



LANKEM CEYLON PLC

ANNUAL REPORT 2021/2022



LANKEM CEYLON PLC

Our Business Areas

Agri-Inputs

Paints

Chemicals

Consumer

Pest Control

Leisure

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

Revenue

Rs.21,191 Million

Total Equity

Rs.5,121 Million

Total Assets

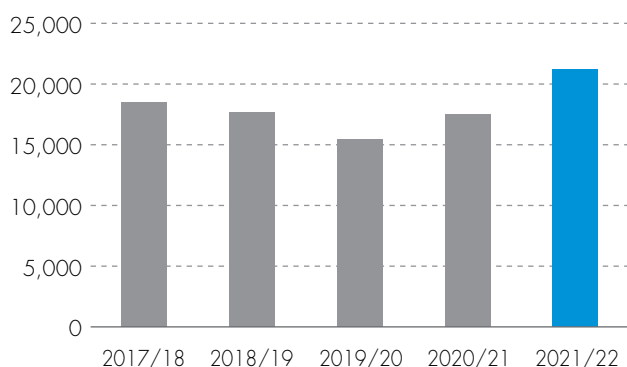
Rs.22,588 Million

Net Assets Per Share

Rs.35.99

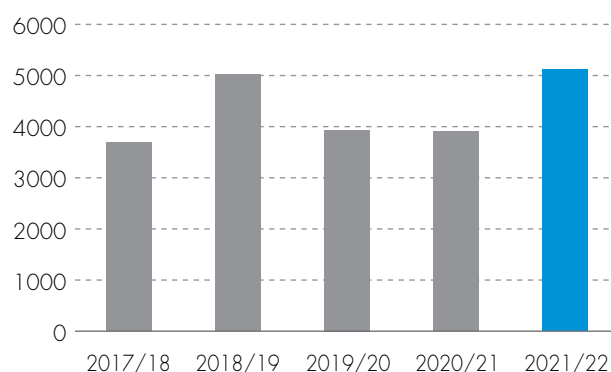
Revenue – Group

(Rs. Mn)



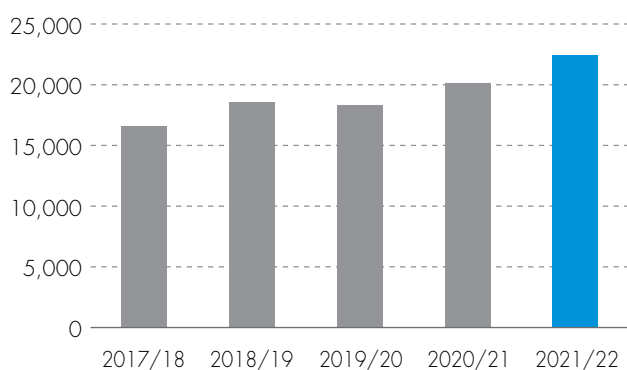
Total Equity – Group

(Rs. Mn)



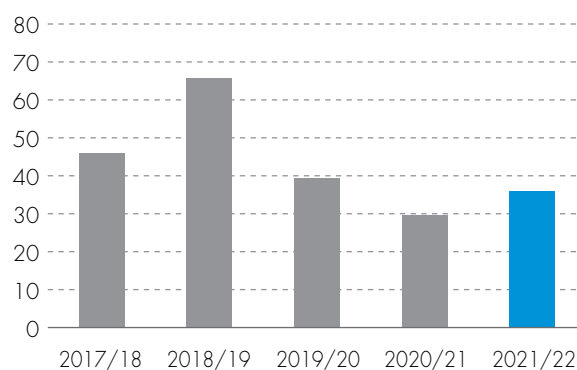
Total Assets – Group

(Rs. Mn)



Net Assets Per Share – Group

(Rs.)



Chairman's Reflections

As the Head of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements for the financial year ended 31st March 2022. My reflections on the past financial year begin on a very positive note given the commendable financial turnaround of your Company: a turnaround that occurred during the Country's worst ever economic crisis.

I am immensely pleased to report that your Company secured a record profit after a 9-year gap, securing a momentous financial improvement. The reporting financial year became a remarkable turnaround in the Company's history, despite the tremendous economic roadblocks we had to overcome; and as a result of this, we recorded an after-tax profit of Rs. 171 Mn for the financial year 2021/22, surpassing all expectations.

In this regard, I must note that, although pragmatic strategies played a central role in supporting the positive outcome, it was the resilience of our team, which set the stage in motion. The collective efforts of our team powered several operational strategies to ensure better financial performance: these included the strategic investment of acquiring ACME Printing and Packaging PLC, cost optimisations, prudent diversifications and proper fund utilisation to manage working capital and loan liabilities.

By the end of the financial period, key business sectors under the Group showed improved performances, with the exception of the Hotel sector, which felt the heat of the economic crisis much more sternly through the downturn in the tourism industry.

MACROECONOMIC CLIMATE

As the health impacts of COVID-19 began to weaken, the economic ramifications of lockdowns and the adverse effects of a commercially stalemated economy begun to be painfully visible. Although the gradual decline of COVID-19 infections and lockdowns shed positive sentiments on business activities, the milieu changed as several unnerving economic factors worsened by the day. By the end of the Company's financial year in March 2022, Sri Lanka's foreign exchange reserves recorded a significant low, rendering it almost impossible to repay the Country's external debt and purchase essential imports. With import-oriented restrictions and the Forex crisis continuing to create severe shortages in consumer goods, the Country also witnessed record-high inflation due to rising costs of everyday commodities from food to transportation.

Until August 2021, CBSL maintained an accommodative monetary policy stance. However, the financial regulator reversed this context by raising policy rates – compelling businesses and individuals to bear a considerably higher cost of borrowings. The interest rate hike and uncontrollably rising cost of prices deterred the prospects of conducting business as usual. In March of 2022, the Rupee depreciated sharply and in April of 2022, CBSL once again

raised key policy rates in arresting the demand-based inflationary pressures, and to stabilise the exchange rate and adjust the market rate structure. This decision drove the cost of borrowings to rise expansively.

The extremely arduous cost of living and a general dislike towards the Country's economic and political trajectory, prompted many civilians across Sri Lanka to demonstrate their angst, which ultimately led to the selection of a new Prime Minister and President, as well as the formation of a new Cabinet of Ministers.

The ban on fertilizer and agricultural chemicals had a direct impact on our turnover levels of the Agro division. Nevertheless, we continued to service customers to the best extent possible with the limited inventory available. However, in January 2022, the Government lifted the suspensions, making it less challenging to procure supplies although the forex crisis and liquidity issues continued to have a restrained effect on volumes.

The tourism sector was the worst hit by the pandemic. In 2021, arrivals showed a drop of 61.7%, when compared to 2020. However, in the first few months of 2022, arrivals fared considerably well with the easing off of the pandemic, and reports showed substantially higher figures when compared to 2021.

Although the outlook for 2022 remains grim, in 2021, the gross domestic product of the Country grew by 3.6%. The recovery of all economic sectors contributed towards this overall improvement.

A FINANCIAL PIVOT

The commendable financial performance of the year is the highest out of the past 9-year period; and we continue to record the same momentum as demonstrated by the first-quarter net profit of Rs. 146 Mn for 2022/23. The financial feat came at a time when the nation faced its worst economic crisis, socio-political instability and the economic effects of the global pandemic. The positive outcome stemmed primarily from streamlined pricing strategies, the correct product mix, aggressive marketing strategies and the minimisation of overhead costs.

Despite an increase in the overall operational cost, your Company achieved a profit-before-tax of Rs. 186 Mn, in comparison to the loss of Rs. 175 Mn in the previous financial year. The growth in PBT is a direct result of a 32 % increase in the annual revenue. The revenue for 2021/22 stood at Rs. 4.5 Bn when compared to Rs. 3.4 Bn reported in the previous financial period. Moreover, group-wide turnover aggregated to Rs. 21.1 Bn compared to Rs. 17.5 Bn reported as per previous annual financials, which is a 21% increase. Group post-tax loss was recorded at a relatively lower loss of Rs. 3.5 Mn.

The higher gains and improved profit outcome was a result of increased contribution margins through upward revisions of selling prices and reduction in discounts by the Agro division. The Paints division showed a remarkable increase in turnover by Rs. 1.2 Bn to that of the previous year, while overcoming many severe external deterrents. This feat was achieved through aggressive pricing strategies which enabled higher contribution margins. Moreover, the Company's Pest Control division achieved better turnovers in comparison to the year 2020/21.

The Printing and Packaging sector fared considerably well during the year under review. Additionally, we are pleased with the performance of our Consumer and Industrial sector, which pulled through the year's challenges. The section reported a higher turnover compared to the previous year due to an increase in customers. In addition, the sector made higher local currency earnings from export transactions due to the high rupee depreciation.

KEY OPERATIONAL STRATEGEMS

Due to the macroeconomic adversities that impacted operations, it was imperative to enhance operational efficiencies and ensure a sound financial footing. This was done with the adoption of several well-calculated measures across the Group.

One such approach was to adopt cost optimisation measures to keep expenditure and outflows in check. Particularly, such strategies entailed the improvement of the working capital cycle. Additionally, we reduced held-up factory inventory, to capitalise on already idling stocks and minimise inventory management expenses. Another vital measure was to infuse new working capital through a Rights Issue, which was imperative for continued operations. In maximising retail-sector functions, we invested in a sales-force automation solution. The solution allows better lead management and team engagements, while enabling data-driven planning and sales forecasts.

We developed our human capital during the year by infusing fresh talent into the cadre. Primarily, we focused on implementing new HR strategies alongside a new structure for KPI-driven performance management that ensures periodic evaluations of staff performance. The new work-reward system encourages our team to work with a positive mind, as it recognises individual achievements and capabilities, thereby motivating them to deliver better results.

Overall, measures were taken to identify markets, customers and products which could generate higher profit margins. Where volume gains were difficult to come by, profit levels were maintained through increased contribution margins. Furthermore, effective marketing activities from advertisements to social media engagements, helped improve customer reach particularly in the Paints segment.

SHADES OF SUCCESS

During the year, we deliberated several actions to enhance the Paints division. Firstly, the division restructured its senior designations to allow greater autonomy and authority for experienced and capable employees to lead operations.

Moreover, we restructured the factory administration, enabling more autonomy to optimise costs and to ensure the smooth functioning of operations. Amidst these changes, the factory embraced a performance-driven culture from a unionised working environment. As a result, the production unit doubled its capacity across main categories with minimal capital infusions.

From a market communication perspective, the division focused on advertising strategies to increase market share and embarked on an online platform to increase customer reach and visibility. Furthermore, we expanded Colour Studios under a franchise model.

In the year 2021/22 we took measures to revive one of our most beloved flagship brands – Robbialac. The brand revival commenced with the launch of 'Imperial Shades of White', which added 10 new shades of white to the brand portfolio. The new product strategy also reinforced Robbialac's presence in the market. Furthermore, Robbialac received recognition as a brand that reigns amongst the most loved in Sri Lanka by Brand Finance (LMD). The achievement reiterated the brand's acceptance in the market as a top manufacturer of wall coatings and as a brand that embraces innovation. The team behind the brand continues to make improvements in accessibility through strong distribution channels.

STRATEGIC INVESTMENTS

In the year under review, we took the bold but calculated move to increase our share ownership of ACME Printing and Packaging PLC (ACME), subsequent to their acceptance of a mandatory offer. The acquisition was a strategic investment to improve the Group's profitability and financial position. ACME supplies packaging materials in several varieties. Their products include printed/laminated reels, pouches, sheets and lids converted out of Aluminium Foil, BOPP, LLDPE, Nylon, Polyester and Paper for the packaging of a wide range of products.

Moreover, during the year, we diversified the Agro sector by venturing into seeds while moving away from the traditional focus on agro chemicals. The demand for seeds has improved in recent times, making it an attractive line of business.

Chairman's Reflections

CORPORATE GOVERNANCE

Across the year under review, your Group maintained a balance between stakeholder expectations and decisions that affect operations. I am happy to declare that during the year, Lankem has not violated any aspect of mandatory or statutory laws and regulations. Moreover, the Board of Directors and the higher management maintained adherence to Corporate Governance practices and discharged duties to the best of our abilities.

SUSTAINABILITY

At Lankem, we endorse sustainability on many different levels: and 2021/22 was no exception. At the consumer level, we focused on providing products that fulfil everyday needs. We maintain accountability for the products we deliver to our customers and for clearly communicating product information.

We also continued to look at measures that minimise the impact our operations may have on the environment and the communities. During the year, we focused on controlling our consumption of water and electricity, and other means of energy, while taking every possible measure to minimise carbon emissions.

Corporate Social Responsibility is another cornerstone of our sustainability agenda. During the year, the Company made several charitable donations, while conducting several flagship annual events. A full disclosure of such activities and our sustainability measures can be found under the Sustainability Report on page 11.

THE IMMEDIATE FOCUS

By July 2022, the NCPI-based, year-on-year headline inflation had risen to 66.7%. Prices of transport are a key concern, as fuel charges continue to drive distribution costs for the Company. In addition, we anticipate the sourcing of raw materials to be a main challenge due to import controls and higher costs, in the period ahead. As a result, we have explored remedies to the challenges in sourcing raw materials and transportation. Moreover, political instability and weakening consumer purchasing power will likely affect our potential for achieving higher revenue.

Despite the above concerns, the positive performance of the past financial year is a strong indicator of the Group's resilience and the adaptability of our sectors to externally-driven challenges. As a Group, we will be focusing on improving our contribution margins and sales volumes. Strategies in cost reduction will be a core focus throughout the coming year and we will be taking plausible measures to settle short and long term financial obligations with the objective of debt settlement being a top priority.

Given the financial results, the Board is confident that the Company will continue to generate profits as projected for the months ahead to achieve the desired financial outcomes by the end of the ensuing financial year 2022/23.

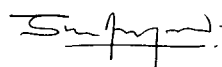
WAY FORWARD

The Lankem Group has been creating value for over four decades in Sri Lanka. Staying true to our legacy, we will continue to offer the best customer service, conduct regular evaluations and assess business operations to meet the highest product and service standards for complete customer satisfaction. We will look toward building partnerships that will enhance capacity and increase efficiency while contributing to business growth in both Agrochemical and Industrial Chemical divisions. Greater emphasis will also be given to the supply of eco-friendly products in the Paints division as an environmentally responsible Company, and in achieving increased market share locally and in overseas markets. The acquisition of ACME allows the Group to synergise and improve competitiveness through innovation with the prime objective of becoming the market leader in the packaging industry in Sri Lanka. We will also build and strengthen the supply chain capacity within the Group, which will bring in considerable savings and maximise material delivery efficiencies.

APPRECIATIONS

As the rough external environment grasped the entire Group, the task of pragmatically navigating its adverse effects was a mammoth undertaking. In this regard, I extend my appreciation to members of the Board and my peers for taking decisive decisions, at the right time. I am sincerely thankful to the Managing Director of Lankem Ceylon PLC, senior and corporate management teams of the Group and subsidiary companies, for adopting prudent measures to tackle the extremities.

I take this opportunity to thank our staff for their resilience during the tough external backdrops of the past two years. I also thank all our stakeholders including principal partners and suppliers, our customers and most importantly our shareholders, for the continued encouragement, support and trust placed in our capabilities.



Mr. S. D. R. Arudpragasam

Chairman

31st August 2022

Board of Directors

S. D. R. ARUDPRAGASAM

[FCMA (UK)]

Chairman

Mr. S. D. R. Arudpragasam joined the Board of Lankem Ceylon PLC in 1989, was appointed Deputy Chairman in 1990 and as the Chairman on 1st October 2017. Mr. S. D. R. Arudpragasam whilst being associated with The Colombo Fort Land & Building Group of companies since 1982 and having served on the Board of The Colombo Fort Land & Building PLC (CFLB) since the year 2000 and as Deputy Chairman from 2011 was appointed Chairman CFLB with effect from 1st July 2022. Mr. S. D. R. Arudpragasam also serves as Chairman of several subsidiaries of The Colombo Fort Land and Building PLC including Chairman/Managing Director of E.B. Creasy & Company PLC in addition to serving on the Boards of other companies in the CFLB Group.

A. HETTIARACHCHY

[C.Eng, MIEE, MIProdE, MICHEM]

Deputy Chairman

Mr. A. Hettiarachchy joined the Board as an Independent Non-Executive Director in April 2010 and was appointed Deputy Chairman on 1st October 2017. Mr. Hettiarachchy is a Chartered Chemical Engineer. He is Chairman of the Board of ISL Services Limited, Chairman of LOLC Advanced Technologies (Private) Limited, Executive Chairman of ACME Printing and Packaging PLC and a Director of Sri Lanka Institute of Nano Technology. He is a 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, Chief of Research and Engineering Systems – Sri Lanka Institute of Nano Technology, and a member of several advisory Boards of the NSF.

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 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 Associated Motor Finance PLC, First Guardian Equities Limited, Dawi Investment Trust (Private) Limited and ACME Printing and Packaging PLC.

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

ANUSHMAN RAJARATNAM

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

Director

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

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.

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 Commonwealth Scholar, has a B.Sc. Degree from the University of Colombo and a Ph.D. from University of Cambridge UK. Dr. Mubarak a former Director and Chief Executive Officer of the Industrial Technology Institute has several years experience in managing industry oriented R&D. Presently he holds the post of Chief of Research and Innovation at the Sri Lanka Institute of Nanotechnology (Pvt) Ltd.

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 Jayewardenepura Council and the Sri Lanka Standards Institute Council. He has also held the posts of President of the Institute of Chemistry, Ceylon, Sri Lanka Association for the Advancement of Science and National Academy of Sciences of Sri Lanka.

Dr. Mubarak serves on the Board of E.B. Creasy & Company PLC and on some of its subsidiaries and as Chairman of Union Chemicals Lanka PLC.

Sustainability Report

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 diligently to maintain that relationship and ensure that we provide them with the products and information they need to stay abreast with new and emerging trends. We aim to leverage on eco-friendly operations that minimise wastage and optimise natural resources at all levels.

We are dedicated to setting higher benchmarks in the industry that reflect global best practices in all aspects of our operations. Green leadership must 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 corporate responsibility framework, a framework that cascades its green consciousness and responsibility towards society, with the top management taking leadership in ensuring that the negative impact on the environment through business is minimal. 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, the most important asset in our Company 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. Permanent 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. These activities are conducted year round irrespective of any setbacks that befall the Company.

We continuously strive to empower our people through various means. Some of these activities included the implementation of multiple Recognition & Reward platforms in creating a culture of appreciation including a recognition platform for extraordinary performance of staff children, launching of Lankem Brainwaves which is an idea generation

platform focusing on providing opportunity to all staff categories to suggest feasible initiatives which will benefit the Company and its staff. The initiative endeavors to encourage employee engagement, creativity and 'out of the box' thinking of staff at Lankem and to reward valuable suggestions. The Talent Pool and Fastrack (internal accelerated development program) to groom internal talent for future leadership positions was also launched during the year.

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.

Our Pest division launched an island wide campaign under the theme of "Making Lives Safer" to serve the community and to maintain a better hygienic environment for the people. This entailed a mosquito eradication program being launched to cover the Rajagiriya Salvation Army Elders and several Children's homes to prevent the wide spread of the dengue disease. We expect this programme to be continued through the year which will help serve the community.

During the economic downturn prevailing around the Country, importance of self-sustenance among the staff was created in which the staff of the Paints Factory took the initiative to embark on an organic farming project by utilizing the free land area around the factory premises. An aquaponic system was implemented by getting Tilapia fish to supply the Nitrogen source for the planted vegetation. The project is a fully organic production with no pesticides and weedicides being used and the harvest is distributed among the staff, thus encouraging the drive and participation from them.

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. Bearing this in mind, the Group set the preliminaries in motion to setup solar panels at the Paint Factory. The capacity of the proposed solar panel system is expected to be around 300 KVA. While this project is still in the very early stages, the completion of the same is expected to bring in considerable cost savings and more importantly reduce our carbon footprint.

TOWARDS A SUSTAINABLE FUTURE

Our environmental consciousness is ingrained into our culture and 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 2022. 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 32 to 121.

AUDITORS' REPORT

The Auditors' Report on the Financial Statements is given on pages 26 to 29.

ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 34 to 50.

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 108 and 109.

DIRECTORS' REMUNERATION

Directors' remuneration in respect of the Group for the financial year 2021/22 is Rs. 143.2 Mn (2020/21 – Rs.176.5 Mn) and in respect of the Company for the financial year 2021/22 is Rs. 89.3 Mn (2020/21 – Rs. 130.6 Mn).

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 31.03.2022	No. of Shares As at 31.03.2021
Mr. S. D. R. Arudpragasam	-	25,000
Mr. A. Hettiarachchy	-	-
Mr. Anushman Rajaratnam	109,987	1,000
Mr. A. C. S. Jayaranjan	-	-
Mr. R. Seevaratnam	-	-
Mr. P. M. A. Sirimane	-	-
Mr. P. S. Goonewardene	-	-
Mr. G. K. B. Dasanayaka	-	-
Dr. A. M. Mubarak (Appointed w.e.f. 21.04.2022)	-	N/A

DIRECTORATE

The names of the Directors who held office during the financial year are given below and brief profiles of the Directors appear on pages 9 and 10.

Mr. S. D. R. Arudpragasam	Chairman
Mr. A. Hettiarachchy	Deputy Chairman
Mr. P. S. Goonewardene	Managing Director
Mr. Anushman Rajaratnam	Director
Mr. A. C. S. Jayaranjan	Director
Mr. R. Seevaratnam	Director
Mr. P. M. A. Sirimane	Director
Mr. G. K. B. Dasanayaka	Director
Dr. A. M. Mubarak (Appointed w.e.f. 21.04.2021)	Director

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

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

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

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

Mr. S. D. R. Arudpragasam, 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.

Dr. A.M. Mubarak 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.

CORPORATE DONATIONS

Donations made by the Group amounted to Rs. 0.07 Mn during the year under review. (2020/21 - Rs. 0.2 Mn)

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. 13.6 Mn during the year under review (2020/21 - Rs. 11.3 Mn) as audit fees and fees for audit related services by the Group. In addition, they were paid Rs. 1.6 Mn (2020/21 - Rs. 2.1 Mn) 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. 4.4 Mn during the year under review (2020/21 - Rs. 4.1 Mn) 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. 21,191 Mn (2020/21 - Rs. 17,468 Mn)

RESULTS

The Group made a profit before Tax of Rs. 263.2 Mn against a loss of Rs. 779.4 Mn in the previous year. The detailed results are given in the Statement of Comprehensive Income on page 30.

INVESTMENTS

Investments made by the Group are given in Notes 17, 18 and 19 to the Financial Statements on pages 69 to 74.

PROPERTY, PLANT & EQUIPMENT

During 2021/22 the Group invested Rs. 361.3 Mn in Property, Plant & Equipment (2020/21 - Rs. 304.3 Mn). 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 2022. Market value of the freehold land as at 31st March 2022 are disclosed in Note 12 to the Financial Statements on page 59.

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 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 124 of this report. Due disclosures on the utilization of proceeds was made to the Colombo Stock Exchange on 15th July 2021 and in the Annual Report of 2020/2021 published on 1st October 2021.

STATED CAPITAL

The stated capital of the Company as at 31st March 2022 was Rs. 1,282,697,140,- and is represented by 51,470,757 issued and fully paid Ordinary Shares.

RESERVES

The total Group Reserves as at 31st March 2022 comprised Other Capital Reserves of Rs. 4.8 Mn, FVTOCI Loss of Rs. 14 Mn, Retained loss of Rs. 1,711.4 Mn and Revaluation Reserve of Rs. 2,290.5 Mn. Whereas the total Group Reserves as at 31st March 2021 comprised Other Capital Reserves of Rs. 4.8 Mn, FVTOCI loss of Rs. 18.6 Mn, Retained loss of Rs. 2,254.7 Mn and Revaluation Reserve of Rs. 2,341.2 Mn. 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 57.

Annual Report of the Board of Directors

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 107. The Company has complied with the requirements of the Listing Rules on Related Party Transactions.

The related party transactions presented in the financial statements are disclosed in Note 34 from pages 100 to 109.

SHARE INFORMATION

Information relating to earnings, dividend, net assets, market value per share and share trading is given on page 123.

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 119.

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 on page 118.

