LANKEM
Developments PLC

ANNUAL REPORT 2019/20

CONTENT

NOTICE OF MEETING

Notice is hereby given that the 45th Annual General Meeting of Lankem Developments PLC will be held on 30th December 2020, at 12.30 p.m. and conducted as a Virtual Meeting from 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01 or 98, Sri Sangaraja Mawatha, Colombo 10, for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st March 2020 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 & 85 of the Articles of Association.
3. To reappoint as a Director, Mr. R. N. Bopearatchy who is over seventy years of age. Special Notice has been received from a shareholder of the intention to pass a resolution which is set out in the notes in relation to his reappointment (see note 5).
4. To reappoint as a Director, Mr. C. P. R. Perera who is over seventy years of age. Special Notice has been received from a shareholder of the intention to pass a resolution which is set out in the notes in relation to his reappointment (see note 6).
5. To reappoint as a Director, Mr. S. N. P. Palihena who is over seventy years of age. Special Notice has been received from a shareholder of the intention to pass a resolution which is set out in the notes in relation to his reappointment (see note 7).
6. To reappoint as Auditors, Messrs KPMG and to authorize the Directors to determine their remuneration.
7. Special Business:

   To consider and if thought fit to pass the following Special Resolution to amend the Articles of Association of the Company in the manner following:

SPECIAL RESOLUTION

Resolved –

- "That the following words and meaning be included in the table under Article 2 of the Articles of Association immediately following the words "The Act" and the meaning set opposite:

Electronic Facility/ies	A system or method providing an electronic means of participating at a meeting including audio, or audio and visual communication by which all shareholders and or participants participating can simultaneously hear each other throughout the meeting.

- That the meaning set opposite the words "In Writing " in the table under Article 2 of the Articles of Association be amended to read as follows:

In writing	Written or to the extent permitted by the law in any other form.

- That the existing Article 46 be renumbered as Article 46(1) and the following new

  Articles numbered 46(2) and 46(3) be included immediately after the renumbered Article 46(1) :

46 (2) A General Meeting may be held -

(i) by means of audio, or audio and visual communication by which all Members participating and constituting a quorum, can simultaneously hear each other throughout the meeting; or

(ii) by the quorum being present and assembled together at the place, date and time appointed for the meeting; or

(iii) by simultaneous attendance and participation partly by means of an Electronic Facility/ies and by being assembled together at a place, where all Members participating and constituting a quorum, can simultaneously hear each other throughout the meeting.

(3) In the event all persons participating in the General Meeting cannot be accommodated in the meeting room where the Chairman will be, the Directors can arrange for any people who they consider cannot be seated in such main meeting room, to attend in an overflow room or rooms. Any overflow room must have a live video and two way sound link with the main room for the General Meeting, where the Chairman will be. The video and sound link must enable those in all the rooms to see and hear the proceedings of the other rooms. The notice of the General Meeting does not have to give details of any arrangements under this Article. However at the discretion of the Board the notice and or a circular accompanying the notice shall incorporate details on maximum number of Members to be accommodated in the main room. The Directors can decide on how to divide people between the main room and any overflow room. If any overflow room is used, the General Meeting will be treated as being held in the main room.

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

48 (4) In the case of any General Meeting being conducted partly or completely by an Electronic Facility/ies the notice and or a circular accompanying the notice shall provide details on the method of access and participation including how to speak and vote at the meeting.

- That the existing Article 52 be deleted and the following be substituted therefor:

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

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

(3) Where a General Meeting is held partly or completely by Electronic Facility/ies, the Board and the Chairman may stipulate any requirement that is reasonably necessary to ensure the identification of such participants and the security of the electronic communication.

- That the existing Article 56 (ii) be deleted and the following be substituted therefor:

56 (ii) Not less than five persons present in person or by attorney or representative or by proxy and entitled to vote:or

- That the existing Article 56 inclusive of the aforesaid change be renumbered as Article 56(1) and the following new Article numbered 56(2) be included immediately after the renumbered Article 56(1) :

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

- That existing Article 68 be deleted and the following be substituted therefor:

68. A non-resident shareholder may appoint and revoke proxies by cable or facsimile or by any other electronic means provided such appointment or revocation by cable, facsimile or any other electronic means under the shareholder's signature is received not less than Forty Eight (48) hours before the commencement of the Meeting at which it is to be used.

- That the existing Article 93 be deleted and the following be substituted therefor:

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

- That the existing Article 94 be deleted and the following be substituted therefor

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

- That the existing Article 101 be deleted and the following be substituted therefor:

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

- That the existing Article 117 be deleted and the following be substituted therefor:

117 The Directors shall cause minutes to be maintained either in books or electronic means as permitted by law for the purpose:

(a) of all the appointments of officers made by the Directors;

(b) of the names of the Directors present at each meeting of the Directors and of any committee of the Directors;

(c) of all resolutions and proceedings at all Meetings of the Company, and of the Directors, and of committees of Directors;

and every Director present at any meeting of Directors or committee of Directors shall sign his name on the attendance register to be kept for that purpose.

- That the existing Article 139 be deleted and the following be substituted therefor:

139 A copy of every balance sheet and profit and loss account which is to be laid before a General Meeting of the Company (including every document required by law to be annexed thereto) together with a copy of every report of the Auditors relating thereto and of the Directors' report, shall not less than fifteen working days before the date of the meeting be sent by post or any other instantaneous method of communication, or made available on the Company's website and/or on the website of the Colombo Stock Exchange to every Member of, and every holder of debentures of the Company and to every other person who is entitled to receive notices from the Company under the provisions of the Act or of these presents (provided that this Article shall not require a copy of these documents to be sent to any person of whose address in Sri Lanka the Company is not aware or to more than one of the joint-holders, but any Member to whom a copy of these documents has not been sent, shall be entitled to receive a copy free of charge on application at the office).

Notwithstanding anything to the contrary and in accordance with section 167 of the Act, the Company may, in the first instance, send every Member by post or any other instantaneous method of communication, or made available on the Company's website and/or on the website of the Colombo Stock Exchange the Annual Report together with the Financial Statements in the summarised form as may be prescribed, in consultation with the Institute of Chartered Accountants of Sri Lanka. The Company shall inform each Member that he is entitled to receive, if he so requires, the full Financial Statement or a printed copy of the Annual Report within a stipulated period of time.

- That the existing Article 146 be renumbered as Article 146(1) and the following new Article numbered 146(2) be included immediately after the renumbered Article 146(1) :

  146 (2) In the event of a postal disruption, the Company may issue communication/notices through the Company's website and/ or on the website of the Colombo Stock Exchange and/or by any other electronic means.

- That the existing Article 150 be deleted and the following be substituted therefor:

  150 If a Member has no registered address in Sri Lanka, and has not supplied to the Company an address outside Sri Lanka for the giving of notices to him, a notice posted up in the registered office of the Company and/ or on the Company's website and/or the Colombo Stock Exchange website shall be deemed to be duly given to him at the expiration of 24 hours from the time when it is so posted up."

By Order of the Board

CORPORATE MANAGERS & SECRETARIES (PRIVATE) LIMITED.
Secretaries
Colombo

26th November 2020

Notes:

1. A member of the Company who is entitled to attend and vote 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 with this Report. The instrument appointing a proxy must be deposited at the Registered Office of the Company's Secretaries at No. 8-5/2, Leyden Bastian Road, York Arcade Buildings, Colombo 01, not letter than forty eight hours before the time fixed for 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 26th November 2020 for further instructions relating to the Annual General Meeting and for joining the Meeting virtually.
5. A Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:

   Resolved –

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

NOTICE OF MEETING

7. A 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.N.P. Palihena 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.N.P. Palihena "

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

CHAIRMAN'S MESSAGE

On behalf of the Board of Directors it gives me great pleasure to welcome you to the Forty Fifth Annual General Meeting of Lankem Developments PLC and present you with the Annual Report and the Audited Financial Statements for the year ended 31st March 2020.

The Group reported a revenue of Rs. 3.22 billion during the year under review which is 21% below the previous year. This is mainly attributable to the substantial drop in revenue from the Company's subsidiaries Agarapatana Plantations Ltd and Waverly Power (Pvt) Ltd.

Sri Lanka's tea production marked the 3rd consecutive year of decline, with total output decreasing by 3.8 Mn kg to 300.1 Mn kg during the year under review. This decline reflects the escalating implications from adverse weather conditions which impacted both volume and yield during the year under review, while the volatile nature in supply and demand, as well as the uncertain political climate in importing countries negatively affected the tea industry.

In addition to the above, the higher labour cost led to the increased cost of production while currency depreciation in tea importing countries resulted in higher prices in local currencies which in turn led to decreased demand. Moreover, unstable price fluctuations in the world market negatively impacted Colombo auction prices.

Following the outbreak of the COVID-19 pandemic, tea auctions were suspended for two weeks, before transitioning to a virtual platform, thereby digitally transforming the tea auction process and ensuring business continuity.

Against this backdrop, Agarapatana Plantations Ltd, reported a turnover of Rs. 3.19 billion, a drop of 20% compared to the previous year. Given the complex range of challenges faced by the Company externally as well as internally, the loss after tax stood at Rs. 1.2 billion in comparison with the previous year's loss of Rs. 103 million. The poor performance this year was mainly attributed to the declining tea prices coupled with 40% increase in basic wages which triggered a steady increase in cost of production and further pressure on profitability.

Although we envisage many challenges during next year for the plantation industry on account of weakening domestic and global economic growth, we are confident that the industry will recover and realign in the near term. Thus, the Company has proactively taken mitigating measures as well as innovation to cater to new market trends to pursue viable growth prospects.

