

# LANKEM

LANKEM CEYLON PLC  
ANNUAL REPORT 2023/2024

# PERSISTENCE PREVAILS





The success story of Lankem, “Persistence Prevails,” showcases the Company’s exceptional resilience, innovation, and growth amidst various challenges, such as global economic uncertainties and supply chain disruptions. Through strategic foresight and unwavering commitment, the Company managed to weather the tough times. By embracing core values and maintaining a long-term vision, Lankem has emerged as a stronger and more agile entity.

The dedication and passion of its workforce have been instrumental in the Company’s success, fostering a culture of empowerment and collaboration. Equipped with the necessary tools and resources, the team at Lankem confronts each challenge with determination and creativity, embodying the spirit of persistence.

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# **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	
	2024	2023	2024	2023
	Rs. Mn	Rs. Mn	Rs. Mn	Rs. Mn
Revenue	33,602	33,755	6,337	6,871
Gross Profit	7,504	10,206	1,877	2,930
Operating Profit	2,047	5,588	916	1,832
Profit Before Tax	(391)	2,967	310	1,070
Profit/(Loss) After Tax	(663)	2,335	333	1,097
Total Assets	29,007	26,079	9,873	8,985
Total Equity	7,086	7,310	2,292	2,340
Total Liabilities	21,921	18,767	7,581	6,645

**Rs. 33.6 Bn**

**Revenue**

**Rs. 7.1 Bn**

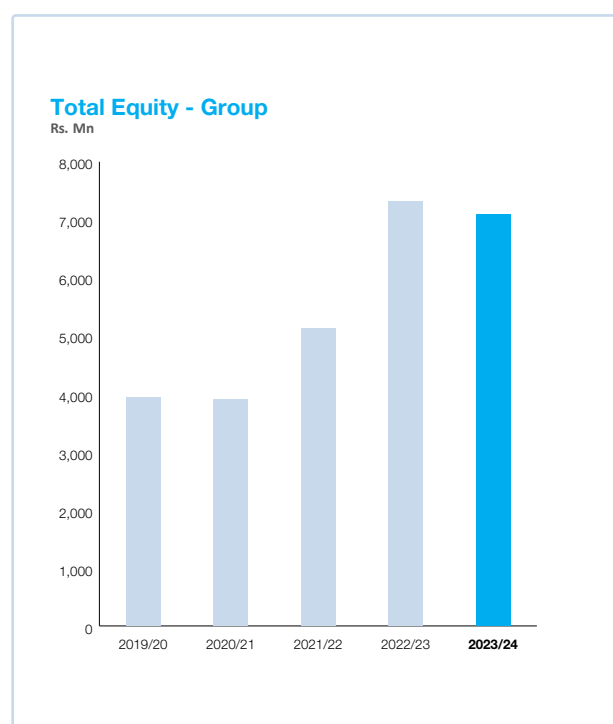
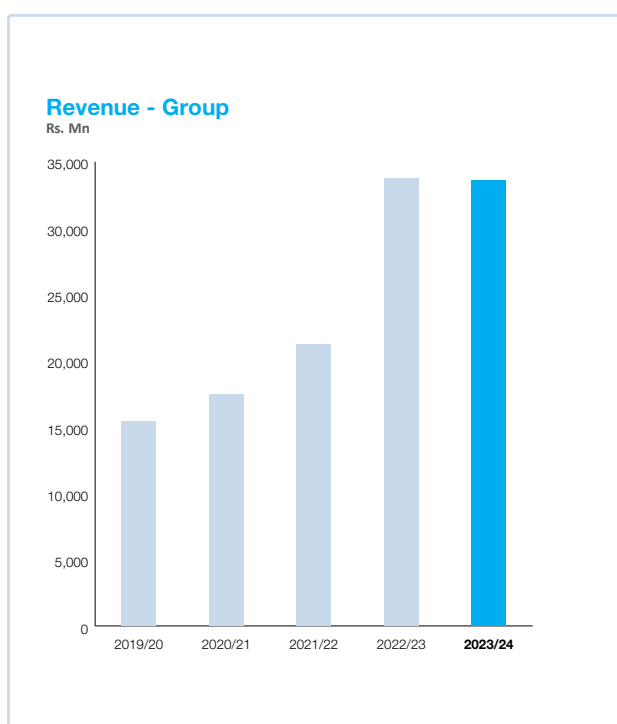
**Total Equity**

**Rs. 29.0 Bn**

**Total Assets**

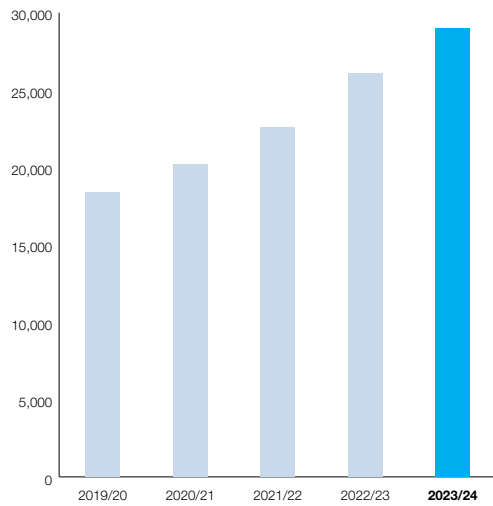
**Rs. 49.22**

**Net Assets Per Share**



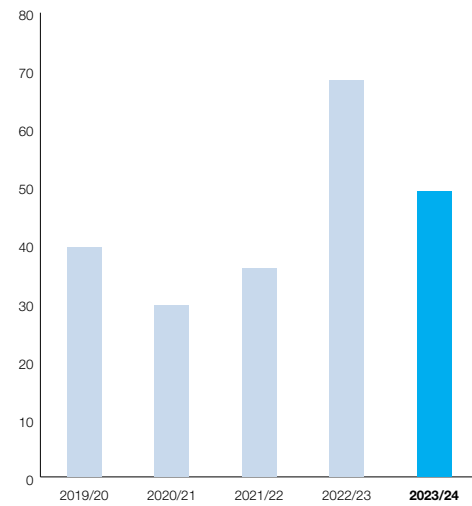
### Total Assets - Group

Rs. Mn



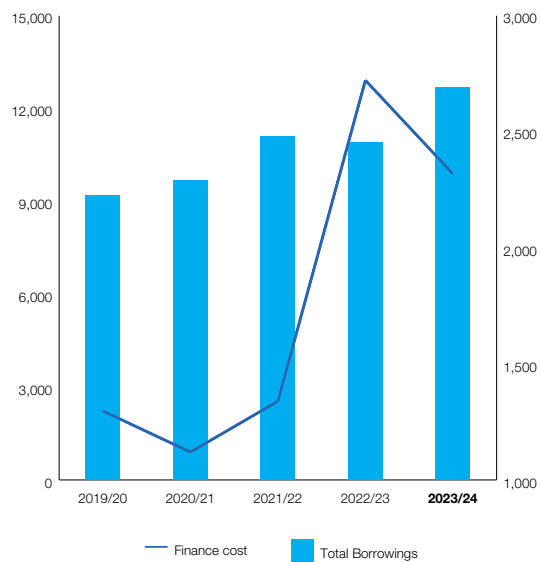
### Net Assets Per Share - Group

Rs. Mn



### Total Borrowings

Rs. Mn



## CHAIRMAN'S MESSAGE

During the year, the Company sustained a total revenue of Rs. 6.3 Bn, slightly lower than the revenue recorded in the previous financial year. As a result, Gross Profit stood at Rs. 1.9 Bn against the previous year's Gross Profit of Rs. 2.9 Bn and the Net Profit for the year stood at Rs. 332 Mn a significant decrease from Rs. 1,097 Mn in the previous year.



On behalf of the Board of Directors I present to you the Annual Report and the Audited Financial Statements of Lankem Ceylon PLC (LCL) for the financial year ended 31st March 2024. Operating within an economy which is slowly rebounding following an acute economic crisis, Lankem Ceylon PLC maintained a steady performance during the year, demonstrating strength and adaptability in responding to the evolving market landscape. By understanding the market dynamics, and changing customer sentiments while being receptive to the fluctuations and uncertainties in the macroeconomic landscape, the Company successfully navigated its operations and performance in achieving the core business objectives. The determination to withstand the adversities with confidence and the ongoing commitment of an invaluable team were a catalyst to achieving this performance during the period.

### OPERATING ENVIRONMENT

The financial year under review witnessed an uncertain macroclimate globally and locally. At a global level, most economies were grappling to find their footing, setting them on a path to recovery, following the economic slowdown experienced in the previous year. However, the prolonged consequences of the pandemic, the impact of the Ukraine-Russia war and the cost of living issue continue to affect the growth progress, leading many economies to showcase a slow and divergent performance. Likewise, the Sri Lankan economy contracted during the first

half of the year mainly due to the subdued performance of industry and services activities. A multitude of challenges such as prevailing inflationary pressure, high-interest regime, price hikes, tax escalation and exchange rate volatility also exacerbated the situation recording a negative growth rate of 2.3% during the first half of the calendar year.

It was towards the third quarter of the year that the economy showcased signs of recovery, driven by an improved inflationary environment, external resilience, stronger fiscal balances, and preserved financial system stability. This situation was further encouraged by the implementation of appropriate policy measures. As a result, the economy resurged recording a 1.6% growth in the third quarter after six consecutive quarters of contraction and recorded a 4.5% growth in the fourth quarter.

These developments in the operating landscape had a significant impact on the LCL business operations. With disposable income declining due to the volatile macroeconomic environment, the purchasing power continued to reduce, limiting the consumption of goods and services produced by LCL. This resulted in a significant decline in the purchase of non-essential goods and services.

## COMPANY PERFORMANCE

In the above context, the Company had to navigate through several challenges to sustain its operational and financial performance. During the year, the Company sustained a total revenue of Rs. 6.3 Bn, slightly lower than the revenue recorded in the previous financial year. As a result, Gross Profit stood at Rs. 1.9 Bn against the previous year's Gross Profit of Rs. 2.9 Bn and the Net Profit for the year stood at Rs. 332 Mn a significant decrease from Rs. 1,097 Mn in the previous year.

LCL re-evaluated its strategy under the prevailing macroeconomic landscape, thereby implementing prudent strategic measures necessary to navigate the Company ahead during this period. Of all, cost management was given priority, concentrating on reducing production expenses and operational inefficiencies. In this regard, the various aspects of the Company operations were carefully analyzed prior to implementing cost management measures and efficiency improvements. Apart from that creative marketing initiatives were carried out to sustain the competitive edge despite the prevailing situation in the Country. The intention was to keep up with the constantly changing market dynamics by adopting innovative and futuristic strategies to maintain as well as diversify the customer base and deliver to their changing preferences. These initiatives have also been instrumental in enhancing the brand image and strengthening the brand presence across the target market.

## CORPORATE GOVERNANCE

The Company's robust governance foundation guides us in the right direction towards achieving the strategic objectives. This has enabled us to balance our stakeholder expectations along with business growth, creating enhanced value for the stakeholders. While incorporating the core values of transparency and integrity within the Company's governance system and processes at all levels of operations, the Board of Directors and senior management consistently comply with industry best practices in fulfilling their duties to the best of their abilities. Besides, LCL also complies with all the mandatory and statutory laws and regulations. As a vital aspect of governance, we have consistently focused on risk management, carrying out regular audits in all operational areas.

## FUTURE AHEAD

Over the years, LCL has evolved into one of the most diverse and dynamic companies in Sri Lanka. As a trusted business entity that has nurtured a loyal customer base, the Company looks forward to sustaining this trust, creating quality products for the changing customer preferences and delivering a seamless customer experience.

With the economy demonstrating a positive outlook towards the latter part of the year, we are optimistic about our ability to harness better growth opportunities in the near term. However, we will remain agile to the market challenges such as price competition and shrinking demand, remaining well prepared to face any challenges that arise. We will also adapt our strategy to the evolving market landscape while regularly evaluating and assessing our business activities to meet stakeholder expectations.

Being steadfast in our commitment to service excellence and achieving strategic goals, we believe we are well prepared to drive the next phase of growth of the Company.

## ACKNOWLEDGEMENT

I take this opportunity to express my sincere gratitude to the members of the Board and my colleagues for their wise counsel in navigating the Company in a volatile macroeconomic landscape. I also wish to extend my appreciation to the Managing Director of Lankem Ceylon PLC, the senior and corporate management teams of the Group and its subsidiary companies, for their valued contribution in implementing strategies to address these challenges and navigate the Company ahead.

Furthermore, I am grateful to our loyal staff members for their steadfast commitment to steer the Company ahead at a difficult period. Last but not least, I wish to thank all our stakeholders, including our principal partners and suppliers, bankers, valued customers, and most importantly, the shareholders. It is your continued faith in our ability to create value that has enabled us to sustain our operations during the year, confidently facing the adversities. With your steadfast support, we are confident in our ability to overcome upcoming challenges and emerge stronger than ever.



**S.D.R. Arudpragasam**  
Chairman

31st August 2024

# MANAGING DIRECTOR'S REVIEW

We believe we are well-positioned to seize new opportunities, leveraging over five decades of industry acumen as a trusted business entity. Remaining steadfast in our commitment to ensure superior goods and services to the consumers, we continue to create value for the stakeholders in line with their varied expectations.



It is my pleasure to present to you the Annual Report and the Audited Financial Statements of Lankem Ceylon PLC for the financial year 2023/24. The year presented a combination of achievements and setbacks, indicating signs of an economy gradually emerging out of an economic crisis. Although the beginning of the year was marked by fluctuating economic indicators and subdued performance of key sectors, towards the latter part of the year the overall macroeconomic environment witnessed improvement. Facilitated by this growth momentum, LCL continues to navigate the Company with resilience, remaining flexible to adapt to the changing market conditions. As a result, the Company recorded a satisfactory performance during the year, sustaining its operations and performance, and delivering value to all its stakeholders.

## OPERATING CONTEXT

The Sri Lankan economy was gradually recovering from its worst economic contraction since independence and was showing signs of resurgence towards the latter part of 2023. Inflationary pressure, high interest rates and tax regimes, and exchange rate volatility particularly had an adverse impact on the growth progress. It was only towards the latter part of the year (third quarter) that the economy demonstrated resilience, setting itself on a path to recovery.

The recovery was facilitated by the improvement in the inflationary environment, external resilience, stronger fiscal balances, and preserved financial system stability. Added to this were the appropriate policy interventions and structural reforms implemented by the government and CBSL for restoring stability in the macro climate. Hence, the Sri Lankan economy recorded a growth after six consecutive quarters of contraction, from the third quarter onwards, demonstrating a 4.5% growth in the fourth quarter. This pick-up was also supported by expansion in key sectors driven by domestic and external demands.

## COMPANY PERFORMANCE

As in many other businesses, LCL also faced obstacles in its operational performance during the period. High cost of operations was a key constraint facing the Company at the time, that necessitated prudent cost management measures to control the situation. The high interest rate environment also contributed to the increase in the Company's borrowing costs in the first few quarters of the year. Further, supply chain disruptions in the global market impacted the production process, leading to delays in imports and an increase in the cost of production. As a result, there was a lack of confidence amongst the dealers and consumers under the prevailing conditions. In this milieu, the Company was compelled to streamline operations to sustain operational efficiency and cost optimization.

Consequently, the Company managed to sustain its operations and financial performance, recording a total revenue of Rs. 6.3 Bn, a marginal drop compared to the previous financial year. The cost of sales remained at Rs. 4.5 Bn, a considerable increase from the Rs. 3.9Bn recorded in the previous year. Gross Profit also declined from Rs. 2.9 Bn to Rs. 1.9 Bn during the year under review while the Company's profit before tax remained at Rs. 332 Mn, a significant decrease from Rs 1,097 Mn in the last year.

The performance of the Paints division was badly affected by the adverse weather conditions that prevailed during the year. In addition, the adverse macroeconomic conditions of increased inflation and higher tax regime reduced the consumer spending power thereby shrinking the wallet size which resulted in paints becoming a non-essential commodity. Due to these reasons, a slow offtake was experienced in the market throughout the year. Despite this, the division experienced an increase in its sales volumes of approximately 36% compared to the previous financial year. This was attributable to the increase in the retail sales volumes owing to the changed product mix. Yet, the division was able to conclude the year with a satisfactory profit.

The Agro Chemical division of the group showcased resilience and adaptability during the period, achieving a turnover of Rs. 1.8 Bn. This was mainly driven by robust sales of our main product lines which collectively accounted for 75% of the cumulative turnover. Prudent financial management and cost control alongside enhancing operational efficiencies significantly contributed to this resilient performance.

The Consumer sector performance was impacted by the fluctuations in prices driven by supply chain inflation and adjustments in Value Added Tax (VAT). As a Company that is predominantly focused on the food and beverage market, the lack of discretionary spending by consumers during the period also constrained the sector's performance. Hence, the sector revenue remained stagnant at Rs. 19.4 Bn with a marginal pick up of only 1%. Also, Gross margins declined as rising costs could not be offset by price increases and Gross profit reported as Rs. 2.8 Bn compared to the Rs. 3.9 Bn in the previous year. The revenue decline was also attributed to the subdued performance of the export market owing to the European recession. Although the local sales persisted with multiple products to cater to the changing customer demands, this was unable to offset the substantial drop of 32% in export sales from Rs. 4 Bn (2022/23) to Rs. 2.7Bn in the year under review.

The Printing and Packaging sector achieved an operational profit of Rs. 436 Mn during the year. Despite ongoing macroeconomic challenges in the Country, the sector successfully achieved approximately 10% year-over-year volume growth in 2023/24. Continuing the previous year's strategy of profit maximization, the strategy was further consolidated during the year under review leading to the reinforcement of health and safety resources to further drive operational efficiencies. As a result, the Company was able to prudently handle the increased cost base under the high inflationary environment prevailing at the time.

Fueled by the improved macroeconomic indicators and the pickup in tourism, the hotel sector witnessed commendable progress towards the latter part of the financial year benefitting from the

traditional winter tourist season. Besides, the removal of travel advisories by the key tourist markets, enhanced destination promotions through roadshows and trade fairs, and relaxed policy rates encouraging more investments into the industry, significantly contributed to this progress. As a result, there was a significant revenue increase in the Group's three main hotels; namely, Beruwala Resorts, Marawila Resorts and Sigiriya Village Hotels. The Beruwala Resorts recorded a turnover of Rs. 722 Mn, a 95% increase compared to the previous year's turnover of Rs. 369 Mn with an occupancy rate of 70%. Likewise, Marawila Resorts recorded a profit before tax (PBT) of Rs. 59 Mn, a substantial turnaround from the net loss of Rs. 139 Mn in the previous year. Sigiriya Village Hotels reported a turnover of Rs. 303 Mn, a 102% increase compared to the previous year's Rs. 150 Mn with an occupancy rate of 48%.

## STRATEGIC FOCUS

Considering the macroclimate that prevailed during the financial year, LCL had to concentrate on maintaining operational efficiencies for profitability. This included process streamlining and resource optimisation to improve overall performance leading to better financial outcomes. These measures were implemented across all levels of operations of the Group.

The Company's three-year strategic business plan lays out the medium- and long-term objectives of LCL and the growth trajectory that should be followed to achieve this. Hence the strategy concentrated on operational expansion and technological advancement to cater to the evolving needs of the modern consumer, ensuring we stay competitive and relevant in an ever-changing market.

While we strive to capitalize on market opportunities for expansion, we leverage our strengths such as brand reputation, innovative products, skilled labour force and technological capabilities to deliver exceptional value to our customers. Additionally, we remain committed to driving sustainability, ensuring long-term growth and success. Under the prevailing operating landscape, we focused on navigating the Company ahead facing challenges with resilience. Also, we remained flexible to adapt our strategy to the changing market trends.

Given the vital role of employees in driving success, the Company also consistently invests in the professional development of its workforce. This is carried out in the form of training where employees are exposed to both technical and soft skills training throughout the year. Despite the financial limitations during the year, we continue to invest in our human resource development in enhancing their existing skills and addressing knowledge gaps. Likewise, their motivation and satisfaction are ensured through continuous engagement opportunities, flexible work hours as well as provision of various benefits.

## FUTURE OUTLOOK

With macroeconomic indicators improving towards the latter part of the year, we remain optimistic about the emerging opportunities for the Group in the near term. We believe we are well-positioned to seize new opportunities, leveraging over five decades of industry acumen as a trusted business entity. Remaining steadfast in our commitment to ensure superior goods and services to the

## **MANAGING DIRECTOR'S REVIEW**

consumers, we continue to create value for the stakeholders in line with their varied expectations. In doing so, we continuously evaluate our operations and strategies, making necessary adjustments to maintain the highest standards of product and service quality and ensure customer satisfaction.

As we continue to drive growth, we look forward to fostering mutually beneficial partnerships that will enhance our capacity and efficiencies. We believe that these alliances will be instrumental in business expansion across all our business lines; agro and industrial chemicals, consumer, printing & packaging and hotels. Furthermore, research & development would be a vital part of our forward strategy, driving innovation and enabling us to stay ahead in a competitive market. This will ultimately allow us to drive sustainable growth of the Company catering to the changing preferences of the customers.

In this journey, focus on sustainability will remain a significant aspect where we will emphasize environmental sustainability. In this regard, we will focus on developing eco-friendly products within the paints division as well as the packaging sector, aligning with our larger responsibility to ensure environmental preservation. We believe this will be vital to ensure our domestic and international market share in the long term.

### **ACKNOWLEDGEMENT**

During the financial year, the group navigated an uncertain macroeconomic landscape demonstrating resilience and agility in the face of adversity. This would not have been possible without the entire team of LCL who devotedly worked towards achieving greater outcomes. Hence, I like to take this opportunity to extend my sincere gratitude to the Group's Board of Directors and my colleagues for the guidance in timely and prudent decision-making during a difficult period. I also deeply appreciate the contribution of the Chairman for his wise counsel in showing us the right direction to navigate the Company ahead. I am also thankful to the senior and corporate management teams of the Group and its subsidiary companies, for implementing wise strategic measures.

Our employees, who are the backbone of our success, continue to work tirelessly during the period trusting our ability to drive growth. My heartfelt thanks also go to them for their continued loyalty and dedication, which have been instrumental in our success. Besides, I would like to express my thanks to all our stakeholders including principal partners and suppliers, financial institutions, valued customers, and shareholders, for their ongoing encouragement, support, and confidence in our abilities.



**Suren Goonewardene**  
*Managing Director*

31st August 2024

## 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, MIChemE]

*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 Limited, Executive Chairman of Acme Printing and Packaging PLC and a Director of Sri Lanka Institute of Nano Technology. He is a Board Member of Central Industries PLC and serves as the Chairman of its Audit Committee. He has served on the Boards of Richard Pieris Finance Ltd, Hayleys PLC and functioned as Managing Director on the Boards of Haycarb PLC, Recogen Limited and Puritas Limited and also served on several other subsidiaries of Haycarb PLC and Hayleys PLC both in Sri Lanka and overseas.

He was also a Board Member of the National Science Foundation, Coconut Research Institute, Member of the National Nano Committee, Chief of Research and Engineering Systems – Sri Lanka Institute of Nano Technology, and a member of several advisory Boards of the NSF.

### **P. SUREN GOONEWARDENE**

BBA(Aus.), CPA(Aus.), FCMA (SL), FCIM (UK)

*Managing Director*

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

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

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

### **ANUSHMAN RAJARATNAM**

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

*Director*

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

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.

## **BOARD OF DIRECTORS**

**A. C. S. JAYARANJAN**  
**[FCA, FCMA (UK), CGMA]**  
*Director*

Mr. A. C. S. Jayaranjan was appointed to the Board as an Independent Non-Executive Director in June 2010. He started his career as a professional at KPMG. Thereafter he has been working for over forty 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 Masters 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 University of Sri Jaywardenepura Council and Sri Lanka Standards Institute Council and a Director of the Office for Reparations and the North-Western Province Environmental Authority. 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

Incorporating sustainability practices into a Company's operations ensures that we meet the needs of the present without compromising the ability of the future generations to meet their requirements. By maintaining a balance between the environment, equity and the economy, we lay the foundation for creating thriving, diverse and resilient communities for this generation and the generations to come. Therefore, as a responsible corporate entity, we comprehend the vital role we must play in the sustainable progress of our ecosystem, ensuring that our actions today contribute to a healthier and more balanced environment for future generations. As the first step in this regard, the Company focuses on nurturing sustainable relationships with all its stakeholders including employees, customers, suppliers, community, and other stakeholders. With continued efforts to foster long-lasting and mutually beneficial relationships, the Company persists in creating value for each stakeholder group aligned with its economic, environmental, and social sustainability philosophy.

The overall sustainability agenda of the Company also focuses on talent management, product responsibility, ethical business, community development, and environmental conservation, where several initiatives are carried out on a yearly basis to contribute to these areas.

## TALENT MANAGEMENT

People being one of our vital assets that drive sustainability, the Company focuses on attracting the right skill set for the job role at the right time to ensure the quality and sustainability of our operations. Besides, we further enhance the capacities of our employees through constant exposure to learning and development opportunities. Leadership development was also given priority where we identified high-performing employees to climb up the leadership ladder supporting them to further build on their existing skills. As a result, Lankem possesses a highly talented and diverse workforce who can deliver exceptional service to the customers in an evolving industry landscape, enhancing the competitive advantage of the Company.

We also utilised a well-designed talent management strategy that focuses on developing, engaging and retaining high-performing employees to improve business performance. These include the reward and recognition of well-performing employees, children of employees, launching of the Brainwave platform for the generation of innovative ideas for engagement. Furthermore, we carried out the Talent Pool and Fasttrack (internal accelerated development program) as a preparatory initiative to train capable employees for future leadership roles. This has been instrumental in driving the succession planning for senior management positions within the Company. This is further fortified by our well-established performance evaluation process that enables us to identify the notable performance of employees thereby further supporting succession planning.

Moreover, in ensuring the health and safety of employees, we have ensured their access to quality health care and medical services including the provision of a range of medical facilities including medical insurance, OPD reimbursements and health awareness campaigns. Additionally, we continuously upgrade our health and safety standards across all divisions. This has enabled us to sustain their motivation and satisfaction in turn leading to higher productivity.

Furthermore, we have cultivated a conducive work culture that drives sustainability in our day-to-day operations through knowledge sharing, learning and collaboration. In this way, sustainability is inculcated into the entire business process and strategic decision-making, contributing positively to the sustainable value creation of the Company.

The Company also nurtures a conducive work environment where employees from diverse backgrounds can exist without discrimination.

## ENVIRONMENTAL COMMITMENT

Given the multitude of environmental issues that have come to the forefront over the past decade, environmental sustainability has become a critical focus for businesses across the globe. As concerns about climate change, resource depletion and pollution continue to impact human existence on the planet, corporate responsibility towards the environment has become significant. In this context, Companies increasingly recognize the vital perspective of the need to incorporate environmental considerations into their operations. We, at Lankem Ceylon, also align with our environmental responsibility by adopting sustainable practices in generating value for the stakeholders and for the Company.



With regard to our internal operations, usage of natural resources is limited to water and energy consumption. Hence, as the first step towards environmental sustainability, we have encouraged mindful usage of these two resources minimizing wastage while implementing strategies for resource optimization to reduce our environmental footprints. Wastewater was also treated and reused to reduce the waste discharged into the environment.

Apart from these sustainable best practices adopted internally, we also contribute to environmental preservation by supporting

## SUSTAINABILITY REPORT

environmental initiatives. Hence, during the financial year, the following programs were implemented to promote a healthy ecosystem.

- **Tree Planting Program:** Lankem Ceylon PLC together with the other member companies of the Makandura Industrial Zone initiated a program to plant “Neem” and “Ehela” trees near the main road of the zone. This event was graced by the officials of the Pannala Divisional Secretariat, Divisional Forest Department and Police Environmental Unit, and the Grama Niladari of Pannala.
- **Wastewater Treatment Plant:** We continuously operated the wastewater treatment plant, reflecting the Company's dedication to avoiding water pollution. By treating the water coming from production, drainage, dust and fume extraction system, Lankem was able to minimise water wastage, reducing its impact on local water resources. We also appropriately manage sludge disposal further demonstrating our commitment to responsible waste handling.
- **Air Pollution Reduction:** The dust and fume extraction system, coupled with a water shower, exemplifies the company's innovative approach to reducing air pollution. By treating polluted air and collecting contaminants in water, which is then flowed into the treatment pond and used for gardening Lankem showcases its proactive stance in addressing emissions and reducing air pollution.
- **Paperless Administration:** We have reduced the administration process, adopting a paperless concept within the Company. This has not only improved the efficiency of our operations but has also contributed to a reduction in paper usage aligning with Lankem's commitment to sustainable resource management.

- **Container Collection Initiative:** We collaborated with industry members to collect and properly dispose of used pesticide containers, exemplifying Lankem's holistic approach to environmental stewardship. By prudently managing waste generated within the industry, the Company was able to minimise its harmful impact on the environment.
- We also introduced environmentally friendly biodegradable material for Gulliver Sachets in collaboration with our subsidiary.
- **Launch of Pexalon:** We launched a novel green product for the control of hopper damage in paddy cultivation. This product was invented by Corteva Agriscience, USA., and is known for its excellence in giving unmatched benefits to the farmers.
- We carried out island-wide farmer awareness programs to promote sustainable agricultural practices in safeguarding both ecosystem health and agricultural productivity.

### COMMUNITY RESPONSIBILITY

Another vital aspect of our sustainable agenda is the social upliftment of marginalised communities in promoting the socio-economic development of the Country. Thus, Lankem remains committed to supporting needy communities to address their pressing concerns through carrying out Corporate Social Responsibility (CSR) initiatives. Hence, during the year we carried out the following CSR activities.

- **Donation of Paints:** Lankem Agro Division of the Company, upholding its commitment to ensure social responsibility, contributed a range of Robbialac paints essential to colour wash the Isipathanaramaya temple in Rathmalkandiya, on the occasion of the Katina festival in October 2023, at the Seed Paddy Plant located at Siripura.
- **Contribution towards training programs:** Lankem Agro Division also provided generous support by contributing resources for the Farmer-Student training program on Integrated Pest Management (IPM) and safe pesticide use which was organised by the Department of Agriculture in November 2023, in Molligoda, Wadduwa. The event featured live demonstrations and knowledge-sharing sessions focused on the safe and effective application of agrochemicals.
- **Shramadhana Campaign in Ella:** Lankem Agro Division, in its commitment to social responsibility, initiated a project to reconstruct a bridge in Ella in 2022, to support the local farming community. A Shramadhana Campaign was conducted at the same bridge construction site in July 2023, with active participation and physical assistance from the officers of the division.
- **Inter-School Quiz Competition:** Apart from supporting the farming community, Lankem Agro also extended its assistance to the education sector by collaborating with Sri Lanka School of Agriculture - Kundasale in organising the Inter-School quiz competition on the occasion of its 75th Anniversary. The Company provided both financial and material assistance including taking an active role in the event.



- **Wap Magul Ceremony:** Lankem Agro actively facilitated the Vap Magul ceremony organized by the Regional Management Office of Mahaweli C Zone, Siripura with the collaboration of the Sri Siddhartha Youth Club and Farmer organization of Meewathpura. This was successfully held in November 2023 with the participation of all the farming organizations in this area.
- Free distribution of Safety kits for farmers aiming to prioritize their health and safety.
- Successfully conducted education programs for farmers related to Product technicality and safe use and farmers were trained to adhere to PHI (Pre-Harvest Interval) which has impacted the health of the public nationwide.

Sustainability is a dynamic and evolving concept that requires continuous effort, collaboration, and innovation. By integrating environmental stewardship, social responsibility, and economic viability, we can work towards a more balanced and equitable world. Embracing sustainability means making informed choices, advocating for positive change, and committing to practices that support the health of our planet and its inhabitants for generations to come. We at Lankem, are committed to ensuring that we play a key role in creating this change.

# MANAGEMENT DISCUSSION & ANALYSIS

## GLOBAL ECONOMY

The Global economy showcased resilience during 2023, slowly progressing on a recovery trajectory following the setback due to the adverse impact of the prolonged pandemic, the Ukraine-Russia war and the cost-of-living issue. Although it still continues to grapple with the consequences of war such as disruption to energy and food markets, the impact of tight monetary policy conditions adopted to control inflation, withdrawal of fiscal support amid high debt, and extreme weather events, the global economy continued to progress ahead with resilience despite being unable to reach the pre-pandemic levels and in uneven terms. According to the IMF's World Economic Outlook (WEO) update released in January 2024, global growth is estimated to have slowed from 3.5% in 2022 to 3.1% in 2023. The global growth forecast for 2024 remains around 3.1% with an expected increase to 3.2% in 2025 driven by the strong revival of several economies, including the United States and China. As such, the estimated global output for 2023 remains at 3.4% (or about \$3.6 trillion in 2023 prices) below pre-pandemic projections.

Low-income countries continue to suffer the most as a result of the economic slowdown. These economies demonstrate weaker recoveries due to high interest regimes and currency value depreciation further aggravating their already ailing macroclimate leading to a high risk of distress or already in distress. The economic slowdown was also pronounced in advanced economies compared to the emerging and developing markets. Nevertheless, the US economy showcased strong consumption and investment compared to the Euro area which showcased a downward projection to the growth forecast. As for the emerging economies, they continue to progress resiliently, only with China being a notable exception that continues to be impacted by the real estate crisis and low confidence levels.

The economies such as the United States which demonstrated strong consumption amid tight labour markets as well as

economies such as Italy, Mexico, and Spain which had large travel and tourism sectors witnessed strong growth. However, overall, the manufacturing sector exhibited slow growth due to the impact of interest rate fluctuations. Furthermore, the labour force participation continues to be above the pre-pandemic levels in advanced economies while in emerging markets this remained significantly low leading to output loss and weaker social protection. Besides, the tight monetary policy conditions continue to adversely impact the housing markets, investments and activities leading to slow growth. In addition, high commodity prices also weigh on countries that largely depend on Russian energy imports leading to an increase in core inflation in the Euro area.

