



Reigniting
the growth momentum



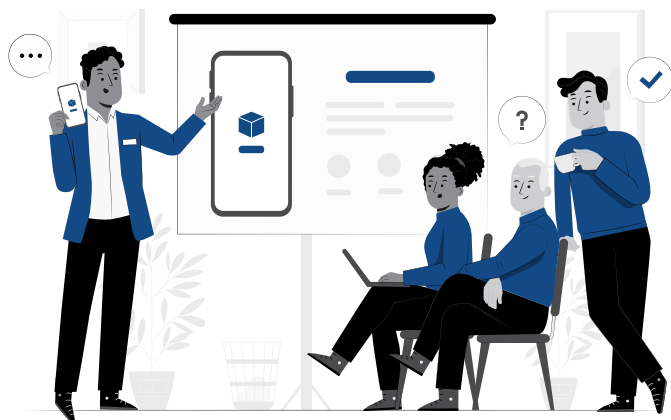
Reigniting *the growth* momentum

In today's rapidly evolving business environment, companies must constantly seek ways to ignite growth momentum. This requires a deep understanding of market trends, customer needs and emerging technologies, along with the agility to quickly adapt and take advantage of new opportunities. Despite the volatile situation in the country, Lankem Ceylon PLC successfully concluded the year with positive financial results. This year marks a significant breakthrough, as the company achieved profitability for the first time in nine years. We are proud to have navigated through the challenges of the current economic climate and emerged with such positive results.

At Lankem Ceylon PLC, we remain committed to delivering value to our stakeholders and maintaining our position as a leading player in the industry. We will continue to make strategic decisions that drive growth and profitability, while also prioritizing the well-being of our employees and the communities we serve.

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Digital View



The Annual Report is available on our official website, <http://www.lankem.lk>



Our Business Areas

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

Vision

The Preferred Brand

Mission

To provide Innovative, Sustainable Customer-Centric Solutions and Create Optimal Stakeholder Value

Financial Highlights

| For the year ended 31st March, | Consolidated | | Company | |
|--------------------------------|--------------|--------|---------|--------|
| | 2023 | 2022 | 2023 | 2022 |
| | Rs. Mn | Rs. Mn | Rs. Mn | Rs. Mn |
| Revenue | 33,755 | 21,191 | 6,871 | 4,457 |
| Gross Profit | 10,206 | 4,087 | 2,930 | 1,338 |
| Operating Profit | 5,588 | 1,306 | 1,832 | 657 |
| Profit Before Tax | 2,967 | 263 | 1,070 | 186 |
| Profit/(Loss) After Tax | 2,282 | (4) | 1,097 | 171 |
| Total Assets | 26,072 | 22,588 | 8,985 | 8,032 |
| Total Equity | 7,195 | 5,121 | 2,340 | 1,273 |
| Total Liabilities | 18,877 | 17,467 | 6,645 | 6,759 |

PERFORMANCE HIGHLIGHTS

Rs. 33.8 Bn
Revenue



Rs. 7.2 Bn
Total Equity



Rs. 26.1 Bn
Total Assets

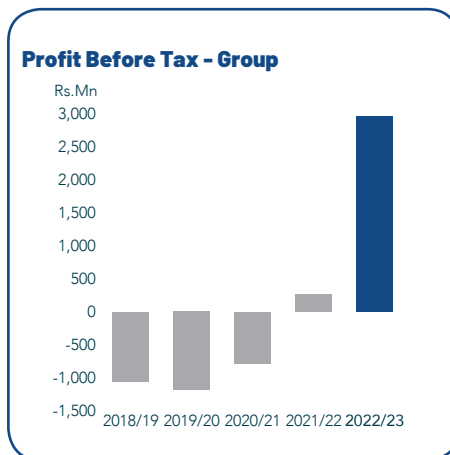
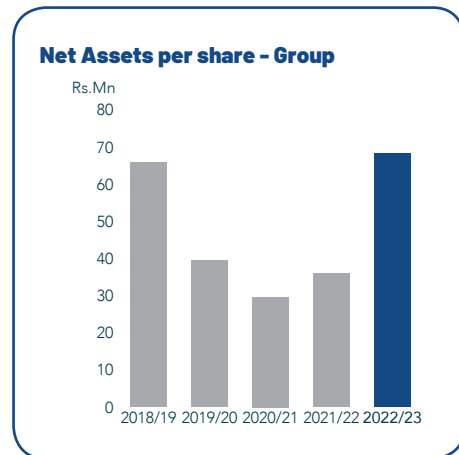
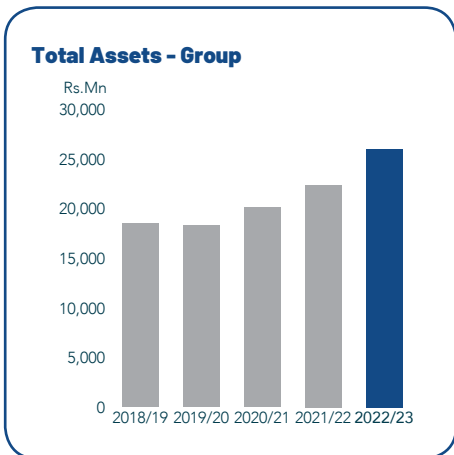
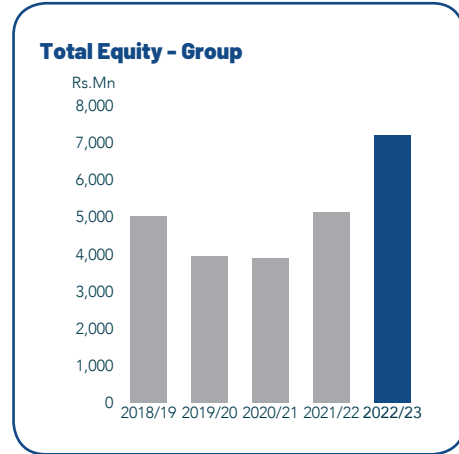
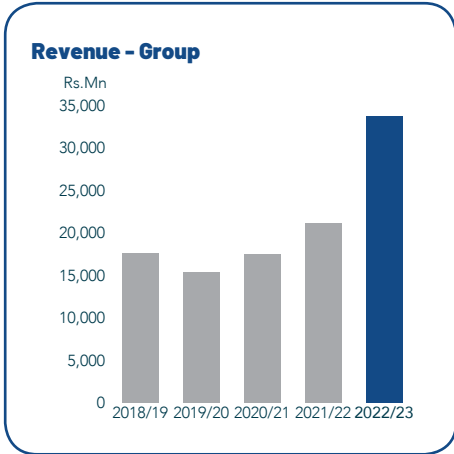


Rs. 67.15
Net Assets Per Share



Rs. 2.9 Bn
Profit Before Tax





Chairman's Message

“Our success in navigating these turbulent times is a testament to the strength and determination of our team. Despite the adversities we faced, they remained steadfast in their commitment to our Company's growth and prosperity.”

I am delighted to present the Annual Report and Financial Statements of Lankem Ceylon PLC for the financial year ended on March 31, 2023.

My reflections on the past financial year begin with the remarkable financial turnaround of your Company, which occurred during the Country's most severe economic crisis. I am delighted to announce that the Lankem Ceylon PLC (LCL) Group achieved a profitable financial year, with an after-tax profit of Rs. 2.28 Bn for the 2022/23 financial year.

Our success in navigating these turbulent times is a testament to the strength and determination of our team. Despite the adversities we faced, they remained steadfast in their commitment to our Company's growth and prosperity. Their unwavering spirit and unwavering dedication have been instrumental in achieving this commendable financial turnaround.

MACROECONOMIC OUTLOOK

Throughout the year, both our Nation and our Company faced numerous challenges. The global economy has been significantly impacted by various factors, including the Russian-Ukraine war, high inflation levels, and a global recession. These events have had far-reaching consequences, affecting not only financial markets but also the stability of nations worldwide. In particular, the Sri Lankan economy has faced numerous challenges, both economically and politically. The increase in policy interest rates has led to a significant rise in the AWPLR (Average Weighted Prime Lending Rate), exacerbating the already existing currency devaluation and inflation. This, in turn, has resulted in a balance of payment crisis and financial liquidity issues.

Moreover, the shortage of essential items has further fueled social unrest, leading to a surge in political instability during the first half of the year. The sharp increase in inflation has had a profound impact on purchasing power, food security, and living standards, with poverty levels nearly doubling.

These adverse circumstances have directly affected the core business of LCL. As the global economy and the Sri Lankan economy experienced a downturn, the consumption of goods and services provided by LCL witnessed a drastic decline. This decline was particularly evident in non-essential goods and services, where a significant drop in volume was observed.

COMPANY PERFORMANCE

Despite an increase in overall operational costs, your Company achieved a profit-before-tax of Rs. 1 Bn, compared to Rs. 186 Mn in the previous financial year. This growth in profit is directly attributed to a 54% increase in annual revenue. In the 2022/23 financial year, revenue reached Rs. 6.9 Bn, compared to Rs. 4.4 Bn in the previous period. Additionally, the group-wide turnover amounted to Rs. 33.7 Bn, a significant increase from the Rs. 21.1 Bn reported in the previous annual financials.

In response to the economic downturn and prevailing political/social unrest, LCL proactively undertook a series of strategic actions. A paramount priority was the restructuring of the Company's cost base, aimed at curbing production expenses and streamlining operational inefficiencies. By meticulously analyzing and optimizing various aspects of our operations, we were able to achieve significant cost reductions while enhancing overall efficiency.

Furthermore, LCL embraced a culture of innovation and implemented cutting-edge marketing initiatives to maintain a competitive edge. Recognizing the importance of staying abreast of the ever-evolving market dynamics, we devised creative and forward-thinking strategies to effectively engage our target audience. These initiatives not only bolstered our brand presence but also ensured that we remained at the forefront of our industry.

Rs. 2.3 Bn Group Profit



GOVERNANCE

Throughout the past year, our Group has successfully balanced stakeholder expectations with the decisions that impact on our operations. I am pleased to announce that LCL has remained fully compliant with all mandatory and statutory laws and regulations. We have placed a strong emphasis on risk management and compliance, conducting regular audits in our operational areas. Additionally, our Board of Directors and senior management have consistently adhered to Corporate Governance practices and fulfilled their duties to the best of their abilities.

WAY FORWARD

The Lankem Group has been a trusted provider of value for over four decades in Sri Lanka. We pride ourselves on our commitment to delivering exceptional customer service and consistently meeting the highest standards of product quality and service excellence.

As we navigate through the challenges posed by the sluggish global economy, we remain optimistic about the future. With the Country's economy showing signs of stability in terms of macroeconomic and financial policies, we anticipate a more favourable business environment.

While we acknowledge that price competition and contracting demand will continue to pose challenges, we are confident in our ability to overcome them. Through our focused strategies and unwavering determination, we are poised to forge ahead and achieve continued success.

At the Lankem Group, our dedication to customer satisfaction remains unwavering. We will continue to conduct regular evaluations and assess our business operations to ensure that we consistently meet and exceed the expectations of our valued customers.

APPRECIATION

It is with deep regret that we record the demise of our former Chairman Mr. Alagarajah Rajaratnam and Mr. R. Seevaratnam who served on the Board of the Company.

Mr. R. Seevaratnam had served on the Board for nine years and the invaluable services rendered is noted with appreciation.

Mr. Alagarajah Rajaratnam served on the Board since 1990 and as Chairman from 2003 to 2017. He relinquished his Chairmanship in September 2017 and resigned from the Board on 31st March 2019. His significant contribution towards the Company's growth and progress over the years, is noted with much gratitude and appreciation. We shall miss his sound judgement and wise counsel.

In light of the challenging external circumstances that have impacted our entire Group, successfully navigating the adverse effects has been an immense undertaking. I would like to express my sincere appreciation to the members of the Board and my colleagues for making decisive decisions at the opportune moments. Furthermore, I am deeply grateful to the Managing Director of Lankem Ceylon PLC, as well as the senior and corporate management teams of the Group and its subsidiary companies, for implementing prudent measures to address these challenges.

I would also like to take this opportunity to extend my gratitude to our dedicated staff, who have shown remarkable resilience throughout the past two years despite the difficult external backdrop. Their unwavering commitment has been instrumental in our ability to weather these storms.

Additionally, I would like to express my thanks to all our stakeholders, including our principal partners and suppliers, our valued customers, and most importantly, our shareholders. Your continued encouragement, support, and trust in our capabilities have been invaluable.

Moving forward, we remain steadfast in our commitment to overcoming obstacles and achieving success. With the unwavering support of our stakeholders, we are confident in our ability to navigate the challenges ahead and emerge stronger than ever.

S. D. R. Arudpragasam
Chairman

31st August 2023

Managing Director's Review

“The Company successfully executed a comprehensive 3-year Strategic Business Plan. This plan encompassed strategic initiatives and long-term strategies aimed at expanding our operations and driving technological advancements.”

I am delighted to present the Annual Report and Audited Financial Statements of Lankem Ceylon PLC for the financial year 2022/23.

The financial year under review will be remembered as one of the most tumultuous periods in the history of Sri Lanka. Our nation has encountered unprecedented challenges in the social, political, and economic spheres facing numerous hurdles on multiple fronts, including fuel shortages, power outages, social unrest, record-high inflation, and interest rates, as well as medicine shortages. In the face of such a grave situation, it is important to highlight the Group's resilience and progress on various fronts. However, despite these challenges, the Company was able to achieve a remarkable performance during the year under review.

LOCAL ECONOMIC CONTEXT

The Sri Lankan economy experienced a significant contraction of 7.8% in 2022 and is expected to have contracted by 11.5% in the first quarter of 2023. This

decline has affected all major sectors. Additionally, the Country faced a rise in headline inflation, peaking at an unprecedented 69.8% in September 2022. Sri Lanka suspended external debt service in April 2022 due to depleted foreign reserves, causing the Sri Lankan Rupee to depreciate by 78% against the US Dollar. However, towards the end of the financial year, the International Monetary Fund (IMF) approved a US\$2.9 Bn Extended Fund Facility program, providing much-needed support to the struggling economy.

PERFORMANCE AGAINST BACKDROP

Several key factors hindered the Company's day to day operations. Namely, the shortage of foreign exchange reserves in the Country during the first half of the year had a significant impact on imports. In addition, the steady increase in interest rates saw a continuous rise in the Company's borrowing costs. All these challenges further compounded the disruption to the supply chain operation. Company had no option but to battle these difficulties, by streamlining the operations to focus on the critical areas and finding workarounds. This enabled the Company to sustain and move forward without any service disruptions.

Despite facing increased operational costs, our Company achieved a profit-before-tax of Rs. 1 Bn, a remarkable turnaround from Rs. 186 Mn in the previous financial year. This positive outcome can be attributed to a 54% increase in annual revenue, with the revenue for 2022/23 reaching Rs. 6.9 Bn compared to Rs. 4.5 Bn in the previous financial period. Furthermore, our group-wide turnover amounted to Rs. 33.7 Bn, a 59% increase from the Rs. 21.1 Bn reported in the previous annual financials.

During the year under review, the Paint Division successfully managed to increase the turnover compared to the previous financial year. This remarkable growth amounts to a 50% expansion in our turnover, highlighting the division's exceptional performance.

With this topline growth the Division successfully concluded the year with a profitability growth exceeding the last financial year by almost four fold.

Agro Division has successfully turned challenges into opportunities by expanding its product range to include specialty fertilizers, seeds, and yield boosters. As a result, the Division has flourished, achieving a remarkable 105% increase in turnover compared to the previous financial year of 2021/22. Additionally, the Division has demonstrated commendable financial performance, with the divisional profit exceeding the previous year by almost three fold. Through strategic diversification, Agro has not only overcome obstacles but also capitalised on emerging market trends. By offering a wider range of specialized products, the Company has positioned itself as a leader in the agricultural industry. Additionally, despite the pest control operation achieving an operating profit, it was unable to meet the targeted budget due to the severe impact of the economic downturn on the construction and hotel industry. Consequently, the Division was unable to perform at the expected levels.

The consumer sector experienced its best performance in several decades. The devaluation of the Rupee has greatly benefited commodity trading. Despite the economic downturn, there has been a consistent demand for basic consumer goods. This, coupled with inflated market prices, has led to a stellar performance in this sector. Additionally, the export volumes of the business have grown significantly, with 20% of the revenue coming from exports. On the other hand, the industrial sector has been negatively impacted by the downturn in the construction industry. As a result, it has struggled to achieve the desired levels of revenue and profitability.

The Printing and packaging Sector was able to achieve its revenue targets thanks to the overall inflation in market prices. Although there was a decrease in demand from confectionery companies, the

business managed to stay afloat due to the support from other market segments. By being mindful of costs and reducing non-operational expenses, the business was able to maintain healthy profit margins. In fact, the business turned around during the year under review and achieved a breakeven profit.

The hotel industry was severely impacted by the pandemic and economic downturn. The significant decrease in travel and subsequent decline in tourist arrivals had a negative effect on the performance of all hotels within the Group. However, despite facing numerous challenges, the sector still managed to demonstrate growth in its overall revenue.

OPERATIONAL STRATEGIES

The adverse macroeconomic conditions necessitated a strategic focus on enhancing our operational efficiencies. By doing so, we aimed to streamline our processes, optimize resource allocation, and ultimately improve our overall performance. These measures were meticulously calculated and implemented across our entire Group.

Throughout the year, the Company successfully executed a comprehensive 3-year Strategic Business Plan. This plan encompassed strategic initiatives and long-term strategies aimed at expanding our operations and driving technological advancements.

By aligning our actions with this well-crafted plan, we were able to effectively navigate the ever-evolving business landscape and seize opportunities for expansion. Our commitment to long-term success and continuous improvement has allowed us to stay ahead of the competition and deliver exceptional value to our stakeholders.

During the year under review, our primary focus was on ensuring survival. Consequently, investments in technology were carried out on a need-to-have basis. However, we did not hesitate to make operational critical investments to upgrade our existing technology and invest in data analytics.

Recognizing that employees are the lifeblood of our organisation, Company has consistently prioritized their growth and development through comprehensive training programs. Even in times of financial constraint, we have steadfastly refused to compromise in this area, viewing it as a crucial investment in our human resources. Moreover, during challenging periods, we have ensured that our employees are well taken care of, providing them with essential resources and offering flexibility in their working hours.

Throughout the year, we carefully considered various measures to improve the Paints division. In March 2023, the division introduced a new product line known as the 'Carbono' range, which boasts a significantly reduced carbon footprint. Both the Agro and Paints divisions have undertaken various initiatives to promote sustainability, as outlined in the comprehensive Sustainability Report.

WAY FORWARD

The Lankem Group has been a trusted provider of value for over four decades in Sri Lanka. We take great pride in our rich legacy and are committed to delivering unparalleled customer service. To ensure complete customer satisfaction, we consistently conduct rigorous evaluations and assess our business operations against the highest product and service standards.

In line with our vision for growth, we are actively seeking partnerships that will not only enhance our capacity but also increase our efficiency. These collaborations will play a pivotal role in driving business expansion across both our Agrochemical and Industrial Chemical divisions. Moreover, allocating resources towards research and development activities will be crucial for fostering innovation and introducing new, high-quality products that will effectively drive market demand. This strategic approach will ensure that our organisation remains at the forefront of the industry, constantly evolving and meeting the ever-changing needs of our customers.

Furthermore, we recognise the importance of environmental responsibility. As a company dedicated to sustainability, we are placing a greater emphasis on the supply of eco-friendly products within our Paints division. By doing so, we aim to contribute to a greener future while simultaneously striving to achieve increased market share both locally and in overseas markets.

APPRECIATION

In the face of a challenging external environment, the Group was confronted with the daunting task of pragmatically navigating its adverse effects. I would like to express my sincere appreciation to the members of the Board and my peers for their decisive decision-making at the right time. Furthermore, I am deeply grateful to the Chairman and the Board of Directors of Lankem Ceylon PLC, as well as the senior and corporate management teams of the Group and its subsidiary companies, for their adoption of prudent measures to tackle these extremities.

I would like to also take this opportunity to extend my gratitude to our staff for their unwavering resilience during the tough external circumstances of the past two years. Additionally, I would like to express my thanks to all our stakeholders, including our principal partners and suppliers, our valued customers, and most importantly, our shareholders, for their continued encouragement, support, and trust in our capabilities.

We will continue to prioritize prudent decision-making and strategic planning to navigate the ever-changing business landscape. Our unwavering dedication to our staff, customers, and shareholders will remain at the forefront of our actions.



Suren Goonewardene
Managing Director

31st August 2023

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. 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. 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.

Mr. Arudpragasam is a Fellow of the Chartered Institute of Management Accountants (UK).

A. HETTIARACHCHY

[C.Eng, MIEE, MIProdE, MICHEM E]

Deputy Chairman

Mr. A. Hettiarachchy joined the Board 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 Ltd., 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 Ltd. and Puritas Ltd. 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 Ltd., Chief Operating Officer, Dialog Television and Fixed Line Services Group Managing Director, Lanka Bell Ltd. 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 Ltd., Dawi Investment Trust (Pvt) Ltd. 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.

He holds a Bachelor of Science degree in Economics from the University of Surrey, UK, CPA Australia and MBA from Massachusetts Institute of Technology, USA.

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 five 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.

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

Mr. P.M.A. Sirimane was appointed to the Board on 1st September 2017.

He serves on the Board of The Colombo Fort Land & Building PLC (CFLB) and also serves on the Boards of several subsidiary companies in the CFLB Group. Amongst other senior positions he has functioned as Managing Director/CEO of Mercantile Leasing Ltd., Group Finance Director of United Tractor & Equipment Ltd., Chief Finance Officer of Sri Lanka Telecom Ltd., and Director of SLT Hong Kong Ltd. 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. P.M.A. Sirimane is a Fellow of the Institute of Chartered Accountants of Sri Lanka and also holds a Master's in Business Administration from the University of Swinburne, Victoria, Australia.

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 demand driven R&D.

Dr. Mubarak has served as Chairman of National Science Foundation and Chief of Research and Innovation of the Sri Lanka Institute of Nanotechnology (Pvt) Ltd. He has also served 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 Board of Office for Reparations, 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

Building sustainability with our employees, customers, suppliers, community, and all stakeholders is pivotal to the Company unleashing long-term sustainable wealth. This has been a key goal throughout the Company's history. We take immense pride in the relationships we have built with all our stakeholders, and we work diligently to maintain this bond and ensure that we nourish them with the products, services, and value additions they need to strive ahead into the future.

The Company recognizes the importance of collaboration and the need to create, protect and foster long-term environmental, social, and economic value to our stakeholders. Relationships with our customers, industry and society are underpinned by ethics and independence which ensures the sustainability of the relationships we have built with these stakeholders. Matters such as ethics, integrity, accountability, and transparency are vital and are responsible for influencing the Company's overall strategy. We strive to benchmark ourselves among the best in class in the industry to create value for our stakeholders. Each member of our Lankem family takes ownership for their actions in displaying immense responsibility and accountability. We strongly believe that creating societal and environmental value is integral to sustaining long-term shareholder value.

OUR PEOPLE

Human capital today has become the most vital key to an organisation's sustainability. Attracting, retaining, and nurturing talent whilst providing development opportunities enables the Company to ensure long-term sustainability of its operations. We have always maintained that sustainable leadership comes from within and must be driven by spearheads who are committed to this common goal. Lankem possesses a highly talented and diverse workforce within a safe and healthy workplace. We continuously upgrade and upkeep safety standards across all divisions.



Inter-Factory Cricket Tournament



Corporate Etiquette training for Talent Pool

The Company's talent management strategy focuses on developing, engaging, and retaining high performing employees and improving business performance. These activities include 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 Fasttrack (internal accelerated development program) to groom internal talent for future leadership positions which was launched during the previous year with the objective of retaining and nurturing staff who have proved themselves through their dedication and performance was continued diligently in the current year as well. This programme has also helped to create succession planning for key positions within the Company.



Annual Medical Camp

The Company's performance monitoring system enables the identification of high performers and setting of succession plans whilst simultaneously providing development and training to employees requiring support. Further, other initiatives such as employee discounts and awareness sessions were arranged to aid employees in managing their personal finances as well as in

their overall well-being. As a Company we prioritise the well-being of our employees, we strive to ensure that our employees have access to quality medical and healthcare services. Employees are provided with a range of medical facilities including medical insurance, OPD reimbursements and health awareness campaigns.

RECYCLING FOR A SUSTAINABLE TOMORROW

We are always mindful of the integration between our business operation and the environment, and we are committed to augmenting favourable environmental impacts while proactively addressing any adverse consequences. Our ongoing efforts focus on advancing the sustainable management of our operations, implementing strategic interventions to optimise resource utilisation and minimise our environmental footprint.



Fully automated Poly tunnel at Pannala

An excellent illustration of sustainable agriculture methods was the Company's effort at one of our factories to produce MICH Chilli seeds on-site. By utilizing a fully automated polytunnel the energy usage and resource waste was minimized. The Company not only ensures a steady supply by creating high-income MICH chilli hybrid seeds on-site, but also minimizes the carbon footprint associated with transporting seeds over long distances. Few of the initiatives to show commitment to environmental stewardship include the maintenance of green belts around the factories not only to enhance aesthetics but also act as a barrier against contaminants reaching neighboring factories, establishment of a wastewater treatment plant to avoid water pollution by treating the water coming from production, drainage, dust and fume extraction, proper management of sludge disposal for responsible waste handling, treating polluted air and collecting contaminants in water, to reduce air pollution, collaborating with industry members to collect and properly dispose of used pesticide containers. Another initiative taken by the Agro arm of the Company was the introduction of eco-friendly packing material which became a first among the agro chemical suppliers in the industry. Robbialac introduced an environment friendly emulsion paint, formulated using the byproducts and waste obtained during the manufacturing process of paints in March 2023. This ingenious use of waste not only reduces the burden on landfills but also minimizes the overall environmental impact associated with paint production. These are a few of the examples of Lankem's holistic approach to environmental stewardship.

The Company'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. The project to install solar panels in our factories is one such initiative to reduce the carbon footprint as well as to bring in considerable cost savings.

The Pest division very consciously adapts the solid waste management system in line with the regulations of the Registrar of Pesticides in recalling all used empty containers until incineration of the same to prevent plastic pollution.

CORPORATE SOCIAL RESPONSIBILITY

Lankem is committed and dedicated to community service through corporate social responsibility. We responded to the needs of the Ballakatuwa farming community in Varaniyawatta village, Ella Divisional Secretariat Division, Badulla District by initiating a project to restore the only bridge connecting Veraniyawatta and Kiriwana which had been damaged two years ago due to floods, thereby benefiting over 250 farming families. A shramadana campaign witnessed participation from Lankem Agro Division's marketing officers, regional managers, and top management. This endeavor, set to be completed soon, reflects Lankem's dedication to supporting Sri Lankan farmers as their unwavering "farmer's friend." We also provide online advisory services on agro to our valued farmers through the WhatsApp group "ලංකෙම් හිතමිතුරු සංගමය". We also carry out frequent awareness campaigns/programs for farming community to educate technical details of our products and for the safe use of pesticides and disposal of used empty containers. We work very closely in collaboration with CropLife Sri Lanka in the container management program.



Conducting Exhibition stall at Gannoruwa

Sustainability Report



Restoration of Bridge in Varaniyawatta village

The Pest Division of Lankem, continued to provide community service through the island wide campaign under the theme of "Making Lives Safer". This year together with the Paints division a complete bedbug treatment was conducted inside the Colombo Magazine Prison. This treatment enabled to control the massive spreading of the bedbugs which resulted in overcrowding and poor sanitation among the inmates. A termite control treatment was also successfully conducted at the Abhimansala 2 wellness resort declared for disabled war heroes who were injured during the war.



Mosquito Eradication at Rajagiriya Salvation Army



Bedbug Treatment at Colombo Magazine Prison

Our Paints factory, which took the initiative during the previous year to embark on an organic farming project by utilizing the free land area around the factory premises continued this through the dedicated efforts and collaboration among the staff. This initiative enables the factory workers to take home the harvest on a regular basis, thereby strengthening the livelihoods of these people. 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 we continue to carry out throughout the year irrespective of any hardships that the Company may face.



Annual painting at Dalada Maligawa

Sustainability is brought to life through a working culture that embraces sustainability as a natural choice. The Company inculcates sustainability into its day-to-day operations through learning, sharing, collaborating, and reinforcing. We believe sustainability should be a way of life that permeates into every single business process and strategic decision. We strive to make an impact on the ecological canvas and ascertain our corporate stewardship as a 'sustainable' company.

Management Discussion and Analysis



As a Company, Lankem made significant strides during the financial year and recorded a Net Profit of Rs.1.1 Bn, an extraordinary improvement over the Rs.0.17 Bn earned last year. The PBT stood at Rs.1.07 Bn compared to the Rs.0.19 Bn reported in 2021/22.

GLOBAL ECONOMIC SNAPSHOT

Global economic activity slowed down in 2022 which was driven by several issues including policy tightening by central banks worldwide attempting to curb inflation resulting from the ongoing Russia-Ukraine war and a resurgence of COVID-19 in China. Economic activities dropped significantly in advanced economies as high inflation triggered a cost-of-living crisis and eroded household purchasing power. The prolonged Russia-Ukraine war resulted in severe energy supply disruptions and drove up energy prices as well as food items, thereby slowing down both production and consumption thus spreading uncertainty. Overall, global growth decelerated in 2022 to 3.2%, even lower than what was envisaged at the end of 2021.

LOCAL ECONOMIC REVIEW

The long road to recovery from the COVID-19 pandemic was further complicated with a global economic downturn that affected both Sri Lanka and the Company. However, the unprecedented situation meant that industries and businesses faced both positive and negative outcomes. On a positive note, the upsurge in the market enabled product pricing to be at very high levels, thereby pushing the topline of companies in most industries to a better standing and ensuring that most businesses performed reasonably well during the financial year. Sri Lanka was thrust into an acute and unprecedented economic

crisis in 2022 due to long-standing structural impediments, weak economic management, and exogenous shocks. This unfortunate situation had far-reaching consequences, as the economy was hit by fuel and power shortages, scarcity of imported materials, and a significant surge in production costs. As a result, the economy contracted by a staggering 7.8% in 2022.