Accordingly, the management of Agarapatana Plantations Ltd., capitalized on investment initiatives on mechanization relating to plucking process to overcome the issue of worker shortage. Proper application of agricultural inputs was another measure that the Company has invested in which we are confident, will contribute to obtain a better yield whilst maintaining quality.

The Company's subsidiary Waverly Power (Pvt) Ltd, which operates a Hydro power generating unit reported a revenue of Rs. 30 million, a drop of 65% over the previous year. The main attributors to the drop were unfavorable weather conditions which prevailed during the year under review coupled with the turbine maintenance work carried out during the year. The Company's net loss stood at Rs. 18 million during the year under review. In terms of power generation 2 million Kw hours of electricity was generated during the year under review compared to 6 million Kw hours generated during the previous year.

FINANCIAL REVIEW

For the year ended March 2020, the Group recorded a revenue of Rs. 3.22 billion and a net loss of Rs. 1.23 billion mainly due to losses made by Agarapatana Plantations Ltd. The Company recorded a net loss of Rs.135.95 Mn during the year under review, which includes an adjustment on impairment amounting to Rs.181.86 Mn in relation to the investment made in Agarapatana Plantations Ltd.

CONCLUSION

On behalf of the Board, I would like to thank our valued shareholders for their continued trust and confidence in the Company. I also extend my sincere thanks to the Board of Directors for their unstinted support, advice and guidance.

S. D. R. Arudpragasam
Chairman
26th November 2020

BOARD OF DIRECTORS

S. D. R. ARUDPRAGASAM

FCMA (UK)

Chairman

Mr. S. D. R. Arudpragasam joined the Board in 1989 and was appointed Chairman in March 2013. He serves as Chairman of several subsidiaries of The Colombo Fort Land and Building PLC (CFLB) including Chairman, Lankem Ceylon PLC and Chairman/Managing Director of E.B. Creasy & Company PLC. He holds the position of Deputy Chairman on the Board of The Colombo Fort Land and Building PLC, in addition to holding other Directorships within the CFLB Group.

D. L. VITHARANA

MNI (London), MBA, M.Sc. (UK)

Director

Mr. D. L. Vitharana was appointed to the Board in 2005. He joined Lankem Ceylon PLC in 1997 and has headed the Lankem Agro cluster since 1999. Having served as Chief Operating Officer of Lankem Ceylon PLC since April 2009, was appointed Managing Director from January 2017. He relinquished his position as Managing Director and retired from the Board of Directors of Lankem Ceylon PLC in July 2020. Mr. Vitharana currently serves on the Boards of several subsidiaries of the Lankem Group.

R. N. BOPEARATCHY

B.Sc. (Cey.), Dip. BM., MBA (Univ. of Col.)

Director

Mr. R. N. Bopearatchy was appointed to the Board in the year 2000. He has considerable expertise in product development, manufacturing and marketing of pesticides, pharmaceuticals and consumer products. Soon after graduation he was employed in research in the Plant Pathology Division of the Tea Research Institute and subsequently joined Chemical Industries Colombo Ltd., and was appointed to its Board. He also served on the Boards of Crop Management Services (Pvt) Ltd., the managing agents for Mathurata Plantations Ltd., CIC Fertilizers Ltd. and Cisco Speciality Packaging (Pvt) Ltd. He has held office as the Chairman of the Pesticide Association of Sri Lanka, the Toxicological Society of Sri Lanka and the International Mosquito Spiral Manufacturers Association (IMSMA). Mr. R. N. Bopearatchy currently holds several other directorships within The Colombo Fort Land & Building Group.

K. P. DAVID

FCMA (UK), FCMA, FIPFM, CGMA

Director

Mr. K. P. David was appointed to the Board in October 2009. Having commenced his career in the banking sector, he joined E. B. Creasy & Company PLC as Group Accountant in 1993. Mr. David proceeded to be Head of Finance/CFO of Lankem Ceylon PLC and its subsidiaries until February 2017. He was appointed to the Board of Lankem Ceylon PLC in 2007 and now functions as Managing Director of its Packaging Sector, in addition to holding several other directorships within the Lankem Group.

C. P. R. PERERA

Director

Mr. C. P. R. Perera was appointed to the Board in July 2011. He serves on the Board of The Colombo Fort Land & Building PLC (CFLB) and also serves on the Boards of several subsidiaries of the CFLB Group. He also holds directorships in other private and public companies. He is a past Chairman of the Sri Lanka Tea Board, Sri Lanka Insurance Corporation, PERC and Bank of Ceylon. He retired as Chairman of Forbes & Walker Ltd. and its subsidiary companies in June 2005 after almost 44 years of service. He presently functions as the Chairman of Ceylon Tea Brokers PLC. Mr. Perera has served as a Committee Member of the Ceylon Chamber of Commerce, The Planters Association of Ceylon, and on the Committee of Management of the Ceylon Planters Provident Society.

MR. P.M.A. SIRIMANE

(FCA, MBA)

Director

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

Mr. Sirimane serves on the Boards of several subsidiaries of the E.B. Creasy Group and holds several other Directorships including that of The Colombo Fort Land & Building PLC on which Board he serves as Group Finance Director.

He 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.

MR. S.N.P. PALIHENA

FCIB (UK), FIB (SL), Post Grad. Dip.Bus. & FA

Director

Mr. S.N.P. Palihena was appointed to the Board in August 2017 and serves as an Independent Non-Executive Director of the Company. In addition to serving on the Board of E.B. Creasy & Company PLC and some of its Subsidiaries he also serves on the Board of York Arcade Holdings PLC which is also a subsidiary of The Colombo Fort Land & Building PLC.

Mr. S.N.P. Palihena was a former Chief Executive Officer / General Manager of Bank of Ceylon and has had a distinguished banking career spanning almost forty years at the Bank of Ceylon. He has also worked at the National Development Bank of Sri Lanka for a period of over three years. Mr. Palihena is a former Director of the DFCC Bank.

ANUSHMAN RAJARATNAM

B.Sc (Hons.), CPA, MBA

Director

Mr. Anushman Rajaratnam was appointed to the Board on 20th June 2019. He 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 in January 2017. In addition, he serves on the Boards of several subsidiary companies of the CFLB group. Prior to joining the CFLB group, he worked oversees for a leading global Accountancy Firm.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Lankem Developments PLC present their Report on the affairs of the Company together with the Audited Financial Statements for the year ended 31st March 2020.

The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007, and the Colombo Stock Exchange Listing Rules and are guided by recommended best practices.

GENERAL

The Company was re-registered on 19th November 2007 as required under the Companies Act No. 07 of 2007.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

Having changed its line of business in the year 2012, the Company now functions mainly as an Investment Holding Company. The principal activities of the subsidiaries have been described along with the Corporate Information in this Annual Report.

The Chairman's Review, together with the Financial Statements, reflects the state of affairs of the Company.

The Directors to the best of their knowledge and beliefs, confirmed that the Company has not engaged in any activities that contravene laws and regulations.

FINANCIAL STATEMENTS

The Financial Statements of the Company are given on pages 23 to 86.

AUDITORS' REPORT

The Auditors' Report on the Financial Statements is given on page 19 to 22.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Financial Statements are given on pages 27 to 42 These Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS) as issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No.7 of 2007.

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 32 on pages 70 to 75.

Directors' Interest in Shares

Directors of the Company who have an interest in the shares of the Company are required to disclose, their shareholdings and any acquisitions/disposals to the Board in compliance with Section 200 of the Companies Act.

Details pertaining to Directors' direct shareholdings are set out below.

Name of Director	No. of Shares	
	As at 31.03.2020	As at 31.03.2019
Mr. S. D. R. Arudpragasam	417,164	417,164
Mr. K. P. David	4,314	4,314

DIRECTORS' REMUNERATION

Key management compensation in respect of the Company and the Group for the financial year 2019/2020 are given in Note 32.5 on page 74 to the Financial Statements.

CORPORATE DONATIONS

No donations were made during the year (2018/2019 - Nil).

DIRECTORATE

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

Mr. S. D. R. Arudpragasam - Chairman

Mr. A. Rajaratnam (Resigned w.e.f.20.06.2019)

Mr. R. N. Bopearatchy

Mr. D. L. Vitharana

Mr. K. P. David

Mr. C. P. R. Perera

Mr. P. M. A. Sirimane

Mr. S. N. P. Palihena

Mr. Anushman Rajaratnam (Appointed w.e.f.20.06.2019)

Mr. Alagarajah Rajaratnam resigned from the Board of Directors with effect from 20th June 2019

Mr. Anushman Rajaratnam was appointed to the Board on 20th June 2019.

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

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

Mr. C.P.R. Perera, who is over seventy years of age, offers himself for reappointment under and by virtue of a Special Notice received from a shareholder of the Company which is referred to in the Notice of Meeting.

Mr. S. N. P. Palihena, who is over seventy years of age, offers himself for reappointment under and by virtue of a Special Notice received from a shareholder of the Company which is referred to in the Notice of Meeting.

The Board of Directors is responsible for determining the strategic direction of the Company and setting corporate values. By identifying and setting limits for the principal risks applicable to the various groups of stakeholders and exercising adequate controls, the Directors strengthen the safety and soundness of the Company.

AUDITORS

The Financial Statements of the Company for the year have been audited by Messrs KPMG the retiring Auditors, who have expressed their willingness to continue as Auditors of the Company and are recommended for reappointment. A resolution to reappoint them and to authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.

