

# **LANKEM CEYLON PLC**

**ANNUAL REPORT 2020/2021**





LANKEM CEYLON PLC

# Our Business Areas

Agri-Inputs

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Paints

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Chemicals

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Consumer

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Pest Control

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Leisure

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Packaging

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# Our Business Areas

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

## Vision

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

## Mission

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

# Financial Highlights

## PERFORMANCE HIGHLIGHTS

### Revenue

Rs. 17,469 Million

### Total Equity

Rs. 3,902 Million

### Total Assets

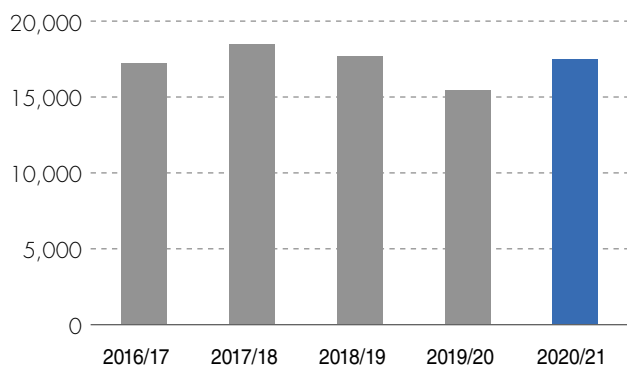
Rs. 20,168 Million

### Net Assets Per Share

Rs. 29.63

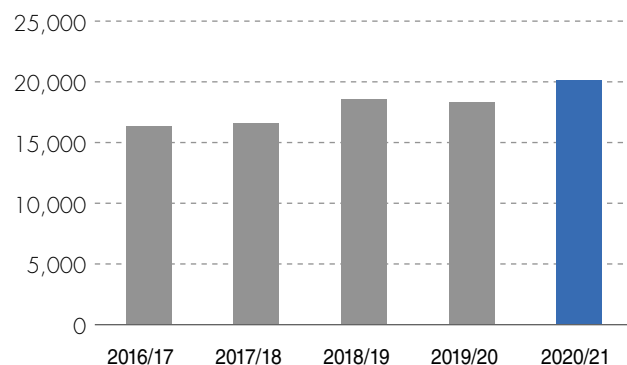
#### Revenue – Group

(Rs. Mn)



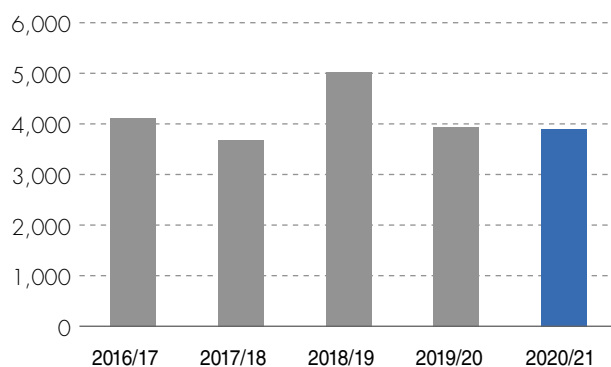
#### Total Assets – Group

(Rs. Mn)



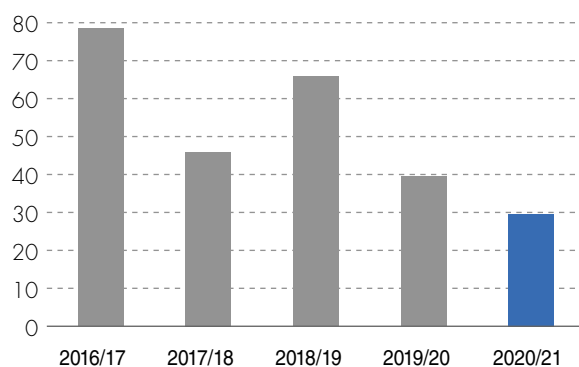
#### Total Equity – Group

(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 56th 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 2021.

The outbreak of COVID-19 adversely impacted the local economy with lockdown measures and other health and safety protocols imposed in mid-March 2020 to combat the pandemic. The pandemic further eroded the economic recovery prospects during 2020 which was already suppressed with 2019 Easter attacks. Consequently, the deepest recession since independence was recorded as the GDP growth of the country plunged to a negative 3.6% in 2020 compared to the positive 2.3% recorded in the previous year with unemployment rate rising above 5% following business closures. In addition to the above, high levels of government borrowings further worsened the economic landscape of the country.

On the positive side, the financial regulator and the government implemented proactive and timely measures to revive the economy through debt moratoriums and concessionary loan schemes for impacted individuals and businesses. An accommodative monetary policy aimed at stimulating the economy through multiple reductions in the policy rates and statutory reserves ratio led to sustained reductions in market interest rates.

The import restrictions imposed by the government stabilized the exchange rate for the most part of the year with intermittent volatilities at the beginning of the pandemic and towards the end of the year. Further, headline inflation moved broadly in the desired range of 4%-6% during the year 2020 while core inflation remained low throughout the year.

Despite the COVID-19 pandemic generating a gamut of challenges and impacting the consumer sentiment, private consumption and economic activity, we witnessed resilience and growth in our business sectors including crop protection and paints while also prioritizing the health and safety of all stakeholders, particularly the employees.

As such, the Company recorded a revenue of Rs. 3.4 billion, demonstrating a strong 18% growth over the preceding year. The Company's strategic initiatives driven towards improving the sales volumes and margins in paints and crop protection segments through brand building and promotional initiatives attributed to this strong growth in top-line during the year under review. I am pleased to note that the Company recorded an operating profit of Rs. 308.9 million during the year compared to an operating profit of Rs. 65.7 million in the previous year mainly due to realigning the Company's business segments and the supply chain management strategy coupled with adopting a stringent cost reduction model to streamline our operational expense base. Thus, the Company concluded the year with a net loss of Rs. 254.8 million compared to a net loss of Rs. 324.3 million reported in the previous year.

At the Group level, the consolidated turnover reached Rs. 17.5 billion compared to Rs. 15.4 billion recorded in the previous year. In addition to the noteworthy contribution by our industrial products sector, we were able to deliver resilient performance through increase in revenue reported from the FMCG sector due to the strong distribution network presence of our subsidiary C.W. Mackie PLC. However, this was offset by

the continued weak performance in the leisure sector driven by low occupancy levels that prevailed across all our properties as a result of the ongoing pandemic. As a result, we have been compelled to provide a sum of Rs. 329 million against the goodwill in the leisure segment. Accordingly, net loss of the Group stood at Rs. 1 billion during for year under review.

2020 was a challenging year for all of us. Although we have adapted to the new normal, the year ahead will be yet another challenging one for most of our business sectors across the group on account of many negative externalities prevailing in this highly disruptive business landscape. Curtailment of importation of chemical fertilizers and pesticides will adversely affect our crop protection business model whilst the unprecedented currency devaluation will challenge our overall business model. Nevertheless, we will continue to capitalize on numerous strategic initiatives in pursuit of top-line and bottom-line growth whilst managing liquidity, capital efficiency and cost rationalization as key areas of focus.

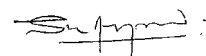
Thus, to drive our growth, your management is overseeing strategies on ramping up our product portfolio in the paints and industrial product segments by investing in necessary product offerings at affordable prices whilst maintaining stringent product quality standards by partnering with new suppliers. We continue to improve efficiency and productivity in our manufacturing processes.

As part of our business continuity initiatives in the crop protection cluster your management is overseeing strategies to partner with a globally renowned organic pest management solution provider to invest in research and development and to realign and relaunch a safe crop protection solution to the farmer community. Further, we are considering related diversification strategies to venture into seeds product segment with the objective of stimulating growth in the near term.

In addition to the above, the Company's finance cost declined by 14% 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. I believe a culmination of these strategies will support our future growth and generate value for you, our shareholders, and for the people of this country.

I'm pleased to welcome Mr. G.K.B. Dasanayaka appointed in October 2020 and Dr. A.M. Mubarak appointed in April 2021 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. Finally, let me take this opportunity to thank all our valuable stakeholders for their continued support and confidence in the Company over the years.



**S. D. R. Arudpragasam**

Chairman

29th September 2021

# 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 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 experiences 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.

# Board of Directors

## 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 (ICASL)]

### Director

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

## P. M. A. SIRIMANE

[FCA, MBA]

### Director

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

## DR. A. M. MUBARAK

[B.SC. (SL), PH.D. (CANTAB), FICHEMC, FNASSL]

### Director

Dr. Mubarak was appointed to the Board as an Independent Non-Executive Director on 21st April 2021. Dr. Mubarak a former Director and Chief Executive Officer of the Industrial Technology Institute has several years' experience in managing industry-oriented R&D. He has served as a visiting lecturer at several universities in Sri Lanka. Presently he holds the post of Chief of Research and Innovation at the Sri Lanka Institute of Nanotechnology.

Dr. Mubarak a Commonwealth Scholar, has a B.Sc. degree from the University of Colombo and a Ph.D. from the University of Cambridge U.K. He has held the posts of President of the Institute of Chemistry, Ceylon, General President of the Sri Lanka Association for the Advancement of Science and President of the National Academy of Sciences of Sri Lanka.

Dr.Mubarak has served as Chairman of National Science Foundation and on the Boards/ Councils of the University of Colombo, Postgraduate Institute of Science, Sri Lanka Accreditation Board, National Engineering Research & Development Centre and National Science and Technology Commission. Currently he is a Member of the University of Sri Jayewardenapura Council and the Sri Lanka Standards Institute Council. Dr. Mubarak serves as an Independent Non-Executive Director on the Board of E.B. Creasy & Company PLC and on some of its subsidiary company Boards. He also serves as Chairman of Union Chemicals Lanka PLC.

# 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 a breast 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 2021. 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 and in the Management Discussion and Analysis 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 29 to 115.

## AUDITORS' REPORT

The Auditors' Report on the Financial Statements is given on pages 25 to 28.

## ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 33 to 49.

## 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 102 to 103.

## DIRECTORS' REMUNERATION

Directors' remuneration in respect of the Group for the financial year 2020/21 is Rs176.5 Million (2019/20 – Rs129 Million) and in respect of the Company for the financial year 2020/21 is Rs130.6 Million (2019/20 - Rs. 88.4 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 31.03.2021	No. of Shares As at 31.03.2020
Mr. S. D. R. Arudpragasam	25,000	25,000
Mr. A. Hettiarachchy	-	-
Mr. D. L. Vitharana (Retired on 31.07.2020)	N/A	-
Mr. R.N. Bopearatchy (Retired on 31.07.2020)	N/A	-
Mr. K. P. David (Resigned w.e.f. 31.07.2020)	N/A	8,150
Mr. R. T. Weerasinghe (Retired on 03.08.2020)	N/A	7,000
Mr. Anushman Rajaratnam	1,000	37,500
Mr. A. C. S. Jayaranjan	-	-
Mr. R. Seevaratnam	-	-
Mr. M. N. K. Jayamanne (Resigned w.e.f.31.07.2020)	N/A	-
Mr. P. M. A. Sirimane	-	N/A
Mr. P. S. Goonewardene (Appointed w.e.f. 01.08.2020)	-	N/A
Mr. G. K. B. Dasanayaka (Appointed w.e.f. 01.10.2020)	-	N/A
Dr. A. M. Mubarak (Appointed w.e.f. 21.04.2021)	N/A	N/A

## CORPORATE DONATIONS

Donations made by the Group amounted to Rs. 0.2 Million during the year under review. (2019/20 - Rs. 0.7 Million)

## DIRECTORATE

The names of the Directors who held office during the financial year and appointments made subsequent to the financial year end are given below and brief profiles of the Directors who are currently in office appear on pages 7 and 8.

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
Dr. A. M. Mubarak (Appointed w.e.f. 21.04.2021)	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. In terms of Articles 84 and 85 of the Articles of Association, Mr. G. K. B. Dasanayaka retires by rotation and being eligible offers himself for re-election.

Dr. A.M. Mubarak was appointed as an Independent Non - Executive Director of the Company with effect from 21st April 2021 and having subsequently attained seventy years of age retires and offers himself for reappointment under and by virtue of the Special Notice received from a shareholder of the Company which is referred to in the Notice of Meeting.

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

Mr. A. Hettiarachchy, 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.

Mr. S. D. R. Arudpragasam, Director, having attained 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 authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

The Auditors, Messrs KPMG Chartered Accountants were paid Rs. 11.3 Million during the year under review (2019/20 – Rs. 10.96 Million) as audit fees and fees for audit related services by the Group. In addition, they were paid Rs. 2.1 Million (2019/20 – Rs. 1.96 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. 4.1 Million during the year under review (2019/20 – Rs. 2.8 Million) As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company. The Auditors do not have any interest in the Company.

## REVENUE

The revenue of the Group for the year was Rs. 17,468 Million (2019/20 – Rs. 15,423 Million)

## RESULTS

The Group made a loss before Tax of Rs. 779.4 Million against a loss of Rs. 1,182.5 Million in the previous year. The detailed results are given in the Statement of Comprehensive Income on page 29.

## INVESTMENTS

Investments made by the Group are given in Note 17, 18 and 19 to the Financial Statements on pages 66 to 71.

# Annual Report of the Board of Directors

## PROPERTY, PLANT & EQUIPMENT

During 2020/21 the Group invested Rs. 304.3 Million in Property, Plant & Equipment (2019/20 – Rs. 370.3 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 2021. Market value of the freehold land as at 31st March 2021 are disclosed in Note 12 to the Financial Statements on page 56

## STATED CAPITAL

The stated capital of the Company as at 31st March 2021 was Rs. 930,346,000/- and is represented by 33,853,200 issued and fully paid Ordinary Shares.

## RIGHTS ISSUE

The Company made a Rights Issue of 33,853,200 Ordinary Shares at a price of Rs. 20/- per Share to the holders of the Issued Ordinary Shares of the Company as at the end of trading on 28th April 2021, in the proportion of One (1) new Ordinary Share for every One (1) existing issued Ordinary Shares held in the Capital of the Company. The Issue closed on 4th June 2021. The total number of Shares subscribed for on the Rights Issue was 17,617,557 and the total consideration received was Rs. 352,351,140/-. The purpose of the Rights Issue was to raise funds amounting to Rs. 677,064,000/- for Working Capital Requirements and the total proceeds received were utilized to settle working capital related liabilities relating to short term loans and creditors. The details on the utilization of proceeds is set out under share information on page 117 of this report. Due disclosure on the utilization of proceeds was made to the Colombo Stock Exchange on 15th July 2021.

Subsequent to the Rights Issue of shares the Company's Stated Capital amounted to Rs.1,282,697,140/- represented by 51,470,757 Ordinary Shares.

## RESERVES

The total Group Reserves as at 31st March 2021 comprised Other Capital Reserves of Rs. 4.8 Million, FVTOCI Loss of Rs. 18.6 Million, Retained loss of Rs. 2,254.7 Million and Revaluation Reserve of Rs. 2,341.2 Million. Whereas the total Group Reserves as at 31st March 2020 comprised Other Capital Reserves of Rs. 4.8 Million, FVTOCI Reserves of Rs. 19.2 Million, Retained loss of Rs. 1,280 Million and Revaluation Reserve of Rs. 1,700.7 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 54 to 55.

## 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 101. The Company has complied with the requirements of the Listing Rules on Related Party Transactions except for the number of meetings held during the year.

The related party transactions presented in the financial statements are disclosed in Note 34 from pages 94 to 103.

## SHARE INFORMATION

Information relating to earnings, dividend, net assets, market value per share and share trading is given on page 116.

## 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 113.

## 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 112.

## 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 endeavour to ensure equitable treatment to its shareholders.

## STATUTORY PAYMENTS

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

## ENVIRONMENTAL PROTECTION

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

## INTERNAL CONTROL

The Directors 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. Suren Goonewardene**  
*Managing Director*



**Mr. Anushman Rajaratnam**  
*Director*

By Order of the Board



**Corporate Managers & Secretaries (Private) Limited**  
*Secretaries*  
Colombo  
29th September 2021

# Corporate Governance

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

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

## 1. THE BOARD OF DIRECTORS

### 1.1 The Board, Composition and Meetings

The Board of Directors of Lankem Ceylon PLC is responsible for the governance practices adopted in all the companies within the Group. The Board currently comprise of the Chairman, Deputy Chairman, Managing Director, and six 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	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
Dr. A.M. Mubarak (Appointed w.e.f.21.04.2021)	Independent Non-Executive

The Board has met 9 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: 9

Name of Director	Directorship Status	Board Meetings Attended
Mr. S. D. R. Arudpragasam	Chairman - Non-Executive	8/9
Mr. A. Hettiarachchy	Deputy Chairman - Independent Non-Executive	9/9
Mr. D. L. Vitharana (Retired on 31.07.2020)	Managing Director - Executive	Excused
Mr. P. S. Goonewardene (Appointed w.e.f. 01.08.2020)	Managing Director - Executive	7/7
Mr. Anushman Rajaratnam	Executive	9/9
Mr. R.N. Bopearatchy (Retired on 31.07.2020)	Non-Executive	2/2
Mr. K. P. David (Resigned w.e.f. 31.07.2020)	Executive	2/2
Mr. R. T. Weerasinghe (Retired on 03.08.2020)	Executive	2/2
Mr. A. C. S. Jayaranjan	Independent Non - Executive	9/9
Mr. R. Seevaratnam	Independent Non - Executive	8/9
Mr. P. M. A. Sirimane	Non-Executive	8/9
Mr. M. N. K. Jayamanne (Resigned w.e.f. 31.07.2020)	Executive	2/2
Mr. G. K. B. Dasanayaka (Appointed w.e.f. 01.10.2020)	Independent Non-Executive	7/7
Dr. A.M. Mubarak (Appointed w.e.f.21.04.2021)	Independent Non-Executive	N/A

#### 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 seven 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 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. A. C. S. Jayaranjan and Mr. A. Hettiarachchy are nevertheless Independent.

Dr. A. M. Mubarak is a Director on the Boards of some of the subsidiaries of the Parent Company, The Colombo Fort Land & Building PLC and a majority of the Directors of such subsidiaries serve on the Board of another. He also serves on the Board of a subsidiary of the Parent Company which has a significant holding in the Listed Entity. However, the Board having taken into consideration all other circumstances listed in the Rules pertaining to the Criteria for defining Independence is of the opinion that Dr. A. M. Mubarak is 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.

# Corporate Governance

## 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 currently comprises of Mr. A. Hettiarachchy – Chairman, Mr. A. C. S. Jayaranjan (appointed w.e.f. 01.01.2021), Mr. G.K.B. Dasanayaka (appointed w.e.f. 01.01.2021), Independent Non-Executive Directors and Mr. S.D.R. Arudpragasam, Non-Executive Director. Mr. R. Seevaratnam, ceased to be member with effect from 31.12.2021.

## 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, Mr. G. K. B. Dasanayaka (appointed w.e.f. 01.01.2021), Independent Non-Executive Directors and Mr. S. D. R. Arudpragasam, Non-Executive Director.

The Remuneration Committee report is set out on page 21 of this report.

### 2.2 Disclosure of Remuneration

Aggregate remuneration paid to Directors is disclosed in Note 34.8 to the Financial Statements on page 101.

## 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 10 to 13 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 25 to 28 containing the Auditors' reporting responsibility. Non-financial information of business segments is given on pages 50 to 51.

### 4.2 Internal Controls

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

### 4.3 Audit Committee

The Audit Committee report is set out on pages 23 to 24 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 22.

# Management Discussion and Analysis

## GLOBAL ECONOMY

Across the world, the recovery from the COVID-19 pandemic was largely determined by the country's accessibility to vaccinations. While some countries are on the path to recovery and normalisation of the economies supported by mass-scale vaccination efforts, some continue to struggle with the revival of the infection and its consequent adverse impact. Of the nations, a rebound was visible amongst the developed advanced economies such as the United States that has a better health matrix and additional fiscal support while the emerging and developing economies, particularly Emerging Asia, continue to face impediments to vaccination amidst continued pandemic and its ever-changing outlook. In this setting, the growth projection for advanced economies remains promising while growth projection for emerging and developing economies remain subjected to downside risks which were further impacted by financial strain and high debt levels in EMDE.

According to the World Economic Outlook forecast, the global economy is expected to grow by 6.0% in 2021 and 4.9% in 2022 while the 2021 global forecast is unchanged from the April 2021 World Economic Outlook (WEO), with offsetting revisions. The projection for 2022 is upgraded by 0.5% due to improvement in forecasted estimation in advanced economies (mainly United States).

## SRI LANKAN ECONOMY

Despite the successful containment of the first wave of the pandemic, the second wave led to a rapid increase in COVID-19 cases in the last quarter of the year hampering all economic activities. As a result, the economy contracted by 3.6% in 2020 with the key sectors such as tourism, construction and transport suffering severely including the crumbling demand for textiles in the global stadium. In addition, many had to face job losses and pay cuts that in turn hampered private consumption. Further, the uncertain operating environment also obstructed investments while contraction was observed in most of the economic activities.

Sri Lanka's Gross Domestic Product (GDP) growth rate in 2020 remained at -3.6% with industry, services, and agricultural sectors contracting by 7.3%, 1.7% and 1.3% respectively. With the COVID-19 crisis taking centre stage in mid-March during the financial year, the CBSL implemented a series of policy rate cuts further bringing the short-term rates down to unprecedented levels resulting in the lowest long-term rates seen in Sri Lanka in years.

Moreover, the COVID-19 crisis triggered a panic selling of SLISBs, resulting in a massive spike in SLISB yields in March accentuated by the country's external sector vulnerabilities. Following Moody's downgrade, the yields on the SLISBs edged up by ~170 to 540 bps which held down the Country's ability to raise foreign currency debt.

As the exports, remittances, and tourist receipts fell to historical lows, the Sri Lankan rupee also faced immense downward pressure during the first half of the year compelling the CBSL to introduce import restrictions to bring the situation under control.

The Oil prices dropped to twenty years low during March and April owing to the initial impact of the pandemic lockdowns across several major economies though there was a gradual recovery as the year wore on. Further, exporters enjoyed robust prices for key export commercial crops such as tea, rubber, and coconut during the year.

According to the Census and Statistics Department's GDP Summary Indicators for the 1st quarter of 2021, the Sri Lankan economy grew at a positive rate of 4.3% during the first quarter of this year, compared to a negative growth rate of 1.8% in the first quarter of 2020.

## COMPANY PERFORMANCE

The financial year 2020/21 was a successful year for Lankem Ceylon PLC with performance displaying a Pre-Tax Loss of Rs. 175 Mn against a Loss of Rs. 525 Mn as reported in 2019/20. The Company's revenue stood at Rs. 3 Bn recording a growth rate of 18% in comparison to the previous year while the Gross profit of Rs. 833 Mn is an increase of 47% compared to 2019/20. These results are attributable to our efforts in optimising the sales mix and the stringent cost management initiatives carried out as part of operations restructuring at our manufacturing plants. As a result, the EBIT of the Company closed at Rs. 309 Mn against Rs. 66 Mn reported in 2019/20. However, due to an investment impairment and change in tax rate, we were compelled to make said adjustments as per the LKAS which resulted in loss of Rs. 254 Mn during the year under review.

Despite the challenges posed by the COVID-19 pandemic that has disrupted global supply chains putting a huge strain on operating models, the Company was able to ensure the right product mix for the customers at the right time to meet the seasonal demand. As the Paint and the Crop Protection divisions of the Company was able to meet and deliver exceptional performance in meeting seasonal demand for the Avurudu, Maha and Yala seasons, we were able to achieve a Gross profit of Rs. 833 Mn for the year as opposed to the Rs. 566 Mn in the previous year.

# Management Discussion and Analysis

The improvement in liquidity is owing to the reduction in interest rate following the accommodative monetary policy stance that was introduced by the Central Bank to support the economic revival. This resulted in ongoing rate negotiation with the financial institutions. The savings by way of interest cost of Rs. 105.1 Mn for the year is a mere 14% reduction compared to the previous financial year. Furthermore, the debt moratorium extended to the private sector by the government aided the corporate sector to sustain cash flows in an exceptionally challenging year.

## CHANGE IN GOVERNMENT POLICY ON IMPORTATION OF CHEMICAL FERTILIZERS AND PESTICIDES

The importation of chemical fertilizers and pesticides has been banned indefinitely, according to the Gazette No. 2226/48, published on May 6, 2021. The gazette was issued in response to the Sri Lankan Government's policy directive to increase the use of organic fertilizer and biopesticides in agricultural activities.