During the first half of 2023, the headline inflation improved driven by a decline in food and energy prices though core inflation remained above the expected targets.

## LOCAL ECONOMY

In 2023, the Sri Lankan economy began to recover from the severe socio-economic crisis experienced in 2022. However, the first half of the year demonstrated contraction recording a negative growth rate of 2.3%. This was mainly owing to the significant contraction in the industry and services sectors. The industry sector continues to decline driven by the contraction in the construction and manufacturing activities while the services sector was mainly impacted by the decline in financial services and real estate activities. In contrast, the agricultural sector continues to demonstrate growth owing to the growing of rice, cereals, and vegetables. The situation was also exacerbated by several other challenges prevailing in the operating environment during the first half of the year; inflationary pressure, high-interest regime, price hikes, tax escalation and exchange rate volatility.

By the third quarter of the year, the Sri Lankan economy displayed signs of recovery facilitated by the improved inflationary environment, external resilience, stronger fiscal balances, and preserved financial system stability. This was further strengthened by the implementation of applicable policy measures by the government, CBSL's structural reform agenda and the International Monetary Fund's Extended Fund Facility (IMF-EFF) arrangement. As a result, the economy was once again on a growth trajectory after six consecutive quarters of contraction and recorded a 1.6% growth in the third quarter and 4.5% in the fourth quarter, respectively. This growth momentum was also bolstered by the expansion in key sectors due to the resumption of domestic and external demand towards the latter part of the year.

During the year, the unemployment levels remained unaffected compared to the previous year with a decline in labour force participation while inflation also remained stable compared to the latter part of the previous year. Moreover, market interest rates also recorded a notable improvement while credit for the private sector experienced a positive shift. The external current account also recorded a surplus, supported by a significant contraction in the trade deficit, increased services exports, and improved workers' remittances.



## EXTERNAL SECTOR REVIEW

### Agricultural Chemicals

In 2023, agricultural activities showcased a notable increase of 2.6%, a significant turnaround from the 4.2% contraction witnessed in 2022. The removal of the import restrictions on agri inputs widened the market which worked favourably as well as also increased the competition within the market. The healthy competition in the market put pressure on the operating margins, however, the increased capacity/demand in the market negated this negative effect to a great extent. The Government's focus on national food security also created further opportunities in the market. Overall, the industry saw a wide expansion despite the lower margins. Product development and innovation is expected to play a vital role in the future growth of this industry.

[Source: CBSL – Annual Economic Review 2023]

### INDUSTRIAL CHEMICALS

Contrary to the Agro chemicals industry, the contraction in economic activity in the Country had a severe impact on the industrial chemicals sector. The construction industry saw a slowing down during the year and with the increased cost of living, the shrinking of the disposable income resulted in non-essential goods and services taking a backfooting. Despite this situation, towards the latter part of the year, the industry improved to a certain extent which enabled companies to regain some of the lost opportunity.

### CONSUMER GOODS

Towards the end of 2023, expenditure on importation of both food and non-food consumer goods increased, compared to a year ago. In addition, most other items categorised under non-food consumer goods showed an increasing trend during the latter part of 2023 due to the relaxation of import restrictions. The increase in the expenditure on food and beverages was led mainly by oils and fats (mainly, coconut oil); sugar; and vegetables (mainly, onions), while the increase in expenditure on non-food consumer goods was led by telecommunication devices (mainly, mobile telephones), home appliances (mainly, televisions), and household and furniture items.

[Source: 1. CBSL – Annual Economic Review 2023]

### TOURISM & HOSPITALITY

The tourism sector witnessed a resurgence during the latter part of the financial year driven by a notable increase in international tourist arrivals, reaching the peak for the entire year. The number of foreign visitors saw a remarkable surge of 128.7%, totalling 210,352 arrivals. This surge was mainly attributable to the peak tourist season, favourable conditions in Sri Lanka and the recognition of the Country as a top destination by travel-related entities. Visitors arrived from various destinations including India, Russia, the United Kingdom, Germany and Australia, standing out as the key source market.

[Source: Monthly Tourist Arrivals Report: A Monthly Snapshot of International Arrivals to Sri Lanka from Immigration Statistics. December 2023. Sri Lanka Tourism Development Authority]

## COMPANY PERFORMANCE

The financial year for the Company was more of persistence than driving bottom-line profitability. Despite the market challenges, economic downturn, supply chain disruptions and adverse weather conditions to name a few setbacks, the Company recorded a Net Profit of Rs. 332 Mn. The top-line revenue saw only a marginal drop when compared to the previous year.

### SECTOR PERFORMANCE

#### Paints

Throughout the financial year, the market remained full of turbulence and volatility mainly due to the low confidence of dealers/ consumers and the instability of the exchange rate. Although a growth trend was anticipated from Q2 onwards, this was delayed till the latter part of Q3. This situation was further impacted by rain moving into seasonal months creating considerable pressure on the business to reduce pricing and impacting demand. Nevertheless, in the above context, the division achieved a sales volume increase of 25% compared to the same period the previous year, securing 76% of our annual revenue target.

#### ACHIEVEMENTS

During the financial year, Robbialac CARBONO was certified by the Sri Lanka Climate Fund operating under the Ministry of Environment, affirming its 30% reduction in carbon emissions compared to normal emulsions. Robbialac CARBONO is also the first product to use a bio-degradable bucket in the Sri Lankan market. There was also an increase in retail sales given the expansion of our footprint in hardware stores with shelf acquisitions for product range augmentations, delivering quality and performance to customers.



## MANAGEMENT DISCUSSION & ANALYSIS

The Industrial sector also saw growth with the gradual commencement of construction projects through contributions from the Supply and Apply Markets. This was further extended by the success of the Robbialac Paint Master’s program providing Home Painting and Office Painting Services/ Solutions.

### FUTURE AHEAD

The division remained cautiously optimistic for FY 2024/25 taking into consideration the signs of a potential economic recovery and the growth of the business activities in the construction sector. Further, the government’s efforts to create a more investment-friendly environment could attract foreign investment in construction projects supporting the movement of paint products. Areas such as the development of infrastructure, renewable energy, and housing, are expected to create growth areas for the division.

### INDUSTRIAL

The performance of the Industrial division was below expectations during the financial year. This was primarily due to a lack of working capital which constrained the division’s operational performance. The slowing down of the construction industry further aggravated the performance, especially during the initial half of the year.

### LOOKING AHEAD

With the revival of the construction industry, the growth potential of this division is high. In addition, the Company has negotiated working capital facilities which will enable the division to expand its operations. The thinning out of the operation margins will continue to put pressure on the bottom line however this will be negated through volume increases to generate a higher top line revenue.

### AGROCHEMICALS

The Agro Chemical division’s performance demonstrated resilience and adaptability amidst a challenging macroeconomic landscape.

The division achieved a turnover of Rs. 1.8 billion cumulatively, driven by robust sales of the division’s top line products which collectively accounted for 75% of the cumulative turnover.

The division efficiently managed its cumulative operating expenses, showcasing prudent financial management and cost-control measures. The division continued to showcase its resilience in generating earnings despite the continuous market pressures.

With a positive outlook and proactive measures in place, the Agro Chemicals Division is poised to capitalize on future opportunities and drive sustainable growth.

Lankem Agro division demonstrates its dedication to corporate social responsibility through a multifaceted approach reflecting a strategic allocation of resources to support community welfare while maintaining financial prudence. As the first step towards this commitment, the Company donated the Robbialac paints needed for the Katina festival at the Isipathanaramaya temple in Rathmalkandiya. Additionally, Lankem Agro Division of Lankem Ceylon PLC provided substantial support for the Farmer-Student training program on Integrated Pest Management (IPM) and safe pesticide use.

Moreover, in 2022, Lankem Agro initiated a project to reconstruct a bridge in Ella, aiding the local farming community through a Shramadana Campaign. Furthermore, the company demonstrated its commitment to the education sector by collaborating with the Sri Lanka School of Agriculture – Kundasale, organizing an Inter-School quiz competition. Lastly, Lankem Agro actively facilitated the Wap Magul ceremony, showcasing its dedication to cultural preservation and community engagement. These initiatives underscore Lankem Agro’s financial and moral commitment to social responsibility, positively impacting communities, and fostering sustainable development.

### CHALLENGES FACED

The Agro Chemicals Division faced several challenges throughout the fiscal year, significantly affecting its financial performance. Delays in securing import facilities and consignment clearance disrupted the timely availability of products leading to a substantial loss in the sale of key products. Market dynamics, including fluctuating fertilizer prices and pricing disparities due to exchange rate fluctuations and currency appreciation, posed additional challenges,

Furthermore, adverse climatic conditions, such as the drought that occurred at the end of the Yala season and continuous rainfall for three months in the Maha season, adversely impacted sales volumes and market demand, further exacerbating the division’s financial challenges. These environmental factors disrupted agricultural activities and reduced farmers’ purchasing power, affecting the division’s revenue streams and market penetration efforts.

Addressing these challenges required a comprehensive strategic approach, encompassing financial management, operational optimization, and market adaptation strategies to ensure the division’s long-term sustainability and profitability



## LOOKING AHEAD

The agrochemical industry is experiencing dynamic shifts driven by technological advancements, changing consumer preferences, and evolving regulatory landscapes. As we navigate these transformations, our agrochemical division remains poised for growth and innovation.

Focus will be made on sustainability, staying committed to environmental stewardship, and developing and delivering innovative solutions that address the evolving needs of farmers while minimising our impact on the environment. To this end, we will leverage science-based technologies and strategic partnerships, aiming to enhance crop yields, improve soil health and promote sustainable agricultural practices.

Furthermore, our division is embracing digitalization and data-driven insights to optimise product development, distribution, and customer engagement. By harnessing the power of data analytics and precision agriculture, we can deliver tailored solutions that maximize efficiency and productivity for farmers across the country.

In addition, our commitment to transparency, integrity, and collaboration underpins our efforts to build enduring relationships with stakeholders and create shared value. By fostering open dialogue and engagement, we look forward to addressing challenges collectively and seizing opportunities for growth and innovation.

Looking ahead, our agrochemical division is well-positioned to capitalize on emerging trends and lead the industry towards a more sustainable and prosperous future. Through continuous innovation, strategic partnerships, and a steadfast commitment to our core values, we are confident in our ability to drive positive change and deliver long-term value for our customers, shareholders, and communities.

## PEST CONTROL

The slowing down of the construction industry in the first half of the financial year largely hampered the division's performance. Yet the division was able to achieve a top-line revenue of Rs. 279 Mn, which was 22% more than the previous financial year. Despite the slight erosion of the margins, the division managed to maintain the same level of profitability during the financial year.

With the macroeconomic indicators showing more positivity, the future looks more promising for the division. Additional import lines will also enable the division to expand its operations while enabling investment in improved technology which will bring about operational efficiencies. The boom in the tourism industry will also complement the growth potential of the division in terms of hotels and high-rise developments.

## GROUP PERFORMANCE

### PRINTING AND PACKAGING

The packaging cluster similar to the other clusters was also affected by the downturn in the economy. This was mainly a result of the packaging cluster supplying to the FMCG sector which too was affected by the lower disposable income of consumers. Despite this, the cluster achieved an operating profit of Rs. 435 Mn,

however, was not able to achieve bottom-line profitability during the year. While the focus last financial year was profit maximization, during the concluded financial year the strategy shifted to consolidating both volume and profitability which enabled a 10% year-on-year volume growth during the year. Focus was also given to improving production efficiencies in order to tackle the higher cost base led by inflationary pressure both locally and globally.

Some of the key challenges the industry faced was the fluctuation in raw material prices due to factors such as exchange rate volatility, logistical challenges, and instability in African and European regions. The price war that prevailed in B2B competitors had implications for price reduction and subsequent margin erosion. In addition, retaining skilled employees was a big challenge due to the adverse economic conditions in the Country. Further, key customers have commenced moving into the Just In Time procurement method which has led the business to eliminate time gaps in procurement and production, further straining the sales order.

## LOOKING AHEAD

It is envisaged that the improved macroeconomic condition in the Country will work for a better business environment compared to the tough conditions faced during the previous financial year. The cluster is anticipating an increase in market demand, however, this growth will also be accompanied by intense market competition. The focus would be on differentiating the product offerings to stay abreast of the competition, especially the margin erosion. In terms of sustainability, the cluster is looking at environmentally friendly packaging materials which is an emerging market in the current context.

## CONSUMER SECTOR

In a year where opportunities were stifled by supply-side inflation coupled with adjustments in Value Added Tax (VAT), these factors impacted prices in the consumer basket. As a company now majoring in food and beverage, we found markets have been constricted by the non-availability of free spending by consumers. Revenue barely moved up recording Rs. 19.4 Bn, a pickup of 1%. Gross Margins took a tumble as cost inflation could not be compensated by increasing prices, reporting Rs. 2.8 Bn as against Rs. 3.9 Bn the previous year. Products mainly for export markets and the European recession have played a part in the revenue decline. While strengthening the local sales drive in multiple products, this action was not adequate to fulfil the decline in export sales

## LOOKING AHEAD

The C. W. Mackie Group looks eagerly towards a period of sustainable country and business growth. During the downturn, we further strengthened our strong manufacturing base in response to market demand. In global markets, we picked opportunities to expand our product array beginning with the shipping of king coconut water to the USA and cinnamon to our traditional markets in India. Research shows that these products matching new emerging Sri Lanka quality standards will reshape our traditional export markets with diversity adding value to revenue and profitability

## MANAGEMENT DISCUSSION & ANALYSIS

The fluctuating value of the Sri Lankan Rupee adds another dimension to the volatility of business trends and will shape the margins of profitability as we strive towards building a Rs. 5.0 Billion export market in the year ahead

### HOTEL

The financial year ended 2023/24 was a challenging yet satisfactory year after three years of uncertainty experienced during the COVID pandemic. It has been a journey of resilience and adaptability for the sector, as the sector successfully recorded encouraging financial results. The travel industry, in particular, faced significant challenges due to macroeconomic uncertainties with the lacklustre economic growth and the struggle due to uncertainty. However, as a beacon of hope, the travel advisories were either taken out by our main markets or they were relaxed, which helped the industry during the final few months of the financial year coinciding with the winter tourism season.

However, significant challenges persisted, including escalating power bills denting industry profitability and a shortage of skilled labour due to migration and foreign employment opportunities, requiring prompt attention from regulators and the government, and remains a considerable challenge. Despite implementing thorough cost management measures to manage expenses, the high energy costs with a rate hike of around 60% posed a challenge to profitability. On a more positive note, the strengthening of the LKR against the USD also provided more stability and impacted commodity prices favourably which helped ease the inflationary impact that persisted a year ago.

### LOOKING AHEAD

While the path ahead presents challenges, recent developments indicate a move towards stability and expansion whilst the sector is also moving ahead with soft refurbishment of the properties targeting the upcoming winter season. With increasing hotel

occupancies and encouraging industry trends, we are optimistic about the future. The recent easing of import restrictions, favourable exchange rate improvements, and increased forex remittances with improved forex reserves present a more stable ground for the industry.

### OUTLOOK

With the improvement in the economic situation in the Country and all macroeconomic indicators on an upward trend, the Group is hopeful of uplifting the performance across all sectors. The drop in the market interest rates and stabilizing of the exchange rates will be conducive for businesses to increase their borrowings to expand their operations as well as move into new products/service offerings. On a more negative note, the brain drain experienced during the last few months has affected the Group's ability to attract high-potential achievers. This situation could improve depending on the political stability in the country in furtherance to the upcoming elections. The Group is eagerly looking forward to facing the challenges and persisting in achieving its objectives.



## HR REVIEW

Our employees remain the backbone of the Company, collectively driving innovation, nurturing collaboration and embodying our core values every step of the way. Hence, their knowledge and expertise play a vital role in sustaining our market position within a competitive industry landscape. In addition, their loyalty and commitment to driving growth directly impact organisational efficiency and its output. In comprehending the vital facet, at Lankem, we consistently encourage employee development through exposure to learning and development opportunities and encourage engagement while ensuring their health and well-being to enhance their motivation and satisfaction at the workplace.

We promote a conducive work culture where employees are empowered to freely voice their opinions and concerns. While we persistently incorporate their innovative ideas and valuable insight into the Company's decision-making process, we also support their career progression and achievement of personal and professional goals in advancing their professional trajectory within an evolving business landscape. Therefore, we believe a strong workforce will enhance the Company's reputation and brand image in the eyes of the stakeholders, leading to sustainable value creation.

### DIVERSITY AND EQUAL OPPORTUNITY

The Company pursues a non-discrimination policy where employees are safeguarded from any form of discrimination against race, colour, gender, sexual orientation, national origin, native language, religion (creed), age, or any other criteria. As a consequence, the Company was able to foster an inclusive and equitable work environment, respecting the diversity of every employee.

### EMPLOYEE RECRUITMENT

At Lankem, employee recruitment is carried out methodically following a series of steps; to identify, attract and select individuals for vacant positions. The aim is to find the right fit for the right job role and thereby foster a team of individuals who can drive the organisation's values and goals. During the financial year, the Company hired 230 recruits to the total workforce.

### EMPLOYEE TURNOVER AND RETENTION

The financial year recorded an employee turnover of 26.17% (cumulative turnover for the period) where 116 employees existed from the Company during the period from 1st April 2023 to 31st March 2024.

Nevertheless, the Company adopted prudent strategies to retain staff such as creating a positive work environment, providing opportunities for growth and development, offering competitive compensation and benefits, and fostering a sense of belonging and recognition, including maintaining open communication channels.

### PERFORMANCE APPRAISAL

We have established a performance-driven culture within the organization, where employee progress is measured against set KPIs on an annual basis to assess their work and outcomes in alignment with their designated job responsibilities. To this end, employee performance is regularly monitored against the identified KPIs for the job role, providing them with continuous feedback for further improvement. The provision of 'constructive feedback'

remains a core aspect of our performance evaluation as it allows the employees to improve their performance on an ongoing basis to meet the management's expectations. Underperformers are closely monitored through a periodic Performance Improvement Plan (PIP) to improve satisfactory performance.

Simultaneously, the organisation ensures the provision of all necessary resources and support tailored to facilitate the optimal execution of their respective job responsibilities.

The Company's annual performance evaluation is carried out in three phases every six months. The KPIs are identified at the beginning of the year in discussion with their supervisors. Once the KPIs are mutually agreed upon and defined at the beginning of the year based on the organisational and divisional objectives, a 180-degree evaluation process is carried out with employees; first by the employee conducting a self-evaluation and then an evaluation and feedback by the Supervisor. Following the evaluation process, the employees are rated on predefined rating criteria that will be directly linked to the annual salary increments, benefits, bonuses and promotions obtained by employees during the assessment cycle.

### TRAINING AND DEVELOPMENT

An annual training needs analysis is carried out to assess the training requirements of all management-level employees, following which a training calendar is developed for the year under review. Utilising multiple training mechanisms such as workshops, seminars and conferences, employees are provided with opportunities to address their skill gaps and develop additional capabilities enabling them to effectively contribute to the Company's progress. During the Financial Year 2023-24, Lankem invested Rs. 7 Mn in employee development and has trained 401 Staff, covering 536 Training Hours.

Training mechanisms utilized include 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 and Board leadership development programs.

### CAREER PROGRESSION

The Company supports the career advancement of its employees by fostering opportunities to ascend the leadership ladder. Hence, employees are consistently encouraged to assume responsibilities and achieve professional goals while regularly monitoring the high-performing employees. To this end, the Company has also put in place a 'succession planning framework' to recognize and develop internally cultivated leaders for future leadership roles.

### REWARDS & RECOGNITION

We strongly believe that recognition of our employee contribution and rewarding them accordingly will foster a positive workplace ethos, elevating employee spirit, and encouraging both productivity and staff retention rates. Hence, during the year following awards were bestowed on our employees in recognition of their contribution.

## HR REVIEW

- Employee Recognition Reward Scheme
- Spot Recognition – Game Changer Award
- Extraordinary Performance of Children of Staff
- Factory Employee of the Month

### BENEFIT PLAN

We have designed a benefit plan to sustain employee motivation and satisfaction. These typically include a range of offerings spanning from healthcare, exam assistance, paid time off, insurance coverage, wellness programs, and other perks and services.

### EMPLOYEE ENGAGEMENT

Engaging our employees can lead to enhanced motivation and satisfaction leading to higher productivity. This will also lead to high employee retention, camaraderie and collaboration creating a positive work environment contributing to the overall success of the organisation. In comprehending this crucial aspect, Lankem Ceylon promoted the following initiatives within the organization during the year, allocating a substantial budget for the same. Encouraging open communication and feedback.

Furthermore, to cultivate a positive organizational culture, the following initiatives are also adopted during the financial year leading to employee engagement.

- Employee Wellness Program
- Quality Circle Meetings at Factories
- Sinhala and Hindu New Year Celebration
- Dental Camp at Factories
- Emergency Fire Response Awareness Sessions
- First-Aid Training at Factories
- Medical Camp for Head Office Staff
- Christmas Celebrations in December 2023 (Christmas Gifts for Below 16 Years Children of Staff, Secret Santa)
- International Women's Day celebration in March 2024
- Lankem Cricket Championship 2023

### HEALTH AND SAFETY AT WORKPLACE

Health and Safety of employees is of paramount importance as it ensures a secure work environment leading to improved productivity, morale, and overall quality of life. Therefore, the Company has established Health & Safety measures to ensure the protection of staff where the respective manager in charge of the location shall ensure compliance with the requirements under Factories Ordinance No 42 of 1945, Shop and Office Employees Act No 19 of 1954, National Environmental Act No 47 of 1980, Control of Pesticide Act No 33 of 1980 and amendments to the Acts. Any deviations/limitations were immediately informed for management action.

Furthermore, Lankem has also appointed Occupational Health & Safety Representatives for Agrochemical, Paints, Thinner Factories, Paints Applicator Teams, and Pest Control Teams while the duties pertaining to the Occupational Safety & Health role have been captured as a KPI of the respective OSH representative/s. All Lankem Factories are Occupational Health and Safety Standard certified factories (Agro, Paints & Industrial Chemical Factories) and conduct periodic safety audits. The Company also provide personal protection equipment to factory staff considering it as a primary responsibility in maintaining employee safety and health.

### COMPLAINT MANAGEMENT

The Company's grievance handling procedure ensures that employees are provided with a platform to voice their concerns and seek appropriate action. This grievance procedure serves as a structured mechanism for addressing matters of concern to the employee promptly and fairly, promoting a healthy and productive work environment. We believe such a system will enable us to provide early attention to the employee concerns thereby preventing the escalation of concerns into more significant problems that could impact performance, morale, and discipline.

### FUTURE OUTLOOK

- Provide ongoing training and development opportunities to equip employees with the skills and knowledge needed to excel in their roles. This includes technical training, leadership development programs, and workshops on time management and productivity techniques.
- Provide an established set of goals for the employees to be measured and provide feedback leading to performance improvement.
- Promote collaboration and communication among team members to foster a culture of teamwork and engagement.
- Ensure that employees have the access to resources and support they need to perform their jobs effectively. This includes providing access to technology, tools, and resources, as well as offering support from managers and colleagues. This also involves recognising and rewarding employee performance and contributions.
- Encourage a healthy work-life balance by promoting time off work, encouraging employees to take breaks, and discouraging overwork by supporting employees in managing their workload and prioritising their well-being.
- Regularly monitor the progress towards productivity and efficiency goals and be prepared to adjust strategies as needed.
- Identify inefficiencies in existing processes and workflows and work towards streamlining them. This involves eliminating unnecessary steps, automating repetitive tasks, and adopting new technologies to improve efficiency.

# 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 2024. 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 & 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 and prudential requirements and that there are no material non-compliances.

## FINANCIAL STATEMENTS

The Financial Statements of the Group are given on pages 44 to 144.

## AUDITORS' REPORT

The Auditors' Report on the Financial Statements is given on pages 40 to 43.

## ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 51 to 65.

## INTEREST REGISTER

### Directors' Interest in Transactions

The Directors have made general disclosures as provided for in Section 192 (2) of the Companies Act No. 07 of 2007. Arising from this, details of contracts in which they have an interest are disclosed in Note 34 to the Financial Statements on pages 124 and 125.

During the financial year, the Company has not entered into any contracts in which the Directors have had a material interest.

Neither the Directors nor their close family members have had any material business relationships with other Directors.

## DIRECTORS' REMUNERATION

Directors' remuneration in respect of the Group for the financial year 2023/24 is Rs. 349.8 Mn (2022/23 – Rs. 288.8 Mn) and in respect of the Company for the financial year 2023/24 is Rs. 170.5 Mn (2022/23 – Rs. 143.9 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 31.03.2024	No. of Shares As at 31.03.2023
Mr. S. D. R. Arudpragasam	-	-
Mr. A. Hettiarachchy	-	-
Mr. Anushman Rajaratnam	137,411	137,411
Mr. A. C. S. Jayaranjan	-	-
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 appear on pages 11 and 12.

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. P. M. A. Sirimane	Director
Mr. G. K. B. Dasanayaka	Director
Dr. A. M. Mubarak	Director

Mr. Sanjeev Rajaratnam who functioned as Alternate Director to Mr. Anushman Rajaratnam, ceased to function as an Alternate Director with effect from 29th December 2023.

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

Mr. 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.

## **ANNUAL REPORT OF THE BOARD OF DIRECTORS**

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.

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

### **CORPORATE DONATIONS**

Donations made by the Group amounted to Rs. 0.71 Mn during the year under review. (2022/23 - Rs. 0.27 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. 19.6 Mn during the year under review (2022/23 – Rs. 17.7 Mn) as audit fees and fees for audit related services by the Group. In addition, they were paid Rs. 3.6 Mn (2022/23 – Rs. 2.3 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. 5.0 Mn during the year under review (2022/23 – Rs. 5.9 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. 33,602 Mn (2022/23 – Rs. 33,754 Mn)

### **RESULTS**

The Group made a Loss before Tax of Rs. 391 Mn against a profit of Rs. 2,967 Mn in the previous year. The detailed results are given in the Statement of Profit or Loss and Other Comprehensive Income on page 44.

### **DIVIDENDS**

The Board of Directors have not recommended the payment of a dividend for the year ended 31st March 2024

### **INVESTMENTS**

Investments made by the Group are given in Notes 17, 18 and 19 to the Financial Statements on pages 85 to 92.

### **PROPERTY, PLANT & EQUIPMENT**

During 2023/24 the Group invested Rs. 485.4 Mn in Property, Plant & Equipment (2022/23 – Rs. 303.5 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 2024. Market value of the freehold land as at 31st March 2024 are disclosed in Note 13 to the Financial Statements on page 73.

### **STATED CAPITAL**

The stated capital of the Company as at 31st March 2024 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 2024 comprised Other Capital Reserves of Rs. 4.8 Mn, FVOCI Loss of Rs. 31.8 Mn, Retained loss of Rs. 1,199 Mn and Revaluation Reserve of Rs. 2,413 Mn. Whereas 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. 1,913.4 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 70 to72.

### **RELATED PARTY TRANSACTIONS**

During the financial year there were no recurrent related party transactions which exceeded the respective thresholds mentioned in Section 9.14 of the Colombo Stock Exchange Listing Rules. However non recurrent related party transactions which exceeded the respective thresholds are duly set out in Note 34 on page 123. The Company has complied with the requirements of the Listing Rules on Related Party Transactions.

The related party transactions presented in the financial statements are disclosed in Note 34 from pages 116 to 125.

### **SHARE INFORMATION**

Information relating to earnings, dividend, net assets, market value per share and share trading is given on page 148.

### **EVENTS OCCURRING AFTER THE REPORTING PERIOD**

Events occurring after the Reporting Period that would require adjustments to or disclosures are disclosed in Note 40 on page 139.

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Capital commitments and contingent liabilities as at the date of the Statement of Financial Position are disclosed in Notes 39 on page 138.

## 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 Board of Directors takes overall responsibility for the Company's internal control system. The Board and management annually reviews the effectiveness of the Company's internal controls in order to ensure reasonable assurance that assets are safeguarded against unauthorized use or disposal and to ensure all transactions are properly authorized, recorded and maintained. It includes all controls including financial, operational and compliance controls and risk management. The Board reviews the recommendations of External Auditors and takes appropriate action to maintain an adequate internal control system. However any system can ensure only reasonable and not absolute assurance that errors and irregularities are prevented or detected within a reasonable time frame.

The Board of Directors has ensured that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes which have been carried out in accordance with Sri Lanka Accounting Standards and Regulatory requirements.

## GOING CONCERN

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

For and on behalf of the Board



**Mr. S. D. R. Arudpragasam**  
*Chairman*



**Mr. Suren Goonewardene**  
*Managing Director*

By Order of the Board



**Corporate Managers & Secretaries (Private) Limited**  
*Secretaries*

Colombo  
31st August 2024

## CORPORATE GOVERNANCE

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

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

### THE BOARD OF DIRECTORS

#### 1.1. The Board, Composition and Meetings

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

#### Name of Director

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

The Board has met 13 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: 13

Name of Director	Directorship Status	Board Meetings Attended
Mr. S. D. R. Arudpragasam	Chairman Non-Executive	13/13
Mr. A. Hettiarachchy	Deputy Chairman Non-Executive	12/13
Mr. P.S. Goonewardene	Managing Director Executive	13/13
Mr. Anushman Rajaratnam	Executive	12/13
Mr. A. C. S. Jayaranjan	Independent Non-Executive	12/13

Name of Director	Directorship Status	Board Meetings Attended
Mr. P.M.A. Srimane	Independent Non-Executive	13/13
Mr. G.K.B. Dasanayaka	Independent Non-Executive	12/13
Dr. A.M. Mubarak	Independent Non-Executive	11/13

#### Availability of Formal Schedule of Matters

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

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

The Directors have made themselves aware of applicable laws rules and regulations and are aware of changes particularly to the Listing Rules and applicable Capital Market provisions

#### Fit & Proper Assessment

The Company's fit and proper assessment for Directors is in line with the guidelines set out in the Listing Rules and include criteria on honesty, integrity and reputation, competence and capability and financial soundness. The Chairman and Directors satisfy the fit and proper assessment criteria stipulated in the Listing Rules of the CSE.

#### 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.

### Directors - Other Directorships

The details pertaining to the names of the companies (In Sri Lanka) in which the Directors serve as a Director or key management personnel are presented on pages 29 to 33.

### 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. The respective Functional Chief Executive Officers are responsible for the divisional 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 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. Mr. Jayaranjan is also over 70 years of age. 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. Mr. Dasanayaka has also attained 70 years of age. 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 (CFLB) 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. Dr. Mubarak is also over 70 years of age. 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. Mr. P.M.A. Sirimane has been employed by a subsidiary company of the Parent Company during the period of three years immediately preceding the appointment to the Board of the Company. 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.

## CORPORATE GOVERNANCE

### 1.7. Nomination Committee and Appointments to the Board

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

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

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

### 1.8. Re- election of Directors

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

## 2. DIRECTORS REMUNERATION

### 2.1. Remuneration Committee

The Remuneration Committee comprises of Mr. G.K.B. Dasanayaka – Chairman, Independent Non Executive Director, Mr. S.D.R. Arudpragasam, Non Executive Director and Mr. P.M.A. Sirimane, Independent Non-Executive Director.

The Remuneration Committee report is set out on page 36 of this report.

### 2.2. Disclosure of Remuneration

Aggregate remuneration paid to Executive and Non- Executive Directors is disclosed in Note 34.8 to the Financial Statements on page 123.

## 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.

The Board of Directors of Lankem Ceylon PLC resolved on 19th July 2023 to sell the Company's 100% equity stake in JF Packaging Limited (JFP) to its subsidiary company ACME Printing & Packaging PLC (ACME) the consideration of which was to be settled by a private placement to the Company, 430 million ordinary shares of ACME at Rs.10.50 per share. The proposed transaction constituting a major transaction in terms of section 185 of the Companies Act No.7 of 2007 shareholder approval was obtained by the Company at an Extraordinary General Meeting held on 22.11.2023 subject to ACME obtaining relevant regulatory and shareholder approvals for the acquisition and the private placement of shares.

Approval of the Securities and Exchange Commission was sought by ACME for a waiver under Rule 5.4(b) of the Listing Rules and shareholder approval was obtained at the Extraordinary General Meeting (EGM) held on 22nd November 2023. In May 2024, the Securities and Exchange Commission communicated its decision not to grant approval for the waiver as they were of the view that the minority shareholders of ACME were inadequately represented in the shareholder approval process at the EGM. Subsequently, ACME requested the Securities and Exchange Commission to review its decision in terms of the provisions of the SEC Act, however in July 2024 the Securities and Exchange Commission concluded that they find no 'exceptional circumstance' to justify granting the waiver. Consequently ACME has informed that they will not pursue this matter further. Accordingly Lankem Ceylon PLC will not proceed with the proposed disposal of its 100% controlling stake in JFP to ACME.

## 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 23 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 40 to 43 containing the Auditors' reporting responsibility. Non-financial information of business segments is given on pages 17 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 38 of this report.

## 4.4. Related Party Transactions Review Committee

The Related Party Transactions are disclosed in Note 34 to the financial statements.

The Report of the Related Party Transactions Review Committee appear on page 38.

## 5. RIGHTS OF EMPLOYEES/ OTHER STAKEHOLDERS

The Group identifies the rights of employees. Several employee performances enhancing mechanisms such as performance appraisals and training initiatives are in place for the career building of the employees. The constant responsiveness to all stakeholders' interests will ensure that the Governance process will continue to add value in the future.

## DETAILS OF DIRECTORS OTHER DIRECTORSHIPS

The following table illustrates the total number of Board seats held by each Director of the Company,

Abbreviations:

<b>C</b> - Chairman	<b>GMD</b> - Group Managing Director
<b>DC</b> - Deputy Chairman	<b>MD</b> - Managing Director
<b>EC</b> - Executive Chairman	<b>JMD</b> - Joint Managing Director
<b>EX</b> - Executive Director	<b>CEO</b> - Chief Executive Officer
<b>NE</b> - Non - Executive Director	<b>D</b> - Director
<b>INE</b> - Independent Non-Executive Director	<b>Alt</b> - Alternate Director

The following table illustrates the total number of Board seats held by each Director of the Company.