The Auditors, Messrs KPMG were paid Rs. 0.76 Million (2018/2019 - Rs. 0.76 Million) as audit fees and fees for audit-related services by the Company. Further, there were no non-audit related services during the year 2019/2020 (2018/2019 - Nil).

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 interests in the Company.

REVENUE

The Revenue of the Company for the year was Rs. 50.9 Million. (2018/19 : Rs. 9.9 Million)

RESULTS

The Company made a Net Loss before Tax of Rs. 135.9 Million in the current financial year. The Net Loss before Tax for the previous year was Rs. 33.5 Million.

INVESTMENTS

Investments made by the Company are given in Notes 17 and 18 on pages 57 to 59.

PROPERTY, PLANT & EQUIPMENT

During 2019/2020 the Company did not invest in Property, Plant & Equipment (2018/2019 - Nil). The Directors are of the opinion that the net amount of Property, Plant & Equipment other than land appearing in the Balance Sheet are not greater than their market values as at 31st March, 2020. Market value of freehold land is given in Note 12 on pages 48 to 51.

STATED CAPITAL

The Stated Capital of the Company as at 31st March, 2020 was Rs. 1,558,005,620/- and is represented by 120,000,000 issued and fully paid ordinary shares.

RESERVES

The total reserves of the Company as at 31st March 2020 comprised of general reserves of Rs. 0.5 Million and accumulated loss of Rs. 921 Million whereas the total reserves of the Company as at 31st March 2019 comprised of general reserves of Rs. 0.5 Million and accumulated loss of Rs. 785 Million.

TAXATION

The Company's Liability to Taxation has been computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2007 and subsequent amendments thereto.

Tax applicable rate for VAT for the Company is 12% up to 1st of December 2019 and 8% from 1st December onwards of the turnover. The VAT recoverable as at 31st March, 2020 is Rs.6 Million.

RELATED PARTY TRANSACTIONS

During the financial year there were no recurrent or non-recurrent related party transactions which exceeded the respective thresholds mentioned in Section 9 of the Colombo Stock Exchange Listing Rules and 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 32 from pages 69 to 74.

SHARE INFORMATION

Information relating to Earnings, Dividend, Net Assets, and Market Value per share and share trading are given on pages 87.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

EVENTS OCCURRING AFTER THE REPORTING DATE

Events occurring after the Reporting date that would require adjustments to or disclosure are disclosed in Note 36 on page 76.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Capital Commitments and Contingent Liabilities as at the Balance Sheet date are disclosed in Notes 33 and 34 on page 75.

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 employees of the Company and its subsidiaries.

SHAREHOLDERS

It is the Company's policy to endeavor to ensure equitable treatment to its shareholders.

STATUTORY PAYMENTS

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

ENVIRONMENTAL PROTECTION

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

INTERNAL CONTROL

The Directors acknowledge their responsibility for the Company's system of internal control. The system is designed to give assurance regarding the safeguarding of Assets, the maintenance of proper accounting records and the reliability of financial information generated. However, any system can ensure only reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable period of time. The Board is satisfied with the effectiveness of the system of internal control for the period up to the date of signing the Financial Statements.

COMPLIANCE WITH SECTION 220 OF THE COMPANIES ACT NO. 07 OF 2007

As of the financial year ended 31st March 2020 the net assets are less than half of the stated capital of the Company which reflects a serious loss of capital as per Section 220 of the Companies Act No 07 of 2007. The Company has taken steps to comply with the said provisions inclusive of the convening of an Extraordinary General Meeting on 18th December 2020.

GOING CONCERN

The Directors, after making necessary inquiries and reviews including reviews of the Company's investments, related budgets for the subsequent years, 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,

Director
S.D.R.Arudpragasam

Director
P.M.A. Sirimane

By Order of the Board

Corporate Managers & Secretaries (Private) Limited
Secretaries
Colombo
26th November 2020

CORPORATE GOVERNANCE

The Corporate Governance structure spells out the guidelines in making decisions relating to corporate affairs. It also provides the structure through which the objectives of the Company are set out, as well as the means of attaining and monitoring the performance of those objectives. Sound Corporate Governance is reliant on external market place, commitment and legislation, plus a healthy Board Culture which safeguards policies and processes.

BOARD

Composition of the Board

The Directors are from varied business and professional backgrounds. Their expertise enables them to exercise independent judgement and their views carry substantial weight in decision making.

As at 31st March 2020 the Board comprised of eight Non-Executive Directors three of whom were Independent.

The Directors are named below:

Mr. S. D. R. Arudpragasam	- Chairman – Non-Executive
Mr. A. Rajaratnam	- Non-Executive (Resigned w.e.f.20.06.2019)
Mr. R. N. Bopearatchy	- Non-Executive
Mr. D. L. Vitharana	- Non-Executive
Mr. K. P. David	- Non-Executive
Mr. C. P. R. Perera	- Independent - Non-Executive
Mr. P.M.A. Sirimane	- Independent - Non-Executive
Mr. S.N.P. Palihena	- Independent – Non-Executive
Mr. Anushman Rajaratnam	- Non-Executive (Appointed w.e.f.20.06.2019)

The Non-Executive Directors have submitted declarations of their Independence or Non-Independence to the Board of Directors.

Mr. C. P. R. Perera is a Director of the Ultimate Parent Company (UPC) and holds Directorships on several subsidiaries of the UPC. He has served on the listed entity and on the Boards of certain subsidiaries of the Parent Entity for more than nine years and is a Director on the Boards of certain companies of which a majority of the Directors serve on the Board of another. He also holds Directorships in some companies which have a significant shareholding in another. However, the Board having taken into consideration all other circumstances listed in the Rules pertaining to the criteria for Defining Independence is of the opinion that Mr. C. P. R. Perera is nevertheless independent.

Mr. P.M.A. Sirimane is a Director of the Ultimate Parent Company (UPC) and holds Directorships on several subsidiaries of the UPC. He has also served for over a period of nine years on the Boards of some of these subsidiaries. He is employed by a subsidiary company of the UPC since November 2009 in the capacity of Director and has a material business relationship with such subsidiary. He serves on the Boards of certain companies of which a majority of the Directors serve on the Board of another. He also holds Directorships in some companies which have a significant shareholding in another. However, the Board having taken into consideration all other circumstances listed in the Rules pertaining to the criteria for Defining Independence is of the opinion that Mr. P.M.A. Sirimane is nevertheless independent.

Mr. S.N.P. Palihena is a Director of several subsidiaries of the Ultimate Parent Company, The Colombo Fort Land & Building PLC and has served for over a period of nine years on some of these subsidiaries. He serves on certain subsidiary companies of which a majority of the Directors serve on the Boards of another and is a Director of some companies which have significant shareholdings in another. However, the Board having taken into consideration all other circumstances listed in the Rules pertaining to the "Criteria for Defining Independence" is of the opinion that Mr. S. N. P. Palihena is nevertheless independent.

BOARD MEETINGS

The Board meets as and when required and matters are also referred to the Board and decided by resolutions in writing.

Management accounts and the progress reports are reviewed by the Board. Other matters of importance such as the Company's business policies and strategy formulation, are reviewed to assure growth and the successful implementation of such strategies. Further approvals relating to the annual budgets, capital expenditure, new investments and new ventures are granted after consideration.

COMPANY SECRETARIES AND INDEPENDENT PROFESSIONAL ADVICE

The Directors may seek advice from Corporate Managers & Secretaries (Private) Limited who are qualified to act as Secretaries as per the provisions of the Companies Act No. 07 of 2007. Advice is also sought from independent external professionals whenever the Board deems it necessary.

INDEPENDENT JUDGEMENT

The Board is committed to exhibit high standards of integrity and independence of judgement. Each Director dedicates the time and effort necessary to carry out his responsibilities.

FINANCIAL ACUMEN

The Board includes four finance professionals who possess the necessary knowledge to offer the Board guidance on matters of finance.

MANAGEMENT MEETINGS

The Management Team meets frequently to review progress, discuss operational issues and other important developments that require consideration and follow up actions.

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 the shareholders by making announcements to the Colombo Stock Exchange.

The Nomination Committee, during the financial year comprised of Mr. C. P. R. Perera, Chairman, Mr. P.M.A. Sirimane, Independent Non-Executive Directors, Mr. S. D. R. Arudpragasam, Non-Executive Director and Mr. A. M. de S. Jayaratne, Independent Non-Executive Director of the Ultimate Parent Company, CFLB.

RE-ELECTION OF DIRECTORS

In terms of the Articles of Association of the Company, a Director appointed to the Board holds office until the next Annual General Meeting and seeks re-election by the shareholders at that meeting. The Articles of Association requires one-third or a number nearest to one-third of the Directors (excluding Chairman, Chief Executive, Managing or Joint Managing Director) in 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.

CONSTRUCTIVE USE OF ANNUAL GENERAL MEETING/GENERAL MEETINGS

The Board considers the Annual General Meeting/General Meetings an opportunity to communicate with shareholders and encourages their participation. Questions raised by the shareholders are answered and an appropriate dialogue is maintained with them.

FINANCIAL REPORTING

The Board of Directors considers the timely publication of its Annual and Quarterly Financial Statements as a high priority. These publications include Financial and Non-Financial information in order to facilitate the requirements of the existing and potential shareholders. The Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards.

AUDIT COMMITTEE

The Audit Committee Report is set out on page 17.