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

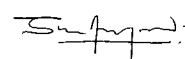
The Directors acknowledged their responsibility for the Company's system of internal control. The system is designed to give assurance regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can ensure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

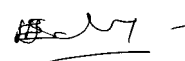


Mr. S. D. R. Arudpragasam
Chairman



Mr. Suren Goonewardene
Managing Director

By Order of the Board



Corporate Managers & Secretaries (Private) Limited
Secretaries
Colombo
31st August 2022

Corporate Governance

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

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

THE BOARD OF DIRECTORS

1.1 The Board, Composition and Meetings

The Board of Directors of Lankem Ceylon PLC is responsible for the governance practices adopted in all the companies within the Group. The Board currently comprise of the Chairman, Deputy Chairman, Managing Director, and six other Directors. All the Directors are professionals who possess a wealth of experience and knowledge in varied fields of Management, Marketing, Finance, Science & Engineering and Legal.

Name of Director	
Mr. S.D.R. Arudpragasam	Non-Executive (Chairman)
Mr. A. Hettiarachchy	Independent Non-Executive (Deputy Chairman)
Mr. P.S. Goonewardene	Executive (Managing Director)
Mr. Anushman Rajaratnam	Executive
Mr. A.C.S. Jayaranjan	Independent Non-Executive
Mr. R. Seevaratnam	Independent Non-Executive
Mr. P.M.A. Srimane	Non-Executive
Mr. G.K.B. Dasanayaka	Independent Non-Executive
Dr. A.M. Mubarak	Independent Non-Executive

The Board has met 16 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: 16

Name of Director	Directorship Status	Board Meetings Attended
Mr. S.D.R. Arudpragasam	Chairman Non-Executive	16/16
Mr. A. Hettiarachchy	Deputy Chairman Independent Non-Executive	16/16
Mr. P.S. Goonewardene	Managing Director Executive	16/16
Mr. Anushman Rajaratnam	Executive	15/16
Mr. A.C.S. Jayaranjan	Independent Non-Executive	16/16
Mr. R. Seevaratnam	Independent Non-Executive	11/16
Mr. P.M.A. Srimane	Non-Executive	14/16
Mr. G.K.B. Dasanayaka	Independent Non-Executive	16/16
Dr. A.M. Mubarak	Independent Non-Executive	13/16

AVAILABILITY OF FORMAL SCHEDULE OF MATTERS

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

- Offer guidance on overall direction and related strategies, financial and non-financial objectives of Lankem Ceylon PLC.
- Formulation, implementation and monitoring of business strategy of the Company.
- Overseeing the effectiveness of the internal control systems and proactive risk management system.
- Ensuring compliance with legal requirements and ethical standards.
- Approval of budgets, corporate plans, major investments and divestments.
- Approval of Interim and Annual Financial Statements for publication.
- Approval and review of the succession planning of the Board and top management.
- Approval of any issue of equity and debt securities of the Company.
- Any other matter which is important to ensure that the Company conducts its business in the best interest of all stakeholders.

Corporate Governance

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 JUDGMENT

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. Each Non-Executive Director has submitted a declaration of independence/non-independence for the year. The Board makes a determination annually as to the independence/non-independence of each Non-Executive Director.

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. The Board however having considered the fact that Mr. Seevaratnam is not involved in the operational matters of the Company and 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 has served on the Board of the Listed Entity for over a period of nine years and is on the Board of certain subsidiaries of the Company in which a majority of the Directors of the Company are Directors. He also serves on the Board of some companies which has a significant shareholding in another. However, the Board having considered the fact that Mr. Jayaranjan is not involved in the operational matters of the Company and having taken 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 is nevertheless Independent.

Mr. A. Hettiarachchy has served on the Board of the Listed Entity for over a period of nine years and is on the Board of certain subsidiaries of the Company in which a majority of the Directors of the Company are Directors. He also serves on the Board of some companies which has a significant shareholding in another. He functions in the capacity of Executive Chairman in a Group Company since January 2022. The Board however, having considered the fact that Mr. A. Hettiarachchy is not involved in the operational matters of the Company and having taken into consideration all other circumstances listed in the Rules pertaining to the criteria for defining independence is of the opinion that Mr. A. Hettiarachchy is 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 certain 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 considered the fact that Dr. A.M. Mubarak is not involved in the operational matters of the Company and 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, Heads of Strategic Business units 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 actions are taken.

1.7 Nomination Committee and Appointments to the Board

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

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

The Company's Nomination Committee comprises of Mr. A. Hettiarachchy – Chairman, Mr. A. C. S. Jayaranjan, Mr. G.K.B. Dasanayaka, Independent Non-Executive Directors and Mr. S.D.R. Arudpragasam, Non-Executive Director.

1.8 Re-election of Directors

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

2. DIRECTORS REMUNERATION

2.1 Remuneration Committee

The Remuneration Committee comprises of Mr. A. Hettiarachchy - Chairman, Mr. R. Seevaratnam, Mr. G. K. B. Dasanayaka, Independent Non-Executive Directors and Mr. S. D. R. Arudpragasam, Non-Executive Director.

The Remuneration Committee report is set out on page 23 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 108.

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 / IFRS).

The Annual Report of the Board of Directors on the affairs of the Company is given on pages 12 to 14 of this Annual Report.

The Directors are of the belief that the Company is capable of operating in the foreseeable future after 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 26 to 29 containing the Auditors' reporting responsibility. Non-financial information of business segments is given on pages 51 and 52.

4.2 Internal Controls

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

4.3 Audit Committee

The Audit Committee report is set out on page 25 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 24.

Management Discussion & Analysis

GLOBAL ECONOMIC SNAPSHOT

The road to recovery from the global COVID-19 pandemic remains long, as the pandemic's effects continue to compound. Although vaccinations control the health implications of the pandemic, new variants continue to emerge. The economic effects of the previous global lockdowns from 2020 to 2021 have become severe across many economies, driving inflation and market volatility alongside the peril of growing debt levels. Most nations are feeling the economic pinch severely, despite adopting accommodative monetary policies and fiscal stimulus during the most acute phase of the pandemic.

We cannot overlook the 'War in Ukraine'. The crisis in Ukraine has affected global economic growth negatively. Due to the war, the surge in food and fuel prices has made developing countries more vulnerable. While several factors determined inflation, including the war, developing and developed nations felt the pressures of fuel price surges and rising food prices, adversely. All this was amidst an estimated 6.1% global economic growth, which will likely slow down to 3.6% in 2022, according to the IMF.

LOCAL ECONOMIC REVIEW

Sri Lanka is a no less casualty of the global pandemic's repercussions, the economic effects from the Russia-Ukraine war and more prominently the self-inflicted pains of unsustainable debt management and untimely decisions. While the Country enjoyed its success in the inoculation rates of COVID-19 vaccinations in 2021, the economy plunged into a crisis due to several reasons. Irrespective of its causes, the crisis created massive vulnerabilities towards the end of 2021 and during the early months of 2022.

A key reason was the frightening depletion of the foreign exchange reserves, partly attributed to the low export revenue during the acute phase of the global pandemic, mounting external debt and increased import expenditure. In addition, low worker remittances and a severe reduction of foreign tourists affected the forex reserve base. As a result, several other economic conditions worsened, with the key factor being inflation. The low forex reserves caused an inability to secure sufficient fuel and gas, followed by long and frequent queues at fuel and gas stations due to inadequate supply.

Tightening of monetary policies commenced in August 2021, with CBSL raising policy rates by 700 bps in April 2022. The result was a sizeable hike in both lending and deposit rates. Revision of policy rates was done to lessen the build-up of future inflationary pressures. Furthermore, the Rupee depreciation and exchange rate volatilities were considerable in the first quarter of 2022. The Rupee shot up to Rs. 360 against the US Dollar in May 2022, making it highly costly when importing consumer goods and industrial raw materials, and services from foreign suppliers.

EXTERNAL SECTOR REVIEW

*The following sector reviews align with the core business segments of Lankem Ceylon PLC. It aims to provide a sector-by-sector depiction of the challenges that were encountered and the external environment the Group navigated through in the financial year under review.

AGRICULTURAL SECTOR

A key sector of the national economy, the agricultural industry underwent severe changes in the year under consideration. The ban on chemical fertilizers in April 2021 and the subsequent inability to source organic fertilizer undermined the industry. Although the effort to adopt organic fertilizer was partially to promote sustainable agro practices, the ban resulted in declined harvests and price hikes in crop commodities. In late 2021, the Government suspended the ban, enabling the importation of chemical fertilizers. Nevertheless, the sector expanded by 2% in 2021, an improvement in contrast to 2020. The growth of oleaginous fruits was the lead contributor of this expansion.

INDUSTRIAL PRODUCTION

The manufacturing sector recorded a 7.3% growth due to the growth in most sub-categories. Apparel and textiles, plastic and rubber products, beverages, and non-metallic mineral product manufacturing, contributed to this growth. Moreover, the gradual relaxing of restricted movement and vaccination drives helped encourage this expansion.

CONSUMER GOODS

National spending on non-food consumer items rose by 18.1% from 2020, propelled mainly by pharmaceutical and medical related goods. Vehicle imports for personal use dropped drastically, owing to import restrictions. Spending on food and beverage imports rose by 7.2% over 2020 spending, driven by rice importations. Overall, consumer goods represented 18.6% of imports in 2021, based on customs data as cited in the 2021 CBSL Annual Report.

* Information based on the 2021 Annual Report of the Central Bank of Sri Lanka.

TOURISM AND HOSPITALITY

**The year 2021 was not one of much optimism for the national tourism sector. Although arrivals commenced in early 2021 in tandem with resumed airport activities, total annual tourist arrivals declined precipitously by 61.7%, compared to 2020. The pandemic and the war in Ukraine can be partially attributed to this decline; this is in addition to the slow recovery in most source markets. Tourists from Asian source countries showed a contraction in 2021, believed to be the result of stringent cross-border travel restrictions. However, towards the end of 2021, the situation reversed, partially due to speedy vaccinations and a lesser media hype of the pandemic the world over, with India being the top source country. The average annual occupancy was 18.96% in 2021

**Information based on Year in Review – 2021, Sri Lanka Tourism Development Authority.

COMPANY PERFORMANCE

Lankem as a Company was successful in recording a net profit of Rs. 171 Mn, which transpired after a lull of 9 years. The PBT stood at Rs. 186 Mn compared to the loss of Rs. 175 Mn reported in the year 2020/21. The Company worked tactfully to identify the right mix of customers, products and markets to generate better profit margins. Increased contribution margins became a primary focus in the year under review in off-setting limitations to achieving volume gains.

At the end of the financial year, the Company recorded a 32% growth in revenue, commendably reaching Rs. 4.5 Bn by surpassing the previous year's revenue of Rs. 3.4 Bn.

The increased turnover stemmed primarily from the Paints and Pest Divisions, which significantly contributed towards the improved bottom line. In addition, cost optimisation strategies adopted by all divisions became contributors to the profit-before-tax for the year. The satisfactory performance is also a result of restructured operational activities across the Company and the streamlining of the paints and chemicals division –which induced leaner operations. Another key highlight which summates the strategic focus of the year is the acquisition of the quoted public company, ACME Printing and Packaging.

The Company's commendable financial performance was better than anticipated amidst the macroeconomic chaos that ensued at the end of 2021 and in early 2022. The Company withstood high raw material costs, elevated distribution costs, and the fertilizer ban through several timely planned strategies. But above all, efforts to minimise overhead costs and settlement of debts helped balance the financial position amidst the compounding prices and increasing cost of debt.

SECTOR PERFORMANCE

Paints

Marking a commendable performance amidst unprecedented macroeconomic shocks, the Paints division recorded a turnover of Rs. 3.4 Bn for the year under review. The sector surpassed numerous challenges including lockdowns, rising costs, transportation hurdles and material shortages to record the 55% increase in turnover for the year 2021/22.

In enhancing the operational performance of the Group, several strategies came into effect. The division underwent restructuring of its senior personnel in dispersing greater flexibility to conduct operations expeditiously. Similarly, factory administration underwent a shift to optimize costs with more autonomy to conduct operations; this also entailed a switch from a previously unionized culture to a performance-based work culture. Continuous training programs, team-building and motivational programs became central in elevating performance as well as team morale. Employee engagement was further enhanced with an approach based on a performance-driven reward structure.

The management took a forward-focused approach to manage the forex crisis, while building rapport with banks through continuous discussions to obtain their support in restructuring the debt facilities.

To improve front end servicing and better use of market data, we invested in a Sales Force Automation Solution with access to enhanced data analytics. Moreover, the division adopted an online platform coupled with a mass communication strategy to enhance customer reach, . The Colour Studios which is a unique part of our retail operations, expanded under a franchise model, increasing product accessibility for customers. Regular interactions on social media were another avenue of market communication.

Printing and Packaging

The packaging sector performed admirably across the year while recording annual revenue of Rs. 2.5 Bn. The sectors made its initial profit run from this year, especially, through Kiffs Ltd, Alliance Five Ltd and Ceylon Tapes. Profit from the sector stood at Rs. 295 Mn for 2021/22 as all subsidiaries made better-than-anticipated profit outcomes. JF Packaging took the lead in terms of revenue (40%), followed by Ceylon Tapes, Kiffs and Alliance Five reporting healthy turnovers for the year. Profit-wise, Alliance Five fared better than other subsidiaries, followed by Ceylon Tapes, JF Packaging and Kiffs, respectively.

Management Discussion & Analysis

Consumer and Industrial Sector

The sector performed exceptionally well amidst the substantial weight of increasing raw materials and supply costs. C.W. Mackie PLC which represents the sector, achieved a revenue in the value of Rs. 13.16 Bn compared to Rs. 10.93 Bn, reflecting a 20% increase. The sector continued to be one of the fastest growing segments within the Group and contributed commendably to Group revenue. Profit-wise, the sector achieved Rs. 495 Mn compared to Rs. 256 Mn reported the year before, which was an almost 2 fold increase. The Group's ordinary activities resulted in a profit before tax of Rs. 735.74 Mn (2021: Rs. 377.17 Mn) for the financial year ended 31st March 2022.

Due to import restrictions, access to industrial imports was limited and weakened, while the higher exchange rate made it a challenging time for the sector. Restrictions on foreign currency payments and working capital limitations also proved to be a concern for the cluster. Nevertheless, these concerns compelled the Group to increase its customer base, thereby achieving a better turnover. Moreover, the Rupee depreciation against the US Dollar enabled the cluster to reap higher local currency through exports. In addition, timely upward price revisions and the diversification of the product portfolio worked well for the sector.

Cost of sales increased by 19% in relation to the 20% growth in sales. Nevertheless, gross profits accumulated to a 32% increase, reporting a total of Rs. 1.95 Bn for the year under review.

Agro Chemicals

Turnover of the agrochemicals division concluded at lesser than the Rs. 1 Bn mark to reach Rs. 927 Mn for the year 2021/22 – a drop of 18% over the previous year's earnings. The decline was primarily due to stock insufficiencies caused by the ban on chemical pesticides and fertilizers. Despite the ban being lifted during the latter part of the year, the turnaround was not as expected due to the liquidity issues in the Country, which entailed imports being made on advance payment basis, thus affecting the division's working capital.

Pest Control

Amidst the ban on pesticides and limitations on sourcing supplies, the segment reported a turnover of Rs. 181 Mn compared with the previous year's turnover of Rs. 107 Mn. The result was a considerable achievement as the economic downturn in the Country had a negative impact on the completion of large construction projects, thereby affecting the customer base of the division.

Hotels

Despite recording a net loss for the year 2021/22, the Hotel sector earned higher revenue even with the below par arrival of tourists and higher cost of operations. The sector made revenue of Rs. 667 Mn, compared to Rs. 432 Mn in the year before. However the increased operational costs and the shrinking margins, resulted in a net loss of Rs. 491 Mn being reported sector-wide, for the year under review. The tourism sector remains the worst hit by the pandemic's repercussions.

GROUP PERFORMANCE

From an overall Group perspective, Lankem Ceylon PLC recorded a revenue of Rs. 21.2 Bn when compared to the revenue of Rs. 17.5 Bn gained in the previous year. Moreover, the before-tax and after-tax loss stood at Rs. 263.2 Mn and Rs. 3.5 Mn, respectively. Higher operating costs across divisions and within the Company impacted the bottom line, in addition to lockdown-induced effects, higher finance costs and challenges in purchasing inventory due to restrictions in forex payments.

All sectors contributed at improved levels to revenue which ultimately contributed positively to Group Revenue. The packaging sector also fared well, despite substantial material-related impediments and working capital concerns. Nevertheless, the acquisition of ACME Printing and Packaging positively impacted the sector - as it improved the overall financial position and portfolio.

OUTLOOK

Based on the macroeconomic environment, the Country will continue to move through higher inflation, import restrictions, higher interest rates and political instability while battling the unpredictable supply of commodities. Despite the uncertainties and definite volatilities that will ensue, the Group is poised to take on much leaner approaches to operations, supply management and cost management. The Group is focused on implementing shared services in finance and HR, finding alternative measures to have increased stocks of supplies and balance various cost elements in sales and distribution. Importantly, the Group's focus will also fall on reducing its financial obligations and increasing its interest-based income. Moreover, the higher Rupee value in export transactions will also enable the Group to boost its revenue and contribute to the Country's foreign exchange reserves. In addition, we anticipate the Hotel sector to recover, as tourist arrivals have reached higher levels, at the time of preparing this report.

The profit achieved by Lankem as a Company provides confidence and optimism to the entire Group, in addition to the admirable performances by most business sectors during the year under review. The Group and its subsidiaries will continue to work in unison and gather momentum to complete the ensuing financial year in the same satisfactory manner.

Risk Management

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

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

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

1. STRATEGIC RISKS

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

2. OPERATIONAL RISK

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

3. FINANCIAL RISK

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

3.1 Credit Default Risk Management

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

3.2 Market Risk Management

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

3.2.1 Foreign Exchange Risk

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

Further, Maximise the export proceeds of the Group and encourage customers to settle in foreign currency wherever permitted by the exchange control department of CBSL.

Risk Management

3.2.2 Interest Rate Risk

The Company has faced increasing finance costs due to prevailing high interest rate regimes. By having a centralised treasury management system and through appropriate financial risk management techniques, the Company has been able to mitigate losses arising through interest rate fluctuations.

3.2.3 Inflation Rate Risk

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

3.2.4 Liquidity Risk

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

3.2.5 Investment Risk

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

Business Risk

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

Counterparty Risk

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

Industrial and Environmental Risks

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

Legal and Compliance

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

Remuneration Committee Report

The Remuneration Committee comprises of the following members:

Mr. A. Hettiarachchy
Chairman - Independent/Non-Executive Director

Mr. 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

The Remuneration Committee met on three occasions during the financial year.

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
31st August 2022

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 second quarter of the financial year the Related Party Transactions Review Committee has met on three occasions, once in each quarter, during the financial year ended 31st March 2022. The individual attendance by members were as follows:

Mr. R. Seevaratnam – Chairman	2/3
Mr. A. Hettiarachchy	3/3
Mr. A.C.S. Jayaranjan	3/3

Further during the said period, on several occasions the RPTRC has also reviewed and recommended Related Party Transactions by Resolutions in writing (which included transactions in the second quarter) which the Committee for purpose hereof construe as equivalent to meetings being held.

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

POLICIES PROCEDURES AND FUNCTIONS OF THE COMMITTEE

The Policies and Procedures adopted by the Related Party Transactions Review Committee when reviewing and recommending transactions are consistent with Section 9 of the Listing Rules of the Colombo Stock Exchange.

The Functions of the Committee are as follows:

- 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 107 of the Annual Report. The Company has complied with the requirements of the Listing Rules on Related Party Transactions.



R. Seevaratnam
Chairman
Related Party Transactions Review Committee
31st August 2022

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 2022, the Company's Audit Committee comprised of three Independent Non-Executive Directors of Lankem Ceylon PLC (LCPLC).

The Names of the members are given below:

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

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

Mr. R. Seevaratnam - Independent/Non-Executive Director

The Committee has a blend of experience in the commercial sector with financial expertise and high standing of integrity and business acumen in order to carry out their role effectively and efficiently. The Committee comprises of 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 five occasions during the financial year ended 31st March 2022 and the attendance was as follows:

Mr. A. C. S. Jayaranjan – Chairman	5/5
Mr. A. Hettiarachchy	5/5
Mr. R. Seevaratnam	5/5

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 internal and 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

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 2022 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 2023 subject to the approval of the Shareholders at the Annual General Meeting of the Company.



A. C. S. Jayaranjan
Chairman
Audit Committee
31st August 2022

Independent Auditor's Report



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

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

TO THE SHAREHOLDERS OF LANKEM CEYLON PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Lankem Ceylon PLC ("the Company") and the Consolidated Financial Statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31st March 2022, 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 30 to 121.

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 2022, 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 Goodwill on consolidation, Investments in Subsidiaries and Investments in Associates

(Refer to the significant accounting policy in Note 3.10.2 and explanatory Notes 16, 17 and 18 to the Financial Statements).

Risk Description

The Company has recorded investments in subsidiaries amounting to Rs. 4,342 million and investments in associates amounting to Rs. 322 million as at 31st March 2022. A goodwill of Rs. 1,542 million has been recognized in the consolidated Financial Statements as at 31st March 2022. Additionally, the Company has recognized Rs. 601 million, Rs. 220 million and Rs. 329 million as provision for impairment of investments in subsidiaries, investments in associates and Goodwill on consolidation respectively as at 31st March 2022.

KPMG, a Sri Lankan Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

P.Y.S. Perera FCA	C.P. Jayatilake FCA	T.J.S. Rajakariv FCA
W.J.C. Perera FCA	Ms. S. Joseph FCA	Ms. S.M.B. Jayasekara FCA
W.K.D.G. Abeyratne 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
Ms. P.M.K.Sumanasekara FCA		

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, W.A.A. Weerasekara CFA, ACMA, MRICS



The Management allocated goodwill to the respective cash-generating units ("CGUs") as disclosed in Note 16 to the Financial Statements. The recoverable amounts of the identified CGUs have been determined based on value-in-use calculations or fair value less cost to sell calculations.

The carrying amounts of each investment in subsidiaries and associates where indications existed and have been tested for impairment and determined their recoverable amounts based on fair value less cost to sell calculations as at 31st March 2022.

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 goodwill on consolidation, investments in subsidiaries, and investments in associates as a key audit matter due to the magnitude of the amounts recognized in the Financial Statements as at 31st March 2022. In addition, these areas were significant to our audit because the impairment assessment process involves significant management judgements 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 those operate.
- 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. Recoverability of Deferred Tax Assets on accumulated tax losses

(Refer to the significant accounting policy in Note 3.19.2 and explanatory Note 31 to the Financial Statements).

The Group and the Company have recorded a deferred tax assets of Rs. 518 million and Rs. 262 million respectively as at 31st March 2022 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 judgments 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 accumulated tax losses.
- Challenging the key assumptions included in forecasting the future taxable profits after considering the accumulated unutilized tax losses by comparing the key inputs used in the forecasts, including future revenue growth, management of operating costs with historical performance of the entities;
- Assessing the appropriateness of the approval for the forecasts used by the management; and
- Assessing the adequacy of disclosures in the Financial Statements as required by the relevant accounting standards

3. Revaluation of Lands

(Refer to the significant accounting policies in Note 3.4.3 and explanatory Note 12 to the Financial Statements).

The Group carried lands at the fair value and classified as Property, Plant and Equipment amounting to Rs. 5,619 million as at 31st March 2022. Consequently, the Group and the Company have recognised a net fair value gain of Rs. 803 million and Rs. 4 million respectively during the year ended 31st March 2022.

Independent Auditor's Report

The management's assessment of fair value of these lands 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 lands 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 lands.
- Assessing the adequacy of disclosures made in relation to the revaluation of lands 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.