The Company is currently strengthening its organic fertilizer and biopesticide supply chains to meet demand in accordance with Government policy. Clarifications on specific aspects related to policy implementation are yet under discussion with the relevant authorities, and the Company is working to realign its strategies accordingly. As there is currently a lack of clarity in the practical implementation of the policy direction, it would be premature to estimate any potential financial implications arising from this policy change.

## GROUP PERFORMANCE

The Lankem Group that comprise of industrial, consumer and leisure clusters recorded a revenue of Rs. 17.5 Bn demonstrating a growth of 13 % against the previous financial year. This is mainly due to the substantial increment in revenue from the Company (LCPLC) and its subsidiary C.W. Mackie PLC and SunAgro LifeScience Ltd (SALS). The Group's gross profit for the year was Rs. 3,077 Mn compared to Rs. 2,705 Mn recorded in the previous year, which was attributable to growth witnessed in paint, agro chemicals, consumer, and packaging clusters.

Given the COVID-19 backdrop and its related travel restrictions, the Group was unable to achieve a better run rate. Furthermore, increase in USD exchange rate had an impact on imported raw material and Agro chemicals.

## IMPACT OF THE COVID-19 PANDEMIC ON SECTORAL PERFORMANCE

The impact of COVID-19 was felt across many sectors including the leisure sector in which the Group operates. Stringent measures taken by the health authorities in the country to prevent the spread of the disease compelled the sector to temporary close operations in hotels owned by the Group.

Consequently, a limited number of employees were assigned to carry out mandatory maintenance services and were called on to report to work with the prospect 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 travellers 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 which impacted our normal operations.

The Group's retail sector mainly comprises 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 the 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 disrupted operations ranging from sales to supply of raw material.

# 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 honour 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.

# Risk Management

## 3.2.2 Interest Rate Risk

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 re-occurrences 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.

## Counter party 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 counter-parties default on their obligations. The Group policy is to limit its exposure by dealing solely with leading counter-parties 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. R. Seevaratnam  
Member - Independent/Non-Executive Director

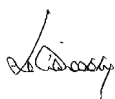
Mr. S.D.R. Arudpragasam  
Member - Non-Executive Director

Mr. G.K.B. Dasanayaka  
Member - Independent/Non-Executive Director  
(appointed w.e.f. 01.01.2021),

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  
29th September 2021

# 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

Except for the first quarter of the financial year the Related Party Transactions Review Committee has met on three occasions during the financial year ended 31st March 2021 and the individual attendance by members were 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 several occasions the RPTRC has reviewed and recommended Related Party Transactions by Resolutions in writing.

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 in Note 34 on page 101 of the Annual Report. The Company has complied with the requirements of the Listing Rules on Related Party Transactions except for the number of meetings held during the year.



**R. Seevaratnam**

*Chairman*

Related Party Transactions Review Committee  
29th September 2021

# 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

During the financial year ended 31st March 2021, the Company's Audit Committee comprised 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) As at 31st March 2021, the Committee comprised of three Independent Non Executive Directors of the 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. R. Seevaratnam - Independent/Non-Executive Director (appointed w.e.f. 01.01.2021)

Mr. A. R. Rasiah - (Independent, Non-Executive Director (EBC) (ceased to be member w.e.f. 31.12.2020)

Mr. A. M. de S. Jayaratne - (Independent, Non-Executive Director (CFLB) (ceased to be member w.e.f. 31.12.2020)

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. Currently the Committee comprises of two 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 two occasions during the financial year ended 31st March 2021 and the attendance was as follows:

Mr. A. C. S. Jayaranjan – Chairman	2/2
Mr. A. Hettiarachchy	2/2
Mr. A. R. Rasiah (ceased to be member w.e.f. 31.12.2020)	1/1
Mr. A. M. de S. Jayaratne (ceased to be member w.e.f. 31.12.2020)	1/1
Mr. R. Seevaratnam (appointed w.e.f. 01.01.2021)	1/1

Further the matters which come under the purview of the Audit Committee are also reviewed and recommended by resolutions in writing.

The proceedings of the Audit Committee are regularly reported to the Board of Directors.

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.

## 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

# Audit Committee Report

## 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 2021 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 2022 subject to the approval of the Shareholders at the Annual General Meeting of the Company.



**A. C. S. Jayaranjan**

*Chairman*

Audit Committee  
29th September 2021

# Independent Auditors' Report



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

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## TO THE SHAREHOLDERS OF LANKEM CEYLON PLC

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the Financial Statements of Lankem Ceylon PLC ("the Company") and the Consolidated Financial Statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31st March 2021, 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 29 to 115.

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 2021, 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 assessment of Investment in Subsidiaries, Equity Accounted Investees and Goodwill on consolidation**

(Refer to the significant accounting policy in Note 3.11.2 and explanatory Notes 16, 17 and 18 to the Financial Statements).

#### Risk Description

The Company has recorded investments in subsidiaries amounting to Rs.4,057 million and investments in equity-accounted investees amounting to Rs. 323 million as at 31st March 2021. A goodwill of Rs. 1,170 million has been recognized in the consolidated financial statements as at 31st March 2021. Additionally, the Company has recognized Rs. 560 million, Rs. 221 million and Rs. 329 million as provision for impairment of investment in subsidiaries, investments in equity-accounted investees and Goodwill on consolidation respectively as at 31st March 2021.

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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 FCA	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 FCA	Ms. C.T.K.N. Perera ACA
A.M.R.P. Alahakoon ACA		

Principals - S.R.J. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. P.M.K. Sumanasekara FCA, W.A.A. Weerasekara CFA, ACMA, MRICS

# Independent Auditors' Report



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 2021. 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.

Investments which do not generate adequate returns may be an indication of impairment. Due to the value of 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 as at 31st March 2021. In addition, these areas were significant to our audit because the impairment assessment process involves significant management judgement and required the management to make various assumptions in the underlying cash flow forecasts and valuation methodology.

Our audit procedures included;

- Obtaining an understanding of management's impairment assessment process.
- Evaluating the carrying amounts and the recoverable amount of each investments in order to identify impairment indications as per 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.
- Engaging our own internal experts where applicable to assess the reasonability of the valuation techniques, forecasts and assumptions used.
- 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 impairments of investments in subsidiaries and equity accounted investees and goodwill on consolidation.

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

(Refer to the significant accounting policy in note 2.7 and explanatory notes in Note 40 and 41 of the financial statements.)

### **Risk Description**

The Group and the Company incurred a net loss of Rs.1,046 million and Rs.254 million respectively during the year ended 31st March 2021 and, as of that date, the Group's and the Company's current liabilities exceeded their current assets by Rs.2,236 million and Rs. 2,104 million respectively.

However, the financial statements have been prepared on a going concern basis. The 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 40 and 41 to the financial statements describes the events or conditions related to going concern, impact of COVID 19 outbreak to the current year financial statements and the assessment carried out by the Board of Directors on the potential implications of COVID 19 outbreak. Additionally, note 39 includes information about part of the strategic initiatives taken by the Group for the improvement of future business prospects.

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 / the Company with regard to the planned actions to affirm the appropriateness of the going concern assumption.
- Assessing the adequacy of disclosures in the financial statements in relation to going concern of the Group/ Company.



### **3. 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 a deferred tax assets of Rs. 474 million and Rs. 255 million respectively as at 31st March 2021 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 assets 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 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

### **4. Revaluation of Buildings**

(Refer to the significant accounting policies in Notes 3.1.1, 3.5.3 and explanatory Note 12 to the Financial Statements).

As disclosed in the notes to the financial statements, the Group has changed its accounting policy for the subsequent measurement of buildings from cost model to revaluation model with effect from 30th June 2020. As such the Group and Company have recognised a net fair value gain of Rs. 852 million and Rs. 232 million respectively during the year ended 31st March 2021.

The assessment of fair value of these buildings are based on valuations performed by qualified independent property valuers in accordance with recognised industry standards. We considered this as a key audit matter because the valuation of buildings involved significant judgments exercised by external valuation experts and were subjected to significant level of estimation uncertainty and management bias.

Our audit procedures included;

- Assessing the competency, objectivity and capabilities of the independent external valuer engaged by the management.
- Assessing the reasonableness of the valuers' assumptions and methods used in the valuation and comparing the same with evidence of current market values.
- Engaging our own internal experts where applicable to assess the reasonability of the valuation technique, per perch and per square feet prices.
- Evaluating conclusions reached by component auditors where applicable on the fair values of buildings determined by external experts.
- Assessing the adequacy of disclosures made in relation to the revaluation of buildings in the Financial Statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions used.

### **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.

# Independent Auditors' Report



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

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

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

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

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

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

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

## Report on Other Legal and Regulatory Requirements

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

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

## Chartered Accountants

Colombo, Sri Lanka  
29th September 2021

# Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st March		Consolidated		Company	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
	Notes				
<b>Revenue</b>	5	<b>17,468,490</b>	15,423,082	<b>3,382,151</b>	2,865,970
Cost of Sales		<b>(14,391,978)</b>	(12,718,294)	<b>(2,549,375)</b>	(2,299,764)
<b>Gross Profit</b>		<b>3,076,512</b>	2,704,788	<b>832,776</b>	566,206
Other Income	6	<b>221,015</b>	243,493	<b>268,007</b>	257,858
Distribution Expenses		<b>(962,806)</b>	(1,005,469)	<b>(370,300)</b>	(329,338)
Administrative Expenses		<b>(1,531,461)</b>	(1,673,562)	<b>(254,770)</b>	(276,008)
Other Expenses	7	<b>(439,541)</b>	(72,251)	<b>(222,176)</b>	(89,812)
(Provision) / Reversal of Impairment of Amount due from Related Parties and Trade Receivables		<b>(74,497)</b>	(167,473)	<b>55,336</b>	(63,176)
Operating Profit		<b>289,222</b>	29,526	<b>308,873</b>	65,730
Finance Income	8	<b>102,403</b>	84,461	<b>131,258</b>	129,083
Finance Costs	8	<b>(1,120,013)</b>	(1,296,587)	<b>(614,659)</b>	(719,715)
Net Finance Costs		<b>(1,017,610)</b>	(1,212,126)	<b>(483,401)</b>	(590,632)
Share of Loss of Associate	18.1	<b>(537)</b>	(7,926)	-	-
Share of (Loss)/Profit of Joint Venture	19	<b>(50,516)</b>	7,963	-	-
Loss before Tax	9	<b>(779,441)</b>	(1,182,563)	<b>(174,528)</b>	(524,902)
Income Tax (Expenses)/ Reversals	10	<b>(266,679)</b>	157,040	<b>(80,244)</b>	200,564
Loss for the Year		<b>(1,046,120)</b>	(1,025,523)	<b>(254,772)</b>	(324,338)
<b>Other Comprehensive Income / (Expense)</b>					
<i>Items that will not be reclassified to Profit or Loss</i>					
Fair Value Gain/ (Loss) on Financial Assets Designated at Fair Value Through Other Comprehensive Income		<b>598</b>	(14,317)	<b>81</b>	(13,823)
Actuarial (Loss) / Gain on Defined Benefit Obligations	32	<b>(48,388)</b>	(28,964)	<b>(4,443)</b>	197
Revaluation Surplus	12	<b>979,079</b>	-	<b>232,884</b>	-
Share of Other Comprehensive Income of Equity - Accounted Investees (Net of Tax)		<b>(70)</b>	(176)	-	-
Tax Effect on Components of OCI	31.2	<b>(152,170)</b>	36,905	<b>(41,139)</b>	3,815
Deferred Tax Impact due to Change in Tax Rates	31.2	<b>169,355</b>	-	<b>82,480</b>	-
Other Comprehensive Income/ (Expense) for the Year, Net of Tax		<b>948,404</b>	(6,552)	<b>269,863</b>	(9,811)
<b>Total Comprehensive (Expense) / Income for the Year</b>		<b>(97,716)</b>	(1,032,075)	<b>15,091</b>	(334,149)
<b>Loss Attributable to:</b>					
Owners of the Company		<b>(865,393)</b>	(887,260)	<b>(254,772)</b>	(324,338)
Non-Controlling Interests		<b>(180,727)</b>	(138,263)	-	-
Loss for the Year		<b>(1,046,120)</b>	(1,025,523)	<b>(254,772)</b>	(324,338)
<b>Total Comprehensive Income / (Expense) Attributable to:</b>					
Owners of the Company		<b>(247,253)</b>	(892,065)	<b>15,091</b>	(334,149)
Non-Controlling Interests		<b>149,537</b>	(140,010)	-	-
Total Comprehensive Income / (Expense) for the Year		<b>(97,716)</b>	(1,032,075)	<b>15,091</b>	(334,149)
<b>Basic Loss per Share (Rs.)</b>	11	<b>(25.56)</b>	(26.21)	<b>(7.53)</b>	(9.58)

The Notes from pages 33 to 115 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

# Statement of Financial Position

As at 31st March	Notes	Consolidated		Company	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant and Equipment	12	9,143,753	8,421,281	1,277,360	1,123,135
Bearer Biological Assets	13	-	-	-	-
Right-of-Use Assets	14	243,813	298,040	44,754	49,846
Investment Property	15	520,813	531,952	182,304	153,301
Intangible Assets	16	841,154	1,170,226	-	-
Investments in Subsidiaries	17	-	-	3,497,196	3,367,889
Investments in Associates	18	102,007	102,511	102,000	249,380
Investments in Joint Venture	19	291,146	341,765	-	-
Financial Assets Measured at Fair Value Through OCI	20	18,845	28,086	16,390	26,149
Deferred Tax Assets	31	-	-	287,679	326,582
<b>Total Non-Current Assets</b>		<b>11,161,531</b>	<b>10,893,861</b>	<b>5,407,683</b>	<b>5,296,282</b>
<b>Current Assets</b>					
Inventories	22	3,405,296	2,541,327	730,800	695,500
Trade & Other Receivables	23	4,273,737	3,999,466	890,278	741,565
Amounts Due from Related Parties - Trade	34.1	17,274	7,484	6,501	14,566
Amounts Due from Related Parties - Non Trade	34.2	344,896	362,824	692,845	625,407
Loans Due from Related Parties	34.3	261,706	183,945	314,716	229,865
Income Tax Recoverable		66,875	71,463	24,465	24,465
Financial Assets Measured at Fair Value Through Profit or Loss	21	40,376	26,405	40,376	26,405
Bank & Cash Balances	24	536,899	209,716	123,503	19,886
Asset Held for Sale	25	60,000	60,000	60,000	60,000
<b>Total Current Assets</b>		<b>9,007,059</b>	<b>7,462,630</b>	<b>2,883,484</b>	<b>2,437,659</b>
<b>Total Assets</b>		<b>20,168,590</b>	<b>18,356,491</b>	<b>8,291,167</b>	<b>7,733,941</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Stated Capital	26	930,346	930,346	930,346	930,346
Other Capital Reserves	27.1	4,833	4,833	-	-
Revaluation Reserves		2,341,192	1,700,657	867,303	593,858
Fair Value Through OCI Reserves	27.2	(18,584)	(19,182)	(12,854)	(12,935)
Accumulated Losses		(2,254,731)	(1,280,004)	(1,073,659)	(815,224)
Equity Attributable to Owners of the Company		1,003,056	1,336,650	711,136	696,045
Non-Controlling Interest		2,898,540	2,597,099	-	-
<b>Total Equity</b>		<b>3,901,596</b>	<b>3,933,749</b>	<b>711,136</b>	<b>696,045</b>
<b>LIABILITIES</b>					
<b>Non-Current Liabilities</b>					
Interest Bearing Borrowings	28	4,127,341	3,734,864	2,428,020	2,212,164
Lease Liabilities	29	193,576	224,751	21,126	18,123
Deferred Income	30	1,755	9,900	-	-
Deferred Tax Liabilities	31	329,157	243,479	-	-
Retirement Benefit Obligations	32	371,330	310,775	143,493	138,692
<b>Total Non-Current Liabilities</b>		<b>5,023,159</b>	<b>4,523,769</b>	<b>2,592,639</b>	<b>2,368,979</b>
<b>Current Liabilities</b>					
Interest Bearing Borrowings	28	5,296,446	5,311,286	2,569,798	2,392,488
Lease Liabilities	29	50,770	53,395	10,161	14,823
Loans Payable to Related Parties	28.3	240,039	143,144	317,490	276,090
Trade & Other Payables	33	3,782,311	2,695,415	1,085,754	993,340
Amounts Due to Related Parties - Trade	34.4	-	-	1,084	410
Amounts Due to Related Parties - Non Trade	34.5	821,514	708,351	636,533	603,725
Income Tax Payable		101,853	100,650	-	-
Bank Overdraft	24	950,902	886,732	366,572	388,041
<b>Total Current Liabilities</b>		<b>11,243,835</b>	<b>9,898,973</b>	<b>4,987,392</b>	<b>4,668,917</b>
<b>Total Liabilities</b>		<b>16,266,994</b>	<b>14,422,742</b>	<b>7,580,031</b>	<b>7,037,896</b>
<b>Total Equity and Liabilities</b>		<b>20,168,590</b>	<b>18,356,491</b>	<b>8,291,167</b>	<b>7,733,941</b>
<b>Net Assets per Share (Rs.)</b>		<b>29.63</b>	<b>39.48</b>	<b>21.01</b>	<b>20.56</b>

The Notes from pages 33 to 115 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. Suren Goonewardene**  
Managing Director



**Mr. Anushman Rajaratnam**  
Director

29th September 2021  
Colombo

# Statement of Changes in Equity

Group	Attributable to Owners of the Company							
	Stated Capital	Other Capital Reserves	FVTOCI Reserves	Accumulated Loss	Revaluation Reserves	Total	Non-Controlling Interest	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Balance as at 01st April 2019</b>	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)
Realized Revaluation Gain on Disposals	-	-	-	3,300	(3,300)	-	-	-
<b>Distribution to Equity Holders</b>								
Dividend Paid	-	-	-	-	-	-	(56,251)	(56,251)
<b>Balance as at 31st March 2020</b>	930,346	4,833	(19,182)	(1,280,004)	1,700,657	1,336,650	2,597,099	3,933,749
<b>Balance as at 01st April 2020</b>	930,346	4,833	(19,182)	(1,280,004)	1,700,657	1,336,650	2,597,099	3,933,749
Loss for the year	-	-	-	(865,393)	-	(865,393)	(180,727)	(1,046,120)
Other Comprehensive Income/(Expenses) for the year (Net of Tax)	-	-	598	(34,455)	651,997	618,140	330,264	948,404
Effect of Acquisition, Disposals and Changes in Percentage in Subsidiaries	-	-	-	(86,341)	-	(86,341)	151,904	65,563
Realized Revaluation Gain on Disposals	-	-	-	11,462	(11,462)	-	-	-
<b>Balance as at 31st March 2021</b>	930,346	4,833	(18,584)	(2,254,731)	2,341,192	1,003,056	2,898,540	3,901,596

Company	Stated Capital	FVTOCI Reserves	Revaluation Reserves	Accumulated Losses	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	<b>Balance as at 01st April 2019</b>	930,346	(2,982)	593,858	(491,028)
Loss for the Year	-	-	-	(324,338)	(324,338)
Other Comprehensive Income/(Expenses) for the year (Net of Tax)	-	(9,953)	-	142	(9,811)
<b>Balance as at 31st March 2020</b>	930,346	(12,935)	593,858	(815,224)	696,045
<b>Balance as at 01st April 2020</b>	930,346	(12,935)	593,858	(815,224)	696,045
Loss for the Year	-	-	-	(254,772)	(254,772)
Other Comprehensive Income/(Expenses) for the year (Net of Tax)	-	81	273,445	(3,663)	269,863
<b>Balance as at 31st March 2021</b>	930,346	(12,854)	867,303	(1,073,659)	711,136

The Notes from pages 33 to 115 form an integral part of these Financial Statements.  
Figures in brackets indicate deductions.

# Statement of Cash Flow

For the Year Ended 31st March	Notes	CONSOLIDATED		COMPANY	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Cash Flow from Operating Activities</b>					
Loss before tax		(779,441)	(1,182,563)	(174,528)	(524,902)
Adjustments for :					
Depreciation/Amortisation	12	412,709	452,825	57,966	56,146
Amortisation of Right of Use Assets	14	60,871	38,408	16,956	22,494
Dividend Income	6	(524)	(710)	(148,522)	(99,803)
Loss on Disposal of Financial Assets Measured at Fair Value Through Profit or Loss	7	417	330	411	330
Gain on Disposal of Investment in Subsidiaries		-	-	(24,195)	-
Interest Expense	8	1,062,223	1,254,656	605,271	716,319
Amortisation of Deferred Income	30	(2,748)	(2,823)	-	-
Gain on Disposal of Property, Plant & Equipment	6	(36,823)	(93,609)	(5,693)	(83,429)
Exchange (Loss)/Gain	8	37,122	8,165	9,388	(10,755)
Interest Income	8	(60,826)	(54,095)	(110,349)	(118,304)
Provision for Retirement Benefit Obligation	32	66,277	59,436	24,537	24,350
Revaluation loss on Buildings		80,834	-	-	-
Fair Value (Gain)/Loss on Financial Assets Measured at Fair Value Through Profit or Loss	8	(20,909)	3,400	(20,909)	3,400
Write Back of Creditors	6	(10,912)	(3,557)	(7,496)	-
Share of Loss from Associate	18	537	7,926	-	-
Share of Loss/(Profit) from Joint Venture	19	50,516	(7,963)	-	-
Provision for Impairment of Investment in Associates		-	-	147,380	42,019
Impairment for/( Reversal of) Property, Plant and Equipment	7	(18,058)	18,427	-	-
Provision for/( Reversal of) Impairment of Investment in Subsidiaries	17	-	-	(22,673)	9,047
Write off of ESC/NBT Receivables	7	36,525	-	38,517	32,542
Provision for Impairment of Trade Receivables	23.1.1	78,903	64,382	29,253	19,253
Provision/(Reversal) for Impairment of amount due from Related Parties	34	4,220	103,091	(84,587)	44,451
Write Back of Amount payable to Related Parties		-	-	-	(57,873)
Write- back of Capital Grant	30	(6,200)	-	-	-
Provision for Impairment of Goodwill	7	329,072	-	-	-
Provision made for Obsolete Inventories	22	132,257	17,102	10,552	15,012
<b>Operating Profit Before Working Capital Changes</b>		<b>1,416,042</b>	<b>682,828</b>	<b>341,279</b>	<b>90,297</b>
Increase in Inventories		(996,226)	(183,677)	(45,852)	(67,130)
(Increase) / Decrease in Trade and Other Receivables		(389,699)	230,407	(216,483)	21,987
(Increase) / Decrease in Amounts due from Related Parties		(73,843)	(131,316)	18,895	(36,257)
Increase / (Decrease) in Trade and Other Payables		1,088,208	(83,643)	87,653	(103,223)
Increase / (Decrease) in Amounts due to Related Parties		112,368	(182,515)	9,081	(6,817)
<b>Cash Generated from/ ( Used in) Operations</b>		<b>1,156,850</b>	<b>332,084</b>	<b>194,573</b>	<b>(101,143)</b>
Income Tax Paid		(158,025)	(150,125)	-	-
Interest Paid		(884,822)	(922,108)	(410,190)	(515,402)
Gratuity Paid		(60,080)	(39,228)	(24,179)	(9,374)
Gratuity Refund from Planned Assets		6,765	12,415	-	-
<b>Net Cash Generated from/ (Used in) Operating Activities</b>		<b>60,688</b>	<b>(766,962)</b>	<b>(239,796)</b>	<b>(625,919)</b>
<b>Cash Flow from Investing Activities</b>					
Purchase & Construction of Property, Plant & Equipment	12	(304,327)	(370,288)	(11,308)	(41,434)
Acquisition of Non Controlling Interests		(267)	-	(267)	-
Proceeds from Disposal of Financial Assets Measured at Fair Value Through Other Comprehensive Income		9,851	-	9,851	-
Proceeds from Disposal of Subsidiaries		-	-	(148,000)	-
Proceeds on Net Change in the Ownership of the Subsidiaries		65,831	-	65,831	-
Investment in Financial Assets Measured at Fair Value Through Profit or Loss		(81)	(1,434)	(81)	(1,424)
Proceeds from Disposal of Financial Assets Measured at Fair Value Through Profit or Loss		6,614	3,881	6,592	3,881
Grants Received	30	803	777	-	-
Interest Received		60,826	54,095	220	55
Dividend Received		524	39,810	148,522	107,300
Proceeds from Disposal of Property, Plant & Equipment		133,410	140,914	8,691	118,316
<b>Net Cash (Used in)/ Generated From Investing Activities</b>		<b>(26,816)</b>	<b>(132,245)</b>	<b>80,051</b>	<b>186,694</b>
<b>Cash Flow from Financing Activities</b>					
Dividend Paid		-	(56,251)	-	-
Loans Given to Related Parties		-	-	-	(200,000)
Proceeds from Long Term Loans	28	938,694	879,916	225,905	278,101
Repayment of Long Term Loans	28	(527,493)	(786,627)	(105,757)	(197,242)
Net Lease Payment	29	(70,831)	(75,516)	(17,401)	(29,748)
Net movement in Short Term Borrowings	28	(208,124)	912,513	140,684	541,828
Loans Obtained from Related Parties		96,895	(84,300)	41,400	230,700
Settlement of Loans Obtained from Related Parties		-	(72,000)	-	(72,000)
<b>Net Cash Generated From Financing Activities</b>		<b>229,141</b>	<b>717,735</b>	<b>284,831</b>	<b>551,639</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>		<b>263,013</b>	<b>(181,472)</b>	<b>125,086</b>	<b>112,414</b>
Cash & Cash Equivalents at the beginning of the year		(677,016)	(495,544)	(368,155)	(480,569)
Cash & Cash Equivalents at the end of the year	24	(414,003)	(677,016)	(243,069)	(368,155)

The Notes from pages 33 to 115 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 2021 comprise of the Company and its subsidiaries (together referred to as the “Group” and individually as ‘Group entities’) and the Group’s interest in Equity accounted investees.