COMPANIES	Mr. S.D.R. Anudpragasam	Mr. A. Hettiarachchy	Mr. P.S. Goonewardene	Mr. Anushman Rajaratnam	Mr. A.C.S. Jayaranjan	Mr. P.M.A. Sirimane	Mr. G.K.B. Dasanayaka	Dr. A.M. Mubarak								
The Colombo Fort Land and Building PLC	✓	C/NE		✓	GMD/EX	✓	INE									
C M Holdings PLC *	✓	C/NE		✓	NE											
York Arcade Holdings PLC *	✓	C/NE		✓	NE											
Lankem Ceylon PLC *	✓	C/NE	✓	DC/NE	✓	MD/EX	✓	EX	✓	INE	✓	INE	✓	INE	✓	INE
Lankem Developments PLC *	✓	C/NE			✓	NE		✓	INE							
Kotagala Plantations PLC *	✓	C/NE			✓	NE		✓	INE	✓	INE					
Agarapatana Plantations PLC *	✓	C/NE			✓	NE		✓	INE	✓	INE					
E.B. Creasy & Company PLC *	✓	C/MD/EX						✓	NE						✓	INE

## CORPORATE GOVERNANCE

COMPANIES	Mr. S.D.R. Arudpragasam	Mr. A. Hettiarachchy	Mr. P.S. Goonewardene	Mr. Anushman Rajaratnam	Mr. A.C.S. Jayaranjan	Mr. P.M.A. Sirimane	Mr. G.K.B. Dasanayaka	Dr. A.M. Mubarak								
Muller & Phipps (Ceylon) PLC *	✓	C/NE				✓	NE	✓	INE							
Laxapana PLC (Formerly known as Laxapana Batteries PLC) *	✓	C/NE				✓	NE	✓	INE							
Beruwala Resorts PLC *	✓	C/NE		✓	NE											
Marawila Resorts PLC *	✓	C/NE		✓	NE											
Sigiriya Village Hotels PLC *	✓	C/NE		✓	NE											
C W Mackie PLC *	✓	NE	✓	NE		✓	NE									
ACME Printing & Packaging PLC*	✓	NE	✓	EC	✓	NE	✓	NE	✓	INE	✓	INE	✓	INE		
Colombo Fort Investments PLC *	✓	C/NE					✓	NE		✓	INE					
Colombo Investment Trust PLC *	✓	C/NE					✓	NE		✓	INE					
Alliance Five (Private) Limited *	✓	C	✓	D	✓	D	✓	D	✓	D	✓	D	✓	D	✓	D
American Lloyd Travels Limited *	✓	D					✓	D								
Associated Farms (Private) Limited*	✓	C			✓	D										
ACME Packaging Solutions (Pvt) Limited*	✓	D	✓	C	✓	D	✓	D	✓	D	✓	D	✓	D		
B.O.T. Hotel Services (Private) Limited *	✓	C														
C. W. M. Hotels Holdings Limited	✓	D					✓	D								
Candy Delights Limited *	✓	C/MD								✓	D				✓	D
Capital Investments Limited *	✓	D														
Capital Leasing Company Limited*	✓	C					✓	D		✓	D					
Century Equity Trust Limited (Formerly Century Investments and Finance Limited)	✓	D														
Ceyflex Rubber Limited*	✓	C								✓	D				✓	D
Ceylon Tapes (Private) Limited *	✓	C	✓	D	✓	D	✓	D	✓	D	✓	D	✓	D	✓	D
Ceytape (Private) Limited*	✓	C	✓	D	✓	D	✓	D	✓	D	✓	D	✓	D	✓	D
Colombo Fort Group Services (Pvt) Limited *	✓	D					✓	D		✓	D					
Colombo Fort Holdings Limited *	✓	D														
Colombo Fort Hotels Limited *	✓	C					✓	D								
Colombo Fort Properties (Private) Limited*							✓	D								
Colombo Fort Travels Limited*	✓	D														
Colombo Residencies (Private) Limited	✓	D														
Colonial Motors (Ceylon) Limited*	✓	DC					✓	D								
Company Holdings (Private) Limited	✓	D														
Consolidated Commercial Investments (Pvt) Ltd							✓	D								

COMPANIES	Mr. S.D.R. Arudpragasam	Mr. A. Hettiarachchy	Mr. P.S. Goonewardene	Mr. Anushman Rajaratnam	Mr. A.C.S. Jayaranjan	Mr. P.M.A. Sirimane	Mr. G.K.B. Dasanayaka	Dr. A.M. Mubarak
Consolidated Holdings (Private) Limited	✓	D		✓	D			
Consolidated Tea Plantations Limited *	✓	D		✓	D	✓	D	
Corporate Systems Limited *	✓	C						
Creasy Plantation Management Limited*	✓	D						
Darley Butler & Company Limited *	✓	C/MD				✓	D	✓
E B Creasy Ceylon (Private) Limited *	✓	C				✓	D	
E. B. Creasy Logistics Limited *	✓	C				✓	D	
E.B. Creasy Trading Limited*	✓	D						
Far Eastern Exports (Colombo) Limited *	✓	D		✓	D			
Financial Trust Limited				✓	D			
Fortland Finance Limited	✓	C						
Galle Fort Hotel (Private) Limited *	✓	D		✓	D			
Guardian Asset Management Limited *	✓	D						
Great Eastern Resorts Ltd				✓	D			
Group Three Associate (Private) Limited *	✓	C						
Horton Plains Resorts and Spa Limited				✓	D			
Imperial Hotels Limited *	✓	C		✓	D			
J.F.Packaging Limited *	✓	C	✓	D	✓	D	✓	D
JF Ventures Limited *	✓	C	✓	D	✓	D	✓	D
Kiffs (Private) Limited *	✓	C	✓	D	✓	D	✓	D
Lanka Special Steels Limited *	✓	C				✓	D	
Lankem Agrochemicals Limited*	✓	C	✓	D	✓	D		
Lankem Cargo Storage Limited*	✓	D		✓	D			
Lankem Chemicals Limited *	✓	C	✓	D	✓	D		
Lankem Consumer Products Limited *	✓	C	✓	D	✓	D		
Lankem Exports (Private) Limited *	✓	C	✓	D				
Lankem Minerals Limited*	✓	D	✓	C	✓	D	✓	D
Lankem Paints Limited *	✓	C	✓	D	✓	D		
Lankem Plantation Services Limited *	✓	D						
Lankem Research Limited *	✓	C	✓	D	✓	D		
Lankem Tea & Rubber Plantations (Pvt) Limited*	✓	C		✓	D	✓	D	
Lankem Technology Services Limited *	✓	C	✓	D				
Maitland & Knox (Private) Limited	✓	D		✓	D			
Mayfield Investments (Private) Limited				✓	D			
Motor Mart Ceylon (Private) Limited *	✓	D		✓	D			

## CORPORATE GOVERNANCE

COMPANIES	Mr. S.D.R. Arudpragasam	Mr. A. Hettiarachchy	Mr. P.S. Goonewardene	Mr. Anushman Rajaratnam	Mr. A.C.S. Jayaranjan	Mr. P.M.A. Sirimane	Mr. G.K.B. Dasanayaka	Dr. A.M. Mubarak				
Muller & Phipps (Health Care) Limited (Formerly known as Pettah Pharmacy (Pvt) Ltd) *	✓	C				✓	D	✓	D			
Nature's Link Limited *	✓	C	✓	D								
Nutriklim (Ceylon) Limited *	✓	D										
Oakley Investments (Private) Limited	✓	D		✓	D							
Property and Investment Holdings (Pvt) Ltd	✓	D		✓	D							
Rubber & Allied Products (Colombo) Limited*	✓	C		✓	D	✓	D					
Sherwood Holidays Limited *	✓	C										
Sigiriya Resorts Limited				✓	D							
Sunagro Farms Limited *	✓	C	✓	D	✓	D						
Sunagro Lifescience Limited *	✓	C	✓	D	✓	D	✓	D	✓	D	✓	D
Sunrise Resorts Limited				✓	D							
Teacom (Private) Limited *	✓	C		✓	D							
Transways (Private) Limited *				✓	D							
Tropical Beach Resorts Limited				✓	D							
Udaveriya Plantations Limited	✓	D		✓	D							
Unicom Clearing and Forwarding (Private) Ltd*	✓	C		✓	D							
Union Commodities (Private) Limited *	✓	C		✓	D	✓	D					
Union Commodities Exports (Pvt) Limited*	✓	C		✓	D							
Union Commodities Teas (Pvt) Limited*	✓	C		✓	D							
Union Group (Private) Limited*	✓	D		✓	D							
Union Investments (Private) Limited *	✓	D		✓	D							
Voyages Ceylon (Private) Limited*				✓	D							
Waverly Power (Private) Limited *	✓	C		✓	D	✓	D					
Weligama Hills Limited	✓	D		✓	D							
York Conventions (Private) Limited				✓	D							
York Hotel Management Services Limited*	✓	C		✓	D							
York Tours Limited *				✓	D							
Sterling Steels (Pvt) Limited (Formerly known as Bluescope Lysaght Lanka (Private) Limited) *	✓	C				✓	D					
Kelani Valley Canneries Limited*				✓	D							
Sunquick Lanka (Pvt) Limited*				✓	D							

COMPANIES	Mr. S.D.R. Arudpragasam	Mr. A. Hettiarachchy	Mr. P.S. Goonewardene	Mr. Anushman Rajaratnam	Mr. A.C.S. Jayaranjan	Mr. P.M.A. Sirimane	Mr. G.K.B. Dasanayaka	Dr. A.M. Mubarak
Sunquick Lanka Properties (Pvt) Limited*				✓	D			
ISL Services Limited		✓	C					
Central Industries PLC		✓	D					
LOLC – Advanced Technologies (Pvt) Limited		✓	C					
Sri Lanka Institute of Nanotechnology (Pvt) Ltd		✓	D					
Fortigrains (Lanka) Private Limited		✓	D					
Associated Motor Finance PLC			✓	INE				
First Guardian Equities Limited			✓	D				
Dawi Investments Trust (Private) Ltd			✓	D				
Union Chemicals Lanka PLC								✓ NE

# 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. Once identified, each risk is evaluated for the likelihood of the risk occurring and potential impact it could have on the Company operations. Thereafter risks are prioritised and different strategies adapted to treat these risks. The Company then would take a decision on whether the impact of such risks can be mitigated, avoided, or accepted and controls put in place to minimize the impact.

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 together with an outsourced third party 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 delayed payment or 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 these means the Company effectively provides for its foreign exchange exposure by minimising any adverse impact. The Company has also sourced local suppliers to fall back on in the event of rising global prices. In addition, local Research and Development is also being invested on to drive local formulations. 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. Long term financing strategies are sought for strategic investments for better working capital management.

#### 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 increases 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.

## 4. 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 to effectively manage the business risk.

## 5. 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.

## 6. SUPPLY CHAIN RISK

The Company could be exposed to disruption in the supply chain process including global logistical arrangements due to geopolitical issues. The risk of non-availability of a continuous supply of raw materials as well as significant increase in the raw material cost in the world market could hinder the Company's production process. The Company strives to expand its pool of suppliers through effective negotiation, where possible building safety stocks, developing alternate supplier sources and supplier networks and sourcing innovative supply models including local supplier sourcing are some of the actions the Company focuses on to overcome this risk.

## 7. 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.

## 8. LEGAL AND COMPLIANCE

The Company addresses this area with great concern 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 comprise of the following members:

**Mr. G.K.B. Dasanayaka**

*Chairman, Independent Non-Executive Director*

**Mr. S.D.R. Arudpragasam**

*Member – Non-Executive Director*

**Mr. P.M.A. Sirimane**

*Independent Non-Executive Director*

The Remuneration Committee meets on a need basis. The Committee met on two occasions during the financial year and all members were present at the said meetings. The proceedings of the Committee meetings were regularly reported to the Board of Directors.

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. Dasanayaka**

*Chairman*

*Remuneration Committee*

31st August 2024

# 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 Transaction Review Committee comprised of the following Members.

**Mr. P.M.A. Sirimane**

*Chairman, Independent Non-Executive Director*

**Mr. A Hettiarachchy**

*Non-Executive Director*

**Mr. A.C.S. Jayaranjan**

*Independent Non-Executive Director*

The Company's Secretaries Corporate Managers and Secretaries (Pvt) Ltd, function 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 2024 a total of five Related Party Transactions Review Committee Meetings were held. The individual attendance by Members were as follows.

<b>Mr. P.M.A Sirimane</b> <i>Chairman</i>	5/5
<b>Mr. A. Hettiarachchy</b>	4/5
<b>Mr. A.C.S. Jayaranjan</b>	5/5

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

Other member 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 interest of the Company and it's 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 9.14 of the Colombo Stock Exchange Listing Rules. However non-recurrent related party transactions which exceeded the respective thresholds are duly disclosed on page 123 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 2024

# 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 2024, 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*

**Mr. P.M.A. Sirimane**

*Independent Non-Executive Director*

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

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

## MEETINGS AND ATTENDANCE

The Audit Committee has met on six occasions during the financial year ended 31st March 2024 and the attendance was as follows.

<b>Mr. A.C.S. Jayaranjan</b> <i>Chairman</i>	6/6
<b>Mr. A. Hettiarachchy</b>	4/6
<b>Mr. P.M.A. Sirimane</b>	6/6

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 Management Committee, as well as the External and Internal 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 Accountings 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 2024 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 7 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 2025 subject to the approval of the Shareholders at the Annual General Meeting of the Company.



**A. C. S. Jayaranjan**  
*Chairman*  
*Audit Committee*

31st August 2024



# Financial Information

# INDEPENDENT AUDITORS' REPORT



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

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

## TO THE SHAREHOLDERS OF LANKEM CEYLON PLC

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

We have audited the Financial Statements of Lankem Ceylon PLC ("the Company") and the Consolidated Financial Statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31st March 2024, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the Financial Statements, including material accounting policies and other explanatory information as set out on pages 44 to 144.

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 2024, 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 for professional Accountants 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.

#### Emphasis of Matter – Restatement of Comparative Balances

We draw attention to Note 43 to the consolidated financial statements which indicates that the comparative balances presented as at and for the year ended 31st March 2023 and 1st April 2022 have been restated and disclosed in these financial statements.

Our opinion is not modified in respect of this matter.

#### 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 material accounting policy in Note 3.11.2 and explanatory Notes 16, 17 and 18 to the Financial Statements).

#### Risk Description

The Company has recorded investments in subsidiaries amounting to Rs. 4,691 Mn and investments in associates amounting to Rs. 768 Mn as at 31st March 2024. Goodwill on consolidation of Rs. 1,543 Mn has been recognized in the consolidated financial statements as at 31st March 2024. Additionally, the Company has recognized Rs. 762 Mn and Rs. 435 Mn as provision for impairment of investment in subsidiaries, and Goodwill on consolidation respectively as at 31st March 2024.

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

The carrying amounts of each investment in subsidiaries and associates where indications existed have been tested for impairment and determined their recoverable amounts based on value in use calculations or fair value less cost to sell calculations as at 31st March 2024.

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C.P. Jayatilake FCA  
Ms. S. Joseph FCA  
R.M.D.B. Rajapakse FCA  
M.N.M. Shameel FCA  
Ms. P.M.K. Sumanasekara FCA

T.J.S. Rajakarier FCA  
W.K.D.C. Abeyrathne FCA  
Ms. B.K.D.T.N. Rodrigo FCA  
Ms. C.T.K.N. Perera ACA  
R.W.M.O.W.D.B. Rathnadiwakara FCA

W.W.J.C. Perera FCA  
G.A.U. Karunarathe FCA  
R.H. Rajan FCA  
A.M.R.P. Alahakoon ACA

Principals: S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R Ziyad FCMA (UK), FCIT, K. Somasundaram ACMA(UK), R.G.H. Raddella ACA



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

We have identified the impairment of goodwill on consolidation, investments in subsidiaries, and investment in associates as a key audit matter due to the magnitude of the amounts recognized in the financial statements as at 31st March 2024. 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 investments to identify impairment indications under accounting standards.
- Assessing the management's basis used to determine the recoverable amounts of these investments by our own expectations based on our knowledge of the investments and experience of the industry in which 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 material accounting policy in Note 3.20.2 and explanatory Note 31 to the Financial Statements).

The Group and the Company have recorded a deferred tax assets of Rs. 665 Mn and Rs. 167 Mn respectively as at 31st March 2024 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

## 3. REVALUATION OF BUILDINGS

(Refer to the material accounting policy in Note 3.5.3 and explanatory Note 13 to the Financial Statements).

The Group and the Company carried freehold buildings classified as Property, Plant and Equipment at fair value amounting to Rs. 4,178 Mn and Rs. 593 Mn respectively as at 31st March 2024. Accordingly, the Group and the Company have recognized a fair value gain of Rs. 1,230 Mn and Rs. 248 Mn respectively during the year ended 31st March 2024.

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

Our audit procedures included;

- Assessing the objectivity, independence, competence, and qualifications of the external valuer engaged by the management.
- Assessing the reasonableness of the valuers' assumptions and methods used in the valuation and comparing the same with evidence of current market values.
- Engaging our own internal experts where applicable to assess

## INDEPENDENT AUDITORS' REPORT



the reasonability of the valuation technique and per square feet prices.

- Evaluating conclusions reached by component auditors where applicable on the fair values of buildings determined by external experts.
- Assessing the adequacy of disclosures made in relation to the revaluation of buildings in the Financial Statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions used.

### Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an

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

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

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



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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements 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, actions taken to eliminate threats or safeguards applied.

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.

A handwritten signature in black ink, appearing to read 'KPMG', written in a cursive style.

**Chartered Accountants**

Colombo  
31st August 2024

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31st March	Notes	Consolidated		Company	
		2024	2023	2024	2023
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
			Restated		
<b>Revenue</b>	5	<b>33,601,738</b>	33,754,554	<b>6,336,610</b>	6,871,012
Cost of Sales		<b>(26,097,292)</b>	(23,548,402)	<b>(4,459,487)</b>	(3,941,009)
Gross Profit		<b>7,504,446</b>	10,206,152	<b>1,877,123</b>	2,930,003
Other Income	6	<b>467,772</b>	362,304	<b>800,559</b>	544,760
Distribution Costs		<b>(2,426,926)</b>	(2,034,564)	<b>(1,048,270)</b>	(834,264)
Administrative Expenses		<b>(3,274,576)</b>	(2,804,785)	<b>(467,909)</b>	(469,377)
Other Expenses	7	<b>(132,063)</b>	(250)	<b>(276,765)</b>	(244,203)
(Provision) for/Reversal of Impairment of Amount due from Related Parties and Trade Receivables		<b>(91,530)</b>	(140,530)	<b>30,954</b>	(95,121)
Results from Operating Activities		<b>2,047,123</b>	5,588,327	<b>915,692</b>	1,831,798
Finance Income	8	<b>294,010</b>	266,233	<b>183,876</b>	226,111
Finance Costs	8	<b>(2,179,049)</b>	(2,721,820)	<b>(789,532)</b>	(987,920)
Net Finance Costs		<b>(1,885,039)</b>	(2,455,587)	<b>(605,656)</b>	(761,809)
Share of Loss of Associate (Net of Tax)	18	<b>(554,552)</b>	(502)	-	-
Share of Profit /(Loss) of Joint Venture	19	<b>1,002</b>	(165,413)	-	-
(Loss) / Profit before Tax	9	<b>(391,466)</b>	2,966,825	<b>310,036</b>	1,069,989
Income Tax (Expenses)/ Reversals	10	<b>(271,952)</b>	(631,381)	<b>22,522</b>	27,137
(Loss) / Profit for the Year		<b>(663,418)</b>	2,335,444	<b>332,558</b>	1,097,126
<b>Other Comprehensive Income / (Expense)</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Fair Value (Loss)/ Gain on Financial Assets Designated at Fair Value Through Other Comprehensive Income		<b>(18,111)</b>	59,956	<b>(19,411)</b>	58,796
Actuarial Loss on Defined Benefit Obligations	32	<b>(149,716)</b>	(5,958)	<b>(32,957)</b>	(29,818)
Revaluation Surplus on Buildings	13	<b>1,148,921</b>	-	<b>247,842</b>	-
Share of Other Comprehensive (Expense)/ Income of Equity-Accounted Investees (Net of Tax)	19	<b>(1,839)</b>	1,866	-	-
Tax Effect on Components of OCI	31	<b>(340,532)</b>	(79,086)	<b>(60,892)</b>	7,088
Deferred Tax Impact due to Change in Tax Rate	31	-	(747,780)	-	(65,839)
Other Comprehensive Income/(Expense) for the Year, Net of Tax		<b>638,723</b>	(771,002)	<b>134,582</b>	(29,773)
Total Comprehensive (Expense)/ Income for the Year		<b>(24,695)</b>	1,564,442	<b>467,140</b>	1,067,353
<b>(Loss)/Profit Attributable to:</b>					
Owners of the Company		<b>(639,513)</b>	2,206,092	<b>332,558</b>	1,097,126
Non-Controlling Interests		<b>(23,905)</b>	129,352	-	-
(Loss) / Profit for the Year		<b>(663,418)</b>	2,335,444	<b>332,558</b>	1,097,126
<b>Total Comprehensive (Expense)/ Income Attributable to:</b>					
Owners of the Company		<b>(248,522)</b>	1,790,429	<b>467,140</b>	1,067,353
Non-Controlling Interests		<b>223,827</b>	(225,987)	-	-
Total Comprehensive (Expense)/ Income for the Year		<b>(24,695)</b>	1,564,442	<b>467,140</b>	1,067,353
Basic ( Loss)/ Earnings per Share (Rs.)	11	<b>(12.42)</b>	42.86	<b>6.46</b>	21.32

The Notes from pages 51 to 144 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

## STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Consolidated			Company	
		31.03.2024	31.03.2023	01.04.2022	31.03.2024	31.03.2023
		Rs.'000	Rs.'000 Restated	Rs.'000 Restated	Rs.'000	Rs.'000
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
Property, Plant and Equipment	13	11,009,481	9,716,495	9,820,928	1,063,983	824,975
Right-of-Use Assets	14	255,306	275,366	220,877	43,360	26,221
Investment Property	15	819,163	840,844	948,546	-	-
Intangible Assets	16	1,130,052	1,221,924	1,213,443	13,015	-
Investments in Subsidiaries	17	-	-	-	3,929,246	4,311,837
Investments in Associates	18	348,613	-	105,821	768,422	-
Investments in Joint Venture	19	293,163	-	163,547	-	-
Financial Assets Measured at Fair Value Through OCI	20	66,519	83,400	23,693	60,088	79,499
Deferred Tax Assets	31	-	-	-	225,557	263,927
<b>Total Non-Current Assets</b>		<b>13,922,297</b>	12,138,029	12,496,855	<b>6,103,671</b>	5,506,459
<b>Current Assets</b>						
Inventories	22	5,502,332	5,491,770	3,743,877	1,041,359	1,089,498
Trade & Other Receivables	23	8,274,294	6,706,245	4,876,479	1,819,994	1,671,222
Amounts Due from Related Parties - Trade	34.1	38,646	108,187	19,416	23,586	19,269
Amounts Due from Related Parties - Non Trade	34.2	344,204	564,143	271,346	420,334	178,307
Loans Due from Related Parties	34.3	241,939	443,913	262,471	266,993	434,465
Income Tax Recoverable		34,320	43,218	60,579	23,215	23,215
Financial Assets Measured at Fair Value through Profit or Loss	21	34,297	25,935	29,479	34,297	25,935
Bank & Cash Balances	24	615,038	557,249	779,635	139,869	36,324
Asset Held for Sale	25	-	-	30,000	-	-
<b>Total Current Assets</b>		<b>15,085,070</b>	13,940,660	10,073,282	<b>3,769,647</b>	3,478,235
<b>Total Assets</b>		<b>29,007,367</b>	26,078,689	22,570,137	<b>9,873,318</b>	8,984,694
<b>EQUITY AND LIABILITIES</b>						
<b>Equity</b>						
Stated Capital	26	1,282,697	1,282,697	1,282,697	1,282,697	1,282,697
Other Capital Reserves	27	4,833	4,833	4,833	-	-
Revaluation Reserves	27	2,412,964	1,913,390	2,281,882	573,190	399,701
Fair Value through OCI Reserves	27	31,804	46,443	(13,996)	35,366	51,073
(Accumulated Losses)/Retained Earnings		(1,199,092)	270,659	(1,670,920)	401,119	606,468
<b>Equity Attributable to Owners of the Company</b>		<b>2,533,206</b>	3,518,022	1,884,496	<b>2,292,372</b>	2,339,939
Non - Controlling Interest		4,553,255	3,791,681	3,294,785	-	-
<b>Total Equity</b>		<b>7,086,461</b>	7,309,703	5,179,281	<b>2,292,372</b>	2,339,939

## STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	Consolidated			Company	
		31.03.2024 Rs.'000	31.03.2023 Rs.'000 Restated	01.04.2022 Rs.'000 Restated	31.03.2024 Rs.'000	31.03.2023 Rs.'000
<b>LIABILITIES</b>						
<b>Non-Current Liabilities</b>						
Interest Bearing Borrowings	28	<b>4,193,908</b>	4,552,726	3,770,960	<b>1,503,968</b>	1,654,174
Lease Liabilities	29	<b>211,741</b>	224,669	175,457	<b>18,297</b>	6,433
Deferred Income	30	<b>26,486</b>	706	1,044	-	-
Deferred Tax Liabilities	31	<b>1,449,106</b>	1,146,380	434,758	-	-
Retirement Benefit Obligations	32	<b>465,615</b>	283,000	260,716	<b>213,032</b>	144,315
Loans Payable to Related Parties	28.3	<b>26,590</b>	26,590	-	<b>203,110</b>	250,999
<b>Total Non-Current Liabilities</b>		<b>6,373,446</b>	6,234,071	4,642,935	<b>1,938,407</b>	2,055,921
<b>Current Liabilities</b>						
Interest Bearing Borrowings	28	<b>8,126,328</b>	6,194,054	6,933,097	<b>2,713,437</b>	2,147,934
Lease Liabilities	29	<b>67,504</b>	56,882	56,702	<b>9,524</b>	4,040
Loans Payable to Related Parties	28.3	<b>193,419</b>	145,234	407,410	<b>95,369</b>	60,369
Trade & Other Payables	33	<b>4,927,757</b>	3,755,884	3,423,226	<b>1,918,860</b>	1,328,032
Amounts Due to Related Parties- Trade	34.4	-	-	-	<b>6,647</b>	2,800
Amounts Due to Related Parties - Non Trade	34.5	<b>828,288</b>	755,584	741,843	<b>553,254</b>	635,659
Income Tax Payable		<b>259,497</b>	521,671	167,728	-	-
Bank Overdraft	24	<b>1,144,667</b>	1,105,606	1,017,915	<b>345,448</b>	410,000
<b>Total Current Liabilities</b>		<b>15,547,460</b>	12,534,915	12,747,921	<b>5,642,539</b>	4,588,834
<b>Total Liabilities</b>		<b>21,920,906</b>	18,768,986	17,390,856	<b>7,580,946</b>	6,644,755
<b>Total Equity and Liabilities</b>		<b>29,007,367</b>	26,078,689	22,570,137	<b>9,873,318</b>	8,984,694
Net Assets per Share (Rs.)		<b>49.22</b>	68.35	36.61	<b>44.54</b>	45.46

The Notes from pages 51 to 144 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



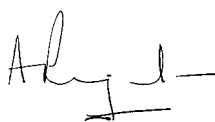
**Upekha Abeysekera Anthony**  
Chief Financial Officer

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



**Anushman Rajaratnam**  
Director

Colombo  
31st August 2024

## STATEMENT OF CHANGES IN EQUITY

Group	Attributable to Owners of the Company							
	Stated Capital Rs. '000	Other Capital Reserves Rs. '000	FVOCI Reserves Rs. '000	(Accumulated Losses) / Retained Earnings/ Rs. '000	Revaluation Reserves Rs. '000	Total Rs. '000	Non Controlling Interest Rs. '000	Total Rs. '000
<b>Balance as at 31st March 2022</b>	1,282,697	4,833	(13,996)	(1,711,409)	2,290,499	1,852,624	3,268,392	5,121,016
Impact due to correction of prior period errors (Note 43)	-	-	-	40,489	(8,617)	31,872	26,393	58,265
<b>Restated Balance as at 1st April 2022</b>	1,282,697	4,833	(13,996)	(1,670,920)	2,281,882	1,884,496	3,294,785	5,179,281
Profit for the year	-	-	-	2,206,092	-	2,206,092	129,352	2,335,444
Other Comprehensive Income/ (Expenses) for the year (Net of Tax)	-	-	60,439	(107,611)	(368,492)	(415,664)	(355,338)	(771,002)
<b>Changes in Ownership Interests</b>								
Share issues to Non Controlling Interest	-	-	-	-	-	-	748,982	748,982
Changes in Percentage of Subsidiaries	-	-	-	(156,902)	-	(156,902)	134,552	(22,350)
<b>Distribution to Equity Holders</b>								
Dividend Paid	-	-	-	-	-	-	(160,652)	(160,652)
<b>Restated Balance as at 31st March 2023</b>	1,282,697	4,833	46,443	270,659	1,913,390	3,518,022	3,791,681	7,309,703
<b>Restated Balance as at 1st April 2023</b>	1,282,697	4,833	46,443	270,659	1,913,390	3,518,022	3,791,681	7,309,703
Loss for the year	-	-	-	(639,513)	-	(639,513)	(23,905)	(663,418)
Other Comprehensive Income/( Expenses) for the year (Net of Tax)	-	-	(14,639)	(94,787)	499,574	390,148	248,575	638,723
<b>Changes in ownership interests</b>								
Share issues to Non Controlling Interest (Note 42)	-	-	-	-	-	-	186,691	186,691
Changes in Percentage of Subsidiaries (Note 42)	-	-	-	(220,744)	-	(220,744)	548,767	328,023
<b>Distribution to Equity Holders</b>								
Dividend Paid	-	-	-	(514,707)	-	(514,707)	(198,554)	(713,261)
<b>Balance as at 31st March 2024</b>	1,282,697	4,833	31,804	(1,199,092)	2,412,964	2,533,206	4,553,255	7,086,461

## **STATEMENT OF CHANGES IN EQUITY**

Company	Stated Capital Rs. '000	FVOCI Reserves Rs. '000	Revaluation Reserves Rs. '000	Retained Earnings Rs. '000	Total Rs. '000
<b>Balance as at 1st April 2022</b>	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/(Expense) for the year (Net of Tax)	-	59,615	(68,520)	(20,868)	(29,773)
<b>Balance as at 31st March 2023</b>	1,282,697	51,073	399,701	606,468	2,339,939
<b>Balance as at 1st April 2023</b>	1,282,697	51,073	399,701	606,468	2,339,939
Profit for the Year	-	-	-	332,558	332,558
Other Comprehensive Income/(Expenses) for the year (Net of Tax)	-	(15,707)	173,489	(23,200)	134,582
<b>Distribution to Equity Holders</b>					
Dividend Paid	-	-	-	(514,707)	(514,707)
<b>Balance as at 31st March 2024</b>	1,282,697	35,366	573,190	401,119	2,292,372

## STATEMENT OF CASH FLOW

For the Year Ended 31st March	Notes	Consolidated		Company	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cash Flow from Operating Activities</b>					
(Loss)/Profit before tax		(391,466)	2,966,825	310,036	1,069,989
Adjustments for :					
Depreciation/Amortisation	9	436,006	420,899	46,539	44,103
Amortisation of Right of Use Assets	14	87,206	57,205	10,814	11,841
Dividend Income	6	(1,819)	(1,827)	(248,845)	(415,600)
(Loss)/Gain on Disposal of Investment in Subsidiaries/ Associate	6/7	(79,572)	(83,857)	88,458	(99,151)
Interest Expense	8	2,126,177	2,511,482	789,532	940,529
Amortisation of Deferred Income	30	(15,327)	(338)	-	-
Gain on Disposal of Property, Plant & Equipment	6	(17,523)	(13,543)	-	(881)
Net Exchange (Gain)/Loss	8	(109,373)	121,061	(39,483)	43,677
Interest Income	8	(123,403)	(180,670)	(136,030)	(226,111)
Provision for Retirement Benefit Obligation	32	91,706	65,730	41,433	25,950
Fair Value (Gain)/Loss on Financial Assets Measured at Fair Value Though Profit or Loss	8	(8,362)	3,714	(8,362)	3,714
Write Back of Payables	6	(21,058)	(7,229)	(21,018)	(3,728)
Share of Loss from Associate	18	554,552	502	-	-
Share of (Profit)/Loss from Joint Venture	19	(1,002)	165,413	-	-
(Reversal of)/Provision for Impairment of Investment in Subsidiaries	17	-	-	(83,093)	244,202
Reversal of Impairment of Associates	18	-	-	(220,500)	-
(Reversal of)/Provision for Impairment of Trade Receivables	23.1.1	(58,848)	128,745	(55,117)	87,361
(Reversal)/Provision for Impairment of Amount due from Related Parties	34	(32,682)	29,121	(12,675)	8,120
Write off of Amount payable to Related Parties		-	-	11,488	-
Provision for Impairment of Goodwill	7	106,288	-	-	-
Provision made for Obsolete Inventories	22	88,038	173,430	16,458	30,867
Recognition of revaluation gain, previously recognized as revaluation loss	6	(80,835)	-	-	-
<b>Operating Profit Before Working Capital Changes</b>		<b>2,548,703</b>	<b>6,356,663</b>	<b>489,635</b>	<b>1,764,882</b>
(Increase) / Decrease in Inventories		(98,600)	(1,931,657)	31,681	(190,996)
Increase in Trade and Other Receivables		(1,518,099)	(1,943,500)	(91,995)	(819,799)
Decrease / (Increase) in Amounts due from Related Parties		305,542	(592,131)	(229,797)	(110,574)
Increase / (Decrease) in Trade and Other Payables		1,348,660	301,705	641,967	(22,525)
Increase / (Decrease) in Amounts due to Related Parties		72,704	13,767	(188,891)	(94,727)
<b>Cash Generated from Operations</b>		<b>2,658,910</b>	<b>2,204,847</b>	<b>652,600</b>	<b>526,261</b>
Income Tax Paid		(572,737)	(397,458)	-	(879)
Interest Paid		(2,067,640)	(2,463,579)	(657,703)	(696,247)
Gratuity Paid	32	(36,416)	(33,914)	(5,673)	(17,414)
Gratuity Refund from Planed Assets	32	(22,391)	(15,490)	-	-
<b>Net Cash Used in Operating Activities</b>		<b>(40,274)</b>	<b>(705,594)</b>	<b>(10,776)</b>	<b>(188,280)</b>

## STATEMENT OF CASH FLOW

For the Year Ended 31st March	Notes	Consolidated		Company	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cash Flow from Investing Activities</b>					
Purchase & Construction of Property, Plant & Equipment	13	(485,370)	(303,476)	(41,681)	(47,347)
Investment in Intangible assets	16	(13,301)	-	(9,089)	-
Purchase & Construction of Investment Property	15	-	(5,296)	-	-
Proceeds received from disposal of subsidiary shares	17	328,023	34,091	328,023	-
Dilution/(Investment) in Non Controlling Interests		34,026	(56,443)	-	-
Investment in Associates	18	(650,000)	-	(325,000)	-
Investment in Joint Venture	19	(294,000)	-	-	-
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)	-	-
Grants Received	30	41,107	-	-	-
Interest Received		29,070	28,584	592	105
Dividend Received	6	1,819	1,827	247,188	415,600
Proceeds from Disposal of Property, Plant & Equipment/ Investment Property		22,478	135,070	-	30,965
<b>Net Cash (Used in)/Generated from Investing Activities</b>		<b>(986,148)</b>	<b>23,363</b>	<b>200,033</b>	<b>622,593</b>
<b>Cash Flow from Financing Activities</b>					
Dividend Paid		(713,261)	(160,652)	(514,707)	-
Share issued to Non Controlling Interest		186,691	748,982	-	-
Loans Given to Related Parties		-	-	(61,375)	(227,197)
Proceeds from Long Term Loans	28	1,901,388	1,419,384	325,000	148,000
Repayment of Long Term Loans	28	(1,959,066)	(1,360,324)	(306,817)	(350,821)
Net Lease Payment	29	(124,251)	(86,577)	(13,885)	(13,955)
Net movement in Short Term Borrowings	28	1,660,464	46,927	426,516	91,304
Loans Obtained from Related Parties		48,185	26,590	142,000	11,206
Settlement of Loans Granted to Related Parties		45,000	-	45,000	-
Settlement of Loans obtained from Related Parties		-	(262,176)	(62,892)	(214,002)
<b>Net Cash Generated From/ (Used in) Financing Activities</b>		<b>1,045,150</b>	<b>372,154</b>	<b>(21,160)</b>	<b>(555,465)</b>
Net Increase/(Decrease) in Cash & Cash Equivalents		18,728	(310,077)	168,097	(121,152)
Cash & Cash Equivalents at the beginning of the year		(548,357)	(238,280)	(373,676)	(252,524)
<b>Cash &amp; Cash Equivalents at the end of the year</b>	24	<b>(529,629)</b>	<b>(548,357)</b>	<b>(205,579)</b>	<b>(373,676)</b>

The Notes from pages 51 to 144 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 2024 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 2024 were authorised for issue by the Board of Directors 31st August 2024.