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

31st August 2022

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st March	Notes	Consolidated		Company	
		2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Revenue	5	21,191,341	17,468,490	4,457,475	3,382,151
Cost of Sales		(17,104,509)	(14,391,978)	(3,119,350)	(2,549,375)
Gross Profit		4,086,832	3,076,512	1,338,125	832,776
Other Income	6	232,731	221,015	247,895	268,007
Distribution Costs		(1,213,788)	(962,806)	(485,772)	(370,300)
Administrative Expenses		(1,663,312)	(1,531,461)	(322,888)	(254,770)
Other Expenses	7	(79,852)	(439,541)	(103,377)	(222,176)
(Provision) / Reversal of Impairment of Amount due from Related Parties and Trade Receivable		(56,732)	(74,497)	(17,093)	55,336
Results from Operating Activities		1,305,879	289,222	656,890	308,873
Finance Income	8	420,771	102,403	103,666	131,258
Finance Costs	8	(1,339,499)	(1,120,013)	(574,348)	(614,659)
Net Finance Costs		(918,728)	(1,017,610)	(470,682)	(483,401)
Share of Profit/(Loss) of Associates	18	3,814	(537)	-	-
Share of Loss of Joint Venture	19	(127,808)	(50,516)	-	-
Profit/(Loss) before Tax	9	263,157	(779,441)	186,208	(174,528)
Income Tax Expenses	10	(266,706)	(266,679)	(14,997)	(80,244)
Profit/(Loss) for the Year		(3,549)	(1,046,120)	171,211	(254,772)
Other Comprehensive Income / (Expense)					
<i>Items that will not be reclassified to profit or loss</i>					
Fair Value Gain on Financial Assets Designated at Fair Value Through Other Comprehensive Income		4,824	598	4,312	81
Actuarial Gain/(Loss) on Defined Benefit Obligations	32	144,211	(48,388)	37,444	(4,443)
Revaluation Surplus	12	803,804	979,079	4,764	232,884
Share of Other Comprehensive Income/(Expense) of Equity-Accounted Investees (Net of Tax)	19	209	(70)	-	-
Tax Effect on Components of OCI	31	(191,783)	(152,170)	(8,632)	(41,139)
Deferred Tax Impact due to Change in Tax Rate		-	169,355	-	82,480
Other Comprehensive Income for the Year, Net of Tax		761,265	948,404	37,888	269,863
Total Comprehensive Income/(Expense) for the Year		757,716	(97,716)	209,099	15,091
Profit/ (Loss) Attributable to:					
Owners of the Company		44,925	(865,393)	171,211	(254,772)
Non-Controlling Interests		(48,474)	(180,727)	-	-
Profit/(Loss) for the Year		(3,549)	(1,046,120)	171,211	(254,772)
Total Comprehensive Income / (Expense) Attributable to:					
Owners of the Company		497,217	(247,253)	209,099	15,091
Non-Controlling Interests		260,499	149,537	-	-
Total Comprehensive Income / (Expense) for the Year		757,716	(97,716)	209,099	15,091
Basic Earnings/(Loss) per Share (Rs.)	11	0.94	(23.81)	3.56	(7.01)

The Notes from pages 34 to 121 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statement of Financial Position

As at 31 st March	Notes	Consolidated		Company	
		2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	12	9,839,065	9,143,753	821,991	1,277,360
Bearer Biological Assets	13	-	-	-	-
Right-of-Use Assets	14	220,877	243,813	39,102	44,754
Investment Property	15	948,546	520,813	-	182,304
Intangible Assets	16	1,213,443	841,154	-	-
Investments in Subsidiaries	17	-	-	3,741,616	3,497,196
Investments in Associates	18	105,821	102,007	102,000	102,000
Investments in Joint Venture	19	163,547	291,146	-	-
Financial Assets Measured at Fair Value Through OCI	20	23,693	18,845	20,702	16,390
Deferred Tax Assets	31	-	-	294,662	287,679
Total Non-Current Assets		12,514,992	11,161,531	5,020,073	5,407,683
Current Assets					
Inventories	22	3,743,877	3,405,296	929,369	730,800
Trade & Other Receivables	23	4,876,479	4,273,737	938,784	890,278
Amounts Due from Related Parties - Trade	34.1	19,416	17,274	6,260	6,501
Amounts Due from Related Parties - Non Trade	34.2	271,346	344,896	758,651	692,845
Loans Due from Related Parties	34.3	262,471	261,706	210,228	314,716
Income Tax Recoverable		60,579	66,875	23,215	24,465
Financial Assets Measured at Fair Value through Profit or Loss	21	29,479	40,376	29,479	40,376
Bank & Cash Balances	24	779,635	536,899	85,448	123,503
Asset Held for Sale	25	30,000	60,000	30,000	60,000
Total Current Assets		10,073,282	9,007,059	3,011,434	2,883,484
Total Assets		22,588,274	20,168,590	8,031,507	8,291,167
EQUITY AND LIABILITIES					
Equity					
Stated Capital	26	1,282,697	930,346	1,282,697	930,346
Other Capital Reserves	27	4,833	4,833	-	-
Revaluation Reserves		2,290,499	2,341,192	468,221	867,303
Fair Value Through OCI Reserves	27	(13,996)	(18,584)	(8,542)	(12,854)
Accumulated Losses		(1,711,409)	(2,254,731)	(469,790)	(1,073,659)
Equity Attributable to Owners of the Company		1,852,624	1,003,056	1,272,586	711,136
Non - Controlling Interest		3,268,392	2,898,540	-	-
Total Equity		5,121,016	3,901,596	1,272,586	711,136
LIABILITIES					
Non-Current Liabilities					
Interest Bearing Borrowings	28	3,770,960	4,127,341	1,482,093	2,428,020
Lease Liabilities	29	175,457	193,576	15,525	21,126
Deferred Income	30	1,044	1,755	-	-
Deferred Tax Liabilities	31	511,160	329,157	-	-
Retirement Benefit Obligations	32	260,716	371,330	105,961	143,493
Loans Payable to Related Parties	28.3	-	-	365,000	-
Total Non-Current Liabilities		4,719,337	5,023,159	1,968,579	2,592,639
Current Liabilities					
Interest Bearing Borrowings	28	6,933,097	5,296,446	2,359,615	2,569,798
Lease Liabilities	29	56,702	50,770	11,200	10,161
Loans Payable to Related Parties	28.3	407,410	240,039	149,164	317,490
Trade & Other Payables	33	3,423,226	3,782,311	1,293,594	1,085,754
Amounts Due to Related Parties - Trade	34.4	-	-	2,087	1,084
Amounts Due to Related Parties - Non Trade	34.5	741,843	821,514	636,710	636,533
Income Tax Payable		167,728	101,853	-	-
Bank Overdraft	24	1,017,915	950,902	337,972	366,572
Total Current Liabilities		12,747,921	11,243,835	4,790,342	4,987,392
Total Liabilities		17,467,258	16,266,994	6,758,921	7,580,031
Total Equity and Liabilities		22,588,274	20,168,590	8,031,507	8,291,167
Net Assets per Share (Rs.)		35.99	29.63	24.72	21.01

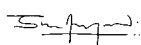
The Notes from pages 34 to 121 form an integral part of these Financial Statements.

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



Mr. S.A.S. Asiri
Assistant General Manager - Finance

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



Mr. S.D.R. Arudpragasam
Chairman

Colombo
31st August 2022



Mr. Suren Goonewardene
Managing Director

Statement of Changes in Equity

Group	Attributable to Owners of the Company							Non-Controlling Interest Rs. '000	Total Rs. '000
	Stated Capital	Other Capital Reserves	FVTOCI Reserves	Retained Earnings	Revaluation Reserves	Total			
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000			
Balance as at 1st April 2020	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	
<i>Effect of Acquisition, Disposals and Changes in Percentage in Subsidiaries</i>	-	-	-	(86,341)	-	(86,341)	151,904	65,563	
Realized Revaluation on Disposals	-	-	-	11,462	(11,462)	-	-	-	
Balance as at 31st March 2021	930,346	4,833	(18,584)	(2,254,731)	2,341,192	1,003,056	2,898,540	3,901,596	
Balance as at 1st April 2021	930,346	4,833	(18,584)	(2,254,731)	2,341,192	1,003,056	2,898,540	3,901,596	
Profit/ (loss) for the year	-	-	-	44,925	-	44,925	(48,474)	(3,549)	
Issue of Shares by the Company (Note 26.1)	352,351	-	-	-	-	352,351	-	352,351	
Other Comprehensive Income for the year (Net of Tax)	-	-	4,588	89,043	358,661	452,292	308,973	761,265	
Acquisition of the Subsidiary	-	-	-	-	-	-	221,631	221,631	
Distribution to Equity Holders									
Dividend Paid	-	-	-	-	-	-	(112,278)	(112,278)	
Realized Revaluation on Disposals	-	-	-	409,354	(409,354)	-	-	-	
Balance as at 31st March 2022	1,282,697	4,833	(13,996)	(1,711,409)	2,290,499	1,852,624	3,268,392	5,121,016	

Company	Stated Capital	FVTOCI Reserves	Revaluation Reserves	Retained Earnings	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1st April 2020	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
Balance as at 31st March 2021	930,346	(12,854)	867,303	(1,073,659)	711,136
Balance as at 1st April 2021	930,346	(12,854)	867,303	(1,073,659)	711,136
Profit for the Year	-	-	-	171,211	171,211
Issue of Shares by the Company (Note 26.1)	352,351	-	-	-	352,351
Other Comprehensive Income for the year (Net of Tax)	-	4,312	3,906	29,670	37,888
Realized Revaluation on Disposals	-	-	(402,988)	402,988	-
Balance as at 31st March 2022	1,282,697	(8,542)	468,221	(469,790)	1,272,586

The Notes from pages 34 to 121 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statement of Cash Flow

For the Year Ended 31 st March	Notes	Consolidated		Company	
		2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Cash Flow from Operating Activities					
Profit / (Loss) before tax		263,157	(779,441)	186,208	(174,528)
<i>Adjustments for :</i>					
Depreciation/ Amortisation	10	396,833	412,709	54,561	57,966
Amortisation of Right of Use Assets	14	56,545	60,871	11,704	16,956
Dividend Income	6	(3,368)	(524)	(193,091)	(148,522)
(Gain)/Loss on disposal of Financial Assets Measured at Fair Value through Profit or Loss	8	-	417	-	411
Gain on Disposal of Investment in Subsidiaries		-	-	-	(24,195)
Interest Expense	8	959,260	1,062,223	486,985	605,271
Amortisation of Deferred Income	30	(887)	(2,748)	-	-
(Gain) on Loss on Disposal of Property, Plant & Equipment	6 & 7	12,732	(36,823)	(29,204)	(5,693)
Net Exchange (Loss)/Gain	8	31,666	37,122	84,384	9,388
Interest Income	8	(75,017)	(60,826)	(103,666)	(110,349)
Provision for Retirement Benefit Obligation	32	62,879	66,277	18,245	24,537
Revaluation loss on Buildings		-	80,834	-	-
Fair Value (Gain)/Loss on Financial Assets Measured at Fair Value Through Profit or Loss	8	2,819	(20,909)	2,979	(20,909)
Write Back of Payables	6	(13,491)	(10,912)	-	(7,496)
Share of (Profit)/Loss from Associate	18	(3,814)	537	-	-
Share of (Profit)/Loss Joint Venture	19	127,808	50,516	-	-
Provision for Impairment of Investment in Associates		-	-	-	147,380
Reversal of Property, Plant and Equipment	7	-	(18,058)	-	-
Provision for/(Reversal of) Impairment of Investment in Subsidiaries	17	-	-	40,532	(22,673)
Provision for Impairment of Assets Held for Sale	25	30,000	-	30,000	-
Write off of NBT Receivables	7	487	36,525	-	38,517
Provision/(Reversal) for Impairment of Trade Receivables	23.1.1	59,383	78,903	(1,953)	29,253
(Reversal)/Provision for Impairment of Amount due from Related Parties	34	(2,651)	4,220	19,045	(84,587)
Write-back of Capital Grant	30	-	(6,200)	-	-
Provision for Impairment of Goodwill	7	-	329,072	-	-
Provision made for Obsolete Inventories	22	151,920	132,257	25,523	10,552
Operating Profit Before Working Capital Changes		2,056,261	1,416,042	632,252	341,279
Increase in Inventories		(304,594)	(996,226)	(224,092)	(45,852)
Decrease in Trade and Other Receivables		(344,323)	(389,699)	(75,915)	(216,483)
(Increase)/Decrease in Amounts due from Related Parties		101,744	(73,843)	(19,019)	18,895
(Decrease)/Increase in Trade and Other Payables		(495,250)	1,088,208	131,783	87,653
(Decrease)/Increase in Amounts due to Related Parties		(82,821)	112,368	(33,197)	9,081
Cash Generated from Operations		931,017	1,156,850	411,812	194,573
Income Tax Paid		(173,703)	(158,025)	-	-
Interest Paid		(943,218)	(884,822)	(410,590)	(410,190)
Gratuity Paid		(29,626)	(60,080)	(18,335)	(24,179)
Gratuity Refund from Planed Assets		(12,886)	6,765	-	-
Net Cash Generated from/ (Used in) Operating Activities		(228,416)	60,688	(17,113)	(239,796)
Cash Flow from Investing Activities					
Purchase & Construction of Property, Plant & Equipment	12	(361,303)	(304,327)	(23,779)	(11,308)
Purchase & Construction of Investment Property		(6,549)	-	-	-
Acquisition on Non Controlling Interests		-	(267)	-	(267)
Acquisition on of Subsidiary		(314,307)	-	(284,952)	-
Proceeds from Disposal of Financial Assets Measured at Fair Value through Other Comprehensive Income		(24)	9,851	-	9,851
Proceeds from Disposal of Subsidiaries		-	-	-	(148,000)
Proceeds on Net Changes in Percentage in Subsidiaries		-	65,831	-	65,831
Investment in Financial Assets Measured at Fair Value through Profit or Loss		-	(81)	-	(81)
Proceed from disposal of Financial Assets Measured at Fair Value through Profit or Loss		8,078	6,614	8,465	6,592
Grants Received	30	179	803	-	-
Interest Received		46,972	60,826	1,938	220
Dividend Received		3,368	524	193,091	148,522
Proceeds from Disposal of Property, Plant & Equipment/ Investment Property		641,554	133,410	640,859	8,691
Net Cash Generated from (Used in) Investing Activities		17,968	(26,816)	535,622	80,051
Cash Flow from Financing Activities					
Dividend Paid		(112,278)	-	-	-
Issue of Shares		352,351	-	352,351	-
Loans Given to Related Parties		-	-	106,663	-
Proceeds from Long Term Loans	28	1,568,190	938,694	611,151	225,905
Repayment of Long Term Loans	28	(2,128,249)	(527,493)	(1,665,713)	(105,757)
Net Lease Payment	29	(66,116)	(70,831)	(14,248)	(17,401)
Net movement in Short Term Borrowings	28	754,902	(208,124)	(114,842)	140,684
Loans Obtained from Related Parties		62,100	96,895	426,000	41,400
Settlement of Loans obtained from Related Parties		(44,729)	-	(229,326)	-
Net Cash Generated From/(Used in) Financing Activities		386,171	229,141	(527,964)	284,831
Net Increase / (Decrease) in Cash & Cash Equivalents		175,723	263,013	(9,455)	125,086
Cash & Cash Equivalents at the beginning of the year		(414,003)	(677,016)	(243,069)	(368,155)
Cash & Cash Equivalents at the end of the year	24	(238,280)	(414,003)	(252,524)	(243,069)

The Notes from pages 34 to 121 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 2022 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 2022 were authorised for issue by the Board of Directors 31st August 2022.

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;	3.1.1
Measurement of Fair Value of Financial Instruments	3.3
Measurement of Intangible Assets	3.7
Impairment	3.10
Valuation of Retirement Benefit Obligations	3.14
Provisions, Contingent Assets and Liabilities	3.15
Deferred Tax Assets and Liabilities	3.19.2

2.3.1 Assumptions and Estimation Uncertainties

Information about the assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31st March 2022 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 of the macro-economic changes to the financial statements
- 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 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 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.

Notes to the Financial Statements

3.1 Basis of Consolidation

3.1.1 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.

3.1.2 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.

3.1.3 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.

3.1.4 Investments in Associates and Joint Venture

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

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

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

The Group's investments in associate and joint venture are accounted for using the equity method and are recognised initially at cost which includes the transaction cost. The carrying amount of the

investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

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

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

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

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

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

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

Notes to the Financial Statements

There are no significant restrictions on the ability of the associate to transfer funds to the Group in the form of cash dividends or repayment of loans and advances. Details of the associates within the Group are provided in Note 18 to the financial statements and the details of the joint venture are provided in Note 19 to the Financial Statements.

3.1.5 Loss of control

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

3.1.6 Transactions eliminated on consolidation

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

3.2 Foreign Currency

Foreign currency transactions

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

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

3.3 Financial Instruments

3.3.1 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.

3.3.2 Classification and Subsequent Measurement

3.3.2.1 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 Group 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.

3.3.2.2 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.

Notes to the Financial Statements

3.3.2.3 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.

3.3.3 De-recognition

3.3.3.1 Financial Assets

The Group 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.

3.3.3.2 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.

3.3.4 Offsetting

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

3.3.5 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.

3.3.6 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.

3.4 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.

3.4.1 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 Group 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 Group 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.

3.4.2 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.

3.4.3 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.

3.4.4 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.

3.4.5 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.

3.4.6 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.

3.4.7 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.

3.4.8 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.

Notes to the Financial Statements

3.4.9 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.

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.

3.5 Investment Property

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

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

The estimated useful life of investment properties in the Group are as follows:

Lankem Ceylon PLC	-	Building: 20 years
Sigiriya Village Hotel PLC	-	Land: 20 years
C.W.Mackie PLC	-	Building: 40 years

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

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

3.6 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.

3.7 Intangible Assets

Goodwill

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

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

3.8 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.

3.9 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

- the Group has transferred substantially all the risks and rewards of the asset, or
- the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Notes to the Financial Statements

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.

3.10 Impairment

3.10.1 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 Group considers a financial asset to be in default when:

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

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

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

b. Measurement of ECLs

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

c. Presentation of allowance for ECL in the statement of financial position

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

d. Write-off

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

3.10.2 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.

3.11 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.

3.12 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.

3.13 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.

3.14 Employee Benefits

3.14.1 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.

3.14.2 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.

Notes to the Financial Statements

3.14.3 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.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gain or losses on the settlement of a defined plan when the settlement occurs.

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

3.15 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.

3.16 Revenue

3.16.1 Revenue

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

A. Revenue Streams

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

B. Disaggregation of Revenue from

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

C. Contract Balances

Contract Assets

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

Cost of fulfilling a contract

The Company capitalises the costs incurred in fulfilling a contract with a customer for which are not in the scope of other guidance and only if the 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.

3.16.2 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.

Notes to the Financial Statements

3.17 Government Grants

3.17.1 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.

3.17.2 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.

3.18 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.

3.18.1 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.

3.19 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".

3.19.1 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.

3.19.2 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.

3.20 Earnings per Share

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

3.21 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.

3.22 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.

3.23 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.

3.24 Comparative Figures

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

3.25 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.

3.26 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.

3.27 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.

Notes to the Financial Statements

4. NEW/AMENDMENTS TO ACCOUNTING STANDARD ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued following amendments to Sri Lanka Accounting Standards (SLFRSs/LKASs) which will become applicable for financial periods beginning after 1 April 2022. 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 Financial Statements.

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

Companies currently applying the “incremental cost” approach will need to recognise 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 recognised in profit or loss, together with the costs of producing those items.

Groups 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 Deferred tax related to assets and liabilities arising from a single transaction (amendment to LKAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transaction that give rise to equal and offsetting temporary differences. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other component of equity of that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

4.5 Reference to conceptual framework (Amendments to SLFRS 03)

4.6 Disclosure of Accounting policies (Amendments to SLFRS 01)

4.7 Definition of Accounting estimates (Amendments to SLFRS 08)

4.8 Annual improvements to SLFRS Standards 2018-2020

5. REVENUE

For the Year Ended 31 st March	Consolidated		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000

5.1 Revenue Streams

Revenue from contracts with customers

Sale of Goods	20,524,092	17,036,783	4,457,475	3,382,151
Rendering of Services	667,249	431,707	-	-
	21,191,341	17,468,490	4,457,475	3,382,151

5.2 Business Segment Analysis of Revenue

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

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

For the Year Ended 31 st March	Consolidated		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000

5.3 Segment Revenue

Trading - Consumer Products	11,066,618	7,000,823	-	-
Trading - Industrial Products	9,653,929	10,205,537	4,457,475	3,382,151
Leisure	667,249	431,707	-	-
	21,387,796	17,638,067	4,457,475	3,382,151
Inter-Segment Revenue	(196,455)	(169,577)	-	-
	21,191,341	17,468,490	4,457,475	3,382,151

For the Year Ended 31 st March	Consolidated		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000

5.4 Timing of Revenue Recognition

Products and services transferred at a point in time	21,191,341	17,468,490	4,457,475	3,382,151
Products and services transferred over time	-	-	-	-
	21,191,341	17,468,490	4,457,475	3,382,151

Notes to the Financial Statements

For the Year Ended 31 st March	Operating Profit		Profit/(Loss) before Tax	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
5.5 Segment Operating Profit/(Loss) – Consolidated				
Consumer Products	430,158	345,056	533,606	245,163
Industrial Products	1,038,068	356,021	305,675	(435,319)
Leisure	(159,854)	(383,684)	(519,069)	(501,256)
Others	(2,493)	(28,171)	(57,055)	(88,029)
	1,305,879	289,222	263,157	(779,441)

5.6 Assets and Liabilities

As at	Total Assets		Total Liabilities	
	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Trading - Consumer Products	2,706,561	2,660,403	1,482,692	1,878,967
Trading - Industrial Products	13,595,713	11,717,121	12,417,035	11,327,569
Leisure	5,859,187	5,587,013	2,484,440	2,080,364
Other	426,813	204,053	1,083,091	980,094
	22,588,274	20,168,590	17,467,258	16,266,994

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	
	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Trading - Consumer Products	-	-	40,932	85,715	46,766	47,763
Trading - Industrial Products	13,824	11,864	263,351	186,044	234,911	245,382
Leisure	-	-	56,687	32,568	169,624	177,947
Other	-	-	333	-	2,077	2,488
	13,824	11,864	361,303	304,327	453,378	473,580

6. OTHER INCOME

For the Year Ended 31 st March	Consolidated		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Profit on Disposal of Property, Plant and Equipment	-	36,823	29,204	5,693
Dividend Income - Quoted Companies	3,368	524	143,011	524
- Unquoted Companies	-	-	50,080	147,988
Write Back of Creditors	13,491	10,912	-	7,496
Amortisation of Grants and Subsidies	887	2,748	-	-
Commission income	2,070	1,569	-	-
Gain on Disposal of Investment in Subsidiaries	-	-	-	24,195
Reversal of impairment on Investment in Subsidiaries	-	-	-	50,275
Rent Income	179,954	138,864	-	8,061
Sundry Income	32,961	29,575	25,600	23,765
	232,731	221,015	247,895	268,007

7. OTHER EXPENSES

For the Year Ended 31 st March	Consolidated		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Write-off of Assets Held for Sale	30,000	-	30,000	-
Impairment of Property, Plant and Equipment	-	(18,057)	-	-
Loss on disposal of Investments	-	417	-	411
Impairment of Investment in Subsidiaries (Note 17.3)	-	-	40,532	27,601
Impairment of Goodwill	-	329,072	-	-
Impairment of Investment in Associates	-	-	-	147,380
Revaluation loss on Buildings	-	80,834	-	-
Write off of NBT Receivables	487	36,525	-	38,517
Sundry Expenses	36,633	10,750	32,845	8,267
Loss on Disposal of Property, Plant and Equipment	12,732	-	-	-
	79,852	439,541	103,377	222,176

Notes to the Financial Statements

8. NET FINANCE COSTS

For the Year Ended 31 st March	Consolidated		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
(A) Finance income				
Interest Income	(46,972)	(36,181)	(1,938)	(220)
Interest from Loans due From Related Companies	(28,045)	(24,645)	(78,245)	(82,301)
Commission on Corporate Guarantee	-	-	(23,483)	(27,828)
Gain on Translation of Foreign Currency	(345,594)	(20,668)	-	-
Gain on financial Assets Measured at Fair Value through Profit or Loss	(160)	(20,909)	-	(20,909)
Total Finance Income	(420,771)	(102,403)	(103,666)	(131,258)
(B) Finance Costs				
Interest on Term Loans	647,191	720,633	273,152	358,885
Interest on Overdraft, Trust Receipt Loans and Short Term Loans	285,643	310,830	210,199	242,508
Interest on Lease Liabilities	26,426	30,760	3,634	3,878
Foreign Exchange Loss	377,260	57,790	84,384	9,388
Fair Value Loss on Financial Assets Measured at FVTPL	2,979	-	2,979	-
Total Finance Costs	1,339,499	1,120,013	574,348	614,659
Net Finance Costs	918,728	1,017,610	470,682	483,401