The economic downturn and the political unrest that was experienced during the early part of the financial year affected all businesses alike. Hyperinflation, depleted foreign exchange reserves, increased credit risk, rising interest rates, power cuts, fuel shortages and a scarcity of basic needs including food, LP gas and medicine were all a part of the consequences of the downturn and caused immense hardship throughout the country for the entire population. As this crisis continued business activities were undermined by several factors which affected the entire production and supply chain operation.

The severe scarcity in foreign exchange due to the restrictions brought upon by the Central Bank of Sri Lanka affected the imports of the Company, especially in arranging the funding to foreign suppliers and therefore alternate local suppliers

Management Discussion and Analysis

had to be sourced at higher costs. In addition, the country's rising interest rate costs continued to deepen the Company's financial expenses causing pressure to the bottom line. Despite these challenging circumstances, the hyper inflated market conditions saw a bucket of paint being sold at double the price of what it was earlier in the year paving the way for a surge in the topline revenue.

Positive developments unfolded with the lifting of the ban imposed by the Government on agro chemicals, allowing the Company to re-commence operations in this area. However, the infiltration of substandard substitute products during the period the ban was imposed resulted in farmers gaining access to low priced products and this created a cost competitive market. As a result, it became difficult to regain the lost market share with high quality genuine agro chemicals.

EXTERNAL SECTOR REVIEW

Agricultural Chemicals

It was an eventful year for the Agricultural Sector as several factors came into play and influenced the agro chemical industry. The ban on Glyphosate was lifted in the last quarter of 2022, allowing for importation to begin in February 2023. During the year, the product price rose significantly, at times tripling due to US Dollar appreciation, the increase of Value Added Tax (VAT) from 12% to 15% and the introduction of Social Security Contribution Levy (SSCL). Despite the increase in prices of agro chemical products, the scarcity of herbicides and insecticides allowed for higher profit margins. The increase in bank lending rates during the year made the cost of funding advance payments very expensive. Meanwhile, suppliers continued to accept only advance payments and did not accept DP/DA terms or LCs due to the dip in the country credit risk ratings. The market continued to be flooded with illegal products that had arrived during the long-standing Glyphosate ban. The rising costs of agricultural inputs and fuel continued to have a negative impact on the lives and livelihoods of communities dependent on agriculture.

In terms of Pest Control, the stagnation in the construction industry, triggered by a multitude of factors including high inflation, has led to a significant decrease in demand for pre-construction termite treatment. As a result, there was very low demand for trading.

Industrial Chemicals

In 2022, the Industrial Chemicals sector contracted significantly by 16% year-on-year, mainly due to the dampened performance of the construction and manufacturing subsectors which were faced with severe shortages in raw materials and input cost escalations as well as the energy crisis and tighter monetary conditions. Overall manufacturing activities, which accounted for about 59% of the total industry sector, contracted by 12.6%, year-on-year, in 2022.

(Source: Central Bank of Sri Lanka Annual Report 2022)

Consumer Goods

Consumption expenditure, the largest expenditure component of the economy, grew by a higher rate of 34.3% at current prices in 2022, compared to the 8.4% growth recorded in 2021, mainly due to the surge in consumer prices. The price levels of imported consumer items increased significantly in 2022, led by the increase in global commodity prices and depreciation of the local currency. Supply chain issues and subdued demand conditions dampened wholesale and retail trade activities throughout 2022 resulting in a marginal contraction of 0.2% during the year in value-added terms, compared to the 1.5% growth recorded in 2021. Supply setbacks triggered by import restrictions resulted in a considerable contraction in import volumes, including consumer goods imports, while disruptions to fuel supply adversely affected trade activities during most periods of the year.

(Source: Central Bank of Sri Lanka Annual Report 2022)

Tourism & Hospitality

In 2022, there was a significant increase in international tourist arrivals to the Country. Overall, 719,978 visitors were recorded for the year, a 270.2% increase compared to the 194,495 tourists who visited in 2021. The growth in arrivals was attributed to factors such as advances in vaccination, ease of travel, lifted restrictions and increased consumer confidence. However, the spread of the Omicron variant, the Russian invasion of Ukraine, challenging economic conditions, rising inflation, and stagflation had a negative impact on tourist arrivals. Additionally, improved air accessibility to Sri Lanka and the resumption of cruise tourism also played a positive role in the growth of arrivals.

(Source: Year in Review 2022 - Sri Lanka Tourism Development Authority)

COMPANY PERFORMANCE

As a Company, Lankem made significant strides during the financial year and recorded a Net Profit of Rs.1.1 Bn, an extraordinary improvement over the Rs.0.17 Bn earned last year. The PBT stood at Rs.1.07 Bn compared to the Rs.0.19 Bn reported in 2021/22. Undeterred by the multiple challenges faced during the year, the Company carried out aggressive sales strategies while also revamping the sales workforce incentive schemes to keep the team motivated to achieve higher sales. There was an increased focus on cost optimization strategies to lower the product cost base enabling higher contributions. Additionally, existing processes were revamped where necessary to increase operational efficiencies which enabled to keep the selling and distribution costs under control.

At the end of the financial year, the Company recorded a 54% growth in revenue, commendably reaching Rs. 6.9 Bn by surpassing the previous year's revenue of Rs. 4.5 Bn.

SECTOR PERFORMANCE

Paints

During the financial year under review, the Division achieved a turnover growth of 47% compared to the previous financial year. The primary contributions to this significant growth came in from the decorative categories.

Due to the Division's robust revenue growth, improved product margins, and cost savings in line with the budget, a profit growth of almost four times was recorded compared to the previous year.



Looking Ahead

The Division is looking towards securing and sustaining the market share growth achieved during the year by penetrating new geographical areas to strengthen the current market presence in addition to exploring new domestic market segments. A continued focus will be made on increasing profitability through effective cost management and bringing about operational efficiencies to complement aggressive and competitive product pricing strategies. Division wants to give more emphasis on the research and development aspect which was put to a backfoot over the last few years. This is primarily to innovate and introduce new high quality products that can drive the market demand. Another area that requires further strengthening is the debtor collections and optimising inventory levels to ensure adequate liquidity for the day to day operations to run unhindered.

Industrial Sector

During the financial year 22/23, the Division reported a turnover growth of 18% when compared to the financial year 21/22. Despite the drop in the construction industry having an impact on the Division, it is pertinent to note that the sales of the Division picked up during the final couple of months of the financial year.

Looking Ahead

The year ahead looks positive despite a couple of volatile years faced by the industry. The exorbitant pricing experienced during the year has now shown a decline and will eventually thin out the margins. This will however bring in volume increases which can generate a higher top line revenue.

Agro Chemicals

Despite the challenges in the Crop Protection Industry, during the financial year, the Agro Division achieved a remarkable 105% increase in turnover compared to last financial year. With a commendable divisional profit growth exceeding 250%, Agro has effectively transformed challenges into opportunities by diversifying its product portfolio with speciality fertilisers, seeds, and yield boosters.

Lankem Agro's accomplishments in diversifying its product portfolio and capitalizing on market opportunities are evident through the achievement of key milestones, notably the introduction of Cocoly – 100% water soluble granular fertilizer which became an instant success in the market. Furthermore, the successful launch of Foltron – a high-performing plant recharger, Dr. Soil – a soil conditioner, and Vitacat – a plant yield booster significantly contributed towards Lankem Agro's revenue. These achievements highlight the Company's capacity to diversify its product portfolio and successfully seize market opportunities.



Management Discussion and Analysis

The establishment of an In-house MICHHY1 Chili Hybrid seed production facility at Agro Factory in Pannala marked a momentous milestone. With a dedicated investment of Rs. 3.5 Mn, the facility commenced operations in September 2022, with the primary objective of producing premium chilli seeds renowned for their exceptional quality and high yield potential. Furthermore, in October 2022, Agro achieved another significant feat with the successful launch of its Lankem Hybrid Maize Seeds brand, "Inari"



In 2022, SunAgro LifeScience (SAL) achieved a revenue growth of 87%, along with a divisional profit growth exceeding 200% when compared to the last financial year. At the beginning of the year, SAL experienced a boost in profits due to the revocation of the agro chemical ban and the resulting scarcity of agrochemicals. However, as the year progressed, the higher prices of agro chemicals and influx of illegal and substandard pesticides led to a decrease in demand for legal pesticides. Additionally, the revocation of the ban created a more competitive market environment, which negatively impacted efforts to achieve the budgeted turnover.

Looking Ahead

Looking ahead at the new financial year, Agro remains steadfast in its commitment to serving the agricultural community and has established ambitious targets for the upcoming financial year, 2023/24. These objectives encompass a projected turnover exceeding the year before by two fold from Agro-Chemicals, seed paddy and straight fertilisers, by executing strategic plans and introducing new products, Agro is committed for sustainable growth.

Moreover, Agro intends to resume the fertiliser business to cater to the needs of Lankem Plantation, leveraging synergies. The Division also places significant emphasis on developing seed paddy production at the Siripura facility. By capitalizing on its existing businesses and introducing a range of innovative products, including pesticides, speciality fertilisers, imported seeds, and technologically advanced fertilizers, Agro aims to address and reduce agri-waste while striving to achieve its financial targets.

During the new financial year, SAL plans to achieve several key goals. Plans are underway to introduce a new product to the market. This product will cater specifically to the insecticide segment, targeting the control of BPH in the paddy. This launch is expected to contribute significantly to the Company's

revenue growth. To enhance sales operational efficiency by leveraging the power of technology, Sales Force Automation will be implemented. The Company is also embarking on a project to collect empty containers. This initiative serves a dual purpose- protecting the environment by promoting proper disposal of containers and incentivizing farmers to collect and return empty containers instead of disposing them into the environment.

Pest Control

The stagnation in the construction industry, caused by the volatility in the economy led to a significant decrease in demand for pre-construction termite treatment. This situation affected the Division to a great extent and enabled them to achieve only 53% of the budgeted turnover. With the drop in consumer purchasing power, pest control services being of non-essential nature saw an even more dip in demand.

Looking Ahead

The future however looks more promising with the construction and hotel industries gathering momentum which will entail the Division to generate higher turnover as well as tap untouched markets. The Division is also looking towards revamping the fumigation operations while replacing the currently available technology with newer and more efficient technology.

GROUP PERFORMANCE

Printing and Packaging

The packaging cluster, which includes JF Packaging Ltd Group, ACME Printing and Packaging PLC and its subsidiary ACME Packaging Solutions (Pvt) Ltd, recorded an outstanding performance during the year to achieve an operating profit compared to the breakeven loss reported last year. This industry caters primarily to the pharmaceutical, food and beverage industries. Despite the demand in the local market dropping due to the economic crisis, the second half of the year showed a turnaround of volumes. The cluster, which underwent a complete transformation during the year, worked diligently towards reducing the production costs by almost 50% which brought in a significant improvement at the contribution level.

Looking Ahead

The primary focus of the sector is to achieve production efficiencies by improving capacity utilisation. In order to these efficiencies, we intend converting our customers to partners on a long term journey to have mutually rewarding benefits.

Consumer Sector

C.W. Mackie PLC which represents the sector reported its best results in over 100 years with revenue increasing by 46% (including commodity trading, rubber based and industrial products) and gross profit showing a growth of 97%. While FMCG, which is led by an impressive array of market leader brands, gained market share, the manufacturing base was further expanded during the year with the goal of dominating the future food and beverage market across the nation.



Looking Ahead

The economic forecast for 2023 and beyond looks encouraging with GDP expected to grow in all main segments, inflation and interest rates are forecasted to be at single digit level with the exchange rate volatility also expected to stabilise. All these macro economic variables will be favourable to consumer sentiments and disposable income is expected to grow. Company will aggressively penetrate the market to expand the customer touch points supported by a promotional drive. The new product range introduced during the year is expected to mature in the forthcoming year generating improved turnover.



Hotels

The leisure industry unfortunately became the worst hit due to the turmoil of World economy as well as the Country situation. Revenue generation continued at strained levels which resulted in negative margins. Various factors contributed to the sector making an operating loss which included, travel advisories, limited fuel availability, elevated travel costs for local visitors. Furthermore, the Chinese market remained closed and didn't open as anticipated during the winter season. The combination of exchange rate differences and higher rates contributed to elevated revenue this year. Conversely, despite implementing comprehensive cost control measures, the sector faced challenges from uncontrollable inflation affecting commodities and energy prices. This ultimately impacted the Company's profitability.



Looking Ahead

With the Country transitioning to a recovery phase, inflation and policy rates declining and prudent measures being taken in respect of attracting foreign remittances, stabilising exchange rates, sector is hopefully of a steady recovery. The relaxation of import bans benefited all hotels, enabling access to vital imports and property upgrades. Additionally, relief in fuel and gas prices eased pressure on both industries and domestic consumers. In light of recent developments in key European, Chinese, and other markets, the sector holds a positive outlook for the upcoming Winter season. It anticipates a surge in tourist arrivals, with the potential to reach monthly figures akin to pre-pandemic levels by year-end.



OUTLOOK

With the economic situation in the country gradually improving, the Group is hopeful that the businesses will start to stabilise and be in a better position to sustain themselves for higher profitability. With the interest rates dropping the severe burden on the finance costs of the Company is expected to lessen thus enabling less pressure on the bottom line. With the banks not having to undergo any undue stress from the domestic debt restructuring, we see an opportunity to expand the funding lines which will enable expanded operations. On the other hand, the dearth of professionals triggered by increasing migration would affect the Company in the long run in finding suitable recruitments.

HR Review

At Lankem, our employees are a crucial factor in determining the success of the Company. They bring diverse skills, knowledge, and expertise to the table. Their individual strengths and experiences contribute to the overall competence and effectiveness of the organization. By leveraging their skills, employees collectively drive innovation, solve complex problems, and create new avenues for the Company. Further, we believe that engaged and motivated employees tend to be more productive and perform at higher levels. Their dedication, commitment, and hard work directly impact the efficiency and output of the organization. High-performing employees make a significant contribution in driving growth, achieving targets, and delivering results that contribute to the overall success of the company.

We also consider employees to be a valuable source of ideas, creativity, and innovation. They can contribute fresh perspectives, identify opportunities, and suggest improvements to processes, products, and services. Furthermore, employees who are adaptable and open to change will help the Company stay competitive in a rapidly evolving business landscape. It is also important to emphasize that employees create a significant impact in terms of defining the Company culture and exemplifying its core values. They contribute towards creating a positive work environment, fostering teamwork, and promoting a shared sense of purpose. A strong and cohesive Company culture will enhance employee morale, engagement, and satisfaction, leading to higher productivity and long-term success.

We consider all employees as brand ambassadors who represent the Company's values and mission. Their conduct, both inside and outside the workplace, can impact the Company's reputation. Satisfied and engaged employees are more likely to speak positively about the employer, which can enhance the Company's brand image to attract better customers, partners, and potential employees.

RECRUITMENT

The Lankem recruitment process encompasses a series of steps undertaken by us to identify, attract, and select qualified individuals to fill job vacancies. The general overview of the recruitment process comprises of following elements:

- * Identifying Hiring Needs
- * Job Description and Job Posting
- * Candidate Sourcing
- * Resume screening
- * Interview process
- * Reference and Background Checks
- * Decision-Making and Job Offer
- * Onboarding

CAREER ADVANCEMENT

The Company has established multiple mechanisms to cater progression and advancement of all employees. These interventions enable our employees to move to higher-level positions, accept greater responsibilities, and achieve professional goals. Some of the strategies that support career advancement at Lankem include:

- * Structured performance evaluations process
- * Internal accelerated development programs (Fast-track/Talent Pool)
- * Job rotation programs
- * Cross functional projects
- * Leadership development programs
- * Technical and soft skills programs
- * Overseas exposure
- * Sponsorships for technical/professional qualifications

The Company has also established a succession planning framework to identify and groom home-grown leaders for future leadership positions.

EMPLOYEE TRAINING

The learning interventions at Lankem begin with the annual training needs analysis. The training requirements are also captured during the performance evaluation process where they are then considered in developing the annual training calendar. The Company uses multiple training mechanisms to enhance employees' skills, knowledge, and capabilities, enabling them to perform their jobs effectively and contribute to organizational success. Following are the training mechanisms adopted by Lankem in terms of employee development:

- * Classroom training
- * Virtual training
- * Experiential learning
- * On-the-Job training
- * Job rotation programs
- * Workshops and seminars
- * Conferences and professional development programs
- * Internal accelerated development programs
- * Board leadership development programs

ANNUAL PERFORMANCE EVALUATION

Lankem operates in a highly performance driven work culture where employees are constantly monitored for their individual performance whilst providing all prerequisites required to perform their relevant job roles. This includes Infrastructure, Training & Development, Performance Evaluation and Continuous performance feedback. The annual evaluation process is conducted in three phases which are the Objective Setting/Goal Planning phase, Mid-Year Review and End Year Review phase. The KPIs are mutually agreed upon and defined at the beginning of the financial year and are derived from the Organizational and Divisional objectives. The review stages are carried out as a 180-degree evaluation process where the employee conducts a self-evaluation which is then followed by the supervisor evaluation. The employees will be rated on predefined rating criteria that are factored in determining the annual salary revisions. One of the most important features in our evaluation process is providing 'continuous feedback' which enables and provides the opportunity for employees to get back on track and carry out immediate course correction to reach the management expectations.

EMPLOYEE ENGAGEMENT INITIATIVES

At Lankem, we believe that engaged employees are enthusiastic, motivated, and dedicated, reaching above and beyond their job requirements to contribute to the success of the organization. Employee engagement is important as it has numerous benefits for both employees and the Company which typically include increased productivity, improved job satisfaction, enhanced employee retention, stronger teamwork & collaboration and positive organizational culture. To foster a work culture with employee engagement, Lankem uses multiple methods such as:

- * Encouraging open communication and feedback.
- * Recognizing and rewarding employees for their contributions.
- * Supporting work-life balance and employee well-being.
- * Creating a positive and inclusive work environment.
- * Empowering employees by involving them in decision-making and keeping employees informed of key management decisions.
- * Promoting a strong Employee Value Proposition and organizational mission & values.

The Company allocates a substantial budget to support and carry out various employee engagement and welfare events throughout the year.

EMPLOYEE HEALTH AND WELL-BEING

As a responsible employer, Lankem firmly believes that employee health and well-being are fundamental factors in developing a highly capable workforce. The initiatives below are offered to our employees with the intention of creating a safe and healthy work environment, promoting work-life balance, and enhancing employee satisfaction and productivity.

- * OPD medical reimbursement facility
- * Hospitalization Insurance cover
- * Workmen compensation insurance
- * Personal accident cover
- * Annual medical camp
- * Annual medical check-up for staff handling chemicals etc.
- * Employee wellness program focusing on mental well-being, physical fitness, personal hygiene and grooming, personal financial management
- * Flexible working hours
- * Relaxing pod at the shared service centre
- * Conducting periodic safety audits
- * Providing personal protection equipment to factory staff
- * Providing facilities such as drinking water, meal rooms, and rest rooms at all locations
- * Occupational Health and Safety Standard certified factories (Agro & Industrial Chemical Factories)

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 2023. 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, the Managing Director's Review 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 37 to 125.

AUDITORS' REPORT

The Auditors' Report on the Financial Statements is given on pages 34 to 36.

ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 41 to 55.

INTEREST REGISTER

Directors' Interest in Transactions

The Directors have made general disclosures as provided for in Section 192(2) of the Companies Act No. 07 of 2007. Arising from this, details of contracts in which they have an interest are disclosed in Note 33 to the Financial Statements on pages 111 and 112.

DIRECTORS' REMUNERATION

Directors' remuneration in respect of the Group for the financial year 2022/23 is Rs. 288.8 Mn (2021/22 - Rs. 143.2 Mn) and in respect of the Company for the financial year 2022/23 is Rs. 143.9 Mn (2021/22 - Rs. 89.3 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 31.03.2023 | No. of Shares As at 31.03.2022 |
|---|--------------------------------------|--------------------------------------|
| Mr. S. D. R. Arudpragasam | - | - |
| Mr. A. Hettiarachchy | - | - |
| Mr. Anushman Rajaratnam | 137,411 | 109,987 |
| Mr. A. C. S. Jayaranjan | - | - |
| Mr. R. Seevaratnam (Deceased - 19.01.2023) | - | - |
| Mr. P. M. A. Sirimane | - | - |
| Mr. P. S. Goonewardene | - | - |
| Mr. G. K. B. Dasanayaka | - | - |
| Dr. A. M. Mubarak | - | - |

DIRECTORATE

The names of the Directors who held office during the financial year are given below and brief profiles of the Directors currently in office appear on pages 10 and 11.

| | |
|---|-------------------|
| 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 (Deceased - 19.01.2023) | Director |
| Mr. P. M. A. Sirimane | Director |
| Mr. G. K. B. Dasanayaka | Director |
| Dr. A. M. Mubarak | Director |

Mr. R. Seevaratnam who served on the Board as an Independent Non-Executive Director expired on 19th January 2023.

In terms of Articles 84 and 85 of the Articles of Association, Mr. G. K. B. Dasanayaka retires by rotation and being eligible offers himself for re-election.

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. 0.27 Mn during the year under review. (2021/22 - Rs. 0.07 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. 17.7 Mn during the year under review (2021/22 - Rs. 13.6 Mn) as audit fees and fees for audit related services by the Group. In addition, they were paid Rs. 2.3 Mn (2021/22 - Rs. 1.6 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. 5.9 Mn during the year under review (2021/22 - Rs. 4.4 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. 33,754 Mn (2021/22 - Rs. 21,191 Mn)

RESULTS

The Group made a profit before Tax of Rs. 2,967 Mn against a Profit of Rs. 263 Mn in the previous year. The detailed results are given in the Statement of Comprehensive Income on page 37.

DIVIDENDS

The Directors are pleased to recommend the payment of a First and Final Dividend of Rs. 10/- per share on the ordinary shares of the Company for the year ended 31st March, 2023 for approval by the shareholders at the forthcoming Annual General Meeting to be held on 25th September 2023.

The Directors have confirmed that the Company satisfies the solvency test requirement under Section 56 of the Companies Act No. 07 of 2007 for the dividend proposed. A solvency certificate has been sought from the Auditors in respect of the aforementioned dividend.

INVESTMENTS

Investments made by the Group are given in Notes 16, 17 and 18 to the Financial Statements on pages 74 to 81.

PROPERTY, PLANT & EQUIPMENT

During 2022/23 the Group invested Rs. 303.5 Mn in Property, Plant & Equipment (2021/22 - Rs. 361.3 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 2023. Market value of the freehold land as at 31st March 2023 are disclosed in Note 12 to the Financial Statements on page 62.

STATED CAPITAL

The stated capital of the Company as at 31st March 2023 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 2023 comprised Other Capital Reserves of Rs. 4.8 Mn, FVTOCI Profit of Rs. 46.4 Mn, Retained Profit of Rs. 200.9 Mn and Revaluation Reserve of Rs. 1,921.5 Mn. Whereas the total Group Reserves as at 31st March 2022 comprised Other Capital Reserves of Rs. 4.8 Mn, FVTOCI loss of Rs. 13.9 Mn, Retained loss of Rs. 1,711.4 Mn and Revaluation Reserve of Rs. 2,290.5 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 60 to 61.

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 disclosure 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 33 on page 110. 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 33 from pages 103 to 112.

SHARE INFORMATION

Information relating to earnings, dividend, net assets, market value per share and share trading is given on page 128.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

Events occurring after the Reporting Period that would require adjustments to or disclosures are disclosed in Note 38 on page 123.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments and contingent liabilities as at the date of the Statement of Financial Position are disclosed in Notes 36 and 37 on page 122.

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

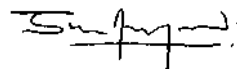
The Directors acknowledged their responsibility for the Company's system of internal control. The system is designed to give assurance regarding the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can ensure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




S. D. R. Arudpragasam
Chairman



Suren Goonewardene
Managing Director

By Order of the Board



Corporate Managers & Secretaries (Private) Limited
Secretaries

Colombo
31st August 2023

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 are responsible for the governance practices adopted in all the companies within the Group. The Board currently comprise of the Chairman, Deputy Chairman, Managing Director, and five other Directors. All the Directors are professionals who 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

Non-Executive (Deputy Chairman)

(Ceased to be Independent w.e.f. 01/02/2023)

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

(Deceased - 19.01.2023)

Mr. P.M.A. Srimane

Independent Non-Executive

(Appointed as an Independent Director w.e.f. 01/02/2023)

Mr. G.K.B. Dasanayaka

Independent Non-Executive

Dr. A.M. Mubarak

Independent Non-Executive

Mr. A. Hettiarachchy, who functioned in the capacity of Independent Non Executive Director ceased to function as an Independent Director with effect from 1st February 2023, and continues to serve as a Non-Executive Director.

Mr. P.M.A. Srimane, who functioned in the capacity of Non Executive Director on the Board of Lankem Ceylon PLC has been appointed as an Independent Non-Executive Director of the Company with effect from 1st February 2023.

The Board has met 14 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: 14

| Name of Director | Directorship Status | Board Meetings Attended |
|--|----------------------------------|-------------------------|
| Mr. S. D. R. Arudpragasam | Chairman Non-Executive | 13/14 |
| Mr. A. Hettiarachchy (Ceased to be Independent w.e.f. 01/02/2023) | Deputy Chairman Non-Executive | 13/14 |
| Mr. P.S. Goonewardene | Managing Director Executive | 14/14 |
| Mr. Anushman Rajaratnam | Executive | 10/14 |
| Mr. A. C. S. Jayaranjan | Independent Non-Executive | 14/14 |
| Mr. R. Seevaratnam (Deceased - 19.01.2023) | Independent Non-Executive | 8/12 |
| Mr. P.M.A. Srimane (Appointed Independent Director w.e.f. 01/02/2023) | Independent Non-Executive | 14/14 |
| Mr. G.K.B. Dasanayaka | Independent Non-Executive | 14/14 |
| Dr. A.M. Mubarak | Independent Non-Executive | 10/14 |

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.

Corporate Governance

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

Company Secretary and Independent Professional Advice

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

Independent Judgement

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

Training for Directors

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

1.2 Segregation of the Role of Chairman and Chief Executive Officer

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

1.3 Chairman's Role

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

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

1.4 Financial Acumen

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

1.5 Board Balance

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

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 within the Lankem Group of Companies. 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. G.K.B. Dasanayaka serves on the Boards of certain subsidiaries of the Parent Company The Colombo Fort Land & Building PLC (CFLB) . He is a Director of certain such Subsidiary Companies of which a majority of the Directors serve on the Board of another and is on the Boards of certain Companies within the CFLB Group which have significant shareholdings in another. The Board however having considered the fact that Mr. G.K.B. Dasanayaka 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. G.K.B. Dasanayaka 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 such subsidiaries serve on the Board of another. He has also served on the Boards of several subsidiaries of the Parent Company for over a period of nine years. He also serves on the Board of some companies which have significant shareholdings in another within the CFLB Group of companies. However, the Board having considered the fact that Dr. 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.

Mr. P.M.A. Sirimane is a Director of the Parent Company, The Colombo Fort Land and Building PLC (CFLB) and serves on the Boards of several subsidiaries of CFLB. He is a Director of certain such subsidiary companies of which a majority of the Directors serve on the Board of another and is on the Boards of certain Companies which have significant shareholdings in another within the CFLB Group of companies. He has also served on the Boards of several subsidiaries of the Parent Company for over a period of nine years. The Board however having considered the fact that Mr. P.M.A. Sirimane 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. P.M.A. Sirimane is nevertheless Independent.

1.6 Supply of Information

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

- * Apart from Board Meetings, Executive Directors and Senior Managers meet bi-weekly or more frequently in order to discuss specific matters.
- * Decisions and important information from these meetings are conveyed to all Board Members at the Board Meetings.
- * Monthly Accounts and key financial parameters and performance of each division are discussed and necessary action is taken.

1.7 Nomination Committee and Appointments to the Board

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

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

The Company's Nomination Committee currently comprises of Mr. G.K.B. Dasanayaka - Chairman, (Appointed Chairman of the Committee w.e.f. 01.02.2023), Mr. A.C.S. Jayaranjan, Independent Non-Executive Directors and Mr. S.D.R. Arudpragasam, Non-Executive Director. Mr. A. Hettiarachchy ceased to be Chairman/ Member of the committee with effect from 01.02.2023.

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 report is set out on page 30 of this report.

2.2 Disclosure of Remuneration

Aggregate remuneration paid to Directors is disclosed in Note 33 to the Financial Statements on page 110.

3. RELATIONSHIP WITH SHAREHOLDERS

3.1 Constructive Use of AGM/General Meetings

Lankem Ceylon PLC always welcomes the active participation of shareholders at General Meetings in order to promote and continue an effective dialogue between the two parties. Opportunities are available to shareholders to raise questions from the Chairman and other Directors at the Annual General Meeting/General Meetings. The required number of days' notice

has been given in accordance with the Articles of Association of the Company and the Companies Act No. 07 of 2007.

3.2 Major Transactions

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

4. ACCOUNTABILITY AND AUDIT

4.1 Financial Reporting

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

The Annual Report of the Board of Directors on the affairs of the Company is given on pages 22 to 25 of this Annual Report.

The Directors are of the belief that the Company is capable of operating in the foreseeable future after the adequate assessment of the Company's financial position and resources. Therefore, the going concern principle has been adopted in the preparation of these Financial Statements. The Auditors' Report on Financial Statements is given on pages 34 to 36 containing the Auditors' reporting responsibility. Non-financial information of business segments is given on pages 16 to 19.

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 32 of this report.

4.4 Related Party Transactions Review Committee

The Related Party Transactions are disclosed in Note 33 to the financial statements.

