled the sector to temporary close operations at hotels owned. A limited number of employees particularly assigned to mandatory maintenance services were called on to report to work with the plan of resuming the operations no sooner the climate is conducive for the same. As such, hotels of the Group commenced its operations to the domestic travelers in early July 2020. Further, number of entities in the sector owned by the Group has offered their properties to repatriated Sri Lankans under the guidance of the Ministry of Health with effect from September 2020.

Retail Sector

The Group's retail sector mainly comprises of sale of paint, pesticides, agro-chemicals and consumer goods. Despite disruptions and slow collections from trade debtors faced by the sector, overall performance of the agro-chemicals and pesticides remained at same levels with the agriculture sector being declared as an essential service. However, curfew and lockdown situations imposed by the Government from time to time disrupts operations ranging from sales to supply of raw material.

As such, based on the assessment of the Board of Directors COVID-19 Pandemic has resulted in a negative impact on the Group's general business routines.

42. 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 Velly 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
Kiffs (Pvt) Ltd.	100
Alliance Five (Pvt) Ltd.	100
Ceylon Tapes Ltd.	100

43. NON-CONTROLLING INTERESTS IN SUBSIDIARIES

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

	Marawila Resorts PLC		Colombo Fort Hotels Ltd.		C.W. Makies PLC		Other Individually Immaterial Subsidiaries	
	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Total assets	1,832,535	1,909,820	2,516,339	2,498,540	6,043,195	5,736,091	4,631,827	4,667,175
Total liabilities	715,067	748,578	949,839	850,711	3,282,818	2,792,951	1,541,560	1,479,552
Net assets	1,117,468	1,161,242	1,566,500	1,647,829	2,760,377	2,943,140	3,090,267	3,187,624
Carrying amount of NCI	675,509	698,321	483,892	509,014	1,232,784	1,314,406	1,301,122	1,377,764
Revenue	417,737	456,637	-	-	8,600,698	9,635,319	747,122	1,244,332
Profit/(loss) after tax	(38,253)	(14,358)	(76,503)	(60,216)	(32,945)	216,470	(133,395)	106,832
Total comprehensive income	(43,772)	238,440	(81,277)	(60,184)	(56,803)	608,633	(98,995)	1,000,411
Profit/(loss) allocated to NCI	(16,080)	(8,680)	(24,576)	(17,431)	(14,713)	74,359	(45,389)	50,036
Cash flows from operating activities	26,737	55,994	(944)	(4,878)	(247,982)	344,533		
Cash flows from/(used in) investing activities	(21,928)	(32,725)	105	522	(247,403)	(221,448)		
Cash flows from financing activities	2,534	13,458	-	-	204,488	(84,530)		
Dividend paid to NCI	-	-	-	-	66,575	66,575		
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.			

Notes to the Financial Statements

44. RECLASSIFICATIONS

a) Reclassification of Interest Payable

The Company/Group decided to present Interest payable under the caption of Interest bearing liabilities instead Accrued Expenses. As such, following adjustments were made.

Consolidated	Trade and other payable Rs. '000	Interest Bearing Borrowings Rs. '000
As previously reported in the financial statements for the year ended 31st March 2019	124,865	-
Reclassification	(124,865)	124,865
Comparative amount as per the annual report for the year ended 31st March 2020	-	124,865
Company		
As previously reported in the financial statements for the year ended 31st March 2019	124,865	-
Reclassification	(124,865)	(124,865)
Comparative amount as per the annual report for the year ended 31st March 2020	-	-

b) Reclassification of impairment of financial assets

The Group decided to present the provision for impairment as a separate line item in the statement of profit or loss and other comprehensive income as required by LKAS 1 "Presentation of financial statements" during the year ended 31st March 2020. In line with this, the comparative amounts reported during the year ended 31st March 2020 were also reclassified as follows,

Consolidated	For the year ended 31st March 2020		
	As previously reported Rs. '000	Reclassification Rs. '000	As restated Rs. '000
Distribution Cost	12,497	(12,497)	-
Other Expenses	(1,394)	1,394	-
Impairment (Loss)/Reversal of Amount due from Related Parties and Trade Receivables	-	11,103	11,103
Company			
Distribution Cost	19,321	(19,321)	-
Other Expenses	27,822	(27,822)	-
Other Income	(197)	197	-
Impairment (Loss)/Reversal of Amount due from Related Parties and Trade Receivables	-	46,946	46,946