9. PROFIT/(LOSS) BEFORE TAX

Is stated after charging all the expenses including the following:

For the Year Ended 31 st March	Consolidated		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Depreciation/Amortisation				
Property, Plant & Equipment	371,896	401,570	53,453	55,669
Investment Property	24,937	11,139	1,108	2,297
Right of Use Assets	56,545	60,871	11,704	16,956
Auditor's Remuneration				
KPMG	13,509	11,322	3,800	3,150
Other Auditors	4,411	4,161	-	-
Non-Audit Services				
KPMG	1,654	2,073	645	734
Other Auditors	3,142	1,513	1,299	1,096
Salaries and Wages	1,292,255	1,160,247	622,990	552,194
Defined Benefit Plan Cost - Retiring Gratuity	62,879	66,277	18,245	24,537
Defined Contribution Plan Cost - EPF & ETF	158,024	143,591	66,191	57,971
Managing Agent Fees	10,637	9,083	-	-
Donations	71	222	-	-

10. INCOME TAX EXPENSE

For the Year Ended 31 st March	Consolidated		Company	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Current Income Tax Expense				
Taxation on Profit for the Year (Note 10.1)	251,646	163,350	-	-
Under Provision in respect of previous Year	(5,772)	466	-	-
Write-off of Unclaimable ESC	30,612	-	30,612	-
	276,486	163,816	30,612	-
Deferred Tax Expense				
Deferred Tax (Reversals)/ Recognized through Profit or Loss (Note 31)	(9,780)	102,863	(15,615)	80,244
	266,706	266,679	14,997	80,244

10.1 Current Income Tax Expense

Reconciliation of Accounting Profit/(Loss) to Income Tax Income/(Expense)

For the Year Ended 31 st March	Consolidated		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Accounting Profit/(Loss) before Taxation	263,157	(779,441)	186,208	(174,528)
Intra Group Adjustments	699,272	1,228,297	-	-
	962,429	448,856	186,208	(174,528)
Aggregate Disallowable Expenses	1,613,603	1,939,789	161,264	655,867
Aggregate Allowable Expenses	(1,036,787)	(808,723)	(44,514)	(79,728)
Tax Exempt Income	-	(148,000)	-	-
Income not part of Assessable Income	(500,917)	(817,457)	-	(188,065)
	1,038,328	614,465	302,958	213,546
Statutory Loss from Business (Note 10.2)	503,998	569,878	-	-
Profit from Business	1,542,326	1,184,343	302,958	213,546
Other Sources of Income	133,394	85,999	79,502	7,679
Tax Losses utilized during the year (Note 10.2)	(413,445)	(490,539)	(382,460)	(221,225)
Taxable Income	1,262,275	779,803	-	-
Income Tax @ 24%	170,021	123,590	-	-
Income Tax @ 18%	18,380	12,068	-	-
Income Tax @ 14%	63,245	27,692	-	-
Income Tax on Profit for the year	251,646	163,350	-	-

Notes to the Financial Statements

10.2 Accumulated Tax Losses

For the Year Ended 31st March	Consolidated		Company	
	2022 Rs.'000	2021 Rs.'000	2022 Rs.'000	2021 Rs.'000
Balance at the beginning of the year	5,800,299	5,842,924	2,893,447	3,210,076
Adjustments to opening balance	20,809	(121,964)	9,651	(95,404)
Tax Loss utilized during the year	(413,445)	(490,539)	(382,460)	(221,225)
Tax Loss for the year	503,998	569,878	-	-
Balance at the end of the year	5,911,661	5,800,299	2,520,638	2,893,447

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 IAS 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

Name of the Company	Income Tax Rate for profits earned for the Year Ended 31st March 2022	Income Tax Rate for profits earned for the Year Ended 31st March 2021
SunAgro LifeScience Limited	24%	18%, 24%
Associated Farms Limited	24%	24%
Lankem Paints Limited	24%	24%
Lankem Chemicals Limited	24%	24%
Lankem Consumer Products Limited	24%	24%
Lankem Exports (Pvt) Limited	24%	24%
Lankem Research Limited	24%	24%
SunAgro Farms Limited	24%	24%
SunAgro Foods Limited	24%	24%
Nature's Link Limited	24%	24%
Lankem Technology Services Limited	24%	24%
Marawila Resorts PLC	14%, 24%	14%, 24%
Sigiriya Village PLC	14%, 24%	14%, 24%
Colombo Fort Hotel Limited	24%	24%
Beruwala Resorts PLC	14%, 24%	14%, 24%
BOT Hotel Services (Pvt) Limited	24%	24%
Galle Fort Hotel (Pvt) Limited	14%, 24%	14%, 24%

Name of the Company	Income Tax Rate for profits earned for the Year Ended 31st March 2022	Income Tax Rate for profits earned for the Year Ended 31st March 2021
Imperial Hotels Limited	14%,24%	14%,24%
Lak Kraft (Pvt) Limited	24%	24%
Sherwood Holidays Limited	14%,24%	14%,24%
C.W.Makies PLC	14%,18%,24%	14%,18%,24%
J.F. Packaging Limited	24%	24%
Alliance Five (Pvt) Limited	14%,24%	14%,24%
Kiffs (Pvt) Limited	18%,24%	18%,24%
Ceylon Tapes (Pvt) Limited	14%,18%,24%	14%,18%,24%

(b) Associates

Company	Income Tax Rate for profits earned for the Year Ended 31st March 2022
Consolidated Tea Plantations Ltd.	24%
Waverly Power (Pvt) Ltd.	14%, 24%

(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 2022. (2021- 24%)

11. EARNING/(LOSS) PER SHARE

11.1 Basic Earnings /(Loss) per share

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

For the Year Ended 31 st March	Consolidated		Company	
	2022	2021	2022	2021
Profit/(Loss) attributable to Equity Holders of the Company (Rs.'000)	44,925	(865,393)	171,211	(254,772)
Weighted Average Number of Ordinary Shares (No.'000)	48,062	36,341	48,062	36,341
Earnings /(Loss) per Share (Rs.)	0.94	(23.81)	3.56	(7.01)

As disclosed in note 26.1 the Company has issued 17,617,557 shares on 22nd June 2021 at a consideration of Rs. 20/- per share. The effect of this issue is adjusted retrospectively in calculating the weighted average number of ordinary shares in issue as required by LKAS 33 - "Earnings per share".

11.2 Diluted loss per share

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

Notes to the Financial Statements

12. PROPERTY, PLANT & EQUIPMENT

12.1 Consolidated

	Balance As at 01.04.2021 Rs.'000	On Acquisition Subsidiary Rs. '000	Revaluations Rs. '000
Cost / Revalued Amount			
Land	5,033,131	231,900	776,275
Buildings	2,753,428	370,720	27,529
Fixtures	110,874	-	-
Land Development Cost	9,404	-	-
Plant & Machinery	2,105,791	639,308	-
Motor Vehicles	445,715	2,448	-
Furniture & Fittings	552,012	24,770	-
Office Equipment	527,321	17,872	-
Linen & Soft Furnishings	153,299	-	-
	11,690,975	1,287,018	803,804
Capital Work in Progress	619,124	-	-
Total cost/Revalued Amount	12,310,099	1,287,018	803,804

	Balance As at 01.04.2021 Rs.'000	On Acquisition Subsidiary Rs. '000	Revaluations Rs. '000
Accumulated Depreciation and Impairment			
Freehold			
Building	99,539	-	-
Fixtures	47,567	-	-
Plant & Machinery*	1,630,203	246,898	-
Motor Vehicles	339,498	2,353	-
Furniture & Fittings	453,914	21,222	-
Office Equipment	456,026	14,037	-
Linen & Soft Furnishings	139,599	-	-
	3,166,346	284,510	-
Net Carrying Value of Property, Plant and Equipment	9,143,753		

* Accumulated depreciation includes Rs. 18 Mn recognised on provision for impairment of plant & machinery identified during the year ended 31st March 2021.

Transfer to Investment Property Rs.'000	Capitalised during the Year Rs. '000	Additions during the Year Rs. '000	Disposals during the Year Rs. '000	Write off during the Year Rs. '000	Balance As at 31.03.2022 Rs.'000	Balance As at 31.03.2021 Rs.'000
-	-	-	(422,185)	-	5,619,121	5,033,131
-	49,830	58,569	(62,226)	(1,405)	3,196,445	2,753,428
-	-	-	(20,457)	-	90,417	110,874
-	-	-	-	-	9,404	9,404
-	-	102,980	(26,096)	(2,138)	2,819,845	2,105,791
-	-	17,655	(6,355)	-	459,463	445,715
-	-	52,742	(10,034)	(840)	618,650	552,012
-	-	59,295	(8,128)	(4,766)	591,594	527,321
-	-	2,763	(2,292)	-	153,770	153,299
-	49,830	294,004	(557,773)	(9,149)	13,558,709	11,690,975
(596,017)	(49,830)	67,299	(30,970)	-	9,606	619,124
(596,017)	-	361,303	(588,743)	(9,149)	13,568,315	12,310,099

Charge for the year Rs. '000	Disposals during the Year Rs. '000	Write off during the Year Rs. '000	Balance As at 31.03.2022 Rs.'000	Balance As at 31.03.2021 Rs.'000
114,009	(39,948)	(1,405)	172,195	99,539
3,339	(9,275)	-	41,631	47,567
139,486	(10,238)	(2,138)	2,004,211	1,630,203
46,069	(5,579)	-	382,341	339,498
25,281	(9,638)	(840)	489,939	453,914
33,004	(7,636)	(4,766)	490,665	456,026
10,708	(2,039)	-	148,268	139,599
371,896	(84,353)	(9,149)	3,729,250	3,166,346
			9,839,065	9,143,753

Notes to the Financial Statements

12.2 Company

	Balance As at 01.04.2021 Rs.'000	Revaluation Rs.'000	Transferred to Investment Property Rs.'000	Additions during the Year Rs.'000	Disposals during the Year Rs.'000	Balance As at 31.03.2022 Rs.'000	Balance As at 31.03.2021 Rs.'000
Cost / Revalued Amount							
Land	772,965	4,764	300	-	(392,185)	385,844	772,965
Land Development Cost	9,404	-	-	-	-	9,404	9,404
Buildings	445,949	-	-	2,888	(50,917)	397,920	445,949
Fixtures	22,379	-	-	-	(20,457)	1,922	22,379
Plant & Machinery	323,677	-	-	7,570	(26,096)	305,151	323,677
Motor Vehicles	44,499	-	-	-	(5,551)	38,948	44,499
Furniture, Fittings & Office Equipment	246,371	-	-	13,321	(8,965)	250,727	246,371
Cost / Revalued Amount	1,865,244	4,764	300	23,779	(504,171)	1,389,916	1,865,244

	Balance As at 01.04.2021 Rs.'000	Transferred to Investment Property Rs.'000	Charge for the Year Rs.'000	Disposals during the Year Rs.'000	Balance As at 31.03.2022 Rs.'000	Balance As at 31.03.2021 Rs.'000
Accumulated Depreciation						
Buildings	21,193	2,257	27,687	(24,926)	26,211	21,193
Fixtures	11,982	(2,257)	718	(9,275)	1,168	11,982
Plant & Machinery	294,961	-	14,086	(25,485)	283,562	294,961
Motor Vehicles	32,052	-	3,739	(4,819)	30,972	32,052
Furniture, Fittings & Office Equipment	227,696	-	7,223	(8,907)	226,012	227,696
Total Depreciation	587,884	-	53,453	(73,412)	567,925	587,884
Total Carrying Amount of Property, Plant & Equipment	1,277,360				821,991	1,277,360

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 2022 is Rs. 1,858 Mn (2021 - Rs. 1,421Mn)

Company

The gross carrying amount of fully depreciated Property, Plant and Equipment still in use as at 31st March 2022 is Rs. 431 Mn (2021 - Rs. 404 Mn)

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

A Valuation of freehold Lands of the Group was carried out by the independent valuers as at 31st March 2022 using “Comparable market value” method and incorporated in the financial statements of the Group. The surplus on revaluation of Land and Buildings has been credited to the revaluation reserve.

Company Name	Location	Extent	Number of Buildings	Name of the Valuer	Effective Date of the Latest Valuation	Significant Unobservable input/Value for Perch Rs. '000	Carrying Value of Lands As at 31.03.2022 Rs. '000	Market value of Land As at 31.03.2022 Rs. '000
i Lankem Ceylon PLC								
Land	St. Anthony's Road Ekala	2A:3R:36.35P	12	Mr. P. P. T. Mohideen Chartered Valuer	31.03.2022	800-950	385,844	385,844
ii Marawila Resorts PLC								
Land	Marawila	29A:1R:33.6P	23	Mr. P. P. T. Mohideen Chartered Valuation	31.03.2022	180-300	1,289,010	1,289,010
iii Sigiriya Village Hotels PLC								
Land	Sigiriya Mankani, Trincomalee	7A:12	32	Mr. P. P. T. Mohideen Chartered Valuer	31.03.2022	69-85	207,082	207,082
iv B.O.T. Hotels Services (Pvt) Ltd.								
Land	Kapparatota Road, Weligama	3A:0R:10.59P	7	Mr. P. P. T. Mohideen Chartered Valuer	31.03.2022	964-1,178	551,775	551,775
v C.W.Mackie PLC								
Land	Munagama, Horana.	3A:0R:5.21P	4	Mr. K.T.D. Tissera Chartered Valuer	31.03.2022	700-800	363,908	363,908
Land	Munagama, Horana.	2A:3R:33.07P	8					
Land	Aramanagolla, Horana	5A:0R:0.5P	4	Mr.K.T.D.Tissera Chartered Valuer	31.03.2022	800-900	640,360	640,360
Land	Thebuwana, Narhupana	5A:1R:10P	8	Mr.K.T.D.Tissera Chartered Valuer	31.03.2022	150-200	137,250	137,250
Land	Kaluaggala,	2A:0R:35P	11	Mr. K.T.D.Tissera	31.03.2022	400-500	137,250	137,250
vi Galle Fort Hotel (Pvt) Ltd.								
Land	Galle Fort, Galle	0A:1R:37.5P	4	Mr. P. P. T. Mohideen Chartered Valuer	31.03.2022	12,500-15,000	1,355,350	1,355,350
vii Beruwala Resorts PLC								
Land	Freehold :Moragalla, Beruwala	0A:0R:2.8P	12	Mr. P. P. T. Mohideen Chartered Valuer	31.03.2022	0.19-0.23	267	267
viii J.F. Packaging (Pvt) Ltd.								
Land	Minuwangoda Road, Kotugoda.	2A:0R:30P	8	Mr. P. P. T. Mohideen Chartered Valuer	31.03.2022	761-930	304,500	304,500
ix Ceylon Tapes (Pvt) Ltd.								
Land	23/20, Samagi Mawatha, Ja-Ela.	0A:1R:5P	2	Mr. P. P. T. Mohideen Chartered Valuer	31.03.2022	270-330	14,625	14,625
x. ACME Printing and packaging PLC								
Land	345, Gonamadiitha Road, Piliyandala	02A:03R:23.8P	4	Mr. P. P. T. Mohideen Chartered Valuer	31.03.2022	450-550	231,900	231,900
							5,619,121	5,619,121

Notes to the Financial Statements

12.5 Sensitivity Analysis

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

Market price per perch (10% movement)	Market Value as at 31st March 2022	Increase + 10%	Decrease - 10%
Lankem Ceylon PLC	385,844	38,584	(38,584)
Sigiriya Village Hotel PLC	207,082	20,708	(20,708)
Marawila Resort PLC	1,289,010	128,901	(128,901)
B.O.T. Hotel Services (Pvt) Ltd.	551,775	55,178	(55,178)
Galle Fort Hotels (Pvt) Ltd.	1,355,350	135,535	(135,535)
Ceylon Tapes (Pvt) Ltd.	14,625	1,463	(1,463)
J.F. Packaging Ltd.	304,500	30,450	(30,450)
Beruwala Resorts PLC	267	27	(27)
C.W. Mackie PLC	1,278,768	127,877	(127,877)
ACME Printing and Packaging PLC	231,900	23,190	(23,190)
	5,619,121	561,913	(561,913)

12.6. Revaluation of Building under Property, Plant and Equipment

A valuation of buildings of the group was carried out by an independent valuer as at 1st June 2020. The directors of the company are of the view that carrying amounts of those buildings as at 31st March 2022 have not changed significantly compared to their fair value as at 1st June 2020.

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 Rs.000	Revaluation Gain Rs.000	Name of the Valuer	Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Sensitivity of Fair Value to Unobservable Inputs
Galle Fort Hotels Ltd.	No. 6217, Pedlar Street, Galle Fort, Galle.	4	29,364 sq. ft.	158,590	139,083	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
Sherwood Holidays Ltd.	Totalagala, Haputale	7	11,940 sq. ft.	106,960	96,175	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
Nature Link Ltd.	Maduramadu, Vembu	2	4,863 sq. ft.	18,700	10,323	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
Lankem Ceylon PLC	St. Anthony's Road, Ekala	12	53,350 sq. ft.	124,518	39,148	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

Company Name	Location	No. of Buildings	Extent of the Buildings Sq.ft	Valuation of Buildings Rs.000	Net Book Value Rs.000	Revaluation Gain Rs.000	Name of the Valuer	Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Sensitivity of Fair Value to Unobservable Inputs
Lankem Ceylon PLC	Pannala, Kurunegala	2	50,657 sq. ft.	202,750	122,551	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
Lankem Ceylon PLC	Siripura, Polonnaruwa	1	20,675 sq.ft.	87,869	32,053	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
Marawila Resorts PLC	Pannala, Kurunegala	23	180,091 sq. ft.	835,905	514,882	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
Ceylon Taples (Pvt) Ltd.	23/20, Samagi Mawatha,	2	3,964 sq. ft.	7,390	2,376	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
B.O.T Hotel Services (Pvt) Ltd.	No. 215, Sri Sanghananda Mawatha, Kapparahota, Weligama.	7	55,871 sq.ft	197,025	154,666	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
J.F.Packaging Limited	Minuwangoda Road, Kotugoda	8	71,495 sq. ft.	240,394	164,172	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
Beruwala Resorts PLC	6th Lane, Moragalla, Beruwala	12	130,488 sq. ft.	256,897	337,731	-80,834	Mr. P. P. T. Mohideen Chartered Valuer	Leasehold interest	YP @ 6.25 % in perpetuity and Annual Rent 1.2Mn per annum	Positively correlated sensitivity
Ceymac Rubber Co, Ltd.	Aramangalla, Horana and Thebuwana, Narthupana	17	98,614 sq. ft.	124,000	74,916	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
Kelani Valley Canneries Limited	Kaluaggala, Hanwella	11	26,522 sq.ft.	61,000	31,036	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
C.W.Mackie PLC	Munagama, Horana	4	19,985 sq. ft.	63,000	28,006	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
Sigiriya Village Hotel PLC	P.O Box 1, Sigiriya	32	160,241 sq.ft.	231,044	138,900	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
ACME Printing & Packaging PLC	Pannala	6	30,196 sq.ft.	132,793	132,793	132,793	Mr. P. P. T. Mohideen Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 3,500 - Rs 6,500	Positively correlated sensitivity
ACME Printing & Packaging PLC	Gonamadiththa Road, Piliyandala	4	71,527 sq.ft.	237,927	237,927	237,927	Mr. P. P. T. Mohideen 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 per Sq.ft. (10% movement)	Market Value as at 31st March 2022	Increase + 10%	Decrease - 10%
Lankem Ceylon PLC	415,137	41,514	(41,514)
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)
J.F. Packaging Ltd.	240,394	24,039	(24,039)
Beruwala Resorts PLC	256,897	25,690	(25,690)
C.W.Mackie PLC	248,000	24,800	(24,800)
Sherwood Holidays Ltd.	106,960	10,696	(10,696)
ACME Printing & Packaging PLC	370,720	37,072	(37,072)
	3,068,062	306,806	(306,806)

12.8 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.

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

12.9 Carrying Amount of Lands and Buildings had those were carried at cost of less accumulated depreciation are as follows.

As at	Consolidated		Company	
	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Lands	2,180,901	2,216,784	60,600	110,427
Buildings	2,104,910	1,865,210	193,752	203,269

13. BIOLOGICAL ASSETS

i) SunAgro Farms Ltd. - Mature Plantations

As at	Consolidated	
	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Cost		
At the beginning of the year	-	3,020
Written off during the year	-	(3,020)
At the end of the year	-	-
Depreciation		
At the beginning of the year	-	3,020
Written off during the year	-	(3,020)
At the end of the year	-	-
Carrying amount	-	-

14. RIGHT-OF-USE ASSETS

As at	Note	Consolidated		Company	
		31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Cost					
Balance as at 1st April		363,956	357,312	87,803	75,939
On Acquisition of Subsidiary	17.3	23,591	-	-	-
Additions during the year		13,824	11,864	6,052	11,864
Disposal during the year		-	(5,220)	-	-
Balance at the end of the year		401,371	363,956	93,855	87,803
Accumulated Amortisation					
Balance as at 1st April		120,143	59,272	43,049	26,093
On Acquisition of Subsidiary	17.3	3,806	-	-	-
Amortisation for the year		56,545	60,871	11,704	16,956
Balance at the end of the year		180,494	120,143	54,753	43,049
Written down value as at 31st March		220,877	243,813	39,102	44,754

Notes to the Financial Statements

15. INVESTMENT PROPERTY

As at	Consolidated		Company	
	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Cost				
Balance at the beginning of the year	641,460	641,460	209,199	177,899
Additions	6,549	-	-	-
Reclassified from/ (to) Property, Plant and Equipment (Note 1.2)	596,017	-	(300)	31,300
Disposals during the year	(177,899)	-	(208,899)	-
Balance at the end of the year	1,066,127	641,460	-	209,199
Accumulated Depreciation				
Balance at the beginning of the year	120,647	109,508	26,895	24,598
Charge for the Year	24,937	11,139	1,108	2,297
Disposals during the year	(28,003)	-	(28,003)	-
Balance at the end of the year	117,581	120,647	-	26,895
Carrying Amount	948,546	520,813	-	182,304

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 2019 is as follows;

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

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

For the year ended 31st March	2022 Rs.000's	2021 Rs.000's
Rent income	175,796	138,723
Direct operating expenses arising from investment property that generated rental income during the year	20,420	21,004

Imperial Hotels Ltd. (Previously known as York Hotels (Kandy) 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 2022, by Mr. P.P.T.Mohideen, Chartered Valuation Surveyor, Fair Value of this property was Rs. 528 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) Part of the Factory complex located at Maguruwila Road, Gonawala previously rented out and classified as investment property and accounted under "Cost Model" as required by LKAS 40 – "Investment Property". This property has been disposed to during the year.

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

For the year ended 31st March	2022 Rs.000's	2021 Rs.000's
Rent Income	4,158	8,001
Direct operating expenses arising from investment property that generated rental income during the year	1,143	2,400

(b) A land located in Maduramadu, Vebmu with an extent of 8A:3R:30.86P rented to the subsidiary company, Nature's Link (Pvt) Ltd. has been disposed during the year.