The Report of the Related Party Transactions Review Committee appears on page 31.

Risk Management Review

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 operational reviews 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 within 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 transactional 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 to maximise the export proceeds of the Group and encourage customers to settle in foreign currency wherever permitted by the exchange control department of CBSL.

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 very 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 comprised of the following members:

Mr. G.K.B. Dasanayake

Chairman, Independent Non-Executive Director
(Appointed Chairman of the Committee w.e.f. 01/02/2023)

Mr. A. Hettiarachchy

Chairman, Independent Non-Executive Director
(Ceased to be Chairman/ Member of the Committee w.e.f. 01/02/2023)

Mr. R. Seevaratnam

Member, Independent Non-Executive Director
(Deceased- 19.01.2023)

Mr. S.D.R. Arudpragasam

Member - Non-Executive Director

Mr. P.M.A. Sirimane

Independent Non-Executive Director
(Appointed Member of the Committee w.e.f. 01/02/2023)

The Remuneration Committee met on 2 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.



G.K.B. Dasanayake
Chairman
Remuneration Committee

31st August 2023

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 comprised of the following Members:

Mr. P.M.A. Sirimane

Chairman, Independent Non - Executive Director
(Appointed Chairman of the Committee w.e.f. 01/02/2023)

Mr. R. Seevaratnam

Chairman, Independent Non-Executive Director
(Deceased- 19.01.2023)

Mr. A. Hettiarachchy

Non-Executive Director
(Ceased to be Independent w.e.f. 01/02/2023)

Mr. A.C.S. Jayaranjan

Independent, Non - Executive Director

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

MEETINGS OF THE COMMITTEE

Having met in each quarter during the financial year ended 31st March 2023 a total of six Related Party Transactions Review Committee Meetings were held. The individual attendance by Members were as follows:

| | |
|---|-----|
| Mr. P.M.A. Sirimane | 1/1 |
| <i>Chairman</i> (Appointed to the Committee as Chairman w.e.f. 01/02/2023) | |
| Mr. R. Seevaratnam | 3/5 |
| <i>Chairman</i> (Deceased- 19.01.2023) | |
| Mr. A. Hettiarachchy | 6/6 |
| Mr. A.C.S. Jayaranjan | 6/6 |

Further during the said period, on several occasions the RPTRC has also reviewed and recommended Related Party Transactions by Resolutions in writing.

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

FUNCTIONS OF THE COMMITTEE

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

CONCLUSION

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

The Board of Directors have also declared in the Annual Report that there were no recurrent related party transactions which exceeded the respective thresholds mentioned in Section 9 of the Colombo Stock Exchange Listing Rules. However non-recurrent related party transactions which exceeded the respective thresholds are duly disclosed on page 110 of the Annual Report. The Company has complied with the requirements of the Listing Rules on Related Party Transactions.



P.M.A. Sirimane

Chairman
Related Party Transactions Review Committee

31st August 2023

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 2023, the Company's Audit Committee comprised of the following Members :

Mr. A. C. S. Jayaranjan

Chairman, Independent Non - Executive Director

Mr. A. Hettiarachchy

Non - Executive Director

(Ceased to be Independent w.e.f. 01/02/2023)

Mr. R. Seevaratnam

Independent Non-Executive Director

(Deceased -19.01.2023)

Mr. P.M.A. Sirimane

Independent Non - Executive Director

(Appointed to the Committee on 01/02/2023)

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

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

MEETINGS AND ATTENDANCE

The Audit Committee has met on four occasions during the financial year ended 31st March 2023 and the attendance was as follows:

| | |
|--|-----|
| Mr. A. C. S. Jayaranjan <i>Chairman</i> | 4/4 |
| Mr. A. Hettiarachchy | 3/4 |
| Mr. R. Seevaratnam (Deceased 19.01.2023) | 2/3 |
| Mr. P.M.A. Sirimane (Appointed to the Committee on 01/02/2023) | 1/1 |

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

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

The Managing Director and the Chief Financial Officer also attends meetings of the Audit Committee. Further other members of the

Board and the Management Committee, as well as the External Auditors were present at discussions where appropriate.

TERMS OF REFERENCE

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


- Risk Management
- Efficiency of the system of internal controls
- Independence and objectivity of the external (statutory) Auditors
- Appropriateness of the principal accounting policies used
- Financial Statement integrity

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 the 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 2023 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 2024 subject to the approval of the Shareholders at the Annual General Meeting of the Company.



A. C. S. Jayaranjan

Chairman

Audit Committee

31st August 2023



Reigniting
the growth momentum

Financial Information

Independent Auditor's Report



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

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TO THE SHAREHOLDERS OF LANKEM CEYLON PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Lankem Ceylon PLC ("the Company") and the Consolidated Financial Statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31st March 2023, 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 37 to 125.

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 2023, 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, Investment in Subsidiaries and Investments in Associates.

(Refer to the significant accounting policy in Note 3.10.2 and explanatory Notes 15, 16 and 17 to the Financial Statements).

Risk Description

The Company has recorded investments in subsidiaries amounting to Rs.5,157 Mn and investments in associates amounting to Rs. 221 Mn as at 31st March 2023. A goodwill of Rs. 1,543 Mn has been recognized in the consolidated financial statements as at 31st March 2023. Additionally, the Company has recognized Rs. 845 Mn, Rs. 221 Mn and Rs. 329 Mn as provision for impairment of investment in subsidiaries, investments in associates and Goodwill on consolidation respectively as at 31st March 2023.

The Management allocated goodwill to the respective cash-generating units ("CGUs") as disclosed in Note 15 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 or value in use calculation as at 31st March 2023.

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

We have identified the impairment of goodwill on consolidation, investments in subsidiaries, and investment portfolio in associates as a key audit matter due to the magnitude of the amounts recognized in the financial as at 31st March 2023. In addition, these areas were significant to our audit because the impairment assessment process involves significant management judgement and required the management to make various assumptions in the underlying cash flow forecasts and valuation methodology.

Our audit procedures included;

- * Obtaining an understanding of management's impairment assessment process.
- * Evaluating the carrying amounts and the nature and background of the investment to identify impairment indications under accounting standards.
- * Assessing the management's basis used to determine the recoverable amounts of these investments by our own expectations based on our knowledge of the investment and experience in 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 accuracy of management's assumptions comparing with externally derived data as well as our own assessments in relation to key inputs such as projected economic growth, competition, cost inflation and discount rates.
- * Assessing the adequacy of disclosures in the Financial Statements in relation to impairment of investments in subsidiaries 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 30 to the Financial Statements).

The Group and the Company have recorded deferred tax assets of Rs. 848.4 Mn and Rs. 270 Mn respectively as at 31st March 2023 on deductible temporary differences arising from accumulated tax losses.

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

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

Our audit procedures included;

- * Assessing the Group's/Company's approach for evaluating the likelihood of the recoverability of deferred tax assets on tax losses.
- * Challenging the key assumptions included in forecasting the future taxable profits after considering the accumulated unutilized tax losses by comparing the key inputs used in the forecasts, including future revenue growth, management of operating costs with historical performance of the entities;

- * Assessing the appropriateness of the approval for the forecasts used by the management; and
- * Assessing the adequacy of disclosures in the financial statements as required by the relevant accounting standards

Other Information

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

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

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditor's Report

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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



Chartered Accountants
Colombo
31st August 2023

Statement of Profit or Loss and Other Comprehensive Income

| For the Year Ended 31st March | Notes | Consolidated | | Company | |
|---|-------|---------------------|-----------------|--------------------|-----------------|
| | | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| Revenue | 5 | 33,754,554 | 21,191,341 | 6,871,012 | 4,457,475 |
| Cost of Sales | | (23,548,402) | (17,104,509) | (3,941,009) | (3,119,350) |
| Gross Profit | | 10,206,152 | 4,086,832 | 2,930,003 | 1,338,125 |
| Other Income | 6 | 362,304 | 232,731 | 544,760 | 247,895 |
| Distribution Costs | | (2,034,564) | (1,213,788) | (834,264) | (485,772) |
| Administrative Expenses | | (2,804,785) | (1,663,312) | (469,377) | (322,888) |
| Other Expenses | 7 | (250) | (79,852) | (244,203) | (103,377) |
| Provision for Impairment of Amount due from Related Parties and Trade Receivables | | (140,530) | (56,732) | (95,121) | (17,093) |
| Results from Operating Activities | | 5,588,327 | 1,305,879 | 1,831,798 | 656,890 |
| Finance Income | 8 | 266,233 | 420,771 | 226,111 | 103,666 |
| Finance Costs | 8 | (2,721,820) | (1,339,499) | (987,920) | (574,348) |
| Net Finance Costs | | (2,455,587) | (918,728) | (761,809) | (470,682) |
| Share of Profit/(Loss) of Associate | 17 | (502) | 3,814 | - | - |
| Share of Loss of Joint Venture | 18 | (165,413) | (127,808) | - | - |
| Profit before Tax | 9 | 2,966,825 | 263,157 | 1,069,989 | 186,208 |
| Income Tax (Expenses)/Reversals | 10 | (685,190) | (266,706) | 27,137 | (14,997) |
| Profit/(Loss) for the Year | | 2,281,635 | (3,549) | 1,097,126 | 171,211 |
| Other Comprehensive Income/(Expense) | | | | | |
| Items that will not be reclassified to profit or loss | | | | | |
| Fair Value Gain on Financial Assets Designated at Fair Value Through Other Comprehensive Income | | 59,956 | 4,824 | 58,796 | 4,312 |
| Actuarial Gain/(Loss) on Defined Benefit Obligations | 31 | (5,958) | 144,211 | (29,818) | 37,444 |
| Revaluation Surplus | 12 | - | 803,804 | - | 4,764 |
| Share of Other Comprehensive Income of Equity-Accounted Investees (Net of Tax) | 18 | 1,866 | 209 | - | - |
| Tax Effect on Components of OCI | 30 | (79,086) | (191,783) | 7,088 | (8,632) |
| Deferred Tax Impact due to Change in Tax Rate | 30 | (749,956) | - | (65,839) | - |
| Other Comprehensive Income/(Expense) for the Year, Net of Tax | | (773,178) | 761,265 | (29,773) | 37,888 |
| Total Comprehensive Income for the Year | | 1,508,457 | 757,716 | 1,067,353 | 209,099 |
| Profit/(Loss) Attributable to: | | | | | |
| Owners of the Company | | 2,176,901 | 44,925 | 1,097,126 | 171,211 |
| Non-Controlling Interests | | 104,734 | (48,474) | - | - |
| Profit/(Loss) for the Year | | 2,281,635 | (3,549) | 1,097,126 | 171,211 |
| Total Comprehensive Income Attributable to: | | | | | |
| Owners of the Company | | 1,760,691 | 497,217 | 1,067,353 | 209,099 |
| Non-Controlling Interests | | (252,234) | 260,499 | - | - |
| Total Comprehensive Income for the Year | | 1,508,457 | 757,716 | 1,067,353 | 209,099 |
| Basic Earnings per Share (Rs.) | 11 | 42.29 | 0.94 | 21.32 | 3.56 |

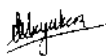
The Notes from pages 41 to 125 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statement of Financial Position

| As at 31st March | Notes | Consolidated | | Company | |
|--|-------|-------------------|-------------------|------------------|------------------|
| | | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| ASSETS | | | | | |
| Non-Current Assets | | | | | |
| Property, Plant and Equipment | 12 | 9,743,113 | 9,839,065 | 824,975 | 821,991 |
| Right-of-Use Assets | 13 | 275,366 | 220,877 | 26,221 | 39,102 |
| Investment Property | 14 | 840,844 | 948,546 | - | - |
| Intangible Assets | 15 | 1,213,443 | 1,213,443 | - | - |
| Investments in Subsidiaries | 16 | - | - | 4,311,837 | 3,741,616 |
| Investments in Associates | 17 | - | 105,821 | - | 102,000 |
| Investments in Joint Venture | 18 | - | 163,547 | - | - |
| Financial Assets Measured at Fair Value Through OCI | 19 | 83,400 | 23,693 | 79,499 | 20,702 |
| Deferred Tax Assets | 30 | - | - | 263,927 | 294,662 |
| Total Non-Current Assets | | 12,156,166 | 12,514,992 | 5,506,459 | 5,020,073 |
| Current Assets | | | | | |
| Inventories | 21 | 5,502,104 | 3,743,877 | 1,089,498 | 929,369 |
| Trade & Other Receivables | 22 | 6,671,406 | 4,876,479 | 1,671,222 | 938,784 |
| Amounts Due from Related Parties - Trade | 33.1 | 108,187 | 19,416 | 19,269 | 6,260 |
| Amounts Due from Related Parties - Non-Trade | 33.2 | 564,143 | 271,346 | 178,307 | 758,651 |
| Loans Due from Related Parties | 33.3 | 443,913 | 262,471 | 434,465 | 210,228 |
| Income Tax Recoverable | | 43,218 | 60,579 | 23,215 | 23,215 |
| Financial Assets Measured at Fair Value Through Profit or Loss | 20 | 25,935 | 29,479 | 25,935 | 29,479 |
| Bank & Cash Balances | 23 | 557,249 | 779,635 | 36,324 | 85,448 |
| Asset Held for Sale | 24 | - | 30,000 | - | 30,000 |
| Total Current Assets | | 13,916,155 | 10,073,282 | 3,478,235 | 3,011,434 |
| Total Assets | | 26,072,321 | 22,588,274 | 8,984,694 | 8,031,507 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Stated Capital | 25 | 1,282,697 | 1,282,697 | 1,282,697 | 1,282,697 |
| Other Capital Reserves | 26 | 4,833 | 4,833 | - | - |
| Revaluation Reserves | | 1,921,461 | 2,290,499 | 399,701 | 468,221 |
| Fair Value Through OCI Reserves | 26 | 46,443 | (13,996) | 51,073 | (8,542) |
| Retained Earnings/(Losses) | | 200,979 | (1,711,409) | 606,468 | (469,790) |
| Equity Attributable to Owners of the Company | | 3,456,413 | 1,852,624 | 2,339,939 | 1,272,586 |
| Non-Controlling Interest | | 3,739,040 | 3,268,392 | - | - |
| Total Equity | | 7,195,453 | 5,121,016 | 2,339,939 | 1,272,586 |
| LIABILITIES | | | | | |
| Non-Current Liabilities | | | | | |
| Interest Bearing Borrowings | 27 | 4,552,726 | 3,770,960 | 1,654,174 | 1,482,093 |
| Lease Liabilities | 28 | 224,669 | 175,457 | 6,433 | 15,525 |
| Deferred Income | 29 | 706 | 1,044 | - | - |
| Deferred Tax Liabilities | 30 | 1,278,767 | 511,160 | - | - |
| Retirement Benefit Obligations | 31 | 283,000 | 260,716 | 144,315 | 105,961 |
| Loans Payable to Related Parties | 27.3 | 26,590 | - | 250,999 | 365,000 |
| Total Non-Current Liabilities | | 6,366,458 | 4,719,337 | 2,055,921 | 1,968,579 |
| Current Liabilities | | | | | |
| Interest Bearing Borrowings | 27 | 6,194,055 | 6,933,097 | 2,147,934 | 2,359,615 |
| Lease Liabilities | 28 | 56,882 | 56,702 | 4,040 | 11,200 |
| Loans Payable to Related Parties | 27.3 | 145,234 | 407,410 | 60,369 | 149,164 |
| Trade & Other Payables | 32 | 3,731,378 | 3,423,226 | 1,328,032 | 1,293,594 |
| Amounts Due to Related Parties - Trade | 33.4 | - | - | 2,800 | 2,087 |
| Amounts Due to Related Parties - Non-Trade | 33.5 | 755,584 | 741,843 | 635,659 | 636,710 |
| Income Tax Payable | | 521,671 | 167,728 | - | - |
| Bank Overdraft | 23 | 1,105,606 | 1,017,915 | 410,000 | 337,972 |
| Total Current Liabilities | | 12,510,410 | 12,747,921 | 4,588,834 | 4,790,342 |
| Total Liabilities | | 18,876,868 | 17,467,258 | 6,644,755 | 6,758,921 |
| Total Equity and Liabilities | | 26,072,321 | 22,588,274 | 8,984,694 | 8,031,507 |
| Net Assets per Share (Rs.) | | 67.15 | 35.99 | 45.46 | 24.72 |

The Notes from pages 41 to 125 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



Upekha Abeyssekera Anthony
Chief Financial Officer

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



Suren Goonewardene
Managing Director
Colombo
31st August 2023



Anushman Rajaratnam
Director

Statement of Changes in Equity

| Group | Attributable to Owners of the Company | | | | | | | |
|--|---------------------------------------|------------------------|-----------------|---|----------------------|-----------|--------------------------|-----------|
| | Stated Capital | Other Capital Reserves | FVTOCI Reserves | Retained Earnings/ (Accumulated Losses) | Revaluation Reserves | Total | Non-Controlling Interest | Total |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| 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 | 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 |
| Balance as at 1st April 2022 | 1,282,697 | 4,833 | (13,996) | (1,711,409) | 2,290,499 | 1,852,624 | 3,268,392 | 5,121,016 |
| Profit for the year | - | - | - | 2,176,901 | - | 2,176,901 | 104,734 | 2,281,635 |
| Other Comprehensive Income/ (Expenses) for the year (Net of Tax) | - | - | 60,439 | (107,611) | (369,038) | (416,210) | (356,968) | (773,178) |
| Share issues to Non Controlling Interest | - | - | - | - | - | - | 748,982 | 748,982 |
| Changes in Percentage of Subsidiaries (Note 40.1) | - | - | - | (156,902) | - | (156,902) | 134,552 | (22,350) |
| Distribution to Equity Holders | | | | | | | | |
| Dividend Paid | - | - | - | - | - | - | (160,652) | (160,652) |
| Balance as at 31st March 2023 | 1,282,697 | 4,833 | 46,443 | 200,979 | 1,921,461 | 3,456,413 | 3,739,040 | 7,195,453 |

| Company | Stated Capital | FVTOCI Reserves | Revaluation Reserves | Retained Earnings/ (Accumulated Losses) | Total |
|---|-------------------------------------|-----------------|----------------------|---|-------------|
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| | Balance as at 1st April 2021 | 930,346 | (12,854) | 867,303 | (1,073,659) |
| Profit for the Year | - | - | - | 171,211 | 171,211 |
| Issue of Shares by the Company | 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 |
| Balance as at 1st April 2022 | 1,282,697 | (8,542) | 468,221 | (469,790) | 1,272,586 |
| Profit for the Year | - | - | - | 1,097,126 | 1,097,126 |
| Other Comprehensive Income/(Expenses) for the year (Net of Tax) | - | 59,615 | (68,520) | (20,868) | (29,773) |
| Balance as at 31st March 2023 | 1,282,697 | 51,073 | 399,701 | 606,468 | 2,339,939 |

The Notes from pages 41 to 125 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

Statement of Cash Flow

| For the Year Ended 31st March | Notes | Consolidated | | Company | |
|--|--------|--------------|-------------|-----------|-------------|
| | | 2023 | 2022 | 2023 | 2022 |
| | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Cash Flow from Operating Activities | | | | | |
| Profit before tax | | 2,966,825 | 263,157 | 1,069,989 | 186,208 |
| Adjustments for : | | | | | |
| Depreciation/Amortisation | 9 | 420,899 | 396,833 | 44,103 | 54,561 |
| Amortisation of Right of Use Assets | 13 | 57,205 | 56,545 | 11,841 | 11,704 |
| Dividend Income | 6 | (1,827) | (3,368) | (415,600) | (193,091) |
| Gain on Disposal of Investment in Subsidiaries/ Associate | | (83,857) | - | (99,151) | - |
| Interest Expense | 8 | 2,511,482 | 959,260 | 940,529 | 486,985 |
| Amortisation of Deferred Income | 29 | (338) | (887) | - | - |
| (Gain)/Loss on Disposal of Property, Plant & Equipment | 6 & 7 | (13,543) | 12,732 | (881) | (29,204) |
| Net Exchange (Loss)/Gain | 8 | 121,061 | 31,666 | 43,677 | 84,384 |
| Interest Income | 8 | (180,670) | (75,017) | (226,111) | (103,666) |
| Provision for Retirement Benefit Obligation | 31 | 65,730 | 62,879 | 25,949 | 18,245 |
| Fair Value Loss on Financial Assets Measured at Fair Value Through Profit or Loss | 8 | 3,714 | 2,819 | 3,714 | 2,979 |
| Write Back of Payables | 6 | (7,229) | (13,491) | (3,728) | - |
| Share of Profit/(Loss) from Associate | 17 | 502 | (3,814) | - | - |
| Share of Profit/(Loss) from Joint Venture | 18 | 165,413 | 127,808 | - | - |
| Provision for Impairment of Investment in Subsidiaries | 16 | - | - | 244,202 | 40,532 |
| Provision for Impairment for Assets Held for Sale | 24 | - | 30,000 | - | 30,000 |
| Write off of NBT Receivables | 7 | - | 487 | - | - |
| Provision/(Reversal) for Impairment of Trade Receivables | 22.1.1 | 128,745 | 59,383 | 87,361 | (1,953) |
| Provision/(Reversal) for Impairment of Amount due from Related Parties | 33 | 29,121 | (2,651) | 8,120 | 19,045 |
| Provision made for Obsolete Inventories | 21 | 173,430 | 151,920 | 30,867 | 25,523 |
| Operating Profit Before Working Capital Changes | | 6,356,663 | 2,056,261 | 1,764,881 | 632,252 |
| Increase in Inventories | | (1,931,657) | (304,594) | (190,996) | (224,092) |
| (Increase)/Decrease in Trade and Other Receivables | | (1,943,500) | (344,323) | (819,799) | (75,915) |
| (Increase)/Decrease in Amounts due from Related Parties | | (592,131) | 101,744 | (110,574) | (19,019) |
| Increase/(Decrease) in Trade and Other Payables | | 301,705 | (495,250) | (22,525) | 131,783 |
| Increase/(Decrease) in Amounts due to Related Parties | | 13,767 | (82,821) | (94,727) | (33,197) |
| Cash Generated from Operations | | 2,204,847 | 931,017 | 526,260 | 411,812 |
| Income Tax Paid | | (397,458) | (173,703) | (879) | - |
| Interest Paid | | (2,463,579) | (943,218) | (696,247) | (410,590) |
| Gratuity Paid | | (33,914) | (29,626) | (17,414) | (18,335) |
| Gratuity Refund from Planed Assets | | (15,490) | (12,886) | - | - |
| Net Cash Used in Operating Activities | | (705,594) | (228,416) | (188,280) | (17,113) |
| Cash Flow from Investing Activities | | | | | |
| Purchase & Construction of Property, Plant & Equipment | 12 | (303,476) | (361,303) | (47,347) | (23,779) |
| Purchase & Construction of Investment Property | 14 | (5,296) | (6,549) | - | - |
| Proceeds received from Disposal of Subsidiary Shares | | 34,091 | - | - | - |
| Investment in Non-Controlling Interests | | (56,443) | - | - | - |
| Acquisition of Subsidiary | | - | (314,307) | - | (284,952) |
| Proceeds from Disposal of Financial Assets Measured at Fair Value Through Other Comprehensive Income | | - | (24) | - | - |
| Proceeds from Disposal of Associate | | 189,176 | - | 189,176 | - |
| Proceeds on Net Changes in Percentage in Subsidiaries | | - | - | 34,094 | - |
| Proceed from Disposal of Financial Assets Measured at Fair Value Through Profit or Loss | | (170) | 8,078 | - | 8,465 |
| Grants Received | 29 | - | 179 | - | - |
| Interest Received | | 28,584 | 46,972 | 105 | 1,938 |
| Dividend Received | 6 | 1,827 | 3,368 | 415,600 | 193,091 |
| Proceeds from Disposal of Property, Plant & Equipment/Investment Property | | 135,070 | 641,554 | 30,965 | 640,859 |
| Net Cash Generated from Investing Activities | | 23,363 | 17,968 | 622,593 | 535,622 |
| Cash Flow from Financing Activities | | | | | |
| Dividend Paid | | (160,652) | (112,278) | - | - |
| Issue of Shares | | - | 352,351 | - | 352,351 |
| Share issued to Non-Controlling Interest | | 748,982 | - | - | - |
| Loans Given to Related Parties | | - | - | (227,197) | 106,663 |
| Proceeds from Long Term Loans | 27 | 1,419,384 | 1,568,190 | 148,000 | 611,151 |
| Repayment of Long Term Loans | 27 | (1,360,324) | (2,128,249) | (350,821) | (1,665,713) |
| Net Lease Payment | 28 | (86,577) | (66,116) | (13,955) | (14,248) |
| Net movement in Short Term Borrowings | 27 | 46,927 | 754,902 | 91,304 | (114,842) |
| Loans Obtained from Related Parties | | 26,590 | 62,100 | 11,206 | 426,000 |
| Settlement of Loans obtained from Related Parties | | (262,176) | (44,729) | (214,002) | (229,326) |
| Net Cash Generated From/(Used in) Financing Activities | | 372,154 | 386,171 | (555,465) | (527,964) |
| Net Increase/(Decrease) in Cash & Cash Equivalents | | (310,077) | 175,723 | (121,152) | (9,455) |
| Cash & Cash Equivalents at the beginning of the year | | (238,280) | (414,003) | (252,524) | (243,069) |
| Cash & Cash Equivalents at the end of the year | 23 | (548,357) | (238,280) | (373,676) | (252,524) |

The Notes from pages 41 to 125 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 2023 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 2023 were authorised for issue by the Board of Directors 31st August 2023.

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; | 3.1.3 |
| 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 2023 is included in the following notes.

| | |
|-------------|---|
| Note 31 | Measuring of defined benefit Obligations: Key actuarial assumptions |
| Note 30 | Recognition of deferred tax liability |
| Note 16 | Impairment test key assumptions underlying recoverable amounts |
| Note 12 | Valuation of Property, Plant and Equipment |
| Note 19.2.2 | 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.

Notes to the Financial Statements

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.

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 % |
|---|-----------|
| Beruwala Resorts PLC | 48 |
| Marawila Resorts PLC | 37 |
| Imperial Hotels Ltd (Previously known as York Hotels (Kandy) Ltd) | 36 |
| Ceytra (Pvt) Ltd | 35 |
| Kelani Valley Canneries Ltd | 49 |
| Sunquick Lanka Properties (Pvt) Ltd | 28 |
| Sigiriya Village Hotels PLC | 33 |
| ACME Printing & Packaging PLC | 25 |

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.

Notes to the Financial Statements

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

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

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

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

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

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

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

There are no significant restrictions on the ability of the associate to transfer funds to the Group in the form of cash dividends or repayment of loans and advances. Details of the associates within the Group are provided in Note 17 to the financial statements and the details of the joint venture are provided in Note 18 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 (FVTOCI) 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 FVTOCI 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 FVTOCI 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 FVTOCI 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 FVTOCI 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).

Notes to the Financial Statements

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

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

3.3.2.3 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 derecognition 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.

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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.

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

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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.

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

Notes to the Financial Statements

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.

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 FVOCI 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.

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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 Groups control. Contingent liabilities are disclosed in Note 37 to the Financial Statements. Commitments are disclosed in Note 36 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.

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 2023. 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 Classification of liabilities as current or non-current (amendments to LKAS 1)

The amendments, as issued on 2020, aim to clarify the requirements on determining whether a liability is current or non-current, and apply for annual reporting periods beginning on or after 01st January 2023. However, the IASB has subsequently proposed further amendments to LKAS 1 and the deferral of the effective date of the 2020 amendments to no earlier than 01st January 2024. Due to these ongoing developments, the Company is unable to determine the impact of these amendments on the financial statements in the period of initial application. The Company is closely monitoring the developments.

4.2 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.

4.3 Disclosure of Accounting Policies (amendment to LKAS 1) SLFRS Practice Statement 2

Amendments to LKAS 1 - Presentation of Financial Statements; intends to help companies provide useful accounting policy disclosures. Key amendments to LKAS 1 includes requiring companies to disclose their material accounting policies rather than their significant accounting policies, clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a Company's financial statements.