### 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 2021 were authorised for issue by the Board of Directors 29th September 2021.

### 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
- Classes of Land and buildings under Property, Plant and Equipment are 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;	3.2.1
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

# Notes to the Financial Statements

## 2.3.1 Assumptions and Estimation Uncertainties

Information about the assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31st March 2021 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
- Note 20.2.2 : Fair value measurement of unquoted investments

## 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 except as disclosed in note 3.1 are, 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 continues to be prepared on a going concern basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below except as disclosed in note 3.1 to these financial statements 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 Changes in significant accounting policies

#### 3.1.1 Accounting policy for the measurement of Buildings under Property, Plant & Equipment

The Group / Company elected to change its accounting policy relating to the measurement of buildings under Property, Plant & Equipment from cost model to fair value model in accordance with the paragraph 29 of LKAS 16 – "Property, Plant & Equipment". The Group has adopted this change with effect from 30th June 2020. The revised accounting policy is disclosed in note 3.5.3 to these financial statements.

This change in accounting policy has been applied prospectively in line with the paragraph 17 of LKAS 8 – "Accounting Policies, Changes in Accounting Estimates and Errors".

Financial impact due to the change in this accounting policy is as follows,

<b>Buildings</b>	<b>Company Rs. '000</b>	<b>Group Rs. '000</b>
Cost as at 30.06.2020	367,022	2,963,409
Less: Accumulated Depreciation as at 30.06.2020 (prior to revaluation)	(142,026)	(1,030,846)
Carrying amount as at 30.06.2020 (Prior to revaluation)	224,996	1,932,563
Add: Surplus on revaluation recognized in other comprehensive income	231,884	932,819
Less: Loss on revaluation recognized in profit or loss	-	(80,834)
Carrying amount as at 01.07.2020	598,905	2,784,548

### 3.1.2 Amendments to Definition of a Business – SLFRS 3

The Group has initially adopted Definition of a Business (Amendments to SLFRS 3) from 1st April 2020. This amendment is applicable for the acquisitions made on or after 1st April 2020 in assessing whether it had acquired a business or group of assets. The details of accounting policies are set out in note 3.2 to these financial statements. The Group did not acquire any subsidiary during the year ended 31st March 2021, as a result the impact of the application of this amended standard was limited to the changes in the significant accounting policies disclosed.

### 3.1.3 Other amended standards

A number of other new standards were also effective from 01st April 2020 but they do not have a material impact effect on the Group's financial statements.

## 3.2 Basis of Consolidation

### 3.2.1 Business Combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities includes at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business, The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment.

Any contingent consideration is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured, and settlement is accounted for within equity. Otherwise, other contingent consideration is measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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.

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.

# Notes to the Financial Statements

## 3.2.2 Non-controlling interests

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

## 3.2.3 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control.

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

### Control over an investee

- Specifically, the Group controls an investee if, and only if, the Group has:
- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

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

- When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights
- The following companies, with equity control equal to or less than 50%, have been consolidated as subsidiaries based on above criteria.

Company Name	Holding %
Marawila Resorts PLC	38
Imperial Hotels Ltd. (Previously known as York Hotels (Kandy) Ltd.)	32
Ceytra (Pvt) Ltd.	35
Kelani Valley Canneries Ltd.	49
Sunquick Lanka Properties (Private) Limited	28
Sigiriya Village Hotels PLC	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.

## 3.2.4 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.

### **3.2.5 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.

### **3.2.6 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.

## **3.3 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.

# Notes to the Financial Statements

## 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.

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 asset 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.
- 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 de-recognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

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

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

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

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

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable-rate features;
- Prepayment and extension features; and
- Terms that limit the Company's claim to cash flows from specified assets (eg. Non-recourse features).

A prepayment feature is consistent with the solely payments of principle and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

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

### 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 de recognition 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 into transactions whereby it transfers assets recognised in its Statements of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

#### 3.4.3.2 Financial Liabilities

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

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

#### 3.4.4 Offsetting

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

# Notes to the Financial Statements

## 3.4.5 Other Payables

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

## 3.4.6 Assets and Basis of their Valuation

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

## 3.5 Property, Plant and Equipment

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

### 3.5.1 Recognition and Measurement

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

Property, Plant & Equipment are initially measured at its cost. All items of property, plant & equipment except lands and buildings are subsequently measured 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, the Company has shifted from cost model to revaluation model for lands since 31st March 2019 and for buildings since 30th June 2020 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 buildings 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 and buildings. Such lands and buildings are carried at a revalued amount, being their fair value at the date of revaluation, less subsequent accumulated impairment losses. Lands and the buildings of the Group are revalued at once in every three years on a roll over basis to ensure that the carrying amounts do not differ materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognised in Other Comprehensive Income and accumulated in equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of Income. In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the Statement of Income or debited in the Other Comprehensive Income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognised in other Comprehensive Income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

### 3.5.4 Gains and Losses on Disposal

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

### 3.5.5 Subsequent Costs

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

### 3.5.6 De-Recognition

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

### 3.5.7 Depreciation

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

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

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

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

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

### 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

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.

# Notes to the Financial Statements

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 LKAS 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.

## **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 of disposal. Transfers are made to and from investment property only when there is a change in use in accordance with the criteria listed in LKAS 40-Investment Property.

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

## **3.7 Borrowing Costs**

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

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

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

### 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 De-recognition 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.

# Notes to the Financial Statements

## 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. Goodwill is tested annually for impairment.

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 cash inflows of other assets or CGUs. Goodwill arising from business combination is allocated to CGUs or groups of CGUs that are expected to benefit from synergies of the combination.

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.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 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.

# Notes to the Financial Statements

## 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 fulfilment 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.

## 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
(a) Sale of Goods	Customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. Invoices are usually payable within 30/60/90 days based on the product category	Customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. Invoices are usually payable within 30/60/90 days based on the product category

## (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 Financial Assets Measured at Fair Value Through OCI), 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 Profit and Loss and 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.

The group has determined that, interest and penalties related to income taxes including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37- "Provisions, Contingent Liabilities and Contingent Assets".

#### 3.20.1 Current tax

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

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

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

#### 3.20.2 Deferred tax

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

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

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date and reflects uncertainty related to income taxes, if any.

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.

# Notes to the Financial Statements

## 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.

## 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 LKAS- 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 Financial Assets Measured at Fair Value Through OCI 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 on or after 1st April 2021. Accordingly, the Group has not applied these amendments in preparing these Consolidated Financial Statements.

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

### 4.1 Onerous contracts – Cost of fulfilling contracts (amendments to LKAS 37)

Companies currently applying the 'incremental cost' approach will need to recognize bigger and potentially more provisions for onerous contracts.

### 4.2 Property, Plant and Equipment: Proceeds before intended use (amendments to LKAS 16)

Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items.

Companies will therefore need to distinguish between:

- Costs associated with producing and selling items before the item of PPE is available for use; and
- Costs associated with making the item of PPE available for its intended use.

### **4.3 Classification of liabilities as current or non-current (amendments to LKAS 1)**

Under existing LKAS 1 requirement, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

### **4.4 Annual improvements to SLFRS Standards 2018-2020**

As part of its process to make non-urgent but necessary amendments to IFRS Standards, the International Accounting Standards Board (the Board) has issued the Annual Improvements to IFRS Standards 2018–2020. These improvements are expected to impact SLFRS1, SLFRS 9, SLFRS 16 and LKAS 41.

### **4.5 COVID 19 – Related rent concessions (Amendments to SLFRS 16)**

In May 2020, the International Accounting Standards Board (the Board) issued COVID-19-Related Rent Concessions (the 2020 amendments), which amended IFRS 16 Leases. The 2020 amendments introduced an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. Under that practical expedient, a lessee is not required to assess whether eligible rent concessions are lease modifications, instead accounting for them in accordance with other applicable guidance.

The practical expedient introduced in the 2020 amendments only applies to rent concessions for which any reduction in lease payments affects solely payments originally due on or before 30 June 2021. If the Board had taken no further action, the practical expedient would have expired in a few months.

The economic challenges presented by the COVID-19 pandemic have persisted longer than anticipated. As a result, lessors and lessees are negotiating rent concessions that extend beyond 30 June 2021.

The Board has therefore extended the practical expedient by 12 months – i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.

### **4.6 Reference to conceptual framework (Amendments to SLFRS 3)**

# Notes to the Financial Statements

## 5. REVENUE

For the Year Ended 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
<b>5.1 Revenue Streams</b>				
<b>Revenue from contracts with customer</b>				
Sale of Goods	17,036,783	14,251,757	3,382,151	2,865,970
Rendering of Services	431,707	1,171,325	-	-
	<b>17,468,490</b>	15,423,082	<b>3,382,151</b>	2,865,970

### 5.2 Business Segment Analysis of Revenue

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

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

For the Year Ended 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
<b>5.3 Segment Revenue</b>				
Trading - Consumer Products	7,000,823	5,552,421	-	48,472
Trading - Industrial Products	10,205,537	8,871,762	3,382,151	2,817,498
Leisure	431,707	1,171,435	-	-
	<b>17,638,067</b>	15,595,618	<b>3,382,151</b>	2,865,970
Inter-Segment Revenue	(169,577)	(172,536)	-	-
	<b>17,468,490</b>	15,423,082	<b>3,382,151</b>	2,865,970

For the Year Ended 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
<b>5.4 Timing of Revenue Recognition</b>				
Products and services transferred at a point in time	17,468,490	15,423,082	3,382,151	2,865,970
Products and services transferred over time	-	-	-	-
	<b>17,468,490</b>	15,423,082	<b>3,382,151</b>	2,865,970

For the Year Ended 31st March	Operating Profit / (Loss)		Profit / (Loss) before Tax	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
<b>5.5 Segment Operating Profit / (Loss) - Consolidated</b>				
Consumer Products	345,056	44,987	245,163	(41,329)
Industrial Products	356,021	59,542	(435,319)	(876,441)
Leisure	(383,684)	(73,883)	(501,256)	(189,530)
Others	(28,171)	(1,120)	(88,030)	(75,263)
	289,222	29,526	(779,441)	(1,182,563)

As at	Total Assets		Total Liabilities	
	31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000

## 5.6 Assets and Liabilities

Trading - Consumer Products	2,660,403	2,211,318	1,878,967	1,721,519
Trading - Industrial Products	11,717,121	10,613,940	11,327,569	9,998,671
Leisure	5,587,013	5,219,826	2,080,364	1,830,206
Other	204,053	311,407	980,094	872,346
	20,168,590	18,356,491	16,266,994	14,422,742

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	
	31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000
Trading - Consumer Products	-	-	85,715	94,403	47,763	52,215
Trading - Industrial Products	11,864	71,548	186,044	236,759	245,382	301,268
Leisure	-	-	32,568	39,126	177,947	137,154
Other	-	-	-	-	2,488	596
	11,864	71,548	304,327	370,288	473,580	491,233

# Notes to the Financial Statements

## 6. OTHER INCOME

For the Year Ended 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Profit on Disposal of Property, Plant and Equipment	36,823	93,609	5,693	83,429
Dividend Income - Quoted Companies	524	710	524	60,703
- Unquoted Companies	-	-	147,998	39,100
Write Back of Creditors	10,912	3,557	7,496	-
Amortisation of Grants and Subsidies	2,748	2,823	-	-
Commission Income	1,569	132	-	-
Gain on Disposal of Investment in Subsidiaries	-	-	24,195	-
Write Back of Amount Payable to Related Parties	-	-	-	57,873
Reversal of Impairment on Investment in Subsidiaries	-	-	50,275	-
Rent Income	138,864	137,678	8,061	4,410
Sundry Income	29,575	4,984	23,765	12,343
	<b>221,015</b>	<b>243,493</b>	<b>268,007</b>	<b>257,858</b>

## 7. OTHER EXPENSES

For the Year Ended 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Impairment of Property, Plant and Equipment (Note 12.1)	(18,057)	18,427	-	-
Loss on Disposal of Investments	417	330	411	330
Impairment of Investment in Subsidiaries (Note 17.1)	-	-	27,601	9,047
Impairment of Goodwill (Note 16)	329,072	-	-	-
Impairment of Investment in Associates (Note 18.2.1)	-	-	147,380	42,019
Revaluation Loss on Buildings	80,834	-	-	-
Write off of ESC/ NBT Receivables	36,525	-	38,517	32,541
Sundry Expenses	10,750	53,494	8,267	5,875
	<b>439,541</b>	<b>72,251</b>	<b>222,176</b>	<b>89,812</b>

## 8. NET FINANCE COSTS

For the Year Ended 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
<b>(A) Finance income</b>				
Interest Income	(36,181)	(26,043)	(220)	(55)
Interest from Loans due from Related Companies	(24,645)	(28,052)	(82,301)	(96,297)
Commission on Corporate Guarantee	-	-	(27,828)	(21,976)
Gain on Translation of Foreign Currency	(20,668)	(30,366)	-	(10,755)
Fair value gain on Financial Assets Measured at FVTPL	(20,909)	-	(20,909)	-
<b>Total Finance Income</b>	<b>(102,403)</b>	<b>(84,461)</b>	<b>(131,258)</b>	<b>(129,083)</b>
<b>(B) Finance Costs</b>				
Interest on Term Loans	720,633	799,741	358,885	465,560
Interest on Overdraft, Trust Receipt Loans and Short Term Loans	310,830	420,104	242,508	244,085
Interest on Lease Liabilities	30,760	34,811	3,878	6,670
Foreign Exchange Loss	57,790	38,531	9,388	-
Fair value Loss on Financial Assets Measured at FVTPL	-	3,400	-	3,400
<b>Total Finance Costs</b>	<b>1,120,013</b>	<b>1,296,587</b>	<b>614,659</b>	<b>719,715</b>
<b>Net Finance Costs</b>	<b>1,017,610</b>	<b>1,212,126</b>	<b>483,401</b>	<b>590,632</b>

## 9. LOSS BEFORE TAX

Is stated after charging all the expenses including the following:

For the Year Ended 31st March	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
<b>Depreciation/Amortisation</b>				
Property, Plant & Equipment	401,570	443,983	55,669	56,150
Investment Property	11,139	8,842	2,297	-
Right of Use Assets	60,871	38,408	16,956	22,493
<b>Auditor's Remuneration</b>				
KPMG	11,322	10,959	3,150	2,850
Other Auditors	4,161	2,761	-	-
<b>Non-Audit Services</b>				
KPMG	2,073	2,743	734	827
Other Auditors	1,513	1,717	1,096	1,717
Salaries and Wages	1,160,247	1,119,188	552,194	480,119
Defined Benefit Plan Cost - Retiring Gratuity	66,277	59,436	24,537	24,349
Defined Contribution Plan Cost - EPF & ETF	143,591	153,006	57,971	56,165
Managing Agent Fees	9,083	30,912	-	-
Donations	222	715	-	-

# Notes to the Financial Statements

## 10. INCOME TAX EXPENSE

For the Year Ended 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Current Income Tax Expense</b>				
Taxation on Profit for the Year (Note 10.1)	163,350	122,233	-	-
Under Provision in respect of previous year	466	24,308	-	3,662
	<b>163,816</b>	146,541	-	3,662
<b>Deferred Tax Expense</b>				
Deferred Tax recognized through Profit or Loss (Note 31)	102,863	(303,581)	80,244	(204,226)
	<b>266,679</b>	(157,040)	<b>80,244</b>	(200,564)

### 10.1 Current Income Tax Expense

#### Reconciliation of Accounting Loss to Income Tax Expense

For the Year Ended 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Accounting Loss before Taxation	(779,441)	(1,182,563)	(174,528)	(524,902)
Intra-Group Adjustments	1,228,297	107,019	-	-
	<b>448,856</b>	(1,075,544)	<b>(174,528)</b>	(524,902)
Aggregate Disallowable Expenses	1,939,789	1,478,647	655,867	505,457
Aggregate Allowable Expenses	(808,723)	(469,328)	(79,728)	(75,959)
Tax Exempt Income	(148,000)	(2,494)	-	-
Income not part of Assessable Income	(817,457)	(98,307)	(188,065)	-
	<b>614,465</b>	(167,026)	<b>213,546</b>	(95,404)
Statutory Loss from Business (Note 10.2)	569,878	641,393	-	95,404
Profit from Business	1,184,343	474,367	213,546	-
Other Sources of Income	85,999	98,307	7,679	-
Tax Losses utilised during the year	(490,539)	(79,604)	(221,225)	-
Taxable Income	779,803	493,070	-	-
Income Tax @ 28%	-	92,822	-	-
Income Tax @ 24%	123,590	14,752	-	-
Income Tax @ 18%	12,068	2,904	-	-
Income Tax @ 14%	27,692	11,755	-	-
Income Tax on Profit for the year	<b>163,350</b>	122,233	-	-

### 10.2 Accumulated Tax Losses

For the Year Ended 31st March	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Balance at the beginning of the year	5,842,924	5,460,391	3,210,076	2,893,383
Adjustments to opening balance	(121,964)	(179,256)	(95,404)	221,289
Tax Loss utilised during the year	(490,539)	(79,604)	(221,225)	-
Tax Loss for the year	569,878	641,393	-	95,404
Balance at the end of the year	<b>5,800,299</b>	5,842,924	<b>2,893,447</b>	3,210,076

**10.3** The Group/Company is liable to pay income tax on its taxable income as per the Inland Revenue (Amendment) Act No 10 of 2021 unless stated otherwise. As per the guideline on “Application of tax rates in measurement of current and deferred tax in LKAS 12 “ issued by CA Sri Lanka, the Group/Company has calculated the provision for income tax based on the requirements of this Act.

**(a) Subsidiaries**

<b>Name of the Company</b>	<b>Income Tax Rate for Profits Earned for the Year Ended 31st March 2021</b>	<b>Income Tax Rate for Profits Earned for the Year Ended 31st March 2020</b>
SunAgro LifeScience Limited	18%, 24%	28%
Associated Farms Limited	24%	28%
Lankem Paints Limited	24%	28%
Lankem Chemicals Limited	24%	28%
Lankem Consumer Products Limited	24%	28%
Lankem Exports Limited	24%	28%
Lankem Research Limited	24%	28%
SunAgro Farms Limited	24%	28%
SunAgro Foods Limited	24%	28%
Nature's Link Limited	24%	28%
Lankem Technology Services Limited	24%	28%
Marawila Resorts PLC	14%, 24%	14%, 28%
Sigiriya Village PLC	14%, 24%	14%, 28%
Colombo Fort Hotel Limited	24%	28%
Beruwala Resorts PLC	14%, 24%	14%, 28%
BOT Hotel Services Limited	24%	28%
Galle Fort Hotel Limited	14%, 24%	14%, 28%
Imperial Hotels Limited	14%, 24%	14%, 28%
Lak Kraft (Pvt) Limited	24%	28%
Sherwood Holidays Limited	14%, 24%	14%, 28%
C.W. Makie PLC	14%, 18%, 24%	14%, 28%
JF Packaging Limited	24%	28%
Alliance Five (Pvt) Limited	14%, 24%	14%
Kiffs (Pvt) Limited	18%, 24%	28%
Ceylon Tapes Limited	14%, 18%, 24%	28%

**(b) Associates**

<b>Name of the Company</b>	<b>Income Tax Rate for profits earned for the Year Ended 31st March 2021</b>
Consolidated Tea Plantations Ltd.	24%
Waverly Power (Pvt) Ltd.	Exempted

**(c) Joint Venture**

The joint venture company, Sunquick Lanka (Pvt) Ltd has used the tax rate of 24% in calculating the income tax provision for the year ended 31st March 2021. (2020: 28%)

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.