Amounts included in the statement of comprehensive income in respect of this property up to the date of disposal is

For the year ended 31st March	2022 Rs.000's	2021 Rs.000's
Rent Income	-	60

16. INTANGIBLE ASSETS

As at	Note	Consolidated	
		31.03.2022 Rs. '000	31.03.2021 Rs. '000
Goodwill			
Balance at the Beginning of the year		841,154	1,170,226
On Acquisition of Subsidiary	17.3	372,289	-
Impairment of Goodwill		-	(329,072)
Balance at the End of the year		1,213,443	841,154

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	Note	Consolidated	
		31.03.2022 Rs. '000	31.03.2021 Rs. '000
C.W.Mackie PLC		165,935	165,935
ACME Printing and Packaging PLC		372,289	-
Ceylon Tapes (Pvt) Ltd.		23,490	23,490
J.F. Packaging Ltd.		435,500	435,500
Sherwood Holidays Ltd.		30,267	30,267
Kiffs (Pvt) Limited		143,777	143,777
Alliance Five (Pvt) Limited		42,185	42,185
Galle Fort Hotel (Pvt) Ltd.		329,072	329,072
		1,542,515	1,170,226
Less: Provision for impairment	16.2	(329,072)	(329,072)
		1,213,443	841,154

Notes to the Financial Statements

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 2022. Recoverable amounts of these investments were measured as follows:

16.1.1 Recoverable Values measured with reference to the Value in Use

Investee	Significant unobservable inputs	Value of the input
Ceylon Tapes (Pvt) Ltd.	Average Growth Rate	14%
	Discount Rate (range)	24% - 26%
	Term	5 years (terminal value thereafter)
J.F. Packaging Ltd.	Average Growth Rate	20%
	Discount Rate (range)	19% - 21%
	Term	5 years (terminal value thereafter)
Kiffs (Pvt) Ltd.	Average Growth Rate	17%
	Discount Rate (range)	21% - 23%
	Term	5 years (terminal value thereafter)
Alliance Five (Pvt) Ltd.	Average Growth Rate	12%
	Discount Rate (range)	24% - 26%
	Term	5 years (terminal value thereafter)
Sherwood Holidays Ltd.	Average Growth Rate	4%
	Discount Rate (range)	19% - 21%
	Term	5 years (terminal value thereafter)

Above assumption have been determined based on the historical performances of the components adjusted for market information related to discount rates.

16.1.2 Recoverable Values measured with reference to the Fair Value less Cost to Sell

Investee	Significant unobservable / observable inputs	Value of the input
C.W.Mackie PLC	Adjusted NAV	Rs. 110 – Rs. 120

Above fair values are classified as Level 3 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 recognised during the year ended 31st March 2022 (2021 - 329 Mn). The Group reviewed this provision for impairment as at 31st March 2022 and determined no reversal is required.

17. INVESTMENTS IN SUBSIDIARIES

17.1 Company

As at	Group Holding 2022 %	Company Holding 2022 %	Group Holding 2021 %	Company Holding 2021 %	No. of Shares 31.03.2022	Market Value 31.03.2022 Rs.'000	Cost 31.03.2022 Rs.'000	No. of Shares 31.03.2021	Market Value 31.03.2021 Rs.'000	Cost 31.03.2021 Rs.'000
Quoted Investments										
C.W.Mackie PLC	55.36	55.36	55.36	55.36	19,923,252	1,095,779	896,038	19,923,252	876,623	896,038
Marawila Resorts PLC	37.64	7.32	37.64	7.32	16,478,829	31,310	98,066	16,478,829	31,310	98,066
ACME Printing and Packaging PLC (Note 17.3)	57.94	57.94	-	-	23,846,993	262,317	284,952	-	-	-
Total Quoted Investments							1,279,056			994,104
Unquoted Investments										
Colombo Fort Hotels Ltd.	68.89	68.85	68.89	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 LifeScience 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
Lankem Technology Services Ltd.	100.00	100.00	100.00	100.00	4,999,995	-	5,000	4,999,995	-	5,000
J.F. Packaging Limited	100.00	100.00	100.00	100.00	1,204,068	-	1,121,515	1,204,068	-	1,121,515
Associated Farms (Pvt) Ltd.	100.00	100.00	100.00	100.00	55,398	-	554	55,398	-	554
Nature's Link Limited	100.00	100.00	100.00	100.00	5,000,000	-	50,000	5,000,000	-	50,000
Total Unquoted Investments							3,063,584			3,063,584
							4,342,640			4,057,688
Provision for Impairment of Investment in Subsidiaries (17.2)							(601,024)			(560,492)
Net Carrying Amount							3,741,616			3,497,196

17.2 Provision for Impairment of Investment in Subsidiaries

As at	Company	
	31.03.2022 Rs.'000	31.03.2021 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
Nature's Link Limited	50,000	15,686
Lankem Exports (Pvt) Limited	100	100
Lankem Research Ltd.	2,500	2,500
Lankem Technology Services Ltd.	5,000	5,000
Marawila Resorts PLC	11,518	5,300
Lankem Chemicals Ltd.	18,261	18,261
	601,024	560,492

Notes to the Financial Statements

- 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.

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 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	10-55
Nature's Link Limited	Net Assets per Share	-
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

17.3 Acquisition of ACME Printing and 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 on 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 held 13,240,084 Ordinary Voting shares in ACME Printing & Packaging PLC constituting 32.17% of the shares in issue.

Accordingly, Lankem Ceylon PLC made a Mandatory Offer to purchase 27,921,829 Ordinary voting shares constituting 67.83% of shares in issue of ACME at an offer price of Rs. 12.20 per share. The Offer opened on 28.10.2021 and closed on 24th of November 2021.

In terms of Rule 24 of the Takeover and Mergers Code an Announcement dated 25.11.2021 was made to the Colombo Stock Exchange on the level of acceptances received.

Of the total for which acceptances of the Offer which had been received (as notified in the aforesaid Announcement), valid acceptances being received only in respect of 19,586,821 shares representing 47.58% of the Issued Shares of ACME, all payments have been made and completed by the Company as at 11.03.2022. Of the 19,586,821 shares a component of 10,894,377 shares were registered in favour of Lankem Ceylon PLC prior to 31.03.2022 and although payments had been made prior to end March 2022, the balance component of 8,692,444 shares were registered in the Company's favour subsequent to 31.03.2022.

As at the end of the year the Company had acquired a 57.94% equity stake in ACME. The Company considered 31st March 2022 to be the date of establishing the control over the subsidiary, ACME.

Fair values of the identifiable assets and liabilities of the acquired entities at the date of acquisition were;

	Rs.000
Property, Plant and Equipment	1,002,508
Right of Use Assets	19,785
Financial Investments - FVTOCI	25
Inventories	185,907
Trade and Other Receivables	101,400
Cash and Cash Equivalents	(29,355)
Interest Bearing Borrowings	(50,548)
Short Term Borrowings	(766,097)
Loans Payable to Related Parties	(150,000)
Lease Creditors	(13,700)
Employee Benefits	(12,825)
Trade and Other Payables	(149,656)
Amounts Due to Related Parties	(3,150)
Net identifiable assets and liabilities	134,294
Fair value of consideration Paid (net of transaction cost)	284,952
Fair value of Non controlling interests at the Date of Acquisition	221,631
Less	
Fair value of identified net assets	(134,294)
Goodwill on Acquisition	372,289
Analysis of cash on acquisition of the subsidiary	
Cash paid on acquisition	284,952
Cash and cash equivalents of subsidiaries acquired	29,355
Net cash outflow	314,307

Total transaction cost related to this acquisition amounting to Rs. 542,556 has been recognised on an expense under other expenses. Subsequent changes to the control is disclosed in Note 39 to this financial statements.

17.4 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.

Notes to the Financial Statements

18. INVESTMENTS IN ASSOCIATES

18.1 Consolidated

As at	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Unquoted Investments		
Consolidated Tea Plantations Ltd. (CTPL)	-	-
Waverly Power (Pvt) Ltd. - (WPL)	105,821	102,007
Total Unquoted Investments	105,821	102,007
Balance as at Beginning of the year	102,007	102,511
Net Share of Profit/ (Loss) for the year	3,814	(537)
Other Comprehensive Expense / (Income)	-	33
Balance at the End of the year	105,821	102,007

18.2 Company

As at	Principal Business Activities	Holding 2022 %	Holding 2021 %	No. of Shares 31.03.2022	Cost 31.03.2022 Rs.'000	No. of Shares 31.03.2021	Cost 31.03.2021 Rs.'000
Unquoted Investments							
Consolidated Tea Plantations Ltd.	Investing in Plantations	47.56	47.56	19,500,001	220,500	19,500,001	220,500
Waverly Power (Pvt) Ltd.	Generating electricity for the national grid	43.59	43.59	3,400,000	102,000	3,400,000	102,000
Gross Carrying Amount					322,500		322,500
Provision for Impairment of Investment in Associates (18.2.1)					(220,500)		(220,500)
Net Carrying Amount					102,000		102,000

18.2.1 Provision for Impairment of Investments in Associates

As at	Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Consolidated Tea Plantations Ltd.	220,500	220,500
	220,500	220,500

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 2022. 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.

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.

18.3 Summarised financial information of Associates Companies

Summary of the Statement of Financial Position

As at	CTPL	WPL	CTPL	WPL
	31.03.2022 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2021 Rs.'000
Non-current Assets	14,480,058	139,540	14,277,808	150,955
Current Assets	3,470,382	108,385	3,100,324	94,486
Total Assets	17,950,440	247,925	17,378,132	245,441
Non-current Liabilities	7,892,410	110,272	7,940,674	124,345
Current Liabilities	10,245,727	44,014	10,372,638	36,206
Total Liabilities	18,138,137	154,286	18,313,312	160,551
Equity Attributable to the Owners of the Company	(1,625,085)	93,639	(1,530,648)	84,890
Non-Controlling Interest	1,437,389	-	595,468	-
Total Net Assets	(187,696)	93,639	(935,180)	84,890
Ownership interest	47.56%	43.59%	47.56%	43.59%
Investees Share of Net Assets	(30,820)	40,819	(30,820)	37,005
Goodwill	30,820	65,002	30,820	65,002
Carrying Amount of Interest	-	105,821	-	102,007

Summary of the Statement of Profit or Loss

For the Year Ended	CTPL	WPL	CTPL	WPL
	31.03.2022 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2021 Rs.'000
Revenue	13,163,406	48,601	11,829,713	35,495
Other Expenses	(14,086,176)	(39,852)	(12,231,578)	(36,729)
Profit after Tax	(922,769)	8,749	(401,865)	(1,234)
Other Comprehensive Income	1,207,192	-	1,615,902	76
Investees Share of Loss	-	3,814	-	(537)
Investees Share of Other Comprehensive Income	-	-	-	33

Notes to the Financial Statements

19. INVESTMENT IN JOINT VENTURE

Sunquick Lanka (Private) Limited

The subsidiary of the Group, 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	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Summary of the Statement of Financial Position		
Non-current Assets	976,534	978,664
Current Assets	1,145,130	1,148,860
Non - Current Liabilities	(584,551)	(469,461)
Current Liabilities	(1,203,344)	(1,063,888)
Equity	(333,769)	594,175
Group's carrying amount of the investments	163,547	291,146
Summary of the Statement of Profit or Loss		
Revenue	1,384,221	1,038,131
Operating Expenses	(1,333,248)	(1,076,276)
Other operating income	6,086	15,426
Finance Income	-	9,899
Finance Cost	(294,796)	(95,213)
Income tax	(23,096)	4,940
Loss for the year	(260,833)	(103,093)
Other Comprehensive Income/(Expense)	427	(211)
Total Comprehensive Expense for the year	(260,406)	(103,304)
Group's Share of loss for the year	(127,808)	(50,516)
Share of loss recognised in Other Comprehensive Income/(Expense)	209	(103)
Equity Reconciliation		
Carrying Value as at 1st April	291,146	341,765
Share of Loss & OCI	(127,599)	(50,619)
Carrying Value as at 31st March	163,547	291,146

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

The Group/Company designated investments shown below as financial assets measured at fair value through other comprehensive income because these investments represent investments that the Group/Company intend to hold for long term as strategic investments.

As at	Note	Consolidated		Note	Company	
		31.03.2022 Rs. '000	31.03.2021 Rs. '000		31.03.2022 Rs. '000	31.03.2021 Rs. '000
Quoted Investments	20.1.1	12,142	10,391	20.2.1	9,426	8,186
Unquoted Investments	20.1.2	11,551	8,454	20.2.2	11,276	8,204
		23,693	18,845		20,702	16,390

20.1 Consolidated

20.1.1 Quoted Investments

As at	Consolidated			
	No of Shares 31.03.2022	Fair Value 31.03.2022 Rs.'000	No. of Shares 31.03.2021	Fair Value 31.03.2021 Rs.'000
Bank, Finance & Insurance				
Nations Trust Bank PLC	6,365	320	6,365	369
National Development Bank PLC	5,724	365	5,724	529
Total		685		898
Hotels & Travel				
Hunas Falls Hotels PLC	400	780	400	61
Pegasus Resorts PLC	960	33	960	28
Renuka City Hotels PLC	525	154	525	120
Royal Palms Beach Hotels PLC	375	6	375	5
Total		973		214
Plantations				
Lankem Development PLC	2,352,340	9,426	2,352,340	8,186
Total		9,426		8,186
Healthcare				
Ceylon Hospitals PLC	130	13	130	13
Total		13		13
Other				
Chevron Lubricants Lanka PLC	12,000	1,045	12,000	1,080
Total		1,045		1,080
Total Quoted Investments		12,142		10,391

Market value per share of quoted investments are based on published stock market prices as at 31st March 2022 (2020/21 - 31st March 2021).

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

Notes to the Financial Statements

20.1.2 Unquoted Investments

As at	Consolidated			
	No. of Shares 31.03.2022	Fair Value 31.03.2022 Rs.'000	No. of Shares 31.03.2021	Fair Value 31.03.2021 Rs.'000
Nanotechnology (Pvt) Ltd.	3,810,182	-	3,810,182	31
Lankem Tea & Rubber Plantations (Pvt) Ltd.	8,342	2,293	8,342	177
Agarapatana Plantations Limited	1,760,204	8,983	1,760,204	7,996
Asia Pacific Golf Courses Limited	2,500	250	2,500	250
Ingrin Institute of Printing & Graphics (Pvt) Ltd.	1	25	-	-
Total		11,551		8,454

20.2 Company

20.2.1 Quoted Investments

As at	Company			
	No of Shares 31.03.2022	Fair Value 31.03.2022 Rs.'000	No of Shares 31.03.2021	Market Value 31.03.2021 Rs.'000
Lankem Developments PLC	2,352,340	9,426	2,352,340	8,186
Total		9,426		8,186

20.2.2 Unquoted Investments

As at	Company			
	Fair Value 31.03.2022	Fair Value 31.03.2022 Rs.'000	No. of Shares 31.03.2021	Fair Value 31.03.2021 Rs.'000
Nanotechnology (Pvt) Ltd.	3,810,182	-	3,810,182	31
Lankem Tea & Rubber Plantation (Pvt) Ltd.	8,342	2,293	8,342	177
Agarapatana Plantations Limited	1,760,204	8,983	1,760,204	7,996
Total		11,276		8,204

No strategic investments were disposed during 2021/22, and there were no transfer of any cumulative gain or loss within equity relating to these investments.

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

As at	Consolidated/Company			
	No. of Shares 31.03.2022	Fair Value 31.03.2022 Rs.'000	No. of Shares 31.03.2021	Fair Value 31.03.2021 Rs.'000
Nations Trust Bank PLC	49,667	2,240	46,751	2,585
Tokyo Cement Company PLC (Voting)	32,834	1,113	133,270	8,889
Colonial Motors PLC	331,547	26,126	331,547	27,518
Union Bank Colombo PLC	30	-	30	-
Renuka Agri Foods PLC	-	-	108,973	1,384
		29,479		40,376

22. INVENTORIES

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Raw Materials	1,091,170	791,057	305,244	293,807
Work-in-Progress	105,610	63,614	10,324	13,050
Finished Goods	2,272,112	2,402,526	345,260	402,417
Goods-in-Transit	348,075	218,038	321,866	71,548
Consumable Stock	252,560	147,052	-	-
Packing & Other Materials	6,347	7,392	-	-
	4,075,874	3,629,679	982,694	780,822
Less: Provision for Obsolete Inventories (Note 22.1)	(331,997)	(224,383)	(53,325)	(50,022)
	3,743,877	3,405,296	929,369	730,800

22.1 Provision for Obsolete Inventories

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Balance as at 1st April	224,383	204,749	50,022	58,538
On acquisition of Subsidiary	23,748	-	-	-
Provision for the Year	151,920	132,257	25,523	10,552
Inventory Write-off	(68,054)	(112,623)	(22,220)	(19,068)
Balance as at 31st March	331,997	224,383	53,325	50,022

Notes to the Financial Statements

23. TRADE AND OTHER RECEIVABLES

As at	Consolidated		Company	
	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Trade Receivables	4,265,231	4,072,661	1,044,517	1,070,823
Provision for Impairment of Trade Receivables (Note 23.1.1)	(498,828)	(448,409)	(226,212)	(228,165)
	3,766,403	3,624,252	818,305	842,658
Other Receivables	960,913	488,702	119,965	18,430
Deposits, Advances and Prepayments	98,685	86,684	-	-
Staff Loan	26,543	25,927	514	327
Tax Recoverable (Note 23.2)	55,685	71,723	-	28,863
Provision for Impairment of Other Receivables (Note 23.1.2)	(31,750)	(23,551)	-	-
	1,110,076	649,485	120,479	47,620
	4,876,479	4,273,737	938,784	890,278

23.1.1 Provision for Impairment on Trade Receivables

As at	Consolidated		Company	
	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Balance as at 1st April	448,409	392,423	228,165	198,912
On acquisition of subsidiary	10,409	-	-	-
Provision made during the year	55,656	78,903	-	29,253
Reversal during the year	(4,472)	(186)	(1,953)	-
Written-off during the year	(11,174)	(22,731)	-	-
Balance as at 31st March	498,828	448,409	226,212	228,165

23.1.2 Provision for Impairment of Other Receivables

As at	Consolidated		Company	
	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Balance as at 1st April	23,551	23,551	-	-
Provision made during the year	8,199	-	-	-
Balance as at 31st March	31,750	23,551	-	-

Outstanding balances for which enforcement activities are processing, not considered for write-off.

23.2 Taxes Recoverable

As at	Consolidated		Company	
	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Nation Building Tax	9,994	9,640	-	-
Economic Service Charge	-	30,010	-	28,863
Withholding Tax	2,605	41	-	-
Value Added Tax	43,086	32,032	-	-
	55,685	71,723	-	28,863

24. CASH AND CASH EQUIVALENTS

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Favorable Balance				
Fixed Deposits	12,645	11,427	-	9,009
Cash at Bank	750,716	517,898	84,538	113,610
Cash in Hand	16,274	7,574	910	884
	779,635	536,899	85,448	123,503
Unfavorable Balance				
Bank Overdraft	(1,017,915)	(950,902)	(337,972)	(366,572)
	(238,280)	(414,003)	(252,524)	(243,069)

25. ASSETS HELD FOR SALE

The Company has classified its lease rights of properties at Nawam Mawatha as held for Sale since the Board of Directors has decided to proceed with selling the asset. Indicate values/proceeds of lands are Rs. 30 Mn as at 31st March 2022.

As at	Consolidated		Company	
	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Balance at the beginning	60,000	60,000	60,000	60,000
Written Off During the Year	(30,000)	-	(30,000)	-
Balance at the end of the year	30,000	60,000	30,000	60,000

Notes to the Financial Statements

26. STATED CAPITAL

As at	Note	31.03.2022		31.03.2021	
		No. of Shares	Value of Shares Rs.'000	No. of Shares	Value of Shares Rs.'000
Fully paid ordinary shares at beginning of the year		33,853,200	930,346	33,853,200	930,346
Issued during the year	26.1	17,617,557	352,351	-	-
At the end of the Year		51,470,757	1,282,697	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.

26.1 Rights Issue

A total of 17,617,557 shares were issued for a consideration of Rs. 352.3 Mn under a rights issue. The Company completed its rights issue process on 22nd June 2021.

27. CAPITAL RESERVES

	Other Capital Reserves Rs.'000	FVOCI Reserve Rs.'000	Total Rs.'000
Consolidated			
Balance as at 01st April 2021	4,833	(18,584)	(13,751)
Gain/ (Loss) on Financial Assets Measured at FVOCI (Net of Tax)	-	4,588	4,588
Balance as at 31st March 2022	4,833	(13,996)	(9,163)
Company			
Balance as at 01st April 2021	-	(12,854)	(12,854)
Gain/(Loss) on Financial Assets Measured at FVOCI (Net of Tax)	-	4,312	4,312
Balance as at 31st March 2022	-	(8,542)	(8,542)

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	
	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Payable after one year				
Long Term Loans (Note 28.1)	3,770,960	4,127,341	1,482,093	2,428,020
	3,770,960	4,127,341	1,482,093	2,428,020
Payable within one year				
Long Term Loans (Note 28.1)	1,522,120	1,396,084	434,442	543,077
Short Term Loans (Note 28.2)	4,976,621	3,455,622	1,516,489	1,631,331
Interest Payable	434,356	444,740	408,684	395,390
	6,933,097	5,296,446	2,359,615	2,569,798
Loans Payable to Related Parties (Note 28.3)	407,410	240,039	514,164	317,490
Total	7,340,507	5,536,485	2,873,779	2,887,288
Total Interest Bearing Borrowings	11,111,467	9,663,826	4,355,872	5,315,308

28.1 Long Term Loans

As at	Consolidated		Company	
	31.03.2022 Rs. '000	31.03.2021 Rs. '000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Balance at the beginning	5,523,425	5,084,678	2,971,097	2,850,949
On Acquisition of Subsidiary	50,548	-	-	-
Loans obtained during the year	1,568,190	938,694	611,151	225,905
Effects on foreign currency fluctuations	279,166	27,546	-	-
Payments made during the year	(2,128,249)	(527,493)	(1,665,713)	(105,757)
Balance at the end	5,293,080	5,523,425	1,916,535	2,971,097
Payable within one year	1,522,120	1,396,084	434,442	543,077
Payable after one year	3,770,960	4,127,341	1,482,093	2,428,020

Notes to the Financial Statements

28.2 Short Term Loans

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Term Loans	3,703,285	1,716,024	639,433	237,721
Trust Receipt Loans	1,273,336	1,739,598	877,056	1,393,610
	4,976,621	3,455,622	1,516,489	1,631,331

28.3 Loans Payable to Related Parties

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Balance at the beginning	240,039	143,144	317,490	276,090
Loans transferred / obtained during the year	62,100	96,895	426,000	41,400
On Acquisition of Subsidiary	150,000	-	-	-
Payments made during the year	(44,729)	-	(229,326)	-
Balance at the end	407,410	240,039	514,164	317,490
Loans payable to related parties are as follows:				
The Colombo Fort Land & Building PLC	137,600	75,500	-	-
Sigiriya Village Hotels PLC	-	-	49,164	49,164
J.F.Packaging Ltd.	-	-	-	26,926
C.W.Mackie PLC	-	-	100,000	200,000
Lankem Development PLC	10,600	10,600	-	-
Waverly Power (Pvt) Ltd.	12,545	12,545	-	-
SunAgro LifeScience Ltd.	-	-	365,000	-
E.B. Creasy & Company PLC	150,000	41,400	-	41,400
York Hotel Management Services Ltd.	46,665	49,994	-	-
Lankem Tea & Rubber Plantations (Pvt) Ltd.	50,000	50,000	-	-
	407,410	240,039	514,164	317,490
Payable within one year	407,410	240,039	149,164	317,490
Payable after one year	-	-	365,000	-

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

Party	Interest Rate
C.W.Mackie PLC	AWPLR + 2%
Sigiriya Village Hotels PLC	AWPLR + 2%
SunAgro Life Science Ltd.	AWPLR + 3.75%

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

Party	Interest Rate
The Colombo Fort Land & Building PLC	AWPLR + 2%
Lankem Developments PLC	AWPLR + 2%
Waverly Power (Pvt) Ltd.	AWPLR + 2%
York Hotel Management Services Ltd.	AWPLR + 2%
Lankem Tea & Rubber Plantations (Pvt) 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 31.03.2022 Rs.'Mn	Balance as at 31.03.2021 Rs.'Mn	Terms of Repayment	Security Pledged
Lankem Ceylon PLC	Sampath Bank PLC			In 60 monthly installments in following manner after a grace period of 24 months.	
	Loan 01	57.61	60.11	1-12 Months - Rs.0.25 Mn, 13-24 Months - Rs.0.625 Mn, 25-36 Months - Rs.0.750 Mn, 37-48 Months - Rs.0.875 Mn, 49-59 Months - Rs.2.71 Mn & 60th Month Rs.0.302 Mn per month, interest to be serviced separately on monthly basis.	(a) Term Loan Agreement of Rs. 60.11 Mn (b) Term Loan Agreement of Rs. 189.8 Mn (c) Hypothecation bond over stocks located Pannala and book debts of the Company for the total value of Rs.450 Mn
	Loan 02	180.39	189.88	In 60 monthly installments in following manner after a grace period of 24 months. 1-12 Months - Rs.0.75 Mn, 13-24 Months - Rs.1.875 Mn, 25-36 Months - Rs.2.250 Mn, 37-48 Months - Rs.2.625 Mn, 49-59 Months - Rs.8.130 Mn & 60th Month Rs.10.458.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 31.03.2022 Rs.'Mn	Balance as at 31.03.2021 Rs.'Mn	Terms of Repayment	Security Pledged
	Commercial Bank of Ceylon PLC				
	Loan 02	21.04	26.84	In December 2017 Existing loan was convert to new reschedulement facility. Repayable in 55 equal monthly of Rs.0.96Mn and a final installment of Rs. 0.76Mn together with interest.	
	Loan 03	-	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	a) Primary Mortgage for Rs.200 Mn over land at Ja-ela & Gonawala.
	Loan 04	28.40	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	b) Secondary Mortgage Bond No. 528 dated 07-04-1998 for Rs.50 Mn executed over above property. c) Tertiary Mortgage Bond for Rs. 307 Mn over above property.
	Loan 05	-	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	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	65.00	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	515.00	In May 2018 Existing loan Rs. 555 Mn was convert to new reschedulement facility. After reschedule repayble over 43 month installments.	Mortgage over stocks and Book debts on crystallization basis.