REMUNERATION COMMITTEE

The Remuneration Committee, during the financial year comprised of Mr. C. P. R. Perera, Chairman, Mr. P.M.A. Sirimane, Independent Non-Executive Directors, Mr. S. D. R. Arudpragasam, Non-Executive Director and Mr. A. M. de S. Jayaratne, Independent Non-Executive Director of the Ultimate Parent Company, CFLB.

The remuneration policy in respect of the Company and its subsidiaries, is to attract, motivate and retain qualified and experienced personnel whilst determining remuneration packages for key management and senior management personnel with the objective of rewarding performance in a fair manner based on merit, competence, individual performance and having regard to operating results of the companies and comparable market statistics.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Related Party Transactions are disclosed in Note 32 to the financial statements.

The Report of the Related Party Transactions Review Committee appear on page 16.

RISK MANAGEMENT REVIEW

Risk management involves identifying potential risk exposures faced by the Company and implementing proper risk management techniques to mitigate such risks. A disciplined approach to risk is important in a diversified organisation such as Lankem Developments PLC in order to ensure that we are executing according to our strategic objectives. On this perspective we only accept risk for which we are adequately compensated.

Lankem Developments PLC has overall responsibility for risk oversight with a focus on the most significant risks facing the Company. We consider risk management as a vital component in our operations and build upon management's risk assessment and mitigation processes, which include standardised reviews of long-term strategic and operational planning, regulatory and litigation compliance, health and safety, environmental compliance, financial reporting and controls and information technology and security.

RISK FACTORS

1. FINANCIAL RISK

Financial risk covers a broad area of risk, which mainly incorporates credit risk and market risk stemming from business operations.

1.1. Credit Risk Management

Credit risks arise due to the non-payment by debtors, which can lead to working capital issues. Lankem Developments PLC implements proper credit controls and debt collection policies to ensure that the Company selects only reliable distributors who are able to honour their debts.

1.2. Market Risk Management

Market risk refers to the risk arising from the volatilities in market forces. Lankem Developments PLC faces market risks in the financial sphere in terms of the local rates of interest, inflation and exchange rates. Given the current business environment, the Company is in a position to manage its interest rate risk. The other market risk that the Company faces is the risk associated with raw material pricing.

1.2.1. Liquidity Risk

Due to the nature of the businesses that Lankem Developments PLC operates in, it needs to ensure that working capital cycles are properly maintained so as to ensure that operations are not compromised due to the lack of adequate working capital. Lankem Developments PLC implements appropriate cash flow management techniques.

1.2.2. Inflation Rate Risk

Upward movements in inflation will mainly reduce the purchasing power of individuals as well as institutional customers. This will deteriorate the potential demand for Company products and increase the Company's cost base. The Company closely monitors fluctuations in price levels and focuses on the efficient management of its cost base so as to ensure the minimal increase in price to customers.

1.2.3. Foreign Exchange Risk

Lankem Developments PLC operates in a business model where some of the raw material items are imported. As a result, the Company is somewhat exposed to foreign exchange risk due to the fluctuation in foreign exchange rates. This results in transaction risk for the Company. Lankem Developments PLC follows a neutral approach to exchange rate fluctuations and for accounting purposes, with the assumption of future exchange rate fluctuations will waive off the exchange rate losses against exchange rate gains.

2. BUSINESS RISK

New entrants into markets that Lankem Developments PLC is already present in as well as intensification of competition from existing players in existing markets are the significant business risk that the Company faces. Variation in consumer spending patterns is also a potential business risk.

Further relating to the plantation operations, worldwide consumption patterns and demand for tea has diverted consumers to other alternatives due to negative effects of global economic slowdown, climate changes, decreasing exports, etc. This in turn reduced the average global consumption of tea. This has constituted a significant business risk to the Company in the past year.

3. OPERATIONAL RISK

Operational risk relates to the risk arising from execution of business operations. The Company has established sound internal control systems in all its operations and continuously reviews and monitors those procedures to ensure accountability and transparency in all its operations such as plantation, investments, and power generation. The Company is in the process of strengthening its controlling and monitoring processes to ensure that the achievement of high quality and cost effectiveness of the processes while carrying out periodic compliance checks to ensure smooth functioning in all operations and minimised operational losses.

4. LEGAL AND COMPLIANCE

Legal and compliance risk relates to changes in the Government and regulatory environment, compliance requirements with policies and procedures, including those relating to financial reporting, environmental health and safety and intellectual property risks. Lankem Developments PLC continuously monitors regulatory changes in the environment and promptly responds and adapts to new changes.

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

The Related Party Transactions Review Committee (RPTRC) which was formed in conformity with the Listing Rules of the Colombo Stock Exchange is entrusted with the responsibility of ensuring compliance with the rules and regulations governing Related Party Transactions for Listed Entities its main focus being enhancement of corporate transparency and fairness to all stakeholders.

COMPOSITION

The Company's Related Party Transactions Review Committee, for the financial year ended 31st March 2020 comprised of the following members:

Mr. P.M.A. Sirimane	-	Chairman/Independent Non-Executive Director
Mr. C.P.R.Perera	-	Independent Non-Executive Director
Mr. K.P. David	-	Non-Executive Director

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

MEETINGS OF THE COMMITTEE

The Related Party Transactions Review Committee had met on four occasions for the financial year ended 31st March 2020 and the attendance was as follows:

Mr. P.M.A. Sirimane – Chairman	-	4/4
Mr. C.P.R. Perera	-	3/4
Mr. K.P. David	-	4/4

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

FUNCTIONS OF THE COMMITTEE

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

CONCLUSION

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

The Board of Directors have also declared in the Annual Report that there were no recurrent or non-recurrent related party transactions which exceeded the respective thresholds mentioned in Section 9 of the Colombo Stock Exchange Listing Rules and that 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

26th November 2020

AUDIT COMMITTEE REPORT

The Audit Committee has the responsibility of assisting the Board in fulfilling its overall responsibility to the shareholders in relation to the integrity of the Company's financial reporting process in accordance with the Companies Act and other legislative reporting requirements including the adequacy of disclosures in the Financial Statements in accordance with the Sri Lanka Accounting Standards. The Audit Committee also has responsibility to ensure that the internal controls of the Company are in accordance with legal and regulatory requirements. The Committee evaluates the performance and the independence of the Company's external audit functions.

COMPOSITION

The Audit Committee, for the financial year ended 31st March 2020, comprised of an Independent Non-Executive Director of The Colombo Fort Land & Building PLC (CFLB) (Ultimate Parent Company) and the two Independent Non-Executive Directors of Lankem Developments PLC (LDPLC). The names of the members are set out below:

Mr. A. M. de S. Jayaratne	-	Chairman (Independent, Non-Executive Director - CFLB)
Mr. C. P. R. Perera	-	Member (Independent, Non-Executive Director - LDPLC)
Mr. P.M.A. Sirimane	-	Member (Independent, Non-Executive Director - LDPLC)

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 efficiently and effectively. The Chairman of the Committee is a Fellow member of the Institute of Chartered Accountants of Sri Lanka and of England & Wales.

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

MEETINGS AND ATTENDANCE

The Audit Committee had met on five occasions during the financial year ended 31st March 2020 and the attendance was as follows:

Mr. A. M. de S. Jayaratne – Chairman	- 5/5
Mr. C. P. R. Perera	- 5/5
Mr. P.M.A. Sirimane	- 4/5

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

TERMS OF REFERENCE

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

(a) Risk Management

(b) Efficiency of the system of internal controls

(c) Independence and objectivity of the external (statutory) Auditors

(d) Appropriateness of the principal accounting policies used

(e) 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 timely published and they are prepared and presented in accordance with Sri Lanka Accounting Standards and also in compliance with the Companies Act and other regulatory requirements. The Committee has assessed the adequacy of existing internal 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.

AUDIT COMMITTEE REPORT

EXTERNAL AUDIT

The Company has appointed KPMG as its External Auditors for the financial year ended 31st March, 2020 and the services provided by them are segregated between audit/assurance services and other advisory services. The Committee has reviewed the progress and conduct of the statutory audit function and discussed the audit related issues with the Auditors.

Messrs KPMG has also issued a declaration as required by the Companies Act No. 07 of 2007, that they do not have any relationship or interest in any of the companies in the Group, which may have a bearing on the independence of their role as Auditors.

The Committee after evaluating the independence and performance of the External Auditors, has recommended to the Board the reappointment of Messrs KPMG for the financial year ending 31st March 2021 subject to the approval of the Shareholders at the Annual General Meeting of the Company.

A. M. de S. Jayaratne
Chairman
Audit Committee
26th November 2020

INDEPENDENT AUDITORS' REPORT

KPMG
(Chartered Accountants)
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TO THE SHAREHOLDERS OF LANKEM DEVELOPMENTS PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of Lankem Developments PLC ("the Company") and the consolidated Financial Statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31st March 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies and other explanatory information set out on pages 23 to 86.

In our opinion, the accompanying Financial Statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st March 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern - Group

We draw attention to Note 35.2 (a) of the financial statements, which indicates that the subsidiary company of the Group, Agarapathana Plantations Limited ("AGPL") has incurred a net loss of Rs. 1,211.9 Million during the year ended 31st March 2020 and, as of that date, AGPL's current liabilities exceeded its current assets by Rs. 2,321 Million. Further, AGPL has reported a net liability position of Rs. 820.4 Million as at 31st March 2020. Total assets and liabilities of AGPL represents 84% and 96% of total assets and total liabilities of the Group respectively. These events and conditions set forth in Note 35.2 to the Financial Statements indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

However, as also stated in Note 35.2 (a) to the Financial Statements, these financial statements have been prepared on the assumption that the use of going concern assumption for AGPL is appropriate considering the factors including the letter of comfort provided by the Ultimate Parent Company, The Colombo Fort Land & Buildings PLC to the Board of Directors of AGPL that it will continue to provide financial assistance in an event AGPL faces difficulties in settling its liabilities and other financial commitments as and when they fall due and payable.