# Notes to the Financial Statements

## 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 31st March	Consolidated		Company	
	2021	2020	2021	2020
Loss attributable to Equity Holders of the Company (Rs.'000)	(865,393)	(887,260)	(254,772)	(324,338)
Weighted Average Number of Ordinary Shares (No.'000)	33,853	33,853	33,853	33,853
Loss per Share (Rs.)	(25.56)	(26.21)	(7.53)	(9.58)

### 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.

## 12. PROPERTY, PLANT & EQUIPMENT

### 12.1 Consolidated

	Balance As at 01.04.2020	Revaluations	Adjustment on revaluation	Transfers (out) / in	Capitalised during the Year	Additions during the Year	Disposals during the Year	Write off during the Year	Balance As at 31.03.2021	Balance As at 31.03.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost/Revalued Amount</b>										
Land	4,984,814	46,260	-	-	-	2,057	-	-	5,033,131	4,984,814
Buildings	3,074,754	851,985	(1,011,925)	(110,758)	6,239	5,405	(60,867)	(1,405)	2,753,428	3,074,754
Fixtures	-	-	-	110,758	-	116	-	-	110,874	-
Land Development Cost	9,404	-	-	-	-	-	-	-	9,404	9,404
Plant & Machinery	2,183,528	-	-	-	-	35,185	(110,784)	(2,138)	2,105,791	2,183,528
Motor Vehicles	462,973	-	-	-	-	6,363	(23,621)	-	445,715	462,973
Furniture & Fittings	543,904	-	-	41	-	14,929	(6,022)	(840)	552,012	543,904
Office Equipment	529,740	-	-	(41)	-	13,165	(10,777)	(4,766)	527,321	529,740
Linen & Soft Furnishings	154,955	-	-	-	-	695	(2,351)	-	153,299	154,955
	11,944,072	898,245	(1,011,925)	-	6,239	77,915	(214,422)	(9,149)	11,690,975	11,944,072
Capital Work in Progress	398,951	-	-	-	(6,239)	226,412	-	-	619,124	398,951
Total Cost/Revalued Amount	12,343,023	898,245	(1,011,925)	-	-	304,327	(214,422)	(9,149)	12,310,099	12,343,023

	Balance As at 01.04.2020	Revaluations	Adjustment on revaluation	Transfers (out) / in	Charge for the Year	Impairment Reversal/ (Loss) For the Year	Disposals during the Year	Write off during the Year	Balance As at 31.03.2021	Balance As at 31.03.2020
	Rs.'000	Rs.'000	Rs.'000	Rs.000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Accumulated Depreciation/ Impairment</b>										
<b>Freehold</b>										
Buildings	1,042,215	-	(1,011,925)	(43,573)	118,620	-	(4,392)	(1,405)	99,539	1,042,215
Fixtures	-	-	-	43,573	3,994	-	-	-	47,567	-
Plant & Machinery	1,566,687	-	-	-	157,310	(18,057)	(73,599)	(2,138)	1,630,203	1,566,687
Motor Vehicles	314,289	-	-	-	48,414	-	(23,205)	-	339,498	314,289
Furniture & Fittings	437,137	-	-	41	22,156	-	(4,581)	(840)	453,914	437,137
Office Equipment	434,636	-	-	(41)	36,204	-	(10,006)	(4,766)	456,026	434,636
Linen & Soft Furnishings	126,778	-	-	-	14,872	-	(2,051)	-	139,599	126,778
	3,921,742	-	(1,011,925)	-	401,570	(18,057)	(117,834)	(9,149)	3,166,346	3,921,742
Net Carrying Value of Property, Plant and Equipment	8,421,281								9,143,753	8,421,281

## 12.2 Company

	Balance As at 01.04.2020 Rs.'000	Revaluations Rs.'000	Adjustment on Revaluation Rs.'000	Transfers (out) / in Rs.'000	Transferred to Investment Property Rs.'000	Additions during the Year Rs.'000	Disposals during the Year Rs.'000	Balance As at 31.03.2021 Rs.'000	Balance As at 31.03.2020 Rs.'000
<b>Cost / Revalued Amount</b>									
Land	803,265	1,000	-	-	(31,300)	-	-	772,965	803,265
Land Development Cost	9,404	-	-	-	-	-	-	9,404	9,404
Buildings	368,827	231,884	(134,012)	(22,263)	-	1,513	-	445,949	368,827
Fixtures	-	-	-	22,263	-	116	-	22,379	-
Plant & Machinery	345,764	-	-	-	-	2,475	(24,562)	323,677	345,764
Motor Vehicles	49,363	-	-	-	-	-	(4,864)	44,499	49,363
Furniture, Fittings & Office Equipment	243,827	-	-	-	-	7,204	(4,660)	246,371	243,827
<b>Cost / Revalued Amount</b>	<b>1,820,450</b>	<b>232,884</b>	<b>(134,012)</b>	<b>-</b>	<b>(31,300)</b>	<b>11,308</b>	<b>(34,086)</b>	<b>1,865,244</b>	<b>1,820,450</b>

	Balance As at 01.04.2020 Rs.'000	Revaluations Rs.'000	Adjustment on Revaluation Rs.'000	Transfers (out) / in Rs.'000	Charge for the Year Rs.'000	Disposals during the Year Rs.'000	Balance As at 31.03.2021 Rs.'000	Balance As at 31.03.2020 Rs.'000	
<b>Accumulated Depreciation</b>									
Buildings		139,979	-	(134,012)	(10,937)	26,163	-	21,193	139,979
Fixtures		-	-	-	10,937	1,045	-	11,982	-
Plant & Machinery		299,818	-	-	-	17,709	(22,566)	294,961	299,818
Motor Vehicles		32,107	-	-	-	4,497	(4,552)	32,052	32,107
Furniture, Fittings & Office Equipment		225,411	-	-	-	6,255	(3,970)	227,696	225,411
<b>Total Depreciation</b>		<b>697,315</b>	<b>-</b>	<b>(134,012)</b>	<b>-</b>	<b>55,669</b>	<b>(31,088)</b>	<b>587,884</b>	<b>697,315</b>
<b>Total Carrying Amount of Property, Plant &amp; Equipment</b>		<b>1,123,135</b>						<b>1,277,360</b>	<b>1,123,135</b>

## 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 31st March 2021 is Rs.1,421 Mn (2020-Rs.956 Mn).

### Company

The gross carrying amount of fully depreciated Property, Plant and equipment still in use as at 31st March 2021 is Rs.404 Mn (2020-Rs.385 Mn).

# Notes to the Financial Statements

## 12.4 The Portfolio of the Lands Carried at Fair Value 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 Per Perch Rs. '000	Carrying Value of Land as at 31.03.2021 Rs. '000	Market value of Land as at 31.03.2020 Rs. '000
<b>i Lankem Ceylon PLC</b>								
Land	St. Anthony's Road, Ekala	2A:3R:36.35P	12	Mr. P. P. T. Mohideen Chartered Valuer	31.01.2019	720-880	381,080	381,080
Land	Maguruwila Road, Gonawala	5A:1R:27.90P	3	Mr. P. P. T. Mohideen	31.01.2019	407-497	392,185	392,185
Land	Maduramadu, Vebrmu	8A:3R:30.86P	2	Mr. P. P. T. Mohideen	31.03.2019	19-22	30,000	30,000
<b>ii Marawila Resorts PLC</b>								
Land	Marawila	29A:1R:33.6P	23	Mr. P. P. T. Mohideen Chartered Valuer	31.03.2019	225-276	1,180,700	1,180,700
<b>iii Sigiriya Village Hotels PLC</b>								
Land	Sigiriya Mankani, Trincomalee	7A:12	32	Mr. P. P. T. Mohideen Chartered Valuer	31.03.2019	69-85	207,082	207,082
<b>iv B.O.T. Hotels Services (Pvt) Ltd.</b>								
Land	Kapparatota Road, Weligama	3A:0R:10.59P	7	Mr. P. P. T. Mohideen Chartered Valuer	31.03.2019	964-1,178	525,500	525,500
<b>v C.W. Mackie PLC</b>								
Land	Munagama, Horana	3A:0R:5.21P	4	Mr.K.T.D.Tissera Chartered Valuer	31.03.2019			
Land	Munagama, Horana	2A:3R:33.07P	8	Mr.K.T.D.Tissera Chartered Valuer	31.03.2019			
Land	Aramanagolla, Horana	5A:0R:0.5P	4	Mr.K.T.D.Tissera Chartered Valuer	31.03.2019	225-275	744,057	742,000
Land	Thebuwana, Narthupana	5A:1R:10P	8	Mr.K.T.D.Tissera Chartered Valuer	31.03.2019			
Land	Kaluaggala, Hanwella	2A:0R:35P	11	Mr.K.T.D.Tissera	31.03.2019			
<b>vi Galle Fort Hotel (Pvt) Ltd.</b>								
Land	Galle Fort, Galle	0A:1R:37.5P	4	Mr. P. P. T. Mohideen Chartered Valuer	30.06.2020	17,129-17,269	1,262,960	1,216,700
<b>vii Beruwala Resorts PLC</b>								
Land	Freehold :Moragalla, Beruwala	0A:0R:2.8P	12	Mr. P. P. T. Mohideen Chartered Valuer	31.03.2019	0.19-0.23	267	267
<b>viii JF Packaging Ltd.</b>								
Land	Minuwangoda Road, Kotugoda.	2A:0R:30P	8	Mr. P. P. T. Mohideen Chartered Valuer	31.03.2019	761-930	295,800	295,800
<b>ix Ceylon Tapes (Pvt) Ltd</b>								
Land	23/20, Samagi Mawatha, Ja-Ela.	0A:1R:5P	2	Mr. P. P. T. Mohideen Chartered Valuer	31.03.2019	270-330	13,500	13,500
							<b>5,033,131</b>	<b>5,984,814</b>

## 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.

<b>Market price per perch (10% movement)</b>	<b>Market Value as at 31st March 2021 Rs. '000</b>	<b>Increase +10% Rs. '000</b>	<b>Decrease -10% Rs. '000</b>
Lankem Ceylon PLC	803,265	80,327	(80,327)
Sigiriya Village Hotels 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	1,262,960	126,296	(126,296)
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	744,057	74,406	(74,406)
	<b>5,033,131</b>	<b>503,314</b>	<b>(503,314)</b>

# Notes to the Financial Statements

## 12.6. Revaluation of Building under Property ,Plant and Equipment

The Group has voluntarily changed the accounting policy on Buildings from cost model to revaluation model with effect from 30th June 2020, Valuation has been carried out by external independent valuation experts as follows. This is done to provide reliable and more relevant information. Changing accounting policy from cost model to revalue model has been dealt in accordance with LKAS 16 Property, Plant & Equipment rather than in accordance with LKAS 8 Accounting policies, changes in Accounting Estimates and Errors.

The fair value measurement for all of Buildings has been categorized as level 03 fair value based on the input to the valuation technique used.

Company Name	Location	No of Buildings	Extent of the Buildings Sq.ft	Valuation of Buildings Rs.000	Net Book Value Prior to Revaluation Rs.000
SunAgro Foods Ltd.	Kappalthurai Industrial Park"- Trincomalee	6	12,478 sq. ft.	58,715	47,253
Galle Fort Hotels Ltd.	No. 6217, Pedlar Street, Galle	4	29,364 sq. ft.	158,590	139,083
Sherwood Holidays Ltd.	Totalagala, Haputale	7	11,940 sq. ft.	106,960	96,175
Nature's Link Ltd.	Maduramadu, Vembu	2	4,863 sq. ft.	18,777	10,323
Lankem Ceylon PLC	St. Anthony's Road, Ekala	12	53,350 sq. ft.	124,518	39,148
	Maguruwila Road, Gonawala	3	29,473 sq. ft.	29,300	18,800
	Pannala, Kurunegala	2	50,657 sq. ft.	202,750	122,551
	Siripura, Polonnaruwa	1	20,675 sq.ft.	87,869	32,053
Marawila Resorts PLC	Pannala, Kurunegala	23	180,091 sq. ft.	835,905	514,882
Ceylon Tapes (Pvt) Ltd.	23/20, Samagi Mawatha, Ja-Ela	2	3,964 sq. ft.	7,390	2,376
B.O.T Hotel Services (Pvt) Ltd.	No. 215, Sri Sanghananda Mawatha, Kapparathota, Weligama	7	55,871 sq.ft	197,025	154,666
JF Packaging Ltd.	Minuwangoda Road, Kotugoda	8	71,495 sq. ft.	240,394	164,172
Beruwala Resorts PLC	6th Lane,Moragalla, Beruwala	12	130,488 sq. ft.	256,897	337,731
Ceymac Rubber Co, Ltd.	Aramangolla, Horana and Thebuwana, Narthupana	17	98,614 sq. ft.	124,000	74,916
Kelani Valley Canneries Ltd.	Kaluaggala, Hanwella	11	26,522sq.ft.	61,000	31,036
C.W. Mackie PLC	Munagama, Horana	4	19,985 sq. ft.	63,000	28,006
Sigiriya Village Hotels PLC	P.O Box 1, Sigiriya	32	160241 sq.ft.	231,044	138,900

Effective date of valuations are 30th June 2020.

Revaluation Gain/(Loss)	Name of the valuer	Significant Unobservable Inputs	Range of Estimates for Unobservable inputs per sq. ft	Sensitivity of Fair Value to Unobservable Inputs
<b>Rs.000</b>				
11,462	Mr.R.Ponnusamy, RICS (SriLanka)	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 3,000-5,000	Positively correlated sensitivity
19,507	Mr. P. P. T. Mohideen Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 2,500-5,500	Positively correlated sensitivity
10,785	Mr. P. P. T. Mohideen Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 3,500-11,500	Positively correlated sensitivity
8,377	Mr. P. P. T. Mohideen Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 3,000-4,000	Positively correlated sensitivity
85,370	Mr. P. P. T. Mohideen Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 2,750-4,250	Positively correlated sensitivity
10,500	Mr. P. P. T. Mohideen Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 1,750-3,850	Positively correlated sensitivity
80,199	Mr. P. P. T. Mohideen Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 3,750-4,000	Positively correlated sensitivity
55,816	Mr. P. P. T. Mohideen Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 4,000-4,500	Positively correlated sensitivity
321,023	Mr. P. P. T. Mohideen Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 2,750-8,250	Positively correlated sensitivity
5,014	Mr. P. P. T. Mohideen Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 1,850-2,000	Positively correlated sensitivity
42,359	Mr. P. P. T. Mohideen Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 2,750-9,750	Positively correlated sensitivity
76,222	Mr. P. P. T. Mohideen Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 1,500-4,250	Positively correlated sensitivity
(80,834)	Mr. P. P. T. Mohideen Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	YP at 6.25 % in perpetuity and Annual Rent 1.2Mn per annum	Positively correlated sensitivity
49,084	Mr.K.T.D.Tissera Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 750-15,000	Positively correlated sensitivity
29,964	Mr.K.T.D.Tissera Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 500-2,500	Positively correlated sensitivity
34,994	Mr.K.T.D.Tissera Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 2,500-3,500	Positively correlated sensitivity
92,144	Mr.K.T.D.Tissera Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs 3,500 - Rs 5,500	Positively correlated sensitivity

# Notes to the Financial Statements

## 12.7 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 Sq.ft. (10% movement)	Market Value as at 31st March 2021	Increase +10%	Decrease -10%
Lankem Ceylon PLC	444,437	44,444	(44,444)
Sigiriya Village Hotel PLC	231,044	23,104	(23,104)
Marawila Resort PLC	835,905	83,591	(83,591)
B.O.T. Hotel Services ( Pvt) Ltd	197,025	19,703	(19,703)
Galle Fort Hotels ( Pvt) Ltd	158,590	15,859	(15,859)
Ceylon Tapes ( Pvt) Ltd	7,390	739	(739)
JF Packaging Ltd	240,394	24,039	(24,039)
Beruwala Resorts PLC	256,897	25,690	(25,690)
CW Mackie PLC	248,000	24,800	(24,800)
SunAgro Foods Ltd	58,715	5,872	(5,872)
Sherwood Holidays Ltd	106,960	10,696	(10,696)
Nature's Link Ltd	18,700	1,870	(1,870)
	<b>2,804,057</b>	<b>280,407</b>	<b>(280,407)</b>

**12.8** All above revaluations are based on market value. The Board of Directors of the Group are of the view that fair values of lands have not changed significantly from the carrying amount as at 31st March 2021.

### 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.

## 12.9 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 on part of the plant & machinery by the subsidiary SunAgro Foods Ltd. However, this plant & machinery were sold during the year ended 31st March 2021 as a result, the respective impairment provision has been reversed.

Provision for impairment of Property, Plant & Equipment as at 31st March 2021 comprise of following.

Company	Assets	Impairment as at 31st March 2021 Rs.'000
SunAgro Foods (Pvt) Ltd.	Buildings	370

Recoverable values of these assets were measured with reference to their fair values less cost to sell as at the date of the assessment.

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

**12.11** Carrying Amount of Lands and Buildings had those were carried at cost of less accumulated depreciation are as follows:

As at	Consolidated		Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
Lands	2,216,784	2,216,784	110,427	110,427
Buildings	1,865,210	N/A	203,269	N/A

## 13. BIOLOGICAL ASSETS

### i) SunAgro Farms Ltd. - Mature Plantations

As at	Consolidated	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000
<b>Cost</b>		
At the beginning of the year	3,020	3,020
Written off during the year	(3,020)	-
At the end of the year	-	3,020
<b>Depreciation</b>		
At the beginning of the year	3,020	3,020
Written off during the year	(3,020)	-
At the end of the year	-	3,020
<b>Carrying amount</b>	-	-

## 14. RIGHT-OF-USE-ASSETS

As at	Consolidated		Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
<b>Cost</b>				
Adjustment due to initial application of SLFRS 16	-	263,619	-	53,748
Transferred from Property, Plant & Equipment	-	22,145	-	20,000
Adjusted Balance as at 1st April	357,312	285,764	75,939	73,748
Additions During the year	11,864	71,548	11,864	2,191
Disposal During the year	(5,220)	-	-	-
<b>Balance at the end of the year</b>	<b>363,956</b>	<b>357,312</b>	<b>87,803</b>	<b>75,939</b>
<b>Accumulated Amortisation</b>				
Adjustment due to initial application of SLFRS 16	-	17,264	-	-
Transferred from Property, Plant & Equipment	-	3,600	-	3,600
Adjusted Balance as at 1st April	59,272	20,864	26,093	3,600
Amortisation for the year	60,871	38,408	16,956	22,493
<b>Balance at the end of the Year</b>	<b>120,143</b>	<b>59,272</b>	<b>43,049</b>	<b>26,093</b>
<b>Written down value as at 31 March</b>	<b>243,813</b>	<b>298,040</b>	<b>44,754</b>	<b>49,846</b>

## 15. INVESTMENT PROPERTY

As at	Consolidated		Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
<b>Cost</b>				
Balance at the beginning of the year	641,460	439,155	177,899	-
Reclassified from Property, Plant and Equipment	-	202,305	31,300	177,899
<b>Balance at the end of the year</b>	<b>641,460</b>	<b>641,460</b>	<b>209,199</b>	<b>177,899</b>
<b>Accumulated Depreciation</b>				
Balance at the beginning of the year	109,508	76,068	24,598	-
Charge for the Year	11,139	8,842	2,297	-
Reclassified from Property, Plant and Equipment (Note 12)	-	24,598	-	24,598
<b>Balance at the end of the Year</b>	<b>120,647</b>	<b>109,508</b>	<b>26,895</b>	<b>24,598</b>
<b>Carrying Amount</b>	<b>520,813</b>	<b>531,952</b>	<b>182,304</b>	<b>153,301</b>

# Notes to the Financial Statements

## C. W. Mackie PLC

Part of the C.W. Mackie PLC's 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, under "Cost Model" as required by LKAS 40 – Investment Property.

As per the valuation carried out by Mr. K.T.D. Tissera, Fair value of these investment property as at 31st March 2021 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	275.0
<b>Total</b>	<b>545.8</b>

Amounts included in the Statement of Comprehensive Income in respect of this property is as follows;

	2021 Rs.'000	2020 Rs.'000
Rent Income	138,723	137,348
Direct operating expenses arising from investment property that generated rental income during the year	21,004	21,875

## Imperial Hotels Ltd

Land held for capital appreciation has been classified as investment property. This 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 on 31st March 2020 by Mr. P.P.T.Mohideen , Chartered Valuation Surveyor, fair value of this property was Rs. 480 Mn.

## Sigiriya Village Hotels PLC

Land held for capital appreciation has been classified as investment property. This property is situated in Trincomalee and the extent of the land is 8 A, 1 R & 2.3 P.

## Lankem Ceylon PLC

(a)The company has rented out part of the Factory complex located at Maguruwila Road, Gonawala and the 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;

	2021 Rs.'000	2020 Rs.'000
Rent Income	8,001	7,560
Direct operating expenses arising from investment property that generated rental income during the year	2,400	871

(b)The Company has rented out a land located in Maduramaduru, Vebmu with an extent of 8A:3R:30.86P to the subsidiary company, Nature's Link (Pvt) Ltd. As such, this land is classified as an Investment Property in accordance with LKAS 40 - "Investment Property"

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

	2021 Rs.'000	2020 Rs.'000
Rent Income	60	-

## 16. INTANGIBLE ASSETS

As at	Consolidated	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000
<b>Goodwill</b>		
Balance at the beginning of the year	1,170,226	1,170,226
Impairment of Goodwill	(329,072)	-
Balance at the end of the year	841,154	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	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000
C.W. Mackie PLC	165,935	165,935
Galle Fort Hotel (Pvt) Ltd. (Note 16.2)	-	329,072
Ceylon Tapes (Pvt) Ltd.	23,490	23,490
JF Packaging Ltd.	435,500	435,500
Sherwood Holidays Ltd.	30,267	30,267
Kiffs (Pvt) Ltd.	143,777	143,777
Alliance Five (Pvt) Ltd.	42,185	42,185
	841,154	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 2021. 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 inputs
Ceylon Tapes (Pvt) Ltd.	Average Growth Rate	11%
	Discount Rate (range)	13% - 15%
	Term	5 years (terminal value thereafter)
JF Packaging Ltd.	Average Growth Rate	10%
	Discount Rate (range)	10% -12%
	Term	5 years (terminal value thereafter)
Kiffs (Pvt) Ltd.	Average Growth Rate	13%
	Discount Rate (range)	10% -12%
	Term	5 years (terminal value thereafter)
Alliance Five (Pvt) Ltd.	Average Growth Rate	12%
	Discount Rate (range)	10% 12%
	Term	5 years (terminal value thereafter)
Sherwood Holidays Ltd.	Average Growth Rate	4%
	Discount Rate (range)	12%- 14%
	Term	5 years (terminal value thereafter)

# Notes to the Financial Statements

## 16.1.2 Recoverable Values Measured with Reference to the Fair value less Cost to Sell

Investee	Significant unobservable / observable inputs	Value of the inputs
C.W. Mackie PLC	Adjusted NAV	Rs.80 - Rs. 90

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

## 16.2 Impairment of Goodwill - Galle Fort Hotels (Pvt) Ltd

The recoverable amount of this CGU was calculated based on its value in use, determined by discounting future cash flows from continuing use of CGU. The carrying amount of the CGU was determined as higher than its recoverable amount. Therefore, an impairment loss of Rs. 329 Mn was recognized in during the year ended 31st March 2021 (2020: Nil). Key assumptions used in the calculation of value in use were as follows.

Average Growth Rate	5%
Discount Rate ( range)	8% - 10%
Term	5 years (Terminal value thereafter)

## 17. INVESTMENT IN SUBSIDIARIES

As at	Group Holding 2021	Company Holding 2021	Group Holding 2020	Company Holding 2020	No of Shares 31.03.2021	Market Value 31.03.2021	Cost 31.03.2021	No of Shares 31.03.2020	Market Value 31.03.2020	Cost 31.03.2020
	%	%	%	%		Rs.'000	Rs.'000		Rs.'000	Rs.'000
<b>Quoted Investments</b>										
C.W.Mackie PLC	55.36	55.36	55.34	55.34	19,923,252	876,623	896,038	19,916,811	772,772	895,770
Sigiriya Village Hotels PLC	28.44	-	51.60	23.15	-	-	-	2,080,518	52,302	41,634
Marawila Resorts PLC	37.64	7.32	39.55	7.32	16,478,829	31,310	98,066	16,478,829	18,371	98,066
<b>Total Quoted Investments</b>							<b>994,104</b>			<b>1,035,470</b>
<b>Unquoted Investments</b>										
Colombo Fort Hotels Ltd.	68.89	68.85	69.11	68.85	93,173,043		1,595,115	93,173,043	-	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	626,000	-	215,000
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		-	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 Ltd.	100.00	100.00	100.00	100.00	1,204,068		1,121,515	673,151	-	923,240
Associated Farms (Pvt) Ltd.	100.00	100.00	100.00	100.00	55,398		554	55,398	-	554
Nature's Link Limited	100.00	100.00	100.00	100.00	5,000,000		50,000	5,000,000	-	50,000
<b>Total Unquoted Investments</b>							<b>3,063,584</b>			<b>2,915,584</b>
							<b>4,057,688</b>			<b>3,951,054</b>
Provision for Impairment of Investment in Subsidiaries (Note 17.2)							<b>(560,492)</b>			<b>(583,165)</b>
<b>Net Carrying Amount</b>							<b>3,497,196</b>			<b>3,367,889</b>

## 17.1 Subsidiaries with ownership of less than 50%

### Sigiriya Village Hotels PLC

Although the Group owns less than 50% of Sigiriya Village Hotels PLC, management has determined that the Group controls this entity. The Group controls Sigiriya Village Hotels PLC by virtue of an agreement with its second largest shareholder who owns approximately 23% of voting rights of Sigiriya Village Hotels PLC.

### Marawila Resorts PLC

Although the Group owns less than 50% of Marawila Resorts PLC, management has determined that the Group controls this entity. The Group determined the control in Marawila Resorts PLC through the controlling power vested in the Group through the parent company of Marawila Resorts PLC which is Colombo Fort Hotels Limited.