4.4 Definition of Accounting estimates (Amendments to SLFRS 08)

Notes to the Financial Statements

5. REVENUE

5.1 Revenue Streams

| For the Year Ended 31st March | Consolidated | | Company | |
|--|-------------------|------------|------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Revenue from contracts with customers | | | | |
| Sale of Goods | 32,527,434 | 20,524,092 | 6,871,012 | 4,457,475 |
| Rendering of Services | 1,227,120 | 667,249 | - | - |
| | 33,754,554 | 21,191,341 | 6,871,012 | 4,457,475 |

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

5.3 Segment Revenue

| For the Year Ended 31st March | Consolidated | | Company | |
|-------------------------------|-------------------|------------|------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Trading - Consumer Products | 7,521,898 | 4,562,191 | - | - |
| Trading - Industrial Products | 26,216,467 | 16,158,356 | 6,871,012 | 4,457,475 |
| Leisure | 1,227,120 | 667,249 | - | - |
| | 34,965,485 | 21,387,796 | 6,871,012 | 4,457,475 |
| Inter-Segment Revenue | (1,210,931) | (196,455) | - | - |
| | 33,754,554 | 21,191,341 | 6,871,012 | 4,457,475 |

5.4 Timing of Revenue Recognition

| For the Year Ended 31st March | Consolidated | | Company | |
|--|-------------------|------------|------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Products and services transferred at a point in time | 33,754,554 | 21,191,341 | 6,871,012 | 4,457,475 |
| Products and services transferred over time | - | - | - | - |
| | 33,754,554 | 21,191,341 | 6,871,012 | 4,457,475 |

5.5 Segment Operating Profit/(Loss) - Consolidated

| For the Year Ended 31st March | Operating Profit/(Loss) | | Profit/(Loss) before Tax | |
|-------------------------------|-------------------------|------------------|--------------------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Consumer Products | 452,838 | 430,158 | 245,163 | 533,606 |
| Industrial Products | 5,438,821 | 1,038,068 | 3,474,148 | 305,675 |
| Leisure | (252,410) | (159,854) | (570,613) | (519,069) |
| Others | (50,922) | (2,493) | (181,873) | (57,055) |
| | 5,588,327 | 1,305,879 | 2,966,825 | 263,157 |

5.6 Assets and Liabilities

| As at | Total Assets | | Total Liabilities | |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Trading - Consumer Products | 3,523,672 | 2,706,561 | 2,208,444 | 1,482,692 |
| Trading - Industrial Products | 16,111,397 | 13,595,713 | 12,861,186 | 12,417,035 |
| Leisure | 6,175,814 | 5,859,187 | 3,612,816 | 2,484,440 |
| Other | 261,438 | 426,813 | 194,422 | 1,083,091 |
| | 26,072,321 | 22,588,274 | 18,876,868 | 17,467,258 |

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

| As at | Additions to Right of Use Assets | | Additions to Property, Plant & Equipment | | Depreciation/Amortization and Impairment | |
|-------------------------------|----------------------------------|---------------|--|----------------|--|----------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Trading - Consumer Products | - | - | 67,102 | 40,932 | 59,160 | 46,766 |
| Trading - Industrial Products | 114,675 | 13,824 | 176,323 | 263,351 | 259,398 | 234,911 |
| Leisure | - | - | 60,051 | 56,687 | 159,546 | 169,624 |
| Other | - | - | - | 333 | - | 2,077 |
| | 114,675 | 13,824 | 303,476 | 361,303 | 478,104 | 453,378 |

Notes to the Financial Statements

6. OTHER INCOME

| For the Year Ended 31st March | Consolidated | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Profit on Disposal of Property, Plant and Equipment | 13,543 | - | 881 | 29,204 |
| Dividend Income - Quoted Companies | 1,827 | 3,368 | 201,059 | 143,011 |
| - Unquoted Companies | - | - | 214,541 | 50,080 |
| Write Back of Creditors | 7,229 | 13,491 | 3,728 | - |
| Amortisation of Grants and Subsidies | 338 | 887 | - | - |
| Commission income | 6,643 | 2,070 | - | - |
| Gain on Disposal of Investment in Subsidiary's shares (Note 16.4) | - | - | 11,975 | - |
| Gain on Disposal of Associate (Note 17.4) | 83,857 | - | 87,176 | - |
| Rent Income | 176,253 | 179,954 | - | - |
| Sundry Income | 72,614 | 32,961 | 25,400 | 25,600 |
| | 362,304 | 232,731 | 544,760 | 247,895 |

7. OTHER EXPENSES

| For the Year Ended 31st March | Consolidated | | Company | |
|--|--------------|---------------|----------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Write-Off of Assets Held for Sale | - | 30,000 | - | 30,000 |
| Impairment of Investment in Subsidiaries (Note 16.2) | - | - | 244,203 | 40,532 |
| Write off of NBT Receivables | - | 487 | - | - |
| Sundry Expenses | 250 | 36,633 | - | 32,845 |
| Loss on Disposal of Property, Plant and Equipment | - | 12,732 | - | - |
| | 250 | 79,852 | 244,203 | 103,377 |

8. NET FINANCE COSTS

| For the Year Ended 31st March | Consolidated | | Company | |
|---|--------------|-----------|-----------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| (A) Finance income | | | | |
| Interest Income | (77,332) | (46,972) | (105) | (1,938) |
| Interest from Loans due from Related Companies | (103,338) | (28,045) | (200,169) | (78,245) |
| Commission on Corporate Guarantee | - | - | (25,837) | (23,483) |
| Gain on Translation of Foreign Currency | (85,563) | (345,594) | - | - |
| Gain on Financial Assets measured at Fair Value Through Profit or Loss | - | (160) | - | - |
| Total Finance Income | (266,233) | (420,771) | (226,111) | (103,666) |
| (B) Finance Costs | | | | |
| Interest on Term Loans | 1,568,783 | 647,191 | 386,456 | 273,152 |
| Interest on Overdraft, Trust Receipt Loans and Short Term Loans | 907,924 | 285,643 | 551,994 | 210,199 |
| Interest on Lease Liabilities | 34,775 | 26,426 | 2,079 | 3,634 |
| Foreign Exchange Loss | 206,624 | 377,260 | 43,677 | 84,384 |
| Fair Value Loss on Financial Assets measured at Fair Value Through Profit or Loss | 3,714 | 2,979 | 3,714 | 2,979 |
| Total Finance Costs | 2,721,820 | 1,339,499 | 987,920 | 574,348 |
| Net Finance Costs | 2,455,587 | 918,728 | 761,809 | 470,682 |

9. PROFIT BEFORE TAX

Is stated after charging all the expenses including the following:

| For the Year Ended 31st March | Consolidated | | Company | |
|---|--------------|-----------|---------|---------|
| | 2023 | 2022 | 2023 | 2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Depreciation/Amortisation | | | | |
| Property, Plant & Equipment | 397,659 | 371,896 | 44,103 | 53,453 |
| Investment Property | 23,240 | 24,937 | - | 1,108 |
| Right of Use Assets | 57,205 | 56,545 | 11,841 | 11,704 |
| Auditor's Remuneration | | | | |
| KPMG | 17,726 | 13,509 | 4,650 | 3,800 |
| Other Auditors | 5,885 | 4,411 | - | - |
| Non-Audit Services | | | | |
| KPMG | 2,315 | 1,654 | 1,415 | 645 |
| Other Auditors | 3,453 | 3,142 | 1,610 | 1,299 |
| Salaries and Wages | 1,727,693 | 1,292,255 | 865,983 | 622,990 |
| Defined Benefit Plan Cost - Retiring Gratuity | 65,730 | 62,879 | 26,596 | 18,545 |
| Defined Contribution Plan Cost - EPF & ETF | 218,423 | 158,024 | 86,422 | 66,191 |
| Managing Agent Fees | 10,637 | 10,637 | - | - |
| Donations | 275 | 71 | - | - |

Notes to the Financial Statements

10. INCOME TAX EXPENSE

| For the Year Ended 31st March | Consolidated | | Company | |
|--|----------------|----------------|-----------------|---------------|
| | 2023 | 2022 | 2023 | 2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Current Income Tax Expense | | | | |
| Taxation on Profit for the Year (Note 10.1) | 710,222 | 251,646 | 879 | - |
| Under/(Over) Provision in respect of previous Year | 16,575 | (5,772) | - | - |
| Write-Off of Unclaimable ESC | 19,828 | 30,612 | - | 30,612 |
| | 746,625 | 276,486 | 879 | 30,612 |
| Deferred Tax Expense | | | | |
| Deferred Tax (Reversals)/Recognized through Profit or Loss (Note 30) | (61,435) | (9,780) | (28,016) | (15,615) |
| | 685,190 | 266,706 | (27,137) | 14,997 |

10.1 Current Income Tax Expense

Reconciliation of Accounting Profit to Income Tax Expense

| For the Year Ended 31st March | Consolidated | | Company | |
|---|------------------|------------------|------------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Accounting Profit before Taxation | 2,966,825 | 263,157 | 1,069,989 | 186,208 |
| Inter Group Adjustments | 1,865,979 | 699,272 | - | - |
| | 4,832,804 | 962,429 | 1,069,989 | 186,208 |
| Aggregate Disallowable Expenses | 2,937,077 | 1,613,603 | 818,239 | 161,264 |
| Aggregate Allowable Expenses | (3,060,983) | (1,036,787) | (1,645,971) | (44,514) |
| Income not part of Assessable Income | (992,794) | (500,917) | - | - |
| | 3,716,104 | 1,038,328 | 242,257 | 302,958 |
| Statutory Loss from Business (Note 10.2) | 300,870 | 503,998 | - | - |
| Profit from Business | 4,016,974 | 1,542,326 | 242,257 | 302,958 |
| Other Sources of Income | 622,583 | 133,394 | 522,209 | 79,502 |
| Tax Losses utilized during the year (Note 10.2) | (1,222,138) | (413,445) | (755,676) | (382,460) |
| Taxable Income | 3,417,419 | 1,262,275 | 8,790 | - |
| Income Tax @ 30% | 333,295 | - | - | - |
| Income Tax @ 24% | 92,788 | 170,021 | - | - |
| Income Tax @ 18% | 70,721 | 18,380 | - | - |
| Income Tax @ 14% | 212,539 | 63,245 | - | - |
| Income Tax @ 10% | 879 | - | 879 | - |
| Income Tax on Profit for the year | 710,222 | 251,646 | 879 | - |

10.2 Accumulated Tax Losses

| For the Year Ended 31st March | Consolidated | | Company | |
|--------------------------------------|--------------|-----------|-----------|-----------|
| | 2023 | 2022 | 2023 | 2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Balance at the beginning of the year | 5,911,661 | 5,800,299 | 2,520,638 | 2,893,447 |
| Adjustments to opening balance | (349,060) | 20,809 | (323,738) | 9,651 |
| Tax Loss utilized during the year | (1,222,138) | (413,445) | (755,676) | (382,460) |
| Tax Loss for the year | 300,870 | 503,998 | - | - |
| Balance at the end of the year | 4,641,333 | 5,911,661 | 1,441,222 | 2,520,638 |

10.3 The Group/ Company is liable to pay income tax on its taxable income as per the Inland Revenue (Amendment) Act No 45 of 2022 with effect from 1st October 2022. Accordingly the standard rate of income tax has been increased to 30%. The increase in income tax rate to 30% in mid year has resulted in two tax rates being applicable for the Year of Assessment 2022/23. The Company/ Group has computed the current tax payable on a pro rata basis (i.e. 50% for first six months and balance 50% for second six months) for the Year of Assessment 2022/23.

(a) Subsidiaries

| Name of the Company | Income Tax Rate for profits earned for the Year Ended 31st March 2023 | Income Tax Rate for profits earned for the Year Ended 31st March 2022 |
|---|---|---|
| SunAgro LifeScience Ltd | 24%,30% | 24% |
| Associated Farms Ltd | 24%,30% | 24% |
| Lankem Paints Ltd | 24%,30% | 24% |
| Lankem Chemicals Ltd | 24%,30% | 24% |
| Lankem Consumer Products Ltd | 24%,30% | 24% |
| Lankem Exports (Pvt) Ltd | 24%,30% | 24% |
| Lankem Research Ltd | 24%,30% | 24% |
| SunAgro Farms Ltd | 24%,30% | 24% |
| JF Ventures Ltd (previously known as SunAgro Foods Ltd) | 24%,30% | 24% |
| Nature's Link Ltd | 24%,30% | 24% |
| Lankem Technology Services Ltd | 24%,30% | 24% |
| Marawila Resorts PLC | 14%,24%,30% | 14%,24% |
| Sigiriya Village PLC | 14%,24%,30% | 14%,24% |
| Colombo Fort Hotel Ltd | 24%,30% | 24% |
| Beruwala Resorts PLC | 14%,24%,30% | 14%,24% |
| BOT Hotel Services (Pvt) Ltd | 24%,30% | 24% |
| Galle Fort Hotel (Pvt) Ltd | 14%,24%,30% | 14%,24% |
| Imperial Hotels Ltd | 14%,24%,30% | 14%,24% |
| Lak Kraft (Pvt) Ltd | 24%,30% | 24% |
| Sherwood Holidays Ltd | 14%,24%,30% | 14%,24% |
| C.W.Makies PLC | 14%,18%,24%,30% | 14%,18%,24% |
| JF Packaging Ltd | 24%,30% | 24% |
| Alliance Five (Pvt) Ltd | 14%,24%,30% | 14%,24% |
| Kiffs (Pvt) Ltd | 18%,24%,30% | 18%,24% |
| Ceylon Tapes (Pvt) Ltd | 14%,18%,24%,30% | 14%,18%,24% |
| ACME Printing and Packaging PLC | 18%,24%,30% | 18%,24% |

Notes to the Financial Statements

(b) Associates

| Name of the Company | Income Tax Rate for profits earned for the Year Ended 31st March 2023 | Income Tax Rate for profits earned for the Year Ended 31st March 2022 |
|----------------------------------|---|---|
| Consolidated Tea Plantations Ltd | 24%,30% | 24% |
| Waverly Power (Pvt) Ltd | 14%,24%,30% | 14%,28% |

(c) Joint Venture

The joint venture company, Sunquick Lanka (Pvt) Ltd has used the tax rate of 30% in calculating the income tax provision for the year ended 31st March 2023. (2022: 24%)

11. EARNINGS PER SHARE

11.1 Basic Earnings per share

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

| For the Year Ended 31st March | Consolidated | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| Profit attributable to Equity Holders of the Company (Rs.'000) | 2,176,901 | 44,925 | 1,097,126 | 171,211 |
| Weighted Average Number of Ordinary Shares (No.'000) | 51,471 | 48,062 | 51,471 | 48,062 |
| Earnings per Share (Rs.) | 42.29 | 0.94 | 21.32 | 3.56 |

11.2 Diluted Earnings per share

There was no potential dilutive ordinary shares outstanding at any time during the year. Therefore, diluted earnings per share is same as basic earning per share shown above.

12. PROPERTY, PLANT & EQUIPMENT

12.1 Consolidated

| | Balance As at 01.04.2022 Rs.'000 | Transfer during the Year Rs.'000 | Capitalised during the Year Rs.'000 | Additions during the Year Rs.'000 | Disposals during the Year Rs.'000 | Balance As at 31.03.2023 Rs.'000 | Balance As at 31.03.2022 Rs.'000 |
|-----------------------------------|-------------------------------------|-------------------------------------|--|--------------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Cost / Revalued Amount | | | | | | | |
| Land | 5,619,121 | - | - | - | - | 5,619,121 | 5,619,121 |
| Buildings | 3,196,445 | 31,121 | 1,511 | 48,694 | - | 3,277,771 | 3,196,445 |
| Fixtures | 90,417 | (103) | - | - | (21,623) | 68,691 | 90,417 |
| Land Development Cost | 9,404 | (9,404) | - | - | - | - | 9,404 |
| Plant & Machinery | 2,819,845 | - | 6,840 | 97,852 | (61,347) | 2,863,190 | 2,819,845 |
| Motor Vehicles | 459,463 | - | - | 23,060 | (21,683) | 460,840 | 459,463 |
| Furniture & Fittings | 618,650 | - | - | 39,964 | - | 658,614 | 618,650 |
| Office Equipment | 591,594 | - | 960 | 55,407 | (3,144) | 644,817 | 591,594 |
| Linen & Soft Furnishings | 153,770 | - | - | 6,543 | (193) | 160,120 | 153,770 |
| | 13,558,709 | 21,614 | 9,311 | 271,520 | (107,990) | 13,753,164 | 13,558,709 |
| Capital Work in Progress | 9,606 | - | (9,311) | 31,956 | - | 32,251 | 9,606 |
| Total Cost/Revalued Amount | 13,568,315 | 21,614 | - | 303,476 | (107,990) | 13,785,415 | 13,568,315 |

| | Balance As at 01.04.2022 Rs.'000 | Transfer during the Year Rs. '000 | Charge for the year Rs. '000 | Disposals during the Year Rs. '000 | Balance As at 31.03.2023 Rs.'000 | Balance As at 31.03.2022 Rs.'000 |
|--|--|--|------------------------------------|---|--|--|
| Accumulated Depreciation | | | | | | |
| Building | 172,195 | 22,151 | 121,080 | - | 315,426 | 172,195 |
| Fixtures | 41,631 | - | - | - | 41,631 | 41,631 |
| Plant & Machinery | 2,004,211 | (537) | 152,434 | (61,249) | 2,094,859 | 2,004,211 |
| Motor Vehicles | 382,341 | - | 30,481 | (21,683) | 391,139 | 382,341 |
| Furniture & Fittings | 489,939 | - | 32,533 | (21,309) | 501,163 | 489,939 |
| Office Equipment | 490,665 | - | 52,617 | (1,941) | 541,341 | 490,665 |
| Linen & Soft Furnishings | 148,268 | - | 8,514 | (39) | 156,743 | 148,268 |
| | 3,729,250 | 21,614 | 397,659 | (106,221) | 4,042,302 | 3,729,250 |
| Net Carrying Value of Property, Plant and Equipment | 9,839,065 | | | | 9,743,113 | 9,839,065 |

12.2 Company

| | Balance As at 01.04.2022 Rs.'000 | Transfer during the Year Rs. '000 | Additions during the Year Rs. '000 | Disposals during the Year Rs. '000 | Balance As at 31.03.2023 Rs.'000 | Balance As at 31.03.2022 Rs.'000 |
|--|--|--|---|---|--|--|
| Cost / Revalued Amount | | | | | | |
| Land | 385,844 | - | - | - | 385,844 | 385,844 |
| Land Development Cost | 9,404 | (9,404) | - | - | - | 9,404 |
| Buildings | 397,920 | 31,019 | 8,710 | - | 437,649 | 397,920 |
| Fixtures | 1,922 | - | - | (227) | 1,695 | 1,922 |
| Plant & Machinery | 305,151 | - | 2,924 | (54,652) | 253,423 | 305,151 |
| Motor Vehicles | 38,948 | - | - | - | 38,948 | 38,948 |
| Furniture, Fittings & Office Equipment | 250,727 | - | 31,478 | (21,244) | 260,961 | 250,727 |
| Cost / Revalued Amount | 1,389,916 | 21,615 | 43,112 | (76,123) | 1,378,520 | 1,389,916 |
| Capital Work in Progress | - | - | 4,235 | - | 4,235 | - |
| Cost / Revalued Amount | 1,389,916 | 21,615 | 47,347 | (76,123) | 1,382,755 | 1,389,916 |

Notes to the Financial Statements

| | Balance As at 01.04.2022 | Transfer during the Year | Charge for the Year | Disposals during the Year | Balance As at 31.03.2023 | Balance As at 31.03.2022 |
|---|-----------------------------|--------------------------------|------------------------|---------------------------------|-----------------------------|-----------------------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Accumulated Depreciation | | | | | | |
| Buildings | 26,211 | 22,152 | 21,435 | - | 69,798 | 26,211 |
| Fixtures | 1,168 | (537) | 25 | (195) | 461 | 1,168 |
| Plant & Machinery | 283,562 | - | 9,252 | (54,554) | 238,260 | 283,562 |
| Motor Vehicles | 30,972 | - | 3,330 | - | 34,302 | 30,972 |
| Furniture, Fittings & Office Equipment | 226,012 | - | 10,061 | (21,114) | 214,959 | 226,012 |
| Total Depreciation | 567,925 | 21,615 | 44,103 | (75,863) | 557,780 | 567,925 |
| Total Carrying Amount of Property, Plant & Equipment | 821,991 | | | | 824,975 | 821,991 |

| Asset Category | Net Book Value | | | |
|--------------------------|------------------|-----------|----------------|---------|
| | Consolidated | | Company | |
| | 2023 | 2022 | 2023 | 2022 |
| | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Land | 5,619,121 | 5,619,121 | 316,046 | 385,844 |
| Buildings | 2,962,345 | 3,024,250 | 437,650 | 371,709 |
| Fixtures | 27,060 | 48,786 | 1,234 | 754 |
| Land Development Cost | - | 9,404 | - | 9,404 |
| Plant & Machinery | 768,331 | 815,634 | 15,163 | 21,589 |
| Motor Vehicles | 69,701 | 77,122 | 4,646 | 7,976 |
| Furniture & Fittings | 157,451 | 128,711 | 46,002 | 24,715 |
| Office Equipment | 103,476 | 100,929 | - | - |
| Linen & Soft Furnishings | 3,377 | 5,502 | - | - |
| Capital Work in Progress | 32,251 | 9,606 | 4,235 | - |

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 2023 is Rs. 1,827 Mn (2022 - Rs. 1,858 Mn)

Company

The gross carrying amount of fully depreciated Property, Plant and Equipment still in use as at 31st March 2023 is Rs. 387.1 Mn (2022 - Rs. 431 Mn)

12.4 Revaluation of Lands

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.

The directors of the Company are of the view that the fair value of these Lands as at 31st March 2023 has not been changed significantly since the last valuation date.

The fair value measurement for all Lands has been categorized at level 03 fair value based on input valuation.

Portfolio of lands owned by the Group are as follows:

| Company Name | Location | Extent | Number of Buildings | Name of the Valuer | Effective Date of the Latest Valuation | Significant Unobservable Input/ Value for Perch | Carrying Value of Lands As at 31.03.2023 | Market value of Land As at 31.03.2022 |
|--|-------------------------------|--------------|---------------------|---|--|---|--|---------------------------------------|
| | | | | | | Rs. '000 | Rs. '000 | 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 | Mr. K.T.D. Tissera Chartered Valuer | 31.03.2022 | 800-900 | 640,360 | 640,360 |
| Land | Aramanagolla, Horana | 5A:0R:0.5P | 4 | Mr. K.T.D. Tissera Chartered Valuer | 31.03.2022 | 150-200 | 137,250 | 137,250 |
| Land | Thebuwana, Narthupana | 5A:1R:10P | 8 | Mr. K.T.D. Tissera Chartered Valuer | 31.03.2022 | 400-500 | 137,250 | 137,250 |
| Land | Kaluaggala, Hanwella | 2A:0R:35P | 11 | Mr. K.T.D. Tissera Chartered Valuer | 31.03.2022 | 12,500-15,000 | 1,355,350 | 1,355,350 |
| 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 | 0.19-0.23 | 267 | 267 |
| vii Beruwala Resorts PLC Land | Freehold Moragalla, Beruwala | 0A:0R:2.8P | 12 | Mr. P. P. T. Mohideen Chartered Valuer | 31.03.2022 | 761-930 | 304,500 | 304,500 |
| viii JF Packaging Ltd Land | Minuwangoda Road, Kotugoda. | 2A:0R:30P | 8 | Mr. P. P. T. Mohideen Chartered Valuer | 31.03.2022 | | | |

Notes to the Financial Statements

| Company Name | Location | Extent | Number of Buildings | Name of the Valuer | Effective Date of the Latest Valuation | Significant Unobservable Input/ Value for Perch | Carrying Value of Lands As at 31.03.2023 | Market value of Land As at 31.03.2022 |
|---|---------------------------------------|-------------|---------------------|--|--|---|--|---------------------------------------|
| | | | | | | Rs. '000 | Rs. '000 | Rs. '000 |
| 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, Gonamadiththa Road, Piliyandala. | 2A:3R:23.8P | 6 | Mr. P. P. T. Mohideen Chartered Valuer | 31.03.2022 | 450-550 | 231,900 | 231,900 |
| | | | | | | | 5,619,121 | 5,619,121 |

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) | Carrying Value as at | Increase | Decrease |
|---------------------------------------|----------------------|----------|-----------|
| | 31st March 2023 | +10% | -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) |
| JF 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 | 561,912 | (561,912) |

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 2023 have not changed significantly compared to their last valuation date.

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 |
| 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 |
| 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 Tapes (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, Kapparithota, 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 |

Notes to the Financial Statements

| 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 |
|---|---|------------------|-------------------------------|-------------------------------|-----------------------|-------------------------|--|--|--|--|
| JF Packaging Ltd | 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 | Aramangolla, 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 Ltd | 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 - 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 - 6,500 | Positively correlated sensitivity |
| ACME Printing & Packaging PLC Land | Ganamadiththa 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 - 5,500 | Positively correlated sensitivity |

12.7 Sensitivity Analysis

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

| Market Price Sq.ft. (10% movement) | Revalued amount as at 31st March 2023 | 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) |
| JF Packaging Ltd | 240,394 | 24,039 | (24,039) |
| Beruwala Resorts PLC | 256,897 | 25,690 | (25,690) |
| CW Mackie PLC | 248,000 | 24,800 | (24,800) |
| Shewood 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.

Replacement cost method (Depreciation about the valuation)

Property, Plant & Equipment pledged as securities in obtaining loans have been disclosed in Note 27.4 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 | |
|-----------|--------------|-----------|---------|---------|
| | 2023 | 2022 | 2023 | 2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Lands | 2,180,901 | 2,180,901 | 60,600 | 60,600 |
| Buildings | 2,153,604 | 2,104,910 | 202,462 | 193,752 |

Notes to the Financial Statements

13. RIGHT-OF-USE-ASSETS

| As at | Consolidated | | Company | |
|-----------------------------------|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Cost | | | | |
| Balance as at 1st April | 401,371 | 363,956 | 93,855 | 87,803 |
| On Acquisition of Subsidiary | - | 23,591 | - | - |
| Additions during the year | 114,675 | 13,824 | 1,941 | 6,052 |
| De recognition during the year | (14,422) | - | (14,422) | - |
| Balance at the end of the year | 501,624 | 401,371 | 81,374 | 93,855 |
| Accumulated Amortisation | | | | |
| Balance as at 1st April | 180,494 | 120,143 | 54,753 | 43,049 |
| On Acquisition of Subsidiary | - | 3,806 | - | - |
| Amortisation for the year | 57,205 | 56,545 | 11,841 | 11,704 |
| De recognition during the year | (11,441) | - | (11,441) | - |
| Balance at the end of the year | 226,258 | 180,494 | 55,153 | 54,753 |
| Written down value as at 31 March | 275,366 | 220,877 | 26,221 | 39,102 |

14. INVESTMENT PROPERTY

| As at | Consolidated | | Company | |
|---|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Cost | | | | |
| Balance at the beginning of the year | 1,066,127 | 641,460 | - | 209,199 |
| Additions | 5,296 | 6,549 | - | - |
| Reclassified from/ (to) Property, Plant and Equipment | - | 596,017 | - | (300) |
| Disposals during the year | (93,660) | (177,899) | - | (208,899) |
| Balance at the end of the year | 977,763 | 1,066,127 | - | - |
| Accumulated Depreciation | | | | |
| Balance at the beginning of the year | 117,581 | 120,647 | - | 26,895 |
| Charge for the Year | 23,240 | 24,937 | - | 1,108 |
| Disposals during the year | (3,902) | (28,003) | - | (28,003) |
| Balance at the end of the year | 136,919 | 117,581 | - | - |
| Carrying Amount | 840,844 | 948,546 | - | - |

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 | 2023 Rs.'000 | 2022 Rs.'000 |
|---|-----------------|-----------------|
| Rent Income | 176,253 | 175,796 |
| Direct operating expenses arising from investment property that generated rental income during the year | 30,576 | 20,420 |

Imperial Hotels Ltd

Land held for capital appreciation has been classified as investment property. This property is situated at Halloluwa, Katugastota and the extent of the land is 6 A, 1 R & 36 P.

As per the valuation carried out on 31st March 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.

Notes to the Financial Statements

15. INTANGIBLE ASSETS

| As at | Consolidated | |
|--------------------------------------|--------------|------------|
| | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 |
| Goodwill | | |
| Balance at the beginning of the year | 1,213,443 | 841,154 |
| On Acquisition of Subsidiary | - | 372,289 |
| Balance at the end of the year | 1,213,443 | 1,213,443 |

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 | |
|---------------------------------|------|--------------|------------|
| | | 31.03.2023 | 31.03.2022 |
| | | Rs.'000 | Rs.'000 |
| C.W. Mackie PLC | | 165,935 | 165,935 |
| ACME Printing and Packaging PLC | | 372,289 | 372,289 |
| Ceylon Tapes (Pvt) Ltd | | 23,490 | 23,490 |
| JF Packaging Ltd | | 435,500 | 435,500 |
| Sherwood Holidays Ltd | | 30,267 | 30,267 |
| Kiffs (Pvt) Ltd | | 143,777 | 143,777 |
| Alliance Five (Pvt) Ltd | | 42,185 | 42,185 |
| Galle Fort Hotel (Pvt) Ltd | | 329,072 | 329,072 |
| | | 1,542,515 | 1,542,515 |
| Less: Provision for Impairment | 15.2 | (329,072) | (329,072) |
| | | 1,213,443 | 1,213,443 |

15.1 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 2023. Recoverable amounts of these investments were measured as follows:

15.1.1 Recoverable values measured with reference to the value in use

| Investee | Significant unobservable inputs | Value of the inputs |
|---------------------------------|--|-------------------------------------|
| Ceylon Tapes (Pvt) Ltd | Average Growth Rate | 30% |
| | Discount Rate (range) | 19%-25% |
| | Term | 3 years (terminal value thereafter) |
| JF Packaging Ltd | Average Growth Rate | 25% |
| | Discount Rate (range) | 18% - 21% |
| | Term | 3 years (terminal value thereafter) |
| Kiffs (Pvt) Ltd | Average Growth Rate | 20% |
| | Discount Rate (range) | 19% - 22% |
| | Term | 3 years (terminal value thereafter) |
| Alliance Five (Pvt) Ltd | Average Growth Rate | 20% |
| | Discount Rate (range) | 20% - 27% |
| | Term | 3 years (terminal value thereafter) |
| Sherwood Holidays Ltd | Average Growth Rate | 15% |
| | Discount Rate (range) | 30% |
| | Term | 5 years (terminal value thereafter) |
| ACME Printing and Packaging PLC | Average Growth Rate | 25% |
| | Discount Rate (range) | 17% - 20% |
| | Term | 3 years (terminal value thereafter) |
| | Recoverable value of this cash generating unit is calculated considering probability weighted outcomes of the cash flow forecasts. In arriving at the value following scenarios were considered: | |
| | Scenario | Probability assigned |
| | Best | 10% |
| | Base | 50% |
| | Worst | 40% |

Above assumption have been determined based on the historical performance of the comprehensive adjusted for market information related to discount rate.

15.1.2 Recoverable Values Measured with Reference to the Fair Value less Cost to Sell

| Investee | Significant unobservable / observable inputs | Value of the inputs |
|-----------------|--|---------------------|
| C.W. Mackie PLC | Adjusted NAV | Rs.112 - Rs. 130 |

Above fair values are classified as Level 3 as per the fair value hierarchy under SLFRS 13.