Our opinion is not modified in respect of this matter.

KPMG

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 statement 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. In addition to the matter described in the Material Uncertainty Related to Going Concern Section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of Investment in Subsidiaries and Goodwill

(Refer to the significant accounting policies in Notes 3.1, 3.10.2 and explanatory Note 17 to the Financial Statements).

Risk Description

Investment in subsidiaries and provision for impairment of investments in subsidiaries of the Company were to Rs. 1,566.3 Million and Rs 873.4 Million, respectively, as at 31st March 2020.Further the goodwill reported in the Group Financial Statements was Rs. 629 Million as at the reporting date.

Assessing the impairment of investments in subsidiaries and goodwill involves, exercising significant judgments, in respect of factors such as selection of valuation models and assumptions used to determine the recoverable amounts.

We considered management's impairment assessment of Goodwill and investment in subsidiaries to be a key audit matter due to the magnitude of the carrying amount of Goodwill and investment in subsidiaries in the financial statements as at reporting date. In addition, these areas were significant to our audit because the impairment assessment process involves significant management judgment and required the management to make various assumptions and judgement in the underlining valuation models, which is subject to management bias.

Our audit procedures included;

- Evaluating the investment in subsidiary and goodwill balances for impairment indicators and comparing carrying amounts and recoverable amounts to assess the adequacy of the provision for impairment.
- Assessing and challenging the appropriateness of the valuation methodologies and key assumptions used by the management with reference to recent transactions and market data and engaging an internal valuation expert to assist us in evaluating the assumptions, methodologies and data used in the impairment tests.
- Assessing the appropriateness of the input data to supporting evidences on a sample basis, such as publicly available peer Company data and internal source data in assessing the arithmetical accuracy and reasonableness of the computation of average market multiples, liquidity adjustments and control premiums used in value in use computations.
- Assessing the adequacy and appropriateness of the disclosures made in the Financial Statements of the Company and the Group.

Measurement of Biological Assets

(Refer to the significant accounting policy in Note 3.6 and explanatory Notes 13 and 14 of the consolidated Financial Statements).

Risk Description

The Group has reported biological assets amounting to Rs. 3,258.1 Million as at 31st March 2020. This amount consists of bearer biological assets amounting to Rs. 2,232.4 Million and consumable biological assets amounting to Rs. 1,025.7 Million.

Bearer biological assets mainly include mature and immature tea fields. Inappropriate transfer from immature to mature plantations has a significant impact on the carrying value of the bearer plants and the reported profits as capitalization of costs will cease from the point of transfer and the mature plantations are depreciated over the useful lives of the plants. As per the industry practice, transfer of immature plantations to mature plantation fields happens at the point of commencement of commercial harvesting. The actual point of which commercial harvesting could start depends on the soil condition, weather patterns and plant breed.

The valuation of consumable biological assets requires significant levels of judgments and technical expertise in selecting appropriate valuation models and assumptions. The management engaged an external valuation expert to assist in determining the fair value of the consumable biological assets.

We considered this as a key audit matter because the valuation of consumable biological assets involved significant judgments exercised by the management and external valuation expert and were subjected to significant level of estimation uncertainty. Further, immature to mature transfer of bearer biological assets require management to exercise their judgement in determining the point at which a plant is deemed ready for commercial harvesting.

Our audit procedures for consumable biological assets included;

- Challenging the key assumptions and methodology used in the valuation, in particular the discount rate, expected market price and expected timber quantity.
- Assessing the objectivity and independence of the external valuation expert and the competence and qualification of the external expert.
- Reading the external valuer's report and evaluating the fair value methodology and inputs used in the valuations.
- Assessing the adequacy of the disclosures in the Financial Statements including the description and appropriateness of the inherent degree of subjectivity and the key assumptions.

Our audit procedures for bearer biological assets included;

- Testing the design, implementation and operating effectiveness of key internal controls in respect of capitalization of bearer biological assets.
- Obtaining schedules of costs incurred and capitalized under immature plantations as well as cost transferred to mature plantations by each estate and reconciling those balances to the general ledger on sample basis, verifying the reconciling items and obtaining explanations from management for any significant variances identified.
- Testing immature to mature cost transfer worksheet for selected estates to check whether the amount transferred during the year was consistent with the Company's accounting policy and industry norms.

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.

INDEPENDENT AUDITORS' REPORT

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

However, it should be noted that the Company's net assets is less than half of its stated capital resulting in a serious loss of capital situation as per the section 220 of the Companies Act No 07 of 2007. The Board of Directors of the Company has resolved to call for an Extraordinary General Meeting of shareholders on 18th December 2020, as required by the said Act.

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

KPMG

Chartered Accountants
Colombo, Sri Lanka
26th November 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		GROUP		COMPANY	
For the year ended 31st March		2020	2019	2020	2019
	Notes	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revenue	5	3,217,870	4,082,833	50,899	9,926
Cost of Sales		(4,252,302)	(3,829,510)	-	-
Gross (Loss) / Profit		(1,034,432)	**253,323**	50,899	**9,926**
Change in the Fair value of Biological Assets	14.2.1	197,794	54,865	-	-
Other Income	6	55,813	51,682	-	601
Administrative Expenses		(138,983)	(135,415)	(4,374)	(5,104)
Other Expenses	7	-	-	(181,864)	(36,284)
Impairment of Amount due from Related Parties	32	-	-	(2,198)	-
Finance Income	8	5,958	4,450	4,476	4,645
Finance Cost	8	(301,790)	(289,264)	(2,891)	(7,287)
Net Finance (Cost) / Income		(295,832)	(284,814)	1,585	(2,642)
Loss before Tax	9	(1,215,640)	**(60,359)**	(135,952)	**(33,503)**
Tax Expenses	10	(16,964)	25	-	-
Loss for the Year		(1,232,604)	**(60,334)**	(135,952)	**(33,503)**
Other Comprehensive Income / (Expense)					
Items that will not reclassified to Profit and loss					
Actuarial Gain / (Loss) on Defined Benefit Obligation	30	33,022	(81,940)	-	-
Revaluation Surplus on Lands	24	-	12,859	-	12,859
Tax Effect on Components of OCI		(4,623)	(3,600)	-	(3,600)
Changes in Fair Value of Investments classified as FVOCI	18	(104,270)	(1,731)	(348)	(564)
Other Comprehensive (Expense) / Income for the Year		(75,871)	(74,412)	(348)	8,695
Total Comprehensive Expense for the Year		(1,308,475)	**(134,746)**	(136,300)	**(24,808)**
Profit for the year Attributable to:					
Owners of the Company		(769,838)	(43,290)	(135,952)	(33,503)
Non-Controlling Interest		(462,766)	(17,044)	-	-
Loss for the Year		(1,232,604)	**(60,334)**	(135,952)	**(33,503)**
Total Comprehensive Expense Attributable to:					
Owners of the Company		(817,365)	(86,512)	(136,300)	(24,808)
Non- Controlling Interest		(491,110)	(48,234)	-	-
Total Comprehensive Expense for the Year		(1,308,475)	**(134,746)**	(136,300)	**(24,808)**
Loss per Share (Rs.)	11.1	(6.42)	**(0.36)**	(1.13)	**(0.28)**

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related Notes, which form a part of the Financial Statements of the Company set out on pages 27 to 86.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Notes	GROUP 2020 Rs. '000	GROUP 2019 Rs. '000	COMPANY 2020 Rs. '000	COMPANY 2019 Rs. '000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	12	811,309	795,658	19,809	19,811
Bearer Biological Assets	13	2,232,461	2,338,678	-	-
Consumable Biological Assets	14	1,025,776	827,849	-	-
Right to Use Assets	15	199,803	206,156	-	-
Intangible Assets	16	629,064	629,064	-	-
Investments in Subsidiaries	17	-	-	692,919	874,783
Financial Assets Measured at fair Value Through Other Comprehensive Income	18.1	82,529	191,257	5,259	5,607
Total Non-Current Assets		**4,980,942**	**4,988,662**	**717,987**	**900,201**
Current Assets					
Inventories	19	426,707	506,041	-	-
Produce on Bearer Biological Assets	14	2,692	5,975	-	-
Trade & Other Receivables	20	144,754	173,521	14	14
Amounts due from Related Parties	32.1.1	83,436	109,900	15,610	5,175
Loans due from Related Parties	32.1.2	23,145	23,145	9,938	10,600
Taxes Recoverable	21	85,380	94,558	4,164	4,164
Financial Assets Measured at Fair Value Through Profit or Loss	18.2	3,454	3,799	3,454	3,799
Cash & Cash Equivalents	22	80,599	102,981	18	72
Total Current Assets		**850,167**	**1,019,920**	**33,198**	**23,824**
TOTAL ASSETS		**5,831,109**	**6,008,582**	**751,185**	**924,025**
EQUITY AND LIABILITIES					
Stated Capital	23	1,558,006	1,558,006	1,558,006	1,558,006
General Reserve	25	500	500	500	500
Revaluation Reserves	24	9,259	9,259	9,259	9,259
Reserve for Financial Assets at fair value through OCI		(65,997)	(729)	(912)	(564)
Accumulated Losses		(1,374,313)	(622,216)	(921,098)	(785,146)
Total Equity attributable to the equity holders of the parent		127,455	944,820	645,755	782,055
Non-Controlling Interest		(288,846)	241,364	-	-
Total Equity		**(161,391)**	**1,186,184**	**645,755**	**782,055**
Non-Current Liabilities					
Interest Bearing Borrowings	26	1,051,016	892,729	-	-
Deferred Income	28	203,195	208,755	-	-
Deferred Tax Liabilities	29	41,311	21,398	3,600	3,600
Lease Liabilities	27	4,371	783	-	-
Retirement Benefit Obligations	30	1,531,477	1,341,107	-	-
Amounts due to Related Parties	32.2	75,559	-	75,559	-
Total Non-Current Liabilities		**2,906,929**	**2,464,772**	**79,159**	**3,600**
Current Liabilities					
Trade & Other Payables	31	1,718,476	1,394,443	10,138	8,778
Income Tax Payable		9,776	12,759	-	-
Loans Payable to Related Parties	26.1	-	30,700	-	30,700
Amounts due to Related Parties	32.2	401,054	161,130	10,931	94,388
Interest-Bearing Borrowings	26	525,042	346,208	-	-
Lease Liabilities	27	1,137	4,520		
Bank Overdraft	22	430,086	407,866	5,202	4,504
Total Current Liabilities		**3,085,571**	**2,357,626**	**26,271**	**138,370**
Total Liabilities		**5,992,500**	**4,822,398**	**105,430**	**141,970**
TOTAL EQUITY AND LIABILITIES		**5,831,109**	**6,008,582**	**751,185**	**924,025**
Net Asset per Share (Rs.)		**1.06**	**7.87**	**5.38**	**6.52**