## 17.2 Provision for Impairment of Investment in Subsidiaries

As at	Company	
	31.03.2021 Rs.'000	31.03.2020 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	459,291
SunAgro Foods Ltd.	-	50,275
Nature's Link Ltd.	15,686	15,686
Lankem Exports Ltd.	100	100
Lankem Research Ltd.	2,500	2,500
Lankem Technology Services Ltd.	5,000	959
Marawila Resorts PLC	5,300	-
Lankem Chemicals Ltd.	18,261	-
	<b>560,492</b>	<b>583,165</b>

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

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

# Notes to the Financial Statements

## Calculation of recoverable values

As explained above, the recoverable values of these subsidiaries were determined with reference to their net assets / adjusted net assets values as follows,

Subsidiary	Unobservable input	Range of input Rs.
Lankem Consumer Products (Private) Limited	Net Assets per Share	-
Lankem Paints Limited	Net Assets per Share	-
Sun Agro Farms Limited	Net Assets per Share	-
Associated Farms(Private) Limited	Net Assets per Share	-
Lankem Plantation Services Limited	Net Assets per Share	-
Colombo Fort Hotels Limited	Adjusted Net Assets per Share	10 - 15
Nature's Link Limited	Net Assets per Share	6 - 8
Lankem Exports Limited	Net Assets per Share	-
Lankem Research Limited	Net Assets per Share	-
Lankem Technology Services Limited	Net Assets per Share	-
Marawila Resorts PLC	Adjusted Net Assets per Share	4 - 7
Lankem Chemicals Limited	Net Assets per Share	0.5 - 1.5

## 18. INVESTMENT IN ASSOCIATES

### 18.1. Consolidated

As at	31.03.2021 Rs.'000	31.03.2020 Rs.'000
<b>Unquoted Investments</b>	-	-
Consolidated Tea Plantations Ltd. (CTPL)	-	-
Waverly Power (Pvt) Ltd - (WPL)	102,007	102,511
<b>Total Unquoted Investments</b>	102,007	102,511
Balance as at beginning of the year	102,511	149,713
Net Share of Loss for the year	(537)	(7,926)
Other Comprehensive (Expense)/Income	33	(176)
Dividend paid	-	(39,100)
<b>Balance at the end of the year</b>	102,007	102,511

## 18.2. Company

As at	Principal Business Activities	Holding 2021	Holding 2020	No of Shares 31.03.2021	Cost 31.03.2021	No of Shares 31.03.2020	Cost 31.03.2020
		%	%		Rs.'000		Rs.'000
<b>Unquoted Investments</b>							
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
<b>Gross Carrying Amount</b>					322,500		322,500
Provision for Impairment of Investment in Associates (18.2.1)					(220,500)		(73,120)
<b>Net Carrying Amount</b>					102,000		249,380

### 18.2.1. Provision for Impairment of Investment in Associates

As at	Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000
Consolidated Tea Plantations Ltd	220,500	73,120
	220,500	73,120

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 2021. Since the plantation sector companies have incurred operating losses, CTPL reported a dilution of its net assets as at 31st March 2021. Considering these indications, the Company has assessed impairment of its investment in CTPL. As a result, an impairment of Rs. 147.4 Mn was recognised during the year ended 31st March 2021 (2020: Rs. 42 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
	31.03.2021 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2020 Rs.'000
Non-current Assets	14,277,808	150,955	12,372,117	164,632
Current Assets	3,100,324	94,486	2,621,443	93,283
<b>Total Assets</b>	<b>17,378,132</b>	<b>245,441</b>	14,993,560	257,915
Non-current Liabilities	7,940,674	124,345	8,022,025	148,013
Current Liabilities	10,372,638	36,206	9,120,567	23,855
<b>Total Liabilities</b>	<b>18,313,312</b>	<b>160,551</b>	17,142,592	171,868
Equity Attributable to the Owners of the Company	(1,530,648)	84,890	(2,149,032)	86,047
Non-Controlling Interest	595,468	-	(191,869)	-
<b>Total Net Assets</b>	<b>(935,180)</b>	<b>84,890</b>	(2,340,901)	86,047
Ownership Interest	47.56%	43.59%	47.56%	43.59%
Investees Share of Net Assets	(30,820)	37,005	(30,820)	37,509
Goodwill	30,820	65,002	30,820	65,002
<b>Carrying amount of interest</b>	<b>-</b>	<b>102,007</b>	-	102,511

### Summary of the Statement of Profit or Loss

For the Year Ended	CTPL	WPL	CTPL	WPL
	31.03.2021 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2020 Rs.'000
Revenue	11,829,713	35,495	9,472,595	30,314
Other Expenses	(12,231,578)	(36,729)	(13,061,394)	(48,488)
Loss after Tax	(401,865)	(1,234)	(2,682,731)	(18,174)
Other Comprehensive Income/(Expenses)	1,615,902	76	17,657	(403)
Investees Share of Loss	-	(537)	-	(7,926)
Investees Share of Other Comprehensive Income	-	33	-	176

## 19. INVESTMENT IN JOINT VENTURE

### Sunquick Lanka (Private) Limited

C.W. Makie 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	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000
<b>Summary of the Statement of Financial Position</b>		
Non-Current Assets	978,664	635,497
Current Assets	1,148,860	1,105,448
Non-Current Liabilities	(469,461)	(55,276)
Current Liabilities	(1,063,888)	(988,189)
Equity	594,175	697,480
Group's carrying amount of the Investments	291,146	341,765
<b>Summary of the Statement of Profit or Loss</b>		
Revenue	1,038,131	1,264,116
Operating Expenses	(1,076,276)	(1,168,291)
Other Operating Income	15,426	4,085
Finance Income	9,899	-
Finance Cost	(95,213)	(32,642)
Income Tax	4,940	(51,017)
Profit/(Loss) for the year	(103,093)	16,251
Other Comprehensive Income	(211)	-
Total Comprehensive Income for the year	(103,304)	16,251
<b>Group's Share of Profit/(Loss) for the year</b>	<b>(50,516)</b>	<b>7,963</b>
Share of loss recognised in Other Comprehensive Income/(Expense)	(103)	-
<b>Equity Reconciliation</b>		
Carrying Value as at 1st April	341,765	333,802
Share of Profit/(Loss) & OCI	(50,619)	7,963
<b>Carrying Value as at 31st March</b>	<b>291,146</b>	<b>341,765</b>

# Notes to the Financial Statements

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

As at	Consolidated			Company		
	Note	31.03.2021 Rs.'000	31.03.2020 Rs.'000	Note	31.03.2021 Rs.'000	31.03.2020 Rs.'000
Quoted Investments	20.1.1	10,391	10,899	20.2.1	8,186	9,212
Unquoted Investments	20.1.2	8,454	17,187	20.2.2	8,204	16,937
		18,845	28,086		16,390	26,149

### 20.1 Consolidated

#### 20.1.1 Quoted Investments

As at	Consolidated			
	No. of Shares 31.03.2021	Fair Value 31.03.2021 Rs.'000	No. of Shares 31.03.2020	Fair Value 31.03.2020 Rs.'000
<b>Bank, Finance &amp; Insurance</b>				
Nations Trust Bank PLC	6,365	369	6,365	421
National Development Bank PLC	5,724	529	5,724	434
Total		898		855
<b>Hotels &amp; Travel</b>				
Hunas Falls Hotels PLC	400	61	400	56
Pegasus Resorts PLC	960	28	960	18
Renuka City Hotels PLC	525	120	525	101
Royal Palms Beach Hotels PLC	375	5	375	5
Total		214		180
<b>Plantations</b>				
Kotagala Plantations PLC	-	-	903,680	5,491
Lankem Development PLC	2,352,340	8,186	615,841	3,721
Total		8,186		9,212
<b>Healthcare</b>				
Ceylon Hospitals PLC	130	13	130	10
Total		13		10
<b>Other</b>				
Chevron Lubricants Lanka PLC	12,000	1,080	12,000	642
<b>Total</b>		1,080		642
<b>Total Quoted Investments</b>		10,391		10,899

Market value per share of quoted investments are based on published stock market prices as at 31st March 2021 (2019/20 -20th March 2020).

## 20.1.2 Unquoted Investments

As at	Consolidated			
	No of Shares 31.03.2021	Fair Value 31.03.2021 Rs.'000	No of Shares 31.03.2020	Fair Value 31.03.2020 Rs.'000
Nanotechnology (Pvt) Ltd.	3,810,182	31	3,810,182	8,596
Lankem Tea & Rubber Plantations (Pvt) Ltd.	8,342	177	8,342	485
Agarapatana Plantations Limited	1,760,204	7,996	1,760,204	7,856
Asia Pacific Golf Courses Limited	2,500	250	2,500	250
<b>Total</b>		<b>8,454</b>		<b>17,187</b>

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 31.03.2021	Fair Value 31.03.2021 Rs.'000	No of Shares 31.03.2020	Fair Value 31.03.2020 Rs.'000
Lankem Developments PLC	2,352,340	8,186	2,352,340	3,721
Kotagala Plantations PLC	-	-	1,085,762	5,491
<b>Total</b>		<b>8,186</b>		<b>9,212</b>

### 20.2.2 Unquoted Investments

As at	Company			
	No of Shares 31.03.2021	Fair Value 31.03.2021 Rs.'000	No of Shares 31.03.2020	Fair Value 31.03.2020 Rs.'000
Nanotechnology (Pvt) Ltd.	3,810,182	31	3,810,182	8,596
Lankem Tea & Rubber Plantation (Pvt) Ltd.	8,342	177	8,342	485
Agarapatana Plantations Limited	1,760,204	7,996	1,760,204	7,856
<b>Total</b>		<b>8,204</b>		<b>16,937</b>

The Board of Directors of the Company decided to dispose part of its investments in equity classified as fair value through other comprehensive income as they decided that continuing with these equity investments would not achieve the strategic investment objectives determined initially at the time of acquisition.

As such, following investment is sold at its market values. A cumulative loss of Rs. 3,987,121/- from the disposal has been recognized in other comprehensive income for the year ended 31st March 2021.

Investment	No. of Shares	Market Value per share at disposal Rs.
Kotagala Plantations Ltd.	1,100,221	12.58

# Notes to the Financial Statements

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

As at	Consolidated/Company			
	No of Shares 31.03.2021	Fair Value 31.03.2021 Rs.'000	No of Shares 31.03.2020	Fair Value 31.03.2020 Rs.'000
Nations Trust Bank PLC	46,751	2,585	46,751	2,955
Tokyo Cement Company PLC (Voting)	133,270	8,889	133,270	2,999
Colonial Motors PLC	331,547	27,518	338,547	14,388
Union Bank Colombo PLC	30	-	374,000	3,029
Renuka Agri Foods PLC	108,973	1,384	200,000	2,740
ACME Printing & Packaging PLC	-	-	134,239	294
		<b>40,376</b>		26,405

## 22. INVENTORIES

As at	Consolidated		Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
Raw Materials	791,057	556,171	293,807	198,815
Work- in -Progress	63,614	72,615	13,050	23,831
Finished Goods	2,402,526	1,725,811	402,417	385,251
Goods-in-Transit	218,038	246,884	71,548	146,141
Consumable Stock	147,052	140,450	-	-
Packing & Other Materials	7,392	4,145	-	-
	<b>3,629,679</b>	2,746,076	<b>780,822</b>	754,038
Less: Provision for Obsolete Inventories (Note 22.1)	<b>(224,383)</b>	(204,749)	<b>(50,022)</b>	(58,538)
	<b>3,405,296</b>	2,541,327	<b>730,800</b>	695,500

### 22.1 Provision for Obsolete Inventories

As at	Consolidated		Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
Balance as at 01st April	204,749	187,647	58,538	75,813
Provision for the year	132,257	49,389	10,552	15,012
Inventory Write-off	<b>(112,623)</b>	(32,287)	<b>(19,068)</b>	(32,287)
<b>Balance as at 31st March</b>	<b>224,383</b>	204,749	<b>50,022</b>	58,538

## 23. TRADE & OTHER RECEIVABLES

As at	Consolidated		Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
Trade Receivables	4,072,661	3,800,997	1,070,823	857,603
Provision for Impairment of Trade Receivables (Note 23.1.1)	(448,409)	(392,423)	(228,165)	(198,912)
	3,624,252	3,408,574	842,658	658,691
Other Receivables	488,702	124,926	18,430	15,926
Deposits, Advances and Prepayments	86,684	253,972	-	-
Staff Loan	25,927	25,477	327	92
Tax Recoverable (Note 23.2)	71,723	210,068	28,863	66,856
Provision for Impairment of Other Receivables (Note 23.1.2)	(23,551)	(23,551)	-	-
	649,485	590,892	47,620	82,874
	4,273,737	3,999,466	890,278	741,565

### 23.1.1 Provision for Impairment on Trade Receivables

As at	Consolidated		Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
Balance as at 01st April	392,423	328,041	198,912	180,390
Provision made during the year	78,903	69,320	29,253	18,522
Reversal during the year	(186)	(1,997)	-	-
Written-off during the year	(22,731)	(2,941)	-	-
<b>Balance as at 31st March</b>	<b>448,409</b>	<b>392,423</b>	<b>228,165</b>	<b>198,912</b>

### 23.1.2 Provision for Impairment of Other Receivables

As at	Consolidated		Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
Balance as at 01st April	23,551	23,421	-	-
Provision made during the year	-	130	-	-
<b>Balance as at 31st March</b>	<b>23,551</b>	<b>23,551</b>	<b>-</b>	<b>-</b>

## 23.2 Taxes Recoverable

As at	Consolidated		Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
Nation Building Tax	9,640	7,841	-	1,468
Economic Service Charge	30,010	110,660	28,863	65,388
Withholding Tax	41	13,559	-	-
Value Added Tax	32,032	78,008	-	-
	71,723	210,068	28,863	66,856

# Notes to the Financial Statements

## 24. CASH & CASH EQUIVALENTS

As at	Consolidated		Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
<b>Favorable Balance</b>				
Fixed Deposits	11,427	5,355	9,009	3,009
Cash at Bank	517,898	195,812	113,610	15,860
Cash in Hand	7,574	8,549	884	1,017
	<b>536,899</b>	209,716	<b>123,503</b>	19,886
<b>Unfavorable Balance</b>				
Bank Overdraft	(950,902)	(886,732)	(366,572)	(388,041)
	<b>(414,003)</b>	(677,016)	<b>(243,069)</b>	(368,155)

## 25. ASSET HELD FOR SALE

The Company has classified its lease rights at Nawam Mawatha and Kandathoduwawa, Putlam as held for Sale since the Board of Directors has decided to proceed with selling the asset. Indicative values/proceeds of lands are Rs. 60 Million as at 31st March 2021.

As at	Consolidated		Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
Balance at the beginning	60,000	67,365	60,000	67,365
Disposal during the year	-	(7,365)	-	(7,365)
Balance at the end of the year	<b>60,000</b>	60,000	<b>60,000</b>	60,000

## 26. STATED CAPITAL

As at	31.03.2021		31.03.2020	
	Number of Shares	Value of Shares Rs.'000	Number 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	<b>33,853,200</b>	<b>930,346</b>	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.

Subsequent changes to the capital structure is specified in note 39 to these financial statements.

## 27. CAPITAL RESERVES

	Other Capital Reserves Rs.'000	FVOCI Reserves Rs.'000	Total Rs.'000
<b>Consolidated</b>			
Balance as at 1st April 2020	4,833	(19,182)	(14,349)
Loss on Financial Assets Measured at FVOCI	-	598	598
<b>Balance as at 31st March 2021</b>	<b>4,833</b>	<b>(18,584)</b>	<b>(13,751)</b>
<b>Company</b>			
Balance as at 1st April 2020	-	(12,935)	(12,935)
Loss on Financial Assets measured at FVOCI	-	81	81
<b>Balance as at 31st March 2021</b>	<b>-</b>	<b>(12,854)</b>	<b>(12,854)</b>

### 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	
	31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000
<b>Payable after one year</b>				
Long Term Loans (Note 28.1)	<b>4,127,341</b>	3,734,864	<b>2,428,020</b>	2,212,164
	<b>4,127,341</b>	3,734,864	<b>2,428,020</b>	2,212,164
<b>Payable within one year</b>				
Long Term Loans (Note 28.1)	<b>1,396,084</b>	1,349,814	<b>543,077</b>	638,785
Short Term Loans (Note 28.2)	<b>3,455,622</b>	3,663,746	<b>1,631,331</b>	1,490,647
Interest Payable	<b>444,740</b>	297,726	<b>395,390</b>	263,056
	<b>5,296,446</b>	5,311,286	<b>2,569,798</b>	2,392,488
Loans Payable to Related Parties (Note 28.3)	<b>240,039</b>	143,144	<b>317,490</b>	276,090
Total	<b>5,536,485</b>	5,454,430	<b>2,887,288</b>	2,668,578
Total Interest bearing Borrowings	<b>9,663,826</b>	9,189,294	<b>5,315,308</b>	4,880,742

# Notes to the Financial Statements

## 28.1 Long Term Loans

As at	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Balance at the beginning	5,084,678	4,958,285	2,850,949	2,770,090
Loans obtained during the year	938,694	879,916	225,905	278,101
Effects on foreign currency fluctuations	27,546	33,104	-	-
Payments made during the year	(527,493)	(786,627)	(105,757)	(197,242)
Balance at the end	5,523,425	5,084,678	2,971,097	2,850,949
Payable within one year	1,396,084	1,349,814	543,077	638,785
Payable after one year	4,127,341	3,734,864	2,428,020	2,212,164

## 28.2 Short Term Loans

As at	Consolidated		Company	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Term Loans	1,716,024	2,378,002	237,721	333,547
Trust Receipt Loans	1,739,598	1,285,744	1,393,610	1,157,100
	3,455,622	3,663,746	1,631,331	1,490,647

## 28.3 Loans Payable to Related Parties

	Consolidated		Company	
	31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000
Balance at the beginning	143,144	215,144	276,090	148,090
Loans transferred / obtained during the year	96,895	-	41,400	200,000
Payments made during the year	-	(72,000)	-	(72,000)
Balance at the end	240,039	143,144	317,490	276,090
Payable within one year	240,039	143,144	317,490	276,090
Payable after one year	-	-	-	-

### Loans payable to related parties are as follows:

The Colombo Fort Land & Building PLC	75,500	70,000	-	-
Sigiriya Village Hotels PLC	-	-	49,164	49,164
JF Packaging Ltd.	-	-	26,926	26,926
C.W. Mackie PLC	-	-	200,000	200,000
Lankem Developments PLC	10,600	10,600	-	-
Waverly Power (Pvt) Ltd.	12,545	12,544	-	-
E.B. Creasy & Company PLC	41,400	-	41,400	-
York Hotel Management Services Ltd.	49,994	-	-	-
Lankem Tea & Rubber Plantations Ltd.	50,000	50,000	-	-
	240,039	143,144	317,490	276,090

Following interest rates are applied on the outstanding balance of the Company.

Party	Interest Rate
C.W. Mackie PLC	7.2%
Sigiriya Village Hotels PLC	AWPLR + 2%
J.F.Packaging (Pvt) Ltd.	AWPLR + 2%
E.B. Creasy & Company PLC	AWPLR + 2%

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

Party	Interest Rate
The Colombo Fort Land & Building PLC	AWPLR + 2%
Lankem Developments PLC	AWPLR + 2%
Waverly Power (Pvt) Ltd.	AWPLR + 2%
York Hotel Management Services Ltd.	AWPLR + 2%
Lankem Tea & Rubber Plantations Ltd.	AWPLR + 2%
E.B. Creasy & Company PLC	AWPLR + 2%

## 28.4 Assets pledged as Security Against Interest Bearing Borrowings

Company	Lender	Balance as at 31.03.2021 Rs. Mn	Balance as at 31.03.2020 Rs. Mn	Terms of Repayment	Security Pledged
Lankem Ceylon PLC	Sampath Bank PLC Loan 01	60.11	60.11	In 60 monthly installments in following manner after a grace period of 24 months. 1-12 Months - Rs.0.25 Million, 13-24 Months - Rs.0.625 Million, 25-36 Months - Rs.0.750 Million, 37-48 Months - Rs.0.875 Million, 49-59 Months - Rs.2.71 Million & 60th Month Rs.0.302 Million per month, interest to be serviced separately on monthly basis.	(a) Term Loan Agreement of Rs. 60.11 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
	Loan 02	189.88	189.89	In 60 monthly installments in following manner after a grace period of 24 months. 1-12 Months - Rs.0.75 Million, 13-24 Months - Rs.1.875 Million, 25-36 Months - Rs.2.250 Million, 37-48 Months - Rs.2.625 Million, 49-59 Months - Rs.8.130 Million & 60th Month Rs.10.458. interest to be serviced separately on monthly basis.	(d) Corporate guarantee of E.B. Creasy & Company PLC Rs. 250 Mn

# Notes to the Financial Statements

Company	Lender	Balance as at 31.03.2021 Rs. Mn	Balance as at 31.03.2020 Rs. Mn	Terms of Repayment	Security Pledged
	Commercial Bank of Ceylon PLC				
	Loan 02	26.84	26.84	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.	a) Primary Mortgage for Rs.200 Mn over land at Ja-ela & Gonawala.
	Loan 03	138.40	138.40	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	b) Secondary Mortgage Bond No. 528 dated 07-04-1998 for Rs.50 Mn executed over above property.
	Loan 04	32.80	32.80	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	91.50	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	164.00	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	72.80	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	515.00	545.00	In May 2018 Existing loan Rs. 555 Mn was converted to new reschedulement facility. Repayable over 43 monthly installments.	Mortgage over stocks and Book debts on crystallization basis.
	National Development Bank				
	Loan -2	191.19	227.82	Payable over 48 monthly installments inclusive of 6 months grace period	Mortgage over stocks and Book debts

Company	Lender	Balance as at 31.03.2021 Rs. Mn	Balance as at 31.03.2020 Rs. Mn	Terms of Repayment	Security Pledged
	Bank of Ceylon				
	Loan 1	274.06	288.02	In 60 monthly installments inclusive of 12 Months Grace Period	Assignment over public quoted shares 16,000,000 of C.W.Mackie PLC.
	Loan 2	26.73	-	In 18 monthly equal installment of capital.	Mortgage over stocks and assignment over book debts
	Loan 3	15.04	-	In 24 monthly installments inclusive of 3 Months Grace Period	Assignment over public quoted shares 16,000,000 of C.W.Mackie PLC.
	Central Finance Co PLC	12.84	14.42	In February 2021 existing loan was convert to new. In 24 monthly equal installments of Capital & Interest Rs.0.640 Mn each	Mortgage and special power of Attorney of 10 No.of Double cab vehicle Promissory note.
	Union Bank Colombo PLC				
	Loan 01	16.50	22.00	Repayable 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	65.00	67.40	Repayable 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	274.11	In Sep 19 Existing loan of Rs. 275 Mn was converted to new reschedule facility. Repayable in 36 monthly installments of 12 Monthly installments Rs.0.5 Mn ,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 Million, Letter of awareness/ comfort from Colombo Fort Land & Building PLC
	Hatton National Bank PLC	403.20	403.60	Repayable 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	71.73	74.23	Repayable 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 31.03.2021 Rs. Mn	Balance as at 31.03.2020 Rs. Mn	Terms of Repayment	Security Pledged
	Pan Asia Banking Corporation PLC	158.00	158.00	Repayable within 6 years with a grace period of 12 months	Floating Mortgage Bond for Rs.150.0 Mn over Stocks stored at Lankem Paint factory, Horncastle Estate, Kanuwana, Ja-Ela together with an assignment over book debts (Mortgage bond No. 313 of 20/11/2008)
	Siyapatha Finance PLC				
	Loan 1	13.87	-	Payable over 48 Monthly installemnets from the date of disbursement.	Corporate Guarantee from J.F.Packaging Ltd for Rs. 14.5 Mn
	Loan 2	157.50	-	Payable over 96 Monthly installemnets from the date of disbursement	Corporate Guarantee from J.F.Packaging Ltd for Rs. 157.59 Mn
		<b>2,971.10</b>	2,850.94		
Beruwala Resorts PLC	Cargills Bank PLC				
	Term Loan USD	195.97	187.97		Primary mortgage over land and buildings of BOT Hotel Services Ltd. situated at Weligama.
	Term Loan SLR	87.4	62.6		Corporate guarantee of Colombo Fort Land and Buildings PLC Rs. 25 Mn
		<b>283.37</b>	250.57		
Sigiriya Village Hotels PLC	Sampath Bank PLC Term Loan	167.86	143.54	Repayable over 35 monthly installments.	Rs.100.5 Mn Lien over Beruwala Resort PLC shares totaling to 85,384,000 numbers lodged in Sampath Bank custodial account and Rs.17.5 Mn Mortagagee over Hotel Kitchen Equipment and other accessories.
		<b>167.86</b>	143.54		