### 2.2 Basis of Measurement

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

- Retirement Benefit Obligation has been measured at fair value
- Classes of Land and buildings under Property, Plant and Equipment are carried at fair value
- Financial Assets Classified at fair value through Profit and Loss

- Financial Assets classified at Fair Value Through Other Comprehensive Income
- Non-Current assets held for sale

### 2.3 Use of Estimates, Judgments and Assumptions

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

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

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

	Policy No.
Investment in Subsidiaries: whether the Group has control over an investee;	3.2.3
Measurement of Fair Value of Financial Instruments	3.4
Measurement of Intangible Assets	3.8
Impairment	3.11
Valuation of Retirement Benefit Obligations	3.15
Provisions, Contingent Assets and Liabilities	3.16
Deferred Tax Assets and Liabilities	3.20.2
Valuation of Land and Buildings	3.5.3

#### 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 2024 is included in the following notes.

- Note 32 :** Measuring of defined benefit Obligations: Key actuarial assumptions
- Note 31 :** Recognition of deferred tax liability
- Note 17 :** Impairment test key assumptions underlying recoverable amounts
- Note 13 :** Valuation of Property, Plant and Equipment
- Note 20.2.2 :** Fair value measurement of unquoted investments
- Note 16 :** Impairment of Goodwill

## NOTES TO THE FINANCIAL STATEMENTS

### 2.3.2 Measurement of Fair Values

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

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Group Finance manager.

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

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

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

### 2.4 Functional and Presentation Currency

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

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

### 2.5 Accounting Policies and Comparative Information

The Accounting Policies applied by the Company 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 as disclosed in note 37 to the financial statements.

## 3. MATERIAL ACCOUNTING POLICIES

Accounting policies set out below have been applied consistently to all periods presented in these consolidated Financial Statements and have been applied consistently by the Group entities, unless otherwise indicated.

### 3.1 Changes in Material Accounting Policies

#### 3.1.1 Deferred tax related to assets and liabilities arising from a single transaction.

The Group adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12) from 1st April 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g., leases. For leases, the Group is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the Group applies the amendments to transactions that occur on or after the beginning of the earliest period presented. The Group previously accounted for deferred tax on leases by applying the "integrally linked" approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis.

Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However, there was no impact on the statement of financial position because the balances qualify for offset under LKAS 12. There was also no impact on the opening retained earnings as at 1st April 2022 as a result of the change. The key impact for the Group relates to disclosure of the deferred tax assets and liabilities recognised.

#### 3.1.2 Material Accounting Policy Information

The Group also adopted Disclosure of Accounting Policies (Amendments to LKAS 1) from 1st April 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity specific accounting policy information that users need to understand other information in the

financial statements. Management reviewed the accounting policies and made updates to the information disclosed under respective notes to these financial statements (2023: Significant accounting policies) in certain instances in line with the amendments.

## 3.2 Basis of Consolidation

### 3.2.1 Business Combinations

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

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

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

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

The Group measures goodwill at the acquisition date as:

The fair value of the consideration transferred; plus

The recognised amount of any non-controlling interests in the acquiree; plus

If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less

The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

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

### 3.2.2 Non-controlling interests

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

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

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

### 3.2.3 Subsidiaries

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

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

#### Control over an investee

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

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

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

## NOTES TO THE FINANCIAL STATEMENTS

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	38.80
Marawila Resorts PLC	26.93
Imperial Hotels Ltd. (Previously known as York Hotels (Kandy) Ltd.)	29.35
Ceytra (Pvt) Ltd.	34.08
Kelani Valley Canneries Ltd.	50.37
Sunquick Lanka Properties (Private) Limited	27.67
Sigiriya Village Hotels PLC	27.06
ACME Printing & Packaging PLC	25.10
BOT Hotel Services (Private) Limited	43.25

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.

### 3.2.4 Investments in Associates and Joint Venture

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

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

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

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

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

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

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

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

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

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

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

### 3.2.5 Loss of control

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

### 3.2.6 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees

are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### 3.3 Foreign Currency

#### Foreign currency transactions

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

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

### 3.4 Financial Instruments

#### 3.4.1 Recognition and Initial Measurement

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

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

#### 3.4.2 Classification and Subsequent Measurement

##### 3.4.2.1 Financial Assets

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

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

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

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

#### a) Business Model Assessment

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

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

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

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

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

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during

## NOTES TO THE FINANCIAL STATEMENTS

a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

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

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

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

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
<b>Financial assets at amortised cost</b>	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.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

### 3.4.2.3 Financial Liabilities

#### i) Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost. Financial liabilities are subsequently measured at amortised cost using effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on de recognition is also recognised in profit or loss.

### 3.4.3 De-recognition

#### 3.4.3.1 Financial Assets

The 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.

#### 3.4.3.2 Financial Liabilities

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

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

### 3.4.4 Offsetting

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

### 3.4.5 Other Payables

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

### 3.4.6 Assets and Basis of their Valuation

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

## 3.5 Property, Plant and Equipment

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

### 3.5.1 Recognition and Measurement

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

Property, Plant & Equipment are initially measured at its cost. All items of property, plant & equipment except lands and buildings are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

At the time of transition from SLASs to SLFRSs/ LKASs, the 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.

### 3.5.2 Cost Model

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

### 3.5.3 Revaluation Model

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

Income reduces the amount accumulated in equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

### 3.5.4 Gains and Losses on Disposal

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

### 3.5.5 Subsequent Costs

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

### 3.5.6 De-Recognition

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

### 3.5.7 Depreciation

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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

### 3.5.8 Capital Work in Progress

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

### 3.5.9 Leases

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

- The contract involves the use of an identified asset this may be specified explicitly or implicitly and should be physically distinct or represent substantially all 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.

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.

### 3.6 Investment Property

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

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

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

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

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

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

### 3.7 Borrowing Costs

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

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

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

### 3.8 Intangible Assets

#### Goodwill

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

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

#### 3.9 Inventories

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

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

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

### 3.10 De-recognition of Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognised when the rights to receive cash flows from the asset have expired. The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either

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

## NOTES TO THE FINANCIAL STATEMENTS

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### 3.11 Impairment

#### 3.11.1 Non-derivative financial assets

##### a. Financial Instruments and Contract Assets

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

- 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.

##### 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 write off. However, Financial Assets that are written off could still be subject to enforcement activities in order to comply with the Group procedures for recovery of amount due.

#### 3.11.2 Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or CGUs. Goodwill arising from business combination is allocated to CGUs or groups of CGUs that are expected to benefit from synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

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

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

### 3.12 Cash and Cash Equivalents

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

### 3.13 Assets Held-for-Sale

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

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

### 3.14 Stated Capital

#### Ordinary shares

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

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

### 3.15 Employee Benefits

#### 3.15.1 Short-Term Employee Benefits

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

#### 3.15.2 Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in Profit or Loss in the

periods during which related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

#### (a) Employees' Provident Fund

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

#### (b) Employees' Trust Fund

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

#### 3.15.3 Defined Benefit Plan – Gratuity

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

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

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

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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3.16 Provisions, Contingent Assets and Contingent Liabilities

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

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

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

### 3.17 Revenue

#### 3.17.1 Revenue

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

#### A. Revenue Streams

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

#### B. Disaggregation of Revenue from Contract with Customers

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

#### C. Contract Balances

##### Contract Assets

- Cost to obtain contract

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

##### Cost of fulfilling a contract

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

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

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

#### Contract Liabilities

The Company recognise a contract liability for the deferred revenue on the extended warranty provided for the customers.

The contract liability shall be realized to revenue on the basis of utilizing the warranty by the customers or on a systematic basis accordingly.

#### D. Performance Obligations and Revenue Recognition Policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or services to a contract.

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

Type of Product	Nature and timing of performance obligations including significant payment terms	Revenue recognition under SLFRS 15
(a) Sale of Goods	Customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. Invoices are usually payable within 30/60/90 days based on the product category	Customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time. Invoices are usually payable within 30/60/90 days based on the product category

#### b) Rendering of Services

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

#### (c) Revenue from Construction Contracts

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

#### (d) Revenue from Hotel Services

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

### (e) Dividend Income

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

### (f) Finance Income

Finance income comprises interest income on funds invested (including Financial Assets Measured at Fair Value Through OCI), gains on the disposal of financial instruments at fair value through other comprehensive income and fair value gains on financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

### 3.17.2 Other Sources of Revenue

Other Income - Other income recognised based on the accrual basis.

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

### 3.18 Government Grants

#### 3.18.1 Capital nature grants and subsidies

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

#### 3.18.2 Revenue nature grants and subsidies

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

### 3.19 Expenses

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

#### 3.19.1 Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and losses on disposal of 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.

### 3.20 Taxation

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

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

#### 3.20.1 Current tax

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

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

#### 3.20.2 Deferred tax

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

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

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

The principal temporary differences arise from depreciation on Property, Plant and Equipment; tax losses carried forward, impairment of trade and other receivables and provisions for

## NOTES TO THE FINANCIAL STATEMENTS

defined benefit obligations. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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

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

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

### 3.21 Earnings per Share

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

### 3.22 Cash Flow Statement

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

### 3.23 Segmental Information

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

### 3.24 Events Occurring After the Reporting Date

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

### 3.25 Comparative Figures

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

### 3.26 Capital Commitments and Contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non-occurrence of uncertain future events, which are beyond the Group's control. Contingent liabilities are disclosed in Note 39 to the Financial Statements. Commitments are disclosed in Note 38 to the Consolidated Financial Statements.

### 3.27 Related Party Transactions

Disclosures have been made in respect of the transactions between parties who are defined as related parties as per LKAS-24 Related Party Disclosures.

### 3.28 Financial Risk Management Policies

The Group's principal financial liabilities comprise of loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Group also holds Financial Assets Measured at Fair Value Through OCI, Financial Assets Measured at Fair Value Through Profit or Loss 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 1st April 2024. 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 and non-current liabilities with covenants (amendments to LKAS 1)

The amendments, as issued on 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting periods beginning on or after 1st January 2024.

#### **4.2 Supplier finance arrangements (Amendments to LKAS 7 and SLFRS 7)**

The amendments introduce new disclosures relating to supplier finance arrangements that assist users of the financial statements to assess the effects of these arrangements on an entity's liabilities and cash flows and on an entity's exposure to liquidity risk. The amendments apply for annual periods beginning on or after 1st January 2024.

#### **4.3 Lease liability in a sale and leaseback (Amendments to SLFRS 16)**

#### **4.4 Lack of exchangeability (Amendments to LKAS 21)**

Further, The Institute of Chartered Accountants of Sri Lanka has issued following new Sri Lanka Accounting Standards (SLFRS/ LKAS) which will become applicable for financial periods beginning after 1st April 2025.

Accordingly, the group has not applied these standards in preparing these financial statements.

- SLFRS S1 - General Requirements for Disclosure of sustainability Related financial information.
- SLFRS S2 - Climate Related Disclosures

## NOTES TO THE FINANCIAL STATEMENTS

### 5. REVENUE

#### 5.1 Revenue Streams

For the Year Ended 31st March	Consolidated		Company	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue from contracts with customers				
Sale of Goods	<b>31,482,022</b>	32,527,434	<b>6,336,610</b>	6,871,012
Rendering of Services	<b>2,119,716</b>	1,227,120	-	-
	<b>33,601,738</b>	33,754,554	<b>6,336,610</b>	6,871,012

#### 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	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trading - Consumer Products	<b>8,045,468</b>	7,521,898	-	-
Trading - Industrial Products	<b>23,914,068</b>	26,216,467	<b>6,336,610</b>	6,871,012
Leisure	<b>2,119,716</b>	1,227,120	-	-
	<b>34,079,252</b>	34,965,485	<b>6,336,610</b>	6,871,012
Inter-Segment Revenue	<b>(477,514)</b>	(1,210,931)	-	-
	<b>33,601,738</b>	33,754,554	<b>6,336,610</b>	6,871,012

#### 5.4 Timing of Revenue Recognition

For the Year Ended 31st March	Consolidated		Company	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Products and services transferred at a point in time	<b>33,601,738</b>	33,754,554	<b>6,336,610</b>	6,871,012
Products and services transferred over time	-	-	-	-
	<b>33,601,738</b>	33,754,554	<b>6,336,610</b>	6,871,012

### 5.5 Segment Operating Profit / (Loss) - Consolidated

For the year ended 31st March	Operating Profit / (Loss)		Profit / (Loss) before Tax	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
				Restated
Consumer Products	246,466	452,838	114,241	245,163
Industrial Products	1,384,219	5,438,821	(267,551)	3,474,148
Leisure	330,518	(252,410)	233,749	(570,613)
Others	85,920	(50,922)	(471,905)	(181,873)
	2,047,123	5,588,327	(391,466)	2,966,825

### 5.6 Assets and Liabilities

For the year ended 31st March	Total Assets		Total Liabilities	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
		Restated		Restated
Trading - Consumer Products	3,456,912	3,523,672	2,257,174	2,208,444
Trading - Industrial Products	18,684,930	16,117,765	15,799,077	12,753,303
Leisure	6,689,963	6,175,814	3,443,990	3,612,816
Other	175,562	261,438	420,665	194,423
	29,007,367	26,078,689	21,920,906	18,768,986

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	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Trading - Consumer Products	-	-	51,441	67,102	86,248	59,160
Trading - Industrial Products	76,379	114,675	261,815	176,323	333,909	262,109
Leisure	-	-	172,114	60,051	103,055	159,546
	76,379	114,675	485,370	303,476	523,212	480,815

## NOTES TO THE FINANCIAL STATEMENTS

### 6. OTHER INCOME

For the Year Ended 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Profit on Disposal of Property, Plant and Equipment	17,573	13,543	-	881
Dividend Income - Quoted Companies	1,819	1,827	200,956	201,059
- Unquoted Companies	-	-	47,889	214,541
Write Back of Creditors	21,058	7,229	21,018	3,728
Amortisation of Grants and Subsidies	15,327	338	-	-
Commission income	5,564	6,643	-	-
Reversal of impairment provision for Investment in Subsidiaries (Note17.2)	-	-	213,163	-
Reversal of impairment provision for Investment in Associates ( Note18.1.1)	-	-	220,500	-
Gain on Disposal of Investment in Subsidiary's shares	-	-	-	11,975
Gain on Disposal of Associate (Note 18.4/18.5)	79,572	83,857	49,329	87,176
Rent Income	173,430	176,253	-	-
Recognition of revaluation gain, previously recognized as revaluation loss	80,835	-	-	-
Sundry Income	72,594	72,614	47,704	25,400
	<b>467,772</b>	<b>362,304</b>	<b>800,559</b>	<b>544,760</b>

### 7. OTHER EXPENSES

For the Year Ended 31st March	Consolidated		Company	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000
Loss on Disposal of Investments (Note 17.4)	-	-	137,787	-
Impairment of Investment in Subsidiaries (Note 17.2)	-	-	130,070	244,203
Impairment of Goodwill (Note 16.1)	106,288	-	-	-
Sundry Expenses	25,725	250	8,858	-
Loss on Disposal of Property, Plant and Equipment	50	-	50	-
	<b>132,063</b>	<b>250</b>	<b>276,765</b>	<b>244,203</b>

## 8. NET FINANCE COSTS

For the Year Ended 31st March	Consolidated		Company	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>(A) Finance income</b>				
Other Interest Income	(59,953)	(77,332)	(593)	(105)
Interest from Loans due from Related Companies	(63,450)	(103,338)	(91,402)	(200,169)
Commission on Corporate Guarantee	-	-	(44,036)	(25,837)
Gain on Translation of Foreign Currency	(162,245)	(85,563)	(39,483)	-
Gain on Financial Assets measured at Fair Value through Profit or Loss	(8,362)	-	(8,362)	-
Total Finance Income	(294,010)	(266,233)	(183,876)	(226,111)
<b>(B) Finance Costs</b>				
Interest on Bank Loans	1,463,076	1,568,783	316,725	386,456
Interest on Overdraft, Trust Receipt Loans and Interest on Other Borrowings	607,189	907,924	467,798	551,994
Interest on Lease Liabilities (Note 29)	55,912	34,775	5,009	2,079
Foreign Exchange Loss	52,872	206,624	-	43,677
Fair Value Loss on Financial Assets measured at FVTPL	-	3,714	-	3,714
Total Finance Costs	2,179,049	2,721,820	789,532	987,920
Net Finance Costs	1,885,039	2,455,587	605,656	761,809

## 9. (LOSS) /PROFIT BEFORE TAX

Is stated after charging all expenses including the following:

For the Year Ended 31st March	Consolidated		Company	
	2024	2023	2024	2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Depreciation/Amortization</b>				
Property, Plant & Equipment (Note 13)	410,508	397,659	45,533	44,103
Investment Property (Note 15)	21,681	23,240	-	-
Intangible Assets (Note 16.2)	3,817	2,711	1,006	-
Right of Use Assets (Note 14)	87,206	57,205	10,814	11,841
<b>Auditor's Remuneration</b>				
KPMG	19,577	17,726	5,265	4,650
Other Auditors	5,080	5,885	-	-
<b>Non-Audit Services</b>				
KPMG	3,605	2,315	1,459	1,415
Other Auditors	1,504	3,453	1,504	1,610
Salaries and Wages	2,193,455	1,727,693	1,100,492	865,983
Defined Benefit Plan Cost - Retiring Gratuity	91,706	65,730	41,433	25,950
Defined Contribution Plan Cost - EPF & ETF	282,268	218,423	113,735	86,422
Managing Agent Fees	49,045	10,637	-	-
Donations	709	275	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 10. INCOME TAX EXPENSE

For the Year Ended 31st March	Consolidated		Company	
	2024 Rs.'000	2023 Rs.'000 Restated	2024 Rs.'000	2023 Rs.'000
<b>Current Income Tax Expense</b>				
Taxation on Profit for the Year (Note 10.1)	299,724	710,222	-	879
Under Provision in respect of previous Year	10,034	16,575	-	-
Write-Off of unclaimable ESC	-	19,828	-	-
	<b>309,758</b>	<b>746,625</b>	<b>-</b>	<b>879</b>
<b>Deferred Tax Expense</b>				
Deferred Tax Reversals through Profit or Loss (Note 31.1)	(37,806)	(115,244)	(22,522)	(28,016)
	<b>271,952</b>	<b>631,381</b>	<b>(22,522)</b>	<b>(27,137)</b>

#### 10.1 Current Income Tax Expense

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

For the Year Ended 31st March	Consolidated		Company	
	2024 Rs.'000	2023 Rs.'000	2024 Rs.'000	2023 Rs.'000
Accounting (Loss)/ Profit before Taxation	(391,466)	2,966,825	310,036	1,069,989
Inter Group Adjustments	2,081,886	1,865,979	-	-
	<b>1,690,420</b>	<b>4,832,804</b>	<b>310,036</b>	<b>1,069,989</b>
Aggregate Disallowable Expenses	1,110,706	2,937,077	231,229	818,239
Aggregate Allowable Expenses	(2,053,990)	(3,060,983)	(1,098,452)	(1,645,971)
Tax Exempt Income	(106,221)	-	-	-
Income not part of Assessable Income	(599,032)	(992,794)	-	-
	<b>41,883</b>	<b>3,716,104</b>	<b>(557,187)</b>	<b>242,257</b>
Statutory Loss from Business (Note 10.2)	1,382,907	300,870	(557,187)	-
Taxable Profit from Business	1,424,790	4,016,974	-	242,257
Other Sources of Income	(69,540)	622,583	91,402	522,209
Tax Losses utilized during the year (Note 10.2)	(356,170)	(1,222,138)	(91,402)	(755,676)
Taxable Income	999,080	3,417,419	-	8,790
Income Tax @ 30%	299,724	333,295	-	-
Income Tax @ 24%	-	92,788	-	-
Income Tax @ 18%	-	70,721	-	-
Income Tax @ 14%	-	212,539	-	-
Income Tax @ 10%	-	879	-	879
Income Tax on Profit for the year	<b>299,724</b>	<b>710,222</b>	<b>-</b>	<b>879</b>

## 10.2 Accumulated Tax Losses

For the Year Ended 31st March	Consolidated		Company	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance at the beginning of the year	4,641,333	5,911,661	1,441,224	2,520,638
Adjustments to opening balance	(285,639)	(349,060)	(284,375)	(323,738)
Tax Loss utilized during the year	(356,170)	(1,222,138)	(91,402)	(755,676)
Tax Loss for the year	1,382,907	300,870	557,187	-
Balance at the end of the year	5,382,431	4,641,333	1,622,634	1,441,224

**10.3** The Group/ Company is liable to pay income tax on its taxable income at 30% as per the Inland Revenue (Amendment) Act No 45 of 2022 (2023-30%)

Effective tax rate of the Group is 30% (2023 - 20.8%)

### (A) subsidiaries

Name of the Company	Income Tax Rate for profits earned for the Year Ended 31st March 2024	Income Tax Rate for profits earned for the Year Ended 31st March 2023
SunAgro LifeScience Ltd	30%	24%,30%
Associated Farms Ltd	30%	24%,30%
Lankem Paints Ltd	30%	24%,30%
Lankem Chemicals Limited	30%	24%,30%
Lankem Consumer Products Ltd	30%	24%,30%
Lankem Exports (Pvt) Limited	30%	24%,30%
Lankem Research Ltd	30%	24%,30%
SunAgro Farms Ltd	30%	24%,30%
JF Ventures Ltd (previously known as SunAgro Foods Ltd)	30%	24%,30%
Nature's Link Ltd	30%	24%,30%
Lankem Technology Services Ltd	30%	24%,30%
Marawila Resorts PLC	30%	14%,24%,30%
Sigiriya Village PLC	30%	14%,24%,30%
Colombo Fort Hotel Ltd	30%	24%,30%
Beruwala Resorts PLC	30%	14%,24%,30%
BOT Hotel Services (Pvt) Ltd	30%	24%,30%
Galle Fort Hotel (Pvt) Ltd	30%	14%,24%,30%
Imperial Hotels Ltd	30%	14%,24%,30%
Sherwood Holidays Ltd	30%	14%,24%,30%
C.W.Makies PLC	30%	14%,18%,24%,30%
J.F. Packaging Ltd	30%	24%,30%
Alliance Five (Pvt) Ltd	30%	14%,24%,30%
Kiffs (Pvt) Ltd	30%	18%,24%,30%
Ceylon Tapes (Pvt) Ltd	30%	14%,18%,24%,30%
ACME Printing and Packaging PLC	30%	18%,24%,30%
ACME Packaging Solution (Pvt) Ltd	30%	18%,24%,30%
Lankem Minerals Ltd	30%	-

## NOTES TO THE FINANCIAL STATEMENTS

### b) Associates

Name of the Company	Income Tax Rate for profits earned for the Year Ended 31st March 2024
Consolidated Tea Plantations Ltd.	30%

### (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 2024. (2023: 30%)

## 11. EARNINGS PER SHARE

### 11.1 Basic Earnings per share

For the Year Ended 31st March	Consolidated		Company	
	2024	2023 Restated	2024	2023
Profit attributable to Equity Holders of the Company (Rs. '000)	<b>(639,513)</b>	2,206,092	<b>332,558</b>	1,097,126
Weighted Average Number of Ordinary Shares (No.'000)	<b>51,471</b>	51,471	<b>51,471</b>	51,471
(Loss) / Earnings per Share (Rs.)	<b>(12.42)</b>	42.86	<b>6.46</b>	21.32

### 11.2 Diluted Earnings per share

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

## 12. DIVIDEND PER SHARE

For the Year Ended 31st March	Company	
	2024	2023
Gross Dividend Paid During the Year (Rs. '000)	<b>514,707</b>	-
Weighted Average Number of Ordinary Shares (No.'000)	<b>51,471</b>	51,471
Dividend per Share (Rs.)	<b>10</b>	-

### 13. PROPERTY, PLANT & EQUIPMENT

#### 13.1 Consolidated

Cost / Revalued Amount	Balance	Transfer	Capitalised	Revaluation	Adjustment	Additions	Disposals	Write off	Balance	Balance
	As at 01.04.2023 Rs. '000	during the Year Rs. '000	during the Year Rs. '000	during the year Rs.000	on Revaluation Rs. '000	during the Year Rs. '000	during the Year Rs. '000	during the Year Rs. '000	As at 31.03.2024 Rs. '000	As at 31.03.2023 Rs. '000
	Restated									Restated
Land	5,600,984	-	-	-	-	-	-	-	5,600,984	5,600,984
Freehold Buildings	3,252,407	(6,277)	7,174	1,229,756	(420,560)	115,931	-	-	4,178,431	3,252,407
Buildings on Leasehold Lands	25,364	-	-	-	-	3,881	-	-	29,245	25,364
Fixtures	68,691	-	-	-	-	-	(284)	-	68,407	68,691
Plant & Machinery	2,863,190	-	21,560	-	-	151,890	(7,555)	(1,299)	3,027,786	2,863,190
Motor Vehicles	460,840	-	-	-	-	15,548	(18,281)	-	458,107	460,840
Furniture & Fittings	658,614	4,240	2,051	-	-	73,722	-	(15,622)	723,005	658,614
Office Equipment	564,515	-	-	-	-	96,638	(1,726)	(138,208)	521,219	564,515
Linen & Soft Furnishings	160,120	-	-	-	-	22,501	(1,980)	-	180,641	160,120
	13,654,725	(2,037)	30,785	1,229,756	(420,560)	480,111	(29,826)	(155,129)	14,787,825	13,654,725
Capital Work in Progress	32,251	-	(34,025)	-	-	5,259	-	-	3,485	32,251
<b>Total Cost/Revalued Amount</b>	13,686,976	(2,037)	(3,240)	1,229,756	(420,560)	485,370	(29,826)	(155,129)	14,791,310	13,686,976
	Balance	Transfer		Charge	Adjustment	Disposals	Write off	Balance	Balance	
	As at	during		for the year	on Revaluation	during	during	As at	As at	
	01.04.2023	the Year		Rs. '000	Rs. '000	the Year	the Year	31.03.2024	31.03.2023	
	Rs. '000	Rs. '000		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	
<b>Accumulated Depreciation</b>										
Freehold Buildings	297,407	(58)	(58)	123,211	(420,560)	-	-	-	297,407	
Buildings on Leasehold Lands	18,019	-	-	3,300	-	-	-	21,319	18,019	
Fixtures	41,631	-	-	-	-	-	-	41,631	41,631	
Plant & Machinery	2,094,859	-	-	149,528	-	(4,546)	(1,172)	2,238,669	2,094,859	
Motor Vehicles	391,139	-	-	24,335	-	(18,280)	-	397,194	391,139	
Furniture & Fittings	501,163	(287)	(287)	38,271	-	(234)	(15,103)	523,810	501,163	
Office Equipment	469,520	-	-	62,971	-	(1,556)	(137,109)	393,826	469,520	
Linen & Soft Furnishings	156,743	-	-	8,892	-	(255)	-	165,380	156,743	
	3,970,481	(345)	(345)	410,508	(420,560)	(24,871)	(153,384)	3,781,829	3,970,481	
<b>Net Carrying Value of Property, Plant and Equipment</b>	9,716,495							11,009,481	9,716,495	

## NOTES TO THE FINANCIAL STATEMENTS

### 13. PROPERTY, PLANT & EQUIPMENT

#### 13.2 Company

	Balance As at 01.04.2023 Rs.'000	Revaluation during the Year Rs.'000	Adjustment on Revaluation Rs.'000	Transfer during the Year Rs.'000	Additions during the Year Rs.'000	Disposals during the Year Rs.'000	Balance As at 31.03.2024 Rs.'000
<b>Cost / Revalued Amount</b>							
Land	385,844	-	-	-	-	-	385,844
Buildings	437,649	247,842	(91,132)	(2,703)	1,732	-	593,388
Fixtures	1,695	-	-	6,277	170	-	8,142
Plant & Machinery	253,423	-	-	-	6,261	-	259,684
Motor Vehicles	38,948	-	-	-	-	-	38,948
Furniture, Fittings & Office Equipment	260,961	-	-	(775)	29,677	(258)	289,605
<b>Cost / Revalued Amount</b>	1,378,520	247,842	(91,132)	2,799	37,840	(258)	1,575,611
Capital Work in Progress	4,235	-	-	(8,076)	3,841	-	-
<b>Cost / Revalued Amount</b>	1,382,755	247,842	(91,132)	(5,277)	41,681	(258)	1,575,611

	Balance As at 01.04.2023 Rs.'000	Adjustment on Revaluation Rs.'000	Transfer during the Year Rs.'000	Charge for the Year Rs.'000	Disposals during the Year Rs.'000	Balance As at 31.03.2024 Rs.'000
<b>Accumulated Depreciation</b>						
Buildings	69,798	(91,132)	(59)	21,393	-	-
Fixtures	461	-	59	337	-	857
Plant & Machinery	238,260	-	-	5,650	-	243,910
Motor Vehicles	34,302	-	-	2,895	-	37,197
Furniture, Fittings & Office Equipment	214,959	-	(345)	15,258	(208)	229,664
<b>Accumulated Depreciation</b>	557,780	(91,132)	(345)	45,533	(208)	511,628
<b>Total Carrying Amount of Property, Plant &amp; Equipment</b>	824,975					1,063,983

#### Carrying Amount of Property Plant & Equipment

Asset Category	Consolidated		Company	
	31.03.2024 Rs.'000	03.31.2023 Rs.'000 Restated	31.03.2024 Rs.'000	03.31.2023 Rs.'000
Land	5,600,984	5,600,984	385,844	385,844
Freehold Buildings	4,178,431	2,955,000	593,388	367,851
Buildings on Leasehold Lands	7,926	7,345	-	-
Fixtures	26,776	27,060	7,285	1,234
Plant & Machinery	789,117	768,331	15,774	15,163
Motor Vehicles	60,913	69,701	1,751	4,646
Furniture & Fittings	199,195	157,451	59,941	46,002
Office Equipment	127,393	94,995	-	-
Linen & Soft Furnishings	15,261	3,377	-	-
Capital Work in Progress	3,485	32,251	-	4,235
	11,009,481	9,716,495	1,063,983	824,975

### 13.3 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 2024 is Rs.3,001 Mn (2023-Rs.1,827 Mn)

#### Company

The gross carrying amount of fully depreciated Property, Plant and Equipment still in use as at 31st March 2024 is Rs.449 Mn (2023-Rs.387 Mn)

### 13.4 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 Lands have been credited to the revaluation reserve while loss being charged to profit and loss.