Ten Year Summary

	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000
Statement of Profit or Loss										
Revenue	15,423,082	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
Share of Profit / (Loss) of Associate	(7,926)	(334,521)	(97,602)	(75,280)	(217,950)	(268,945)	(65,773)	-	-	-
Share of Profit / (Loss) of Joint Venture	7,963	46,659	(20,697)	-	-	-	-	-	-	-
Profit/(Loss) Before Income Tax	(1,182,563)	(1,049,956)	(349,155)	(613,132)	(140,306)	(260,499)	(71,414)	801,700	1,025,104	2,108,564
Income Tax Expense	157,040	165,676	(127,949)	(118,332)	(114,274)	(113,299)	(144,226)	(248,557)	(299,950)	(236,815)
Profit/(Loss) for the Year	(1,025,523)	(884,280)	(477,104)	(731,464)	(254,580)	(373,798)	(215,640)	553,143	725,154	1,871,749
Profit Attributable to Non-Controlling Interests	(138,263)	98,284	106,253	58,272	179,232	(22,797)	141,059	439,984	248,801	740,643
Profit Attributable to Owners of the Company	(887,260)	(982,564)	(583,357)	(789,736)	(444,874)	(351,001)	(356,699)	113,159	476,353	1,131,106
Statement of Financial Position										
Equity										
Stated Capital	930,346	930,346	930,346	536,218	536,218	536,218	536,218	536,218	536,218	536,218
Capital Reserves	4,833	4,833	4,833	4,833	3,409	3,409	3,409	3,409	3,930	3,930
FVTOCI Reserves	(19,182)	(4,706)	12,734	1,750	3,713	13,425	11,060	9,007	6,977	12,389
Revenue Reserves	(1,280,004)	(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
Revaluation Reserves	1,700,657	1,679,064	-	-	-	-	-	-	-	-
Non-Controlling Interests	2,597,098	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
Total Equity	3,933,749	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
Assets										
Non-Current Assets	10,893,861	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
Current Assets	7,462,630	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
Total Assets	18,356,491	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
Liabilities										
Non-Current Liabilities	4,523,769	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
Current Liabilities	9,898,973	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
Total Liabilities	14,422,741	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
Cash Flow Statement										
Net Cash Flow Generated from/ (Used in) Operating Activities	(766,962)	(183,813)	(151,346)	256,358	(559,568)	917,449	146,332	144,499	1,160,123	593,060
Net Cash Flow Generated from/ (Used in) Investing Activities	(132,244)	(112,936)	(75,404)	(831,756)	(340,790)	(1,211,181)	(573,837)	(3,193,687)	(2,085,613)	(948,060)
Net Cash Flow Generated from/ (Used in) Financing Activities	717,735	(7,388)	715,965	1,160,724	142,233	567,211	188,434	2,199,613	115,911	1,000,657
Net Increase/(Decrease) in Cash and Cash Equivalents	(181,472)	(304,137)	489,215	585,326	(758,125)	273,479	(239,071)	(849,575)	(809,579)	645,657
Key Indicators										
Earnings per Share (Rs.)	(26.21)	(29.02)	(25.45)	(32.91)	(17.96)	(14.63)	(14.86)	4.71	19.85	47.16
Dividend Per Share (Rs.)	-	-	-	-	-	-	-	1.50	2.50	2.50
Net Assets per Share (Rs.)	39.48	65.84	45.99	78.49	110.93	129.56	153.66	167.98	153.92	131.25
Market Capitalisation (Rs.Million)	579	745	1,263	1,056	1,920	2,474	2,400	3,468	4,320	9,636
Current Ratio (No. of Times)	0.75	0.89	0.84	0.87	0.84	0.90	0.97	1.07	1.08	1.30
Interest Cover (No. of times)	0.02	0.22	0.71	0.36	0.77	0.41	0.85	1.86	3.40	5.66
Price Earnings Ratio (No. of Times)	(0.65)	(0.76)	(1.49)	(1.34)	(4.45)	(7.05)	(6.73)	30.65	9.07	8.51
Return on Equity (%)	(0.26)	(0.47)	(0.22)	(0.33)	(0.05)	(0.08)	-9.14	2.69	12.93	35.91
Gearing (%)	69.69	65.84	72.55	68.24	60.35	55.25	49.45	45.61	52.18	46.16
Dividend Payout Ratio (%)	-	-	-	-	-	-	-	31.81	12.60	5.30