Notes to the Financial Statements

15.2 Impairment of Goodwill - Galle Fort Hotels (Pvt) Ltd

The recoverable amount of this CGU was calculated based on its value in use, determined by discounting future cash flows from continuing use of CGU. The carrying amount of the CGU was determined as higher than its recoverable amount. Therefore, an impairment loss of Rs. 329 Mn was recognized in during the year ended 31st March 2022.

16. INVESTMENT IN SUBSIDIARIES

16.1 Company

| As at | Group Holding | Company Holding | Group Holding | Company Holding | No of Shares | Market Value | Cost | No of Shares | Market Value | Cost |
|--|---------------|-----------------|---------------|-----------------|--------------|--------------|------------|--------------|--------------|------------|
| | 2023 | 2023 | 2022 | 2022 | 31.03.2023 | 31.03.2023 | 31.03.2023 | 31.03.2022 | 31.03.2022 | 31.03.2022 |
| | % | % | % | % | | Rs.'000 | Rs.'000 | | Rs.'000 | Rs.'000 |
| Quoted Investments | | | | | | | | | | |
| C.W. Mackie PLC | 54.25 | 54.25 | 55.36 | 55.36 | 19,523,252 | 1,598,954 | 873,919 | 19,923,252 | 1,095,779 | 896,038 |
| Marawila Resorts PLC | 36.66 | 7.23 | 37.64 | 7.23 | 16,478,829 | 34,605 | 98,066 | 16,478,829 | 31,310 | 98,066 |
| ACME Printing and Packaging PLC | 25.10 | 25.10 | 57.94 | 57.94 | 23,846,993 | 150,236 | 284,952 | 23,846,993 | 262,317 | 284,952 |
| Total Quoted Investments | | | | | | | 1,256,937 | | | 1,279,056 |
| Unquoted Investments | | | | | | | | | | |
| Colombo Fort Hotels Ltd | 65.60 | 65.47 | 68.89 | 68.85 | 182,166,913 | - | 2,431,657 | 93,173,043 | - | 1,595,115 |
| Lankem Plantation Services Ltd | 60.00 | 60.00 | 60.00 | 60.00 | 179,993 | - | 1,800 | 179,993 | - | 1,800 |
| Lankem Exports (Pvt) Ltd | 100.00 | 100.00 | 100.00 | 100.00 | 10,000 | - | 100 | 10,000 | - | 100 |
| Lankem Paints Ltd | 100.00 | 100.00 | 100.00 | 100.00 | 2,000,000 | - | 20,000 | 2,000,000 | - | 20,000 |
| Lankem Consumer Products Ltd | 100.00 | 100.00 | 100.00 | 100.00 | 2,000,000 | - | 20,000 | 2,000,000 | - | 20,000 |
| Lankem Chemicals Ltd | 100.00 | 100.00 | 100.00 | 100.00 | 2,000,000 | - | 20,000 | 2,000,000 | - | 20,000 |
| Lankem Research Ltd | 100.00 | 100.00 | 100.00 | 100.00 | 250,007 | - | 2,500 | 250,007 | - | 2,500 |
| SunAgro Life Science Ltd | 100.00 | 100.00 | 100.00 | 100.00 | 626,000 | - | 215,000 | 626,000 | - | 215,000 |
| SunAgro Farms Ltd | 100.00 | 100.00 | 100.00 | 100.00 | 1,200,000 | - | 12,000 | 1,200,000 | - | 12,000 |
| Lankem Technology Services Ltd | 100.00 | 100.00 | 100.00 | 100.00 | 4,999,995 | - | 5,000 | 4,999,995 | - | 5,000 |
| JF Packaging Ltd | 100.00 | 100.00 | 100.00 | 100.00 | 1,204,068 | - | 1,121,515 | 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 Ltd | 100.00 | 100.00 | 100.00 | 100.00 | 5,000,000 | - | 50,000 | 5,000,000 | - | 50,000 |
| Total Unquoted Investments | | | | | | | 3,900,126 | | | 3,063,584 |
| | | | | | | | 5,157,063 | | | 4,342,640 |
| Provision for Impairment of Investment in Subsidiaries (Note 16.2) | | | | | | | (845,226) | | | (601,024) |
| Net Carrying Amount | | | | | | | 4,311,837 | | | 3,741,616 |

16.2 Provision for Impairment of Investment in Subsidiaries

| As at | Company | |
|---------------------------------|----------------|------------|
| | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | 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 | 647,511 | 459,291 |
| Nature's Link Ltd | 50,000 | 50,000 |
| Lankem Exports (Pvt) Ltd | 100 | 100 |
| Lankem Research Ltd | 2,500 | 2,500 |
| Lankem Technology Services Ltd | 5,000 | 5,000 |
| Marawila Resorts PLC | 25,857 | 11,518 |
| Lankem Chemicals Ltd | 18,568 | 18,261 |
| ACME Printing and Packaging PLC | 41,336 | - |
| | 845,226 | 601,024 |

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 and discounted cash flows value of the respective subsidiaries have been considered as the recoverable amounts for the calculation of the provision for impairment as at the reporting date.

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

Notes to the Financial Statements

Calculation of Recoverable Values

16.2.1 Recoverable values measured with reference to their respective fair value less cost to sell

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

| Subsidiary | Unobservable input | Range of input Rs. |
|------------------------------------|--|-------------------------------------|
| Lankem Consumer Products (Pvt) Ltd | Net Assets per Share | - |
| Lankem Paints Ltd | Net Assets per Share | - |
| Sun Agro Farms Ltd | Net Assets per Share | - |
| Associated Farms (Pvt) Ltd | Net Assets per Share | - |
| Lankem Plantation Services Ltd | Net Assets per Share | - |
| Colombo Fort Hotels Ltd | Adjusted Net Assets per Share | 9-20 |
| Nature's Link Ltd | Net Assets per Share | - |
| Lankem Exports Ltd | Net Assets per Share | - |
| Lankem Research Ltd | Net Assets per Share | - |
| Lankem Technology Services Ltd | Net Assets per Share | - |
| Marawila Resorts PLC | Adjusted Net Assets per Share | 4-8 |
| Lankem Chemicals Ltd | Net Assets per Share | 0.5-0.7 |
| ACME Printing and Packaging PLC | Discounted Cash Flows | 10-12 |
| | Term | 3 years (terminal value thereafter) |
| | Recoverable value of this cash generating unit is calculated considering probability weighted outcomes of the cash flow forecasts. In arriving at the value following scenarios were considered: | |
| | Scenario | Probability assigned |
| | Best | 10% |
| | Base | 50% |
| | Worst | 40% |

16.3. 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 Resort 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 Ltd.

ACME Printing and Packaging PLC

As at the reporting date, Lankem Ceylon PLC (LCL), jointly with E B Creasy & Co PLC (EBC), the party acting in concert, holds 78.24% equity stake in ACME Printing & Packaging PLC (ACME). LCL entered into a formal shareholder agreement with EBC, wherein LCL has been granted the authority to act as the immediate Parent of ACME on the basis that LCL has the expertise in the packaging industry and currently manages other subsidiaries in the packaging cluster of the Group. As per the said agreement, LCL has the power to control the financial and operating policies of ACME, and accordingly as per SLFRS 10 'Business Combinations', LCL has recognised the investment in ACME as a Subsidiary and has consolidated the same in its Group Financial Statements.

16.4 Gain on Disposal of Investment in Subsidiary's shares

The Company has disposed 400,000 shares of its investment in C.W. Mackie PLC in November 2022, decreasing its ownership by 1.1%.

| | 31.03.2023 |
|--|------------|
| | Rs' 000 |
| Consideration Received | 34,093 |
| Carrying amount of the Investment Disposed | (22,118) |
| Disposal Gain | 11,975 |

17. INVESTMENT IN ASSOCIATES

17.1 Consolidated

| As at | 31.03.2023 | 31.03.2022 |
|---|------------|------------|
| | Rs'000 | Rs'000 |
| Unquoted Investments | | |
| Consolidated Tea Plantations Ltd (CTPL) | - | - |
| Waverly Power (Pvt) Ltd (WPL) | - | 105,821 |
| Total Unquoted Investments | - | 105,821 |
| Balance as at Beginning of the year | 105,821 | 102,007 |
| Net Share of Profit/(Loss) for the year | (502) | 3,814 |
| Disposal during the year | (105,319) | - |
| Balance as at End of the year | - | 105,821 |

17.2 Company

| As at | Principle Business Activities | Holding 2023 % | Holding 2022 % | No. of Shares 31.03.2023 | Cost 31.03.2023 Rs'000 | No. of Shares 31.03.2022 | Cost 31.03.2022 Rs'000 |
|---|--|----------------|----------------|--------------------------|------------------------|--------------------------|------------------------|
| Unquoted Investments | | | | | | | |
| Consolidated Tea Plantations Ltd (CTPL) | Investing in Plantation | 47.56 | 47.56 | 19,500,001 | 220,500 | 19,500,001 | 220,500 |
| Waverly Power (Pvt) Ltd (WPL) | Generating Electricity for the national grid | - | 43.59 | - | - | 3,400,000 | 102,000 |
| Gross Carrying Amount | | | | | 220,500 | | 322,500 |
| Provision for Impairment of Investment in Associates (17.2.1) | | | | | (220,500) | | (220,500) |
| Net Carrying Amount | | | | | - | | 102,000 |

Notes to the Financial Statements

17.2.1. Provision for Impairment of Investments in Associates

| As at | Company | |
|--|------------|------------|
| | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 |
| Consolidated Tea Plantations Ltd. (CTPL) | 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 2023. Since the plantation sector Companies have incurred operating losses during the past few years, 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 considers 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.

17.3 Summarised Financial Information of Associates Companies

Summary of the Statement of Financial Position

| As at | CTPL | CTPL | WPL |
|--|-------------|-------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 |
| Non-current Assets | 12,537,164 | 14,480,058 | 139,540 |
| Current Assets | 5,028,138 | 3,470,382 | 108,385 |
| Total Assets | 17,565,302 | 17,950,440 | 247,925 |
| Non-current Liabilities | 8,887,408 | 7,892,410 | 110,272 |
| Current Liabilities | 9,420,514 | 10,245,727 | 44,014 |
| Total Liabilities | 18,307,922 | 18,138,137 | 154,286 |
| Equity Attributable to the Owners of the Company | (2,818,260) | (1,625,085) | 93,639 |
| Non-Controlling Interest | 2,075,640 | 1,437,389 | - |
| Total Net Assets | (742,620) | (187,696) | 93,639 |
| Ownership interest | 47.56% | 47.56% | 43.59% |
| Investees Share of Net Assets | (30,820) | (30,820) | 40,819 |
| Goodwill | 30,820 | 30,820 | 65,002 |
| Carrying Amount of Interest | - | - | 105,821 |

Summary of the Statement of Profit or Loss

| For the Year Ended | CTPL | WPL | CTPL | WPL |
|----------------------------|--------------|------------|--------------|------------|
| | 31.03.2023 | 30.09.2023 | 31.03.2022 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Revenue | 20,653,647 | 10,338 | 13,163,406 | 48,601 |
| Other Expenses | (19,450,294) | (11,490) | (14,086,176) | (39,852) |
| Profit after Tax | 1,203,353 | (1,152) | (922,769) | 8,749 |
| Other Comprehensive Income | 30,953 | - | 1,207,192 | - |
| Investees Share of Loss | - | (502) | - | 3,814 |

17.4 Disposal of Waverly Power (Pvt) Ltd

The Company has divested its entire holding of 43.59 % represented by 3,400,000 shares in its associate company, Waverly Power (Pvt) Ltd to Agarapatana Plantations Ltd for a consideration of Rs. 189.2Mn on 30th September 2022.

| As at | Consolidated | Company |
|--|--------------|------------|
| | 31.03.2023 | 31.03.2023 |
| | Rs.'000 | Rs.'000 |
| Consideration Received | 189,176 | 189,176 |
| Carrying amount of the Investment Disposed | (105,319) | (102,000) |
| Disposal Gain | 83,857 | 87,176 |

18. INVESTMENT IN JOINT VENTURE

Sunquick Lanka (Pvt) Ltd

A subsidiary of the Group, CW Makie PLC has 49% interest in Sunquick Lanka (Pvt) Ltd, 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 (Pvt) Ltd 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 | |
|--|--------------|-------------|
| | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 |
| Summary of the Statement of Financial Position | | |
| Non-Current Assets | 934,423 | 976,534 |
| Current Assets | 1,803,092 | 1,145,130 |
| Non - Current Liabilities | (1,465,321) | (584,551) |
| Current Liabilities | (1,373,689) | (1,203,344) |
| Equity | (101,495) | (333,769) |
| Group's Carrying Amount of the Investments | - | 163,547 |
| Summary of the Statement of Profit or Loss | | |
| Revenue | 2,546,508 | 1,384,221 |
| Operating Expenses | (2,543,744) | (1,333,248) |
| Other Operating Income | 31,832 | 6,086 |
| Net Finance Cost | (412,437) | (294,796) |
| Income Tax | (63,605) | (23,096) |
| Loss for the year | (441,446) | (260,833) |
| Other Comprehensive Income | 3,809 | 427 |
| Total Comprehensive Expense for the year | (437,637) | (260,406) |
| Group's Share of Loss for the year | (216,309) | (127,808) |
| Group's Share of Loss recognised for the year | (165,413) | (127,808) |
| Share of Profit recognised in Other Comprehensive Income | 1,866 | 209 |
| Equity Reconciliation | | |
| Carrying Value as at 1st April | 163,547 | 291,146 |
| Share of Profit/(Loss) & OCI | (163,547) | (127,599) |
| Carrying Value as at 31st March | - | 163,547 |

Notes to the Financial Statements

19. 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 investment that the Group/Company intend to hold for long term as strategic investments.

| As at | Note | Consolidated | | Note | Company | |
|----------------------|--------|-----------------------|-----------------------|--------|-----------------------|-----------------------|
| | | 31.03.2023 Rs.'000 | 31.03.2022 Rs.'000 | | 31.03.2023 Rs.'000 | 31.03.2022 Rs.'000 |
| Quoted Investments | 19.1.1 | 65,892 | 12,142 | 19.2.1 | 62,016 | 9,426 |
| Unquoted Investments | 19.1.2 | 17,508 | 11,551 | 19.2.2 | 17,483 | 11,276 |
| | | 83,400 | 23,693 | | 79,499 | 20,702 |

19.1 Consolidated

19.1.1 Quoted Investments

| As at | Consolidated | | | |
|--------------------------------------|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
| | No. of Shares 31.03.2023 | Fair Value 31.03.2023 Rs.'000 | No. of Shares 31.03.2022 | Fair Value 31.03.2022 Rs.'000 |
| Bank, Finance & Insurance | | | | |
| Nations Trust Bank PLC | 6,365 | 427 | 6,365 | 320 |
| National Development Bank PLC | 5,724 | 280 | 5,724 | 365 |
| Total | | 707 | | 685 |
| Hotels & Travel | | | | |
| Hunas Falls Hotels PLC | 400 | 1,818 | 400 | 780 |
| Pegasus Resorts PLC | 960 | 33 | 960 | 33 |
| Renuka City Hotels PLC | 525 | 192 | 525 | 154 |
| Royal Palms Beach Hotels PLC | 375 | 10 | 375 | 6 |
| Total | | 2,053 | | 973 |
| Plantations | | | | |
| Lankem Developments PLC | 2,352,340 | 62,016 | 2,352,340 | 9,426 |
| Total | | 62,016 | | 9,426 |
| Healthcare | | | | |
| Ceylon Hospitals PLC | 130 | 17 | 130 | 13 |
| Total | | 17 | | 13 |
| Other | | | | |
| Chevron Lubricants Lanka PLC | 12,000 | 1,099 | 12,000 | 1,045 |
| Total | | 1,099 | | 1,045 |
| Total Quoted Investments | | 65,892 | | 12,142 |

Market value per share of quoted investments are based on published stock market prices as at 31st March 2023 (2021/22 - 31st March 2022).

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

19.1.2 Unquoted Investments

| As at | Consolidated | | | |
|---|----------------------------|-------------------------------------|----------------------------|-------------------------------------|
| | No of Shares 31.03.2023 | Fair Value 31.03.2023 Rs.'000 | No of Shares 31.03.2022 | Fair Value 31.03.2022 Rs.'000 |
| Nanotechnology (Pvt) Ltd | 3,810,182 | - | 3,810,182 | - |
| Lankem Tea & Rubber Plantations (Pvt) Ltd | 8,342 | 3,788 | 8,342 | 2,293 |
| Agarapatana Plantations Ltd | 1,760,204 | 13,695 | 1,760,204 | 8,983 |
| Asia Pacific Golf Courses Ltd | 2,500 | - | 2,500 | 250 |
| Ingrin Institute of Printing & Graphics (Pvt) Ltd | 1 | 25 | 1 | 25 |
| Total | | 17,508 | | 11,551 |

19.2. Company

19.2.1 Quoted Investments

| As at | Company | | | |
|-------------------------|----------------------------|-------------------------------------|----------------------------|-------------------------------------|
| | No of Shares 31.03.2023 | Fair Value 31.03.2023 Rs.'000 | No of Shares 31.03.2022 | Fair Value 31.03.2022 Rs.'000 |
| Lankem Developments PLC | 2,352,340 | 62,016 | 2,352,340 | 9,426 |
| Total | | 62,016 | | 9,426 |

19.2.2 Unquoted Investments

| As at | Company | | | |
|--|----------------------------|-------------------------------------|----------------------------|-------------------------------------|
| | No of Shares 31.03.2023 | Fair Value 31.03.2023 Rs.'000 | No of Shares 31.03.2022 | Fair Value 31.03.2022 Rs.'000 |
| Nanotechnology (Pvt) Ltd | 3,810,182 | - | 3,810,182 | - |
| Lankem Tea & Rubber Plantation (Pvt) Ltd | 8,342 | 3,788 | 8,342 | 2,293 |
| Agarapatana Plantations Ltd | 1,760,204 | 13,695 | 1,760,204 | 8,983 |
| Total | | 17,483 | | 11,276 |

No Strategic investments were disposed during 2022/23, and there were no transfer of any cumulative gain or loss within equity relating to these investments.

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

| As at | Consolidated/Company | | | |
|-----------------------------------|----------------------------|-------------------------------------|----------------------------|-------------------------------------|
| | No of Shares 31.03.2023 | Fair Value 31.03.2023 Rs.'000 | No of Shares 31.03.2022 | Fair Value 31.03.2022 Rs.'000 |
| Nations Trust Bank PLC | 52,684 | 3,372 | 49,667 | 2,240 |
| Tokyo Cement Company PLC (Voting) | 32,834 | 1,642 | 32,834 | 1,113 |
| Colonial Motors PLC | 331,547 | 20,921 | 331,547 | 26,126 |
| Union Bank Colombo PLC | 30 | - | 30 | - |
| | | 25,935 | | 29,479 |

Notes to the Financial Statements

21. INVENTORIES

| As at | Consolidated | | Company | |
|--|------------------|------------------|------------------|-----------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Raw Materials | 1,936,338 | 1,091,170 | 445,291 | 305,244 |
| Work- in -Progress | 157,956 | 105,610 | 27,611 | 10,324 |
| Finished Goods | 3,246,189 | 2,272,112 | 589,959 | 345,260 |
| Goods-in-Transit | 132,940 | 348,075 | 110,829 | 321,866 |
| Consumable Stock | 405,893 | 252,560 | - | - |
| Packing & Other Materials | 15,915 | 6,347 | - | - |
| | 5,895,231 | 4,075,874 | 1,173,690 | 982,694 |
| Less: Provision for Obsolete Inventories (Note 21.1) | (393,127) | (331,997) | (84,192) | (53,325) |
| | 5,502,104 | 3,743,877 | 1,089,498 | 929,369 |

21.1 Provision for Obsolete Inventories

| As at | Consolidated | | Company | |
|------------------------------|----------------|----------------|---------------|---------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Balance as at 1st April | 331,997 | 224,383 | 53,325 | 50,022 |
| On acquisition of Subsidiary | - | 23,748 | - | - |
| Provision for the Year | 173,430 | 151,920 | 33,778 | 25,523 |
| Written off during the year | (112,300) | (68,054) | (2,911) | (22,220) |
| Balance as at 31st March | 393,127 | 331,997 | 84,192 | 53,325 |

22. TRADE & OTHER RECEIVABLES

| As at | Consolidated | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Trade Receivables | 6,143,757 | 4,265,231 | 1,805,015 | 1,044,517 |
| Provision for Impairment of Trade Receivables (Note 22.1.1) | (608,356) | (498,828) | (313,573) | (226,212) |
| | 5,535,401 | 3,766,403 | 1,491,442 | 818,305 |
| Other Receivables | 315,640 | 960,913 | 179,280 | 119,965 |
| Deposits, Advances and Prepayments | 746,067 | 98,685 | - | - |
| Staff Loans | 35,446 | 26,543 | 500 | 514 |
| Tax Recoverable (Note 22.2) | 73,238 | 55,685 | - | - |
| Provision for Impairment of Other Receivables (Note 22.1.2) | (34,386) | (31,750) | - | - |
| | 1,136,005 | 1,110,076 | 179,780 | 120,479 |
| | 6,671,406 | 4,876,479 | 1,671,222 | 938,784 |

22.1.1 Provision for Impairment on Trade Receivables

| As at | Consolidated | | Company | |
|---|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Balance as at 1st April | 498,828 | 448,409 | 226,212 | 228,165 |
| On acquisition of subsidiary | - | 10,409 | - | - |
| Provision made during the year | 128,110 | 55,656 | 87,361 | - |
| Reversal during the year | (2,001) | (4,472) | - | (1,953) |
| Written-off during the year (Note 22.1.3) | (16,581) | (11,174) | - | - |
| Balance as at 31st March | 608,356 | 498,828 | 313,573 | 226,212 |

22.1.2 Provision for Impairment of Other Receivables

| As at | Consolidated | | Company | |
|--------------------------------|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Balance as at 1st April | 31,750 | 23,551 | - | - |
| Provision made during the year | 2,636 | 8,199 | - | - |
| Balance as at 31st March | 34,386 | 31,750 | - | - |

22.1.3 Outstanding balances for which enforcement activities are proceeding are not considered for write off.

22.2 Taxes Recoverable

| As at | Consolidated | | Company | |
|---------------------|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Nation Building Tax | 935 | 9,994 | - | - |
| Withholding Tax | 23,682 | 2,605 | - | - |
| Value Added Tax | 48,621 | 43,086 | - | - |
| | 73,238 | 55,685 | - | - |

23. CASH & CASH EQUIVALENTS

| As at | Consolidated | | Company | |
|----------------------------|--------------|-------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Favorable Balance | | | | |
| Fixed Deposits | 12,652 | 12,645 | - | - |
| Cash at Bank | 522,585 | 750,716 | 35,406 | 84,538 |
| Cash in Hand | 22,012 | 16,274 | 918 | 910 |
| | 557,249 | 779,635 | 36,324 | 85,448 |
| Unfavorable Balance | | | | |
| Bank Overdraft | (1,105,606) | (1,017,915) | (410,000) | (337,972) |
| | (548,357) | (238,280) | (373,676) | (252,524) |

Notes to the Financial Statements

24. ASSET HELD FOR SALE

The Company has classified its lease rights at Nawam Mawatha as Held for Sale since the Board of Directors has decided to proceed with selling the asset as at 31st March 2022, and disposed the asset during the financial year ended 31st March 2023.

| As at | Consolidated | | Company | |
|--------------------------------|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Balance at the beginning | 30,000 | 60,000 | 30,000 | 60,000 |
| Written of during the year | - | (30,000) | - | (30,000) |
| Disposal during the year | (30,000) | - | (30,000) | - |
| Balance at the end of the year | - | 30,000 | - | 30,000 |

25. STATED CAPITAL

| As at | 31.03.2023 | | 31.03.2022 | |
|---|---------------|-----------------|---------------|-----------------|
| | No. of Shares | Value of Shares | No. of Shares | Value of Shares |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Fully paid ordinary shares at beginning of the year | 51,470,757 | 1,282,697 | 33,853,200 | 930,346 |
| Issued during the year | - | - | 17,617,557 | 352,351 |
| At the end of the Year | 51,470,757 | 1,282,697 | 51,470,757 | 1,282,697 |

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. CAPITAL RESERVES

| | Other Capital Reserves | FVOCI Reserves | Total |
|---|------------------------|----------------|---------|
| | Rs.'000 | Rs.'000 | Rs.'000 |
| Consolidated | | | |
| Balance as at 1st April 2022 | 4,833 | (13,996) | (9,133) |
| Gain on Financial Assets Measured at FVOCI (Net of Tax) | - | 60,439 | 60,439 |
| Balance as at 31st March 2023 | 4,833 | 46,443 | 51,276 |
| Company | | | |
| Balance as at 1st April 2022 | - | (8,542) | (8,542) |
| Gain on Financial Assets Measured at FVOCI (Net of Tax) | - | 59,615 | 59,615 |
| Balance as at 31st March 2023 | - | 51,073 | 51,073 |

26.1 Other Capital Reserves

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

26.2 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.

27. INTEREST BEARING BORROWINGS

| As at | Note | Consolidated | | Company | |
|-----------------------------------|------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 31.03.2023 Rs.'000 | 31.03.2022 Rs.'000 | 31.03.2023 Rs.'000 | 31.03.2022 Rs.'000 |
| Payable after one year | | | | | |
| Term Loans | 27.1 | 4,552,726 | 3,770,960 | 1,654,174 | 1,482,093 |
| Loans Payable to Related Parties | 27.3 | 26,590 | - | 250,999 | 365,000 |
| | | 4,579,316 | 3,770,960 | 1,905,173 | 1,847,093 |
| Payable within one year | | | | | |
| Term Loans | 27.1 | 1,384,660 | 1,522,120 | 537,651 | 434,442 |
| Short Term Loans | 27.2 | 4,545,437 | 4,976,621 | 1,447,044 | 1,516,489 |
| Interest Payable | | 263,958 | 434,356 | 163,239 | 408,684 |
| | | 6,194,055 | 6,933,097 | 2,147,934 | 2,359,615 |
| Loans Payable to Related Parties | 27.3 | 145,234 | 407,410 | 60,369 | 149,164 |
| Total | | 6,339,289 | 7,340,507 | 2,208,303 | 2,508,779 |
| Total Interest Bearing Borrowings | | 10,918,605 | 11,111,467 | 4,113,476 | 4,355,872 |

27.1 Term Loans

| As at | Consolidated | | Company | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31.03.2023 Rs.'000 | 31.03.2022 Rs.'000 | 31.03.2023 Rs.'000 | 31.03.2022 Rs.'000 |
| Balance at the beginning | 5,293,080 | 5,523,425 | 1,916,535 | 2,971,097 |
| On Acquisition of Subsidiary | - | 50,548 | - | - |
| Restructuring of interest payables | 317,362 | - | 317,362 | - |
| Transfer form Short Term Loans | 160,749 | - | 160,749 | - |
| Loans obtained during the year | 1,419,384 | 1,568,190 | 148,000 | 611,151 |
| Effects on foreign currency fluctuations | 107,135 | 279,166 | - | - |
| Payments made during the year | (1,360,324) | (2,128,249) | (350,821) | (1,665,713) |
| Balance at the end | 5,937,386 | 5,293,080 | 2,191,825 | 1,916,535 |
| Payable within one year | 1,384,660 | 1,522,120 | 537,651 | 434,442 |
| Payable after one year | 4,552,726 | 3,770,960 | 1,654,174 | 1,482,093 |

27.2 Short Term Loans

| As at | Consolidated | | Company | |
|---------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31.03.2023 Rs.'000 | 31.03.2022 Rs.'000 | 31.03.2023 Rs.'000 | 31.03.2022 Rs.'000 |
| Term Loans | 2,837,494 | 3,703,285 | 118,400 | 639,433 |
| Trust Receipt Loans | 1,707,943 | 1,273,336 | 1,328,644 | 877,056 |
| | 4,545,437 | 4,976,621 | 1,447,044 | 1,516,489 |

Notes to the Financial Statements

27.3 Loans Payable to Related Parties

| As at | Consolidated | | Company | |
|---|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Balance at the beginning | 407,410 | 240,039 | 514,164 | 317,490 |
| Loans transferred/obtained during the year | 26,590 | 62,100 | 11,206 | 426,000 |
| On Acquisition of Subsidiary | - | 150,000 | - | - |
| Payments made during the year | (262,176) | (44,729) | (214,002) | (229,326) |
| Balance at the end | 171,824 | 407,410 | 311,368 | 514,164 |
| Loans payable to related parties are as follows: | | | | |
| The Colombo Fort Land & Building PLC | - | 137,600 | - | - |
| Sigiriya Village Hotels PLC | - | - | 60,369 | 49,164 |
| C.W. Mackie PLC | - | - | - | 100,000 |
| Lankem Developments PLC | - | 10,600 | - | - |
| Waverly Power (Pvt) Ltd | - | 12,545 | - | - |
| SunAgro LifeScience Ltd | - | - | 250,999 | 365,000 |
| E.B. Creasy & Company PLC | 145,234 | 150,000 | - | - |
| Agarapatana Plantations Ltd | 26,590 | - | - | - |
| York Hotel Management Services Ltd | - | 46,665 | - | - |
| Lankem Tea & Rubber Plantations Ltd | - | 50,000 | - | - |
| | 171,824 | 407,410 | 311,368 | 514,164 |
| Payable within one year | 145,234 | 407,410 | 60,369 | 149,164 |
| Payable after one year | 26,590 | - | 250,999 | 365,000 |

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

| Party | Interest Rate |
|-----------------------------|---------------|
| Sigiriya Village Hotels PLC | AWPLR + 2% |
| SunAgro LifeScience 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% |
| Agarapatana Plantations Ltd | AWPLR + 2% |