The directors of the Company are of the view that the fair value of these Lands as at 31st March 2024 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.

The 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 Rs. '000	Carrying Value of Lands As at 31.03.2024 Rs. '000	Market value of Land as at 31.03.2022 Rs. '000	Restated
<b>i Lankem Ceylon PLC</b>									
Land	St. Anthony's Road Ekala	2A:3R:36.35P	12	The Late Mr. P. P. T. Mohideen Chartered Valuer	31.03.2022	800-950	385,844	385,844	
<b>ii Marawila Resorts PLC</b>									
Land	Marawila	29A:1R:33.6P	23	The Late Mr. P. P. T. Mohideen Chartered Valuer	31.03.2022	180-300	1,289,010	1,289,010	
<b>iii Sigiriya Village Hotels PLC</b>									
Land	Sigiriya Mankani, Trincomalee	7A:12	32	The Late Mr. P. P. T. Mohideen Chartered Valuer	31.03.2022	69-85	207,082	207,082	
<b>iv B.O.T. Hotels Services (Pvt) Ltd.</b>									
Land	Kapparatota Road, Weligama	3A:0R:10.59P	7	The Late Mr. P. P. T. Mohideen Chartered Valuer	31.03.2022	964-1,178	551,775	551,775	
<b>v C.W. Mackie PLC</b>									
Land	Munagama, Horana.	3A:0R:5.21P	4	Mr.K.T.D.Tissera Chartered Valuer	31.03.2022	700-800	363,908	363,908	
Land	Munagama, Horana.	2A:3R:33.07P	8						
Land	Aramanagolla, Horana	5A:0R:0.5P	4	Mr.K.T.D.Tissera Chartered Valuer	31.03.2022	800-900	640,360	640,360	
Land	Thebuwana, Narthupana	5A:1R:10P	8	Mr.K.T.D.Tissera Chartered Valuer	31.03.2022	150-200	137,250	137,250	

## 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 Rs. '000	Carrying Value of Lands As at 31.03.2024 Rs. '000	Market value of Land as at 31.03.2022 Rs. '000 Restated
Land	Kaluaggala, Hanwella	2A:0R:35P	11	Mr.K.T.D.Tissera Chartered Valuer	31.03.2022	400-500	137,250	137,250
<b>vi Galle Fort Hotel (Pvt) Ltd.</b>								
Land	Galle Fort, Galle	0A:1R:37.5P	4	The Late Mr. P. P. T. Mohideen Chartered Valuer	31.03.2022	12,500-15,000	1,355,350	1,355,350
<b>vii Beruwala Resorts PLC</b>								
Land	Freehold Moragalla, Beruwala	0A:0R:2.8P	12	The Late Mr. P. P. T. Mohideen Chartered Valuer	31.03.2022	0.19-0.23	267	267
<b>viii JF Packaging Ltd.</b>								
Land	Minuwangoda Road, Kotugoda.	2A:0R:30P	8	The Late Mr. P. P. T. Mohideen Chartered Valuer	31.03.2022	761-930	304,500	304,500
<b>ix Ceylon Tapes (Pvt) Ltd</b>								
Land	23/20, Samagi Mawatha, Ja-Ela.	0A:1R:5P	2	The Late Mr. P. P. T. Mohideen Chartered Valuer	31.03.2022	270-330	14,625	14,625
<b>x. ACME Printing and packaging PLC</b>								
Land	345, Gonamadhitha Road, Piliyandala	2A:3R:23.8P	6	The Late Mr. P. P. T. Mohideen Chartered Valuer	31.03.2022	450-550	213,763	213,763
							5,600,984	5,600,984

### 13.5 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 Value as at 31st March 2024 Rs'000	Increase +10% Rs'000	Decrease -10% Rs'000
<b>Market Price per Perch (10% movement)</b>			
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	26	(26)
C.W Mackie PLC	1,278,768	127,877	(127,877)
ACME Printing and Packaging PLC	213,763	21,376	(21,376)
	5,600,984	560,098	(560,098)

### 13.6. Revaluation of Buildings under Property, Plant and Equipment

A valuation of buildings of the Group was carried out by independent valuers as at 31st March 2024 using estimated replacement cost method and incorporated in the financial statements of the Group. The surplus on revaluation of Buildings have been credited to the revaluation reserve while loss being charged to profit and loss.

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.

The portfolio of buildings owned by the Group are as follows:

Company Name	Location	No of Buildings	Extent of the Buildings Sq.ft	Fair Value as at 31st March 2024 Rs.000	Net Book Value as at 31st March 2024 Rs.000	Revaluation Gain/(Loss) for the year ended 31st March 2024 Rs.000	Name of the Valuer	Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Sensitivity of Fair Value to Unobservable Inputs
Galle Fort Hotel (Private) Ltd	No. 6217, Pedlar Street, GalleFort, Galle.  No. 31, Light House Street, Galle, Fort , Galle.	5	32,311 sq. ft.	245,259	246,647	(1,388)	Wathsala Wickramanayake MRICS	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs.5,000-Rs 8,000	Positively correlated sensitivity
Sherwood Holidays Ltd	Totalagala, Haputale	7	11,940 sq. ft.	81,406	77,353	4,053	Wathsala Wickramanayake MRICS	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 3,700-Rs 6,750	Positively correlated sensitivity
Lankem Ceylon PLC	St. Anthony's Road, Ekala	12	53,282 sq. ft.	192,590	102,058	90,532	Mr.Guruge S.K. Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 2,500-Rs 6,750	Positively correlated sensitivity
Lankem Ceylon PLC	Pannala, Kurunegala	4	58,133 sq. ft.	307,550	172,267	135,283	Mr.Guruge S.K. Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 4,000-Rs 6,750	Positively correlated sensitivity
Lankem Ceylon PLC	Siripura, Polonnaruwa	1	20,675 sq.ft.	93,244	71,217	22,027	Mr.Guruge S.K. Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 5,500	Positively correlated sensitivity
Marawila Resorts PLC	Thalvila Marawila	24	181,664 sq. ft.	967,501	824,325	143,176	Wathsala Wickramanayake MRICS	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 1,800-Rs 7,200	Positively correlated sensitivity
Ceylon Taples ( Pvt) Ltd	23/20, Samagi Mawatha,	3	4,204 sq. ft.	14,000	5,542	8,458	Siri Nissanka Chartered & Incorporated Valuers	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 1,500-Rs 3,000	Positively correlated sensitivity

## NOTES TO THE FINANCIAL STATEMENTS

Company Name	Location	No of Buildings	Extent of the Buildings Sq.ft	Fair Value as at 31st March 2024 Rs.000	Net Book Value as at 31st March 2024 Rs.000	Revaluation Gain/(Loss) for the year ended 31st March 2024 Rs.000	Name of the Valuer	Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Sensitivity of Fair Value to Unobservable Inputs
B.O.T Hotel Services (Pvt) Ltd	No. 215, Sri Sanghananda Mawatha, Kapparathota, Weligama.	7	58,971 sq.ft	153,758	161,437	(7,679)	Wathsala Wickramanayake MRICS	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 825-Rs 3,975	Positively correlated sensitivity
J.F.Packaging Limited	No.306, Minuwangoda Road, Kotugoda	8	71,320 sq. ft.	440,512	190,141	250,371	Siri Nissanka Chartered & Incorporated Valuers	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 5,000-Rs 16000	Positively correlated sensitivity
Beruwala Resorts PLC	6th Lane, Moragalla, Beruwala	12	131,988 sq. ft.	461,574	265,107	196,467	Wathsala Wickramanayake MRICS	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 1,200 - Rs-4,000	Positively correlated sensitivity
Ceymac Rubber Co, Ltd	Aramangolla, Horana and Thebuwana, Narthupana	17	124,798 sq. ft.	244,000			Mr.K.T.D.Tissera Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 750-Rs 3,000	Positively correlated sensitivity
Kelani Valley Canneries Limited	Kaluaggala, Hanwella	11	26,522sq. ft.	60,000	299,257	84,743	Mr.K.T.D.Tissera Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 500-Rs 2,500	Positively correlated sensitivity
C.W. Mackie PLC	Munagama, Horana	7	24,785 sq. ft.	80,000			Mr.K.T.D.Tissera Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs. 1,000-Rs 4,000	Positively correlated sensitivity
Sigiriya Village Hotel PLC	P.O Box 1, Sigiriya	32	160241 sq.ft.	363,750	194,032	169,718	Wathsala Wickramanayake MRICS	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs 1,600 - Rs 5,000	Positively correlated sensitivity
ACME Printing & Packaging PLC	Piliyandala	7	74,549 sq.ft.	320,672	232,205	88,467	Mr.Guruge S.K. Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs 1,000-Rs 7,500	Positively correlated sensitivity
ACME Packaging Solutions (Pvt) Ltd	Makandura, Gonawila	7	30,648 sq.ft.	152,615	107,088	45,527	Mr.Guruge S.K. Chartered Valuer	Estimated replacement cost per Sq. Ft. adjusted for wear and tear.	Rs 1,750-Rs 6,750	Positively correlated sensitivity
<b>Total</b>				<b>4,178,431</b>	<b>2,948,675</b>	<b>1,229,756</b>				

### 13.7 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)	Market Value as at 31st March 2024 Rs'000	Increase +10% Rs'000	Decrease -10% Rs'000
Lankem Ceylon PLC	593,384	59,338	(59,338)
Sigiriya Village Hotel PLC	363,750	36,375	(36,375)
Marawila Resort PLC	967,501	96,750	(96,750)
B.O.T. Hotel Services ( Pvt) Ltd	153,758	15,376	(15,376)
Galle Fort Hotels ( Pvt) Ltd	245,259	24,526	(24,526)
Ceylon Tapes ( Pvt) Ltd	14,000	1,400	(1,400)
JF Packaging Ltd	440,512	44,051	(44,051)
Beruwala Resorts PLC	461,574	46,157	(46,157)
CW Mackie PLC	384,000	38,400	(38,400)
Shewood Holidays Ltd	81,406	8,141	(8,141)
ACME Printing & Packaging PLC	473,287	47,329	(47,329)
	<b>4,178,431</b>	417,843	(417,843)

### 13.8 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.

### 13.9 Replacement cost method

The replacement cost method involves arriving at an asset's value by reference to the present-day cost, in an arms-length transaction, of replacing that asset with a similar asset in a similar condition (plus, if appropriate, payment of any taxes due). The method is based on the principle that a buyer will not pay more for an asset—and a seller will not accept less—than the price of a similar asset. The method can be used to value both an entire business and its individual assets.

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

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

As at	Consolidated		Company	
	31.03.2024 Rs'000	31.03.2023 Rs'000	31.03.2024 Rs'000	31.03.2023 Rs'000
Lands	2,180,901	2,180,901	60,600	60,600
Buildings	2,150,884	2,153,604	182,860	202,462

## NOTES TO THE FINANCIAL STATEMENTS

### 14. RIGHT-OF-USE-ASSETS

As at	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost</b>				
Balance as at 1st April	501,624	401,371	81,374	93,855
Additions during the year	76,379	114,675	28,406	1,941
De recognition during the year	(16,449)	(14,422)	(7,669)	(14,422)
Balance at the end of the year	561,554	501,624	102,111	81,374
<b>Accumulated Amortisation</b>				
Balance as at 1st April	226,258	180,494	55,153	54,753
Amortisation for the year	87,206	57,205	10,814	11,841
De recognition during the year	(7,216)	(11,441)	(7,216)	(11,441)
Balance at the end of the year	306,248	226,258	58,751	55,153
Written down value as at 31 March	255,306	275,366	43,360	26,221

Right of Use Assets includes both Land & Buildings of the Hotel, Packaging & Industrial sectors.

### 15. INVESTMENT PROPERTY

As at	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Cost</b>				
Balance at the beginning of the year	977,763	1,066,127	-	-
Additions during the year	-	5,296	-	-
Disposals during the year	-	(93,660)	-	-
Balance at the end of the year	977,763	977,763	-	-
<b>Accumulated Depreciation</b>				
Balance at the beginning of the year	136,919	117,581	-	-
Charge for the Year	21,681	23,240	-	-
Disposals during the year	-	(3,902)	-	-
Balance at the end of the year	158,600	136,919	-	-
Carrying Amount as at 31 March	819,163	840,844	-	-

### 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 2024 is as follows;

Company / Location	Fair Value Rs. Mn
Sunquick Lanka Properties ( Pvt) Ltd, Munagama, Horana	700
Total	700

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

For the year ended 31st March	2024 Rs.'000	2023 Rs.'000
Rent Income	173,430	176,253
Direct operating expenses arising from investment property that generated rental income during the year	42,624	30,576

#### 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 the late 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.

## 16. INTANGIBLE ASSETS

As at	Consolidated		Company	
	31.03.2024 Rs.'000	31.03.2023 Rs.'000	31.03.2024 Rs.'000	31.03.2023 Rs.'000
Goodwill (Note 16.1)	1,107,155	1,213,443	-	-
Other Intangible Assets (Note 16.2)	22,897	8,481	13,015	-
	1,130,052	1,221,924	13,015	-

### 16.1 Goodwill

As at	Consolidated	
	31.03.2024 Rs.'000	31.03.2023 Rs.'000
Goodwill on Acquisition	1,542,515	1,542,515
Impairment of Goodwill	(435,360)	(329,072)
	1,107,155	1,213,443

## NOTES TO THE FINANCIAL STATEMENTS

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

As at	Consolidated	
	31.03.2024	31.03.2023
	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) Limited	143,777	143,777
Alliance Five (Pvt) Limited	42,185	42,185
Galle Fort Hotel (Pvt) Ltd	329,072	329,072
	<b>1,542,515</b>	1,542,515
Less: Provision for Impairment (Note 16.1.1)	(435,360)	(329,072)
	<b>1,107,155</b>	1,213,443

### 16.1.1 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 2024. For the purpose of impairment assessment the Group considered each Company as separate CGUs.

The recognized impairment as at 31st March 2024 is attributable to below CGUs.

As at	Consolidated	
	31.03.2024	31.03.2023
	Rs'000	Rs'000
ACME Printing & Packaging PLC	106,288	-
Galle Fort Hotel (Pvt) Ltd	329,072	329,072
	<b>435,360</b>	329,072

#### ACME Printing and Packaging PLC

The recoverable amount of this CGU was calculated based on its fair value less cost to sell. The fair value of the company was determined based on its market value as at 31st March 2024. The carrying amount of the CGU was determined as higher than its recoverable amount. Accordingly, an impairment loss of Rs. 106 Mn was recognized in during the year ended 31st March 2024. The fair value is classified as level 1 as per the fair value hierarchy under SLFRS 13.

#### Galle Fort Hotels (Pvt) Ltd

The recoverable amount of this CGU was calculated based on its fair value less cost to sell estimated with reference to the net asset value of Gall Fort Hotels (Pvt) Ltd. 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.

In both the situations the Group assumed that the cost related to sales is not significant to its recoverable value.

Recoverable amounts of these investments were measured as follows:

#### 16.1.1.1 Recoverable values measured with reference to the value in use

The values assigned to the key assumptions represents management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

Investee	Significant unobservable inputs	Value of the inputs (Should update)
Ceylon Tapes (Pvt) Ltd. (CT)	Average Growth Rate	17%
	Terminal Growth Rate	3%
	Discount Rate	12%
	Term	4 years (terminal value thereafter)
JF Packaging Ltd. (JF)	Average Growth Rate	14%
	Terminal Growth Rate	3%
	Discount Rate	12%
	Term	5 years (terminal value thereafter)
Kiffs (Pvt) Ltd. (KF)	Average Growth Rate	24%
	Terminal Growth Rate	3%
	Discount Rate	12%
	Term	4 years (terminal value thereafter)
Alliance Five (Pvt) Ltd. (A5)	Average Growth Rate	22%
	Terminal Growth Rate	3%
	Discount Rate	12%
	Term	4 years (terminal value thereafter)
Sherwood Holidays Ltd. (SW)	Average Growth Rate	25%
	Terminal Growth Rate	2%
	Discount Rate	23%
	Term	5 years (terminal value thereafter)

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

## NOTES TO THE FINANCIAL STATEMENTS

The management has identified that a reasonably possible change in below key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which assumption would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

Company Name	Change required for carrying amount to equal recoverable amount				
	KF	A5	CT	JF	SW
Discount Rate	15.5%	31.4%	9.7%	4.2%	45%
Budgeted EBITDA/Revenue Growth Rate	(6.5%)	(9.1%)	(10.9%)	(1%)	(8%)

### 16.1.1.2 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.110 - Rs. 130

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

### 16.2 Other Intangible Assets

As at	Consolidated		Company	
	31.03.2024 Rs.'000	31.03.2023 Rs.'000	31.03.2024 Rs.'000	31.03.2023 Rs.'000
<b>Cost</b>				
Balance at the beginning of the year	80,302	79,845	-	-
Additions during the year	13,301	457	9,089	-
Transfer from CWIP	3,240	-	3,240	-
Reclassified from Property, Plant and Equipment	2,037	-	2,037	-
Balance at the end of the year	98,880	80,302	14,366	-
<b>Accumulated Amortization</b>				
Balance at the beginning of the year	71,821	69,110	-	-
Charge for the Year	3,817	2,711	1,006	-
Reclassified from Property, Plant and Equipment	345	-	345	-
Balance at the end of the year	75,983	71,821	1,351	-
Carrying Amount	22,897	8,481	13,015	-

Other intangible assets include Licenses, Sales Force Automation Systems, Human Resources Information Systems, E Mail Solutions and Enterprise Resource Planning Systems (ERP).

## 17. INVESTMENT IN SUBSIDIARIES

### 17.1 Company

As at	Group Holding 2024 %	Company Holding 2024 %	Group Holding 2023 %	Company Holding 2023 %	No of Shares 31.03.2024	Market Value 31.03.2024 Rs.'000	Cost 31.03.2024 Rs.'000	No of Shares 31.03.2023	Market Value 31.03.2023 Rs.'000	Cost 31.03.2023 Rs.'000
<b>Quoted Investments</b>										
C.W.Mackie PLC	54.25	54.25	54.25	54.25	19,523,252	1,854,708	873,919	19,523,252	1,598,954	873,919
Marawila Resorts PLC (Note 17.3)	26.92	4.68	36.66	7.23	16,478,829	56,028	98,066	16,478,829	34,605	98,066
ACME Printing and Packaging PLC (Note 17.3)	25.10	25.10	25.10	25.10	23,846,993	131,159	284,952	23,846,993	150,236	284,952
<b>Total Quoted Investments</b>							<b>1,256,937</b>			<b>1,256,937</b>
<b>Unquoted Investments</b>										
Colombo Fort Hotels Ltd.	53.02	52.93	65.60	65.47	147,270,913	-	1,965,848	182,166,913	-	2,431,657
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 Limited	100.00	100.00	100.00	100.00	1,204,068	-	1,121,515	1,204,068	-	1,121,515
Associated Farms (Pvt) Ltd.	100.00	100.00	100.00	100.00	55,398	-	554	55,398	-	554
Nature's Link Limited	100.00	100.00	100.00	100.00	5,000,000	-	50,000	5,000,000	-	50,000
Lankem Minerals Ltd*	100.00	100.00	-	-	12,499	-	125	-	-	-
<b>Total Unquoted Investments</b>							<b>3,434,442</b>			<b>3,900,126</b>
							<b>4,691,379</b>			<b>5,157,063</b>
Provision for Impairment of Investment in Subsidiaries (17.2)							<b>(762,133)</b>			<b>(845,226)</b>
Net Carrying Amount							<b>3,929,246</b>			<b>4,311,837</b>

\*The Company has invested in 100% shareholding in Lankem Minerals Ltd amounting to Rs.0.125 Mn during the year ended 31st March 2024.

## NOTES TO THE FINANCIAL STATEMENTS

### 17.2 Provision for Impairment of Investment in Subsidiaries

The Provision for impairment of investment in subsidiaries as at 31st March 2024 are attributable to followings:

As at	Company	
	31.03.2024 Rs.'000	31.03.2023 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.	434,347	647,511
Nature's Link Limited	50,000	50,000
Lankem Exports Limited	100	100
Lankem Research Ltd	2,500	2,500
Lankem Technology Services Ltd	5,000	5,000
Marawila Resorts PLC	42,038	25,857
Lankem Chemicals Ltd.	20,000	18,567
ACME Printing and Packaging PLC	153,794	41,337
	<b>762,133</b>	<b>845,226</b>

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

#### Calculation of Recoverable Values

##### 17.2.1 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 market value / net assets / adjusted net assets values as follows,

Subsidiary	Unobservable input	Range of input Rs.
Lankem Consumer Products (Private) Limited	Net Assets per Share	-
Lankem Paints Limited	Net Assets per Share	-
Sun Agro Farms Limited	Net Assets per Share	-
Associated Farms(Private) Limited	Net Assets per Share	-
Lankem Plantation Services Limited	Net Assets per Share	-
Colombo Fort Hotels Limited	Adjusted Net Assets per Share	9-20
Nature's Link Limited	Net Assets per Share	-
Lankem Exports Limited	Net Assets per Share	-
Lankem Research Limited	Net Assets per Share	-
Lankem Technology Services Limited	Net Assets per Share	-
Marawila Resorts PLC	Market Value	3.4
Lankem Chemicals Limited	Net Assets per Share	-
ACME Printing and Packaging PLC	Market Value	5.50
JF Packaging Ltd	Net Assets per Share	1400-1500

### 17.3. Subsidiaries with ownership of less than 50%

#### Marawila Resorts PLC

Although the Group owns less than 50% of Marawila Resorts PLC, management has determined that the Group controls this entity. The Group controls Marawila Resorts PLC by virtue of an agreement with its major shareholders, who owns approximately 47.9% of voting rights of Marawila Resorts PLC.

#### 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.

### 17.4 Gain on Disposal of Investment in Subsidiary's shares

The Company has disposed 34,896,000 shares of its investment in Colombo Fort Hotels in 18th October 2023, decreasing its ownership by 12.54%.

	31.03.2024 Rs.'000
Consideration Received	328,023
Carrying amount of the Investment Disposed	(465,810)
Disposal Loss	(137,787)

Due to the above disposal the impact of non controlling interest at the group level is as follows.

	Consolidated 31.03.2024 Rs'000
Considerations received	328,023
Carrying value of investee's net assets disposed	186,718
Increase in Non Controlling Interest	514,741

## 18. INVESTMENT IN ASSOCIATES

As at	Consolidated	
	31.03.2024 Rs'000	31.03.2023 Rs'000
<b>Unquoted Investments</b>		
Consolidated Tea Plantations Ltd (CTPL)	348,613	-
Total Unquoted Investments	348,613	-
Balance as at Beginning of the year	-	105,821
Investments during the year	921,321	-
Net Share of Loss for the year	(554,552)	(502)
Disposal during the year	(18,156)	(105,319)
Balance as at End of the year	348,613	-

## NOTES TO THE FINANCIAL STATEMENTS

### 18.1 Company

As at	Principle Business Activities	Holding 2024 %	Holding 2023 %	No. of Shares 31.03.2024	Cost 31.03.2024 Rs'000	No. of Shares 31.03.2023	Cost 31.03.2023 Rs'000
<b>Unquoted Investments</b>							
Consolidated Tea Plantations Ltd (CTPL)	Investing in Plantation	34.23	47.56	28,733,222	768,422	19,500,001	220,500
Gross Carrying Amount					768,422	220,500	
Provision for Impairment (18.1.1)					-	(220,500)	
<b>Net Carrying Amount</b>					<b>768,422</b>	<b>-</b>	

#### 18.1.1 Provision / (Reversal) for Impairment of Investments in Associates

As at	Company	
	31.03.2024 Rs'000	31.03.2023 Rs'000
<b>Consolidated Tea Plantations Ltd.(CTPL)</b>		
Opening Balance	220,500	220,500
Reversal during the year	(220,500)	-
Closing Balance	-	220,500

Consolidated Tea Plantation Ltd. (CTPL) has invested in the plantation sector (Kotagala Plantations PLC, Agarapatana Plantations PLC and Lankem Tea & Rubber Plantations (Pvt) Ltd) and in other sectors ( Lankem Developments PLC, Waverly Power (Pvt) Ltd and Union Commodities (Pvt) Ltd ) as at 31st March 2024. Considering profitability improvement in the plantation sector, the Company has re-assessed the impairment of its investment in CTPL and recognized a reversal of Rs.220.5 Mn during the year ended 31st March 2024.

The recoverable value of CTPL was estimated based on its fair value less cost to sell calculated with reference to the adjusted net assets value of CTPL as at 31st March 2024. In calculating the adjusted net assets value of CTPL, the Company has used the fair values of investments made in the subsidiaries of CTPL. Fair values of investment made in the subsidiaries of CTPL were estimated using a combination of valuation techniques. Fair values of all listed subsidiaries were determined with reference to the market prices of share traded as at reporting date. For non-listed subsidiaries, respective net assets values were used.

Significant unobservable inputs are,

Significant unobservable input	Range
Market prices of listed subsidiaries	Rs. 6 - Rs.17 per share
Net assets value of non-listed subsidiaries	Rs. 0 - Rs. 2 per share

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

### 18.3 Summarised Financial Information of Associates Companies

#### Summary of the Statement of Financial Position

As at	CTPL	CTPL
	31.03.2024	31.03.2023
	Rs.'000	Rs.'000
Non-current Assets	14,502,017	13,743,873
Current Assets	5,601,346	5,028,138
<b>Total Assets</b>	<b>20,103,363</b>	18,772,011
Non-current Liabilities	9,541,743	8,887,408
Current Liabilities	7,280,080	9,420,514
<b>Total Liabilities</b>	<b>16,821,823</b>	18,307,922
Equity Attributable to the Owners of the Company	842,153	(1,611,552)
Non-Controlling Interest	2,439,387	2,075,640
<b>Total Net Assets</b>	<b>3,281,540</b>	464,088
Ownership interest - Group	41.40%	47.56%
Investees Share of Net Assets	348,613	-
Goodwill	30,820	30,820
Impairment of Goodwill	(30,820)	(30,820)
Carrying Amount of Interest	348,613	-

#### Summary of the Statement of Profit or Loss

For the Year Ended	CTPL	CTPL	WPL
	31.03.2024	31.03.2023	30.09.2022
	Rs.'000	Rs.'000	Rs.'000
Revenue	16,724,806	20,653,647	14,338
Other Expenses	(16,543,892)	(19,450,294)	(15,490)
Profit after Tax	180,914	1,203,353	(1,152)
Other Comprehensive Income	(214,300)	30,953	-
Unrecognized share of loss in prior year	(540,367)	-	(502)
<b>Investee share of loss recognized for the year</b>	<b>(14,185)</b>	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 18.4 Investment and Disposal of Consolidated Tea Plantation Ltd

CTPL has issued 42,950,339 ordinary shares under a private placement The Company has purchased 11,042,990 shares (Rs.596 Mn) and Subsequently the Company divested its holding of 2.16% represented by 1,809,770 shares to E B Creasy Company PLC (Rs.48 Mn).

As at	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs'000	Rs'000	Rs'000	Rs'000
Disposal Value	97,728	-	97,728	-
Carrying amount of the Investment Disposed	(18,156)	-	(48,399)	-
Disposal Gain	79,572	-	49,329	-

#### At the Group Level

CTPL has issued 42,950,339 ordinary shares under a private placement The Group has purchased 17,061,508 shares (Rs.921 Mn) and Subsequently the Group divested its holding of 2.16% represented by 1,809,770 shares to E B Creasy Company PLC (Rs.18 Mn).

### 18.5 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 PLC for a consideration of Rs. 189.2Mn on 30th September 2022.

As at	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs'000	Rs'000	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

## 19. INVESTMENT IN JOINT VENTURE

### Sunquick Lanka (Private) Limited

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

As at	Consolidated	
	31.03.2024	31.03.2023
Balance as at 01st April	-	(163,547)
Investment made during the year	294,000	-
Share of Profit/(Loss) & OCI for the year	53,739	(163,547)
Unrecognised share of loss in prior period	(54,576)	-
Carrying Value as at 31st March	293,163	-

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

As at	Consolidated	
	31.03.2024	31.03.2023
	Rs.'000	Rs.'000
<b>Summary of the Statement of Financial Position</b>		
Non-Current Assets	<b>908,808</b>	934,423
Current Assets	<b>1,859,674</b>	1,803,092
Non - Current Liabilities	<b>(725,889)</b>	(1,465,321)
Current Liabilities	<b>(1,444,302)</b>	(1,373,689)
Equity	<b>598,291</b>	(101,495)
Group's Carrying Amount of the Investments	<b>293,163</b>	-
<b>Summary of the Statement of Profit or Loss</b>		
Revenue	<b>3,268,852</b>	2,546,508
Operating Expenses	<b>(3,263,005)</b>	(2,543,744)
Other Operating Income	<b>10,288</b>	31,832
Finance Income / (Cost)	<b>115,249</b>	(412,437)
Income Tax	<b>(17,959)</b>	(63,605)
Profit /(Loss) for the year	<b>113,425</b>	(441,446)
Other Comprehensive (Expense) / Income	<b>(3,754)</b>	3,809
Total Comprehensive Income / (Expense) for the year	<b>109,671</b>	(437,637)
Group's Share of Profit/(Loss) for the year	<b>55,578</b>	(216,309)
Unrecognised share of Profit / (Loss) in prior year	<b>(54,576)</b>	-
Group's Share of Profit/(Loss) recognised for the year	<b>1,002</b>	(165,413)
Share of (Loss)/Profit recognised in Other Comprehensive Income	<b>(1,839)</b>	1,866

## NOTES TO THE FINANCIAL STATEMENTS

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

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

As at	Note	Consolidated		Note	Company	
		31.03.2024 Rs.'000	31.03.2023 Rs.'000		31.03.2024 Rs.'000	31.03.2023 Rs.'000
Quoted Investments	20.1.1	61,355	65,892	20.2.1	54,949	62,016
Unquoted Investments	20.1.2	5,164	17,508	20.2.2	5,139	17,483
		66,519	83,400		60,088	79,499

#### 20.1 Consolidated

##### 20.1.1 Quoted Investments

As at	Consolidated			
	No of Shares 31.03.2024	Fair Value 31.03.2024 Rs.'000	No of Shares 31.03.2023	Fair Value 31.03.2023 Rs.'000
<b>Bank, Finance &amp; Insurance</b>				
Nations Trust Bank PLC	6,365	825	6,365	427
National Development Bank PLC	5,724	498	5,724	280
Total		1,323		707
<b>Hotels &amp; Travel</b>				
Hunas Holdings PLC	60,000	1,614	60,000	1,818
Pegasus Resorts PLC	960	22	960	33
Renuka City Hotels PLC	525	189	525	192
Royal Palms Beach Hotels PLC	375	11	375	10
Hotel Sigiriya PLC	38,000	1,938	-	-
Total		3,774		2,053
<b>Plantations</b>				
Lankem Development PLC	2,480,626	41,923	2,480,626	62,016
Agarapatana Plantations PLC	1,760,204	13,026	-	-
Total		54,949		62,016
<b>Healthcare</b>				
Ceylon Hospitals PLC	130	16	130	17
Total		16		17
<b>Other</b>				
Chevron Lubricants Lanka PLC	12,000	1,293	12,000	1,099
Total		1,293		1,099
Total Quoted Investments		61,355		65,892

Market value per share of quoted investments are based on published stock market prices as at 31st March 2024 (2022/23-31st March 2023).

### 20.1.2 Unquoted Investments

As at	Consolidated			
	No of Shares	Fair Value	No of Shares	Fair Value
	31.03.2024	31.03.2024	31.03.2023	31.03.2023
		Rs.'000		Rs.'000
Nanotechnology (Pvt) Ltd	3,810,182	-	3,810,182	-
Lankem Tea & Rubber Plantations (Pvt) Ltd	8,342	5,139	8,342	3,788
Agarapatana Plantations PLC (Previously Agarapatana Plantations Ltd)	-	-	1,760,204	13,695
Asia Pacific Golf Courses Ltd	2,500	-	2,500	-
Ingrin Institute of Printing & Graphics (Pvt) Ltd	1	25	1	25
<b>Total</b>		<b>5,164</b>		<b>17,508</b>

### 20.2. Company

#### 20.2.1 Quoted Investments

As at	Company			
	No of Shares	Fair Value	No of Shares	Fair Value
	31.03.2024	31.03.2024	31.03.2023	31.03.2023
		Rs.'000		Rs.'000
Lankem Development PLC	2,480,626	41,923	2,480,626	62,016
Agarapatana Plantations PLC	1,760,204	13,026	-	-
<b>Total</b>		<b>54,949</b>		<b>62,016</b>

#### 20.2.2 Unquoted Investment

As at	Company			
	No of Shares	Fair Value	No of Shares	Fair Value
	31.03.2024	31.03.2024	31.03.2023	31.03.2023
		Rs.'000		Rs.'000
Nanotechnology (Pvt) Ltd	3,810,182	-	3,810,182	-
Lankem Tea & Rubber Plantation (Pvt) Ltd	8,342	5,139	8,342	3,788
Agarapatana Plantations PLC (Previously Agarapatana Plantations Ltd)	-	-	1,760,204	13,695
<b>Total</b>		<b>5,139</b>		<b>17,483</b>

No Strategic investments were disposed during 2023/24, and there were no transfer of any cumulative gain or loss within equity relating to these investments.

The fair Value of unquoted investments is classified as level 03 in their value hierarchy. The unobservable inputs used are disclosed in Note 35.5.