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related Notes, which form a part of the Financial Statements of the Company set out on pages 27 to 86.

It is certified that the Financial Statements have been prepared in compliance with the requirements of Companies Act No. 07 of 2007.

Asoka Piyadigama
Chief Financial Officer

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

S.D.R. Arudpragasam
Director

P. M. A. Sirimane
Director

Colombo
26th November 2020

STATEMENT OF CHANGES IN EQUITY

GROUP	Equity Attributable to Owners of the Company							
	Stated Capital	General Reserve	FVTOCI Reserve	Revaluation Reserve	Accumulated Losses	Total	Non-Controlling Interest	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1st April 2018	1,558,006	500	-	-	(527,174)	1,031,332	297,095	**1,328,427**
Loss for the Year	-	-			(43,290)	(43,290)	(17,044)	**(60,334)**
Other Comprehensive Income/ (Expense) for the Year, Net of Tax	-	-	(729)	9,259	(51,752)	(43,222)	(31,190)	**(74,412)**
Dividend Paid	-	-			-	-	(7,497)	**(7,497)**
Balance as at 1st April 2019	**1,558,006**	**500**	**(729)**	**9,259**	**(622,216)**	**944,820**	**241,364**	**1,186,184**
Loss for the year	-	-	-	-	(769,838)	(769,838)	(462,766)	**(1,232,604)**
Other Comprehensive Income / (Expense) for the Year	-	-	(65,268)	-	17,741	(47,527)	(28,344)	**(75,871)**
Dividend Paid	-	-	-	-	-	-	(39,100)	**(39,100)**
Balance as at 31st March 2020	**1,558,006**	**500**	**(65,997)**	**9,259**	**(1,374,313)**	**127,455**	**(288,846)**	**(161,391)**

COMPANY	Stated Capital	General Reserve	FVTOCI Reserve	Revaluation Reserve	Accumulated Losses	**Total**
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	**Rs. '000**
Balance as at 1st April 2018	1,558,006	500	-		(751,643)	**806,863**
Loss for the Year	-	-	-		(33,503)	**(33,503)**
Other Comprehensive (Expense) / Income for the Year	-	-	(564)	9,259	-	**8,695**
Balance as at 1st April 2019	**1,558,006**	**500**	**(564)**	**9,259**	**(785,146)**	**782,055**
Loss for the year	-	-	-	-	(135,952)	**(135,952)**
Other Comprehensive Expense for the Year, Net of Tax	-	-	(348)	-	-	**(348)**
Balance as at 31st March 2020	**1,558,006**	**500**	**(912)**	**9,259**	**(921,098)**	**645,755**

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related Notes, which form a part of the Financial Statements set out on the pages 27 to 86.

STATEMENT OF CASH FLOWS

For the year ended 31st March	Notes	GROUP 2020 Rs. '000	GROUP 2019 Rs. '000	COMPANY 2020 Rs. '000	COMPANY 2019 Rs. '000
Cash Flows from Operating Activities					
Loss before Tax		(1,215,640)	(60,359)	(135,952)	(33,503)
Adjustments for :					
Depreciation of Property, Plant & Equipment	12	73,469	79,758	2	2
Depreciation of Bearer Plants	13	78,470	41,617	-	-
Amortization of Right of Use Assets	15	14,596	12,647	-	-
Write-off of Bearer Biological Assets	13	94,713	-	-	-
Dividend Income		(299)	(224)	-	-
Interest Expense	8	301,445	288,264	2,546	6,287
Profit on Disposal of Property, Plant & Equipment	6	-	(2,643)	-	(600)
Interest Income	8	(5,958)	(4,450)	(4,476)	(4,645)
Provision for retirement benefit obligation	30	237,871	201,221	-	-
Provision for impairment of loans and amounts due from related parties	32.1	-		2,198	-
Fair Value loss of financial assets measured at fair value through profit or loss	8	345	1,000	345	1,000
Provision for Impairment of Investment in Subsidiaries	17.1	-	-	181,864	36,284
Net Gain on change in fair value of biological assets	14.2.1	(197,794)	(54,865)	-	-
Write off of unclaimed ESC Recoverable		17,662	-		-
Amortization of Deferred Income	6	(8,760)	(8,724)	-	-
Operating Profit / (Loss) before Working Capital Changes		(609,880)	493,241	46,527	4,825
Decrease in Inventories		79,334	101,180	-	-
Decrease in Trade & Other Receivables		20,059	49,314	-	-
(Increase) / Decrease in Amounts due from Related Parties		29,380	(72,402)	(7,494)	(5,102)
Increase / (Decrease) in Trade & Other Payables		324,033	65,964	1,359	1,787
Increase / (Decrease) Amounts due to Related Parties		297,032	(75,350)	(9,807)	(1,200)
Cash Generated from Operations		139,958	561,948	30,585	310
Income Tax, WHT and Economic Service Charge Paid		(4,086)	(24,082)	-	-
Interest Paid		(312,933)	(327,536)	(637)	(644)
Gratuity Paid		(14,479)	(119,152)	-	-
Net Cash (used in)/ generated from Operating Activities		(191,540)	91,178	29,948	(334)
Cash Flows from Investing Activities					
Acquisition of Property, Plant & Equipment	12	(93,168)	(27,870)	-	-
Investment in Bearer plants	13	(36,105)	(101,289)	-	-
Net Investment in consumable biological assets	14	(9,854)	(9,267)	-	-
Net Investment in Financial assets Measured at fair value Though Other comprehensive Income		4,458	(1,731)	-	-
Interest Received	8	3,042	3,005	-	-
Dividend Received		299	224	-	-
Proceeds from Sale of Trees	14	13,004	-	-	-
Proceeds from Disposal of Property, Plant & Equipment		-	2,643	-	600
Net Cash generated from/(used in) Investing Activities		(118,324)	(134,285)	-	600
Cash Flows from Financing Activities					
Capital Grants Received	28	3,200	-	-	-
Proceeds from Long Term Loans		473,900	10,500	-	-
Repayment of Loans due to Related Parties	26.1	(30,700)	(134,075)	(30,700)	-
Repayment of Long Term Loans		(227,282)	-	-	-
Repayments of Lease Rental	27.1	(5,258)	(32,056)	-	-
Net Movement in Short Term Borrowings	26.3	90,503	42,414	-	-
Dividend Paid		(39,100)	(7,497)	-	-
Net Cash Generated from / (used in) Financing Activities		265,263	(120,714)	(30,700)	-
Net (Decrease)/Increase in Cash & Cash Equivalents		(44,602)	(163,821)	(752)	266
Cash & Cash Equivalents at the beginning of the year	22	(304,885)	(141,064)	(4,432)	(4,698)
Cash & Cash Equivalents at the end of the Year	22	(349,487)	(304,885)	(5,184)	(4,432)
Analysis of Cash & Cash Equivalents at the end of the Year					
Cash in Hand and at Bank		80,599	102,981	18	72
Bank Overdrafts		(430,086)	(407,866)	(5,202)	(4,504)
Cash & Cash Equivalents at the End of the Year		(349,487)	**(304,885)**	(5,184)	**(4,432)**

Figures in brackets indicate deductions.

The Financial Statements are to be read in conjunction with the related Notes, which form a part of the Financial Statements of the Company set out on the pages 27 to 86.

NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1 DOMICILE AND LEGAL FORM

Lankem Developments PLC (the 'Company') is a Company domiciled in Sri Lanka which was incorporated on 14th October 1974. The registered office of the Company is situated at 98, Sri Sangaraja Mawatha, Colombo 10, Sri Lanka.

The consolidated Financial Statements of Lankem Developments PLC, as at and for the year ended 31st March 2020, comprise of the Company and its subsidiaries (together referred to as the Group, individually as 'group Entities') and the group's interest in equity accounted investees.

The immediate and ultimate holding Companies of Lankem Developments PLC are Consolidated Tea Plantations Limited and The Colombo Fort Land & Building PLC, respectively.