Share Information

TOP 20 SHAREHOLDERS AS AT 31.03.2020

Position	Full Name of Shareholder	31st March 2020		31st March 2019	
		No. of Shares	Share Percentage	No. of Shares	Share Percentage
1	THE COLOMBO FORT LAND AND BUILDING PLC	15,000,000	44.31%	15,000,000	44.31%
2	E.B. CREASY & COMPANY PLC	6,247,556	18.45%	10,974,635	32.42%
3	MERCHANT BANK OF SRI LANKA & FINANCE PLC/ E.B. CREASY & COMPANY PLC	4,727,079	13.96%	-	-
4	ASSOCIATED ELECTRICAL CORPORATION LTD.	1,507,877	4.45%	1,507,877	4.45%
5	COLOMBO FORT INVESTMENTS PLC	966,300	2.85%	966,300	2.85%
6	DARLEY BUTLER & COMPANY LTD.	536,614	1.59%	536,614	1.59%
7	GUARDIAN ASSET MANAGEMENT LTD.	400,300	1.18%	400,300	1.18%
8	SEYLAN BANK PLC./SENTHILVERL HOLDINGS (PVT) LTD.	368,106	1.09%	-	-
9	SRI LANKA INSURANCE CORPORATION LTD. - GENERAL FUND	306,169	0.90%	306,169	0.90%
10	CAPITAL INVESTMENTS LIMITED	274,000	0.81%	274,000	0.81%
11	ACUITY PARTNERS (PVT) LIMITED/ COLOMBO INVESTMENT TRUST PLC	225,000	0.66%	225,000	0.66%
12	C M HOLDINGS PLC	160,000	0.47%	160,000	0.47%
13	ACUITY PARTNERS (PVT) LIMITED/ COLOMBO FORT INVESTMENTS PLC	150,000	0.44%	150,000	0.44%
14	A E C PROPERTIES (PVT) LTD.	150,000	0.44%	150,000	0.44%
15	PEOPLE'S LEASING & FINANCE PLC/ HI LINE TRADING (PVT) LTD.	145,547	0.43%	145,817	0.43%
16	EMPLOYEES TRUST FUND BOARD	82,283	0.24%	82,283	0.24%
17	BANK OF CEYLON NO. 1 ACCOUNT	72,400	0.21%	72,400	0.21%
18	MR. MOHOTTIGE DON HEMANTHA MANNAPPERUMA	57,132	0.17%	54,274	0.16%
19	MR ANTHONY ISIDORE DE SILVA AND MR. FRANCIS XAVIER RANJITH PEREIRA	55,047	0.16%	55,047	0.16%
20	CORPORATE HOLDINGS (PRIVATE) LIMITED A/C NO. 01	48,377	0.14%	48,377	0.14%
	TOTAL	31,479,787	92.95%	31,054,046	91.70%

DISTRIBUTION OF SHARES

No. of Shares Held	As At 31st March 2020			As At 31st March 2019		
	No. of Shareholders	Total Holdings	% of Total Holdings	No. of Shareholders	Total Holdings	% of Total Holdings
1 - 1,000	1,581	369,955	1.09	1,571	364,059	1.08
1,001 - 10,000	402	1,158,799	3.42	390	1,097,664	3.24
10,001 - 100,000	48	1,159,898	3.43	49	1,163,338	3.44
100,001 - 1,000,000	11	3,682,036	10.88	11	3,745,627	11.06
Over 1,000,000	4	27,482,512	81.18	3	27,482,512	81.18
	2,046	33,853,200	100.00	2,024	33,853,200	100.00

Analysis of Ordinary Shareholders

No. of Shares Held	As At 31st March 2020			As At 31st March 2019		
	No. of Shareholders	Total Holdings	%	No. of Shareholders	Total Holdings	%
Individuals	1,904	2,013,370	5.95	1,876	1,939,716	5.73
Institutions	142	31,839,830	94.05	148	31,913,484	94.27
	2,046	33,853,200	100.00	2,024	33,853,200	100.00

PUBLIC HOLDING

The Percentage of Shares held by the public as at 31st March 2020 was 14.71%. (31.03.2019 - 14.65%)

PUBLIC SHAREHOLDERS

The Number of Public Shareholders as at 31st March 2020 were 2020 (31.03.2019 - 1998)

The applicable option under CSE Rule 7.13.1 on minimum public holding is option 2 and the Float Adjusted Market Capitalization as of 31.03.2020 was Rs. 85.15 Mn.