27.4 Assets pledged as Securities Against Interest Bearing Borrowings

| Company | Lender | Balance as at 31.03.2023 | Balance as at 31.03.2022 | Terms of Repayment | Security Pledged |
|----------------------|--------------------------------------|-----------------------------|-----------------------------|---|--|
| | | Rs.'Mn | Rs.'Mn | | |
| Lankem Ceylon PLC | Sampath Bank PLC | | | In 60 monthly installments in following manner after a grace period of 24 months. | |
| | Loan 1 | 50.24 | 57.61 | 1-12 Months - Rs.0.25 Mn, 13-24 Months - Rs.0.625 Mn, 25-36 Months - Rs.0.750 Mn, 37-48 Months - Rs.0.875 Mn, 49-59 Months - Rs.2.71 Mn & 60th Month Rs.0.302 Mn per month, interest to be serviced separately on monthly basis. | (a) Term Loan Agreement of Rs. 60.11 Mn (b) Term Loan Agreement of Rs. 189.8 Mn (c) Hypothecation bond over stocks located Pannala and book debts of the Company for the total value of Rs. 450 Mn (d) Corporate guarantee of E.B. Creasy & Company PLC Rs. 250 Mn |
| | Loan 2 | 160.26 | 180.39 | In 60 monthly installments in following manner after a grace period of 24 months. 1-12 Months - Rs.0.75 Mn, 13-24 Months - Rs.1.875 Mn, 25-36 Months - Rs.2.250 Mn, 37-48 Months - Rs.2.625 Mn, 49-59 Months - Rs.8.130 Mn & 60th Month Rs.10.458 Mn. interest to be serviced separately on monthly basis. | |
| | Commercial Bank of Ceylon PLC | | | | |
| | Loan 2 | 9.45 | 21.04 | 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. | a) Primary Mortgage for Rs.200 Mn over land at Ja-ela. 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 to be executed over above property. d) Additional Mortgage Bond for Rs.400 Mn over stocks and assignment of book debts to be executed by the Company. e) Corporate guarantee of E.B. Creasy & Company PLC Rs. 382 Mn |
| | Loan 4 | 16.00 | 28.40 | 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 | |

Notes to the Financial Statements

| Company | Lender | Balance as | Balance as | Terms of Repayment | Security Pledged |
|----------------------------------|--------|---------------|---------------|--|---|
| | | at 31.03.2023 | at 31.03.2022 | | |
| | | Rs.'Mn | Rs.'Mn | | |
| | Loan 7 | 43.10 | 65.00 | 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 | | | | | |
| | Loan 1 | 510.00 | 515.00 | In September 2022, Existing loan Rs. 515 Mn was convert to new reschedulement facility payable over 96 installments inclusive of 12 months capital grace period. | Mortgage over stocks and Book debts and a Corporate Gurantee from SunAgro LifeScience Ltd for Rs.515Mn. |
| | Loan 2 | 216.47 | - | Payable over 10 quarterly installments. | Stock in Trade & Book debts, Company Indemnity |
| | Loan 3 | 90.00 | - | Payable over 96 Monthly installments. | |
| | Loan 4 | 52.00 | - | Payable over 96 Monthly installments. | |
| | Loan 5 | 35.00 | - | Payable over 60 Monthly installments. | |
| | Loan 6 | 14.10 | - | Payable over 60 Monthly installments. | |
| National Development Bank | | | | | |
| | Loan 2 | 146.46 | 166.48 | In September 2021 existing loan was converted to new reschedulement facility payable over 40 installments inclusive of 4 months grace period | Mortgage over stocks and book debts |
| Bank of Ceylon | | | | | |
| | Loan 1 | 56.82 | 133.59 | 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 | In 18 monthly equal installment of capital. | Mortgage over stocks and assignment over book debts |
| | Loan 3 | - | 7.16 | In 24 monthly installments inclusive of 3 Months Grace Period | 3 months grace period assignment over public quoted shares 16,000,000 of C.W.Mackie PLC. |
| | Loan 4 | 26.41 | 39.52 | In 33 monthly equal installments inclusive of 09 months grace period. | |
| Central Finance Co PLC | | | | | |
| | Loan 1 | 8.15 | 12.41 | In March 2022, Existing loan was convert to new reschedulement facility. Payable over 24 installments excluding grace period of 5 months. | Mortgage and special power of Attorney of 05 No.of Double cab vehicle Promissory note. |

| Company | Lender | Balance as at 31.03.2023 Rs.'Mn | Balance as at 31.03.2022 Rs.'Mn | Terms of Repayment | Security Pledged |
|--|----------------------|---------------------------------------|---------------------------------------|---|--|
| Union Bank Colombo PLC | | | | | |
| | Loan 1 | 10.51 | 58.40 | Repayable in 60 monthly installments of Yr -1 to Yr -3 Rs. 0.6 Mn , Yr -4 Rs. 2.45 Mn, Yr- 5 Rs. 2.45 Mn for 11 months and a final installment of Rs. 2.05 Mn. together with interest payable monthly on reducing balance of capital. | Pledge over trading shares for Rs.121 Mn held in slash Account. Shares given below; C.W.Mackie 2,137,526 No. of Shares Marawila Resorts PLC 11,023,676 No. of Shares, Lankem Developments PLC 2,480,626 No. of Shares. |
| Nations Trust bank | | | | | |
| | Loan 1 | 252.38 | 250.60 | In August 2021 existing loan was converted to new reschedulement facility. Payable 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.300Mn. Letter of awareness comfort from Colombo Fort Land & Building PLC |
| Peoples Leasing & Finance PLC | | | | | |
| | Loan 1 | 64.35 | 68.07 | In February 2023 existing loan convert to new reschedulement facility payable over 36 installments. | Corporate gurantee from SunAgro Lifescience Ltd for Rs. 65.53 Mn. |
| | Loan 2 | 178.29 | - | Payable over 36 Monthly installments from the date of disbursement. | Corporate gurantee from SunAgro Lifescience Ltd For Rs.185.11Mn. |
| Pan Asia Banking Corporation PLC | | | | | |
| | Loan 1 | 84.57 | 139.68 | Repayable within 6 years with a grace period of 12 months | Floating Mortgage Bond for Rs.150 Mn over stocks stored at Lankem Paint factory, Horncastle Estate,Kanuwana, Ja-Ela together with an assignment over book debts (Mortgage bond No.313 of 20/11/2008) |
| Siyapatha Finance PLC | | | | | |
| | Loan 1 | 9.56 | 12.70 | Repayable over 48 Monthly installments from the date of disbursement. | Corporate Gurantee from JF Packaging Ltd for Rs.14.5 Mn |
| | Loan 2 | 157.40 | 157.04 | Repayable over 96 Monthly installments from the date of disbursement | Corporate Gurantee from JF Packaging Ltd for Rs.157.59 Mn |
| | | 2,191.83 | 1,917.20 | | |
| Beruwala Resorts PLC | Cargills Bank | | | | |
| | Term Loan USD | 283.23 | 245.92 | | Primary mortgage over land and buildings of BOT Hotel Services Ltd situated at Weligama. |
| | Term Loan SLR | 147.46 | 125.44 | | Corporate gurantee of Colombo Fort Land and Buildings PLC Rs. 25 Mn |
| | | 430.69 | 371.36 | | |

Notes to the Financial Statements

| Company | Lender | Balance as | Balance as | Terms of Repayment | Security Pledged | |
|------------------------------------|--------------------------------------|---------------|---------------|---|--|---|
| | | at 31.03.2023 | at 31.03.2022 | | | |
| | | Rs.'Mn | Rs.'Mn | | | |
| Sigiriya Village Hotels PLC | Sampath Bank PLC | | | | | |
| | | Term Loan | 163.82 | 174.31 | Repayable over 35 monthly installments. | Mortgage over leasehold rights of the Land of the Company. |
| | | 163.82 | 174.31 | | | |
| Marawila Resorts PLC | Commercial Bank of Ceylon PLC | | | | | |
| | | Loan 1 | 154.17 | 126.22 | 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 |
| | | Loan 2 | 407.50 | 385.72 | 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. |
| | | Loan 3 | 3.53 | 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 Ltd for Rs 1.4 Bn SRCC, Malicious damages and natural perils |
| | | 565.20 | 526.97 | | | |
| Galle Fort Hotels (Pvt) Ltd | Cargills Bank PLC | | | | | |
| | | Loan 1 | 12.72 | 14.32 | Repayable over 39 equal monthly installments of Rs.0.53 Mn 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 2 | 59.49 | 61.14 | Repayable over 39 equal monthly installments of US \$ 7,574 and a final installment of US \$ 7,568 together with interest. | |
| | | Loan 3 | 77.05 | 58.07 | Repayable over 40 equal monthly installments of US \$ 4,584 and a final installment of US \$ 4,613 together with interest. | |
| | Loan 4 | 11.45 | 14.58 | Repayable over 23 equal monthly installments of Rs.1.04Mn and a final installment of Rs. 1.03Mn together with interest. | | |

| Company | Lender | Balance as at 31.03.2023 Rs.'Mn | Balance as at 31.03.2022 Rs.'Mn | Terms of Repayment | Security Pledged |
|-------------------------|-------------------------|---------------------------------------|---------------------------------------|--|---|
| | Loan 5 | 11.45 | 14.58 | Repayable over 23 equal monthly installments of Rs.1.04Mn and a final installment of Rs. 1.03Mn together with interest. | |
| | Loan 6 | 46.07 | 36.70 | Repayable over 24 equal monthly installments | |
| | Loan 7 | 39.02 | 39.75 | Repayable over 24 equal monthly installments | |
| | Loan 8 | 8.50 | - | Repayable over 24 equal monthly installments | |
| | Loan 9 | 8.34 | - | Repayable over 24 equal monthly installments | |
| | | 274.09 | 239.14 | | |
| JF Packaging Ltd | Sampath Bank PLC | | | | |
| | Loan 1 | 77.00 | 109.11 | 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 | 24.44 | 27.64 | 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 | 1.57 | 2.75 | Repayable over 60 monthly installments of Rs.47,500/- | |
| | Loan 4 | 15.09 | 26.61 | 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 | 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 | 107.58 | 125.95 | 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 | 58.62 | 72.31 | Repayable over 72 equal monthly installments of Rs.2.08Mn. | |
| | Loan 3 | 87.84 | 104.12 | Repayable over 60 equal monthly installments of Rs.2.33Mn. | |

Notes to the Financial Statements

| Company | Lender | Balance as | Balance as | Terms of Repayment | Security Pledged |
|--------------------------------|--------------------------------------|---------------|---------------|--|---|
| | | at 31.03.2023 | at 31.03.2022 | | |
| | | Rs.'Mn | Rs.'Mn | | |
| | Loan 5 | 271.04 | 295.68 | 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 | Repayable over 24 equal monthly installments of Rs. 1.87Mn. | Primary mortgage of Land, building and machinery situated at No.306, Minuwangoda Road, Kotugoda. |
| | Loan 7 | 233.22 | 253.98 | 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. | |
| | Nation Trust Bank PLC | | | | |
| | Loan 1 | 107.69 | 110.58 | Repayable over 48 monthly installments | Mortgage over stocks and book debts held at factory premises at No:306, Minuwangoda Road, Kotugoda. |
| | Siyapatha Finance PLC | 64.53 | 75.77 | Repayable over 37 monthly installments, 1-36 Months Rs. 2Mn and Final installment of Rs. 58.82Mn | Corporate guarantee from Ceylon Tapes (Pvt) Ltd and the loan agreement for Rs.100Mn |
| | | 1,048.62 | 1,242.97 | | |
| Kiffs (Pvt) Ltd | National Development Bank PLC | | | | |
| | Loan 1 | 0.30 | 2.19 | Repayable over 48 monthly installments of Rs.0.16Mn | Primary mortgage over equipment located at No:179/6, Ragama Road, Kadawatha |
| | Loan 2 | 6.67 | 23.36 | Repayable over 18 monthly installments of Rs.1.39Mn | Corporate Guarantee from J F Packaging Ltd |
| | | 6.97 | 25.55 | | |
| Alliance Five (Pvt) Ltd | | - | 14.85 | Repayable over 24 monthly statements | |
| | | - | 14.85 | | |
| C.W.Mackie PLC | Commercial Bank of Ceylon PLC | 158.25 | 192.53 | Repayable over 60 monthly statements | Mortgage bond over the machinery valued Rs.1.893 Mn and Rs.1.7 Mn at Kaluaggala, Hanwella |
| | | | | | Floating primary mortgage bond over property situated at Mungama, Horana. |
| | Hatton National Bank PLC | | | | |
| | Loan 1 | 83.20 | 113.23 | Repayment over 42 monthly installments | To part finance the set up cost of the new peanut production line |
| | Loan 2 | 241.45 | 305.76 | | |
| | | | | Grace period: 6 months | Amount : Rs. 100 Mn. |

| Company | Lender | Balance as | Balance as | Terms of Repayment | Security Pledged | |
|---------------------------------|--|---------------|---|---|---|--|
| | | at 31.03.2023 | at 31.03.2022 | | | |
| | | Rs.'Mn | Rs.'Mn | | | |
| SunAgro LifeScience Ltd | Commercial Bank of Ceylon PLC | 103.70 | 25.57 | 12 installments of Rs. 0.4 MN, 12 installments of Rs.1 MN, 12 installments of Rs.2.5 MN, 12 installments of Rs.4.5 MN, 12 installments of Rs.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 | 12 installments of Rs.0.5 MN, 12 installments of Rs.1 MN & Balance Equal installments within next 24 months. | Security cheque of Rs. 53,858,157 & Promissory note of Rs. 53,858,157 | |
| | Peoples Leasing & Finance PLC - Short Term Loan | 162.72 | 176.35 | 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 | 338.89 | 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 Rs.6.25Mn per month 27-48 months Rs.7.8Mn per month and 48-60 Months Rs.10.94Mn per month | Corporate Guarantee from Lankem Ceylon PLC amounting to Rs.375 Mn. | |
| | Siyapatha Finance PLC | 18.05 | 32.60 | | Corporate Guarantee from Lankem Ceylon PLC amounting to Rs.50 Mn. | |
| | | 623.36 | 622.97 | | | |
| ACME Printing and Packaging PLC | Seylan Bank PLC | 3.29 | 7.30 | Repayable in 60 equal monthly installments commencing from December 2019 | Facility Agreement Monthly transfer of Rs. 0.15Mn to Savings Account. | |
| | National Development Bank PLC | | | | | |
| | Loan 1 | 62.10 | - | Repayable in 53 equal monthly installments commencing from May 2023 | | |
| | Loan 2 | 50.00 | - | Repayable in 17 equal monthly installments commencing from May 2023 | Primary Mortgage Bond over stocks & book debt of the borrowers and Monthly transfer of 0.10 Mn to Savings Account. | |
| | Loan 3 | 28.00 | - | Repayable in 53 equal monthly installments commencing from May 2023 | | |
| Softlogic Finance PLC | 36.90 | - | Repayable in 60 equal monthly installments commencing from May 2023 | N/A | | |

Notes to the Financial Statements

| Company | Lender | Balance as | Balance as | Terms of Repayment | Security Pledged |
|---|--------------------------------------|---------------|---------------|---|--|
| | | at 31.03.2023 | at 31.03.2022 | | |
| | | Rs.'Mn | Rs.'Mn | | |
| ACME Packaging Solutions (Pvt) Ltd | Sampath Bank PLC | 43.25 | 43.25 | Repayable in equal monthly installments commencing from December 2018 | Mortgage of Rs. 90 Mn over Machinery owned by ACME Packaging Solution (Pvt) Ltd. |
| | National Development Bank PLC | | | | |
| | Loan 1 | 32.70 | - | Repayable in 53 equal monthly installments commencing from May 2023 | Primary Mortgage Bond over stocks & book debt of the borrowers and Monthly transfer of 0.10 Mn to Savings Account. |
| | Loan 2 | 14.30 | - | Repayable in 17 equal monthly installments commencing from May 2023 | |
| | Softlogic Finance PLC | 120.82 | - | Repayable in 60 equal monthly installments commencing from May 2023 | N/A |
| | | 391.36 | 50.55 | | |

28. LEASE LIABILITIES

| As at | Consolidated | | Company | |
|---|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Balance as at 1st April | 232,159 | 244,346 | 26,725 | 31,287 |
| On Acquisition of Subsidiary | - | 13,700 | - | - |
| Leases Obtained during the year | 107,479 | 13,803 | 1,941 | 6,052 |
| Payments Made during the year | (86,577) | (66,116) | (13,955) | (14,248) |
| Interest Charged during the year | 34,775 | 26,426 | 2,079 | 3,634 |
| De-Recognition of interest due to Termination during the year | (3,334) | - | (3,334) | - |
| Terminations during the year | (2,951) | - | (2,983) | - |
| Balance at the end of the year | 281,551 | 232,159 | 10,473 | 26,725 |
| Amounts Recognised in Profit and Loss | | | | |
| Amortization on Right-of-use-Assets | 57,205 | 56,545 | 11,841 | 11,704 |
| Interest Charged during the year | 34,775 | 26,426 | 2,079 | 3,634 |
| Amounts Recognised in Cash Flow | | | | |
| Payments made during the year | (86,577) | (66,116) | (13,955) | (14,248) |

28.1 Maturity Analysis

| As at | Consolidated | | Company | |
|-------------------------|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Payable within one year | 56,882 | 56,702 | 4,040 | 11,200 |
| Payable after one year | 224,669 | 175,457 | 6,433 | 15,525 |
| | 281,551 | 232,159 | 10,473 | 26,725 |

29. DEFERRED INCOME

| As at | Consolidated | | Company | |
|---------------------------------|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| At the beginning of the year | 23,453 | 23,277 | - | - |
| Grants received during the year | - | 176 | - | - |
| At the end of the year | 23,453 | 23,453 | - | - |
| Amortisation | | | | |
| At the beginning of the year | 22,409 | 21,522 | - | - |
| Amortisation for the year | 338 | 887 | - | - |
| At the end of the year | 22,747 | 22,409 | - | - |
| | 706 | 1,044 | - | - |

Kelani Valley Canneries Ltd

Kelani Valley Canneries Ltd (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 million. During the year 2019/20, the Company has acquired an Automated Filling Machine at a total cost of Rs.2.2 million 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 year 2020/21 and Rs.176,000/- during 2021/22. 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.

30. DEFERRED TAX ASSETS /(LIABILITIES)

| As at | Note | Consolidated | | Company | |
|--------------------------------------|------|--------------|------------|------------|------------|
| | | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Balance at the beginning of the year | | (511,160) | (329,157) | 294,662 | 287,679 |
| Recognised through Profit or Loss | 30.1 | 61,435 | 9,780 | 28,016 | 15,615 |
| Recognised through OCI | 30.2 | (829,042) | (191,783) | (58,751) | (8,632) |
| Balance at the end of the year | | (1,278,767) | (511,160) | 263,927 | 294,662 |

30.1 Recognised in Profit or Loss for the Year

| As at | Consolidated | | Company | |
|---|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Due to change in the effective tax rate | (269,208) | - | (229,797) | - |
| Due to change in temporary differences | 330,643 | 9,780 | 257,813 | 15,615 |
| | 61,435 | 9,780 | 28,016 | 15,615 |

Notes to the Financial Statements

30.2 Recognised through OCI

| As at | Consolidated | | Company | |
|---|------------------|------------------|-----------------|----------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Due to change in the effective tax rate | (749,956) | - | (65,839) | - |
| Due to change in temporary differences | (79,086) | (191,783) | 7,088 | (8,632) |
| | (829,042) | (191,783) | (58,751) | (8,632) |

30.3 Deferred Tax Assets

Lankem Ceylon PLC, Sun Agro Life Science (Pvt) Ltd, JF Packaging Ltd, Alliance Five (Pvt) Ltd, Kiffs (Pvt) Ltd and Ceylon Tapes Ltd has recognized net deferred tax assets as at 31st March 2023. The composition of these deferred tax assets are as follows,

| As at | Consolidated | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Deferred Tax Assets | | | | |
| Defined Benefit Obligations | 61,766 | 25,606 | 44,821 | 19,073 |
| Tax Losses Carried Forward | 643,602 | 424,249 | 269,559 | 262,211 |
| Provision for Impairment of Trade Receivables | 150,157 | 57,330 | 94,072 | 40,718 |
| Provision for Obsolete Inventories | 68,952 | 18,591 | 25,258 | 9,599 |
| Unclaimed Finance Cost | 42,351 | 83,737 | 27,902 | 83,194 |
| Deferred Lease Rent Liability | 4,904 | 7,540 | - | - |
| Gain on FVOCI Investments | 11,543 | 10,724 | 11,541 | 10,724 |
| Property, Plant & Equipment | (378,545) | (79,318) | (33,201) | (25,849) |
| Revaluation Surplus | (359,660) | (180,861) | (171,301) | (102,780) |
| Investment Properties | - | (2,228) | - | - |
| Right of Use Assets | (20,268) | (6,867) | (4,724) | (2,228) |
| | 224,802 | 358,503 | 263,927 | 294,662 |

30.4 Deferred Tax Liabilities

Marawila Resorts PLC, Sigiriya Village Hotels PLC, Beruwala Resorts PLC, BOT Hotel Services (Pvt) Ltd, Galle Fort Hotel Ltd and C.W. Mackie Group PLC has recognized deferred tax liabilities as at 31st March 2023. The comparison of the deferred tax liabilities are as follows,

| As at | Consolidated | |
|---|--------------------|------------------|
| | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 |
| Deferred Tax Liabilities | | |
| Defined Benefit Obligations | 17,742 | 14,146 |
| Tax losses carried forward | 204,872 | 93,508 |
| Provision for Impairment of Trade Receivables | 1,485 | 598 |
| Provision for Obsolete Inventories | 2,331 | 617 |
| Unclaimed Finance Cost | (19,825) | (4,418) |
| Deferred Lease Rent Liability | (9,455) | 3,832 |
| Gain on FVOCI Investments | 3,959 | 1,059 |
| Property, Plant & Equipment | (752,228) | (496,853) |
| Revaluation Surplus | (939,639) | (447,804) |
| Unrealised foreign exchange gain | (15,881) | (35,734) |
| Right of Use Assets | 3,270 | 1,386 |
| | (1,503,369) | (869,663) |
| Net Deferred Tax Liabilities | (1,278,767) | (511,160) |

30.5 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.

30.6 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.

30.7 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.

Notes to the Financial Statements

30.8 Tax Rates - Substantively enacted as at the reporting date

The Group / Company has considered the tax rates substantively enacted as at 31st March 2023 in calculating the deferred tax liabilities / assets. Following tax rates enacted in the Inland Revenue (Amendment) Act No 45 of 2022 have been considered as the rates that were substantively enacted as at the reporting date.

| Company | Tax Rates used as at | |
|-------------------------------|----------------------|------------|
| | 31.03.2023 | 31.03.2022 |
| Lankem Ceylon PLC | 30% | 18% |
| Marawila Resorts PLC | 30% | 14% |
| JF Packaging Ltd | 30% | 18% |
| SunAgro LifeScience Ltd | 30% | 24% |
| Sigiriya Village Hotels PLC | 30% | 14% |
| Beruwala Resorts PLC | 30% | 14% |
| BOT Hotel Services Ltd | 30% | 14% |
| Galle Fort Hotel Ltd | 30% | 14% |
| C.W. Mackie PLC | 30% | 24% |
| Alliance Five (Pvt) Ltd | 30% | 18% |
| Kiffs (Pvt) Ltd | 30% | 18% |
| Ceylon Tapes Ltd | 30% | 16% |
| Nature's Link Ltd | 30% | 24% |
| ACME Printing & Packaging PLC | 30% | 18% |

30.9 Deferred Tax Assets not Recognised

(a) No provision has been made for deferred tax in the financial statements of Imperial Hotels Ltd (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 | 31.03.2023 | | 31.03.2022 | |
|---------------------------------|-----------------------|--------------------|-----------------------|--------------------|
| | Temporary Differences | Deferred Tax Asset | Temporary Differences | Deferred Tax Asset |
| | Rs.Mn | Rs.Mn | Rs.Mn | Rs.Mn |
| SunAgro Farms Ltd | 60.1 | 18.0 | 60.0 | 14.4 |
| Lankem Exports (Pvt) Ltd | 31.5 | 9.5 | 31.3 | 7.5 |
| Lankem consumer Products Ltd | 193.1 | 57.9 | 193.0 | 46.3 |
| Lankem Paints Ltd | 85.9 | 25.8 | 96.4 | 23.1 |
| Lankem Chemicals Ltd | 3.3 | 1.0 | 3.3 | 0.8 |
| JF Ventures Ltd | - | - | 152.2 | 36.5 |
| Lankem Ceylon PLC | 542.5 | 162.7 | 993.9 | 238.5 |
| ACME Printing and Packaging PLC | 103 | 30.9 | 172.3 | 31.0 |
| Kelani Valley Canneries Ltd | 314.8 | 94.4 | 287.0 | 68.9 |
| Ceytra (Pvt) Ltd | 55.0 | 16.5 | 44.0 | 10.6 |
| Ceymac Rubber Company Ltd | - | - | 36.1 | 6.5 |
| Associated Farms Ltd | 20.6 | 6.2 | 21.7 | 5.2 |
| | 1,409.8 | 422.9 | 2,091.2 | 489.3 |

31. RETIREMENT BENEFIT OBLIGATIONS

| As at | Consolidated | | Company | |
|---|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Present Value of the Funded Obligations (Note 31.2) | 317,963 | 302,565 | 149,402 | 110,587 |
| Present Value of the Unfunded Obligations (Note 31.4) | 65,899 | 42,711 | - | - |
| Present Value of the Obligations | 383,862 | 345,276 | 149,402 | 110,587 |
| Fair Value of Retirement Benefit Assets (Note 31.1) | (100,862) | (84,560) | (5,087) | (4,626) |
| Present Value of Net Obligations | 283,000 | 260,716 | 144,315 | 105,961 |

Company

An Actuarial valuation has been carried out as at 31st March 2023 by Messrs. Actuarial and Management Consultants (Pvt) 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.5.08 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'.

31.1 Fair Value of Retirement Benefit Assets

| As at | Consolidated | | Company | |
|--|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Movements in Fair Value of Plan Assets | | | | |
| Fair Value of Plan assets at the beginning of the year | 84,560 | 67,997 | 4,626 | 4,173 |
| On Acquisition of Subsidiary | - | 10,107 | - | - |
| Contribution Paid to the Plan Assets | 15,490 | 12,886 | - | - |
| Expected Return on Plan Assets | 12,001 | 5,169 | 646 | 300 |
| Benefits paid by the Plan Assets / the Company | (5,618) | (8,665) | - | - |
| Actuarial Gains/(Losses) | (5,571) | (2,934) | (185) | 153 |
| Fair Value of Retirement Benefit Assets | 100,862 | 84,560 | 5,087 | 4,626 |

Notes to the Financial Statements

31.2 Present Value of the Funded Obligations

| For the Year Ended | Consolidated | | Company | |
|---|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Movement in Present Value of Funded Obligations | | | | |
| Balance at the beginning of the year | 302,565 | 339,943 | 110,587 | 147,666 |
| On Acquisition of Subsidiary | - | 22,932 | - | - |
| Amendments | - | 405 | - | - |
| Provision for the year | 24,886 | 28,278 | 26,596 | 18,547 |
| | 327,451 | 391,558 | 137,183 | 166,213 |
| Benefits paid by the Plan Assets / the Company | (3,014) | (9,136) | (17,414) | (18,335) |
| Actuarial (Gains)/Losses | (6,474) | (79,857) | 29,633 | (37,291) |
| Present Value of Defined Benefit Obligations | 317,963 | 302,565 | 149,402 | 110,587 |
| Expenses Recognised in the Statement of Profit or Loss | | | | |
| Current Service Cost | 8,810 | 14,916 | 15,482 | 7,913 |
| Interest Cost | 16,076 | 13,362 | 11,114 | 10,632 |
| | 24,886 | 28,278 | 26,596 | 18,545 |
| Expected Return on Plan Assets | (12,001) | (5,169) | (646) | (300) |
| | 12,885 | 23,109 | 25,949 | 18,245 |
| (Gain)/Loss Recognised in OCI | (6,474) | (79,857) | 29,633 | (37,291) |
| | (6,474) | (79,857) | 29,633 | (37,291) |

31.3 Present Value of Net Obligations

| As at | Consolidated | | Company | |
|---|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Fair Value of Plan Assets (Note 31.1) | 100,862 | 84,560 | 5,087 | 4,626 |
| Present Value of Funded Obligations (Note 31.2) | (317,963) | (302,565) | (149,402) | (110,587) |
| Present Value of Net Obligations | (217,101) | (218,005) | (144,315) | (105,961) |
| Present Value of Unfunded Obligations (Note 31.4) | (65,899) | (42,711) | - | - |
| | (283,000) | (260,716) | (144,315) | (105,961) |

31.4 Present Value of the Unfunded Obligations

| As at | Consolidated | |
|---|--------------|------------|
| | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 |
| Movement in Present Value of Unfunded Obligations | | |
| Balance at the beginning of the year | 42,711 | 99,384 |
| Provision for the year | 52,845 | 39,770 |
| | 95,556 | 139,154 |
| Gratuity Paid | (36,518) | (29,155) |
| Actuarial (Gains)/Losses | 6,861 | (67,288) |
| Present value of Defined Benefit Obligations | 65,899 | 42,711 |
| Expenses Recognised in the Statement of Comprehensive Income | | |
| Current Service Cost | 28,815 | 19,128 |
| Interest on Obligations | 24,030 | 20,642 |
| Provision for the year | 52,845 | 39,770 |
| Net Actuarial (Gains)/Losses | 6,861 | (67,288) |
| | 59,706 | (27,518) |

Consolidated

(i) The retirement benefit obligations as at 31st March 2023 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 2023 were Rs. 7.8 Mn, 6.1 Mn, 8.7 Mn and 50.3 Mn respectively.

ii) JF Packaging Ltd

The retirement benefit obligations as at 31st March 2023 is based on actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Pvt) Ltd as per which liability as at 31st March 2023 was Rs.12.03 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 2023 in respect of following companies are stated below:

| Company Name | Expected Salary Increment Rate | Discount Rate | Liability as at 31.03.2023 |
|---------------------------------|--------------------------------|---------------|----------------------------|
| Lankem Ceylon PLC | 10% | 19.5% | 144.3 |
| Marawila Resorts PLC | 7.5% | 19.5% | 7.8 |
| Sigiriya Village Hotels PLC | 7.5% | 20.5% | 6.1 |
| C.W. Mackie PLC | 12% | 18.0% | 50.3 |
| Beruwala Resorts PLC | 7.5% | 20.5% | 8.7 |
| SunAgro LifeScience Ltd | 10% | 19.5% | 2.8 |
| Galle Fort Hotels (Pvt) Ltd | 7.5% | 20.5% | 7.4 |
| Ceylon Tapes (Pvt) Ltd | 10% | 18.0% | 7.0 |
| Lankem Paints Ltd | 10% | 19.5% | 11.2 |
| JF Packaging Ltd | 10% | 18.0% | 12.0 |
| Sherwood Holidays Ltd | 7.5% | 20.5% | 1.3 |
| Alliance Five (Pvt) Ltd | 10% | 18.0% | 5.0 |
| Kiffs (Pvt) Ltd | 10% | 18.0% | 3.5 |
| ACME Printing and Packaging PLC | 10% | 19.5% | 15.5 |
| | | | 283.0 |

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The Group/ Company has considered the impact on the defined benefit obligations due to changes in economic factors as a result of the prevailing macroeconomic conditions, with support of the independent actuarial expert. As per the guidelines issued by the Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing employee benefit obligations as per LKAS 19. Further, the salary increment rate with range of 7.5% - 10% is considered appropriate to be in line with the Group's targeted future salary increments when taking into account the current market conditions and inflation rate. Due to the discount rate and salary increment rate assumptions used, nature of non-financial assumptions and experience of the assumptions of the Company, there is no significant impact to employment benefit liability as a result of prevailing macro-economic conditions.