Company	Lender	Balance as at 31.03.2021 Rs. Mn	Balance as at 31.03.2020 Rs. Mn	Terms of Repayment	Security Pledged	
Marawila Resorts PLC	Commercial Bank of Ceylon PLC	125.09	93.56	18.4 Mn in May 2023, 48.5 Mn in December 2022 and 26.65 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 Million over the Hotel premises at Marawila	
	Commercial Bank of Ceylon PLC	256.4	211.71	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.	
		<b>381.49</b>	305.27			
Galle Fort Hotels (Pvt) Ltd.	Cargills Bank PLC					
	Loan	20.68	20.68	Repayable over 39 equal monthly installments of Rs.0.53 Mn together with interest		
	Loan	58.79	55.72	Repayable over 39 equal monthly installments of US \$ 7,574 and a final installment of US \$ 7,568 together with interest.		
	Loan	37.41	35.45	Repayable over 40 equal monthly installments of US \$ 4,584 and a final installment of US \$ 4,613 together with interest.		
	Loan	25.00	-	Repayable over 23 equal monthly installments of Rs.1.04Mn and a final installment of Rs. 1.03Mn together with interest.	Primary mortgage bond over property for Rs. 35 Mn and 0.775 Mn USD, mentioned as Lot X in the plan No. 130 situated at Galle Fort Village.	
	Loan	25.00	-	Repayable over 23 equal monthly installments of Rs.1.04Mn and a final installment of Rs. 1.03Mn together with interest.		
	Loan	1.09	-	Repayable over 24 equal monthly installments		
	Loan	0.81	-	Repayable over 24 equal monthly installments		
	Loan	1.61	-	Repayable over 5 equal monthly installments of US \$ 1,348 Mn and a final installment of US \$ 1,348 together with interest.		
	Loan	1.05	-	Repayable over 24 equal monthly installments		
	Loan	1.39	-	Repayable over 6 equal monthly installments of US \$ 872 together with interest.		
Loan	0.88	-	Repayable over 24 equal monthly installments			
		<b>173.71</b>	111.85			

# Notes to the Financial Statements

Company	Lender	Balance as at 31.03.2021 Rs. Mn	Balance as at 31.03.2020 Rs. Mn	Terms of Repayment	Security Pledged
JF Packaging Ltd.	Sampath Bank PLC				
	Loan 4	98.26	98.59	Repayable over 60 monthly installments, 01-12 months- Rs. 0.32 Mn, 13-24 months Rs.1 Mn, 25-36 months 1.75 Mn, 37-48 months Rs. 2.25 Mn, 49- 60 months Rs. 3 Mn.	Corporate guarantee of Lankem Ceylon PLC for Rs.98.87Mn mortgage over shares of Alliance Five (Pvt) Ltd.
	Loan 5	24.93	25.17	Repayable over 60 monthly installments, 01-12 months - Rs. 0.12 Mn, 13-24 months Rs. 0.25 Mn, 25-36 months 0.45 Mn, 37-48 months Rs. 0.58 Mn, 49-60 months Rs. 74 Mn.	Mortgage over Dry laminating machine and related equipments
	Loan 6	2.56	2.66	Repayable over 60 monthly installments of Rs.47,500/-	
	Loan 7	24.25	24.50	Repayable over 24 monthly installments, 01-12 months- Rs. 0.12 Mn, 13-24 months Rs.1.95 Mn and a final installment of Rs. 1.1 Mn	
	Loan 8	3.53	3.92	Repayable over 2 years in 23 equal monthly installments 01-23 months - Rs. 1.97 Mn and a final installment of Rs. 1.96 Mn	
	Bank of Ceylon				
	Loan 1	120.57	122.57	Repayable over 48 equal monthly installments of Rs. 3.12 Mn.	Primary mortgage of land, building and machinery situated at No.306, Minuwangoda Road, Kotugoda.
Loan 2	69.97	71.97	Repayable over 72 equal monthly installments of Rs. 2.08 Mn.		
Loan 3	-	238.33	Repayable over 60 equal monthly installments of Rs. 0.4 Mn.		
Loan 4	99.64	102.67	Repayable over 60 equal monthly installments of Rs. 2.33 Mn.		
Loan 5	306.65	-	Repayable in 1-12 months Rs. 12.5 Mn and 13-24 months 16.18 Mn	Mortgage over stock and book debts held at factory premises at No. 306, Menuwangoda Road, Kotugoda.	
Loan 6	39.26	-	Repayable over 24 equal monthly installments of Rs. 1.87 Mn.		
Loan 7	236.38	-	Repayable in 1-12 months Rs. 0.5 Mn, 13-24 months Rs. 1 Mn, 25-36 Months 3.28 Mn, 37-48 Months 4.28 Mn, 49-60 Months 5.3 Mn and 61-72 5.6 Mn.	Primary mortgage of land, building and machinery situated at No.306, Minuwangoda Road, Kotugoda.	
Nation Trust Bank PLC					
Loan I	103.67	105.13	Repayable over 48 monthly installments	Mortgage over stocks and book debts held at factory premises at No. 306, Minuwangoda Road, Kotugoda.	
Siyapatha Finance PLC	88.67	-	Repayable over 37 monthly installments, 1-36 Months 2 Mn and Final installment 58.82 Mn	Corporate guarantee from Ceylon Tapes (Pvt) Ltd and the loan agreement for Rs. 100 Mn	
		<b>1,218.34</b>	795.51		

Company	Lender	Balance as at 31.03.2021 Rs. Mn	Balance as at 31.03.2020 Rs. Mn	Terms of Repayment	Security Pledged
Kiffs (Private) Ltd.	National Development Bank PLC				
	Loan 1	4.01	5.00	Repayable over 48 monthly installments of Rs.0.16 Mn	Primary mortgage over equipment located at No. 179/6, Ragama road, Kadawatha
	Loan 1	25.00	-	Repayable over 18 monthly installments of Rs.1.39 Mn	Corporate Guarantee from JF Packaging Ltd.
		29.01	5.00		
Alliance Five (Pvt) Ltd		29.53	-	Repayable over 24 monthly installments	
		29.53	-		
Kelani Valley Canneries Limited	Commercial Bank of Ceylon PLC	-	2.74		Mortgage bond over the machinery valued Rs. 3 Mn and motor vehicle valued Rs. 9 Mn at Kaluaggala, Hanwella
		-	2.74		
C.W.Mackie PLC	Commercial Bank of Ceylon PLC	119.94	191.71		-
	Hatton National Bank PLC	18.20	-		Corporate Guarantee from C.W. Mackie PLC
		138.14	191.71		
SunAgro Life Science Ltd	Commercial Bank of Ceylon PLC	84.70	127.06	12 installments of 0.4 Mn, 12 installments of 1 Mn, 12 installments of 2.5 Mn, 12 installments of 4.5 Mn, 12 installments of 5.5 Mn & final payment Rs. 667,014	Corporate Guarantee 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	41.86	46.85	12 installments of 0.5 MN, 12 installments 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	162.96	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 and Corporate guarantee of M/S Lankem Ceylon PLC (PQ128) to the value of Rs. 154,972,027.
	Siyapatha Finance PLC	43.43	48.74	Monthly payments as per the schedule given by the Siyapatha Finance	Lankem Ceylon PLC for Rs. 50,000,000
		332.95	375.67		
SunAgro Foods Ltd.	Sampath Bank PLC	10.19	9.60	Repayable in 25 monthly installments of Rs. 0.1 Mn each for first 12 months, Rs. 0.2 Mn each for next 12 months and a final installment of Rs. 6.4 Mn on 26th day of each month commencing from September 2019.	Corporate Guarantee from Lankem Ceylon PLC amounting to Rs.10 Mn.
		10.19	9.60		

# Notes to the Financial Statements

## 29. LEASE LIABILITIES

As at	Consolidated		Company	
	31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000
Balance at the beginning	278,146	1,220	32,946	-
Adjustment on the initial application of SLFRS 16	-	246,355	-	53,748
Adjusted Balance as at 1st April	278,146	247,575	32,946	53,748
Leases Obtained during the year	11,864	71,548	11,864	2,191
Payments Made during the year	(70,831)	(75,788)	(17,401)	(29,663)
Interest Charged during the year	30,760	34,811	3,878	6,670
Terminations during the year	(5,593)	-	-	-
Balance at the end of the year	244,346	278,146	31,287	32,946
<b>Amounts Recognised in Profit and Loss</b>				
Interest Charged during the year	30,760	34,811	3,878	6,670
<b>Amounts Recognised in Cash Flow</b>				
Payments made during the year	(70,831)	(75,788)	(17,401)	(29,663)

### 29.1 Maturity Analysis

As at	Consolidated		Company	
	31.03.2021 Rs. '000	31.03.2020 Rs. '000	31.03.2021 Rs. '000	31.03.2020 Rs. '000
Payable within one year	50,770	53,395	10,161	14,823
Payable after one year	193,576	224,751	21,126	18,123
	244,346	278,146	31,287	32,946

## 30. DEFERRED INCOME

As at	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
At the beginning of the year	28,674	27,897	-	-
Grants received during the year	803	777	-	-
Writeback during the year	(6,200)	-	-	-
At the end of the year	23,277	28,674	-	-
<b>Amortisation</b>				
At the beginning of the year	18,774	15,951	-	-
Amortisation for the year	2,748	2,823	-	-
At the end of the year	21,522	18,774	-	-
	1,755	9,900	-	-

## 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 had total cost of Rs.1.3 million. During the year, the Company has received Rs. 702,375/- related to 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.

However, the Company has disposed the plant acquired through this grant during the year ended 31st March 2021, The unamortised amount of the grant has been written-back to the Statement of Profit Loss as the Board of Directors of the Company is in the view that the Company has fulfilled all the deliverables with regard to the grant as at 31st March 2021.

## 31. DEFERRED TAX ASSETS/(LIABILITIES)

As at	Note	Consolidated		Company	
		2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Balance as at the beginning of the year		(243,479)	(583,965)	326,582	118,541
Recognised through Profit or Loss	31.1	(102,863)	303,581	(80,244)	204,226
Recognised through OCI	31.2	17,185	36,905	41,341	3,815
Balance as at the end of the year		(329,157)	(243,479)	287,679	326,582

### 31.1 Recognised in Profit or Loss for the Year

As at	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Due to change in the effective tax rate	240,840	-	215,064	-
Due to the other changes	(137,977)	303,581	(134,840)	204,226
	102,863	303,581	80,224	204,226

### 31.2 Recognised in other comprehensive income

As at	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Due to change in the effective tax rate	169,355	-	82,480	-
Due to the other changes	(152,170)	36,905	(41,139)	3,815
	17,185	36,905	41,341	3,815

# Notes to the Financial Statements

## 31.3 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 have recognized net deferred tax assets as at 31st March 2021. The Composition of these deferred tax assets are as follows,

As at	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Deferred Tax Assets</b>				
Defined Benefit Obligations	34,466	48,413	25,829	38,834
Tax Losses carried forward	391,358	696,846	254,940	495,168
Provision for Impairment of Trade Receivables	53,958	68,992	41,070	55,695
Provision for Obsolete Inventories	20,152	30,706	9,004	16,391
Unclaimed Finance Cost	176,045	17,007	172,416	-
Deferred Lease Rent Liability	9,424	13,591	-	-
Gain on FVTOCI Investments	11,461	10,996	11,461	10,996
Property, Plant & Equipment	(98,851)	(168,717)	(31,512)	(53,822)
Revaluation Surplus	(253,002)	(271,086)	(190,206)	(199,448)
Investment Properties	(2,424)	(35,990)	(2,424)	(35,990)
Right of Use Assets	(11,913)	(15,222)	(2,899)	(1,242)
	<b>330,674</b>	<b>395,536</b>	<b>287,679</b>	<b>326,582</b>

## 31.4 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 2021. The comparison of the deferred tax liabilities are as follows,

As at	Consolidated	
	2021 Rs.'000	2020 Rs.'000
<b>Deferred Tax Liabilities</b>		
Defined Benefit Obligations	26,443	21,926
Tax losses carried forward	82,642	74,247
Provision for Impairment of Trade Receivables	510	150
Provision for Obsolete Inventories	636	469
Unclaimed Finance Cost	(5,314)	689
Deferred Lease Rent Liability	4,833	2,085
Gain on FVOCI Investments	1,593	1,670
Property, Plant & Equipment	(348,279)	(348,430)
Revaluation Surplus	(423,702)	(395,158)
Right of Use Assets	808	3,338
	<b>(659,830)</b>	<b>(639,014)</b>
Net Deferred Tax Liabilities	<b>(329,157)</b>	<b>(243,479)</b>

### 31.5 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.

### 31.6 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.

### 31.7 Revaluation Surplus on freehold land and Buildings

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.

### 31.8 Tax Rates - Substantively enacted as at the reporting date

The Group / Company has considered the tax rates substantively enacted as at 31st March 2021 in calculating the deferred tax liabilities / assets. Tax rates enacted in the Inland Revenue (Amendment) Act No 10 of 2021 have been considered as the rates that were substantively enacted as at the reporting date in accordance with the guideline on "Application of tax rates in measurement of current tax and deferred tax in LKAS 12" issued by the Institute of Chartered Accountants of Sri Lanka on 23rd April 2021.

As such, following tax rates have been used by the Group in calculating deferred tax assets / liabilities as at 31st March 2021.

Company	Tax Rate used as at	
	31.3.2021	31.3.2020
Lankem Ceylon PLC	18%	28%
Marawila Resorts PLC	14%	14%
JF Packaging Ltd.	18%	28%
SunAgro LifeScience Ltd.	18%	28%
Sigiriya Village PLC	14%	14%
Beruwala Resorts PLC	14%	14%
BOT Hotel Services Ltd.	14%	14%
Galle Fort Hotel Ltd.	14%	28%
C.W. Makie PLC	24%	28%
Alliance Five (Pvt) Ltd.	18%	14%
Kiffs (Pvt) Ltd.	18%	28%
Ceylon Tapes Ltd.	16%	28%
Nature's Link Ltd.	24%	-

# Notes to the Financial Statements

## 31.9 Deferred Tax Assets not Recognised

- (a) 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.
- (b) Deferred tax assets have not been recognised in respect of deductible temporary difference mentioned below:

As at	31.03.2021		31.03.2020	
	Temporary Differences Rs. Million	Deferred Tax Asset Rs. Million	Temporary Differences Rs. Million	Deferred Tax Asset Rs. Million
SunAgro Farms Ltd.	59.9	14	59.7	16.7
Lankem Exports (Pvt) Ltd.	31.2	7.5	31.2	8.7
Lankem consumer Products Ltd.	192.4	53.9	192.1	53.8
Lankem Research Ltd.	13.7	4	13.4	3.8
Lankem Paints Ltd.	99.1	23.8	83.7	23.4
Lankem Chemicals Ltd.	3.0	0.7	2.9	0.8
SunAgro Foods Ltd.	162.2	38.9	432.3	121.1
Colombo Fort Hotels Ltd.	-	-	4.9	1.4
Lankem Ceylon PLC	1,710.6	308	1,457.5	408.1
Kelani Velley Canneries Ltd.	298.8	53.6	289.8	81.1
Lankem Technology Services (Pvt) Ltd.	0.5	0.1	0.3	0.1
Ceytra (Private) Ltd.	51.6	12.4	50.8	14.2
Ceymac Rubber Company Ltd.	36.1	7	24.3	6.8
Associated Farms Ltd.	21.6	5.2	21.3	6.0

## 32. RETIREMENT BENEFIT OBLIGATIONS

As at	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Present Value of the Funded Obligations (Note 32.2)	339,943	288,098	147,666	142,567
Present Value of the Unfunded Obligations (Note 32.4)	99,384	81,561	-	-
Present Value of the Obligations	439,327	369,659	147,666	142,567
Fair Value of Retirement Benefit Assets (Note 32.1)	(67,997)	(58,884)	(4,173)	(3,875)
Present Value of Net Obligations	371,330	310,775	143,493	138,692

### Company

An Actuarial valuation has been carried out as at 31st March 2021 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. 4.1 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'.

### 32.1 Fair Value of Retirement Benefit Assets

As at	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Movements in Fair Value of Plan Assets</b>				
Fair Value of Plan assets at the beginning of the year	58,884	56,142	3,875	3,355
Contribution Paid to the Plan Assets	13,358	13,025	-	-
Expected Return on Plan Assets	5,612	5,785	387	386
Benefits paid by the Plan Assets / the Company	(6,765)	(12,415)	-	-
Actuarial Gains/(Losses)	(3,092)	(3,653)	(89)	134
Fair Value of Retirement Benefit Assets	67,997	58,884	4,173	3,875

### 32.2 Present Value of the Funded Obligations

For the Year Ended	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
<b>Movement in Present Value of Funded Obligations</b>				
Balance at the beginning of the year	288,098	236,780	142,567	130,745
Transfer in	-	(3,476)	-	(3,476)
Provision for the year	49,240	44,321	24,924	24,735
	337,338	277,625	167,491	152,004
Benefits paid by the Plan Assets / the Company	(30,094)	(9,535)	(24,179)	(9,374)
Actuarial (Gains)/Losses	32,699	20,008	4,354	(63)
Present Value of Defined Benefit Obligations	339,943	288,098	147,666	142,567
<b>Expenses Recognised in the Statement of Profit or Loss</b>				
Current Service Cost	22,143	18,329	10,667	9,700
Interest Cost	27,097	25,992	14,257	15,035
	49,240	44,321	24,924	24,735
Expected Return on Plan Assets	(5,612)	(5,785)	(387)	(386)
	43,628	38,536	24,537	24,349
(Gain) / Loss Recognise in OCI	32,699	20,008	4,354	(63)
	32,699	20,008	4,354	39,228

### 32.3 Present Value of Net Obligations

As at	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Fair Value of Plan Assets (Note 32.1)	67,997	58,884	4,173	3,875
Present Value of Funded Obligations (Note 32.2)	(339,943)	(288,098)	(147,666)	(142,567)
Present Value of Net Obligations	(271,946)	(229,214)	(143,493)	(138,692)
Present Value of Unfunded Obligations (Note 32.4)	(99,384)	(81,561)	-	-
	(371,330)	(310,775)	(143,493)	(138,692)

# Notes to the Financial Statements

## 32.4 Present Value of the Unfunded Obligations

As at	Consolidated	
	2021 Rs.'000	2020 Rs.'000
<b>Movement in Present Value of Unfunded Obligations</b>		
Balance at the beginning of the year	81,561	72,741
Transfer Out	(795)	(716)
Provision for the year	22,649	20,900
	103,415	92,925
Gratuity Paid	(16,628)	(16,668)
Actuarial (Gains)/Losses	12,597	5,304
Present value of Defined Benefit Obligations	99,384	81,561
<b>Expenses Recognised in the Statement of Comprehensive Income</b>		
Current Service Cost	15,273	13,498
Interest on Obligations	7,376	7,402
Provision for the year	22,649	20,900
Net Actuarial (Gains)/Losses	12,597	5,304
	35,246	26,204

### Consolidated

- i) The retirement benefit obligations as at 31st March 2021 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 2021 were Rs. 12 Mn, 14.9 Mn, 14 Mn and 116.6 Mn respectively.
- ii) **JF Packaging Ltd.**  
The retirement benefit obligations as at 31st March 2021 is based on actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Private) Ltd. as per which liability as at 31st March 2021 was Rs.22 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 2021 in respect of following companies are stated below:

Company Name	Expected Salary Increment Rate	Discount Rate	Liability as at 31.03.2021 Rs. Million
Lankem Ceylon PLC	7.5%	7.2%	143.4
Marawila Resorts PLC	7.5%	7.7%	12.4
Sigiriya Village Hotels PLC	7.5%	7.7%	14.9
C.W. Mackie PLC	10%	8.0%	116.6
Beruwala Resorts PLC	7.5%	7.7%	14.0
BOT Hotel Services (Pvt) Ltd	7.5%	7.7%	0.5
SunAgro LifeScience Ltd.	7.5%	10.0%	3.7
Galle Fort Hotels (Pvt) Limited	5%	8.5%	2.9
Ceylon Tapes (Pvt) Limited	10%	7.5%	9.0
Lankem Paints Ltd.	7.5%	10.0%	15.3
JF Packaging (Pvt) Ltd.	10%	7.5%	22.0
Sherwood Holidays Ltd.	10%	6.1%	2.3
Alliance Five (Pvt) Ltd	10%	7.5%	6.7
Kiffs (Private) Limited	10%	7.5%	7.6
			371.3

### 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	2021		2020	
	Increase Rs.'000	Decrease Rs.'000	Increase Rs.'000	Decrease Rs.'000
<b>Movement by 1%</b>				
Discount Rate	(71,618)	81,156	(56,907)	61,264
Future salary scale	79,037	(69,966)	61,264	(58,895)

Company	2021		2020	
	Increase Rs.'000	Decrease Rs.'000	Increase Rs.'000	Decrease Rs.'000
<b>Movement by 1%</b>				
Discount Rate	(6,536)	7,194	(3,243)	3,431
Future salary scale	7,114	(6,576)	3,436	(3,300)

### 33. TRADE AND OTHER PAYABLES

As at	Consolidated		Company	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Trade Payables	2,828,606	1,547,968	754,689	660,121
Other Payables	397,857	374,866	153,395	146,501
Accrued Expenses	394,227	364,087	151,537	147,797
WHT Payable	-	6,164	-	-
Unclaimed Dividend	16,305	16,496	7,438	7,438
NBT Payable	2,913	2,761	-	-
VAT Payable	33,011	59,724	18,695	31,483
Advance Received	92,963	316,204	-	-
Other Levies Payable	16,429	7,145	-	-
	<b>3,782,311</b>	<b>2,695,415</b>	<b>1,085,754</b>	<b>993,340</b>

# Notes to the Financial Statements

## 34. RELATED PARTY TRANSACTIONS

### 34.1 Amounts Due from Related Parties - Trade

As at	Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000
<b>Subsidiaries</b>		
SunAgro Foods Ltd.	-	715
C.W. Mackie PLC	179	20
SunAgro LifeScience Ltd.	-	1
Beruwala Resorts PLC	207	406
Marawilla Resorts PLC	896	893
BOT Hotel Services (Pvt) Ltd.	331	331
Sigiriya Village Hotels PLC	817	921
Galle Fort Hotels (Pvt) Ltd.	-	38
Lak Kraft (Pvt) Ltd.	-	12
Kiffs (Pvt) Ltd.	7	97
JF Packaging (Pvt) Ltd.	4,258	12,266
	<b>6,695</b>	15,700
Provision for Impairment of Amounts due from Related Parties - Trade (Note 34.1.1)	(194)	(1,134)
<b>Net Carrying Amount</b>	<b>6,501</b>	14,566

As at	Consolidated		Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
<b>Affiliates</b>				
Ceylon Trading Company Ltd.	157	555	-	-
Kotagala Plantations PLC	677	697	-	-
E.B. Creasy & Company PLC	1,586	975	-	-
York Hotel Management Services Ltd.	-	174	-	-
Darley Butler & Co Ltd.	-	72	-	-
Candy Delights (Pvt) Ltd.	209	3,002	-	-
Union Commodities Ltd.	14,645	2,009	-	-
<b>Net Carrying Amount</b>	<b>17,274</b>	7,484	-	-

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

As at	Consolidated		Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
Balance as at the beginning of the year	-	-	1,134	-
Provision / (Reversal) for the year	-	-	(940)	1,134
<b>Balance as at the end of the year</b>	-	-	<b>194</b>	1,134

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

As at	Consolidated		Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
<b>Subsidiaries</b>				
SunAgro Foods Ltd.	-	-	-	715
Beruwala Resort PLC	-	-	14	11
Marawila Resort PLC	-	-	33	25
BOT Hotels Services (Pvt) Ltd.	-	-	7	8
Sigiriya Village Hotels PLC	-	-	20	10
JF Packaging Ltd.	-	-	119	365
C.W.Mackie PLC	-	-	1	-
	-	-	194	1,134

### 34.2 Amounts due from Related Parties – Non-Trade

As at	Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000
<b>Subsidiaries</b>		
Associated Farms (Pvt) Ltd.	19,952	19,920
Lankem Consumer Products Ltd.	158,601	158,310
Colombo Fort Hotels Ltd.	598,804	541,658
JF Packaging Ltd.	28,425	24,532
SunAgro Foods Ltd.	-	69,402
SunAgro Farms Ltd.	1,824	1,601
Lankem Exports (Pvt) Ltd.	246	237
Ceylon Tape Private Ltd.	2,237	1,821
Galle Fort Hotels (Pvt) Ltd.	12,055	6,055
Lankem Technology Ltd.	169	-
Nature's Link Ltd.	7,834	4,796
Lankem Chemicals Ltd.	237	-
Lankem Research Ltd.	1,536	1,287
	831,920	829,619
Provision for Impairment of Amounts due from Related Parties - Non Trade (Note 34.2.2)	(213,478)	(280,985)
<b>Net Carrying Amount</b>	<b>618,442</b>	<b>548,634</b>