MARKET VALUE

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

	As at 31.03.2020 Rs.	As at 31.03.2019 Rs.
Highest Price	35.00	44.90
Lowest Price	17.00	18.10
Market Value as at the year End	17.10	22.00

- That the following new Article 48(4) be included immediately after the existing Article 48 (3):

48 (4) In the case of any General Meeting being conducted partly or completely by an Electronic Facility/ies the notice and or a circular accompanying the notice shall provide details on the method of access and participation including how to speak and vote at the meeting.
- That the existing Article 52 be deleted and the following be substituted therefor :

52 (1) No business shall be transacted at any General Meeting unless a quorum is present when the meeting proceeds to business. The quorum for all purposes shall be three (03) each being a Member or a proxy for a Member or attorney or (in the case of a corporation) by an authorized representative.

(2) In determining attendance at a General Meeting, it is immaterial whether any two or more members attending it are in the same place as each other.

(3) Where a General Meeting is held partly or completely by Electronic Facility/ies, the Board and the Chairman may stipulate any requirement that is reasonably necessary to ensure the identification of such participants and the security of the electronic communication.
- That the existing Article 56 be renumbered as Article 56(1).
That of the renumbered Article 56(1) Sub Article 56(1) (ii) be deleted and the following be substituted therefor:

56 (1) (ii) Not less than five persons present in person or by attorney or representative or by proxy and entitled to vote : or
- That the following new Article numbered 56(2) be included immediately after the renumbered Article 56(1):

56 (2) Notwithstanding the aforesaid provisions contained in Article 56(1) at any General Meeting held partly or completely by means of an Electronic Facility/ies, a resolution put to the vote shall be decided either by the Members signifying their assent or dissent via electronic means or in the event of a poll, such poll votes may be cast by such electronic means as the Board deems appropriate.
- That the existing Article 93 be deleted and the following be substituted therefor:

93 The Board may concurrently participate either in person or by telephone, radio, conference television or similar equivalent communication or any other form of audio or audiovisual instantaneous communication by which all persons participating in the conference are able to hear and be heard by all other participants for the dispatch of business and adjourn and otherwise regulate the conference as they think fit or by a combination of such methods. All provisions relating to the convening of a meeting of the Board, including the giving of Notice thereof and Agenda, the quorum for such conference meeting and the votes to be cast shall be the same as is applicable under these Presents in relation to such Meetings.
- That the existing Article 94 be deleted and the following be substituted therefor;

94 A resolution passed by such conference meeting may be constituted by an instrument in hard copy or electronic form (duly executed) and shall notwithstanding that the Directors are not present together at one place at the time of the conference, be deemed to have been passed at a conference of the Directors held on the day and at the time at which the conference was held and shall be deemed to have been held at the registered office of the Company unless otherwise agreed, and all Directors and other persons including the Secretary participating at that conference shall be deemed for all purposes to be present at the conference.
- That the existing Article 101 be deleted and the following be substituted therefor;

101 A resolution in writing signed by all the Directors for the time being in Sri Lanka (provided such number of Directors in Sri Lanka shall constitute a valid quorum of Directors as hereinbefore set out) shall be as effective as a resolution passed at a meeting of the Directors duly convened and held, and may consist of several documents in the like form, each signed by one or more of the Directors. Provided always that a resolution faxed, emailed or transmitted by any other electronic means, under their respective signature/s shall be deemed to have been signed by them for all purposes hereof and shall be as effective as a resolution duly voted on at a meeting of the Board.