Company	Lender	Balance as at 31.03.2022 Rs./Mn	Balance as at 31.03.2021 Rs./Mn	Terms of Repayment	Security Pledged
	National Development Bank				
	Loan -2	166.48	191.19	In September 2021 existing loan convert to new reschedulment facility payable over 40 installments inclusive of 4 months grace period.	Mortgage over stocks and Book
	Bank of Ceylon				
	Loan 1	133.59	274.06	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	4.11	26.73	In 18 monthly equal installment of capital.	Mortgage over stocks and assignment over book debts
	Loan 3	7.16	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.
	Loan 4	39.52	-	In 33 monthly equal installments inclusive of 09 months grace period.	
	Central Finance Co PLC	12.41	12.84	In March 2022, Existing loan was convert to new reschedulment facility. Payble over 24 installments excluding grace period of 5 months.	Mortgage and special power of Attorney of 05 No. of Double cab vehicle Promissory note.
	Union Bank Colombo PLC				
	Loan 01	-	16.50	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	58.40	65.00	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	250.60	274.11	In August 2021 existing loan was converted to new reschedulement facility. Payble over 72 installments inclusive of 6 months grace period.	Mortgage over stocks and book debts of Rs. 300 Mn, Corporate gurantee from SunAgro Lifescience Ltd. for Rs. 300 Mn. Letter of awareness comfort from Colombo fort land & building PLC

Notes to the Financial Statements

Company	Lender	Balance as at 31.03.2022 Rs.'Mn	Balance as at 31.03.2021 Rs.'Mn	Terms of Repayment	Security Pledged
	Hatton National bank	-	403.20	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	68.07	71.73	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
	Pan Asia Banking Corporation PLC	139.68	158.00	Repayable with in 6 years with a grace period of 12 months	Floating Mortgage Bond for Rs.150.0Mn 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	12.70	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	157.04	157.50	Payable over 96 Monthly installemnets from the date of disbursement	Corporate Guarantee from J.F.Packaging Ltd for Rs. 157.59 Mn
		1,917.00	2,971.10		
Beruwala Resorts PLC	Cargills Bank				
	Term Loan USD	245.92	195.97		Primary mortgage over land and buildings of BOT Hotel Services Ltd. situated at Weligama.
	Term Loan SLR	125.44	87.4		Corporate guarantee of Colombo Fort Land and Buildings PLC Rs. 25 Mn
		371.36	283.37		

Company	Lender	Balance as at 31.03.2022 Rs.'Mn	Balance as at 31.03.2021 Rs.'Mn	Terms of Repayment	Security Pledged
Sigiriya Village Hotels PLC	Sampath Bank PLC Term Loan	174.31	167.86	Repayable over 35 monthly installments.	Mortgage over leasehold rights of the Land of the Company.
		174.31	167.86		
Marawila Resorts PLC	Commercial Bank of Ceylon PLC	126.22	125.09	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 Mn over the Hotel premises at Marawila
	Commercial Bank of Ceylon PLC	385.72	256.40	Total of existing USD term loan outstanding is USD 1.130 Mn which should be repaid in December 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.
		15.03		- Grace Period 6 Months	Obtained in the joint name of the owner of the property and the bank covering the risk of fire, Insurance Policy No FFC2016 - 4155 from Alliance Insurance Limited for Rs 1.4 Bn SRCC, Malicious damages and natural perils
		526.97	381.49		

Notes to the Financial Statements

Company	Lender	Balance as at 31.03.2022 Rs.'Mn	Balance as at 31.03.2021 Rs.'Mn	Terms of Repayment	Security Pledged
Galle Fort Hotels (Pvt) Ltd.	Cargills Bank PLC				
	Loan	14.32	20.68	Repayable over 39 equal monthly installments of Rs.0.53 Mn together with interest	
	Loan	61.14	58.79	Repayable over 39 equal monthly installments of US \$ 7,574 and a final installment of US \$ 7,568 together with interest.	
	Loan	58.07	37.41	Repayable over 40 equal monthly installments of US \$ 4,584 and a final installment of US \$ 4,613 together with interest.	
	Loan	14.58	25.00	Repayable over 23 equal monthly installments of Rs.1.04Mn and a final installment of Rs. 1.03Mn together with interest.	
	Loan	14.58	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 0.775Mn USD, mentioned as Lot X in the plan no 130 situated at Galle Fort village.
	Loan	36.70	1.09	Repayable over 24 equal monthly installements	
	Loan	39.75	0.81	Repayable over 24 equal monthly installements	
	Loan	-	1.61	Repayable over 5 equal monthly installments of US \$ 1348Mn and a final installment of US \$ 1348 together with interest.	
	Loan	-	1.05	Repayable over 24 equal monthly installements	
	Loan	-	1.39	Repayable over 6 equal monthly installments of US \$ 872 together with interest.	
	Loan	-	0.88	Repayable over 24 equal monthly installements	
		239.14	173.71		

Company	Lender	Balance as at 31.03.2022 Rs.'Mn	Balance as at 31.03.2021 Rs.'Mn	Terms of Repayment	Security Pledged
J.F. Packaging Ltd.	Sampath Bank PLC				
	Loan 1	109.11	98.26	Repayable over 60 monthly installments, 01-12 months- Rs. 0.32Mn, 13-24 months Rs.1Mn, 25-36 months 1.75Mn, 37-48 months Rs. 2.25Mn, 49- 60 months Rs.3Mn.	Corporate guarantee of Lankem Ceylon PLC for Rs.98.87Mn mortgage over shares of Alliance Five (Pvt) Ltd.
	Loan 2	27.64	24.93	Repayable over 60 monthly installments, 01-12 months- Rs. 0.12Mn, 13-24 months Rs.0.25Mn, 25-36 months 0.45Mn, 37-48 months Rs. 0.58Mn, 49- 60 months Rs.74Mn.	Mortgage over Dry laminating machine and related equipment's
	Loan 3	2.75	2.56	Repayable over 60 monthly installments of Rs.47,500/-	
	Loan 4	26.61	24.25	Repayable over 24 monthly installments, 01-12 months- Rs. 0.12Mn, 13-24 months Rs. 1.95Mn and a final installment of Rs. 1.1Mn	
	Loan 5	3.66	3.53	Repayable over 2 years in 23 equal monthly installments 01-23 months- Rs. 1.97Mn and a final installment of Rs. 1.96Mn	
	Bank of Ceylon				
	Loan 1	125.95	120.57	Repayable over 48 equal monthly installments of Rs.3.12Mn.	Primary mortgage of land, building and machinery situated at No.306, Minuwangoda Road, Kotugoda.
	Loan 2	72.31	69.97	Repayable over 72 equal monthly installments of Rs.2.08Mn.	
	Loan 3	104.12	99.64	Repayable over 60 equal monthly installments of Rs.2.33Mn.	
	Loan 5	295.68	306.65	Repayable in 1-12 months Rs.12.5Mn and 13-24 months 16.18Mn	Mortgage over stock and book debts held at factory premises at No. 306, Menuwangoda Road, Kotugoda.
	Loan 6	34.81	39.26	Repayable over 24 equal monthly installments of Rs. 1.87Mn.	
	Loan 7	253.98	236.38	Repayable in 1-12 months Rs. 0.5Mn, 13-24 months Rs.1Mn, 25-36 Months 3.28Mn, 37-48 Months 4.28Mn, 49-60 Months 5.3Mn and 61-72 5.6Mn.	Primary mortgage of land, building and machinery situated at No.306, Minuwangoda Road, Kotugoda.
	Nation Trust Bank PLC				
	Loan I	110.58	103.67	Repayable over 48 monthly installments	Mortgage over stocks and book debts held at factory premises at No: 306, Minuwangoda Road, Kotugoda.
	Siyapatha Finance PLC	75.77	88.67	Repayable over 37 monthly installments, 1-36 Months 2Mn and Final installment 58.82Mn	Corporate guarantee from Ceylon Tapes (Pvt) Ltd and the loan agreement for Rs.100Mn
		1,242.97	1,218.34		

Notes to the Financial Statements

Company	Lender	Balance as at 31.03.2022 Rs.'Mn	Balance as at 31.03.2021 Rs.'Mn	Terms of Repayment	Security Pledged
Kiffs (Private) Ltd.	National Development Bank PLC				
	Loan 1	2.19	4.01	Repayable over 48 monthly installments of Rs.0.16Mn	Primary mortgage over equipment located at No:179/6 , Ragama road, Kadawatha
	Loan 1	23.36	25.00	Repayable over 18 monthly installments of Rs. 1.39Mn	Corporate Guarantee from J F Packaging Ltd
		25.55	29.01		
Alliance Five (Pvt) Ltd		14.85	29.53	Repayable over 24 monthly statements	
		14.85	29.53		
		-	-		
C.W.Mackie PLC - Group	Commercial Bank of Ceylon PLC	192.53	119.94		Mortgage bond over the machinery valued Rs.1.893 Mn and Rs.1.7 Mn and motor vehicle valued Rs. 1.329 Mn at Kaluaggala, Hanwella
					Floating primary mortgage bond over property situated at Mungama, Horana.
	Hatton National Bank PLC	113.23	18.20		
		305.76	138.14		
SunAgro LifeScience Ltd	Commercial Bank of Ceylon PLC	25.57	84.70	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	13.45	41.86	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	176.35	162.96	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.
	Hatton National Bank PLC	375.00		To be repaid over a period of five years follows together with interest after an initial grace period of 12 months.0-12 months - Grace Period, 13-36 months 6.25Mn per month 27-48 Months 7.8Mn per month and 48-60 Months 10.94Mn per month	Corporate Guarantee from Lankem Ceylon PLC amounting to Rs.375 Mn.

Company	Lender	Balance as at 31.03.2022 Rs.'Mn	Balance as at 31.03.2021 Rs.'Mn	Terms of Repayment	Security Pledged
	Siyapatha Finance PLC	32.60	43.43		Corporate Guarantee from Lankem Ceylon PLC amounting to Rs.50 Mn.
		622.97	332.95		
SunAgro Foods Ltd.	Sampath Bank PLC	-	10.19	Repayable in 25 monthly installments of Rs.0.1Mn each for first 12 months, Rs.0.2Mn each for next 12 months and a final installment of Rs.6.4Mn on 26th day of each month commencing from September 2019.	Corporate Guarantee from Lankem Ceylon PLC amounting to Rs.10 Mn.
		-	10.19		
ACME Printing and Packaging PLC	Seylan Bank PLC	7.30	-	Repayable in 60 equal monthly installments commencing from December 2019	Facility Agreement Monthly transfer of Rs. 0.15 Mn to Savings Account.
ACME Packaging Solutions (Pvt) Ltd	Sampath Bank PLC	43.25	-	Repayable in equal monthly installments commencing from December 2018	Mortgage of Rs. 90 Mn over Machinery owned by ACME Packaging Solution.
		50.55	-		

29. LEASE LIABILITIES

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Adjusted Balance as at 01st April	244,346	278,146	31,287	32,946
On Acquisition of Subsidiary	13,700	-	-	-
Leases Obtained during the year	13,803	11,864	6,052	11,864
Payments Made during the year	(66,116)	(70,831)	(14,248)	(17,401)
Interest Charged during the year	26,426	30,760	3,634	3,878
Terminations during the year	-	(5,593)	-	-
Balance at the end of the year	232,159	244,346	26,725	31,287
Amounts Recognised in Profit and Loss				
Amortization on Right-of-use-Assets	56,545	60,871	11,704	16,956
Interest Charged during the year	26,426	30,760	3,634	3,878
Amounts Recognised in Cash Flow				
Payments Made during the year	(66,116)	(70,831)	(14,248)	(17,401)
29.1 Maturity Analysis				
Payable within one year	56,702	50,770	11,200	10,161
Payable after one year	175,457	193,576	15,525	21,126
	232,159	244,346	26,725	31,287

Notes to the Financial Statements

30. DEFERRED INCOME

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
At the beginning of the year	23,277	28,674	-	-
Grants received during the year	176	803	-	-
Writeback during the year	-	(6,200)	-	-
At the end of the year	23,453	23,277	-	-
Amortisation				
At the beginning of the year	21,522	18,774	-	-
Amortisation for the year	887	2,748	-	-
At the end of the year	22,409	21,522	-	-
	1,044	1,755	-	-

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, amounted to Rs.500,000 for the acquisition of fully automated jam cup filling machine at a total cost of Rs.1.3 Mn. During the year 2019/20, the Company has acquired an Automated Filling Machine at a total cost of Rs.2.2 Mn under a government grant scheme which was aimed at facilitating Micro Small and Medium Enterprises (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. Out of the approved grant, the Company has received Rs.878,000/- during the previous year 2020/21 and Rs.176,000/- during the current year. The government grant is recognised as deferred income and is being amortised over the useful life of the machinery.

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

31. DEFERRED TAX ASSETS/(LIABILITIES)

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Balance at the beginning of the year	(329,157)	(243,479)	287,679	326,582
Recognised through Profit or Loss	31.1	9,780	(102,863)	15,615
Recognised through OCI	31.2	(191,783)	17,185	(8,632)
Balance at the end of the year	(511,160)	(329,157)	294,662	287,679

31.1 Recognised in Profit or Loss for the Year

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Due to change in the effective tax rate	-	240,840	-	215,064
Other Changes	(9,780)	(137,977)	(15,615)	(134,840)
	(9,780)	102,863	(15,615)	80,224

31.2 Recognised through OCI

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Due to change in the effective tax rate	-	169,355	-	82,480
Other Changes	(191,783)	(152,170)	(8,632)	(41,139)
	(191,783)	17,185	(8,632)	41,341

31.3 Deferred Tax Assets

Lankem Ceylon PLC, Sun Agro LifeScience Limited, J.F. Packaging (Pvt) Ltd, Alliance Five Ltd, Kiffs (Pvt) Ltd and Ceylon Tapes (Pvt) Limited has recognized net deferred tax assets as at 31st March 2022. The composition of these deferred tax assets are as follows,

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Deferred Tax Assets				
Defined Benefit Obligations	25,606	34,466	19,073	25,829
Tax Losses Carried Forward	424,249	391,358	262,211	254,940
Provision for Impairment of Trade Receivables	57,330	53,958	40,718	41,070
Provision for Obsolete Inventories	18,591	20,152	9,599	9,004
Unclaimed Finance Cost	83,737	176,045	83,194	172,416
Deferred Lease Rent Liability	7,540	9,424	-	-
Gain on FVTOCI Investments	10,724	11,461	10,724	11,461
Property, Plant & Equipment	(79,318)	(98,851)	(25,849)	(31,512)
Revaluation Surplus	(180,861)	(253,002)	(102,780)	(190,206)
Investment Properties	(2,228)	(2,424)	-	(2,424)
Right of Use Assets	(6,867)	(11,913)	(2,228)	(2,899)
	358,503	330,674	294,662	287,679

Notes to the Financial Statements

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 2022. The comparison of the deferred tax liabilities are as follows,

As at	Consolidated	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Deferred Tax Liabilities		
Defined Benefit Obligations	14,146	26,443
Tax losses carried forward	93,508	82,642
Provision for Impairment of Trade Receivables	598	510
Provision for Obsolete Inventories	617	636
Unclaimed Finance Cost	(4,418)	(5,314)
Deferred Lease Rent Liability	3,832	4,833
Gain on FVOCI Investments	1,059	1,593
Property, Plant & Equipment	(496,853)	(348,279)
Revaluation Surplus	(447,804)	(423,702)
Unrealised foreign exchange gain	(35,734)	-
Right of Use Assets	1,386	808
	(869,663)	(659,830)
Net Deferred Tax Liabilities	(511,160)	(329,156)

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 Unclaimed 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 2022 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.

Company	Tax Rates used as at	
	31.03.2022	31.03.2021
Lankem Ceylon PLC	18%	18%
Marawila Resorts PLC	14%	14%
J.F. Packaging Ltd.	18%	18%
SunAgro LifeScience Ltd.	24%	18%
Sigiriya Village PLC	14%	14%
Beruwala Resortws PLC	14%	14%
BOT Hotel Services (Pvt) Ltd.	14%	14%
Galle Fort Hotel (Pvt) Ltd.	14%	14%
C.W.Mackie PLC	24%	24%
Alliance Five (Pvt) Ltd.	18%	18%
Kiffs (Pvt) Ltd.	18%	18%
Ceylon Tapes (Pvt) Ltd.	16%	16%
Nature's Link Ltd.	24%	24%
ACME Printing & Packaging PLC	18%	-

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	31.03.2022		31.03.2021	
	Temporary Differences Rs. Mn	Deferred Tax Asset Rs. Mn	Temporary Differences Rs. Mn	Deferred Tax Asset Rs. Mn
SunAgro Farms Ltd.	60.0	14.4	59.9	14
Lankem Exports (Pvt) Ltd.	31.3	7.5	31.2	7.5
Lankem consumer Products Ltd.	193.0	46.3	192.4	53.9
Lankem Research Ltd.	-	-	13.7	4
Lankem Paints Ltd.	96.4	23.1	99.1	23.8
Lankem Chemicals Ltd.	3.3	0.8	3.0	0.7
SunAgro Foods Ltd.	152.2	36.5	162.2	38.9
Lankem Ceylon PLC	993.9	238.54	1,710.6	308
ACME Printing and Packaging PLC	172.3	31.0	-	-
Kelani Velly Canneries Ltd.	287.0	68.9	298.8	53.6
Lankem Technology Services (Pvt) Ltd.	-	-	0.5	0.1
Ceytra (Private) Ltd.	44.0	10.6	51.6	12.4
Ceymac Rubber Company Ltd.	36.1	6.5	36.1	7
Associated Farms Ltd.	21.7	5.2	21.6	5.2
	2,691.7	489.3	2,681.7	529.7

Notes to the Financial Statements

32. RETIREMENT BENEFIT OBLIGATIONS

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Present Value of the Funded Obligations (Note 32.2)	302,565	339,943	110,587	147,666
Present Value of the Unfunded Obligations (Note 32.4)	42,711	99,384	-	-
Present Value of the Obligations	345,276	439,327	110,587	147,666
Fair Value of Retirement Benefit Assets (Note 32.1)	(84,560)	(67,997)	(4,626)	(4,173)
Present Value of Net Obligations	260,716	371,330	105,961	143,493

Company

An Actuarial valuation has been carried out as at 31st March 2022 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. 4.6 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	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Movements in Fair Value of Plan Assets				
Fair Value of Plan assets at the beginning of the year	67,997	58,884	4,173	3,875
On Acquisition of Subsidiary	10,107	-	-	-
Contribution Paid to the Plan Assets	12,886	13,358	-	-
Expected Return on Plan Assets	5,169	5,612	300	387
Benefits paid by the Plan Assets / the Company	(8,665)	(6,765)	-	-
Actuarial Gains/(Losses)	(2,934)	(3,092)	153	(89)
Fair Value of Retirement Benefit Assets	84,560	67,997	4,626	4,173

32.2 Present Value of the Funded Obligations

For the Year Ended	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Movement in Present Value of Funded Obligations				
Balance at the beginning of the year	339,943	288,098	147,666	142,567
On Acquisition of Subsidiary	22,932	-	-	-
Amendments	405	-	-	-
Provision for the year	28,278	49,240	18,547	24,924
	391,558	337,338	166,213	167,491
Benefits paid by the Plan Assets / the Company	(9,136)	(30,094)	(18,335)	(24,179)
Actuarial (Gains)/Losses	(79,857)	32,699	(37,291)	4,354
Present Value of Defined Benefit Obligations	302,565	339,943	110,587	147,666
Expenses Recognised in the Statement of Profit or Loss				
Current Service Cost	14,916	22,143	7,913	10,667
Interest Cost	13,362	27,097	10,632	14,257
	28,278	49,240	18,545	24,924
Expected Return on Plan Assets	(5,169)	(5,612)	(300)	(387)
	23,109	43,628	18,245	24,537
(Gain) / Loss Recognise in OCI	(79,857)	32,699	(37,289)	4,354
	(79,857)	32,699	(37,289)	4,354

32.3 Present Value of Net Obligations

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Fair Value of Plan Assets (Note 32.1)	84,560	67,997	4,626	4,173
Present Value of Funded Obligations (Note 32.2)	(302,565)	(339,943)	(110,587)	(147,666)
Present Value of Net Obligations	(218,005)	(271,946)	(105,961)	(143,493)
Present Value of Unfunded Obligations (Note 32.3)	(42,711)	(99,384)	-	-
	(260,716)	(371,330)	(105,961)	(143,493)

Notes to the Financial Statements

32.4 Present Value of the Unfunded Obligations

As at	Consolidated	
	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Movement in Present Value of Unfunded Obligations		
Balance at the beginning of the year	99,384	81,561
Transfer Out	-	(795)
Provision for the year	39,770	22,649
	139,154	103,415
Gratuity Paid	(29,155)	(16,628)
Actuarial (Gains)/Losses	(67,288)	12,597
Present value of Defined Benefit Obligations	42,711	99,384
Expenses Recognised in the Statement of Comprehensive Income		
Current Service Cost	19,128	15,273
Interest on Obligations	20,642	7,376
Provision for the year	39,770	22,649
Net Actuarial (Gains)/Losses	(67,288)	12,597
	(27,518)	35,246

Consolidated

(i) The retirement benefit obligations as at 31st March 2022 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 2022 were Rs. 9.2 Mn, 11.2 Mn, 16.3 Mn and 50.2 Mn respectively.

ii) **J.F. Packaging Ltd.**

The retirement benefit obligations as at 31st March 2022 is based on actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Private) Ltd. as per which liability as at 31st March 2022 was Rs.15.7 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 2022 in respect of following companies are stated below:

Company Name	Expected Salary Increment Rate	Discount Rate	Liability as at
			31.03.2022 Rs. Mn
Lankem Ceylon PLC	7.5%	14.0%	106.0
Marawila Resorts PLC	6.1%	13.0%	9.2
Sigiriya Village Hotels PLC	7.5%	13.0%	11.2
C.W.Mackie PLC	10%	15.0%	50.2
Beruwala Resorts PLC	7.5%	13.0%	16.3
SunAgro LifeScience Ltd.	5.0%	13.0%	2.9
Galle Fort Hotels (Pvt) Limited	10%	13.0%	4.8
Ceylon Tapes (Pvt) Limited	10%	14.0%	9.7
Lankem Paints Ltd.	6.0%	13.0%	10.9
J.F. Packaging Ltd.	10%	14.0%	15.7
Sherwood Holidays Ltd.	10%	13.0%	1.8
Alliance Five (Pvt) Ltd.	10%	14.0%	5.3
Kiffs (Private) Limited	10%	14.0%	3.9
ACME Printing and Packaging PLC	10%	13.0%	12.8
			260.7

During the year ended 31st March 2022, retirement benefit obligation was adjusted to reflect new legal requirement as per minimum retirement age of Workers Act 28 of 2021 regarding retirement age. As a result, the Group's retirement benefit obligation decrease by Rs. 12.5 Mn. Accordingly, past service cost was recognised in profit or loss during the year ended 31st March 2022.