1.2 Principal activities and nature of the operation

The principal activity of the Company is Investment Holding.

The principal activities of the Agarapatana Plantations Limited are cultivation, manufacture and sale of black tea and Waverly Power (Pvt) Ltd is generating electricity for the National Grid.

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 Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows together with the 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 were authorised for issue by the Board of Directors on 26th November 2020.

This is the first set of Financial Statements in which SLFRS 16 Leases have been applied. Changes to significant accounting policies are described in Note 3.2 to Financial Statements.

2.2 Basis of Measurement

The consolidated Financial Statements have been prepared on the historical cost basis except for the following material items in the Statement of Financial Position:

- Consumable Biological Assets measured at fair value less cost to sell
- Produce on Bearer Biological Asset measured at fair value less cost to sell
- Retirement Benefit Obligation has been measured at fair value
- Class of Land under Property, Plant and Equipment is carried Revaluation model.
- Financial Assets Classified at fair value through Profit and Loss
- Financial Assets classified at Fair Value Through Other Comprehensive Income

2.3 Functional and Presentation Currency

The consolidated Financial Statements are presented in Sri Lanka Rupees, which is the Company's functional currency, rounded to the nearest thousand, unless otherwise stated.

2.4 Use of Estimates, Judgments and Assumptions

The preparation of the Consolidated Financial Statements in conformity with Sri Lanka Accounting Standards (SLFRS/ LKAS) 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.

2.4.1 Judgments

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Consolidated Financial Statements is included in the following notes.

Note 13	- Lease classification
Note 16	- Intangible Assets
Note 29	- Measurement of deferred tax liability
Note 30	- Measurement of defined benefit obligations
Note 35	- Going Concern Assessment

2.4.2 Assumptions and Estimation Uncertainties

Information about the assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustments in the year ended 31st March 2020 is included in the following notes.

Note 30	- Measuring of defined benefit obligations: key actuarial assumptions;
Note 29	- Recognition of deferred tax liability
Note 17	- Impairment test: key assumptions underlying recoverable amounts;
Note 12	- Valuation of Property Plant and Equipment
Note 37	- Impact of Covid 19 Pandemic to the financial statements

2.4.3 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.

2.5 Accounting Policies and Comparative Information

The Accounting Policies applied by the Company are, unless otherwise stated, consistent with those used in the previous year. Previous year's figures and phrases have been rearranged, wherever necessary, to conform to the current year's presentation.

2.6 Materiality and Aggregation

Each material class of similar items is presented separately in the consolidated financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by LKAS 1: Presentation of Financial Statements.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on net basis, or to realize the assets and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as disclosed in Note 3.2 the accounting policies set out below have been applied consistently to all periods presented in these consolidated Financial Statements and have been applied consistently by group entities, unless otherwise indicated.

3.1 Basis of Consolidation

3.1.1 Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, based on the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. 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.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent Consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market based value of the replacement awards compared with the market based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

3.1.2 Non-Controlling Interest

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

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

3.1.3 Subsidiaries

Subsidiaries are entities controlled by the Group. The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases.

3.1.4 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.

3.1.5 Transactions Eliminated on Consolidation

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

3.2 Changes in Accounting Policies

The Group initially applied SLFRS 16 Leases from 1st April 2019. A number of other new standards are also effective from 1st April 2019 but they do not have a material effect on the Financial Statements of the Group.

The following changes in accounting policies are reflected in Group's financial statements for the year ended 31st March 2020.

3.2.1 SLFRS 16 Leases

The Group has adopted SLFRS 16 Leases using the modified retrospective approach from 1st April 2019 and therefore the comparative information has not been restated and continues to be reported under LKAS 17 – Leases and IFRIC 4 – "Determining Whether an Arrangement Contains a Lease.

The effect of initially applying this standard mainly attributed to the following:

– recognition of right-of-use assets

– recognition of corresponding lease liabilities

i) Definition of a Lease

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

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

ii) Accounting treatment by Lessee

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

a) Leases Classified as Operating Lease Under LKAS 17 (Other than JEDB/SLSPS Estates)

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

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all the leases.
- The Group has tested its right to use assets for impairment on the date of transition and has concluded that there is no indication that the right to use assets are impaired.

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

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

b) Leases previously classified as finance leases

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

c) Recognition of leases of JEDB/ SLSPC estates

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued a special application guidance which is applicable to the Companies previously adopted SoAT/ UITF regulation.

On transition to SLFRS 16, the Group did not have material impact to Group's financial statements from leases of JEDB/SLSPC estates handed over to the Group by the Government. The remaining lease period of this contract was 26 years as at 1st April 2019.

The change in accounting policy affected the following items in the statement of financial position as at 1st April 2019.

d) Impact on Transition (I.e., as at 1st April 2019)

Impact to the Group Financial Statements as at the date of transition was limited to the impact arising from the subsidiary - Waverly Power (Private) Limited is as follows,

	Rs.'000
Lease commitment as at 31st March 2019	15,669
Discounted using the incremental borrowing rate	
Present value of the future lease liability as at 1st April 2019	4,196

Waverly power (Private) limited has applied the incremental borrowing rate of 15% to discount the future cash flows at the date of transition.

The summary of the impact on the amounts presented in the financial statement on the date of transition is as follows;

	Interest Bearing Borrowings Rs.000	Lease Liabilities Rs.000
As at 31st March 2019	1,274,797	-
Reclassifications	(5,160)	5,160
Adjustment due to initial application of SLFRS 16	-	4,196
Adjusted balance as at 1st April 2019	1,269,637	9,356

	Leasehold Properties Rs.000	Property, Plant & Equipment Rs.000	Right of Use Assets Rs.000
As at 31st March 2019	206,156	795,658	-
Reclassifications	(206,156)	(4,048)	210,204
Adjustment due to initial application of SLFRS 16	-	-	4,196
Adjusted balance as at 1st April 2019	-	791,610	214,400

3.3 Foreign Currency

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

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

3.3.1 Recognition and Initial Measurement

Significant financing component is initially measured at the transaction price.

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 tohold 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.
- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.
- A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL;
- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

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

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

a) Business Model Assessment

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management.
- The risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;
- How managers of business are compensated. eg: whether compensation is based on the fair value of assets managed or the contractual cash flows collected.
- The frequency, volume and timing of sales of financial assets in prior periods, the reason for such sale and expectation about future sales activity.

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

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

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

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

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

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

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

Financial assets - Subsequent measurement and gains and losses

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

3.4.2.3 Financial Liabilities

i) Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost of FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3.4.3 De-recognition

3.4.3.1 Financial Assets

The 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters in to transactions where by it transfers assets recognised in its Statements of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

3.4.3.2 Financial Liabilities

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

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

3.4.4 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 includes 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 except Land are initially measured at its cost and subsequently at cost less accumulated depreciation and accumulated impairment losses.

At the time of transition from SLASs to SLFRSs/ LKASs, the 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, since 31st March 2019 the Company has shifted from cost model to revaluation model as per LKAS 16. The change in accounting policy from cost model to revaluation model has not led for a retrospective restatement due to the exemption available in the paragraph 17 of LKAS 8 "Accounting Policies, Change in Accounting Estimates and Errors". As per paragraph 17 of LKAS 8, the initial application of a policy to revalue assets in accordance with LKAS 16 "Property, Plant and Equipment" is a change in an accounting policy to be dealt with as a revaluation in accordance with LKAS 16, rather than in accordance with LKAS 8. LKAS 16 provides that when an item of property, Plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount at the date of revaluation.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing cost. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and Equipment.

3.5.2 Cost Model

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

3.5.3 Revaluation Model

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

3.5.4 Gains and Losses on Disposal

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

3.5.5 Subsequent Costs

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

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. Lease period of land acquired from JEDB/SLSPC will expire in the year 2045.

The estimated useful lives are as follows:

LANKEM DEVELOPMENTS PLC

Plant, Machinery & Equipment	10 Years
Furniture, Fixtures & Fittings	10 Years
Office Equipment	10 Years
Motor Vehicles	07 Years
Computers	04 Years
Other Equipment	01 Year

WAVERLY POWER (PVT) LTD.

Freehold Building	40 Years
Plant, Machinery & Equipment	13 1/3 Years
Furniture, Fixtures & Fittings	10 Years
Tools & Equipment	08 Years
Motor Vehicles	05 Years

AGARAPATHANA PLANTATION LIMITED

Buildings	40 Years
Roads	25 Years
Sanitation, Water & Electricity Supply	20 Years
Plant & Machinery	13 1/3 Years
Furniture & Fittings	10 Years
Equipment	8 Years
Motor Vehicles	5 Years
Mature Plantations (Replanting and New Planting)	Useful Life
Mature Plantations – Tea	33 1/3 Years

No depreciation is provided for immature plantations.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

AMORTISATION OF LEASEHOLD RIGHTS

The leasehold rights of assets taken over from JEDB/SLSPC are amortised in equal amounts over the shorter of the remaining lease periods and the useful lives as follows:

Freehold Assets	Useful Life
Right to Use of Land	53 Years
Roads & Bridges	40 Years
Improvements to land	30 Years
Mature Plantations – Tea	30 Years
Vested Tea	30 Years
Buildings	25 Years
Fences & Securities	20 Years
Water Supply	20 Years
Power Augmentation	20 Years
Machinery	15 Years

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 Land Improvement Cost

Permanent land development costs are those costs incurred in making major infrastructure development and building new access roads on leasehold lands. These costs have been capitalised and amortised over the remaining lease period.