# Notes to the Financial Statements

As at	Consolidated		Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
<b>Affiliates</b>				
E.B. Creasy & Company PLC	-	178	-	178
Darley Butler & Co Ltd.	13,663	7,903	13,628	7,868
Lankem Developments PLC	3	3	-	-
Lankem Tea & Rubber Plantations (Pvt) Ltd.	25	25	-	-
Kotagala Plantations PLC	7,737	45,509	7,737	45,509
Agarapatana Plantations Ltd.	58,507	39,643	48,507	29,187
CWM Hotels Holdings Ltd.	81,939	81,939	-	-
York Hotel Management Services Ltd.	121,843	78,795	-	-
Ceylon Trading Company Ltd.	-	-	-	-
Union Commodities Ltd.	-	36,560	-	-
Lanka Special Steel Ltd.	1,310	27	1,310	27
Candy Delights (Pvt) Ltd.	-	4,455	-	-
Duramedical Lanka Ltd.	151	151	151	151
Colombo Fort Group Service (Pvt) Ltd.	-	200	-	-
Colonial Motors (Pvt) Ltd.	-	-	-	-
The Colombo Fort Land & Buildings PLC	4,358	5,883	134	134
Property & Investment Holdings (Pvt) Ltd.	137,600	150,000	-	-
Consolidated Tea Plantations Ltd.	5,296	-	5,296	-
Ceytape (Pvt) Ltd.	230	229	-	-
	432,662	451,500	76,763	83,054
Less: Provision for Impairment of Amounts due from Related Parties - Non Trade (Note 34.2.2)	(87,766)	(88,676)	(2,360)	(6,281)
Net Carrying Amount	344,896	362,824	74,403	76,773
Total amounts due from Related Parties - Non Trade	344,896	362,824	692,845	625,407

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

As at	Consolidated		Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
Balance as at the beginning of the year	88,676	457	287,265	266,869
(Reversal)/ Provision for the year	(910)	88,219	(71,427)	20,397
Balance as at the end of the year	87,766	88,676	215,838	287,266

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

As at	Consolidated		Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
<b>Subsidiaries</b>				
Lankem Consumer Products Ltd.	-	-	158,601	158,310
Associated Farms (Pvt) Ltd.	-	-	19,952	19,920
SunAgro Foods Ltd.	-	-	-	69,402
SunAgro Farms Ltd.	-	-	1,824	1,601
Lankem Exports (Pvt) Ltd.	-	-	246	237
Nature's Link Pvt Ltd.	-	-	7,834	4,796
Lankem Research Ltd.	-	-	1,536	1,287
Colombo Fort Hotels Ltd.	-	-	21,661	24,591
Galle Fort Hotels Private Ltd.	-	-	613	109
JF Packaging Ltd.	-	-	796	731
Ceylon Tapes Private Ltd.	-	-	9	1
Lankem Chemicals Ltd.	-	-	237	-
Lankem Technology Services Ltd.	-	-	169	-
	-	-	213,478	280,985
<b>Affiliates</b>				
Darley Butler & Co Ltd.	-	98	-	56
Lankem Tea & Rubber Plantations Ltd.	-	25	-	-
Agarapatana Plantations Ltd.	1,800	2,891	1,800	2,570
Lankem Development PLC	-	68	-	-
Duramedical Lanka Ltd.	13	-	13	-
Lanka Special Steels Ltd.	7	-	7	-
E B Creasy & Company PLC	2	2	2	2
Kotagala Plantations PLC	326	3,653	326	3,653
Consolidated Tea Plantations Ltd.	212	-	212	-
Property and Investment Holdings ( Pvt) Ltd.	3,467	-	-	-
CWM Hotels Holdings Ltd.	81,939	81,939	-	-
	87,766	88,676	2,360	6,281
	87,766	88,676	215,838	287,266

# Notes to the Financial Statements

## 34.3 Loans due from Related Parties

As at	Consolidated		Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
Colombo Fort Hotels Ltd.	-	-	55,000	55,000
Consolidated Tea Plantations Ltd.	272,631	-	272,631	-
Kotagala Plantations PLC	-	200,000	-	200,000
	272,631	200,000	327,631	255,000
Less: Provision for Impairment of Loans due from Related Parties (Note 34.3.1)	(10,925)	(16,055)	(12,915)	(25,135)
	261,706	183,945	314,716	229,865

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

As at	Consolidated		Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
Balance as at the beginning of the year	16,055	-	25,135	2,215
Provision for the year	-	16,055	-	23,039
Reversal during the year	(5,130)	-	(12,220)	(119)
Balance as at the end of the year	10,925	16,055	12,915	25,135

### 34.3.2 Provision for Impairment of Loans due from Related Parties

As at	Consolidated		Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
<b>Provision for Impairment</b>				
Colombo Fort Hotels Ltd.	-	-	1,990	9,080
Kotagala Plantations PLC	-	16,055	-	16,055
Consolidated Tea Plantation Ltd.	10,925	-	10,925	-
	10,925	16,055	12,915	25,135

## 34.4 Amounts Due to Related Parties - Trade

As at	Consolidated		Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
<b>Subsidiaries</b>				
BOT Hotel Services ( Pvt) Ltd.	-	-	89	89
Ceylon Tapes (Pvt) Ltd.	-	-	676	321
SunAgro LifeScience Ltd.	-	-	319	-
	-	-	1,084	410

### 34.5 Amounts due to Related Parties - Non-Trade

As at	Consolidated		Company	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
<b>Subsidiaries</b>				
Sigiriya Village Hotels PLC	-	-	28,858	24,145
C.W. Mackie PLC	-	-	-	15,586
Lankem Paints Ltd.	-	-	20,974	21,249
SunAgro LifeScience Ltd.	-	-	403,916	387,335
	-	-	453,748	448,315
<b>Affiliates</b>				
York Hotel Management Services Ltd.	12,440	56,160	9,954	9,084
Darley Butler & Co Ltd.	-	217	-	-
Kotagala Plantations PLC	7,869	7,869	-	-
Agarapatana Plantation Ltd.	13,326	11,891	33	33
Lankem Development PLC	19,992	13,947	12,417	7,387
Lankem Tea & Rubber Plantations Ltd.	46	46	10	10
E.B. Creasy & Company PLC	67,089	21,872	66,251	21,093
Carplan Ltd.	319	110	301	110
Colonial Motors PLC	61	24	-	-
Laxapana Batteries PLC	31	31	31	31
The Colombo Fort Land & Building PLC	110,027	124,633	5,981	37,095
Waverly Power (Pvt) Ltd.	56,759	57,510	52,064	54,017
E.B. Creasy Logistic (Pvt) Ltd.	17,812	11,920	17,081	10,603
Darley Butler & Co Ltd.	92	-	-	-
KIA Motors (Lanka) Ltd.	19	19	-	-
York Arcade Holdings PLC	-	61	-	-
CM Holdings PLC	5,294	363	5,294	363
Union Commodities Ltd.	45,651	49,080	10,541	13,905
Colombo Fort Group Service (Pvt) Ltd.	3,572	2,275	2,827	1,679
Sunquick Lanka (Pvt) Ltd.	461,115	350,323	-	-
	821,514	708,351	182,785	155,410
Total amounts due to Related Parties	821,514	708,351	636,533	603,725

# 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	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
<b>Associates</b>				
(Receipt)/Payment of Outstanding Balances	806	(41,560)	806	(41,619)
Interest (Expenses)/Income	4,095	1,579	5,296	-
(Reimbursement)/ Charging of Expenses	647	-	647	-
Dividend	-	39,100	-	39,100
<b>Joint Venture</b>				
(Receipt)/Payment of Outstanding Balances	908,089	1,436,864	-	-
Interest (Expenses)/Income	(7,276)	-	-	-
(Reimbursement)/ Charging of Expenses	84,676	101,712	-	-
(Purchases)/Sale of Goods	(956,160)	(1,600,173)	-	-
<b>Affiliates</b>				
(Purchases)/Sale of Goods	(159,699)	(131,591)	1,773	(9,866)
(Receipt)/Payment of Outstanding Balances	248,508	89,717	30,639	(97,591)
(Reimbursement)/ Charging of Expenses	(61,495)	56,470	(25,544)	30,000
Rent Income	3,915	4,939	3,915	4,939
Management Fees	10,619	49,493	30,000	-
Interest (Expenses)/Income	11,948	26,488	23,438	17,978
Settlement of Loan (Obtained) / Granted	(92,800)	(196,355)	(74,900)	(76,000)
Loans (Granted) / Obtained	-	204,500	-	200,000
<b>Subsidiaries</b>				
(Purchases)/ Sale of Goods	-	-	18,847	48,969
(Reimbursement)/ Charging of Expenses	-	-	183,811	12,071
Fixed Asset Transfers	-	-	28	3,500
(Receipt) / Payment of Outstanding Balances	-	-	(229,474)	(83,920)
Interest (Expenses) / Income	-	-	29,969	84,308
Settlement of Loan (Obtained)/ Granted	-	-	-	72,000
Loans (Granted)/ Obtained	-	-	-	30,700

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 2021.

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. Kotagala Plantations PLC and Consolidated Tea Plantations Ltd.	Related party	272,631,082	20% of total equity and 1.5% of total assets	Assignment of debts due from Kotagala Plantation PLC to Its Parent Company Consolidated Tea Plantations Ltd.	Facilitating the restructuring of debts by Kotagala Plantations PLC
2. JF Packaging Ltd.	Wholly owned Subsidiary	172,090,000	13% of Equity and 0.9% of total assets	Obtaining of a corporate guarantee subject to commission of 2% per annum.	Rescheduling of existing banking facilities and outstanding interest at lower rate.
3. SunAgro LifeScience Ltd.	Wholly owned Subsidiary	148,000,000	11% of Equity and 0.8% of total assets	Acquisition of investment.	To Facilitate the restructure of balance sheets of Lankem Ceylon PLC and its wholly owned subsidiaries, SunAgro LifeScience Ltd and SunAgro Foods Ltd
4. JF Packaging Ltd.	Wholly owned Subsidiary	198,000,000	15% of Equity and 1% of total assets	Transfer equity stake in SunAgro Foods Ltd held by the Company to JF Packaging Ltd for a consideration of Rs. 198Mn such being settled by the issue of shares by JF Packaging Ltd	To Facilitate the restructure of balance sheet of Lankem Ceylon PLC and its wholly owned subsidiaries, JF Packaging Ltd and SunAgro Foods Ltd

### 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	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
Short-term Employee Benefits	134,853	127,670	88,885	88,380
Terminal benefits	41,700	1,330	41,700	-
Total compensation paid to key management personnel	176,553	129,000	130,585	88,380

# Notes to the Financial Statements

## 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. Bopearatchy	Mr. K.P. David	Mr. R.T. Weerasinghe	Mr. A. Hettiarachchy	Mr. A.C.S. Jayaranjan	Mr. R. Seevaratnam	Mr. P.M.A. Sirimane	Mr. M.N.K. Jayamanne	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	√	√											
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 Company	√	√								√			
C M Holdings PLC	Related Company	√	√											
Colombo Fort Investments PLC	Related Company	√												

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. Hettiarachchy	Mr. A.C.S. Jayaranjan	Mr. R. Seevaratnam	Mr. P.M.A. Sirimane	Mr. M.N.K. Jayamanne	Mr. P.S. Goonewardene	Mr. G.K.B. Dasanayaka	Dr. A.M. Mubarak
Colonial Motors (Ceylon) Ltd.	Related Company	√													
Consolidated Rubber Plantations PTE Ltd.	Related Company		√												
Candy Delights Ltd.	Related Company	√			√				√	√					√
Darley Butler & Co. Ltd.	Related Company	√			√				√	√					√
E.B. Creasy & Company PLC	Related Company	√			√				√	√					√
E.B. Creasy Logistics Ltd.	Related Company	√			√					√					
Financial Trust Ltd.	Related Company		√												
E.B. Creasy Ceylon (Pvt) Ltd	Related Company	√			√						√				
Kotagala Plantations PLC	Related Company	√	√							√					
Lankem Developments PLC	Related Company	√	√	√	√	√				√					
Lankem Tea & Rubber Plantations (Pvt) Ltd.	Related Company	√	√												
Laxapana Batteries PLC	Related Company	√			√					√					√
Union Commodities (Pvt) Ltd.	Related Company	√	√												
York Arcade Holdings PLC	Related Company	√													
York Hotel Management Services Ltd.	Related Company	√													
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 and resigned from the Boards of Alliance Five (Private) Limited, Ceylon Tapes (Private) Limited, Ceytape (Private) Limited, J.F. Packaging Ltd, Kiffs (Private) Limited, Lankem Developments PLC with effect from 31.12.2020 and also resigned from the Boards of SunAgro Foods Limited and SunAgro LifeScience Ltd with effect from 30.03.2021 and from the Boards of Lankem Agrochemicals Ltd, Lankem Chemicals Ltd, Lankem Consumer Products Ltd, Lankem Exports (Pvt) Ltd, Lankem Paints Ltd, Lankem Research Ltd, Nature's Link Ltd with effect from 31.03.2021.
- 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, Alliance Five (Pvt) Ltd, Ceytape (Pvt) Ltd and Kiffs (Pvt) 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.
- Dr. A.M. Mubarak was appointed to the Board of Lankem Ceylon PLC with effect from 21st April 2021 and was also appointed to the Board of J.F. Packaging Ltd on 1st September 2021.
- Mr. Anushman Rajaratnam was appointed to the Board of Consolidated Tea Plantations Ltd with effect from 27th January 2021.
- Mr. P.M.A. Sirimane resigned from the Board of Agarapatana Plantations Ltd with effect from 31st March 2021.
- Mr. A. Hettiarachchy was appointed to the Board of C.W. Mackie PLC with effect from 18th August 2021.

# 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	
		31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
Trade Receivable	23	4,072,661	3,800,997	1,070,823	857,603
Amounts Due from Related Parties - Trade	34.1	17,274	7,484	6,695	15,700
Amounts Due from Related Parties - Non - Trade	34.2	432,662	451,500	695,205	631,688
Loans Due from Related Parties	34.3	272,631	200,000	327,631	255,000
Cash and Bank Balances	24	536,899	209,716	123,503	19,886
Financial Assets measured at FVTPL	21	40,376	26,405	40,376	26,405
Financial Assets measured at FVOCI	20	18,845	28,086	16,390	26,149
		5,391,348	4,724,188	2,280,623	1,832,431

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

As at	Consolidated				Company			
	31.03.2021		31.03.2020		31.03.2021		31.03.2020	
	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	3,799,719	87,766	4,047,937	85,110	1,628,555	228,753	1,797,038	293,644
More than one year	448,409	448,409	412,044	412,044	228,165	228,165	218,803	218,803
	<b>4,248,128</b>	<b>536,175</b>	4,459,981	497,154	<b>1,856,720</b>	<b>456,918</b>	2,015,841	512,447

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. 529.3 Mn as at 31st March 2021 (Rs. 201.2 Mn as at 31st March 2020) which represent its maximum credit exposure on these assets.

The cash and cash equivalents are held with bank and financial institution counterparties, which are being rated as stable based on rating agency ratings.

### 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 estimated interest payments.

As at 31st March 2021	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
<b>Non-Derivative Financial Liabilities</b>								
Interest Bearing Borrowings	9,423,787	9,423,787	5,296,446	4,127,341	4,997,818	4,997,818	2,569,798	2,428,020
Loan Payable to Related Parties	240,039	240,039	240,039	-	317,490	317,490	317,490	-
Trade Payables	2,828,606	2,828,606	2,828,606	-	754,689	754,689	754,689	-
Amounts Due to Related Parties - Trade	-	-	-	-	1,084	1,084	1,084	-
Amounts Due to Related Parties - Non Trade	821,514	821,514	821,514	-	636,533	636,533	636,533	-
Lease Liabilities	244,346	244,346	50,770	193,576	31,287	31,287	10,161	21,126
Bank Overdraft	950,902	950,902	950,902	-	366,572	366,572	366,572	-
	<b>14,509,194</b>	<b>14,509,194</b>	<b>10,188,277</b>	<b>4,320,917</b>	<b>7,105,473</b>	<b>7,105,473</b>	<b>4,656,327</b>	<b>2,449,146</b>

# Notes to the Financial Statements

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
Loan Payable to Related Parties	143,144	143,144	143,144	-	276,090	276,090	276,090	-
<b>Trade Payables</b>	<b>1,547,968</b>	<b>1,547,968</b>	<b>1,547,968</b>	<b>-</b>	<b>660,121</b>	<b>660,121</b>	<b>660,121</b>	<b>-</b>
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	-
Lease Liabilities	278,146	278,146	53,395	243,479	32,946	32,946	14,823	18,123
Bank Overdraft	886,732	886,732	886,732	-	388,041	388,041	388,041	-
	12,610,491	12,610,491	8,650,876	3,978,343	6,565,986	6,565,986	4,335,698	2,230,287

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.

#### Exposure to currency risk

The Group's exposure to foreign currency risk based on notional amounts was as follows:

Group	2021		2020	
	US\$	EURO	US\$	EURO
<b>As at 31 March</b>				
Trade and Other Payables	(5,576,281)	(56,569)	(4,179,140)	(28,956)
Trade and Other Receivables	1,215,242	294,598	1,872,267	264,484
Cash and Cash Equivalents	661,442	12,610	491,099	1,365
Interest Bearing Borrowing	(2,693,342)	-	(2,628,364)	-
Gross statement of financial position exposure	(6,392,939)	250,639	(4,444,138)	236,893
<b>Company</b>				
<b>As at 31 March</b>				
Trade and Other Payables	(2,040,597)	(15,874)	(3,072,121)	(16,134)
Cash and Cash Equivalents	1,701	-	-	-
Gross statement of financial position exposure	(2,038,896)	(15,874)	(3,072,121)	(16,134)

The following significant exchange rates were applicable during the year:

	Average Rate		Reporting Date Spot Rate	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
USD	191.42	185.08	199.69	189.18
Euro	226.57	206.90	234.20	208.36

### 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.

	Consolidated		Company	
	Strengthening Profit or Loss Rs.000	Weakening Profit or Loss Rs.000	Strengthening Profit or Loss Rs.000	Weakening Profit or Loss Rs.000
<b>Group</b>				
As at 31 March 2021				
USD (10% movement)	127,659	(127,659)	40,714	(40,714)
Euro (10% movement)	(5,870)	5,870	372	(372)
As at 31 March 2020				
USD (10% movement)	84,076	(84,076)	58,120	(58,120)
Euro (10% movement)	(4,936)	4,936	336	(336)

### 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	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
<b>Fixed rate instruments</b>				
Financial assets	11,427	5,355	9,009	3,009
	11,427	5,355	9,009	3,009
<b>Variable rate instruments</b>				
Financial assets	261,706	183,945	314,716	229,865
Financial Liabilities	9,663,826	9,189,294	5,315,308	4,880,743
	9,925,532	9,373,239	5,630,024	5,110,608

# Notes to the Financial Statements

## Sensitivity Analysis

The following table demonstrate the sensitivity to a reasonably possible change in , 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	Consolidated	Company
		Rs.'000	Rs.'000
		Effect on Profit before Tax	
As at 31 <sup>st</sup> March 2021	+100	99,141	56,210
	-100	(99,141)	(56,210)
As at 31 <sup>st</sup> March 2020	+100	93,679	51,076
	-100	(93,679)	(51,076)

## 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 using significant unobservable inputs either directly - i.e as prices or indirectly - i.e Derived from prices. This category includes all instruments where the valuation techniques includes inputs not based on observable date and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

31st March 2021	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 at FVOCI	10,391	-	8,454	8,186	-	8,204
Financial Assets Measured at Fair Value Through Profit or Loss	40,376	-	-	40,376	-	-
	50,767	-	8,454	48,562	-	8,204

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 at FVOCI	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

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

	Net Assets Value	
	As at 31st March 2021	As at 31st March 2020
Nanotechnology (Pvt) Ltd.	0.01	2.25
Lankem Tea & Rubber Plantations (Pvt) Ltd	21.22	58.00
Agarapatana Plantations Limited	4.54	4.50
Asia Pacific Golf Courses Limited	100.00	100.00

### 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 are as follows:

COMPANY	Financial Assets Measured at FVTPL	Financial Assets Measured at Amortised cost	Financial Assets Measured at FVOCI	Financial Liabilities Measured at Amortised Cost	Total Carrying Amount	Fair Value
As at 31st March 2021	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
<b>Financial Assets</b>						
Trade Receivables	-	842,658	-	-	842,658	842,658
Amounts Due from Related Parties - Trade	-	6,501	-	-	6,501	6,501
Amounts Due from Related Parties - Non-Trade	-	692,845	-	-	692,845	692,845
Loans Due from Related Parties	-	314,716	-	-	314,716	314,716
Financial Assets Measured at FVOCI	-	-	16,390	-	16,390	16,390
Financial Assets Measured at FVTPL	40,376	-	-	-	40,376	40,376
Bank & Cash Balances	-	123,503	-	-	123,503	123,503
	40,376	1,980,223	16,390	-	2,036,989	2,036,989
<b>Financial Liabilities</b>						
Interest Bearing Borrowings	-	-	-	4,997,818	4,997,818	4,997,818
Lease Liabilities	-	-	-	31,287	31,287	31,287
Loans Payable to Related Parties	-	-	-	317,490	317,490	317,490
Trade Payables	-	-	-	754,689	754,689	754,689
Amounts Due to Related Parties - Trade	-	-	-	1,084	1,084	1,084
Amounts Due to Related Parties - Non-Trade	-	-	-	636,533	636,533	636,533
Bank Overdraft	-	-	-	366,572	366,572	366,572
	-	-	-	7,105,473	7,105,473	7,105,473

# Notes to the Financial Statements

Company	Financial Assets Measured at FVTPL	Financial Assets Measured at Amortised cost	Financial Assets Measured at FVOCI	Financial Liabilities Measured at Amortised Cost	Total Carrying Amount	Fair Value
As at 31st March 2020	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
<b>Financial Assets</b>						
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 FVTPL	26,405	-	-	-	26,405	26,405
Financial Assets Measured at FVOCI	-	-	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
<b>Financial Liabilities</b>						
Interest Bearing Borrowings	-	-	-	4,604,652	4,604,652	4,604,652
Lease Liabilities	-	-	-	32,946	32,946	32,946
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
	-	-	-	6,565,985	6,565,985	6,565,985

CONSOLIDATED	Financial Assets Measured at FVTPL	Financial Assets Measured at Amortised cost	Financial Assets Measured at FVOCI	Financial Liabilities Measured at Amortised Cost	Total Carrying Amount	Fair Value
As at 31st March 2021	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
<b>Financial Assets</b>						
Trade Receivables	-	3,624,252	-	-	3,624,252	3,624,252
Amounts Due from Related Parties - Trade	-	17,274	-	-	17,274	17,274
Amounts Due from Related Parties - Non-Trade	-	344,896	-	-	344,896	344,896
Loans Due from Related Parties	-	261,706	-	-	261,706	261,706
Financial Assets Measured at FVTPL	40,376	-	-	-	40,376	40,376
Financial Assets Measured at FVOCI	-	-	18,845	-	18,845	18,845
Bank & Cash Balances	-	536,899	-	-	536,899	536,899
	40,376	4,785,027	18,845	-	4,844,248	4,844,248
<b>Financial Liabilities</b>						
Interest Bearing Borrowings	-	-	-	9,423,787	9,423,787	9,423,787
Lease Liabilities	-	-	-	244,346	244,346	244,346
Trade Payables	-	-	-	2,828,606	2,828,606	2,828,606
Amounts Due to Related Parties - Non-Trade	-	-	-	821,514	821,514	821,514
Bank Overdraft	-	-	-	950,902	950,902	950,902
	-	-	-	14,269,155	14,269,155	14,269,155

Consolidated	Financial Assets Measured at FVTPL	Financial Assets Measured at Amortised cost	Financial Assets Measured at FVOCI	Financial Liabilities Measured at Amortised Cost	Total Carrying Amount	Fair Value
As at 31st March 2020	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
<b>Financial Assets</b>						
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 FVTPL	-	-	28,086	-	28,086	28,086
Financial Assets Measured at FVOCI	26,405	-	-	-	26,405	26,405
Bank & Cash Balances	-	209,716	-	-	209,716	209,716
	26,405	4,172,543	28,086	-	4,227,034	4,227,034
<b>Financial Liabilities</b>						
Interest Bearing Borrowings	-	-	-	9,046,150	9,046,150	9,046,150
Lease Liabilities	-	-	-	278,146	278,146	278,146
Trade Payables	-	-	-	1,547,968	1,547,968	1,547,968
Amounts Due to Related Parties - Non-Trade	-	-	-	708,351	708,351	708,351
Bank Overdraft	-	-	-	886,732	886,732	886,732
	-	-	-	12,467,347	12,467,347	12,467,347

## 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	
	31.03.2021 Rs.'000	31.03.2020 Rs.'000	31.03.2021 Rs.'000	31.03.2020 Rs.'000
Total Liabilities	16,266,994	14,422,742	7,580,031	7,037,896
Less: Cash and cash equivalents	(536,899)	(209,716)	(123,503)	(19,886)
Net debts	15,730,095	14,213,026	7,456,528	7,018,010
Total Equity	3,901,596	3,933,744	711,136	696,045
Debt to Equity ratio (Gearing Ratio)	4.03	3.61	10.49	10.08

# Notes to the Financial Statements

## 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 2021.

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 Ltd.	546,870
Agarapatana Plantations Ltd.	200,000
	1,593,922

Comfort letters are provided for SunAgro Farms Ltd, Lankem Consumer Products Ltd, Lankem Exports (Pvt) Ltd, Lankem Research Limited, Lankem Technology Services Ltd, Lankem Chemicals Ltd, Lankem Paints Ltd Marawila Resorts PLC and Nature's Link Limited 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	
	31.03.2021	31.03.2020
Ceymac Rubber Company Ltd.	99.0	99.0
Ceytra (Pvt) Ltd	8.0	8.0
Kelani Velley Canneries Ltd	90.0	90.0
Sunquick Lanka Properties (Pvt) Ltd	90.0	-
	287.0	197.0

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.