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	2022		2021	
	Increase Rs.'000	Decrease Rs.'000	Increase Rs.'000	Decrease Rs.'000
Movement by 1%				
Discount Rate	(53,402)	40,934	(71,618)	81,156
Future salary scale	54,810	(36,321)	79,037	(69,966)

Company	2022		2021	
	Increase Rs.'000	Decrease Rs.'000	Increase Rs.'000	Decrease Rs.'000
Movement by 1%				
Discount Rate	(4,707)	5,510	(6,536)	7,194
Future salary scale	5,363	(5,005)	7,114	(6,576)

The following payments are expected from defined benefit obligation in future years.

	Consolidated	Company
Within the next 12 months	57,611	18,452
Between 1-2 years	66,906	21,429
Between 2-5 years	118,938	38,094
Between 5-10 years	70,781	22,670
Beyond 10 years	31,041	9,942
Weighted Average Duration of Defined Benefit Obligation	5.04 years	5.02 years

33. TRADE AND OTHER PAYABLES

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Trade Payables	2,046,476	2,828,606	669,047	754,689
Other Payables	696,650	397,857	396,481	153,395
Accrued Expenses	465,902	394,227	205,264	151,537
Unclaimed Dividend	17,900	16,305	7,438	7,438
NBT Payable	3,836	2,913	-	-
VAT Payable	55,953	33,011	15,364	18,695
Advance Received	118,263	92,963	-	-
Other Levies Payable	18,246	16,429	-	-
	3,423,226	3,782,311	1,293,594	1,085,754

Notes to the Financial Statements

34. RELATED PARTY TRANSACTIONS

34.1 Amounts Due from Related Parties - Trade

As at	Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Subsidiaries		
C.W.Mackie PLC	163	179
SunAgro LifeScience Ltd.	1	-
Beruwala Resorts PLC	1,082	207
Marawilla Resorts PLC	1,345	896
BOT Hotel Services (Pvt) Ltd.	331	331
Sigiriya Village Hotels PLC	1,069	817
ACME Printing and Packaging PLC	3,149	-
Kiffs (Pvt) Ltd.	7	7
J.F. Packaging Ltd.	-	4,258
	7,147	6,695
Provision for Impairment of Amounts due from Related Parties - Trade (Note 34.1.1)	(887)	(194)
Net Carrying Amount	6,260	6,501

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Affiliates				
Ceylon Trading Company Ltd.	241	157	-	-
Kotagala Plantations PLC	677	677	-	-
E.B. Creasy & Company PLC	1,992	1,586	-	-
Darley Butler & Co Ltd.	826	-	-	-
Candy Delights Ltd.	359	209	-	-
Union Commodities (Pvt) Ltd.	15,321	14,645	-	-
Net Carrying Amount	19,416	17,274	-	-

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

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Balance at the beginning of the year	-	-	194	1,134
Provision / (Reversal) for the year	-	-	693	(940)
Balance at the end of the year	-	-	887	194

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

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Subsidiaries				
Beruwala Resort PLC	-	-	131	14
Marawila Resort PLC	-	-	278	33
BOT Hotels Services (Pvt) Ltd.	-	-	18	7
Sigiriya Village Hotels PLC	-	-	39	20
J.F. Packaging Ltd.	-	-	-	119
C.W.Mackie PLC	-	-	1	1
ACME Printing & Packaging PLC	-	-	420	-
	-	-	887	194

34.2 Amounts due from Related Parties – Non-Trade

As at	Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Subsidiaries		
Associated Farms (Pvt) Ltd.	19,988	19,952
Lankem Consumer Products Ltd.	158,625	158,601
Colombo Fort Hotels Ltd.	654,425	598,804
J.F. Packaging Ltd.	6,775	28,425
SunAgro Foods Ltd.	11,363	-
SunAgro Farms Ltd.	1,839	1,824
Lankem Exports (Pvt) Ltd.	312	246
Ceylon Tape Private Ltd.	2,829	2,237
Galle Fort Hotels (Pvt) Ltd.	18,055	12,055
Lankem Technology Ltd.	101	169
Nature's Link Ltd.	9,729	7,834
Lankem Chemicals Ltd.	397	237
Lankem Research Ltd.	1,552	1,536
	885,990	831,920
Provision for Impairment of Amounts due from Related Parties - Non Trade (Note 34.2.2)	(231,933)	(213,478)
Net Carrying Amount	654,057	618,442

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As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Affiliates				
E.B. Creasy & Company PLC	74,828	-	74,828	-
E.B. Creasy Logistic Ltd	-	-	196	-
Darley Butler & Co Ltd.	1,807	13,663	261	13,628
Lankem Developments PLC	3	3	-	-
Lankem Tea & Rubber Plantations (Pvt) Ltd.	25	25	-	-
Kotagala Plantations PLC	653	7,737	653	7,737
Agarapatana Plantations Ltd.	14,347	58,507	4,883	48,507
CWM Hotels Holdings Ltd.	81,939	81,939	-	-
York Hotel Management Services Ltd.	128,869	121,843	-	-
Lanka Special Steel Ltd.	-	1,310	-	1,310
Duramedical Lanka Ltd.	347	151	151	151
The Colombo Fort Land & Buildings PLC	3,591	4,358	134	134
Property & Investment Holdings (Pvt) Ltd.	25,560	137,600	-	-
Consolidated Tea Plantations Ltd.	27,920	5,296	27,920	5,296
Ceytape Ltd.	-	230	-	-
	359,889	432,662	109,026	76,763
Provision for Impairment of Amounts due from Related Parties - Non Trade (Note 34.2.2)	(88,543)	(87,766)	(4,432)	(2,360)
Net Carrying Amount	271,346	344,896	104,594	74,403
Total amounts due from Related Parties - Non Trade	271,346	344,896	758,651	692,845

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

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Balance as at the beginning of the year	87,766	88,676	215,838	287,265
(Reversal)/ Provision for the year	777	(910)	20,527	(71,427)
Balance as at the end of the year	88,543	87,766	236,365	215,838

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

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Subsidiaries				
Lankem Consumer Products Ltd.	-	-	158,625	158,601
Associated Farms (Pvt) Ltd.	-	-	19,988	19,952
SunAgro Farms Ltd.	-	-	1,839	1,824
Lankem Exports (Pvt) Ltd.	-	-	312	246
Nature's Link Pvt Ltd.	-	-	9,729	7,834
Lankem Research Ltd.	-	-	1,552	1,536
Colombo Fort Hotels Ltd.	-	-	38,590	21,661
Galle Fort Hotels Private Ltd.	-	-	518	613
J.F. Packaging Ltd.	-	-	278	796
Ceylon Tape Private Ltd.	-	-	4	9
Lankem Chemicals Ltd.	-	-	397	237
Lankem Technology Services Ltd.	-	-	101	169
	-	-	231,933	213,478
Affiliates				
Darley Butler & Co Ltd.	1	-	1	-
Agarapatana Plantations Ltd.	165	1,800	165	1,800
Duramedical Lanka Ltd.	9	13	9	13
Lanka Special Steels Ltd.	1	7	1	7
E B Creasy & Company PLC	1,054	2	1,054	2
Kotagala Plantations PLC	29	326	29	326
Consolidated Tea Plantations Ltd.	3,173	212	3,173	212
Property and Investment Holdings (Pvt) Ltd.	2,172	3,467	-	-
CWM Hotels Holdings Ltd.	81,939	81,939	-	-
	88,543	87,766	4,432	2,360
	88,543	87,766	236,365	215,838

Notes to the Financial Statements

34.3 Loans due from Related Parties

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Colombo Fort Hotels Ltd.	-	-	55,000	55,000
Consolidated Tea Plantation Ltd.	165,968	272,631	165,968	272,631
The Colombo Fort Land & Building PLC	104,000	-	-	-
	269,968	272,631	220,968	327,631
Provision for Impairment of Loans due from Related Parties (Note 34.3.1)	(7,497)	(10,925)	(10,740)	(12,915)
	262,471	261,706	210,228	314,716

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

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Balance at the beginning of the year	10,925	16,055	12,915	25,135
Reversal during the year	(3,428)	(5,130)	(2,175)	(12,220)
Balance at the end of the year	7,497	10,925	10,740	12,915

34.3.2 Provision for Impairment of Loans due from Related Parties

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Provision for Impairment				
Colombo Fort Hotels Ltd.	-	-	3,243	1,990
Kotagala Plantations PLC	-	10,925	-	10,925
Consolidated Tea Plantation Ltd.	7,497	-	7,497	-
	7,497	10,925	10,740	12,915

34.4 Amounts Due to Related Parties - Trade

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Subsidiaries				
BOT Hotel Services (Pvt) Ltd.	-	-	89	89
Ceylon Tapes (Pvt) Ltd.	-	-	963	676
J.F. Packaging Ltd.	-	-	1,035	-
SunAgro LifeScience Ltd.	-	-	-	319
	-	-	2,087	1,084

34.5 Amounts due to Related Parties - Non-Trade

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs. '000	31.03.2021 Rs. '000
Subsidiaries				
Sigiriya Village Hotels PLC	-	-	33,040	28,858
C.W.Mackie PLC	-	-	11,429	-
Lankem Paints Ltd.	-	-	21,368	20,974
Alliance Five (Pvt) Ltd.	-	-	15,000	-
SunAgro LifeScience Ltd.	-	-	391,050	403,916
	-	-	471,887	453,748
Affiliates				
York Hotel Management Services Ltd.	13,287	12,440	10,801	9,954
Kotagala Plantations PLC	52,626	7,869	44,926	-
Agarapatana Plantation Ltd.	14,204	13,326	33	33
Lankem Development PLC	17,617	19,992	9,141	12,417
Lankem Tea & Rubber Plantations Ltd.	30,577	46	30,577	10
E.B. Creasy & Company PLC	179	67,089	-	66,251
Carplan Ltd.	68	319	68	301
Colonial Motors PLC	3,223	61	-	-
Laxapana Batteries PLC	31	31	31	31
The Colombo Fort Land & Building PLC	121,752	110,027	6,010	5,981
Waverly Power (Pvt) Ltd.	54,086	56,759	48,324	52,064
E.B. Creasy Logistic Ltd.	1,636	17,812	1,530	17,081
Darley Butler & Co Ltd.	-	92	-	-
KIA Motors (Lanka) Ltd.	-	19	-	-
CM Holdings PLC	5,515	5,294	5,515	5,294
Union Commodities Ltd.	41,224	45,651	6,145	10,541
Colombo Fort Group Service (Pvt) Ltd.	3,185	3,572	1,722	2,827
Sunquick Lanka (Pvt) Ltd.	382,633	461,115	-	-
	741,843	821,514	164,823	182,785
Total amounts due to Related Parties	741,843	821,514	636,710	636,533

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	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Associates				
(Receipt)/Payment of Outstanding Balances	3,589	806	3,589	806
Interest (Expenses)/Income	1,067	4,095	-	5,296
(Reimbursement)/ Charging of Expenses	-	647	-	647
Joint Venture				
(Receipt)/Payment of Outstanding Balances	1,307,020	908,089	-	-
Interest (Expenses)/Income	-	(7,276)	-	-
(Reimbursement)/ Charging of Expenses	105,971	84,676	-	-
(Purchases)/Sale of Goods	(1,434,982)	(956,160)	-	-
Affiliates				
(Purchases)/Sale of Goods	(108,729)	(159,699)	6,482	1,773
(Receipt)/Payment of Outstanding Balances	(499,937)	248,508	(716,198)	30,639
(Reimbursement)/ Charging of Expenses	18,534	(61,495)	67,901	(25,544)
Rent Income	(7,188)	3,915	(7,188)	3,915
Management Fees	(18,411)	10,619	30,000	30,000
Interest (Expenses)/Income	3,714	11,948	13,913	23,438
Settlement of Loan (Obtained) / Granted	(16,240)	(92,800)	41,400	(74,900)
Sale of Assets	606,381	-	606,381	-
Sale of Shares	(62,944)	-	(62,944)	-
Subsidiaries				
(Purchases)/ Sale of Goods	-	-	40,100	18,847
(Reimbursement)/ Charging of Expenses	-	-	113,844	183,811
Fixed Asset Transfers	-	-	-	28
(Receipt) / Payment of Outstanding Balances	-	-	(84,493)	(229,474)
Interest (Expenses) / Income	-	-	17,801	29,969
Loans (Granted)/ Obtained	-	-	(365,000)	-

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 2022.

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. E.B. Creasy & Company PLC	Related party	600,000,000	60% of total equity and 3% of total assets	Disposal of Company's Property situated at Gonawala, Sapugaskanda (Depicted in Plan as "Alubogahawatta" and "Batadombagahawatta") containing a total extent of A5-R1-P27.90 for a total consideration of Rs.600Mn	Disposal of property in accordance with the strategic initiatives In place, to reduce borrowings of the Company.
2. SunAgro LifeScience Ltd.	Wholly owned Subsidiary	300,000,000	30% of Equity and 1.5% of total assets	Obtaining a corporate guarantee subject to commission of 2% per annum.	Rescheduling of existing banking facilities at lower interest rate and obtaining of LC facilities.
3. SunAgro LifeScience Ltd.	Wholly owned Subsidiary	375,000,000	37% of Equity and 1.8% of total assets	Providing a corporate guarantee subject to commission of 2% per annum.	Granting of security on behalf of SunAgro LifeScience Ltd in order for the subsidiary to obtain a term loan facility at a lower interest rate.
4. SunAgro Lifescience Ltd.	Wholly owned Subsidiary	375,000,000	37% of Equity and 1.8% of total assets	Obtaining an interest bearing loan.	To settle outstanding term loan facility with HNB
5. E.B. Creasy & Company PLC	Related party	53,700,000	5% of Equity and 0.2% of total assets	Obtaining an Interest bearing loan	To meet an urgent funding requirement
6. E.B. Creasy & Company PLC	Related party	100,000,000	10% of Equity and 0.5% of total assets of shares at	Receiving a security to the value of Rs.100Mn for banking facility obtained by the Company	Securing collateral to facilitate borrowing
7. E.B. Creasy & Company PLC	Related party	62,943,515	6% of Equity and 0.3% of total assets	Disposal of investment (ie 12,588,703 shares at Rs. 5/- each) held by the Company In Agarapatana Plantations Ltd.	To meet an urgent funding requirement

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.

Notes to the Financial Statements

(b) Key Management Personnel Compensation

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

As at	Consolidated		Company	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Short-Term Employee Benefits	143,224	134,853	89,320	88,885
Termination Benefits	-	41,700	-	41,700
Total Compensation paid to key management personnel	143,224	176,553	89,320	130,585

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.A.Hettiarachchy	Mr.A.C.S.Jayaranjan	Mr.R.Seevaratnam	Mr.P.M.A.Sirimane	Mr.P.S.Goonewardene	Mr.G.K.B.Dasanayaka	Dr. A. M. Mubarak
Lankem Ceylon PLC	Parent	✓	✓	✓	✓	✓	✓	✓	✓	✓
The Colombo Fort Land & Building PLC	Subsidiary	✓	✓			✓	✓			
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	✓	✓							
J.F. 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	✓								
ACME Printing & Packaging PLC	Subsidiary	✓	✓	✓	✓	✓	✓	✓	✓	

Name of the Company	Relationship	Name of the Director								
		Mr. S.D.R. Arudpragasam	Mr. Anushman Rajaratnam	Mr. A. Heitarachy	Mr. A. C.S. Jayaranjan	Mr. R. Seevaratnam	Mr. P.M.A. Sirimane	Mr. P.S. Goonewardene	Mr. G.K.B. Dasanayaka	Dr. A. M. Mubarak
Agarapatana Plantations Ltd.	Related Company	✓	✓							
C M Holdings PLC	Related Company	✓	✓							
Colombo Fort Investments PLC	Related Company	✓	✓							
Colonial Motors (Ceylon) Ltd.	Related Company	✓	✓							
Consolidated Rubber Plantations (Pvt) 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 Development 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. Anushman Rajaratnam was appointed to the Board of Colombo Fort Investments PLC and York Arcade Holdings PLC with effect from 9th June 2022.
- Mr. G.K.B. Dasanayake was appointed to the Board of J.F. Packaging Ltd with effect from 21st October 2021.
- Mr. G.K.B. Dasanayake and Dr. A.M. Mubarak were appointed to the Board of Ceylon Tapes (Pvt) Ltd on 1st July 2022.

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	
		31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Trade Receivable	23	4,265,231	4,072,661	1,044,517	1,070,823
Amounts due from Related Parties - Trade	34.1	19,416	17,274	7,147	6,695
Amounts due from Related Parties - Non-Trade	34.2	359,889	432,662	995,016	908,683
Loans due from Related Parties	34.3	269,968	272,631	220,968	327,631
Cash and Bank Balances	24	779,635	536,899	85,448	123,503
Financial Assets measured at FVTPL	21	29,479	40,376	29,479	40,376
Financial Assets measured at FVOCI	20	23,693	18,845	20,702	16,390
		5,747,311	5,391,348	2,403,277	2,494,101

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

As at	Consolidated				Company			
	31.03.2022		31.03.2021		31.03.2022		31.03.2021	
	Gross Rs. '000	Impairment Rs. '000	Gross Rs. '000	Impairment Rs. '000	Gross Rs. '000	Impairment Rs. '000	Gross Rs. '000	Impairment Rs. '000
Past due 0-365 days	4,415,676	88,543	4,346,819	87,766	2,041,436	247,105	2,085,667	228,753
More than one year	498,828	498,828	448,409	448,409	226,212	226,212	228,165	228,165
	4,914,504	587,371	4,795,228	536,175	2,267,648	473,317	2,313,832	456,918

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. 763.4 Mn as at 31st March 2022 (Rs. 529.3 Mn as at 31st March 2021) which represent its maximum credit exposure on these assets.

35.3 Liquidity Risk

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

The following are the contractual maturities of financial liabilities, excluding estimated interest payments.

As at 31st March 2022	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	10,704,057	10,704,057	6,933,097	3,770,960	3,841,708	3,841,708	2,359,615	1,482,093
Loan Payable to Related Parties	407,410	407,410	407,410	-	514,164	514,164	514,164	-
Trade Payables	2,046,476	2,046,476	2,046,476	-	669,047	669,047	669,047	-
Amounts Due to Related Parties - Trade	-	-	-	-	2,087	2,087	2,087	-
Amounts Due to Related Parties - Non Trade	741,843	741,843	741,843	-	636,710	636,710	636,710	-
Lease Liabilities	232,159	232,159	56,702	175,457	26,725	26,725	11,200	15,525
Bank Overdraft	1,017,915	1,017,915	1,017,915	-	337,972	337,972	337,972	-
Other Payable	1,240,587	1,240,587	1,240,587	-	617,109	617,109	617,109	-
	16,390,447	16,390,447	12,444,030	3,946,417	6,645,522	6,645,522	5,147,904	1,497,618

Notes to the Financial Statements

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
Non-Derivative Financial Liabilities								
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	-
Other Payable	934,487	934,487	934,487	-	323,627	323,627	323,627	-
	15,443,681	15,443,681	11,122,767	4,320,917	7,429,100	7,429,100	4,979,954	2,449,146

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 As at 31 March	2022		2021	
	US\$	EURO	US\$	EURO
Trade and Other Payables	(1,966,946)	(37,478)	(5,576,281)	(56,569)
Trade and Other Receivables	2,459,964	267,153	1,215,242	294,598
Cash and Cash Equivalents	1,057,154	155,902	661,442	12,610
Interest Bearing Borrowing	(2,633,954)	-	(2,693,342)	-
Gross statement of financial position exposure	(1,083,782)	385,577	(6,392,939)	250,639

Company As at 31 March	2022		2021	
	US\$	EURO	US\$	EURO
Trade and Other Payables	(1,208,502)	(12,535)	(2,040,597)	(15,874)
Cash and Cash Equivalents	16,283	-	1,701	-
Gross statement of financial position exposure	(1,192,219)	(12,535)	(2,038,896)	(15,874)

The following significant exchange rates were applicable during the year:

	Average Rate		Reporting Date Spot Rate	
	2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
USD	205.22	191.42	299	199.69
Euro	238.26	226.57	334.03	234.20

Sensitivity Analysis

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

	Strengthening/(Weakening) in exchange rate USD	Effect on Profit before Tax	
		Consolidated Rs.'000	Company Rs.'000
As at 31 st March 2022	+15%	48,608	53,471
	-15%	(48,608)	(53,471)
As at 31 st March 2021	+10%	127,659	40,714
	-10%	(127,659)	(40,714)

	Strengthening/(Weakening) in exchange rate Euro	Effect on Profit before Tax	
		Consolidated Rs.'000	Company Rs.'000
As at 31 st March 2022	+15%	(19,319)	628
	-15%	19,319	(628)
As at 31 st March 2021	+10%	(5,870)	372
	-10%	5,870	(372)

Refer note 39 for subsequent event that would expect the currency exposure.

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	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Fixed rate instruments				
Financial Assets	12,645	11,427	-	9,009
Variable rate instruments				
Financial Assets	262,471	261,706	210,228	314,716
Financial Liabilities	11,111,467	9,663,826	3,990,872	5,315,308
	11,373,938	9,925,532	4,201,100	5,630,024

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)	Effect on Profit before Tax	
		Consolidated Rs.'000	Company Rs.'000
As at 31 st March 2022	+100	118,490	37,806
	-100	(118,490)	(37,806)
As at 31 st March 2021	+100	99,141	56,210
	-100	(99,141)	(56,210)

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 market price (unadjusted) in active markets for an identical instrument.

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.

	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
31 st March 2022						
Financial Assets Measured at Fair Value	12,142	-	11,551	9,426	-	11,276
Financial Assets Measured at Fair Value through Profit or Loss	29,479	-	-	29,479	-	-
	41,621	-	11,551	38,905	-	11,276

	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
31 st March 2021						
Financial Assets measured at Fair Value through OCI	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

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

	Net Assets Value	
	As at 31st March 2022	As at 31st March 2021
Nanotechnology (Pvt) Ltd.	0.00	0.01
Lankem Tea & Rubber Plantations (Pvt) Ltd.	274.87	21.22
Agarapatana Plantations Limited	5.10	4.54
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 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 2022	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000	Rs.000
Financial Assets						
Trade Receivables	-	818,305	-	-	818,305	818,305
Amounts due from Related Parties - Trade	-	6,260	-	-	6,260	6,260
Amounts due from Related Parties - Non-Trade	-	758,651	-	-	758,651	758,651
Loans due from Related Parties	-	210,228	-	-	210,228	210,228
Financial Assets measured at FVTPL	29,479	-	-	-	29,479	29,479
Financial Assets measured at FVOCI	-	-	20,702	-	20,702	20,702
Bank & Cash Balances	-	85,448	-	-	85,448	85,448
	29,479	1,878,892	20,702	-	1,929,073	1,929,073
Financial Liabilities						
Interest Bearing Borrowings	-	-	-	3,841,708	3,841,708	3,841,708
Lease Liabilities	-	-	-	26,725	26,725	26,725
Loans Payable to Related Parties	-	-	-	514,164	514,164	514,164
Trade Payables	-	-	-	669,047	669,047	669,047
Amounts due to Related Parties - Trade	-	-	-	2,087	2,087	2,087
Amounts due to Related Parties - Non-Trade	-	-	-	636,710	636,710	636,710
Bank Overdraft	-	-	-	337,972	337,972	337,972
Other Payables	-	-	-	617,109	617,109	617,109
	-	-	-	6,645,522	6,645,522	6,645,522

Notes to the Financial Statements

COMPANY	Financial Assets Measured at FVTPL Rs.000	Financial Assets Measured at Amortised cost Rs.000	Financial Assets Measured at FVOCI Rs.000	Financial Liabilities Measured at Amortised Cost Rs.000	Total Carrying Amount Rs.000	Fair Value Rs.000
As at 31st March 2021						
Financial Assets						
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 FVTPL	-	-	16,390	-	16,390	16,390
Financial Assets measured at FVOCI	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
Financial Liabilities						
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
Other Payable	-	-	-	323,627	323,627	323,627
	-	-	-	7,429,100	7,429,100	7,429,100
CONSOLIDATED						
As at 31st March 2022						
Financial Assets						
Trade Receivables	-	3,766,403	-	-	3,766,403	3,766,403
Amounts due from Related Parties - Trade	-	19,416	-	-	19,416	19,416
Amounts due from Related Parties - Non-Trade	-	271,346	-	-	271,346	271,346
Loans due from Related Parties	-	262,471	-	-	262,471	262,471
Financial Assets measured at FVTPL	29,479	-	-	-	29,479	29,479
Financial Assets measured at FVOCI	-	-	23,693	-	23,693	23,693
Bank & Cash Balances	-	779,635	-	-	779,635	779,635
	29,479	5,099,271	23,693	-	5,152,443	5,152,443
Financial Liabilities						
Interest Bearing Borrowings	-	-	-	10,704,057	10,704,057	10,704,057
Lease Liabilities	-	-	-	232,159	232,159	232,159
Trade Payables	-	-	-	2,046,476	2,046,476	2,046,476
Loans Payable to Related Parties	-	-	-	240,039	240,039	240,039
Amounts due to Related Parties - Non-Trade	-	-	-	741,843	741,843	741,843
Bank Overdraft	-	-	-	1,017,915	1,017,915	1,017,915
Other Payable	-	-	-	1,240,587	1,240,587	1,240,587
	-	-	-	16,223,076	16,223,076	16,223,076

CONSOLIDATED	Financial Assets Measured at FVTPL Rs.000	Financial Assets Measured at Amortised cost Rs.000	Financial Assets Measured at FVOCI Rs.000	Financial Liabilities Measured at Amortised Cost Rs.000	Total Carrying Amount Rs.000	Fair Value Rs.000
As at 31st March 2021						
Financial Assets						
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
Financial Liabilities						
Interest Bearing Borrowings	-	-	-	9,423,787	9,423,787	9,423,787
Lease Liabilities	-	-	-	249,346	249,346	249,346
Trade Payable	-	-	-	2,828,606	2,828,606	2,828,606
Loan Payable to Related Parties	-	-	-	240,039	240,039	240,039
Amounts due to Related Parties - Non-Trade	-	-	-	821,514	821,514	821,514
Bank Overdraft	-	-	-	950,902	950,902	950,902
Other Payable	-	-	-	934,487	934,487	934,487
	-	-	-	15,448,681	15,448,681	15,448,681

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	
	31.03.2022 Rs.'000	31.03.2021 Rs.'000	31.03.2022 Rs.'000	31.03.2021 Rs.'000
Total Liabilities	17,467,258	16,266,994	6,758,921	7,580,031
Less: Cash and cash equivalents	(779,635)	(536,899)	(85,448)	(123,503)
Net debts	16,687,623	15,730,095	6,673,473	7,456,528
Total Equity	5,121,016	3,901,596	1,272,586	711,136
Debt to Equity ratio (Gearing Ratio)	3.26	4.03	5.24	10.49

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 2022.