## NOTES TO THE FINANCIAL STATEMENTS

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

As at	Consolidated/Company			
	No of Shares	Fair Value	No of Shares	Fair Value
	31.03.2024	31.03.2024	31.03.2023	31.03.2023
		Rs.'000		Rs.'000
Nations Trust Bank PLC	53,774	5,781	52,684	3,372
Tokyo Cement Company PLC (Voting)	36,117	1,860	32,834	1,642
Colonial Motors PLC	331,547	26,656	331,547	20,921
Union Bank Colombo PLC	30	-	30	-
		<b>34,297</b>		25,935

### 22. INVENTORIES

As at	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Raw Materials	1,662,520	1,936,338	367,802	445,291
Work- in -Progress	86,154	157,956	11,560	27,611
Finished Goods	3,687,443	3,246,189	664,387	589,959
Goods-in-Transit	109,008	132,940	84,572	110,829
Consumable Stock	390,024	405,893	-	-
Packing & Other Materials	16,002	15,915	-	-
	<b>5,951,151</b>	5,895,231	<b>1,128,321</b>	1,173,690
Less: Provision for Obsolete Inventories (Note 22.1)	<b>(448,819)</b>	(403,461)	<b>(86,962)</b>	(84,192)
	<b>5,502,332</b>	5,491,770	<b>1,041,359</b>	1,089,498

#### 22.1 Provision for Obsolete Inventories

As at	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st April	403,461	342,331	84,192	53,325
Provision for the Year	88,038	173,430	16,458	33,778
Inventory Write-off	(42,680)	(112,300)	(13,688)	(2,911)
Balance as at 31st March	<b>448,819</b>	403,461	<b>86,962</b>	84,192

## 23. TRADE & OTHER RECEIVABLES

As at	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade Receivables	7,536,655	6,143,757	1,930,540	1,805,015
Provision for Impairment of Trade Receivables (Note 23.1.1)	(539,776)	(608,356)	(258,456)	(313,573)
	6,996,879	5,535,401	1,672,084	1,491,442
Other Receivables	420,531	315,640	141,677	179,280
Deposits, Advances and Prepayments	749,905	746,067	5,000	-
Staff Loan	35,099	35,446	1,233	500
Tax Recoverable (Note 23.2)	106,136	108,077	-	-
Provision for Impairment of Other Receivables (Note 23.1.2)	(34,256)	(34,386)	-	-
	1,277,415	1,170,844	147,910	179,780
	8,274,294	6,706,245	1,819,994	1,671,222

### 23.1.1 Provision for Impairment on Trade Receivables

As at	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1st April	608,356	498,828	313,573	226,212
Provision made during the year	20,976	128,110	-	87,361
Reversal during the year	(79,694)	(2,001)	(55,117)	-
Written-off during the year	(9,862)	(16,581)	-	-
Balance as at 31st March	539,776	608,356	258,456	313,573

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

### 23.1.2 Provision for Impairment of Other Receivables

As at	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01st April	34,386	31,750	-	-
(Reversal) /Provision made during the year	(130)	2,636	-	-
Balance as at 31st March	34,256	34,386	-	-

## 23.2 Taxes Recoverable

As at	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Nation Building Tax	812	935	-	-
Withholding Tax	6,954	23,682	-	-
Value Added Tax	98,370	83,460	-	-
	106,136	108,077	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 24. CASH & CASH EQUIVALENTS

As at	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Favorable Balance</b>				
Fixed Deposits	7,149	12,652	-	-
Cash at Bank	582,611	522,585	139,028	35,406
Cash in Hand	25,278	22,012	841	918
	<b>615,038</b>	<b>557,249</b>	<b>139,869</b>	<b>36,324</b>
<b>Unfavorable Balance</b>				
Bank Overdraft	(1,144,667)	(1,105,606)	(345,448)	(410,000)
	<b>(529,629)</b>	<b>(548,357)</b>	<b>(205,579)</b>	<b>(373,676)</b>

### 25. 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	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance at the beginning	-	30,000	-	30,000
Disposal during the year	-	(30,000)	-	(30,000)
Balance at the end of the year	-	-	-	-

### 26. STATED CAPITAL

As at	31.03.2024		31.03.2023	
	Number of Shares	Value of Shares Rs.'000	Number of Shares	Value of Shares Rs.'000
Fully paid ordinary shares at beginning of the year	51,470,757	1,282,697	51,470,757	1,282,697
Issued during the year	-	-	-	-
At the end of the Year	<b>51,470,757</b>	<b>1,282,697</b>	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.

## 27. CAPITAL RESERVES

	Other Capital Reserves Rs.'000	Revaluation Reserves Rs.'000 Restated	FVOCI Reserves Rs.'000	Total Rs.'000
<b>Consolidated</b>				
Balance as at 01st April 2023	4,833	1,913,390	46,443	1,964,666
Loss on Financial Assets Measured at FVOCI (Net of Tax)	-	-	(14,639)	(14,639)
Revaluation gain on Buildings (Net of Tax)	-	499,574	-	499,574
Balance as at 31st March 2024	4,833	2,412,964	31,804	2,449,601

	Other Capital Reserves Rs.'000	Revaluation Reserves Rs.'000	FVOCI Reserves Rs.'000	Total Rs.'000
<b>Company</b>				
Balance as at 01st April 2023	-	399,701	51,073	450,774
Loss on Financial Assets Measured at FVOCI (Net of Tax)	-	-	(15,707)	(15,707)
Revaluation gain on Buildings (Net of Tax)	-	173,489	-	173,489
Balance as at 31st March 2024	-	573,190	35,366	608,556

### 27.1 Other Capital Reserves

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

### 27.2 Fair Value through OCI Reserves

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

### 27.3 Revaluation Reserve

The revaluation reserve comprise of the gain from revaluation of land and buildings. This reserve is realized upon the derecognition of the revalued property.

## NOTES TO THE FINANCIAL STATEMENTS

### 28. INTEREST BEARING BORROWINGS

As at	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
<b>Payable after one year</b>				
Long Term Loans (Note 28.1)	4,193,908	4,552,726	1,503,968	1,654,174
Loans Payable to Related Parties (Note 28.3)	26,590	26,590	203,110	250,999
	4,220,498	4,579,316	1,707,078	1,905,173
<b>Payable within one year</b>				
Long Term Loans (Note 28.1)	1,597,933	1,384,660	706,040	537,651
Short Term Loans (Note 28.2)	6,205,901	4,545,437	1,873,560	1,447,044
Interest Payable	322,494	263,957	133,837	163,239
	8,126,328	6,194,054	2,713,437	2,147,934
Loans Payable to Related Parties (Note 28.3)	193,419	145,234	95,369	60,369
Total	8,319,747	6,339,288	2,808,806	2,208,303
Total Interest Bearing Borrowings	12,540,245	10,918,604	4,515,884	4,113,476

#### 28.1 Term Loans

As at	Consolidated		Company	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance at the beginning	5,937,386	5,293,080	2,191,825	1,916,535
Restructuring of interest payables	-	317,362	-	317,362
Transfer from Short Term Loans	-	160,749	-	160,749
Loans obtained during the year	1,901,388	1,419,384	325,000	148,000
Effects on foreign currency fluctuations	(87,867)	107,135	-	-
Payments made during the year	(1,959,066)	(1,360,324)	(306,817)	(350,821)
Balance at the end	5,791,841	5,937,386	2,210,008	2,191,825
Payable within one year	1,597,933	1,384,660	706,040	537,651
Payable after one year	4,193,908	4,552,726	1,503,968	1,654,174

#### 28.2 Short Term Loans

As at	Consolidated		Company	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Term Loans	4,178,630	2,837,494	285,000	118,400
Trust Receipt Loans	2,027,271	1,707,943	1,588,560	1,328,644
	6,205,901	4,545,437	1,873,560	1,447,044

### 28.3 Loans Payable to Related Parties

	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance at the beginning	171,824	407,410	311,368	514,164
Loans transferred / obtained during the year	48,185	26,590	127,000	11,206
Payments made during the year	-	(262,176)	(139,889)	(214,002)
Balance at the end	220,009	171,824	298,479	311,368

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

The Colombo Fort Land & Building PLC	23,085	-	-	-
Sigiriya Village Hotels PLC	-	-	60,369	60,369
Colombo Fort Hotels Ltd	-	-	35,000	-
SunAgro LifeScience Ltd	-	-	203,110	250,999
E.B. Creasy & Company PLC	170,334	145,234	-	-
Agarapatana Plantations PLC	26,590	26,590	-	-
	220,009	171,824	298,479	311,368
Payable within one year	193,419	145,234	95,369	60,369
Payable after one year	26,590	26,590	203,110	250,999

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

Party	Interest Rate
Sigiriya Village Hotels PLC	AWPLR + 2%
Colombo Fort Hotels Ltd	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%
E.B. Creasy & Company PLC	AWPLR + 2%
Agarapatana Plantations PLC	AWPLR + 2%

Loans due to related parties classified as current are repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS

### 28.4 Assets pledged as Security Against Interest Bearing Borrowings

Company	Lender	Balance as at 31.03.2024 Rs.'Mn	Balance as at 31.03.2023 Rs.'Mn	Terms of Repayment	Security Pledged
<b>Lankem Ceylon PLC</b>	<b>Sampath Bank PLC</b>			In 60 monthly installments in following manner after a grace period of 24 months.	
	Loan 01	44.36	50.24	1-12 Months - Rs.0.25 Mn, 13-24 Months - Rs.0.625 Mn, 25-36 Months - Rs.0.750 Mn, 37-48 Months - Rs.0.875 Mn, 49-59 Months - Rs.2.71 Mn & 60th Month Rs.0.302 Mn per month, interest to be serviced separately on monthly basis.	(a) Term Loan Agreement of Rs. 60.11 Mn (b) Term Loan Agreement of Rs. 189.8 Mn (c) Hypothecation bond over stocks located Pannala and book debts of the Company for the total value of Rs.450 Mn (d) Corporate guarantee of E.B. Creasy & Company PLC Rs. 250 Mn
	Loan 02	142.64	160.26	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.	
	<b>Commercial Bank of Ceylon PLC</b>				
	Loan 01	-	9.45	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 02	2.80	16.00	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	

Company	Lender	Balance as at 31.03.2024 Rs.'Mn	Balance as at 31.03.2023 Rs.'Mn	Terms of Repayment	Security Pledged
	Loan 03	11.60	43.10	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.	
<b>Peoples' Bank</b>					
	Loan 1	504.95	510.00	In September 2022, Existing loan Rs. 515 Mn was convert to new reschedulment 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	216.47	Payable over 10 quarterly installments.	Stock in Trade & Book debts, Company Indemnity
	Loan 3	83.20	90.00	Payable over 96 Monthly installments.	
	Loan 4	48.60	52.00	Payable over 96 Monthly installments.	
	Loan 5	30.20	35.00	Payable over 60 Monthly installments.	
	Loan 6	11.80	14.10	Payable over 60 Monthly installments.	
<b>National Development Bank</b>					
	Loan 1	86.98	146.46	In September 2021 existing loan convert to new reschedulment facility payable over 40 installments inclusive of 4 months grace period	Mortgage over stocks and book debts
<b>Bank of Ceylon</b>					
	Loan 1	-	56.82	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	6.63	26.41	In 33 monthly equal installments inclusive of 09 months grace period.	
	<b>Central Finance Co PLC</b>	-	8.15	In March 2022, Existing loan was convert to new reschedulment 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.
<b>Union Bank Colombo PLC</b>					
	Loan 1	-	10.51	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

## NOTES TO THE FINANCIAL STATEMENTS

Company	Lender	Balance as at 31.03.2024 Rs.'Mn	Balance as at 31.03.2023 Rs.'Mn	Terms of Repayment	Security Pledged
<b>Nations Trust bank</b>					
	Loan 1	252.38	252.38	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 Million, Corporate guarantee from SunAgro Lifescience Ltd. For Rs.300Mn. Letter of awareness comfort from Colombo Fort Land & Building PLC
<b>Peoples Leasing &amp; Finance PLC</b>					
	Loan 1	50.11	64.35	In February 2023 existing loan convert to new reschedulement facility payable over 36 installments.	Corporate guarantee from SunAgro Lifescience Ltd. for Rs. 65.53 Mn.
	Loan 2	162.63	178.29	Repayable over 60 Monthly installments from the date of disbursement	Corporate guarantee from SunAgro Lifescience Ltd. For Rs.185.11Mn.
<b>Pan Asia Banking Corporation PLC</b>					
	Loan 1	66.89	84.57	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)
<b>Siyapatha Finance PLC</b>					
	Loan 1	5.36	9.56	Repayable over 48 Monthly installments from the date of disbursement.	Corporate Guarantee from J.F.Packaging Ltd for Rs.14.5 Mn
	Loan 2	157.46	157.40	Repayable over 96 Monthly installments from the date of disbursement	Corporate Guarantee from J.F.Packaging Ltd for Rs.157.59 Mn
<b>Hatton National Bank</b>					
	Loan 1	325.00	-	To be paid in 72 monthly installments on step up basis 12 * 2.0 Mn 12 * 3.0 Mn 12 * 4.0 Mn 12 * 5.0 Mn 12 * 6.25 Mn 11 * 7.0 Mn 01 * 5.0 Mn	Secondary floating mortgage for Rs.325Mn over commercial property (Free Hold) belonging to union Commodities (Pvt) Ltd at No. 79, Biyagama Road, Talwatte, Kelaniya to the extent of 3A 3R 11.2P including machinery and buildings.
		2,210.06	2,191.83		
<b>Beruwala Resorts PLC</b>					
<b>Cargills Bank</b>					
	Term Loan USD	311.70	283.23		Primary mortgage over land and buildings of BOT Hotel Services Ltd. situated at Weligama.
	Term Loan SLR	123.23	147.46		Corporate guarantee of Colombo Fort Land and Buildings PLC Rs. 25 Mn
		434.93	430.69		
<b>Sigiriya Village Hotels PLC</b>	<b>Sampath Bank PLC</b>	192.63	163.82	Repayable over 35 monthly installments.	Mortgage over leasehold rights of the Land of the Company.
	Term Loan	192.63	163.82		

Company	Lender	Balance as at 31.03.2024 Rs.'Mn	Balance as at 31.03.2023 Rs.'Mn	Terms of Repayment	Security Pledged
<b>Marawila Resorts PLC</b>	<b>Commercial Bank of Ceylon PLC</b>	93.69	154.17	18.4 Mn in May 2023, 48.5 Mn in December 2022 and 26.65 in August 2024	Floating mortgage Bond No: CTY/MBO/17/06/03 dated 10/08/2017 for Rs.25,000,000/- obtained over assignment of book debts totaling US\$ 5.37 Million over the Hotel premises at Marawila
		372.58	407.50	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.
		-	3.53	Grace Period 6 Months	Obtained in the joint name of the owner of the property and the bank covering the risk of fire, Insurance Policy No FFC2016 - 4155 from Alliance Insurance Limited for Rs 1.4 Bn SRCC, Malicious damages and natural perils
		466.27	565.20		
<b>Galle Fort Hotels (Pvt) Ltd.</b>	<b>Cargills Bank PLC</b>				
	Loan	-	12.72	Repayable over 39 equal monthly installments of Rs.0.53 Mn together with interest	
	Loan	-	59.49	Repayable over 39 equal monthly installments of US \$ 7,574 and a final installment of US \$ 7,568 together with interest.	
	Loan	-	77.05	Repayable over 40 equal monthly installments of US \$ 4,584 and a final installment of US \$ 4,613 together with interest.	Primary mortgage bond over property mentioned as Lot X in the plan No. 130 and Lot A and B in plan No. 151 situated at Fort Village in the Gramasewa Division of Fon 96D in the district of Galle.
	Loan	-	11.45	Repayable over 23 equal monthly installments of Rs.1.04Mn and a final installment of Rs. 1.03Mn together with interest.	
	Loan	-	11.45	Repayable over 23 equal monthly installments of Rs.1.04Mn and a final installment of Rs. 1.03Mn together with interest.	
	Loan	-	46.07	Repayable over 24 equal monthly installements	
	Loan	-	39.02	Repayable over 24 equal monthly installements	
	Loan	-	8.50	Repayable over 24 equal monthly installements	

## NOTES TO THE FINANCIAL STATEMENTS

Company	Lender	Balance as at 31.03.2024 Rs.'Mn	Balance as at 31.03.2023 Rs.'Mn	Terms of Repayment	Security Pledged
	Loan	-	8.34	Repayable over 24 equal monthly installements	
	Loan	95.52	-	Repayable over 24 equal monthly installements	Primary mortgage bond over property mentioned as Lot X in the plan No. 130 and Lot A and B in plan No. 151 situated at Fort Village in the Gramasewa Division of Fon 96D in the district of Galle.
	Loan	5.24	-	Repayable over 24 equal monthly installements	
	Loan	174.63	-	Repayable over 24 equal monthly installements	
		275.39	274.09		
<b>JF Packaging Ltd.</b>	<b>Sampath Bank PLC</b>				
	Loan 1	56.25	77.00	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	14.74	24.44	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	0.90	1.57	Repayable over 60 monthly installments of Rs.47,500/-	
	Loan 4	-	15.09	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	
	<b>Bank of Ceylon</b>				
	Loan 1	74.42	107.58	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	52.48	58.62	Repayable over 72 equal monthly installments of Rs.2.08Mn.	
	Loan 3	82.14	87.84	Repayable over 60 equal monthly installments of Rs.2.33Mn.	
	Loan 5	219.55	271.04	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. Primary mortgage of Land, building and machinery situated at No.306, Minuwangoda Road, Kotugoda.
	Loan 7	211.9	233.22	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.	

Company	Lender	Balance as at 31.03.2024 Rs.'Mn	Balance as at 31.03.2023 Rs.'Mn	Terms of Repayment	Security Pledged
<b>Nation Trust Bank PLC</b>					
	Loan 1	107.20	107.69	Repayable over 48 monthly installments	Mortgage over stocks and book debts held at factory premises at No:306,Minuwangoda Road, Kotugoda.
	<b>Siyapatha Finance PLC</b>	53.76	64.53	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
		873.35	1,048.62		
<b>Kiffs ( Private) Ltd. National Development Bank PLC</b>					
	Loan 1	-	0.30	Repayable over 48 monthly installments of Rs.0.16Mn	Primary mortgage over equipment located at No:179/6 , Ragamaroad, Kadawatha
	Loan 1	-	6.67	Repayable over 18 monthly installments of Rs.1.39Mn	Corporate Guarantee from J F Packaging Ltd
		-	6.97		
<b>C.W.Mackie PLC Commercial Bank of Ceylon PLC</b>					
	<b>Commercial Bank of Ceylon PLC</b>	129.11	158.25	Repayable over 60 monthly installments.	Mortgage bond over the machinery valued Rs.1.893 Mn and Rs.1.7 Mn at Kaluaggala, Hanwella
	<b>Hatton National Bank PLC</b>	51.16	83.20	Repayable over 42 monthly installments.	Floating primary mortgage bond over property situated at Mungama, Horana
		180.27	241.45		
<b>SunAgro LifeScience Ltd Commercial Bank of Ceylon PLC</b>					
	<b>Commercial Bank of Ceylon PLC</b>	78.75	103.70	12 installments of Rs. 0.4 MN, 12 installments of Rs.1 MN, 12 installments of Rs.2.5 MN, 12installments 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)
	<b>Peoples Leasing &amp; Finance PLC - Long Term Loan</b>	110.49	162.72	12 installments of Rs.0.5 MN, 12 installments of Rs.1 MN & Balance Equal installments within next 24months.	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.  Security cheque of Rs. 53,858,157 & Promissory note of Rs. 53,858,157
	<b>Hatton National Bank PLC</b>	207.51	338.89	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 Mnnths 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.

## NOTES TO THE FINANCIAL STATEMENTS

Company	Lender	Balance as at 31.03.2024 Rs.'Mn	Balance as at 31.03.2023 Rs.'Mn	Terms of Repayment	Security Pledged
	<b>Hatton National Bank PLC</b>	<b>114.17</b>	-	To be repaid within 4 months from date of the offer letter	Stocks and debtors
	<b>Siyapatha Finance PLC</b>	<b>1.91</b>	18.05		Corporate Guarantee from Lankem Ceylon PLC amounting to Rs.50 Mn.
		<b>510.61</b>	623.36		
<b>Acme Printing and Packaging PLC</b>	<b>Seylan Bank PLC</b>	-	3.29	Repayable in 60 equal monthly installments commencing from December 2019	Facility Agreement Monthly transfer of Rs. 0.15Mn to Savings Account.
	<b>National Development Bank PLC</b>				
	Loan 1	<b>52.90</b>	62.10	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	<b>42.22</b>	50.00	Repayable in 17 equal monthly installments commencing from May 2023	
	Loan 3	<b>15.56</b>	28.00	Repayable in 53 equal monthly installments commencing from May 2023	
	<b>Softlogic Finance PLC</b>	<b>29.46</b>	36.90	Repayable in 60 equal monthly installments commencing from May 2023	N/A
		<b>140.14</b>	180.29		
<b>Acme Packaging Solutions (Pvt) Ltd</b>	<b>Sampath Bank PLC</b>	<b>43.25</b>	43.25	Repayable in equal monthly installments commencing from December 2018	Mortgage of Rs. 90 Mn over Machinery owned by ACME Packaging Solution.
	<b>National Development Bank PLC</b>				
	Loan 1	<b>26.64</b>	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	<b>6.47</b>	14.30	Repayable in 17 equal monthly installments commencing from May 2023	
	<b>Softlogic Finance PLC</b>	<b>96.88</b>	120.82	Repayable in 60 equal monthly installments commencing from May 2023	N/A
		<b>173.20</b>	211.07		
<b>Sherwood Holiday Resorts</b>	<b>Cargills Bank PLC</b>	<b>10.00</b>	-	Temporary Loan	Double Cab - Vehicle
		<b>10.00</b>	-		

Company	Lender	Balance as at 31.03.2024 Rs.'Mn	Balance as at 31.03.2023 Rs.'Mn	Terms of Repayment	Security Pledged
<b>Ceylon Tapes Ltd</b>	<b>Hatton National Bank PLC</b>	<b>325</b>	-	Repayable over 7 years in 84 monthiv installmants 01-1.2month - interest Onlv 13-24month Rs. 900.000 / 25-36month- Rs.3,400,000/-37-48month- Rs 3.900.000/-49-60manth- Rs.5.900.000/ 61-72month-Rs.6.500.000/- 78-78month-Rs.7.050.000/4 79-83 month-Rs. 8 060.000/-84month-Rs 7.140.000/-	Commercial Propesty owned by Union Commodity (Put) Ltd, No. 79, Biyagama Road, Talwatte, Kelanya
		<b>325</b>	-		
<b>Grand Total</b>		<b>5,791.84</b>	<b>5,937.34</b>		

## 29.LEASE LIABILITIES

As at	Consolidated		Company	
	31.03.2024 Rs. '000	31.03.2023 Rs. '000	31.03.2024 Rs. '000	31.03.2023 Rs. '000
Balance as at 01st April	281,551	232,159	10,473	26,725
Leases Obtained during the year	68,215	107,479	28,406	1,941
Payments Made during the year	(124,251)	(86,577)	(13,885)	(13,955)
Interest Charged during the year	55,912	34,775	5,009	2,079
De-Recognition of interest due to Termination during the year	(2,182)	(6,285)	(2,182)	(6,317)
Balance at the end of the year	279,245	281,551	27,821	10,473
<b>Amounts Recognised in Profit and Loss</b>				
Amortization on Right-of-use-Assets	87,206	57,205	10,814	11,841
Interest Charged during the year	55,912	34,775	5,009	2,079
<b>Amounts Recognised in Cash Flow</b>				
Payments made during the year	(124,251)	(86,577)	(13,885)	(13,955)

### 29.1 MATURITY ANALYSIS

As at	Consolidated		Company	
	31.03.2024 Rs. '000	31.03.2023 Rs. '000	31.03.2024 Rs. '000	31.03.2023 Rs. '000
Payable within one year	67,504	56,882	9,524	4,040
Payable after one year	211,741	224,669	18,297	6,433
	279,245	281,551	27,821	10,473

## NOTES TO THE FINANCIAL STATEMENTS

### 30. DEFERRED INCOME

As at	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
At the beginning of the year	23,453	23,453	-	-
Grants received during the year	41,107	-	-	-
At the end of the year	64,560	23,453	-	-
<b>Amortisation</b>				
At the beginning of the year	22,747	22,409	-	-
Amortisation for the year	15,327	338	-	-
At the end of the year	38,074	22,747	-	-
	26,486	706	-	-

#### Consolidated

##### C.W.Mackie PLC

C. W. Mackie PLC (CWM) has been awarded a government grant from Ministry of Plantation Industries, amounted to Rs. 41 Mn for the acquisition of peanut processing line and automated packing machines during the year. The government grant is recognised as deferred income and is being amortised over the useful life of the machinery.

##### Kelani Valley Canneries Limited

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 Mn. 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.

### 31. DEFERRED TAX ASSETS /(LIABILITIES)

As at	Note	Consolidated		Company	
		2024	2023	2024	2023
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
			Restated		
Balance at the beginning of the year		(1,146,380)	(434,758)	263,927	294,662
Recognised through Profit or Loss	31.1	37,806	115,244	22,522	28,016
Recognised through OCI	31.2	(340,532)	(826,866)	(60,892)	(58,751)
Balance at the end of the year		(1,449,106)	(1,146,380)	225,557	263,927

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

As at	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
		Restated		
Due to change in the effective tax rate	-	(269,208)	-	(229,797)
Due to change in temporary difference	37,806	384,452	22,522	257,813
	37,806	115,244	22,522	28,016

### 31.2. Recognised through OCI

As at	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
		Restated		
Due to change in the effective tax rate	-	(747,780)	-	(65,839)
Due to change in temporary differences	(340,532)	(79,086)	(60,892)	7,088
	(340,532)	(826,866)	(60,892)	(58,751)

### 31.3 Deferred Tax (Liabilities)/Assets

The composition of deferred tax (liabilities)/assets as at 31st March 2024 are as follows:

As at	Consolidated		Company	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
		Restated		
Defined Benefit Obligations	132,323	79,508	65,603	44,821
Tax Losses Carried Forward	665,405	848,474	167,156	269,559
Provision for Impairment of Trade Receivables	223,100	277,496	77,537	94,072
Provision for Obsolete Inventories	88,031	71,283	26,090	25,258
Unclaimed Finance Cost	179,557	22,528	157,224	27,902
Lease Liability	(11,890)	(32,816)	8,346	3,142
Gain on FVOCI Investments	17,883	15,502	14,058	11,541
Intangible Assets	(579)	-	(579)	-
Property, Plant & Equipment	(867,712)	(1,130,775)	(31,217)	(33,201)
Revaluation Surplus	(1,874,703)	(1,293,858)	(245,653)	(171,301)
Right of Use Assets	(4,956)	12,159	(13,008)	(7,866)
Unrealised foreign exchange gain	4,435	(15,881)	-	-
Net deferred tax (liabilities)/ assets	(1,449,106)	(1,146,380)	225,557	263,927

## **NOTES TO THE FINANCIAL STATEMENTS**

### **31.4 Accumulated Tax Losses**

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

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

### **31.5 Unclaimed Finance Cost**

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

### **31.6 Revaluation Surplus on Freehold Land and Buildings**

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

### **31.7 Tax Rates - Substantively enacted as at the reporting date**

The Group / Company has considered the tax rates substantively enacted as at 31st March 2024 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.

As such, following tax rates have been used by the Group in calculating deferred tax assets / (liabilities) as at 31st March 2024.

Company	Tax Rates used as at	
	31.03.2024	31.03.2023
Lankem Ceylon PLC	30%	30%
Marawila Resorts PLC	30%	30%
JF Packaging Ltd.	30%	30%
SunAgro LifeScience Ltd.	30%	30%
Sigiriya Village PLC	30%	30%
Beruwala Resorts PLC	30%	30%
BOT Hotel Services Ltd.	30%	30%
Galle Fort Hotel Ltd.	30%	30%
C.W. Mackie PLC	30%	30%
Alliance Five (Pvt) Ltd.	30%	30%
Kiffs (Pvt) Ltd.	30%	30%
Ceylon Tapes Ltd.	30%	30%
Nature's Link Ltd.	30%	30%
ACME Printing & Packaging PLC	30%	30%

### 31.8 Deferred Tax Assets not Recognised

- (a) No provision has been made for deferred tax in the financial statements of Imperial Hotels Limited (Previously known as York Hotels (Kandy) Ltd.) as no material temporary differences have arisen during the year which are expected to reverse in the future.
- (b) Deferred tax assets have not been recognised in respect of accumulated tax losses on the following Companies.

As at	31.03.2024		31.03.2023	
	Temporary Differences Rs.Mn	Deferred Tax Asset Rs.Mn	Temporary Differences Rs.Mn	Deferred Tax Asset Rs.Mn
SunAgro Farms Ltd.	-	-	60.1	18.0
Lankem Exports (Pvt) Ltd.	-	-	31.5	9.5
Lankem consumer Products Ltd.	41.0	12.3	193.1	57.9
Lankem Paints Ltd.	-	-	85.9	25.8
Lankem Chemicals Ltd.	4.8	1.4	3.3	1.0
Lankem Ceylon PLC	1,646	493.8	542.5	162.8
ACME Printing and Packaging PLC	1,018	305	103.0	30.9
ACME Packaging Solutions (Pvt) Ltd	615	184.5	-	-
Kelani Valley Canneries Ltd.	56.5	17.0	314.8	94.4
Ceytra (Private) Ltd.	64.0	19.2	55.0	16.5
Associated Farms Ltd.	-	-	20.6	6.2
	<b>3,445.3</b>	<b>1,033.2</b>	<b>1,409.80</b>	<b>422.94</b>

### 32. RETIREMENT BENEFIT OBLIGATIONS

As at	Consolidated		Company	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Present Value of the Funded Obligations (Note 32.2)	394,891	317,963	218,678	149,402
Present Value of the Unfunded Obligations (Note 32.4)	181,442	65,899	-	-
<b>Present Value of the Obligations</b>	<b>576,333</b>	<b>383,862</b>	<b>218,678</b>	<b>149,402</b>
Fair Value of Retirement Benefit Assets ( Note 32.1)	(110,718)	(100,862)	(5,646)	(5,087)
<b>Present Value of Net Obligations</b>	<b>465,615</b>	<b>283,000</b>	<b>213,032</b>	<b>144,315</b>

#### Company

An Actuarial valuation has been carried out as at 31st March 2024 by Messrs. Actuarial and Management Consultants (Private) Ltd. as required by the Sri Lanka Accounting Standard 19 'Employee Benefits'.

Plan Assets of the Company are held by an approved external gratuity fund where it invests in insurance scheme amounting to Rs.5.65 Mn. as at the date of Statement of Financial Position.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 32.1 Fair Value of Retirement Benefit Assets

As at	Consolidated		Company	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Movements in Fair Value of Plan Assets</b>				
Fair Value of Plan assets at the beginning of the year	100,862	84,560	5,087	4,626
Contribution Paid to the Plan Assets	22,391	15,490	-	-
Expected Return on Plan Assets	16,107	12,001	992	646
Benefits paid by the Plan Assets / the Company	(24,165)	(5,618)	-	-
Actuarial Losses	(4,477)	(5,571)	(433)	(185)
Fair Value of Retirement Benefit Assets	110,718	100,862	5,646	5,087

### 32.2 Present Value of the Funded Obligations

For the Year Ended	Consolidated		Company	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Movement in Present Value of Funded Obligations				
Balance at the beginning of the year	317,963	302,565	149,402	110,587
Provision for the year	36,242	24,886	42,425	26,596
	354,205	327,451	191,827	137,183
Benefits paid by the Plan Assets / the Company	(25,784)	(3,014)	(5,673)	(17,414)
Actuarial Losses /(Gains)	66,470	(6,474)	32,524	29,633
Present Value of Defined Benefit Obligations	394,891	317,963	218,678	149,402

### Expenses Recognised in the Statement of Profit or Loss

Current Service Cost	10,860	8,810	13,293	15,482
Interest Cost	25,382	16,076	29,132	11,114
	36,242	24,886	42,425	26,596
Expected Return on Plan Assets	(16,107)	(12,001)	(992)	(646)
	20,135	12,885	41,433	25,950
Loss /(Gain) Recognised in OCI	66,470	(6,474)	32,524	29,633
	66,470	(6,474)	32,524	29,633

### 32.3 Present Value of the Unfunded Obligations

As at	Consolidated	
	2024	2023
	Rs.'000	Rs.'000
<b>Movement in Present Value of Unfunded Obligations</b>		
Balance at the beginning of the year	65,899	42,711
Provision for the year	71,571	52,845
	137,470	95,556
Gratuity Paid	(34,797)	(36,518)
Actuarial Losses	78,769	6,861
Present value of Defined Benefit Obligations	181,442	65,899

As at	Consolidated	
	2024	2023
	Rs.'000	Rs.'000
<b>Expenses Recognised in the Statement of Comprehensive Income</b>		
Current Service Cost	28,543	28,815
Interest on Obligations	43,028	24,030
<b>Provision for the year</b>	<b>71,571</b>	<b>52,845</b>
Net Actuarial Losses	78,769	6,861
	150,340	59,706

#### Consolidated

- (i) The retirement benefit obligations as at 31st March 2024 for Marawila Resorts PLC, Sigiriya Village Hotels PLC, Beruwala Resorts PLC and C.W.Makie PLC are based on actuarial valuation carried out by Messrs. Piyal S. Goonethilleke and Associates as per which liability as at 31st March 2024 were Rs. 16.6 Mn, Rs.17.4 Mn, Rs. 14.3 Mn and Rs. 124.2 Mn respectively.
- (ii) JF Packaging (Pvt) Ltd. The retirement benefit obligations as at 31st March 2024 is based on actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Private) Ltd. as per which liability as at 31st March 2024 was Rs.21.8 Mn.

## NOTES TO THE FINANCIAL STATEMENTS

- 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 2024 in respect of following companies.