## 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.

#### (a) Sale of Property

The company has disposed the property situated at Gonawala, Sapugaskanda (Depicted in Plan as “Alubogahawatta” and “Batadombagahawatta”) containing a total extent of A5-R1-P27.90 to “Related Company” E.B. Creasy & Company PLC for a total consideration of Rs. 600 Mn. This transaction was completed on 24th September 2021.

#### (b) Rights Issue

The Company made a Rights Issue of 33,853,200 Ordinary Shares at a price of Rs. 20/- per Share to the holders of the Issued Ordinary Shares of the Company as at the end of trading on 28th April 2021, in the proportion of One (1) new Ordinary Share for every One (1) existing issued Ordinary Shares held in the Capital of the Company. The Issue closed on 4th June 2021. The total number of Shares subscribed for on the Rights Issue was 17,617,557 and the total consideration received was Rs. 352,351,140/-.

The purpose of the Rights Issue was to raise funds amounting to Rs. 677,064,000/- for Working Capital Requirements and the Total proceeds were utilized to settle working capital related liabilities relating to short term loans and creditors. Due disclosure on the utilization of proceeds was made to the Colombo Stock Exchange on 15th July 2021.

Subsequent to the Rights Issue of shares, the Company's Stated Capital amounted to Rs. 1,282,697,140/- represented by 51,470,757 Ordinary Shares.

#### (c) Change in Government Policy on Importation of Chemical Fertilizers and Pesticides.

The importation of chemical fertilizers and pesticides has been banned indefinitely, according to the Gazette No. 2226/48, published on May 6, 2021. The gazette was issued in response to the Sri Lankan Government's policy directive to increase the use of organic fertilizer and biopesticides in agricultural activities.

The Company is currently strengthening its organic fertilizer and biopesticide supply chains to meet demand in accordance with Government policy. Clarifications on specific aspects related to policy implementation are yet under discussion with the relevant authorities, and the Company is working to realign its strategies accordingly. As there is currently a lack of clarity in the practical implementation of the policy direction, it would be premature to estimate any potential financial implications arising from this policy change.

#### (d) Acquisition of Equity Stake in ACME Printing & Packaging PLC

Lankem Ceylon PLC acquired 3,235,795 shares constituting 7.86% of the total number of Ordinary Voting shares in issue of ACME Printing & Packaging PLC as at 16th September 2021.

Subsequent to the purchase of 8,000,000 Ordinary Voting shares of ACME Printing & Packaging PLC by E B Creasy & Company PLC on the 7th September 2021, Lankem Ceylon PLC and Parties Acting in Concert namely E B Creasy & Company PLC, Mr. S.D.R. Arudpragasam, Union Commodities (Pvt) Ltd, Colombo Fort Investments PLC, The Colombo Fort Land & Building PLC and Colombo Investment Trust PLC together held more than 30% of the shareholding in ACME Printing & Packaging PLC. As at 16th September 2021 Lankem Ceylon PLC and parties Acting in Concert hold 13,240,084 Ordinary Voting shares in ACME Printing & Packaging PLC constituting 32.17% of the shares in issue.

Accordingly, Lankem Ceylon PLC is in the process of making a mandatory offer to purchase 27,921,829 Ordinary voting shares constituting 67.83% of shares in issue of ACME Printing & Packaging PLC (ACME).

# Notes to the Financial Statements

## 40. GOING CONCERN

The Group and the Company have incurred a loss of Rs. 1,046 Million (2020: Rs. 1,025 Million) and Rs. 255 Million (2020: Rs. 565 Million) respectively for the year ended 31st March 2021. Further, the Group and the Company have reported accumulated losses of Rs. 2,254 Million (2020: Rs. 1,280 Million) and Rs. 1,074 Million (2020: Rs. 815 Million) respectively and current liabilities exceed the current assets by Rs. 2,237 Million (2020: Rs. 2,436 Million) and Rs. 2,104 Million (2020: Rs. 2,231 Million) respectively as at 31st March 2021.

Number of new strategic initiatives focusing on improving the financial performance of the Company and Group were implemented during the year ended 31st March 2021 to improve the financial status of the Group which is evident through the significant increase in operational results of the Group and Company.

The management further envisages that with the continuation of implemented new strategic initiatives focusing on core-businesses of the Company and the group and implementation of new planned initiatives and expansion of operations of subsidiaries will help to establish long term improved profitability in the business sectors in which the Group and the Company operates. Some of initiatives implemented by the Company/Group subsequent to the reporting date are disclosed in Note 39 to these financial statements.

Thus, the Board of Directors are of the view that the Group and the Company are able to continue as going concern in the foreseeable future and accordingly, the consolidated financial statements have been 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.

The Board of Directors has been cautiously monitoring the impact on the Group's business operations, keeping a vigilant eye on global supply chains, social and economic variables taking timely initiatives to mitigate the adverse impact on the Group's performance and the cash flow.

The Group operates in number of sectors that have been impacted through the COVID-19 Pandemic. Below is a summary of the impact assessed by the Group with regard to its future business prospects.

### Investment Holding

The Group's investments are mainly on to the sectors explained below and the impact of the pandemic on the operations of these sectors would influence the measurement of impairment of these investments and expected returns.

### 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. Number of entities in the sector owned by the Group have offered their properties to repatriated Sri Lankans under the guidance of the Ministry of Health with during the year ended 31st March 2021. The Group expects that the tourism industry of the country will bounce back sooner the travel restrictions are lifted. Accordingly, the Group is of the view that the leisure sector which is temporarily set back will generate adequate profits in future.

### 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, as explained in note 39 to these financial statements, the Group is carefully monitoring the changes in the regulatory environment with regard to the restrictions on the importation of certain agro-chemicals to align its business strategies.

As such, based on the assessment of the Board of Directors, COVID-19 Pandemic has resulted in a moderate 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 (%)
Imperial Hotels Ltd.	32.34
B.O.T Hotel Services (Pvt) Ltd.	55.39
Beruwala Resorts PLC	49.23
Ceymac Rubber Company Ltd.	54.63
Ceytra (Pvt) Ltd.	34.77
Kelani Velley Canneries Limited	48.83
SunQuick Lanka Properties (Pvt) Ltd.	28.22
Galle Fort Hotel (Pvt) Ltd.	68.89
Lak Kraft (Pvt) Ltd.	68.89
Sherwood Holidays Ltd.	69.11
Kiffs (Pvt) Ltd.	100
Alliance Five (Pvt) Ltd.	100
Ceylon Tapes Ltd.	100
Sigiriya Village Hotels PLC	28.44
SunAgro Foods 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. Mackie PLC		Other Individually Immaterial Subsidiaries	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Total assets	1,764,264	1,832,535	2,527,355	2,516,339	7,251,433	6,043,195	4,555,791	4,631,827
Total Liabilities	756,836	715,067	1,033,980	949,839	4,317,804	3,282,818	1,656,150	1,541,560
Net assets	1,007,428	1,117,468	1,493,375	1,566,500	2,933,629	2,760,377	2,899,641	3,090,268
Carrying amount of NCI	628,232	675,509	464,589	483,892	1,309,572	1,232,784	1,030,542	1,301,122
Revenue	183,599	417,737	-	-	10,927,486	8,600,698	248,108	747,122
Profit/(Loss) after tax	(112,009)	(38,253)	(73,157)	(76,503)	255,671	(32,945)	(306,803)	(133,395)
Total Comprehensive Income	(110,041)	(43,772)	33	(81,277)	218,276	(56,803)	-	(98,995)
Profit/(Loss) allocated to NCI	(69,849)	(16,080)	(22,759)	(24,576)	114,132	(14,713)	-	(45,389)
Cash flows from operating activities	(24,149)	26,737	(628)	(944)	370,083	(247,982)	-	-
Cash flows from/(used in) investing activities	(2,138)	(21,928)	48	105	(225,786)	(247,403)	-	-
Cash flows from financing activities	45,454	2,534	-	-	(193,326)	204,488	-	-
Dividend paid to NCI	-	-	-	-	-	66,575	-	-
NCI percentage (%)	62.36%	60.45%	31.11%	30.89%	44.64%	44.66%	-	-
Principal place of business	Thalwilawella, Thoduwawa, Marawila.		8-5/2, Layden Bastian Road, York Arcade Building, Colombo 1		No. 36, D.R. Wijewardena Mawatha, Colombo 10			

# Ten Year Summary

	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13	2011/12
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Statement of Profit or Loss</b>										
Revenue	17,468,490	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
Share of Profit / (Loss) of Associate	(537)	(7,926)	(334,521)	(97,602)	(75,280)	(217,950)	(268,945)	(65,773)	-	-
Share of Profit / (Loss) of Joint Venture	(50,516)	7,963	46,659	(20,697)	-	-	-	-	-	-
Profit/(Loss) Before Income Tax	(779,441)	(1,182,563)	(1,049,956)	(349,155)	(613,132)	(140,306)	(260,499)	(71,414)	801,700	1,025,104
Income Tax Expense	(266,679)	157,040	165,676	(127,949)	(118,332)	(114,274)	(113,299)	(144,226)	(248,557)	(299,950)
Profit/(Loss) for the Year	(1,046,120)	(1,025,523)	(884,280)	(477,104)	(731,464)	(254,580)	(373,798)	(215,640)	553,143	725,154
Profit Attributable to Non-Controlling Interests	(180,727)	(138,263)	98,284	106,253	58,272	179,232	(22,797)	141,059	439,984	248,801
Profit Attributable to Owners of the Company	(865,393)	(887,260)	(982,564)	(583,357)	(789,736)	(433,812)	(351,001)	(356,699)	113,159	476,353
<b>Statement of Financial Position</b>										
Equity										
Stated Capital	930,346	930,346	930,346	930,346	536,218	536,218	536,218	536,218	536,218	536,218
Capital Reserves	4,833	4,833	4,833	4,833	4,833	3,409	3,409	3,409	3,409	3,930
FVTOCI Reserves	(18,584)	(19,182)	(4,706)	12,734	1,750	3,713	13,425	11,060	9,007	6,977
Revenue Reserves	(2,254,731)	(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
Revaluation Reserves	2,341,192	1,700,657	1,679,064	-	-	-	-	-	-	-
Non-Controlling Interests	2,898,540	2,597,099	2,793,360	2,129,658	2,237,370	2,609,592	2,376,717	2,348,838	2,270,684	3,542,850
<b>Total Equity</b>	<b>3,901,596</b>	<b>3,933,749</b>	<b>5,022,075</b>	<b>3,686,478</b>	<b>4,121,109</b>	<b>5,271,858</b>	<b>5,438,404</b>	<b>6,251,920</b>	<b>6,477,163</b>	<b>7,225,939</b>
Assets										
Non-Current Assets	11,161,531	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
Current Assets	9,007,059	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
<b>Total Assets</b>	<b>20,168,590</b>	<b>18,356,491</b>	<b>18,573,304</b>	<b>16,563,049</b>	<b>16,348,061</b>	<b>15,932,752</b>	<b>15,414,534</b>	<b>14,860,195</b>	<b>14,343,997</b>	<b>21,347,294</b>
Liabilities										
Non-Current Liabilities	5,023,159	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
Current Liabilities	11,243,835	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
<b>Total Liabilities</b>	<b>16,266,994</b>	<b>14,422,742</b>	<b>13,551,229</b>	<b>12,876,571</b>	<b>12,226,952</b>	<b>10,660,894</b>	<b>9,928,337</b>	<b>8,823,539</b>	<b>8,041,739</b>	<b>14,121,355</b>
<b>Cash Flow Statement</b>										
Net Cash Flow Generated from/ (Used in) Operating Activities	60,688	(766,962)	(183,813)	(151,346)	256,358	(559,568)	917,449	146,332	144,499	1,160,123
Net Cash Flow Generated from/ (Used in) Investing Activities	(26,816)	(132,244)	(112,936)	(75,404)	(831,756)	(340,790)	(1,211,181)	(573,837)	(3,193,687)	(2,085,613)
Net Cash Flow Generated from/ (Used in) Financing Activities	229,141	717,735	(7,388)	715,965	1,160,724	142,233	567,211	188,434	2,199,613	115,911
Net Increase/(Decrease) in Cash and Cash Equivalents	263,013	(181,471)	(304,137)	489,215	585,326	(758,125)	273,479	(239,071)	(849,575)	(809,579)
<b>Key Indicators</b>										
Earnings per Share (Rs.)	(25.56)	(26.21)	(29.02)	(25.45)	(32.91)	(17.96)	(14.63)	(14.86)	4.71	19.85
Dividend Per Share (Rs.)	-	-	-	-	-	-	-	-	1.50	2.50
Net Assets per Share (Rs.)	29.63	39.48	65.84	45.99	78.49	110.93	129.56	153.66	167.98	153.92
Market Capitalisation (Rs. Million)	917	579	745	1,263	1,056	1,920	2,474	2,400	3,468	4,320
Current Ratio (No. of Times)	0.80	0.75	0.89	0.84	0.87	0.84	0.90	0.97	1.07	1.08
Interest Cover (No. of times)	0.28	0.02	0.22	0.71	0.36	0.77	0.41	0.85	1.86	3.40
Price Earnings Ratio (No. of Times)	(1.06)	(0.65)	(0.76)	(1.49)	(1.34)	(4.45)	(7.05)	(6.73)	30.65	9.07
Return on Equity (%)	(0.27)	(0.26)	(0.47)	(0.22)	(0.33)	(0.05)	(0.08)	(9.14)	2.69	12.93
Gearing (%)	78.25	71.92	65.84	72.55	68.24	60.35	55.25	49.45	45.61	52.18
Dividend Payout Ratio (%)	-	-	-	-	-	-	-	-	31.81	12.60

# Share Information

## RIGHTS ISSUE

The Company made a Rights Issue of 33,853,200 Ordinary Shares at a price of Rs. 20/- per Share to the holders of the Issued Ordinary Shares of the Company as at the end of trading on 28th April 2021, in the proportion of One (1) new Ordinary Share for every One (1) existing issued Ordinary Share held in the Capital of the Company. The Issue closed on 4th June 2021. The total number of Shares subscribed for on the Rights Issue was 17,617,557 and the total consideration received was Rs. 352,351,140/-. The purpose of the Rights Issue was to raise funds amounting to Rs. 677,064,000/- for Working Capital Requirements and the total proceeds received were utilized to settle working capital related liabilities relating to short term loans and creditors. The details on the utilization of proceeds is set out below and due disclosure on the utilization of proceeds was made to the Colombo Stock Exchange on 15th July 2021:

Disclosure regarding status of utilization of Rights Issue proceeds as at 12/07/2021							
Objective Number	Objective as per circular	Amount allocated as per circular in LKR	Proposed date of utilization as per circular	Amount allocated upon receipt of proceeds in LKR (A)	As a % of total proceeds	Amount Utilized in% of proceeds LKR (B)	Utilized Against Allocation (B/A)
1	Settlement of Short Term Loans	Rs.653,765,248/-	Within a period of two weeks upon the conclusion and finalization of the Rights Issue	Rs.332,160,162/-	94.27%	Rs.332,160,162/-	100%
2	Settlement of Local/ Foreign Creditors	Rs.23,298,752/-	Within a period of two weeks upon the conclusion and finalization of the Rights Issue	Rs.20,190,978/-	5.73%	Rs. 20,190,978/-	100%

Subsequent to the Rights Issue of shares the Company's Stated Capital amounted to Rs. 1,282,697,140/- represented by 51,470,757 Ordinary Shares.

## TOP 20 SHAREHOLDERS

Position	Full Name of Shareholder	31st March 2021		31st March 2020	
		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	10,974,565	32.42%	6,247,556	18.45%
3	ASSOCIATED ELECTRICAL CORPORATION LTD	1,507,877	4.45%	1,507,877	4.45%
4	COLOMBO FORT INVESTMENTS PLC	966,300	2.85%	966,300	2.85%
5	DARLEY BUTLER & COMPANY LTD	536,614	1.59%	536,614	1.59%
6	GUARDIAN ASSET MANAGEMENT LTD	400,300	1.18%	400,300	1.18%
7	SEYLAN BANK PLC/SENTHILVERL HOLDINGS (PVT) LTD	354,433	1.05%	368,106	1.09%
8	SRI LANKA INSURANCE CORPORATION LTD - GENERAL FUND	306,169	0.90%	306,169	0.90%
9	CAPITAL INVESTMENTS LIMITED	274,000	0.81%	274,000	0.81%
10	ACUITY PARTNERS (PVT) LIMITED/ COLOMBO INVESTMENT TRUST PLC	225,000	0.66%	225,000	0.66%
11	C M HOLDINGS PLC	160,000	0.47%	160,000	0.47%
12	ACUITY PARTNERS (PVT) LIMITED/ COLOMBO FORT INVESTMENTS PLC	150,000	0.44%	150,000	0.44%
13	A E C PROPERTIES ( PVT ) LTD.	150,000	0.44%	150,000	0.44%
14	PEOPLE'S LEASING & FINANCE PLC/ HI LINE TRADING (PVT) LTD	145,547	0.43%	145,547	0.43%
15	EMPLOYEES TRUST FUND BOARD	82,283	0.24%	82,283	0.24%
16	BANK OF CEYLON NO. 1 ACCOUNT	72,400	0.21%	72,400	0.21%
17	MRS. MOHAMMADU JAUFER NIHARA	59,500	0.18%	15,755	0.00%

# Share Information

Position	Full Name of Shareholder	31st March 2021		31st March 2020	
		No. of Shares	Share Percentage	No. of Shares	Share Percentage
18	MR. MOHOTTIGE DON HEMANTHA MANNAPPERUMA	59,147	0.17%	57,132	0.17%
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	31,527,559	93.10%	26,768,463	78.99%

## DISTRIBUTION OF SHARES

No. of Shares Held	As At 31st March 2021			As At 31st March 2020		
	No. of Shareholders	Total Holding	Holding %	No. of Shareholders	Total Holding	Holding %
1 - 1,000	1,674	381,839	1.13	1,581	369,955	1.09
1,001 - 10,000	395	1,163,687	3.43	402	1,158,799	3.42
10,001 - 100,000	47	1,156,869	3.42	48	1,159,898	3.43
100,001 - 1,000,000	11	3,668,363	10.84	11	3,682,036	10.88
Over 1,000,000	3	27,482,442	81.18	4	27,482,512	81.18
	2,130	33,853,200	100.00	2,046	33,853,200	100.00

## ANALYSIS OF ORDINARY SHAREHOLDERS

	As At 31st March 2021			As At 31st March 2020		
	No. of Shareholders	Total Holdings	%	No. of Shareholders	Total Holdings	%
Individuals	1,993	2,080,649	6.15	1,904	2,013,370	5.95
Institutions	137	31,772,551	93.85	142	31,839,830	94.05
	2,130	33,853,200	100.00	2,046	33,853,200	100.00

## PUBLIC HOLDING

The Percentage of Shares held by the public as at 31st March 2021 was 14.75 % (31.03.2020 - 14.71%)

## PUBLIC SHAREHOLDERS

The Number of Public Shareholders as at 31st March 2021 were 2104 (31.03.2020 - 2020)

The applicable option under CSE Rule 7.13.1 on minimum public holding is option 2 and the Float Adjusted Market Capitalization as of 31.03.2021 was Rs. 135,319,703.70. (31.03.2020 - Rs. 85,154,677.81).

## Market Value

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

	As at 31.03.2021 Rs.	As at 31.03.2020 Rs.
Highest Price	44.50	35.00
Lowest Price	16.90	17.00
Market Value as at the year End	27.10	17.10

# Notice of Meeting

Notice is hereby given that the Fifty Sixth Annual General Meeting of Lankem Ceylon PLC will be held on 11th November 2021 at 3.00 p.m. and will be conducted as a Virtual Meeting from No. 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01 or No. 98, Sri Sangaraja Mawatha, Colombo 10, for the following purposes namely:

1. To receive and consider the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st March 2021, with the Report of the Auditors thereon.
2. To re-elect as a Director, Mr. G.K.B. Dasanayaka who retires in accordance with Articles 84 and 85 of the Articles of Association.
3. To reappoint as a Director, Dr. A.M. Mubarak, who was appointed to the Board during the year and subsequently attained seventy years of age. Special Notice has been received from a shareholder of the intention to pass a resolution which is set out below in relation to his reappointment (see Note No.5).
4. To reappoint as a Director, Mr. R. Seevaratnam who is over seventy years of age. Special Notice has been received from a shareholder of the intention to pass a resolution which is set out below in relation to his reappointment (see Note No.6).
5. To reappoint as a Director, Mr. A. Hettiarachchy who is over seventy years of age. Special Notice has been received from a shareholder of the intention to pass a resolution which is set out below in relation to his reappointment (see Note No.7).
6. To reappoint as a Director, Mr. A.C.S. Jayaranjan who is over seventy years of age. Special Notice has been received from a shareholder of the intention to pass a resolution which is set out below in relation to his reappointment (see Note No.8).
7. To reappoint as a Director, Mr. S.D.R. Arudpragasam who has attained seventy years of age. Special Notice has been received from a shareholder of the intention to pass a resolution which is set out below in relation to his reappointment (see Note No.9).
8. To authorize the Directors to determine contributions to charities.
9. To reappoint as Auditors, Messrs KPMG Chartered Accountants for the ensuing year and to authorize the Directors to determine their remuneration.

By Order of the Board  
**CORPORATE MANAGERS & SECRETARIES (PRIVATE) LIMITED**  
*Secretaries*  
Colombo  
29th September 2021

# Notice of Meeting

## 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 29th September 2021 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 Dr. A.M. Mubarak who was appointed to the Board during the year and subsequently having attained seventy years of age be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director, Dr. A.M. Mubarak".
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. R. Seevaratnam who is seventy eight years of age be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director, Mr. R. Seevaratnam".
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. Hettiarachchy who is seventy two 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".
8. 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 would have reached seventy two years of age at the date of the Annual General Meeting 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".
9. 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. S.D.R. Arudpragasam who has attained seventy years of age be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director, Mr. S.D.R. Arudpragasam".
10. 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/member 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 Maithri Asoka Sirimane          | of Colombo or failing him, |
| 8. Gotabaya Kiri Bandara Dasanayaka          | of Colombo or failing him, |
| 9. Azeez Mohamed Mubarak                     | 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 11th November 2021 at 3.00 p.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 2021 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 reappoint Dr. A.M. Mubarak 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 reappoint Mr. S.D.R. Arudpragasam as a Director	<input type="checkbox"/>	<input type="checkbox"/>
8. To authorize the Directors to determine contributions to charities	<input type="checkbox"/>	<input type="checkbox"/>
9. To reappoint as Auditors, Messrs KPMG, Chartered Accountants for the ensuing year and to authorize the Directors to determine their remuneration	<input type="checkbox"/>	<input type="checkbox"/>

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

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

.....  
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**

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.

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.

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.

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

(Alternate Mr. S. Rajaratnam)

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

A.M. Mubarak, B.Sc(SL) Ph.D (Cantab), FICHEMC, FNASSL

## 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.

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