31.5 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 | 2023 | | 2022 | |
|-----------------------|----------|----------|----------|----------|
| | Increase | Decrease | Increase | Decrease |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Movement by 1% | | | | |
| Discount Rate | (48,000) | 48,909 | (53,402) | 40,934 |
| Future salary scale | 53,751 | (53,084) | 54,810 | (36,321) |

| Company | 2023 | | 2022 | |
|-----------------------|----------|----------|----------|----------|
| | Increase | Decrease | Increase | Decrease |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Movement by 1% | | | | |
| Discount Rate | (9,836) | 9,836 | (4,707) | 5,510 |
| Future salary scale | 10,587 | (10,587) | 5,363 | (5,005) |

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

| For the Year Ended 31st March | Consolidated | | Company | |
|---|--------------|------------|-----------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Within the next 12 months | 38,558 | 57,611 | 25,420 | 18,452 |
| Between 1-2 years | 58,930 | 66,906 | 38,154 | 21,429 |
| Between 2 -5 years | 85,690 | 118,938 | 63,072 | 38,094 |
| Between 5-10 years | 52,779 | 70,781 | 16,333 | 22,670 |
| Beyond 10 years | 147,905 | 31,041 | 6,423 | 9,942 |
| Weighted Average duration of Defined Benefit Obligation | 5.4 years | 5.04 years | 5.3 years | 5.02 years |

32. TRADE AND OTHER PAYABLES

| As at | Consolidated | | Company | |
|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31.03.2023 Rs.'000 | 31.03.2022 Rs.'000 | 31.03.2023 Rs.'000 | 31.03.2022 Rs.'000 |
| Trade Payables | 1,551,061 | 2,046,476 | 656,570 | 669,047 |
| Other Payables | 868,741 | 696,650 | 154,788 | 396,481 |
| Accrued Expenses | 895,227 | 465,902 | 400,001 | 205,264 |
| Unclaimed Dividend | 20,402 | 17,900 | 7,409 | 7,438 |
| NBT Payable | 3,540 | 3,836 | - | - |
| VAT Payable | 216,846 | 55,953 | 89,936 | 15,364 |
| WHT Payable | 3,454 | - | - | - |
| Advance Received | 126,347 | 118,263 | - | - |
| Other Levies Payable | 45,760 | 18,246 | 19,328 | - |
| | 3,731,378 | 3,423,226 | 1,328,032 | 1,293,594 |

33. RELATED PARTY TRANSACTIONS

33.1 Amounts Due from Related Parties - Trade

| As at | Company | |
|--|-----------------------|-----------------------|
| | 31.03.2023 Rs.'000 | 31.03.2022 Rs.'000 |
| Subsidiaries | | |
| C.W. Mackie PLC | 558 | 163 |
| SunAgro LifeScience Ltd | - | 1 |
| Beruwala Resorts PLC | 1,653 | 1,082 |
| Marawila Resorts PLC | 3,477 | 1,345 |
| BOT Hotel Services (Pvt) Ltd | 331 | 331 |
| Sigiriya Village Hotels PLC | 1,329 | 1,069 |
| ACME Printing and Packaging PLC | 13,236 | 3,149 |
| Kiffs (Pvt) Ltd | - | 7 |
| Shrewood Holidays Ltd | 773 | - |
| Galle Fort Hotels (Pvt) Ltd | 120 | - |
| | 21,477 | 7,147 |
| Provision for Impairment of Amounts due from Related Parties - Trade (Note 33.1.1) | (2,208) | (887) |
| Net Carrying Amount | 19,269 | 6,260 |

Notes to the Financial Statements

| As at | Consolidated | | Company | |
|----------------------------|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Affiliates | | | | |
| Colonial Motors PLC | 196 | - | - | - |
| Ceylon Trading Company Ltd | 558 | 241 | - | - |
| Kotagala Plantations PLC | 677 | 677 | - | - |
| E.B. Creasy & Company PLC | 11,326 | 1,992 | - | - |
| Darley Butler & Co Ltd | - | 826 | - | - |
| Candy Delights (Pvt) Ltd | 86,185 | 359 | - | - |
| Union Commodities Ltd | 9,245 | 15,321 | - | - |
| Net Carrying Amount | 108,187 | 19,416 | - | - |

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

| As at | Consolidated | | Company | |
|--------------------------------------|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Balance at the beginning of the year | - | - | 887 | 194 |
| Provision for the year | - | - | 1,321 | 693 |
| Balance at the end of the year | - | - | 2,208 | 887 |

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

| As at | Consolidated | | Company | |
|-------------------------------|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Subsidiaries | | | | |
| Beruwala Resort PLC | - | - | 321 | 131 |
| Marawila Resort PLC | - | - | 616 | 278 |
| BOT Hotels Services (Pvt) Ltd | - | - | 21 | 18 |
| Sigiriya Village Hotels PLC | - | - | 102 | 39 |
| C.W.Mackie PLC | - | - | 1 | 1 |
| ACME Printing & Packaging PLC | - | - | 736 | 420 |
| Shrewood Holidays Ltd | - | - | 10 | - |
| Galle Fort Hotels (Pvt) Ltd | - | - | 401 | - |
| | - | - | 2,208 | 887 |

33.2 Amounts Due from Related Parties - Non Trade

| As at | Company | |
|--|------------------|------------|
| | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 |
| Subsidiaries | | |
| Associated Farms (Pvt) Ltd | 20,045 | 19,988 |
| Lankem Consumer Products Ltd | 158,762 | 158,625 |
| Colombo Fort Hotels Ltd | - | 654,425 |
| JF Packaging Ltd | 120 | 6,775 |
| JF Ventures Ltd (previously known as SunAgro Foods Ltd) | 11,488 | 11,363 |
| SunAgro Farms Ltd | 1,927 | 1,839 |
| Lankem Exports (Pvt) Ltd | 35,386 | 312 |
| Ceylon Tapes (Pvt) Ltd | 4,220 | 2,829 |
| Galle Fort Hotels (Pvt) Ltd | 18,000 | 18,055 |
| Lankem Technology Services (Pvt) Ltd | - | 101 |
| Nature's Link Ltd | 5,183 | 9,729 |
| Lankem Chemicals Ltd | 526 | 397 |
| Lankem Research Ltd | 1,649 | 1,552 |
| | 257,306 | 885,990 |
| Provision for Impairment of Amounts due from Related Parties - Non Trade (Note 33.2.2) | (235,772) | (231,933) |
| Net Carrying Amount | 21,534 | 654,057 |

| As at | Consolidated | | Company | |
|--|------------------|------------|----------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Affiliates | | | | |
| E.B. Creasy & Company PLC | 30,095 | 74,828 | 29,973 | 74,828 |
| E.B. Creasy Logistic (Pvt) Ltd | 291 | - | - | 196 |
| Darley Butler & Co Ltd | 1,017 | 1,807 | 981 | 261 |
| Lankem Developments PLC | 27,774 | 3 | 27,771 | - |
| Lankem Tea & Rubber Plantations (Pvt) Ltd | 25 | 25 | - | - |
| Kotagala Plantations PLC | - | 653 | - | 653 |
| Agarapatana Plantations Ltd | 26,696 | 14,347 | 27,047 | 4,883 |
| CWM Hotels Holdings Ltd | 81,939 | 81,939 | - | - |
| York Hotel Management Services Ltd | 124,633 | 128,869 | - | - |
| Lanka Special Steel Ltd | 613 | - | 377 | - |
| Duramedical Lanka Ltd | - | 347 | - | 151 |
| The Colombo Fort Land & Buildings PLC | 28,027 | 3,591 | 324 | 134 |
| Property & Investment Holdings (Pvt) Ltd | 25,560 | 25,560 | - | - |
| Consolidated Tea Plantations Ltd | 74,316 | 27,920 | 74,316 | 27,920 |
| Laxapana Batteries PLC | 58 | - | 58 | - |
| Union Commodities (Pvt) Ltd | 20,008 | - | - | - |
| Sunquick Lanka (Pvt) Ltd | 240,000 | - | - | - |
| | 681,052 | 359,889 | 160,847 | 109,026 |
| Provision for Impairment of Amounts due from Related Parties - Non Trade (Note 33.2.2) | (116,909) | (88,543) | (4,074) | (4,432) |
| Net Carrying Amount | 564,143 | 271,346 | 156,773 | 104,594 |
| Total Amounts due from Related Parties - Non-Trade | 564,143 | 271,346 | 178,307 | 758,651 |

Notes to the Financial Statements

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

| As at | Consolidated | | Company | |
|---|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Balance as at the beginning of the year | 88,543 | 87,766 | 236,365 | 215,838 |
| Provision for the year | 28,366 | 777 | 3,481 | 20,527 |
| Balance as at the end of the year | 116,909 | 88,543 | 239,846 | 236,365 |

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

| As at | Consolidated | | Company | |
|---|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Subsidiaries | | | | |
| Lankem Consumer Products Ltd | - | - | 158,762 | 158,625 |
| Associated Farms (Pvt) Ltd | - | - | 20,045 | 19,988 |
| JF Ventures Ltd (previously known as SunAgro Foods Ltd) | - | - | 11,488 | - |
| SunAgro Farms Ltd | - | - | 1,927 | 1,839 |
| Lankem Exports (Pvt) Ltd | - | - | 35,386 | 312 |
| Nature's Link Pvt Ltd | - | - | 5,183 | 9,729 |
| Lankem Research Ltd | - | - | 1,649 | 1,552 |
| Colombo Fort Hotels Ltd | - | - | - | 38,590 |
| Galle Fort Hotels (Pvt) Ltd | - | - | 686 | 518 |
| JF Packaging Ltd | - | - | - | 278 |
| Ceylon Tape (Pvt) Ltd | - | - | - | 4 |
| Lankem Chemicals Ltd | - | - | 526 | 397 |
| Lankem Technology Services Ltd | - | - | 120 | 101 |
| | - | - | 235,772 | 231,933 |

| As at | Consolidated | | Company | |
|--|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Affiliates | | | | |
| Sunquick Lanka (Pvt) Ltd | 30,896 | - | - | - |
| Darley Butler & Co Ltd | 1 | 1 | 1 | 1 |
| Agarapatana Plantations Ltd | 125 | 165 | 125 | 165 |
| Duramedical Lanka Ltd | - | 9 | - | 9 |
| Lanka Special Steels Ltd | 5 | 1 | 6 | 1 |
| E B Creasy & Company PLC | 280 | 1,054 | 280 | 1,054 |
| Kotagala Plantations PLC | - | 29 | - | 29 |
| Consolidated Tea Plantations Ltd | 3,394 | 3,173 | 3,394 | 3,173 |
| Colonial Motors PLC | 109 | - | 109 | - |
| Laxapana Batteries PLC | 59 | - | 58 | - |
| Lankem Developments PLC | 101 | - | 101 | - |
| Property and Investment Holdings (Pvt) Ltd | - | 2,172 | - | - |
| CWM Hotels Holdings Ltd | 81,939 | 81,939 | - | - |
| | 116,909 | 88,543 | 4,074 | 4,432 |
| | 116,909 | 88,543 | 239,846 | 236,365 |

33.3 Loans due from Related Parties

| As at | Consolidated | | Company | |
|---|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Lankem Developments PLC | 184,197 | - | 184,197 | - |
| Colombo Fort Hotels Ltd | - | - | - | 55,000 |
| Consolidated Tea Plantations Ltd | 165,968 | 165,968 | 165,968 | 165,968 |
| ACME Printing and Packaging PLC | - | - | 98,000 | - |
| The Colombo Fort Land & Building PLC | 102,000 | 104,000 | - | - |
| | 452,165 | 269,968 | 448,165 | 220,968 |
| Provision for Impairment of Loans due from Related Parties (Note 33.3.1) | (8,252) | (7,497) | (13,700) | (10,740) |
| | 443,913 | 262,471 | 434,465 | 210,228 |

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

| As at | Consolidated | | Company | |
|--------------------------------------|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Balance at the beginning of the year | 7,497 | 10,925 | 10,740 | 12,915 |
| Charge/(Reversal) during the year | 755 | (3,428) | 2,960 | (2,175) |
| Balance at the end of the year | 8,252 | 7,497 | 13,700 | 10,740 |

33.3.2 Provision for Impairment of Loans due from Related Parties

| As at | Consolidated | | Company | |
|----------------------------------|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Provision for Impairment | | | | |
| Kotagala Plantation PLC | - | - | 7,581 | - |
| Colombo Fort Hotels Ltd | - | - | - | 3,243 |
| Lankem Developments PLC | 671 | - | - | - |
| Consolidated Tea Plantations Ltd | 7,581 | 7,497 | 6,119 | 7,497 |
| | 8,252 | 7,497 | 13,700 | 10,740 |

Notes to the Financial Statements

33.4 Amounts Due to Related Parties - Trade

| As at | Consolidated | | Company | |
|------------------------------|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Subsidiaries | | | | |
| BOT Hotel Services (Pvt) Ltd | - | - | 89 | 89 |
| Ceylon Tapes (Pvt) Ltd | - | - | 1,550 | 963 |
| JF Packaging Ltd | - | - | 1,055 | 1,035 |
| Kiffs Ltd | - | - | 106 | - |
| | - | - | 2,800 | 2,087 |

33.5 Amounts due to Related Parties - Non Trade

| As at | Consolidated | | Company | |
|--------------------------------------|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Subsidiaries | | | | |
| Sigiriya Village Hotels PLC | - | - | 45,555 | 33,040 |
| JF Packaging Ltd | - | - | 52,656 | |
| C.W. Mackie PLC | - | - | 127 | 11,429 |
| Lankem Paints Ltd | - | - | 23,449 | 21,368 |
| Alliance Five (Pvt) Ltd | - | - | - | 15,000 |
| SunAgro LifeScience Ltd | - | - | 358,257 | 391,050 |
| ACME Printing and Packaging PLC | - | - | 6,859 | - |
| | - | - | 486,903 | 471,887 |
| Affiliates | | | | |
| York Hotel Management Services Ltd | 48,361 | 13,287 | - | 10,801 |
| Kotagala Plantations PLC | 12,005 | 52,626 | 12,005 | 44,926 |
| Agarapatana Plantation Ltd | 25,093 | 14,204 | 25,000 | 33 |
| Lankem Developments PLC | - | 17,617 | - | 9,141 |
| Lankem Tea & Rubber Plantations Ltd | 38,205 | 30,577 | 38,205 | 30,577 |
| E.B. Creasy & Company PLC | 204 | 179 | - | - |
| Carplan Ltd | - | 68 | - | 68 |
| Colonial Motors PLC | 44 | 3,223 | - | - |
| Laxapana Batteries PLC | - | 31 | - | 31 |
| The Colombo Fort Land & Building PLC | 23,468 | 121,752 | 7,235 | 6,010 |
| Waverly Power (Pvt) Ltd | 48,052 | 54,086 | 48,052 | 48,324 |
| E.B. Creasy Logistic (Pvt) Ltd | 3,574 | 1,636 | 2,449 | 1,530 |
| CM Holdings PLC | 8,089 | 5,515 | 8,089 | 5,515 |
| Union Commodities Ltd | 2,699 | 41,224 | 2,706 | 6,145 |
| Colombo Fort Group Service (Pvt) Ltd | 8,156 | 3,185 | 5,015 | 1,722 |
| Sunquick Lanka (Pvt) Ltd | 537,634 | 382,633 | - | - |
| | 755,584 | 741,843 | 148,756 | 164,823 |
| Total Amounts due to Related Parties | 755,584 | 741,843 | 635,659 | 636,710 |

33.6 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 | |
|--|--------------|-------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Associates | | | | |
| (Receipt)/Payment of Outstanding Balances | 271 | 3,589 | 271 | 3,589 |
| Interest (Expenses)/Income | 46,396 | 1,067 | 46,396 | - |
| Joint Venture | | | | |
| (Receipt)/Payment of Outstanding Balances | 1,948,674 | 1,307,020 | - | - |
| Interest (Expenses)/Income | (2,819) | - | - | - |
| (Reimbursement)/Charging of Expenses | 156,914 | 105,971 | - | - |
| Sale of Goods | 136,958 | - | - | - |
| Purchase of Goods | (2,534,901) | (1,434,982) | - | - |
| Investment related Fund Transfers | 240,000 | - | - | - |
| Service Rended | 509 | - | - | - |
| Affiliates | | | | |
| (Purchases)/Sale of Goods | (278,599) | (108,729) | 3,813 | 6,482 |
| (Receipt)/Payment of Outstanding Balances | 363,008 | (499,937) | 13,161 | (716,198) |
| (Reimbursement)/Charging of Expenses | 27,209 | 18,534 | (23,545) | 67,901 |
| Rent Income | (12,613) | (7,188) | (12,613) | (7,188) |
| Management (Fees)/Income | (82,672) | (18,411) | 45,000 | 30,000 |
| Interest (Expenses)/Income | 60,076 | 3,714 | 3,225 | 13,913 |
| Loan (Obtained) /Granted | 125,651 | (16,240) | 184,197 | 41,400 |
| Sale of Assets | - | 606,381 | - | 606,381 |
| Sale of Shares | 189,176 | (62,944) | 189,176 | (62,944) |
| Subsidiaries | | | | |
| (Purchases)/ Sale of Goods | - | - | (7,693) | 40,100 |
| (Reimbursement)/Charging of Expenses | - | - | 242,674 | 113,844 |
| Fixed Asset Transfers | - | - | (30) | - |
| (Receipt) /Payment of Outstanding Balances | - | - | (165,136) | (84,493) |
| Interest (Expenses) /Income | - | - | 27,222 | 17,801 |
| Loans (Granted) /Obtained | - | - | - | (365,000) |
| Dividend received | - | - | 413,773 | 189,723 |

Notes to the Financial Statements

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 2023.

| 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 rational for entering in to the transaction |
|-------------------------------|----------------------------|--|---|---|---|
| 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 loan facility at a lower interest rate. |
| SunAgro LifeScience Ltd | Wholly owned Subsidiary | 189,641,811 | 10% of Equity and 0.8% 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 reschedule its existing term loan facilities at a lower interest rate. |
| SunAgro LifeScience Ltd | Wholly owned Subsidiary | 185,110,786 | 10% of Equity and 0.8% of total assets | Obtaining a corporate guarantee subject to commission of 2% per annum. | Rescheduling of existing banking facilities at a lower interest rate. |
| Colombo Fort Hotels Ltd (CFH) | Subsidiary | 836,542,406 | 45% of Equity and 3.7% of total assets of shares at | Acquisition of 88,993,873 ordinary shares of CFH at a price of Rs. 9.40 per share. | Acceptance of shares to facilitate the settlement of the long term outstanding loan receivable from CFH. |
| SunAgro LifeScience Ltd | Wholly owned Subsidiary | 510,000,000 | 27% of Equity and 2.3% of total assets | Obtaining a corporate guarantee subject to commission of 2% per annum. | Rescheduling of existing banking facility at a lower interest rate. |
| Agarapatana Plantations Ltd | Related Party | 189,179,438 | 10% of Equity and 0.8% of total assets | Disposal of investment (ie 3,400,000 nos shares) held by the Company in Waverly Power (Pvt) Ltd to Agarapatana Plantations Ltd for a consideration of Rs. 189,179,438/- | In accordance with the Company's strategic decision to focus on its core and related area business in Agro Chemicals, Industrial Chemicals and Paint sectors the decision to divest its holding in the Hydro Power segment. |

33.7 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).

33.8 Transactions with Key Management Personnel

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

(a) Loans to Key Management Personnel

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

(b) Key Management Personnel Compensation

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

| As at | Consolidated | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2023 Rs.'000 | 2022 Rs.'000 | 2023 Rs.'000 | 2022 Rs.'000 |
| Short-term Employee Benefits | 258,832 | 143,224 | 143,946 | 89,320 |
| Post- Employment Benefit | 30,000 | - | - | - |
| Total Compensation paid to key management personnel | 288,832 | 143,224 | 143,946 | 89,320 |

33.9 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.Hettiarachy | Mr.A.C.S.Jayaranjan | Mr.P.M.A.Sirimane | Mr.P.S.Goonewardene | Mr.G.K.B.Dasanayaka | Dr. A. M. Mubarak |
| Lankem Ceylon PLC | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| The Colombo Fort Land & Building PLC | Parent | ✓ | ✓ | | | ✓ | | | |
| Associated Farms (Pvt) Ltd | Subsidiary | ✓ | | | | | ✓ | | |
| B.O.T. Hotel Services (Pvt) Ltd | Subsidiary | ✓ | | | | | | | |
| Beruwala Resorts PLC | Subsidiary | ✓ | ✓ | | | | | | |
| C.W. Mackie PLC | Subsidiary | ✓ | ✓ | ✓ | | | | | |
| Ceylon Tapes (Pvt) Ltd | Subsidiary | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Colombo Fort Hotels Ltd | Subsidiary | ✓ | ✓ | | | | | | |
| Galle Fort Hotels (Pvt) Ltd | Subsidiary | ✓ | ✓ | | | | | | |
| JF Packaging Ltd | 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 | ✓ | ✓ | | | | ✓ | | |
| JF Ventures Ltd (Formerly known as SunAgro Foods Ltd) | Subsidiary | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| SunAgro LifeScience Ltd | Subsidiary | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Sherwood Holidays Ltd | Subsidiary | ✓ | | | | | | | |
| ACME Printing & Packaging PLC | Subsidiary | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | |
| ACME Packaging Solution (Pvt) Ltd | Subsidiary | | | | | | | | |
| 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 (Pte) Ltd | Related Company | | ✓ | | | | | | |
| Candy Delights Ltd | Related Company | ✓ | | | | ✓ | | | ✓ |
| Darley Butler & Co. Ltd | Related Company | ✓ | | | | ✓ | | | ✓ |
| E.B. Creasy & Company PLC | Related Company | ✓ | | | | ✓ | | | ✓ |
| E.B. Creasy Logistics Ltd | Related Company | ✓ | | | | ✓ | | | |

Notes to the Financial Statements

| 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.P.M.A.Sirimane | Mr.P.S.Goonewardene | Mr.G.K.B.Dasanayaka | Dr. A. M. Mubarak |
| Financial Trust Ltd | Related Company | | ✓ | | | | | | |
| E.B. Creasy Ceylon (Pvt) Ltd | Related Company | ✓ | | | | ✓ | | | |
| Kotagala Plantations PLC | Related Company | ✓ | ✓ | | | ✓ | | ✓ | |
| Lankem Developments PLC | Related Company | ✓ | ✓ | | | ✓ | | | |
| Lankem Tea & Rubber Plantations (Pvt) Ltd | Related Company | ✓ | ✓ | | | ✓ | | | |
| Laxapana Batteries PLC | Related Company | ✓ | | | | ✓ | | | ✓ |
| Union Commodities (Pvt) Ltd | Related Company | ✓ | ✓ | | | ✓ | | | |
| York Arcade Holdings PLC | Related Company | ✓ | ✓ | | | | | | |
| York Hotel Management Services Ltd | Related Company | ✓ | | | | | | | |
| Waverly Power (Pvt) Ltd | Related Company | ✓ | ✓ | | | ✓ | | | |
| Consolidated Tea Plantation Ltd | Associate | ✓ | ✓ | | | ✓ | | | |

34. 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.

34.1 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 | |
|--|------|-----------------------|-----------------------|-----------------------|-----------------------|
| | | 31.03.2023 Rs.'000 | 31.03.2022 Rs.'000 | 31.03.2023 Rs.'000 | 31.03.2022 Rs.'000 |
| Trade Receivable | 22 | 6,143,757 | 4,265,231 | 1,805,015 | 1,044,517 |
| Amounts due from Related Parties - Trade | 33.1 | 108,187 | 19,416 | 21,477 | 7,147 |
| Amounts due from Related Parties - Non-Trade | 33.2 | 681,052 | 359,889 | 418,153 | 995,016 |
| Loans due from Related Parties | 33.3 | 452,165 | 269,968 | 448,165 | 220,968 |
| Cash and Bank Balances | 23 | 535,237 | 763,361 | 35,406 | 84,538 |
| Financial Assets measured at FVTPL | 20 | 25,935 | 29,479 | 25,935 | 29,479 |
| Financial Assets measured at FVOCI | 19 | 83,400 | 23,693 | 79,499 | 20,702 |
| | | 8,029,733 | 5,731,037 | 2,833,650 | 2,402,367 |

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

| As at | Consolidated | | | | Company | | | |
|---------------------|------------------|-----------------------|------------------|-----------------------|------------------|-----------------------|------------------|-----------------------|
| | 31.03.2023 | | 31.03.2022 | | 31.03.2023 | | 31.03.2022 | |
| | 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 | 6,776,805 | 116,909 | 4,415,676 | 88,543 | 2,379,237 | 250,065 | 2,041,436 | 247,105 |
| More than one year | 608,356 | 608,356 | 498,828 | 498,828 | 313,573 | 313,573 | 226,212 | 226,212 |
| | 7,385,161 | 725,265 | 4,914,504 | 587,371 | 2,692,810 | 563,638 | 2,267,648 | 473,317 |

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. 533.22 Mn as at 31st March 2023 (Rs. 763.4 Mn as at 31st March 2022) which represent its maximum credit exposure on these assets.

34.3. 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.

Notes to the Financial Statements

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

| As at 31st March 2023 | Consolidated | | | | Company | | | |
|---|-----------------|------------------------|--------------------|--------------------|-----------------|------------------------|--------------------|--------------------|
| | Carrying Amount | Contractual Cash Flows | Less than One Year | More than One year | Carrying Amount | Contractual Cash Flows | Less than One Year | More than One year |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Non-Derivative Financial Liabilities | | | | | | | | |
| Interest Bearing Borrowings | 10,746,781 | 10,746,781 | 6,194,055 | 4,552,726 | 3,802,108 | 3,802,108 | 2,147,934 | 1,654,174 |
| Loan Payable to Related Parties | 171,824 | 171,824 | 145,234 | 26,590 | 311,368 | 311,368 | 250,999 | 60,369 |
| Trade Payables | 1,551,061 | 1,551,061 | 1,551,061 | - | 656,570 | 656,570 | 656,570 | - |
| Amounts Due to Related Parties - Trade | - | - | - | - | 2,800 | 2,800 | 2,800 | - |
| Amounts Due to Related Parties - Non-Trade | 755,584 | 755,584 | 755,584 | - | 635,659 | 635,659 | 635,659 | - |
| Lease Liabilities | 281,551 | 281,551 | 56,882 | 224,669 | 10,473 | 10,473 | 4,040 | 6,433 |
| Bank Overdraft | 1,105,606 | 1,105,606 | 1,105,606 | - | 410,000 | 410,000 | 410,000 | - |
| Other Payable | 2,004,756 | 2,004,756 | 2,004,756 | - | 652,134 | 652,134 | 652,134 | - |
| | 16,617,163 | 16,617,163 | 11,813,178 | 4,803,985 | 6,481,112 | 6,481,112 | 4,760,136 | 1,720,976 |

| As at 31st March 2022 | Consolidated | | | | Company | | | |
|---|-----------------|------------------------|--------------------|--------------------|-----------------|------------------------|--------------------|--------------------|
| | Carrying Amount | Contractual Cash Flows | Less than One Year | More than One year | Carrying Amount | Contractual Cash Flows | Less than One Year | More than One year |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | 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 | - | 624,547 | 624,547 | 624,547 | - |
| | 16,390,447 | 16,390,447 | 12,444,030 | 3,946,417 | 6,652,960 | 6,652,960 | 5,155,342 | 1,497,618 |

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

34.4 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.