Company Name	Expected Salary Increment Rate	Discount Rate	Liability as at 31.03.2024 Rs. Mn
Lankem Ceylon PLC	7.0%	12.0%	213.0
Marawila Resorts PLC	10.0%	11.1%	16.6
Sigiriya Village Hotels PLC	10.0%	11.1%	17.4
C.W. Mackie PLC	10.0%	12.0%	124.2
Beruwala Resorts PLC	10.0%	11.1%	14.3
SunAgro LifeScience Ltd.	7.5%	10.0%	2.3
Galle Fort Hotels (Pvt) Limited	7.5%	11.0%	9.0
Ceylon Tapes (Pvt) Limited	10.0%	12.0%	11.2
Lankem Paints Ltd.	7.0%	12.5%	9.8
JF Packaging (Pvt) Ltd.	10.0%	12.0%	21.8
Sherwood Holidays Ltd.	7.5%	11.1%	2.6
Alliance Five (Pvt) Ltd.	10.0%	12.0%	7.0
Kiffs (Private) Limited	10.0%	12.0%	3.6
ACME Printing and Packagaing PLC	7.0%	12.0%	12.8
			<b>465.6</b>

A long term treasury bond rate of 10% - 12.5% p.a. (2023-18% - 20.5%) has been used to discount future liability taking in to consideration remaining working life of employees.

### 32.4 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	2024		2023	
	Increase	Decrease	Increase	Decrease
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Movement by 1%				
Discount Rate	(32,525)	35,585	(48,000)	48,909
Future salary scale	35,680	(33,101)	53,751	(53,084)

Company	2024		2023	
	Increase	Decrease	Increase	Decrease
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Movement by 1%				
Discount Rate	(5,005)	17,374	(9,836)	9,836
Future salary scale	12,105	(11,140)	10,587	(10,587)

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

	Consolidated		Company	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Within the next 12 months	66,894	38,558	18,104	25,420
Between 1-2 years	56,562	58,930	27,418	38,154
Between 2 -5 years	197,409	85,690	104,164	63,072
Between 5-10 years	380,745	52,779	30,981	16,333
Beyond 10 years	515,415	147,905	38,008	6,423
Weighted Average duration of Defined Benefit Obligation	6 years	5.4 Years	5.6 years	5.3 years

### 33. TRADE AND OTHER PAYABLES

As at	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Trade Payables	2,660,107	1,551,061	1,082,133	656,570
Other Payables	831,169	893,247	225,612	154,788
Accrued Expenses	833,940	895,227	328,399	400,001
ESC Payable	4,929	-	-	-
WHT Payable	15,861	3,454	14,418	-
Unclaimed Dividend	27,632	20,402	12,050	7,409
NBT Payable	3,540	3,540	-	-
VAT Payable	312,399	216,846	186,893	89,936
Advance Received	135,716	126,347	-	-
Other Levies Payable	102,464	45,760	69,355	19,328
	4,927,757	3,755,884	1,918,860	1,328,032

## NOTES TO THE FINANCIAL STATEMENTS

### 34. RELATED PARTY TRANSACTIONS

#### 34.1 Amounts Due from Related Parties - Trade

As at	Consolidated		Company	
	31.03.2024 Rs.'000	31.03.2023 Rs.'000	31.03.2024 Rs.'000	31.03.2023 Rs.'000
<b>Subsidiaries</b>				
C.W. Mackie PLC	-	-	383	558
Alliance Five Ltd	-	-	277	-
Beruwala Resorts PLC	-	-	1,360	1,653
Marawilla Resorts PLC	-	-	4,249	3,477
BOT Hotel Services (Pvt) Ltd	-	-	331	331
Sigiriya Village Hotels PLC	-	-	2,024	1,329
Kiffs (Pvt) Ltd	-	-	506	-
ACME Printing and Packaging PLC	-	-	10,456	13,236
Sherwood Holidays Ltd	-	-	-	773
Galle Fort Hotels (Pvt) Ltd	-	-	1,274	120
ACME Packaging Solutions Ltd	-	-	5,082	-
<b>Affiliates</b>				
Colonial Motors Ltd	-	196	-	-
Ceylon Trading Company Ltd	437	558	-	-
Kotagala Plantations PLC	678	677	-	-
E.B. Creasy & Company PLC	18,727	11,326	-	-
Candy Delights (Pvt) Ltd	12,329	86,185	-	-
Union Commodities Ltd	6,475	9,245	-	-
	<b>38,646</b>	108,187	<b>25,942</b>	21,477
Provision for Impairment of Amounts due from Related Parties - Trade (Note 34.1.1)	-	-	(2,356)	(2,208)
<b>Net Carrying Amount</b>	<b>38,646</b>	108,187	<b>23,586</b>	19,269

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

As at	Consolidated		Company	
	31.03.2024 Rs.'000	31.03.2023 Rs.'000	31.03.2024 Rs.'000	31.03.2023 Rs.'000
Balance at the beginning of the year	-	-	2,208	887
Provision for the year	-	-	148	1,321
Balance at the end of the year	-	-	<b>2,356</b>	2,208

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

As at	Consolidated		Company	
	31.03.2024 Rs.'000	31.03.2023 Rs.'000	31.03.2024 Rs.'000	31.03.2023 Rs.'000
<b>Subsidiaries</b>				
Beruwala Resort PLC	-	-	97	321
Marawila Resort PLC	-	-	426	616
BOT Hotels Services (Pvt) Ltd	-	-	47	21
Sigiriya Village Hotels PLC	-	-	213	102
Kiffs Pvt Ltd	-	-	2	-
Alliance Five Ltd	-	-	16	-
ACME Packaging Solutions Ltd	-	-	469	-
C.W.Mackie PLC	-	-	1	1
ACME Printing & Packaging PLC	-	-	986	736
Galle Fort Hotels (Pvt) Ltd	-	-	99	10
Shrewood Holidays Ltd	-	-	-	401
	-	-	2,356	2,208

### 34.2 Amounts Due from Related Parties - Non Trade

As at	Consolidated		Company	
	31.03.2024 Rs.'000	31.03.2023 Rs.'000	31.03.2024 Rs.'000	31.03.2023 Rs.'000
<b>Subsidiaries</b>				
Associated Farms (Pvt) Ltd	-	-	20,113	20,045
Lankem Consumer Products Ltd	-	-	158,914	158,762
JF Packaging Ltd	-	-	186	120
JF Ventures Ltd	-	-	-	11,488
SunAgro Farms Ltd	-	-	2,032	1,927
Lankem Exports (Pvt) Ltd	-	-	35,470	35,386
Ceylon Tape Private Ltd	-	-	9,101	4,220
Galle Fort Hotels (Pvt) Ltd	-	-	18,000	18,000
ACME Packaging Solutions Ltd	-	-	2,549	-
ACME Printing & Packaging PLC	-	-	24,639	-
Lankem Minerals Ltd	-	-	242,692	-
Nature's Link Ltd	-	-	5,198	5,183
Lankem Chemicals Ltd	-	-	670	526
Lankem Research Ltd	-	-	1,757	1,649
<b>Affiliates</b>				
E.B. Creasy & Company PLC	1,142	30,095	484	29,973
E.B. Creasy Logistic (Pvt) Ltd	1,600	291	1,600	-
Darley Butler & Co Ltd	193	1,017	158	981
Lankem Developments PLC	60,490	27,774	60,487	27,771
Lankem Tea & Rubber Plantations (Pvt) Ltd	31,705	25	31,680	-
Kotagala Plantations PLC	10,428	-	6,504	-
Agarapatana Plantations Ltd	7,898	26,696	5,700	27,047
CWM Hotels Holdings Ltd	81,939	81,939	-	-

## NOTES TO THE FINANCIAL STATEMENTS

As at	Consolidated		Company	
	31.03.2024 Rs.'000	31.03.2023 Rs.'000	31.03.2024 Rs.'000	31.03.2023 Rs.'000
York Hotel Management Services Ltd	124,330	124,633	-	-
Lanka Special Steel Ltd	139	613	139	377
The Colombo Fort Land & Buildings PLC	46,681	28,027	324	324
Property & Investment Holdings (Pvt) Ltd	18,060	25,560	-	-
Consolidated Tea Plantations Ltd	-	74,316	-	74,316
Laxapana Batteries PLC	-	58	-	58
Union Commodities (Pvt) Ltd	46,723	20,008	26,334	-
Ceyflex Rubber Limit	97	-	97	-
Sunquick Lanka (Pvt) Ltd	-	240,000	-	-
	431,425	681,052	654,828	418,153
Provision for Impairment of Amounts due from Related Parties - Non Trade (Note 34.2.1)	(87,221)	(116,909)	(234,494)	(239,846)
Total amounts due from Related Parties - Non Trade	344,204	564,143	420,334	178,307

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

As at	Consolidated		Company	
	31.03.2024 Rs.'000	31.03.2023 Rs.'000	31.03.2024 Rs.'000	31.03.2023 Rs.'000
Balance as at the beginning of the year	116,909	88,543	239,846	236,365
Write off during the year	-	-	(11,488)	-
(Reversal)/ Provision for the year	(29,688)	28,366	6,136	3,481
Balance as at the end of the year	87,221	116,909	234,494	239,846

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

As at	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Subsidiaries</b>				
Lankem Consumer Products Ltd	-	-	158,914	158,762
Associated Farms (Pvt) Ltd	-	-	20,113	20,045
JF Ventures Ltd	-	-	-	11,488
SunAgro Farms Ltd	-	-	2,032	1,927
Lankem Exports (Pvt) Ltd	-	-	35,470	35,386
Nature's Link Pvt Ltd	-	-	5,198	5,183
Lankem Research Ltd	-	-	1,757	1,649
Galle Fort Hotels Private Ltd	-	-	633	686
ACME Packaging Solutions Ltd	-	-	85	-
ACME Printing & Packaging PLC	-	-	4,118	-
Ceylon Tape Private Ltd	-	-	131	-
Lankem Chemicals Ltd.	-	-	670	526
Lankem Technology Services Ltd	-	-	186	120
<b>Affiliates</b>				
Sunquick Lanka (Pvt) Ltd	-	30,896	-	-
Darley Butler & Co Ltd	-	1	-	1
Agarapatana Plantations PLC	115	125	73	125
Lanka Special Steels Ltd	9	5	9	6
E B Creasy & Company PLC	16	280	16	280
Kotagala Plantations PLC	194	-	141	-
Consolidated Tea Plantations Ltd	-	3,394	-	3,394
Colonial Motors Ltd	-	109	-	109
Laxapana Batteries PLC	-	59	-	58
Lankem Developments PLC	2,294	101	2,294	101
Colombo Fort Land & Building PLC	1	-	1	-
Lankem Tea & Rubber Plantations (Pvt) Ltd.	781	-	781	-
Union Commodities Ltd	1,846	-	1,846	-
Ceyflex Rubber Limited	26	-	26	-
CWM Hotels Holdings Ltd	81,939	81,939	-	-
	87,221	116,909	234,494	239,846

## NOTES TO THE FINANCIAL STATEMENTS

### 34.3 Loans due from Related Parties

As at	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Lankem Developments PLC	139,197	184,197	139,197	184,197
Consolidated Tea Plantation Ltd	-	165,968	-	165,968
ACME Printing and Packgaing PLC	-	-	159,375	98,000
The Colombo Fort Land & Building PLC	108,000	102,000	-	-
	247,197	452,165	298,572	448,165
Provision for Impairment of Loans due from Related Parties (Note 34.3.1)	(5,258)	(8,252)	(31,579)	(13,700)
	241,939	443,913	266,993	434,465

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

As at	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance at the beginning of the year	8,252	7,497	13,700	10,740
(Reversal)/Provision during the year	(2,994)	755	17,879	2,960
Balance at the end of the year	5,258	8,252	31,579	13,700

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

As at	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Provision for Impairment</b>				
Kotagala Plantation PLC	-	-	-	7,581
Lankem Developments PLC	5,258	671	5,258	-
Consolidated Tea Plantations Ltd	-	7,581	26,321	6,119
	5,258	8,252	31,579	13,700

### 34.4 Amounts Due to Related Parties - Trade

As at	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Subsidiaries</b>				
BOT Hotel Services ( Pvt) Ltd	-	-	89	89
Ceylon Tapes (Pvt) Ltd	-	-	3,248	1,550
J.F.Packaging (Pvt) Ltd	-	-	3,310	1,055
Kiffs Ltd	-	-	-	106
	-	-	6,647	2,800

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

As at	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Subsidiaries</b>				
Sigiriya Village Hotels PLC	-	-	54,650	45,555
JF Packaging Ltd	-	-	53,161	52,656
C.W. Mackie PLC	-	-	127	127
Lankem Paints Ltd.	-	-	18,297	23,449
ACME Printing & Packaging PLC	-	-	-	6,859
SunAgro LifeScience Ltd	-	-	295,795	358,257
<b>Affiliates</b>				
York Hotel Management Services Ltd	70,638	48,361	-	-
Kotagala Plantations PLC	-	12,005	-	12,005
Agarapatana Plantation PLC	-	25,093	-	25,000
Lankem Tea & Rubber Plantations Ltd	10	38,205	10	38,205
E.B. Creasy & Company PLC	58,203	204	54,727	-
Colonial Motors PLC	235	44	-	-
Laxapana Batteries PLC	6	-	6	-
The Colombo Fort Land & Building PLC	20,717	23,468	6,433	7,235
Waverly Power (Pvt) Ltd.	48,052	48,052	48,052	48,052
E.B. Creasy Logistic (Pvt) Ltd	21,275	3,574	12,510	2,449
CM Holdings PLC	7,809	8,089	7,596	6,673
Colonial Motors (Ceylon) Limited	-	-	213	1,416
Union Commodities Ltd.	-	2,699	-	2,706
Colombo Fort Group Service (Pvt) Ltd	8,401	8,156	1,677	5,015
Sunquick Lanka (Pvt) Ltd	592,942	537,634	-	-
<b>Total amounts due to Related Parties</b>	<b>828,288</b>	<b>755,584</b>	<b>553,254</b>	<b>635,659</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 34.6 Transactions with Related Parties

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

For the Year Ended	Consolidated		Company	
	31.03.2024 Rs.'000	31.03.2023 Rs.'000	31.03.2024 Rs.'000	31.03.2023 Rs.'000
<b>Associates</b>				
(Receipt)/Payment of Outstanding Balances	-	271	-	271
Investment in Shares	(271,322)		(271,322)	
Interest (Expenses)/Income	31,038	46,396	31,038	46,396
<b>Joint Venture</b>				
(Receipt)/Payment of Outstanding Balances	2,439,867	1,948,674	-	-
Interest (Expenses)/Income	(12,652)	(2,819)	-	-
(Reimbursement)/ Charging of Expenses	66,505	156,914	-	-
Sale of Goods	243,188	136,958	-	-
Purchases of Goods	(2,811,080)	(2,534,901)	-	-
Investment related Fund Transfers	54,000	240,000	-	-
Service rendered	517	509	-	-
Share issue	(294,000)	-	-	-
<b>Affiliates</b>				
(Purchases)/Sale of Goods	(230,099)	(278,599)	(34,044)	3,813
(Receipt)/Payment of Outstanding Balances	230,969	363,008	45,148	13,161
(Reimbursement)/ Charging of Expenses	(81,166)	27,209	(2,008)	(23,545)
Rent (Expenses)/Income	(9,558)	(12,613)	(13,178)	(12,613)
Management (Fees) /Income	(115,913)	(82,672)	45,000	45,000
Interest (Expenses)/Income	22,715	60,076	23,596	3,225
Advances Given	109,288	-	-	-
Loan (Obtained) /Granted	(57,583)	125,651	(45,000)	184,197
Sale of Shares	-	189,176	-	189,176
<b>Subsidiaries</b>				
(Purchases)/ Sale of Goods	-	-	69,285	(7,693)
(Reimbursement)/ Charging of Expenses	-	-	404,978	242,674
Fixed Asset Transfers	-	-	-	(30)
(Receipt) / Payment of Outstanding Balances	-	-	(365,820)	(165,163)
Interest (Expenses) / Income	-	-	(25,851)	2,722
Loan (Obtained) /Granted	-	-	74,274	-
Dividend Received	-	-	247,026	413,773
Investment in shares	-	-	(125)	-

Except for the following transactions, there were no non-recurrent related party transactions where the aggregate value of the transactions exceeded 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	8.68% of Equity and 1.2% of total assets	Obtaining a corporate guarantee subject to commission of 2% per annum.	Provision of security to enable the Company to reschedule the existing credit facilities at a lower interest rate.
SunAgro LifeScience Ltd	Wholly owned Subsidiary	120,000,000	3.47% of Equity and 0.46% of total assets	Granting a corporate guarantee subject to commission of 2% per annum.	As security for Banking facilities obtained by SALS
Aggregate		420,000,000			
Consolidated Tea Plantations Ltd	Associate Company	596,321,460	17.25% of Equity and 2.39% of total assets	Acceptance by Lankem Ceylon PLC (LCPLC) 5,024,472 ordinary shares in Consolidated Tea Plantations Limited(CTPL) against amounts due from CTPL and further direct investment in 6,018,518 ordinary shares of CTPL, at a price of Rs. 54/- per share.	Further investments in Associate Company, CTPL.

### 34.7 Terms and Conditions of Transactions with Related Parties

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

### 34.8 Transactions with Key Management Personnel

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

#### (a) Loans to Key Management Personnel

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

#### (b) Key Management Personnel Compensation

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

As at	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Short-term Employee Benefits	349,844	258,832	170,496	143,946
Post- Employment Benefit	-	30,000	-	-
Total Compensation paid to key management personnel	349,844	288,832	170,496	143,946

## NOTES TO THE FINANCIAL STATEMENTS

### 34.9 The Directors of the Company are also Directors of the following Companies:

Name of the Company	Relationship	Name of the Director							
		Mr.S.D.R.Arudpragasam	Mr.Anushman Rajaratnam	Mr.A. Hettiarachchy	Mr.A.C.S.Jeyaranjan	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 Limited.	Subsidiary	✓	✓	✓	✓	✓	✓	✓	✓
Lankem Chemicals Ltd.	Subsidiary	✓	✓				✓		
Lankem Consumer Products Ltd.	Subsidiary	✓	✓				✓		
Lankem Exports (Pvt) Ltd.	Subsidiary	✓					✓		
Lankem Paints Ltd.	Subsidiary	✓	✓				✓		
Lankem Research Ltd.	Subsidiary	✓	✓				✓		
Lankem Technology Services Ltd.	Subsidiary	✓					✓		
Marawila Resorts PLC	Subsidiary	✓	✓						
Nature's Link Ltd.	Subsidiary	✓					✓		
Sigiriya Village Hotels PLC	Subsidiary	✓	✓						
SunAgro Farms Ltd.	Subsidiary	✓	✓				✓		
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	✓	✓	✓	✓	✓	✓	✓	
Lankem Minerals Ltd	Subsidiary	✓	✓	✓	✓	✓	✓	✓	✓
Kiffs (Private) Limited	Subsidiary	✓	✓	✓	✓	✓	✓	✓	✓
Agarapatana Plantations PLC	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	✓				✓			✓

Name of the Company	Relationship	Name of the Director						
		Mr.S.D.R.Arudpragasam	Mr.Anushman Rajarathnam	Mr.A.Hettiarachchy	Mr.A.C.S.Jayarajanjan	Mr.P.M.A.Sirimane	Mr.P.S.Goonewardene	Mr.G.K.B.Dasanayaka
E.B. Creasy Logistics Ltd.	Related Company	✓				✓		
Financial Trust Ltd.	Related Company		✓					
E.B. Creasy Ceylon (Pvt) Ltd	Related Company	✓				✓		
Kotagala Plantations PLC	Related Company	✓	✓			✓		✓
Lankem Developments PLC	Related Company	✓	✓			✓		
Lankem Tea & Rubber Plantations (Pvt) Ltd.	Related Company	✓	✓			✓		
Laxapana PLC (Formerly 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	✓	✓			✓		
Ceyflex Rubber Limited	Related Company	✓				✓		✓
Lanka Special Steels Limited	Related Company	✓				✓		
Colombo Fort Group Services (Pvt) Ltd	Related Company	✓	✓			✓		
Consolidated Tea Plantations Limited	Associate	✓	✓			✓		

### 35. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

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

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

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

#### Risk Management Framework

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 35.1 Credit Risk

Credit risk is the risk of financial loss to the Group, if a customer or counter-party to a Financial Instrument fails to meet its contractual obligation, and arises principally from the Group's receivables from customers, amounts due from related companies placements with banking instruments and in government securities.

#### Exposure to credit risk

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

As at	Note	Consolidated		Company	
		31.03.2024 Rs.'000	31.03.2023 Rs.'000	31.03.2024 Rs.'000	31.03.2023 Rs.'000
Trade Receivable	23	7,536,655	6,143,757	1,930,540	1,805,015
Other Receivables	23	455,630	351,086	142,910	179,780
Amounts due from Related Parties - Trade	34.1	38,646	108,187	25,942	21,477
Amounts due from Related Parties - Non - Trade	34.2	431,425	681,052	654,828	418,153
Loans due from Related Parties	34.3	247,197	452,165	298,572	448,165
Cash and Bank Balances	24	589,760	535,237	139,028	35,406
		9,299,313	8,271,484	3,192,661	2,907,996

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

As at	Consolidated				Company			
	31.03.2024		31.03.2023		31.03.2024		31.03.2023	
	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	8,169,777	126,735	7,127,891	159,547	2,794,336	268,430	2,559,017	255,754
More than one year	539,776	539,776	608,356	608,356	258,456	258,456	313,573	313,573
	8,709,553	666,511	7,736,247	767,903	3,052,792	526,886	2,872,590	569,327

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.589.76 Mn as at 31st March 2024 (Rs. 533.22 Mn as at 31st March 2023) which represent its maximum credit exposure on these assets.

Credit ratings of the financial intuitions where the Group have invested cash are as follows:

Bank	Credit Rating
Commercial Bank of Ceylon	A (lka)
Hatton National Bank	A (lka)
Seylan Bank PLC	A (lka)
Nations Trust Bank	A- (lka)
National Development Bank	A- (lka)
Sampath Bank	A (lka)
Pan Asia Bank	BBB- (lka)
People's Bank	A (lka)
Bank of Ceylon	A (lka)
DFCC	A- (lka)
Union Bank	BBB- (lka)
Cargils Bank	A(lka)
Amana Bank	BBB- (lka)

### 35.3. Liquidity Risk

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

## NOTES TO THE FINANCIAL STATEMENTS

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

As at 31st March 2024	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
<b>Non-Derivative Financial Liabilities</b>								
Interest Bearing Borrowings	12,320,236	12,320,236	8,126,328	4,193,908	4,217,405	4,217,405	2,713,437	1,503,968
Loan Payable to Related Parties	220,009	220,009	293,419	26,590	298,479	298,479	95,369	203,110
Trade Payables	2,660,107	2,660,107	2,660,107	-	1,082,133	1,082,133	1,082,133	-
Amounts Due to Related Parties - Trade	-	-	-	-	6,647	6,647	6,647	-
Amounts Due to Related Parties - Non Trade	828,288	828,288	828,288	-	553,254	553,254	553,254	-
Lease Liabilities	279,245	279,245	67,504	211,741	27,821	27,821	9,524	18,297
Bank Overdraft	1,144,667	1,144,667	1,144,667	-	345,448	345,448	345,448	-
Other Payable	2,131,934	2,131,934	2,131,934	-	836,727	836,727	836,727	-
	19,584,486	19,584,486	15,152,247	4,432,239	7,367,914	7,367,914	5,642,539	1,725,375

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
<b>Non-Derivative Financial Liabilities</b>								
Interest Bearing Borrowings	10,746,780	10,746,780	6,194,054	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	60,369	250,999
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	2,078,476	2,078,476	2,078,476	-	671,462	671,462	671,462	-
	16,690,882	16,690,882	11,886,897	4,803,985	6,500,440	6,500,440	4,588,834	1,911,606

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

### 35.4 Market Risk

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

#### 35.4.1. Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to foreign currency risk where it has cash flows in overseas operations and foreign currency transactions which are affected by foreign exchange fluctuations.

## NOTES TO THE FINANCIAL STATEMENTS

### Exposure to currency risk

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

Group As at 31 March	2024		2023	
	USD	EURO	USD	EURO
Trade and Other Payables	(709,810)	-	(1,173,186)	(2,070)
Trade and Other Receivables	1,535,508	61,354	1,194,705	61,354
Cash and Cash Equivalents	668,836	45,231	1,133,556	114,943
Interest Bearing Borrowing	(2,857,799)	-	(2,839,873)	-
Gross statement of financial position exposure	(1,363,265)	106,585	(1,684,798)	174,227

Company As at 31 March	2024		2023	
	USD	EURO	USD	EURO
Trade and Other Payables	(236,542)	-	(537,137)	-
Cash and Cash Equivalents	16,663	-	16,497	-
Gross statement of financial position exposure	(234,879)	-	(520,640)	-

The following significant exchange rates were applicable during the year:

	Average Rate		Reporting Date Spot Rate	
	2024	2023	2024	2023
	Rs.	Rs.	Rs.	Rs.
USD	300.44	357.65	301.18	336.01
Euro	325.25	373.11	326.03	357.27

### 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
<b>Group</b>				
As at 31 March 2024				
USD (10% movement)	41,059	(41,059)	6,222	(6,222)
Euro (10% movement)	(3,475)	3,475	-	-
As at 31 March 2023				
USD (10% movement)	56,611	(56,611)	17,494	(17,494)
Euro (10% movement)	(6,225)	6,225	-	-

### 35.4.2. Interest Rate Risk

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

As at	Consolidated		Company	
	31.03.2024 Rs.'000	31.03.2023 Rs.'000	31.03.2024 Rs.'000	31.03.2023 Rs.'000
Fixed rate instruments				
Financial Assets	7,149	12,652	-	-
	7,149	12,652	-	-
Variable rate instruments				
Financial Assets	241,939	443,913	266,993	434,465
Financial Liabilities	(13,684,912)	(12,024,210)	(4,861,332)	(4,523,476)
	(13,442,973)	(11,580,297)	(4,594,339)	(4,089,011)

### 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 Rs.'000	Company Rs.'000
As at 31st March 2024	+100	134,429	45,943
	-100	(134,429)	(45,943)
As at 31st March 2023	+100	115,802	40,890
	-100	(115,802)	(40,890)

### 35.5 Fair Value Hierarchy

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

The different levels have been defined as follows;

- Level 1 :** Quoted market price (unadjusted) in active markets for an identical instrument.
- Level 2 :** Valuation techniques based on observable inputs either directly - i.e as prices or indirectly - i.e. Derived from prices. This category includes instruments valued using; quoted market prices active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or the valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 :** Valuation techniques using significant unobservable inputs either directly - i.e as prices or indirectly - i.e Derived from prices. This category includes all instruments where the valuation techniques includes inputs not based on observable date and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

## NOTES TO THE FINANCIAL STATEMENTS

31st March 2024	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	61,355	-	5,164	54,949	-	5,139
Financial Assets measured at Fair Value through Profit or Loss	34,297	-	-	34,297	-	-
	95,652	-	5,164	89,246	-	5,139

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

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

	Net Assets Value per share	
	As at 31st March 2024	As at 31st March 2023
	Lankem Tea & Rubber Plantations (Pvt) Ltd.	616.04
Agarapatana Plantations PLC	-	7.78
Ingrin Instittue of Printing & Graphics (Pvt) Ltd	25	25

### Reconciliation of level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for level 3 fair values

	Consolidated		Company	
	2024	2023	2024	2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Unquoted Investments</b>				
Balance as at 1st April	17,508	11,551	17,483	11,276
Transfers out of level 3	(13,695)	-	(13,695)	-
Gain included in OCI	1,351	5,957	1,351	6,207
Balance as at 31st March	5,164	17,508	5,139	17,483

### Transfers out of level 3

The Group holds investment in equity shares of Agarapatana Plantations Limited with a fair value of Rs. 13 Mn. The fair value of this investment was categorised as level 3 as at 31st March 2023 as the shares were not listed on an exchange. During the 2023/24 Agarapatana Plantations Limited listed its shares on Colombo Stock Exchange and they are currently actively traded in the market. Because the equity shares are now have a published price quotation in an active market, the fair value measurement was transferred from level 3 to level 1 of the fair value hierarchy as at 31st March 2024.

### 35.6 Accounting Classifications and Fair Value

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

Company	Financial Assets Measured at FVTPL	Financial Assets Measured at mortised Cost	Financial Assets measured at FVOCI	Financia Liabilities Measured at Amortised Cost	Total Carrying Amount	Fair Value
As at 31st March 2024	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Financial Assets</b>						
Trade Receivables	-	1,672,084	-	-	1,672,084	1,672,084
Amounts due from Related Parties - Trade	-	23,586	-	-	23,586	23,586
Amounts due from Related Parties - Non-Trade	-	420,334	-	-	420,334	420,334
Loans due from Related Parties	-	266,993	-	-	266,993	266,993
Financial Assets measured at FVOCI	-	-	60,088	-	60,088	60,088
Financial Assets measured at FVTPL	34,297	-	-	-	34,297	34,297
Bank & Cash Balances	-	139,869	-	-	139,869	139,869
	34,297	2,522,866	60,088	-	2,617,251	2,617,251
<b>Financial Liabilities</b>						
Interest Bearing Borrowings	-	-	-	4,217,405	4,217,405	4,217,405
Lease Liabilities	-	-	-	27,821	27,821	27,821
Loans Payable to Related Parties	-	-	-	298,479	298,479	298,479
Trade Payables	-	-	-	1,082,133	1,082,133	1,082,133
Amounts due to Related Parties - Trade	-	-	-	6,647	6,647	6,647
Amounts due to Related Parties - Non-Trade	-	-	-	553,254	553,254	553,254
Bank Overdraft	-	-	-	345,448	345,448	345,448
Other Payables	-	-	-	836,727	836,727	836,727
	-	-	-	7,367,914	7,367,914	7,367,914

## NOTES TO THE FINANCIAL STATEMENTS

Company	Financial Assets Measured at FVTPL	Financial Assets Measured at Amortised Cost	Financial Assets measured at FVOCI	Financial Liabilities Measured at Amortised Cost	Total Carrying Amount	Fair Value
As at 31st March 2023	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
<b>Financial Assets</b>						
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	-	74,499	74,499
Financial Assets measured at FVOCI	74,499	-	-	-	25,935	25,935
Bank & Cash Balances	-	36,324	-	-	36,324	36,324
	74,499	2,159,807	25,935	-	2,265,241	2,265,241
<b>Financial Liabilities</b>						
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	-	-	-	671,462	671,462	671,462
	-	-	-	6,500,440	6,500,440	6,500,440

Consolidated As at 31st March 2024	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
<b>Financial Assets</b>						
Trade Receivables	-	6,996,879	-	-	6,996,879	6,996,879
Amounts due from Related Parties - Trade	-	38,646	-	-	38,646	38,646
Amounts due from Related Parties - Non-Trade	-	344,204	-	-	344,204	344,204
Loans due from Related Parties	-	241,939	-	-	241,939	241,939
Financial Assets measured at FVTPL	34,297	-	-	-	34,297	34,297
Financial Assets measured at FVOCI	-	-	66,519	-	66,519	66,519
Bank & Cash Balances	-	615,038	-	-	615,038	615,038
	34,297	8,236,706	66,519	-	8,337,522	8,337,522
<b>Financial Liabilities</b>						
Interest Bearing Borrowings	-	-	-	12,320,236	12,320,236	12,320,236
Lease Liabilities	-	-	-	279,245	279,245	279,245
Trade Payables	-	-	-	2,660,107	2,660,107	2,660,107
Loans payable to related parties	-	-	-	220,009	220,009	220,009
Amounts due to Related Parties - Non-Trade	-	-	-	828,288	828,288	828,288
Bank Overdraft	-	-	-	1,144,667	1,144,667	1,144,667
Other Payable	-	-	-	2,131,934	2,131,934	2,131,934
	-	-	-	19,584,486	19,584,486	19,584,486

## NOTES TO THE FINANCIAL STATEMENTS

Consolidated As at 31st March 2023	Financial Assets Measured at FVTPL Rs.'000	Financial Assets Measured at Amortised Cost Rs.'000	Financial Assets measured at FVOCI Rs.'000	Other Financial Liabilities Rs.'000	Total Carrying Amount Rs.'000	Fair Value Rs.'000
<b>Financial Assets</b>						
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
<b>Financial Liabilities</b>						
Interest Bearing Borrowings	-	-	-	10,746,780	10,746,780	10,746,780
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	-	-	-	2,78,475	2,78,475	2,78,475
	-	-	-	16,690,881	16,690,881	16,690,881

### 36. CAPITAL MANAGEMENT

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

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

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

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

As at 31st March	Consolidated		Company	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Total Liabilities	<b>21,920,906</b>	18,768,986	<b>7,580,946</b>	6,644,755
Less: Cash and cash equivalents	<b>(615,038)</b>	(557,249)	<b>(139,869)</b>	(36,324)
Net debts	<b>21,305,868</b>	18,211,737	<b>7,441,077</b>	6,608,431
Total Equity	<b>7,086,461</b>	7,309,703	<b>2,292,372</b>	2,339,939
Debt to Equity ratio (Gearing Ratio)	<b>3.01</b>	2.49	<b>3.25</b>	2.82

### 37. GOING CONCERN

The Group has incurred a loss of Rs. 663 Mn (2023: Profit of Rs. 2,335 Mn) for the year ended 31st March 2024 and reported accumulated losses of Rs. 1,199 Mn as at 31st March 2024. The Group's and the Company's current liabilities exceed the current assets by Rs. 462 Mn and Rs. 1,873 Mn (2023: Company: Rs.1,111 Mn) respectively as at 31st March 2024.

Notwithstanding the above, the Group and the Company have applied the going concern basis for the preparation of financial statements considering several new strategic initiatives planned for the ensuing year focusing on improving the financial performance of the Group and the Company which have been explained in detail below.