Notice of Meeting

- That the existing Article 119 be deleted and the following be substituted therefor;
119 The Directors shall cause minutes to be maintained either in books or electronic means as permitted by law for the purpose:
(a) of all the appointments of officers made by the Directors;
(b) of the names of the Directors present at each meeting of the Directors and of any committee of the Directors ;
(c) of all resolutions and proceedings at all Meetings of the Company, and of the Directors, and of committees of Directors;
and every Director present at any meeting of Directors or committee of Directors shall sign his name on the attendance register to be kept for that purpose.
- That the existing Article 141 be deleted and the following be substituted therefor:
141 A copy of every statement of financial position and statement of profit and loss and other comprehensive income which is to be laid before a General Meeting of the Company (including every document required by law to be annexed thereto) together with a copy of every report of the Auditors relating thereto and of the Directors' report , shall not less than fifteen working days before the date of the meeting be sent by post or any other instantaneous method of communication ,or made available on the Company's website and/or on the website of the Colombo Stock Exchange to every Member of, and every holder of debentures of the Company and to every other person who is entitled to receive notices from the Company under the provisions of the Act or of these presents (provided that this Article shall not require a copy of these documents to be sent to any person of whose address in Sri Lanka the Company is not aware or to more than one of the joint-holders, but any Member to whom a copy of these documents has not been sent, shall be entitled to receive a copy free of charge on application at the office.)
Notwithstanding anything to the contrary and in accordance with section 167 of the Act, the Company may, in the first instance, send every Member by post or any other instantaneous method of communication, or made available on the Company's website and/or on the website of the Colombo Stock Exchange the Annual Report together with the Financial Statements in the summarised form as may be prescribed, in consultation with the Institute of Chartered Accountants of Sri Lanka. The Company shall inform each Member that he is entitled to receive, if he so requires, the full Financial Statement or a printed copy of the Annual Report within a stipulated period of time.
- That the existing Article 148 be renumbered as Article 148 (1) and the following new Article numbered 148 (2) be included immediately after the renumbered Article 148 (1) :
148(2) In the event of a postal disruption, the Company may issue communication/notices through the Company's website and/or on the website of the Colombo Stock Exchange and/or by any other electronic means.
- That the existing Article 151 be deleted and the following be substituted therefor;
151 If a Member has no registered address in Sri Lanka, and has not supplied to the Company an address outside Sri Lanka for the giving of notices to him, a notice posted up in the registered office of the Company and/or on the Company's website and/or the Colombo Stock Exchange website shall be deemed to be duly given to him at the expiration of 24 hours from the time when it is so posted up."

By Order of the Board
CORPORATE MANAGERS & SECRETARIES (PRIVATE) LIMITED
Secretaries
Colombo
3rd December 2020

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 is enclosed in this Report. 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.
3. Members are encouraged to vote by Proxy through the appointment of a member of the Board of Directors to represent them and vote on their behalf. Members are advised to complete the Form of Proxy and their voting preferences on the specified resolutions to be taken up at the meeting and submit the same to the Company in accordance with the instructions given on the reverse of the Form of Proxy.
4. Please refer the "Circular to Shareholders" dated 3rd December 2020 for further instructions relating to the Annual General Meeting and for joining the Meeting virtually.
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 is seventy seven 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 is seventy one years of age be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director, Mr. A. Hettiarachchy".

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

8. In the event the Company is required to take any further action in relation to the meeting due to COVID-19 Pandemic, and / or any communications, guidelines, directives or orders issued by the Government of Sri Lanka, Notice of such action shall be given by way of an announcement to the Colombo Stock Exchange.

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. Peter Suren Goonewardene | of Colombo or failing him, |
| 4. Anushman Rajaratnam | of Colombo or failing him, |
| 5. Anthony Crossette Selvanayagam Jayaranjan | of Colombo or failing him, |
| 6. Ranjeevan Seevaratnam | of Colombo or failing him, |
| 7. Parakrama Maitthri Asoka Sirimane | of Colombo or failing him, |
| 8. Gotabaya Kiri Bandara Dasanayaka | 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 Wednesday, 30th December 2020 at 9.00 a.m. 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 2020 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. G.K.B. Dasanayaka as a Director	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-elect Mr. P.M.A. Sirimane as a Director	<input type="checkbox"/>	<input type="checkbox"/>
4. To reappoint Mr. R. Seevaratnam as a Director	<input type="checkbox"/>	<input type="checkbox"/>
5. To reappoint Mr. A. Hettiarachchy as a Director	<input type="checkbox"/>	<input type="checkbox"/>
6. To reappoint Mr. A.C.S. Jayaranjan as a Director	<input type="checkbox"/>	<input type="checkbox"/>
7. To authorize the Directors to determine contributions to charities	<input type="checkbox"/>	<input type="checkbox"/>
8. To reappoint as Auditors, Messrs KPMG, Chartered Accountants, and to authorize the Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>
9. Special Business To amend the Articles of Association by way of a Special Resolution as set out in the Notice of Meeting:	<input type="checkbox"/>	<input type="checkbox"/>

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

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

.....
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

P. S. Goonewardene, BBA(Aus.), CPA (Aus.), FCMA (SL), FCIM (UK)

Directors

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

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

G.K.B. Dasanayaka, Attorney-at-Law

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

Subsidiary Companies and Their Principal Activities

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.

Designed & Produced by

mediaWIZE®
Annual Reports