Name of the Company	Amount Rs. '000
Lankem Developments PLC	62,080
SunAgro Lifescience Ltd.	779,972
J.F. Packaging Ltd.	217,230
Agarapatana Plantations Ltd.	200,000
	1,259,282

Comfort letters are provided for SunAgro Farms Ltd., Lankem Consumer Products Ltd., Lankem Exports (Pvt) 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. Mn	
	2022	2021
Ceymac Rubber Company Ltd.	99	99
Ceytra (Pvt) Ltd	8	8
Kelani Vellay Canneries Ltd	90	90
Sunquick Lanka Properties (Pvt) Ltd	-	90
	197	287
Short term loan facilities:		
Ceymac Rubber Company Limited	76	85
Kelani Valley Canneries Limited	70	57
	146	142

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/temporary bridging short-term loan facility,, 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) Significant Changes to Foreign Exchange Rate

As disclosed in the Note 35.4.1, the values of assets and liabilities of the Group denominated in foreign currencies have been translated with reference to the year end spot exchange rates. Subsequent to the reporting date, the exchange rates for the currencies disclosed in Note 35.4.1 to the consolidated financial statements have appreciated significantly against LKR and it would result in changes to the values arising from the subsequent translation of foreign currency assets and liabilities compared to the amounts reported in the Statement of Financial Position as at 31st March 2022.

(b) Restructure of Ownership - J.F. Packaging Limited

The Board of Directors of the Company has entered into preliminary discussion with the Board of ACME Printing & Packaging PLC to negotiate a sale of the controlling stake of 51% or above of J.F. Packaging Limited's equity to ACME Printing & Packaging PLC. However, no terms of the transaction is finalised upto date.

(c) Dilution of Control ACME Printing & Packaging PLC

ACME Printing and Packaging PLC, a subsidiary of the Company made a Rights Issue of 123,485,739 Ordinary Shares at a price of Rs. 4.50 per Share to the holders of the Issued Ordinary Shares of ACME Printing and Packaging PLC as at the end of trading on 28th June 2022.

The Company did not subscribe to the rights issue made by the Subsidiary. Accordingly, the Company's equity stake in ACME Printing and Packaging PLC was reduced to 25.1% subsequent to the Rights Issue of Shares. However, the Company's related party E.B. Creasy & Company PLC increased its control to 57.62% of ACME Printing and Packaging PLC after the Rights Issue.

40. GOING CONCERN

The Group and the Company has reported accumulated losses of Rs. 1,711.4 Mn (2021- Rs. 2,254.7 Mn) and Rs. 469.8 Mn ((2021- 1,073.6 Mn) respectively and current liabilities exceed the current assets by Rs. 2,674.6 Mn (2021-2,236.7 Mn) and Rs. 1,778.9 Mn (2021- Rs. 2,104 Mn) respectively as at 31st March 2022. These financial results shows a promising environment in the business growth compared to previous years. Further, the Company has taken following steps to continue this positive results in the foreseeable future.

1. The Company's pricing strategies of all Divisions have been streamlined to ensure that products and services are not sold below the cost/nor breakeven levels
2. The stringent cost curtailment will continue to the ensuing financial year to ensure that all overhead costs are minimized.
3. Aggressive marketing strategies have been introduced with a focus to improve the customer awareness and expand on the market share of the product mix in the Paints line of business. This includes the continuous assessment of identifying the correct product mix.
4. The acquisition of ACME is expected to enable the Group to synergise the processes in the packing line of business and improve competitiveness in the packaging industry through innovation.

Considering the expected impact out of these strategies the Board of Directors are confident the Company/Group will continue as a going concern. Accordingly, these financial statements are prepared on a going concern basis.

Notes to the Financial Statements

41. NEGATIVE MACRO ECONOMIC OUTLOOK

Background

Sri Lankan economy presented signs of recovery from the impact of COVID-19 pandemic during the year ended 31 March 2022. However, it continued to present a negatively impacted outlook from late March 2022 mainly due to insufficient foreign reserves/liquidity and the global price increases of fuel. These factors resulted in the country to impose certain strict restrictions on the imports to preserve foreign reserves to meet the essential import needs to the public. The situation got aggravated when the credit rating of the country was downgraded to "Default Imminent(C)" with the announcement by the government of Sri Lanka on with holding repayments of foreign currency bonds and debts. These conditions added up to a rapid increase in the inflation rates of the country. As a control measure, rigorous counter actions such as increase in policy interest rates and floating the Sri Lankan rupee were introduced by the government to temper the continuously growing inflationary pressure.

Impact to the sectors

The Company's business operation is to manage its investments portfolio which mainly consist of investment in subsidiaries operating in the Agro and plantations, Industrial industries, Consumer and Leisure. Accordingly, the impact of the negative macro-economic outlook explained above would be limited to the impact towards these industries. The Group evaluated the impact of the economic uncertainty towards these industries and concluded the following.

The Group's most of the businesses operate in essential category. The Group evaluates its resilience of its businesses considering the factors such as cash reserves, potential sources of financing, foreign currency receipts and profitability; if required and possibility of differing of non-essential capital expenditure.

Further, since there is a possibility of default risk from the customers, Group, at each business level a disciplined approach has been adopted to optimise the collection via a rigid credit control management process. Group did not extend the credit terms other than in the normal business terms. Further, the Group has negotiated with its foreign suppliers and has negotiated better terms. And also the Group has not determined impairment on property, plant & equipment as at the reporting date due to negative impact of the change in macro economic condition. Business operations are carrying forward under the business continuity plan, allowing operations to function through alternative working arrangements while encoring the cost saving mechanisms.

Considering the above, the Group concluded that the negative macro-economic outlook of the country would not have a severe impact on the Groups future operating results.

As at 31st March 2022 inflation rate was 21.5%. However, it has been escalated up to 66.7% at the end of July 2022. Exchange rates also observed a notable fluctuation after the balance sheet date and has not adjusted in the current year financial statements since the conditions that gave rise to the gain/(loss) did not exist as of 31st March 2022.

The Monetary Board of the Central Bank of Sri Lanka (CBSL) has decided to increase the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR). The depletion of foreign reserves has put restrictions on imports and affected supplies.

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
Bretwalda Resorts PLC	49.23
Ceymac Rubber Company Ltd.	54.63
Ceytra (Pvt) Ltd.	34.77
Kelani Velly Canneries Limited	48.83
SunQuick Lanka Properties (Pvt) Ltd.	28.22
Galle Fort Hotel (Pvt) Ltd.	68.89
Lak Kraft (Pvt) Ltd.	68.89
Sherwood Holidays Ltd.	69.11
Kiffs (Pvt) Ltd.	100
Alliance Five (Pvt) Ltd.	100
Ceylon Tapes (Pvt) Ltd.	100
Sigiriya Village Hotels PLC	28.44
SunAgro Foods Ltd.	100
ACME Packaging Solutaion Ltd.	57.93

43. NON-CONTROLLING INTERESTS IN SUBSIDIARIES

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

	Marawila Resorts PLC		Colombo Fort Hotels Ltd.		C.W. Makies PLC		Other Individually Immaterial Subsidiaries	
	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000	2022 Rs. '000	2021 Rs. '000
Total assets	1,849,487	1,764,264	2,586,131	2,527,355	8,403,589	7,251,433	6,083,103	4,555,791
Total Liabilities	928,371	756,836	1,174,510	1,033,980	4,764,847	4,317,804	3,203,373	1,656,150
Net assets	921,116	1,007,428	1,411,621	1,493,375	3,638,742	2,933,629	2,879,730	2,899,641
Carrying amount of NCI	574,408	628,232	439,155	464,589	1,624,334	1,309,572	946,385	1,030,542
Revenue	249,313	183,599	-	-	13,163,499	10,927,486	381,030	248,108
Profit/(loss) after tax	(199,481)	(112,009)	(65,393)	(73,157)	495,407	255,671	(272,616)	(306,803)
Total Comprehensive Income	112,489	(110,041)	760	33	461,626	218,276	-	-
Profit/(loss) allocated to NCI	(124,396)	(69,849)	(20,344)	(22,759)	221,150	114,132	-	-
Cash flows from operating activities	(27,498)	(24,149)	(377)	(628)	(285,449)	370,083	-	-
Cash flows from/(used in) investing activities	(6,067)	(2,138)	90	48	(263,254)	(225,786)	-	-
Cash flows from financing activities	18,701	45,454	-	-	663,829	(193,326)	-	-
Dividend paid to NCI	-	-	-	-	-	-	-	-
NCI percentage (%)	62.36%	62.36%	31.11%	31.11%	44.64%	44.66%	-	-
Principal place of business	Thalwilawella, Thoduwawa, Marawila.		8-5/2, Layden Bastian Road, York Arcade Building, Colombo 01.		No. 36, D. R. Wijewardena Mawatha, Colombo 10.			

Ten Year Summary

	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14	2012/13
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000
Statement of Profit or Loss										
Revenue	21,191,341	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
Share of Profit / (Loss) of Associate	3,814	(537)	(7,926)	(334,521)	(97,602)	(75,280)	(217,950)	(268,945)	(65,773)	-
Share of Profit / (Loss) of Joint Venture	(127,808)	(50,516)	7,963	46,659	(20,697)	-	-	-	-	-
Profit/(Loss) Before Income Tax	263,157	(779,441)	(1,182,563)	(1,049,956)	(349,155)	(613,132)	(140,306)	(260,499)	(71,414)	801,700
Income Tax Expense	(266,706)	(266,679)	157,040	165,676	(127,949)	(118,332)	(114,274)	(113,299)	(144,226)	(248,557)
Profit/(Loss) for the Year	(3,549)	(1,046,120)	(1,025,523)	(884,280)	(477,104)	(731,464)	(254,580)	(373,798)	(215,640)	553,143
Profit Attributable to Non-Controlling Interests	(48,474)	(180,727)	(138,263)	98,284	106,253	58,272	179,232	(22,797)	141,059	439,984
Profit Attributable to Owners of the Company	44,925	(865,393)	(887,260)	(583,357)	(789,736)	(444,874)	(351,001)	(356,699)	113,159	476,353
Statement of Financial Position										
Equity										
Stated Capital	1,282,697	930,346	930,346	930,346	930,346	536,218	536,218	536,218	536,218	536,218
Capital Reserves	4,833	4,833	4,833	4,833	4,833	4,833	3,409	3,409	3,409	3,409
FVTOCI Reserves	(13,996)	(18,584)	(19,182)	(4,706)	12,734	1,750	3,713	13,425	11,060	9,007
Revenue Reserves	(1,711,409)	(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
Revaluation Reserves	2,290,499	2,341,192	1,700,657	1,679,064	-	-	-	-	-	-
Non-Controlling Interests	3,268,392	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
Total Equity	5,121,016	3,901,596	3,933,750	5,022,075	3,686,478	4,121,109	5,438,404	6,251,920	6,477,163	7,225,939
Assets										
Non-Current Assets	12,514,992	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
Current Assets	10,073,282	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
Total Assets	22,588,274	20,168,590	18,356,491	18,573,304	16,563,049	16,348,061	15,932,752	14,860,195	14,343,997	21,347,294
Liabilities										
Non-Current Liabilities	4,719,337	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
Current Liabilities	12,747,921	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
Total Liabilities	17,467,258	16,266,994	14,422,742	13,551,229	12,876,571	12,226,952	9,928,337	8,823,539	8,041,739	14,121,355
Cash Flow Statement										
Net Cash Flow Generated from/ (Used in) Operating Activities	(228,416)	60,688	(766,962)	(183,813)	(151,346)	256,358	(559,568)	917,449	146,332	144,499
Net Cash Flow Generated from/ (Used in) Investing Activities	17,968	(26,816)	(132,244)	(112,936)	(75,404)	(831,756)	(340,790)	(1,211,181)	(573,837)	(3,193,687)
Net Cash Flow Generated from/ (Used in) Financing Activities	386,171	229,141	717,735	(7,388)	715,965	1,160,724	142,233	567,211	188,434	2,199,613
Net Increase/(Decrease) in Cash and Cash Equivalents	175,723	263,013	(181,471)	(304,137)	489,215	(758,125)	273,479	(239,071)	(849,575)	(809,579)
Key Indicators										
Earnings per Share (Rs.)	0.94	(23.81)	(26.21)	(29.02)	(25.45)	(32.91)	(17.96)	(14.63)	(14.86)	4.71
Dividend Per Share (Rs.)	-	-	-	-	-	-	-	-	-	1.50
Net Assets per Share (Rs.)	35.99	29.63	39.48	65.84	45.99	78.49	110.93	129.56	153.66	167.98
Market Capitalisation (Rs. Mn)	1,390	917	579	745	1,263	1,056	1,920	2,474	2,400	3,468
Current Ratio (No. of Times)	0.79	0.80	0.79	0.89	0.84	0.87	0.84	0.90	0.97	1.07
Interest Cover (No. of times)	1.42	0.28	0.02	0.22	0.71	0.36	0.77	0.41	0.85	1.86
Price Earnings Ratio (No. of Times)	29.03	(1.06)	(0.65)	(0.76)	(1.49)	(1.34)	(4.45)	(7.05)	(6.73)	30.65
Return on Equity (%)	-	(0.27)	(0.26)	(0.47)	(0.22)	(0.33)	(0.05)	(0.08)	(9.14)	2.69
Gearing (%)	73.12	78.25	71.92	65.84	72.55	68.24	60.35	55.25	49.45	45.61
Dividend Payout Ratio (%)	-	-	-	-	-	-	-	-	-	31.81

Share Information

TOP 20 SHAREHOLDERS

Position	Full Name of Shareholder	31st March 2022		31st March 2021	
		No. of Shares	Share Percentage	No. of Shares	Share Percentage
1	THE COLOMBO FORT LAND AND BUILDING PLC	30,980,000	60.19%	15,000,000	44.31%
2	AMANA BANK PLC/E.B. CREASY & COMPANY PLC	9,011,079	17.51%	-	-
3	ASSOCIATED ELECTRICAL CORPORATION LTD	1,507,877	2.93%	1,507,877	4.45%
4	COLOMBO FORT INVESTMENTS PLC	990,688	1.92%	966,300	2.85%
5	E.B. CREASY & COMPANY PLC	713,556	1.39%	10,974,565	32.42%
6	HATTON NATIONAL BANK PLC/SUBRAMANIAM VASUDEVAN	615,107	1.20%	-	-
7	DARLEY BUTLER & COMPANY LTD	536,614	1.04%	536,614	1.59%
8	ACUITY PARTNERS (PVT) LIMITED/COLOMBO INVESTMENT TRUST PLC	450,000	0.87%	225,000	0.66%
9	GUARDIAN ASSET MANAGEMENT LTD	400,300	0.78%	400,300	1.18%
10	SEYLAN BANK PLC/SENTHILVERL HOLDINGS (PVT) LTD	354,433	0.69%	354,433	1.05%
11	SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	306,169	0.59%	306,169	0.90%
12	ACUITY PARTNERS (PVT) LIMITED/COLOMBO FORT INVESTMENTS PLC	300,000	0.58%	150,000	0.44%
13	CAPITAL INVESTMENTS LIMITED	274,000	0.53%	274,000	0.81%
14	HATTON NATIONAL BANK PLC/SRI DHAMAN RAJENDRAM ARUDPRAGASAM	250,000	0.49%	-	-
15	UNION INVESTMENTS PRIVATE LTD	222,800	0.43%	12,000	0.04%
16	SEYLAN BANK PLC/MOHAMED MUSHTAQ FUAD	163,632	0.32%	-	-
17	C M HOLDINGS PLC	160,000	0.31%	160,000	0.47%
18	PEOPLE'S LEASING & FINANCE PLC/HI LINE TRADING (PVT) LTD	151,767	0.29%	145,547	0.43%
19	A E C PROPERTIES (PVT) LTD.	150,000	0.29%	150,000	0.44%
20	AMANA BANK PLC/HI-LINE TRADING PVT LTD	139,327	0.27%	-	-
	TOTAL	47,677,349	92.62%	31,162,805	92.04%

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 for Working Capital Requirements and the total proceeds received were utilized to settle working capital related liabilities relating to short term loans and creditors

Details on the utilization of proceeds are set out below.

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 LKR (B)	% of proceeds 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%

DISTRIBUTION OF SHARES

No. of Shares Held	As At 31st March 2022			As At 31st March 2021		
	No. of Shareholders	Total Holdings	% of Total Holdings	No. of Shareholders	Total Holdings	% of Total Holdings
1 - 1,000	1,560	356,513	0.69	1,674	381,839	1.13
1,001 - 10,000	365	1,138,361	2.21	395	1,163,687	3.43
10,001 - 100,000	74	1,968,999	3.83	47	1,156,869	3.42
100,001 - 1,000,000	20	6,507,928	12.65	11	3,668,363	10.84
Over 1,000,000	3	41,498,956	80.63	3	27,482,442	81.18
	2,022	51,470,757	100.00	2,130	33,853,200	100.00

Analysis of Ordinary Shareholders

No. of Shares Held	As At 31st March 2022			As At 31st March 2021		
	No. of Shareholders	Total Holdings	%	No. of Shareholders	Total Holdings	%
Individuals	1,883	2,666,720	5.18	1,993	2,080,649	6.15
Institutions	139	48,804,037	94.82	137	31,772,551	93.85
	2,022	51,470,757	100.00	2,130	33,853,200	100.00

PUBLIC HOLDING

The Percentage of Shares held by the public as at 31st March 2022 was 13.36%. (31.03.2021 - 14.75%)

PUBLIC SHAREHOLDERS

The Number of Public Shareholders as at 31st March 2022 were 1,997 (31.03.2021 - 2,104)

The applicable option under CSE Rule 7.14.1 (i) (b) on minimum public holding is option 2 and the Float Adjusted Market Capitalization as of 31.03.2022 was Rs. 192,541,807.79 Mn (31.03.2021 - Rs. 135,319,703.70).

MARKET VALUE

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

	As at 31.03.2022	As at 31.03.2021
	Rs.	Rs.
Highest Price	54.00	44.50
Lowest Price	20.10	16.90
Market Value as at the year End	28.00	27.10

Notice of Meeting

Notice is hereby given that the Fifty Seventh Annual General Meeting of Lankem Ceylon PLC will be held on 30th September 2022 at 10.00 a.m. and will be conducted as a Virtual Meeting from 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01, 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 2022, with the Report of the Auditors thereon.
2. To re-elect as a Director, Mr. P.M.A. Sirimane who retires in accordance with Articles 84 and 85 of the Articles of Association.
3. 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.5).
4. 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 6).
5. 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.7).
6. To reappoint as a Director, Mr. S.D.R. Arudpragasam 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, Dr. A.M. Mubarak 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.9).
8. To authorize the Directors to determine contributions to charities.
9. To reappoint as Auditors, Messrs KPMG Chartered Accountants and to authorize the Directors to determine their remuneration.

By Order of the Board

CORPORATE MANAGERS & SECRETARIES (PRIVATE) LIMITED

Secretaries

Colombo

31st August 2022

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 31st August 2022 for further instructions relating to the Annual General Meeting and for joining the Meeting virtually.
5. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting

Resolved –

"That Mr. R. Seevaratnam who as at the date of the Annual General Meeting of the company would have reached seventy nine years of age be and is hereby reappointed a Director of the Company and it is further specially declared that the age limit of seventy years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director, Mr. R. Seevaratnam".

6. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:

Resolved –

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

7. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:

Resolved –

"That Mr. A.C.S. Jayaranjan who is seventy 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.C.S. Jayaranjan".

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

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

Form of Proxy

I/We..... of
 being a member/members of Lankem Ceylon PLC, hereby appoint
 of whom failing.

- | | |
|--|----------------------------|
| 1. Sri Dhaman Rajendram Arudpragasam | of Colombo or failing him, |
| 2. Ariyawansa Hettiarachchy | of Colombo or failing him, |
| 3. Peter Suren Goonewardene | of Colombo or failing him, |
| 4. Anushman Rajaratnam | of Colombo or failing him, |
| 5. Anthony Crossette Selvanayagam Jayaranjan | of Colombo or failing him, |
| 6. Ranjeevan Seevaratnam | of Colombo or failing him, |
| 7. Parakrama Maitthri Asoka Sirimane | of Colombo or failing him, |
| 8. Gotabaya Kiri Bandara Dasanayaka | of Colombo 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 30th September 2022 at 10.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting.

	For	Against
1. To receive and consider the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st March 2022 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. P.M.A. Sirimane as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3. To reappoint Mr. R. Seevaratnam as a Director	<input type="checkbox"/>	<input type="checkbox"/>
4. To reappoint Mr. A. Hettiarachchy as a Director	<input type="checkbox"/>	<input type="checkbox"/>
5. To reappoint Mr. A.C.S. Jayaranjan as a Director	<input type="checkbox"/>	<input type="checkbox"/>
6. To reappoint, Mr. S.D.R. Arudpragasam as a Director	<input type="checkbox"/>	<input type="checkbox"/>
7. To reappoint Dr. A.M. Mubarak 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, 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 two.

.....
 Signature

Note:

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

Instructions as to completion are noted on the reverse hereof;

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

1. Perfect the Form of Proxy, after filling in legibly your full name and address by signing in the space provided and filling in the date of signature.
2. In the case of Corporate Members the Form of Proxy must be under the Common Seal of the Company or under the hand of an Authorized Officer or Attorney.
3. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company's Secretaries, the original POA together with a photocopy of the same, or a copy certified by a Notary Public must be lodged with the Company's Secretaries, along with the Form of Proxy.
4. The completed Form of Proxy should be deposited at the Registered Office of the Company's Secretaries, Corporate Managers & Secretaries (Private) Limited, 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01, not less than forty-eight (48) hours before the time appointed for the meeting.

Corporate Information

BOARD OF DIRECTORS

Chairman

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

Deputy Chairman

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

Managing Director

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

Directors

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

(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

Dr. 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

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

ACME Printing & Packaging PLC

Packaging

ASSOCIATES

Consolidated Tea Plantations Ltd.

(formerly known as Lankem Plantation Holdings Limited)

Waverly Power (Pvt) Ltd.

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