#### Lankem Ceylon PLC- Company

- Lankem Minerals Limited, a fully owned subsidiary of the Company has embarked on establishing a Fertilizer Plant. The phase 1 of this Project will be set up in Oyamaduwa in the Anuradhapura district. The primary objective of this operation is to cater to the agricultural requirement of the non-perennial crops. The sales and distribution of the fertilizer is to be carried out by Lankem Ceylon PLC and its fully owned subsidiary SunAgro LifeScience Limited through their existing distributor network. The Commercial operations are expected to commence by the fourth quarter of 2024/25. This is expected to improve the operational results of both Lankem Ceylon PLC and SunAgro LifeScience Limited.
- Lankem Ceylon PLC was a significant market player in the fertilizer business several years ago. The Company has re-commenced the fertilizer business during the financial year 2024/25 initially to cater to the Group's plantation companies and to be expanded later to external parties. Focusing on this business, the Company is currently in discussion to construct a new fertilizer blending plant to expand the operations. This is expected to improve the operating results of the Company.
- The additional cashflows from the new businesses are planned to be utilized to settle part of the Company's non-operational term loans which in return is expected to reduce the finance costs and improve the profitability.

#### ACME Printing and Packaging PLC Group

ACME Printing and Packaging PLC Group ("subgroup") includes the parent company, ACME Printing and Packaging PLC (ACME PLC) and its fully owned subsidiary ACME Packaging Solutions (Private) Limited (ACME PS).

ACME PLC has incurred a loss of Rs. 458 Mn (2023: profit of Rs. 118 Mn) during the year ended 31st March 2024. It has reported a net current liability of Rs. 223 Mn (2023: Net current assets: Rs. 129 Mn) and accumulated losses of Rs. 1,093 Mn (2023: Rs. 636 Mn) as at 31st March 2024. Further, its net assets are less than half of the stated capital and faces a serious loss of capital situation as at 31st March 2024.

ACME PS has incurred a loss of Rs. 182 Mn (2023: Rs. 7.5 Mn) during the year ended 31st March 2024. It has reported a net current liability of Rs. 634 Mn (2023: Rs. 420 Mn) and accumulated losses of Rs. 680 Mn (2023: Rs. 497 Mn) as at 31st March 2024. Further, its net assets are less than half of the stated capital and faces a serious loss of capital situation as at 31st March 2024.

As disclosed in Note 40 a financial institution through its letter of demand dated 31st July 2024 has demanded an immediate settlement of total loan outstanding balances due on 9th April 2024.

These events or conditions indicate that a material uncertainty exists that may cast substantial doubts on ACME PLC's and ACME PS's ability to continue as going concerns and therefore that they may be unable to realize their assets and discharge its liabilities in the normal course of business.

## NOTES TO THE FINANCIAL STATEMENTS

Notwithstanding this, the financial statements of the subgroup has been prepared on a going concern basis because, the Board of Directors are of the view that it is appropriate to use the going concern basis for the preparation of financial statements considering below facts and circumstances.

The Company Lankem Ceylon PLC through a Letter of Support has undertaken to provide financial support to the subgroup to ensure that it can pay its debts as and when they fall due and payable for a minimum of 12 months period from the date of approval of these financial statements by the Board of Directors.

In addition, the Management of the subgroup believes that the financial position and the performance of the subgroup will improve with the implementation of below strategies.

- Acquisition of the subgroup was a part of a broader business objective of the Group whereby expecting to arrive at synergies in the packaging business.
- The subgroup has identified a strategic priority in expanding its customer base within the pharmaceutical industry, recognizing its potential to enhance profitability. In line with this objective, discussions are currently underway with the customers.
- The Management has initiated cost reduction strategies including proper utilization of machinery without interruptions to reduce ink wastage and electricity consumption.
- The Management is planning to increase the average selling prices and contribution and further emphasis is to pursue high yield orders.

Further, the Management of the subgroup does not have any intention to liquidate ACME PLC or ACME PS and to cease the operations in the near future.

The management further envisages that with the implementation of new planned initiatives and expansion of operations of the Group, mentioned above, will help to establish long term improved profitability in the business sectors in which the Group and the Company operates.

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

### 38. COMMITMENTS

#### 38.1 Company

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

#### 38.2 Consolidated

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

### 39. CONTINGENT LIABILITIES

#### 39.1 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 2024.

Name of the Company	Amount Rs.'000
SunAgro Lifescience Ltd.	909,421
JF Packaging Ltd.	207,564
Kotagala Plantations PLC	230,000
	1,346,985

Comfort letters are provided for, ACME Printing and Packaging PLC, ACME Packaging Solutions (Pvt) Ltd, Lankem Paints Ltd, Lankem Minerals Ltd and Nature's Link Limited by Lankem Ceylon PLC.

## 39.2 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	
	31.03.2024	31.03.2023
Ceymac Rubber Company Ltd.	150	99
Ceytra (Pvt) Ltd	8	8
Kelani Vellay Canneries Ltd	115	90
	<b>273</b>	197
Short term loan facilities:		
Ceymac Rubber Company Limited	146	36
Kelani Valley Canneries Limited	118	113
	264	149

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.

## 40 . EVENTS OCCURRING AFTER THE REPORTING PERIOD

### 40.1 Company/ Group

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

#### Company

In July 2023 the Board of Directors of Lankem Ceylon PLC resolved to sell the Company's 100% equity stake in JF Packaging Limited (JFP) to its subsidiary company ACME Printing & Packaging PLC (ACME) the consideration of which was to be settled by a private placement to the Company, 430 million ordinary shares of ACME at Rs.10.50 per share. The proposed transaction constituting a major transaction in terms of Section 185 of the Companies Act No.7 of 2007 Shareholder approval was obtained by the Company at an Extraordinary General Meeting held on 22.11.2023 subject to ACME obtaining relevant regulatory and shareholder approvals for the acquisition and the private placement of Shares. Approval of the Securities and Exchange Commission was sought by ACME for a waiver under Rule 5.4(b) of the Listing Rules and shareholder approval was obtained at the Extraordinary General Meeting (EGM) held in November 2023. In May 2024, the Securities and Exchange Commission communicated its decision not to grant approval for the waiver as they were of the view that the minority shareholders of ACME were inadequately represented in the shareholder approval process at the EGM. Subsequently, ACME requested the Securities and Exchange Commission to review its decision in terms of the provisions of the SEC Act, however in July 2024 the Securities and Exchange Commission concluded that they find no 'exceptional circumstance' to justify granting the waiver. Consequently ACME has informed that they will not pursue this matter further. Accordingly, Lankem Ceylon PLC would not be proceeding with the proposed disposal of its 100% controlling stake in JFP to ACME.

#### ACME Printing & Packaging PLC

A financial institution through its letter dated on 31st July 2024 has demanded an immediate settlement on the total loans and interest payable by ACME Printing & Packaging PLC and its subsidiary, ACME Packaging Solutions (Pvt) Ltd amounting to Rs. 66.7 Mn and Rs. 161.8 Mn respectively. Further, in this letter the Financial institution has indicated its intention to commence legal action against the Guarantors culminating in the execution of writ and sale by auction of properties and assets belonging to the Guarantors.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **Consolidated Tea Plantations Limited**

On 13th August 2024, the Department of Labour issued an Extraordinary Gazette No. 2397/27 under the wage board ordinance, proposing an amendment to the minimum rate of daily wage. Accordingly, it was proposed a daily wage rate of Rs. 1,350/- including the daily budgetary relief allowance and a productivity based incentive of Rs. 350/- for workers in the Tea Growing and Manufacturing Trade, bringing the total daily wage to Rs. 1,700/-. Further, any objection to the aforesaid proposal will be received by the Chairman of the Wage Board until 12.00 noon on 28th August 2024.

### **41. 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.	29.35
B.O.T Hotel Services (Pvt) Ltd.	43.25
Beruwala Resorts PLC	38.80
Ceymac Rubber Company Ltd.	53.56
Ceytra (Pvt) Ltd.	34.08
Kelani Valley Canneries Limited	50.37
Sunquick Lanka Properties (Pvt Ltd.	27.67
Galle Fort Hotel (Pvt) Ltd.	53.02
Sherwood Holidays Ltd.	53.02
Kiffs (Pvt) Ltd.	100
Alliance Five (Pvt) Ltd.	100
Ceylon Tapes Ltd.	100
Sigiriya Village Hotels PLC	27.06
JF Ventures Limited	100
ACME Packaging Solutaion Ltd	25.10

#### 42. Non-Controlling Interests in Subsidiaries

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

	Marawila Resorts PLC			Colombo Fort Hotels Ltd			C.W. Mackie PLC			ACME Printing & Packaging PLC			Other Individually Immaterial Subsidiaries	
	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	2023 Rs. '000	2024 Rs. '000	
Total assets	2,103,511	1,962,435	2,763,735	2,691,253	10,147,131	9,336,883	1,962,461	1,715,316	4,777,608	6,477,028				
Total Liabilities	1,227,886	1,398,411	201,985	129,501	5,978,655	5,061,108	2,091,307	1,327,869	2,467,751	4,016,193				
Net assets	875,625	564,024	2,561,750	2,561,752	4,168,476	4,275,775	(128,846)	387,447	2,309,857	2,460,835				
Carrying amount of NCI	639,882	357,253	1,203,510	881,243	1,907,078	1,956,167	(96,506)	290,198	1,346,767	629,032				
Revenue	761,947	574,159	-	-	19,387,992	19,207,748	1,105,785	991,359	1,357,768	1,644,320				
Profit/(loss) after tax	70,154	(165,655)	(494)	(194,202)	419,037	994,027	(610,617)	119,433	214,170	(405,947)				
Total Comprehensive Income	63,754	(348,815)	(2)	(193,122)	325,541	923,782	(516,293)	25,751	220,242	(350,309)				
Profit/(loss) allocated to NCI	51,267	(104,926)	(232)	(66,806)	191,709	454,767	(457,352)	89,455	131,343	(154,815)				
Cash flows from operating activities	(86,494)	(102,623)	183,030	(1,206,630)	(36,287)	416,979	(144,252)	(269,506)						
Cash flows from/(used in) investing activities	(82,505)	(7,128)	(183,027)	(136,630)	(379,541)	(57,059)	(55,821)	(9,626)						
Cash flows from financing activities	157,257	(63,080)	-	1,343,253	240,067	(365,979)	238,600	293,750						
Dividend paid to NCI	-	-	-	-	-	-	-	-						
NCI percentage (%)	73.08%	63.34%	46.98%	34.40%	45.75%	45.75%	74.90%	74.90%						
Principal place of business	Thalwilawella,		8-5/2, Layden Bastian Road,		No. 36, D.R. Minuwangoda									
	Thoduwawa,		York Arcade Building,		Wijewardena Mawatha,									
	Marawila.		Colombo 1		Colombo 10									

## **NOTES TO THE FINANCIAL STATEMENTS**

**42.1.** Following sales/purchase transactions of Non controlling interest during the year ended 31st March 2024 has resulted in an impact to the total equity of the Group.

	Consolidated 31.03.2024 Increase/ (Decrease) of Non controlling Interest Rs.'000
<b>Share issues to Non Controlling Interest</b>	
Shares issued to Non Controlling Interest by Marawila Resorts PLC by the way of a right issue	<b>156,972</b>
Shares issued to Non Controlling Interest by Beruwala Resorts PLC by the way of a right issue	<b>29,719</b>
	<b>186,691</b>
<b>Changes in percentage of Subsidiaries</b>	
Dilution of ownership by 4.38% in Marawila Resorts PLC by the way of a rights issue	<b>34,287</b>
Dilution of ownership by 0.18% in Beruwala Resorts PLC by the way of a rights issue	<b>(261)</b>
Disposal of 12.54% in Colombo Fort Hotels Ltd.	<b>514,741</b>
	<b>548,767</b>

### **43.CORRECTION OF MATERIAL ERRORS IN PRIOR PERIOD**

#### **C.W. Mackie PLC**

C.W. Mackie PLC has not considered the temporary differences in provision for impairment loss of debtors, provision for slow-moving inventories and provision for distributors returns and the ROU assets and lease liabilities in computing the deferred tax liability in prior years.

Due to this error, deferred tax liability of C.W.Mackie PLC is overstated by Rs. 73.1 million as at 01 April 2022 and Rs. 53.8 million as at 31 March 2023. Profit for the year ended 31 March 2023 is under stated by Rs. 53.8 million and the revenue reserve as at 1 April 2022 is understated by Rs. 73.1 million. This error has been corrected by restating each of the affected Financial Statements line items for prior periods.

#### **ACME Printing and Packaging PLC**

ACME Printing and Packaging PLC has erroneously recognised the revaluation surplus of lease hold land under Buildings as at 31st March 2022. As a result, the carrying value of the buildings presented in the statement of financial position, revaluation gain in the revaluation reserve and the related deferred tax have been overstated by Rs.18 Mn and Rs. 5 Mn (01.04.2022 - Rs. 3.3 Mn) respectively in prior year financial statements. This error has now been corrected by restating each of the affected financial statement line items for the prior period.

The error has been corrected by restating each of the affected financial statement line items for the prior periods and the table summaries the impact on the Group financial as follows:

As at Statement of Financials Position (Extract) Group	31.03.2023				01.04.2022		
	As previously reported	Adjustments	Reclassification	Restated	As previously reported	Adjustments	Restated
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Property, Plant and Equipment	9,743,113	(18,137)	(8,481)	9,716,495	9,839,065	(18,137)	9,820,928
Intangible Assets	1,213,443	-	8,481	1,221,924	1,213,443	-	1,213,443
Inventory	5,502,104	-	(10,334)	5,491,770	3,743,877	-	3,743,877
Trade & Other Receivable	6,671,406	-	34,839	6706,2485	4,876,479	-	4,876,479
Other Total Assets	2,942,255	-	-	2,942,255	2,915,410	-	2,915,410
Deferred Tax Liabilities	1,278,767	(132,387)	-	1,146,380	511,160	(76,402)	434,758
Trade & Other Payables	3,731,378	-	24,505	3,755,883	3,423,226	-	3,423,226
Other Total Liabilities	13,866,723	-	-	13,866,723	15,956,098	-	15,956,098
Net Assets	7,195,453	114,250	-	7,309,703	5,121,016	58,265	5,179,281
Stated Capital	1,282,697	-	-	1,282,697	1,282,697	-	1,282,697
Other Capital Reserves	4,833	-	-	4,833	4,833	-	4,833
Revaluation Reserves	1,921,461	(8,071)	-	1,913,390	2,290,499	(8,617)	2,281,882
Fair Value through OCI Reserves	46,443	-	-	46,443	(13,996)	-	(13,996)
Retained Earnings/ (Losses)	200,979	69,680	-	270,659	(1,711,409)	40,489	(1,670,920)
Equity Attributable to Owners of the Company	3,456,413	61,609	-	3,518,022	1,852,624	31,872	1,884,496
Non - Controlling Interest	3,739,040	52,641	-	3,791,681	3,268,392	26,393	3,294,785
Total Equity	7,195,453	114,250	-	7,309,703	5,121,016	58,265	5,179,281

## **NOTES TO THE FINANCIAL STATEMENTS**

As at Statement of profit or loss (Extract)	31.03.2023			01.04.2022		
	As previously reported	Adjustments	Restated	As previously reported	Adjustments	Restated)
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>Group</b>						
Tax Expenses	685,190	(53,809)	631,381	(27,137)	(53,809)	(80,946)
Profit for the year	2,281,635	53,809	2,335,444	1,097,126	53,809	1,150,935
Other comprehensive Expense for the year	(773,178)	2,176	(771,002)	(29,773)	-	(29,773)
Total comprehensive income for the period	1,508,457	55,985	1,564,442	1,067,353	53,809	1,121,162
Earning per share	42.29	0.57	42.86	0.94	0.57	1.51

### **Reclassification**

The Group has reclassified softwares and licenses in to intangible assets which were previously recorded under property plant & equipment for better presentation.

These reclassifications have not resulted to any change in net assets recorded previously.

There is no impact to the statement of cash flow of the Group for the year ended 31.03.2022 and 31.03.2023 as a result of prior year error correction.



# Supplementary Information

## TEN YEAR SUMMARY

	2023/24	2022/23	2021/22	2020/21
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
		Restated		
<b>Statement of Profit or Loss</b>				
Revenue	33,601,738	33,754,554	21,191,341	17,468,490
Share of Profit / (Loss) of Associate	(554,552)	(502)	3,814	(537)
Share of Profit / (Loss) of Joint Venture	1,002	(165,413)	(127,808)	(50,516)
Profit/(Loss) Before Income Tax	(391,466)	2,966,825	263,157	(779,441)
Income Tax (Expense) / Reversal	(271,952)	(631,381)	(266,706)	(266,679)
Profit/(Loss) for the Year	(663,418)	2,335,444	(3,549)	(1,046,120)
Profit/(Loss) Attributable to Non-Controlling Interests	(23,905)	129,352	(48,474)	(180,727)
Profit/(Loss) Attributable to Owners of the Company	(639,513)	2,206,092	44,925	(865,393)
<b>Statement of Financial Position</b>				
<b>Equity</b>				
Stated Capital	1,282,697	1,282,697	1,282,697	930,346
Capital Reserves	4,833	4,833	4,833	4,833
FVTOCI Reserves	31,804	46,443	(13,996)	(18,584)
Revenue Reserves	(1,199,092)	270,659	(1,711,409)	(2,254,731)
Revaluation Reserves	2,412,964	1,913,390	2,290,499	2,341,192
Non-Controlling Interests	4,553,255	3,791,681	3,268,392	2,898,540
Total Equity	7,086,461	7,309,703	5,121,016	3,901,596
<b>Assets</b>				
Non-Current Assets	13,922,297	12,138,029	12,514,992	11,161,531
Current Assets	15,085,070	13,940,660	10,073,282	9,007,059
Total Assets	29,007,367	26,078,689	22,588,274	20,168,590
<b>Liabilities</b>				
Non-Current Liabilities	6,373,446	6,234,071	4,719,337	5,023,159
Current Liabilities	15,547,460	12,534,915	12,747,921	11,243,835
Total Liabilities	21,920,906	18,768,986	17,467,258	16,266,994
<b>Cash Flow Statement</b>				
Net Cash Flow Generated from/ (Used in) Operating Activities	(40,274)	(705,594)	(228,416)	60,688
Net Cash Flow Generated from/ (Used in) Investing Activities	(1,020,173)	23,363	17,968	(26,816)
Net Cash Flow Generated from/ (Used in) Financing Activities	1,079,175	372,154	386,171	229,141
Net Increase/(Decrease) in Cash and Cash Equivalents	18,728	(310,077)	175,723	263,013
<b>Key Indicators</b>				
Earnings per Share (Rs.)	(12.42)	42.86	0.94	(23.81)
Dividend Per Share (Rs.)	-	-	-	-
Net Assets per Share (Rs.)	49.22	68.35	35.99	29.63
Market Capitalisation (Rs. Million)	3,500	3,896	1390	917
Current Ratio (No.of Times)	0.97	1.11	0.79	0.80
Interest Cover (No.of times)	1.09	2.27	1.42	0.28
Price Earnings Ratio (No.of Times)	(5.47)	1.77	29.03	(1.06)
Return on Equity (%)	(0.09)	0.32	-	(0.27)
Gearing (%)	83.19	75.63	73.12	78.25
Dividend Payout Ratio (%)	-	-	-	-

2019/20	2018/19	2017/18	2016/17	2015/16	2014/15
Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
15,423,082	17,659,156	18,479,195	17,261,207	17,073,999	15,221,745
(7,926)	(334,521)	(97,602)	(75,280)	(217,950)	(268,945)
7,963	46,659	(20,697)	-	-	-
(1,182,563)	(1,049,956)	(349,155)	(613,132)	(140,306)	(260,499)
157,040	165,676	(127,949)	(118,332)	(114,274)	(113,299)
(1,025,523)	(884,280)	(477,104)	(731,464)	(254,580)	(373,798)
(138,263)	98,284	106,253	58,272	179,232	(22,797)
(887,260)	(982,564)	(583,357)	(789,736)	(433,812)	(351,001)
930,346	930,346	930,346	536,218	536,218	536,218
4,833	4,833	4,833	4,833	3,409	3,409
(19,182)	(4,706)	12,734	1,750	3,713	13,425
(1,280,004)	(380,822)	608,907	1,340,938	2,118,926	2,508,635
1,700,657	1,679,064	-	-	-	-
2,597,099	2,793,360	2,129,658	2,237,370	2,609,592	2,376,717
3,933,750	5,022,075	3,686,478	4,121,109	5,271,858	5,438,404
10,893,861	10,808,244	8,308,176	8,198,896	8,391,539	8,586,898
7,462,630	7,765,060	8,254,873	8,149,165	7,541,213	6,827,636
18,356,491	18,573,304	16,563,049	16,348,061	15,932,752	15,414,534
4,523,769	4,814,961	3,084,613	2,820,406	1,687,142	2,329,142
9,898,973	8,736,268	9,791,958	9,406,546	8,973,752	7,599,195
14,422,742	13,551,229	12,876,571	12,226,952	10,660,894	9,928,337
(766,962)	(183,813)	(151,346)	256,358	(559,568)	917,449
(132,244)	(112,936)	(75,404)	(831,756)	(340,790)	(1,211,181)
717,735	(7,388)	715,965	1,160,724	142,233	567,211
(181,471)	(304,137)	489,215	585,326	(758,125)	273,479
(26.21)	(29.02)	(25.45)	(32.91)	(17.96)	(14.63)
-	-	-	-	-	-
39.48	65.84	45.99	78.49	110.93	129.56
579	745	1,263	1,056	1,920	2,474
0.79	0.89	0.84	0.87	0.84	0.90
0.02	0.22	0.71	0.36	0.77	0.41
(0.65)	(0.76)	(1.49)	(1.34)	(4.45)	(7.05)
(0.26)	(0.47)	(0.22)	(0.33)	(0.05)	(0.08)
71.92	65.84	72.55	68.24	60.35	55.25
-	-	-	-	-	-

## SHARE INFORMATION

Name of Shareholder	As at 31.03.2024		As at 31.03.2023	
	NO. OF SHARES	%	NO. OF SHARES	%
THE COLOMBO FORT LAND AND BUILDING PLC	28,423,233	55.22	30,980,000	60.19
AMANA BANK PLC/E.B. CREASY & COMPANY PLC	9,011,079	17.51	9,011,079	17.51
CM HOLDINGS PLC	2,716,767	5.28	160,000	0.31
ASSOCIATED ELECTRICAL CORPORATION LTD	1,414,476	2.75	1,414,476	2.75
COLOMBO FORT INVESTMENTS PLC	1,290,673	2.51	990,673	1.92
DARLEY BUTLER & COMPANY LTD	536,614	1.04	536,614	1.04
COLOMBO INVESTMENT TRUST PLC	495,000	0.96	45,000	0.09
GUARDIAN ASSET MANAGEMENT LTD	400,300	0.78	400,300	0.78
MR. SUBRAMANIAM VASUDEVAN	389,000	0.76	-	-
E.B. CREASY & COMPANY PLC	388,567	0.75	388,567	0.75
SRI LANKA INSURANCE CORPORATION LTD-GENERAL FUND	306,169	0.59	306,169	0.59
CAPITAL INVESTMENTS LTD	274,000	0.53	274,000	0.53
HATTON NATIONAL BANK PLC/SRI DHAMAN RAJENDRAM ARUDPRAGASAM	250,000	0.49	250,000	0.49
UNION INVESTMENTS (PRIVATE) LTD	222,800	0.43	222,800	0.43
MACKSONS HOLDINGS PVT LTD	160,209	0.31	16,500	0.03
PEOPLE'S LEASING & FINANCE PLC/ HI LINE TRADING (PVT) LTD	151,767	0.29	151,767	0.29
AEC 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
SEYLAN BANK PLC/ SENTHIVERL HLDINGS (PVT) LTD	138,465	0.27	138,465	0.26
MR. ANUSHMAN RAJARATNAM	137,411	0.27	137,411	0.27
<b>TOTAL</b>	<b>46,995,857</b>	<b>91.30</b>	<b>45,713,148</b>	<b>88.79</b>

The Market Value of the Company's ordinary shares was

MARKET VALUE	31.03.2024	31.03.2023
Highest	98.00	125.00
lowest	50.00	16.70
Market Value as at the year end	68.00	75.70

### PUBLIC HOLDING

The percentage of shares held by the public as at 31st March 2024 was 13.98% (31st March 2023 - 13.96%).

The applicable option under Colombo Stock Exchange Rule 7.13.1 (i)(b) on Minimum Public Holding is Option 2 and the Float Adjusted Market Capitalization as at 31.03.2024 was Rs. 489,301,604.34 (31.03.2023 - Rs. 543,928,548.16).

### PUBLIC SHAREHOLDERS

The number of Public Shareholders as at 31st March 2024 was 2,343 (31st March 2023 - 2,107)

### STATED CAPITAL

The Stated Capital of the Company is Rs. 1,282,697,140/- represented by 51,470,757 Ordinary Shares. (31.03.2023 - Stated Capital Rs.1,282,697,140.00 represented by 51,470,757 Ordinary Shares.)

#### DISTRIBUTION OF ORDINARY SHAREHOLDERS

No. of Shares Held	As At 31st March 2024			As At 31st March 2023		
	No of Shareholders	Total Holding	Holding %	No of Shareholders	Total Holding	Holding %
1 - 1,000	1,822	427,040	0.83	1,632	363,767	0.71
1,001 - 10,000	433	1,381,771	2.69	399	1,273,676	2.48
10,001 - 100,000	90	2,547,795	4.95	78	2,405,797	4.67
100,001 - 1,000,000	16	4,257,923	8.27	20	6,021,962	11.70
Over 1,000,000	5	42,856,228	83.26	3	41,405,555	80.44
	<b>2,366</b>	<b>51,470,757</b>	<b>100.00</b>	<b>2,132</b>	<b>51,470,757</b>	<b>100.00</b>

#### ANALYSIS OF ORDINARY SHAREHOLDERS

	As At 31st March 2024			As At 31st March 2023		
	No. of Shareholders	Total Holdings	%	No. of Shareholders	Total Holdings	%
Individuals	2,202	3,563,812	6.92	1,972	3,051,135	5.93
Institutions	164	47,906,945	93.08	160	48,419,622	94.07
	<b>2,366</b>	<b>51,470,757</b>	<b>100.00</b>	<b>2,132</b>	<b>51,470,757</b>	<b>100.00</b>

## NOTICE OF MEETING

Notice is hereby given that the Fifty Ninth Annual General Meeting of Lankem Ceylon PLC will be held on 30th September 2024 at 10.00 a.m. and will be conducted as a Virtual Meeting from 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 1, 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 31<sup>st</sup> March, 2024 with the Report of the Auditors thereon.
2. To re-elect as a Director, Mr. P.M.A. Sirimane who retires in accordance with Articles 84 and 85 of the Articles of Association.
3. To reappoint Mr. A. Hettiarachchy who is over seventy years of age as a Director. Special Notice has been received from a shareholder of the intention to pass a Resolution which is set out below in relation to his reappointment (see Note No.5).
4. To reappoint Mr. A.C.S. Jayaranjan who is over seventy years of age as a Director. Special Notice has been received from a shareholder of the intention to pass a Resolution which is set out below in relation to his reappointment (see Note No.6).
5. To reappoint Mr. S.D.R. Arudpragasam who is over seventy years of age as a Director. Special Notice has been received from a shareholder of the intention to pass a Resolution which is set out below in relation to his reappointment (see Note No.7).
6. To reappoint Dr. A.M. Mubarak who is over seventy years of age as a Director. Special Notice has been received from a shareholder of the intention to pass a Resolution which is set out below in relation to his reappointment. (see Note No. 8).
7. To reappoint Mr. G.K.B. Dasanayaka who has attained seventy years of age as a Director. Special Notice has been received from a shareholder of the intention to pass a Resolution which is set out below in relation to his reappointment. (see Note No. 9).
8. To authorize the Directors to determine contributions to charities.
9. To reappoint as Auditors, Messers. KPMG Chartered Accountants and to authorize the Directors to determine their remuneration.
10. Special Business

To consider and if thought fit to pass the following Resolution as a Special Resolution to amend the Articles of Association of the Company in compliance with the Listing Rules of the Colombo Stock Exchange in the manner following:

### Special Resolution

#### Resolved-

- “That the existing Article 105 be deleted in its entirety and the following be substituted therefor:

105 (1) A Director, may by notice in writing left at the office, appoint any person to be his Alternate to act in his place for such period as the appointor may stipulate and such appointment shall become effective upon approval thereof by the Board, provided however that:-

(a) An Alternate Director shall only be appointed in exceptional circumstances and for a maximum period of one (1) year from the date of appointment.

(b) If an Alternate Director is appointed by a Non-Executive Director such Alternate should not be an Executive of the Company.

(c) If an Alternate Director is appointed by an Independent Director, the person so appointed should meet the criteria of independence specified in the Listing Rules of the Colombo Stock Exchange and the Company shall satisfy the requirements relating to the minimum number of Independent Directors specified in the Listing Rules. The Nominations and Governance Committee of the Company shall review and determine that the person so nominated as the Alternate would qualify as an Independent Director before such appointment is made.

(d) The Company shall make an immediate Market Announcement on the Colombo Stock Exchange regarding the appointment of an Alternate Director. Such Market Announcement shall include the following:

- i) The exceptional circumstances leading to such appointment
- ii) The information on the capacity in which such Alternate Director is appointed, i.e. whether as an Executive, Non-Executive or Independent Director.

- iii) The time period for which he/ she is appointed, which shall not exceed one (1) year from the date of appointment and
- iv) A statement by the Company indicating whether such appointment has been reviewed by the Nominations and Governance Committee of the Company.
- (2) A person appointed to be an Alternate Director shall not in respect of such appointment be entitled to receive any remuneration from the Company, nor be required to hold any share qualification, but the Board may repay the Alternate Director such reasonable expenses as he may incur in attending and returning from meetings of the Directors which he is entitled to attend or which he may otherwise properly incur in or about the business of the Company or may pay such allowances as the Board may think proper in respect of these expenses.
- (3) An Alternate Director shall be entitled to receive notices (on his giving an address for such notices to be served upon him) of all meetings of the Directors and to attend and vote as Director at any such meeting at which the Director appointing him is not personally present and generally at such meeting to perform all the functions of his appointor as a Director in the absence of such appointor.
- (4) If an Alternate Director is also a Director in his own right he shall have at any Board meeting two (2) votes, one (1) vote in his own right and one (1) vote in his capacity as an Alternate Director.
- (5) An Alternate Director shall ipso facto cease to be an Alternate Director on the happening of any of the following events;
- a) Upon the Appointor's resumption of duties as a Director;
  - b) If the appointment of the Alternate Director is revoked by notice in writing left at the office by his appointor;
  - c) If his appointor ceases for any reason to be a Director; Provided that if any Director retires by rotation but is re-elected at the meeting at which such retirement took effect, any appointment made by him pursuant to this Article which was in force immediately prior to his retirement shall continue to operate after his re-election as if he had not so retired;
  - d) If the Alternate Director shall have a receiving order made against him or compounds with his Creditors or is adjudicated an insolvent;
  - e) If the Alternate Director be lunatic or becomes of unsound mind;
  - f) If the Alternate Director resigns by a notice in writing given under his hand to the Company;
  - g) If he becomes subject to any of the provisions of Article 83 of these presents which, if he were a Director of the Company, would render his office vacated;
  - h) If the Board resolves that the appointment of the Alternate Director be terminated; provided that such termination shall not take effect until the expiration of thirty (30) days after the date of the resolution of the Board.
- (6) A Director shall not vote on the question of the approval of an Alternate Director to act for him or on the question of the termination of the appointment of such an Alternate Director under the forgoing sub-clause of this Article, and if he does so his vote shall not be counted; nor for the purpose of any resolution for either of these purposes shall he be counted in the quorum present at the meeting.
- (7) The attendance of any Alternate Director at any meeting subject to (6) above, including Board Committee meetings shall be counted for the purpose of quorum."

By Order of the Board,  
**Corporate Managers & Secretaries (Private) Limited**  
Secretaries

Colombo  
31st August 2024

## **NOTICE OF MEETING**

### **Notes:**

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 2024 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 five 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 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.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 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. 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 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, Dr. A.M. Mubarak".

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

#### **Resolved –**

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





# 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 30th September 2024 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 2024 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2	To re-elect Mr. P.M.A. Sirimane as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3	To re-appoint Mr. A. Hettiarachchy as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4	To re-appoint Mr. A.C.S. Jayaranjan as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5	To re-appoint Mr. S.D.R. Arudpragasam as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
6	To re-appoint Dr. A.M. Mubarak as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
7	To re-appoint Mr. G.K.B. Dasanayaka 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"/>
10	Special Business. To pass a Special Resolution to amend the Articles of Association of the Company as set out in the Notice of Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this ..... day of ..... Two Thousand and Twenty Four.

.....  
Signature of Shareholder(s)

Instructions as to completion are stated on the reverse hereof.

**\*Note: Please delete the inappropriate words.**

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 reasons 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

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

### Deputy Chairman

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

### Managing Director

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

### Directors

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

A.C.S. Jayaranjan, FCA, FCMA (U.K.), 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 (Pvt) Limited

## BANKER

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

PQ128

## 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 Distribution 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 Chemical 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 Plantations 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

### 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.

Non Operational

### Galle Fort Hotel (Pvt) Ltd

Owning and Operation of a Boutique Hotel

### SunAgro Farms Ltd

Non Operational

### Associated Farms (Pvt) Ltd

Non Operational

### Lankem Technology Services Ltd.

Non Operational

### Nature's Link Ltd.

Non Operational

### Lankem Exports (Pvt) Ltd

Non Operational

### Ceylon Tapes (Pvt) Ltd

Manufacturing and 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

Investment Holding

### Acme Printing and Packaging PLC

Packaging

### Lankem Minerals Ltd. (Incorporated on 31.10.2023)

Manufacturing of Fertilizer

## ASSOCIATES

### Consolidated Tea Plantations Ltd.

(formerly known as Lankem Plantation Holdings Ltd)

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