34.4.1. 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 | 2023 | | 2022 | |
|--|-------------|---------|-------------|----------|
| | US\$ | EURO | US\$ | EURO |
| As at 31 March | | | | |
| Trade and Other Payables | (1,173,186) | (2,070) | (1,966,946) | (37,478) |
| Trade and Other Receivables | 1,194,705 | 61,354 | 2,459,964 | 267,153 |
| Cash and Cash Equivalents | 1,133,556 | 114,943 | 1,057,154 | 155,902 |
| Interest Bearing Borrowing | (2,839,873) | - | (2,633,954) | - |
| Gross statement of financial position exposure | (1,684,798) | 174,227 | (1,083,782) | 385,577 |

| Company | 2023 | | 2022 | |
|--|-----------|------|-------------|----------|
| | US\$ | EURO | US\$ | EURO |
| As at 31 March | | | | |
| Trade and Other Payables | (537,137) | - | (1,208,502) | (12,535) |
| Cash and Cash Equivalents | 16,497 | - | 16,283 | - |
| Gross statement of financial position exposure | (520,640) | - | (1,192,219) | (12,535) |

The following significant exchange rates were applicable during the year:

| | Average Rate | | Reporting Date Spot Rate | |
|------|--------------|--------|--------------------------|--------|
| | 2023 | 2022 | 2023 | 2022 |
| | Rs. | Rs. | Rs. | Rs. |
| USD | 357.65 | 205.22 | 336.01 | 299.00 |
| Euro | 373.11 | 238.26 | 357.27 | 334.03 |

Notes to the Financial Statements

Sensitivity Analysis

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

| | Consolidated | | Company | |
|----------------------------|------------------------------|--------------------------|------------------------------|--------------------------|
| | Strengthening Profit or Loss | Weakening Profit or Loss | Strengthening Profit or Loss | Weakening Profit or Loss |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Group | | | | |
| As at 31 March 2023 | | | | |
| USD (10% movement) | 56,611 | (56,611) | 17,494 | (17,494) |
| Euro (10% movement) | (6,225) | 6,225 | - | - |
| As at 31 March 2022 | | | | |
| USD (10% movement) | 48,608 | (48,608) | 53,471 | (53,471) |
| Euro (10% movement) | (19,319) | 19,319 | 628 | (628) |

34.4.2. 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 | |
|----------------------------------|--------------|------------|------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Fixed rate instruments | | | | |
| Financial Assets | 12,652 | 12,645 | - | - |
| | 12,652 | 12,645 | - | - |
| Variable rate instruments | | | | |
| Financial Assets | 443,913 | 262,471 | 434,465 | 210,228 |
| Financial Liabilities | 10,892,015 | 11,111,467 | 3,862,477 | 3,990,872 |
| | 11,335,928 | 11,373,938 | 4,296,942 | 4,201,100 |

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) interest rates | Effect on Profit before Tax | |
|-----------------------|---|-----------------------------|----------|
| | | Consolidated | Company |
| | | Rs.'000 | Rs.'000 |
| As at 31st March 2023 | +100 | 113,233 | 42,969 |
| | -100 | (113,233) | (42,969) |
| As at 31st March 2022 | +100 | 113,613 | 42,011 |
| | -100 | (113,613) | (42,011) |

34.5 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 data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

| 31st March 2023 | Consolidated | | | Company | | |
|--|--------------|---------|---------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Financial Assets measured at Fair Value Through OCI | 65,892 | - | 17,508 | 62,016 | - | 17,483 |
| Financial Assets measured at Fair Value Through Profit or Loss | 25,935 | - | - | 25,935 | - | - |
| | 91,827 | - | 17,508 | 87,951 | - | 17,483 |

| 31st March 2022 | Consolidated | | | Company | | |
|--|--------------|---------|---------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Financial Assets measured at Fair Value Through OCI | 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 |

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

| | Net Assets Value | |
|---|------------------|------------------|
| | As at 31.03.2023 | As at 31.03.2022 |
| Nanotechnology (Pvt) Ltd | - | - |
| Lankem Tea & Rubber Plantations (Pvt) Ltd | 454.09 | 274.87 |
| Agarapatana Plantations Ltd | 7.78 | 5.10 |
| Asia Pacific Golf Courses Ltd | - | 100.00 |

Notes to the Financial Statements

34.6 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 2023 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Financial Assets | | | | | | |
| Trade Receivables | - | 1,491,442 | - | - | 1,491,442 | 1,491,442 |
| Amounts due from Related Parties - Trade | - | 19,269 | - | - | 19,269 | 19,269 |
| Amounts due from Related Parties - Non-Trade | - | 178,307 | - | - | 178,307 | 178,307 |
| Loans due from Related Parties | - | 434,465 | - | - | 434,465 | 434,465 |
| Financial Assets measured at FVTPL | 25,935 | - | - | - | 25,935 | 25,935 |
| Financial Assets measured at FVOCI | - | - | 79,499 | - | 79,499 | 79,499 |
| Bank & Cash Balances | - | 36,324 | - | - | 36,324 | 36,324 |
| | 25,935 | 2,159,807 | 79,499 | - | 2,265,241 | 2,265,241 |
| Financial Liabilities | | | | | | |
| Interest Bearing Borrowings | - | - | - | 3,802,108 | 3,802,108 | 3,802,108 |
| Lease Liabilities | - | - | - | 10,473 | 10,473 | 10,473 |
| Loans Payable to Related Parties | - | - | - | 311,368 | 311,368 | 311,368 |
| Trade Payables | - | - | - | 656,570 | 656,570 | 656,570 |
| Amounts due to Related Parties - Trade | - | - | - | 2,800 | 2,800 | 2,800 |
| Amounts due to Related Parties - Non-Trade | - | - | - | 635,659 | 635,659 | 635,659 |
| Bank Overdraft | - | - | - | 410,000 | 410,000 | 410,000 |
| Other Payables | - | - | - | 652,134 | 652,134 | 652,134 |
| | - | - | - | 6,481,112 | 6,481,112 | 6,481,112 |

| 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

| Consolidated | Financial Assets Measured at FVTPL | Financial Assets Measured at Amortised Cost | Financial Assets measured at FVOCI | Financial Liabilities Measured at Amortised Cost | Total Carrying Amount | Fair Value |
|--|---|--|---|---|------------------------------|-------------------|
| As at 31st March 2023 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Financial Assets | | | | | | |
| Trade Receivables | - | 5,535,401 | - | - | 5,535,401 | 5,535,401 |
| Amounts due from Related Parties - Trade | - | 108,187 | - | - | 108,187 | 108,187 |
| Amounts due from Related Parties - Non-Trade | | 564,143 | - | - | 564,143 | 564,143 |
| Loans due from Related Parties | - | 443,913 | - | - | 443,913 | 443,913 |
| Financial Assets measured at FVTPL | 25,935 | - | - | - | 25,935 | 25,935 |
| Financial Assets measured at FVOCI | - | - | 83,400 | - | 83,400 | 83,400 |
| Bank & Cash Balances | - | 557,249 | - | - | 557,249 | 557,249 |
| | 25,935 | 7,208,893 | 83,400 | - | 7,318,228 | 7,318,228 |
| Financial Liabilities | | | | | | |
| Interest Bearing Borrowings | - | - | - | 10,746,781 | 10,746,781 | 10,746,781 |
| Lease Liabilities | - | - | - | 281,551 | 281,551 | 281,551 |
| Trade Payables | - | - | - | 1,551,061 | 1,551,061 | 1,551,061 |
| Loans payable to related parties | - | - | - | 171,824 | 171,824 | 171,824 |
| Amounts due to Related Parties - Trade | - | - | - | - | - | - |
| Amounts due to Related Parties - Non-Trade | - | - | - | 755,584 | 755,584 | 755,584 |
| Bank Overdraft | - | - | - | 1,105,606 | 1,105,606 | 1,105,606 |
| Other Payable | - | - | - | 2,004,756 | 2,004,756 | 2,004,756 |
| | - | - | - | 16,617,163 | 16,617,163 | 16,617,163 |

| Consolidated As at 31st March 2022 | Financial Assets Measured at FVTPL Rs.'000 | Financial Assets Measured at Amortised Cost Rs.'000 | Financial Assets measured at FVOCI Rs.'000 | Financial Liabilities Measured at Amortised Cost Rs.'000 | Total Carrying Amount Rs.'000 | Fair Value Rs.'000 |
|--|---|---|---|--|--|--------------------------|
| Financial Assets | | | | | | |
| Trade Receivables | - | 3,766,403 | - | - | 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 |

35. 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 | Consolidated | | Company | |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31.03.2023 Rs.'000 | 31.03.2022 Rs.'000 | 31.03.2023 Rs.'000 | 31.03.2022 Rs.'000 |
| Total Liabilities | 18,876,868 | 17,467,258 | 6,644,755 | 6,758,921 |
| Less: Cash and cash equivalents | (557,249) | (779,635) | (36,324) | (85,448) |
| Net debts | 18,319,619 | 16,687,623 | 6,608,431 | 6,673,473 |
| Total Equity | 7,195,453 | 5,121,016 | 2,339,939 | 1,272,586 |
| Debt to Equity ratio (Gearing Ratio) | 2.55 | 3.26 | 2.82 | 5.24 |

Notes to the Financial Statements

36. COMMITMENTS

36.1 Company

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

36.2 Consolidated

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

37. CONTINGENT LIABILITIES

37.1 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 2023.

| Name of the Company | Amount Rs.'000 |
|-----------------------------|-------------------|
| Lankem Developments PLC | 62,080 |
| SunAgro Lifescience Ltd | 789,421 |
| JF Packaging Ltd | 217,230 |
| Ceylon Tapes Ltd | 100,000 |
| Agarapatana Plantations Ltd | 200,000 |
| | 1,368,731 |

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

37.2 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 | |
|------------------------------|---------------|------------|
| | 31.03.2023 | 31.03.2022 |
| Ceymac Rubber Company Ltd | 99 | 99 |
| Ceytra (Pvt) Ltd | 8 | 8 |
| Kelani Valley Canneries Ltd | 90 | 90 |
| | 197 | 197 |
| Short term loan facilities: | | |
| Ceymac Rubber Company Ltd. | 36 | 76 |
| Kelani Valley Canneries Ltd. | 113 | 70 |
| | 149 | 146 |

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.

38. EVENTS OCCURRING AFTER THE REPORTING PERIOD

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.

38.1 The Board of Directors of Lankem Ceylon PLC have resolved on 19th July 2023 the sale of the Company's 100% equity stake in J F Packaging Ltd. (JFP) to subsidiary company ACME Printing & Packaging PLC (ACME). The Boards of the two companies have agreed on a consideration of Rs.4,515,000,000/- for the proposed transaction and have also agreed for the settlement of the said consideration by a private placement to the Company of 430,000,000 ordinary shares of ACME, priced at Rs. 10.50 per share subject to the approval of the Securities and Exchange Commission being obtained by ACME for a waiver under Rules 5.4(b) of the Listing Rules. The private placement of shares would increase the aggregate holding of the Company in ACME to 86.45% and would synergize the ACME and JFP lines of business, whilst consolidating all the businesses in the packaging cluster of the group under one holding company to help the group maximize the synergies of operating as one cluster. The transaction constitutes a major transaction in terms of Section 185 of the Companies Act No.7 of 2007 and is subject to the Company obtaining approval of the Shareholders at General meeting.

38.2 Beruwala Resorts PLC, a subsidiary of the group on 25th July 2023 announced a Rights Issue of Three Hundred Million (300,000,000) ordinary shares at a price of Rs. 1.20 per share in the proportion of 01 new ordinary share for every 02 existing issued ordinary shares held, subject to approval by the shareholders.

38.3 The Directors of Lankem Ceylon PLC have recommended the payment of a first and a final dividend of Rs.10/- per ordinary share amounting to Rs. 514,707,570/- for the year ended 31st March 2023 for approval by the shareholders at the Annual General Meeting to be held on 25th September 2023. In accordance with the Sri Lanka Accounting Standard 10 (LKAS 10) "Events after the Reporting Period", this proposed dividend has not been recognised as a liability as at 31st March 2023.

38.4 The Company has granted a corporate guarantee for the value of Rs.120 Mn on behalf of its subsidiary SunAgro LifeScience Ltd as security for banking facilities obtained.

39. 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 | 36.31 |
| B.O.T Hotel Services (Pvt) Ltd | 47.8 |
| Beruwala Resorts PLC | 47.8 |
| Ceymac Rubber Company Ltd | 53.56 |
| Ceytra (Pvt) Ltd | 34.08 |
| Kelani Vally Canneries Ltd | 50.36 |
| Sunquick Lanka Properties (Pvt Ltd) | 27.67 |
| Galle Fort Hotel (Pvt) Ltd | 65.6 |
| Lak Kraft (Pvt) Ltd | 65.6 |
| Sherwood Holidays Ltd | 65.6 |
| Kiffs (Pvt) Ltd | 100 |
| Alliance Five (Pvt) Ltd | 100 |
| Ceylon Tapes Ltd | 100 |
| Sigiriya Village Hotels PLC | 33.46 |
| JF Ventures Limited | 100 |
| ACME Packaging Solution Ltd | 25.1 |

Notes to the Financial Statements

40. 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. Mackies PLC | | Other Individually Immaterial Subsidiaries | |
|--|-------------------------------------|------------------|--|------------------|--------------------------|------------------|--|------------------|
| | 2023 Rs. '000 | 2022 Rs. '000 | 2023 Rs. '000 | 2022 Rs. '000 | 2023 Rs. '000 | 2022 Rs. '000 | 2023 Rs. '000 | 2022 Rs. '000 |
| Total assets | 1,962,435 | 1,849,487 | 2,691,253 | 2,586,131 | 9,312,378 | 8,403,589 | 6,477,028 | 6,083,103 |
| Total Liabilities | 1,398,411 | 928,371 | 129,501 | 1,174,510 | 5,163,549 | 4,764,847 | 4,016,193 | 3,203,373 |
| Net assets | 564,024 | 921,116 | 2,561,752 | 1,411,621 | 4,148,829 | 3,638,742 | 2,460,835 | 2,879,730 |
| Carrying amount of NCI | 357,253 | 574,408 | 881,243 | 439,155 | 1,898,089 | 1,624,334 | 629,032 | 946,385 |
| Revenue | 574,159 | 249,313 | - | - | 19,207,748 | 13,163,499 | 1,644,320 | 381,030 |
| Profit/(Loss) after tax | (165,655) | (199,481) | (194,202) | (65,393) | 940,218 | 495,407 | (405,947) | (272,616) |
| Total Comprehensive Income/(Expense) | (348,815) | 112,489 | (193,122) | 760 | 869,973 | 461,626 | (350,309) | - |
| Profit/(Loss) allocated to NCI | (104,926) | (124,396) | (66,806) | (20,344) | 430,150 | 221,150 | (154,815) | - |
| Cash flows from operating activities | (102,623) | (27,498) | (1,206,630) | (377) | 416,979 | (285,449) | | |
| Cash flows from/(used in) investing activities | (7,128) | (6,067) | (136,630) | 90 | (57,059) | (263,254) | | |
| Cash flows from financing activities | (63,080) | 18,701 | 1,343,253 | - | (365,979) | 663,829 | | |
| Dividend paid to NCI | - | - | - | - | - | - | | |
| NCI percentage (%) | 63.34% | 62.36% | 34.40% | 31.11% | 45.75% | 44.66% | | |
| Principal place of business | Thalwilawella, Thoduwawa, Marawila. | | 8-5/2, Layden Bastian Road, York Arcade Building, Mawatha, Colombo 10 Colombo 1 | | No. 36, D.R. Wijewardena | | | |

40.1 Following sales / purchase transactions of Non controlling interest during the year ended 31st March 2023 has resulted in an impact to the total equity of the Group.

| | Consolidated |
|---|------------------------------------|
| | 31.03.2023 |
| | Increase/ (Decrease) of |
| | Non Controlling |
| | Interest |
| | Rs.'000 |
| Disposal of 1.1% in C.W Mackie PLC | (40,628) |
| Acquisition of 7% in Sigiriya Hotels PLC by Colombo Fort Hotels Limited | 85,483 |
| Dilution of ownership by 3% in Colombo Fort Hotels Limited | (37,742) |
| Disposal of 33% in ACME Printing and Packaging PLC | (141,665) |
| Net Impact to Non - Controlling interest | (134,552) |

Ten Year Summary

| | 2022/23 | 2021/22 | 2020/21 | 2019/20 |
|---|------------|-------------|-------------|-------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Statement of Profit or Loss | | | | |
| Revenue | 33,754,554 | 21,191,341 | 17,468,490 | 15,423,082 |
| Share of Profit/(Loss) of Associate | (502) | 3,814 | (537) | (7,926) |
| Share of Profit/(Loss) of Joint Venture | (165,413) | (127,808) | (50,516) | 7,963 |
| Profit/(Loss) Before Income Tax | 2,966,825 | 263,157 | (779,441) | (1,182,563) |
| Income Tax (Expense)/Reversal | (685,190) | (266,706) | (266,679) | 157,040 |
| Profit/(Loss) for the Year | 2,281,635 | (3,549) | (1,046,120) | (1,025,523) |
| Profit/(Loss) Attributable to Non-Controlling Interests | 104,734 | (48,474) | (180,727) | (138,263) |
| Profit/(Loss) Attributable to Owners of the Company | 2,176,901 | 44,925 | (865,393) | (887,260) |
| Statement of Financial Position | | | | |
| Equity | | | | |
| Stated Capital | 1,282,697 | 1,282,697 | 930,346 | 930,346 |
| Capital Reserves | 4,833 | 4,833 | 4,833 | 4,833 |
| FVTOCI Reserves | 46,443 | (13,996) | (18,584) | (19,182) |
| Revenue Reserves | 200,979 | (1,711,409) | (2,254,731) | (1,280,004) |
| Revaluation Reserves | 1,921,461 | 2,290,499 | 2,341,192 | 1,700,657 |
| Non-Controlling Interests | 3,739,040 | 3,268,392 | 2,898,540 | 2,597,099 |
| Total Equity | 7,195,453 | 5,121,016 | 3,901,596 | 3,933,750 |
| Assets | | | | |
| Non-Current Assets | 12,156,166 | 12,514,992 | 11,161,531 | 10,893,861 |
| Current Assets | 13,916,155 | 10,073,282 | 9,007,059 | 7,462,630 |
| Total Assets | 26,072,321 | 22,588,274 | 20,168,590 | 18,356,491 |
| Liabilities | | | | |
| Non-Current Liabilities | 6,366,458 | 4,719,337 | 5,023,159 | 4,523,769 |
| Current Liabilities | 12,510,410 | 12,747,921 | 11,243,835 | 9,898,973 |
| Total Liabilities | 18,876,868 | 17,467,258 | 16,266,994 | 14,422,742 |
| Cash Flow Statement | | | | |
| Net Cash Flow Generated from/(Used in) Operating Activities | (705,594) | (228,416) | 60,688 | (766,962) |
| Net Cash Flow Generated from/(Used in) Investing Activities | 23,363 | 17,968 | (26,816) | (132,244) |
| Net Cash Flow Generated from/(Used in) Financing Activities | 372,154 | 386,171 | 229,141 | 717,735 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | (310,077) | 175,723 | 263,013 | (181,471) |
| Key Indicators | | | | |
| Earnings per Share (Rs.) | 42.29 | 0.94 | (23.81) | (26.21) |
| Dividend Per Share (Rs.) | - | - | - | - |
| Net Assets per Share (Rs.) | 67.15 | 35.99 | 29.63 | 39.48 |
| Market Capitalisation (Rs. Million) | 3,896 | 1,441 | 917 | 579 |
| Current Ratio (No.of Times) | 1.11 | 0.79 | 0.80 | 0.79 |
| Interest Cover (No.of times) | 2.27 | 1.42 | 0.28 | 0.02 |
| Price Earnings Ratio (No.of Times) | 1.79 | 29.03 | (1.06) | (0.65) |
| Return on Equity (%) | 0.32 | - | (0.27) | (0.26) |
| Gearing (%) | 75.96 | 73.12 | 78.25 | 71.92 |
| Dividend Payout Ratio (%) | - | - | - | - |

| 2018/19 Rs.'000 | 2017/18 Rs.'000 | 2016/17 Rs.'000 | 2015/16 Rs.'000 | 2014/15 Rs.'000 | 2013/14 Rs.'000 |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 17,659,156 | 18,479,195 | 17,261,207 | 17,073,999 | 15,221,745 | 15,563,475 |
| (334,521) | (97,602) | (75,280) | (217,950) | (268,945) | (65,773) |
| 46,659 | (20,697) | - | - | - | - |
| (1,049,956) | (349,155) | (613,132) | (140,306) | (260,499) | (71,414) |
| 165,676 | (127,949) | (118,332) | (114,274) | (113,299) | (144,226) |
| (884,280) | (477,104) | (731,464) | (254,580) | (373,798) | (215,640) |
| 98,284 | 106,253 | 58,272 | 179,232 | (22,797) | 141,059 |
| (982,564) | (583,357) | (789,736) | (433,812) | (351,001) | (356,699) |
| 930,346 | 930,346 | 536,218 | 536,218 | 536,218 | 536,218 |
| 4,833 | 4,833 | 4,833 | 3,409 | 3,409 | 3,409 |
| (4,706) | 12,734 | 1,750 | 3,713 | 13,425 | 11,060 |
| (380,822) | 608,907 | 1,340,938 | 2,118,926 | 2,508,635 | 3,137,131 |
| 1,679,064 | - | - | - | - | - |
| 2,793,360 | 2,129,658 | 2,237,370 | 2,609,592 | 2,376,717 | 2,348,838 |
| 5,022,075 | 3,686,478 | 4,121,109 | 5,271,858 | 5,438,404 | 6,036,656 |
| 10,808,244 | 8,308,176 | 8,198,896 | 8,391,539 | 8,586,898 | 7,696,595 |
| 7,765,060 | 8,254,873 | 8,149,165 | 7,541,213 | 6,827,636 | 7,163,600 |
| 18,573,304 | 16,563,049 | 16,348,061 | 15,932,752 | 15,414,534 | 14,860,195 |
| 4,814,961 | 3,084,613 | 2,820,406 | 1,687,142 | 2,329,142 | 1,476,009 |
| 8,736,268 | 9,791,958 | 9,406,546 | 8,973,752 | 7,599,195 | 7,347,530 |
| 13,551,229 | 12,876,571 | 12,226,952 | 10,660,894 | 9,928,337 | 8,823,539 |
| (183,813) | (151,346) | 256,358 | (559,568) | 917,449 | 146,332 |
| (112,936) | (75,404) | (831,756) | (340,790) | (1,211,181) | (573,837) |
| (7,388) | 715,965 | 1,160,724 | 142,233 | 567,211 | 188,434 |
| (304,137) | 489,215 | 585,326 | (758,125) | 273,479 | (239,071) |
| (29.02) | (25.45) | (32.91) | (17.96) | (14.63) | (14.86) |
| - | - | - | - | - | - |
| 65.84 | 45.99 | 78.49 | 110.93 | 129.56 | 153.66 |
| 745 | 1,263 | 1,056 | 1,920 | 2,474 | 2,400 |
| 0.89 | 0.84 | 0.87 | 0.84 | 0.90 | 0.97 |
| 0.22 | 0.71 | 0.36 | 0.77 | 0.41 | 0.85 |
| (0.76) | (1.49) | (1.34) | (4.45) | (7.05) | (6.73) |
| (0.47) | (0.22) | (0.33) | (0.05) | (0.08) | (9.14) |
| 65.84 | 72.55 | 68.24 | 60.35 | 55.25 | 49.45 |
| - | - | - | - | - | - |

Share Information

20 MAJOR SHAREHOLDERS

| NAME OF THE SHAREHOLDER | As at 31.03.2023 | | As at 31.03.2022 | |
|--|-------------------|--------------|------------------|-------|
| | NO. OF SHARES | % | NO. OF SHARES | % |
| THE COLOMBO FORT LAND AND BUILDING PLC | 30,980,000 | 60.19 | 30,980,000 | 60.19 |
| AMANA BANK PLC/E.B. CREASY & COMPANY PLC | 9,011,079 | 17.51 | 9,011,079 | 17.51 |
| ASSOCIATED ELECTRICAL CORPORATION LTD | 1,414,476 | 2.75 | 1,507,877 | 2.93 |
| COLOMBO FORT INVESTMENTS PLC | 990,673 | 1.92 | 990,688 | 1.92 |
| DARLEY BUTLER & COMPANY LTD | 536,614 | 1.04 | 536,614 | 1.04 |
| HATTON NATIONAL BANK PLC/SUBRAMANIAM VASUDEVAN | 494,048 | 0.96 | 615,107 | 1.20 |
| ACUITY PARTNERS (PVT) LIMITED/COLOMBO INVESTMENT TRUST PLC | 450,000 | 0.87 | 450,000 | 0.87 |
| GUARDIAN ASSET MANAGEMENT LTD | 400,300 | 0.78 | 400,300 | 0.78 |
| E.B. CREASY & COMPANY PLC | 388,567 | 0.75 | 713,556 | 1.39 |
| SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND | 306,169 | 0.59 | 306,169 | 0.59 |
| ACUITY PARTNERS (PVT) LIMITED/COLOMBO FORT INVESTMENTS PLC | 300,000 | 0.58 | 300,000 | 0.58 |
| CAPITAL INVESTMENTS LIMITED | 274,000 | 0.53 | 274,000 | 0.53 |
| HATTON NATIONAL BANK PLC/SRI DHAMAN RAJENDRAM ARUDPRAGASAM | 250,000 | 0.49 | 250,000 | 0.49 |
| ACCESS ENGINEERING PLC | 246,331 | 0.48 | - | - |
| UNION INVESTMENTS (PVT) LTD | 222,800 | 0.43 | 222,800 | 0.43 |
| MRS. HEMAWATHY SHANMUGA SHARMA | 167,196 | 0.32 | - | - |
| C M HOLDINGS PLC | 160,000 | 0.31 | 160,000 | 0.31 |
| PEOPLE'S LEASING & FINANCE PLC/HI LINE TRADING (PVT) LTD | 151,767 | 0.29 | 151,767 | 0.29 |
| A E C PROPERTIES (PVT) LTD | 150,000 | 0.29 | 150,000 | 0.29 |
| AMANA BANK PLC/HI-LINE TRADING PVT LTD | 139,327 | 0.27 | 139,327 | 0.27 |
| TOTAL | 47,033,347 | 91.38 | 47,159,284 | 91.62 |

1. MARKET VALUE

The market value of the Company's ordinary shares was

| | 31.03.2023 | 31.03.2022 |
|---------------------------------|------------|------------|
| Highest | 125.00 | 54.00 |
| Lowest | 16.70 | 20.10 |
| Market Value as at the year end | 75.70 | 28.00 |

2. PUBLIC HOLDING

The Percentage of shares held by the public as at 31st March 2023 was 13.96%. (31st March 2022 - 13.36%)

The applicable option under CSE Rule 7.13.1 on minimum public holding is option 2 and the Float Adjusted Market Capitalization as of 31.03.2023 was Rs. 543,928,548.16 (31.03.2022 - Rs. 192,541,807.79)

3. PUBLIC SHAREHOLDERS

The number of Public Shareholders as at 31st March 2023 was 2107 (31st March 2022-1,997)

4. STATED CAPITAL

The Stated Capital of the Company is Rs. 1,282,697,140.00 represented by 51,470,757 Ordinary shares. (31.03.2022- Stated Capital Rs. 1,282,697,140.00 represented by 51,470,757 Ordinary shares.)

| Distribution | As At 31st March 2023 | | | As At 31st March 2022 | | |
|-------------------|-----------------------|---------------|--------|-----------------------|---------------|--------|
| | No of Shareholders | Total Holding | % | No of Shareholders | Total Holding | % |
| 1-1,000 | 1,632 | 363,767 | 0.71 | 1,560 | 356,513 | 0.69 |
| 1,001-10,000 | 399 | 1,273,676 | 2.48 | 365 | 1,138,361 | 2.21 |
| 10,001-100,000 | 78 | 2,405,797 | 4.67 | 74 | 1,968,999 | 3.83 |
| 100,001-1,000,000 | 20 | 6,021,962 | 11.70 | 20 | 6,507,928 | 12.65 |
| Over 1,000,000 | 3 | 41,405,555 | 80.44 | 3 | 41,498,956 | 80.63 |
| | 2,132 | 51,470,757 | 100.00 | 2,022 | 51,470,757 | 100.00 |

ANALYSIS OF ORDINARY SHAREHOLDERS

| | As At 31st March 2023 | | | As At 31st March 2022 | | |
|--------------|-----------------------|----------------|--------|-----------------------|----------------|--------|
| | No. of Shareholders | Total Holdings | % | No. of Shareholders | Total Holdings | % |
| Individuals | 1,972 | 3,051,135 | 5.93 | 1,883 | 2,666,720 | 5.18 |
| Institutions | 160 | 48,419,622 | 94.07 | 139 | 48,804,037 | 94.82 |
| | 2,132 | 51,470,757 | 100.00 | 2,022 | 51,470,757 | 100.00 |

Notice of Meeting

Notice is hereby given that the Fifty Eighth Annual General Meeting of Lankem Ceylon PLC will be held on 25th September 2023 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 2023, with the Report of the Auditors thereon.
2. To declare a First and Final Dividend of Rs.10/- per share for the year ended 31st March 2023, as recommended by the Directors.
3. To re-elect as a Director, Mr. G.K.B. Dasanayaka who retires in accordance with Articles 84 and 85 of the Articles of Association.
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.5).
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 6).
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.7).
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.8).
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 2023

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 2023 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. A. Hettiarachchy who is seventy four 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".

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.C.S. Jayaranjan 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.C.S. Jayaranjan".

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. S.D.R. Arudpragasam 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. S.D.R. Arudpragasam".

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 Dr. A.M. Mubarak 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, 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. Parakrama Maithri Asoka Sirimane | of Colombo or failing him, |
| 7. Gotabaya Kiri Bandara Dasanayaka | of Colombo or failing him, |
| 8. 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 25th September 2023 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 2023 with the Report of the Auditors thereon. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To declare a First and Final Dividend of Rs.10/- per share for the year ended 31st March 2023, as recommended by the Directors. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To re-elect Mr. G.K.B. Dasanayaka 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 Three.

.....
 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

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

J.F. Ventures Ltd (formerly known as SunAgro Foods Ltd)

Investment Holding

ACME Printing & Packaging PLC

Packaging

ASSOCIATES

Consolidated Tea Plantations Ltd.

(formerly known as Lankem Plantation Holdings Limited)

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Annual Reports