Permanent impairment to land development costs are charged to the Statement of Profit or Loss in full or reduced the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.6 Biological Assets

Biological assets are classified as Mature Biological Assets and Immature Biological Assets. Mature Biological Assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature Biological Assets are those that have not yet attained harvestable specifications. Tea, rubber, other plantations and nurseries are classified as Biological Assets.

Biological assets are further classified as Bearer Biological Assets and Consumable Biological Assets. Bearer Biological Assets include tea trees, those that are not intended to be sold or harvested, however used to grow for harvesting agricultural produce from such Biological Assets. Consumable Biological Assets include managed timber, those that are to be harvested as agricultural produce or sold as Biological Assets.

The entity recognises the Biological Assets when, and only when, the entity controls the assets as a result of a past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

3.6.1 Bearer Biological Assets

The cost of Replanting and New Planting are classified as immature plantations upto the time of harvesting the crop. Further, the general charges incurred on the plantation are apportioned based on the labour days spent on respective Replanting and New Planting and capitalised on the immature areas. The remaining portion of the general charges is expensed in the accounting period in which it is incurred.

The cost of areas coming into bearing are transferred to mature plantations and depreciated over their useful life period.

The Bearer Biological Assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – Property, Plant and Equipment as per the ruling issued by CASL.

3.6.2 Consumable Biological Assets

The managed timber is measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using DCF method taking into consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer.

The main variables in DCF model concerns:

Variable	Comment
Currency valuation	Sri Lankan Rupees
Timber content	Estimate based on physical verification of girth, height and considering the growth of the each species in different geographical regions. Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Company
Economic useful life	Estimated based on the normal life span of each species by factoring the forestry plan of the Company
Selling price	Estimated based on prevailing Sri Lankan market prices. Factor all the conditions to be fulfilled in bringing the trees in to saleable condition

The gain or loss arising on initial recognition of biological assets at fair value less cost to sell and change in fair value less cost to sell of biological assets are included in profit or loss for the period in which it arises.

3.6.3 Infilling Cost on Bearer Biological Assets

Where infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance, the costs are capitalised in accordance with LKAS 16 – Property, Plant and Equipment and depreciated over the useful life at rates applicable to mature plantation.

Infilling costs that are not capitalised have been charged to the Statement of Profit or Loss in the year in which they are incurred.

3.6.4 Nursery Plants

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

3.6.5 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.

Borrowing Costs incurred in respect of loans that are utilised for field development activities have been capitalised as a part of the cost of the relevant Immature Plantation. The capitalisation will cease when the crops are ready for commercial harvest.

3.7 Leases

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

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

Policy applicable from 1st April 2019

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either;
- the Group has the right to operate the asset; or
- the Group designed the asset in a way that predetermines how and for what purpose it will be used.
- This policy is applied to contracts entered into, or changed, on or after 1st April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates he 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 deflater, the Group shall annually reassess the liability considering such variable and recognise the amount of remeasurement of the lease liabilities a an adjustment to the right-of-use asset.

Policy applicable before 1st April 2019

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and any prepayments which are recognised in the Group's Statement of Financial Position as lease hold rights. The lease hold rights under operating leases are charged to the Statement of Profit or Loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

The cost of improvements to or on leased property is capitalised, and depreciated over the unexpired period of the lease or the estimated useful lives of improvements, whichever is shorter.

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

Inventories are measured at the lower of cost and net realisable value after making due allowances for obsolete & slow moving items. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Finished Goods Manufactured from Agricultural Produce of Biological Assets

These are valued at the lower of cost and estimated realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which the stocks can be sold in the normal course of business after allowing for cost of realisation and/or cost of conversion from their existing state to saleable condition.

3.9.1 Produce on Bearer Biological Assets

In accordance with LKAS 41, The Group recognises agricultural produce growing on bearer plants at Fair value less cost to sell. Change in the fair value of such agricultural produce is recognised in profit or loss at the end of each reporting period.

For this purpose, quantities of harvestable agricultural produce ascertained based on harvesting cycle of each crop category by limiting to one harvesting cycle based on last day of the harvest in immediately preceding cycle. Further, 50% of the crop in that harvesting cycle considered for the valuation.

For the valuation of the harvestable agricultural produce, the Company uses the following price formulas:

Tea – Brought Leaf rate (Current month) less cost of harvesting & transport.

INPUT MATERIAL

At average cost.

GROWING CROP – NURSERIES

At the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.

SPARES AND CONSUMABLES

At actual cost.

3.10 Impairment

3.10.1 Non-Derivative Financial Assets

a) Financial Instruments and Contract Assets

The Group recognises loss allowances for ECLs (Expected Credit Loss) on trade and other receivables

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.

d) Presentation of allowance for ECL in the statement of financial position

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

e) Write-off

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

3.10.2 Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

3.11 Cash and Cash Equivalents

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

3.12 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 Group or due and payable to the Group in respect of the issue of shares and in respect of call in arrears.

3.13 Employee Benefits

3.13.1 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.

3.13.2 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 Group 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.

3.13.3 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 Agarapatana Plantations Limited is calculated by a qualified actuary using the Projected Unit Credit (PUC) method as recommended by LKAS 19 – 'Employee Benefits'. 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.

3.14 Provisions

A provision is recognised if as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably; and it is probable that an outflow, of economic benefits will be required to settle the obligation.

3.15 Revenue Recognition

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

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

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

Contract Liabilities

The Group 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 recognizes 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.

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

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

3.16 Expenses

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

Type of Product	Nature and timing of performance obligations including significant payment terms	Revenue recognition
Sale of Agricultural products	Company is in the business of cultivation, manufacture and sale of Black Tea. Revenue from the contracts with customers recognized when control of the goods transferred to the customers at an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods. Invoices are usually payable immediately or in advance not exceeding 20 days or on credit terms ranging from 7 to 15 days.	Revenue from the sale of plantation produce is recognized at the point in time when the control of the goods is transferred to the customer. Black Tea produce is sold at the Colombo tea auction and the highest bidder whose offer is acceptable shall be the buyer and the sale can be complete at the fall of hammer, at which point control is transferred to the customer.
Supply of Electricity	Supply of electricity to national grid. Invoices are generated at the end of each month as per the supply of Electricity to national grid. Invoices are usually payable within 2 months.	Revenue is recognized to the extent that is probable that the economic benefits will flow to the Company and the revenue associated costs incurred can be reliably measured at the fair value of the consideration or receivable net of trade discounts and sales taxes.

Dividend Income

Dividend Income is recognised in the Statement of Profit or Loss on the date when the entities right to receive payment is established.

3.15.2 Other Sources of Revenue

Finance Income

Finance income comprises interest income on funds invested (including financial assets measured at FVOCI, gains on the disposal of Financial Assets measured at FVOCI and Fair Value Gains on Financial Assets at fair value through Profit or Loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

3.16.1 Finance Cost

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and losses on disposal of FVTOCI financial assets, fair value losses on financial assets measured at fair value through profit or loss and impairment losses recognised on financial assets (other than trade receivables).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses on Financial Assets and Financial Liabilities are reported on a net basis as either Finance Income or Finance Cost depending on whether foreign currency movements are in a net gain or net loss position.

3.17 Taxation

Income tax expense comprises of 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.

Current Tax

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

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

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

Deferred Tax

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

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

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

The principal temporary differences arise from depreciation on Property, Plant and Equipment; tax losses carried forward, impairment of trade and other receivables and provisions for defined benefit obligations. Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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

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

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

3.18 Deferred Income – Grants and Subsidies

Grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is set up as deferred income. Where the Group receives non-monetary grants, the asset and that grant are recorded at nominal amounts and are released to the Statement of Profit or Loss over the expected useful life of the relevant asset by equal annual instalments.

3.19 Earnings per Share

The Group presents basic earnings/(loss) 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.

3.20 Segmental Reporting

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 an 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.

3.21 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.

3.22 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. Interest and dividends received are classified as investing cash flows for the purpose of presentation Statement of Cash Flow.

3.23 Comparative Figures

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

3.24 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 34 to the Financial Statements. Commitments are disclosed in Note 33 to the Consolidated Financial Statements.

3.25 Related Party Transactions

Related Party Transaction disclosures have been made in respect of the transactions between parties who are defined as related parties as per Sri Lanka Accounting Standards No. 24 - Related Party Disclosure.

4. ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE

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

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

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

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

- Definition of a business (Amendments to SLFRS 3)

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

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

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

5. REVENUE

For the year ended 31st March	GROUP 2020 Rs. '000	GROUP 2019 Rs. '000	COMPANY 2020 Rs. '000	COMPANY 2019 Rs. '000
Gross Revenue	3,217,870	4,082,833	50,899	9,926
Net Revenue	**3,217,870**	**4,082,833**	**50,899**	**9.926**

5.1 Revenue Streams

For the year ended 31st March	GROUP 2020 Rs. '000	GROUP 2019 Rs. '000	COMPANY 2020 Rs. '000	COMPANY 2019 Rs. '000
Revenue from contracts with customers				
Sale of Goods	**3,187,556**	3,995,018	-	-
Supply of Services	**30,314**	87,815	-	-
Total Revenue from contracts with customers	**3,217,870**	**4,082,833**	-	-
Dividend Income	-	-	50,899	9,926
Total Revenue	**3,217,870**	**4,082,833**	**50,899**	**9,926**

5.2. Disaggregation of revenue from contracts with customers

	GROUP 2020 Rs. '000	GROUP 2019 Rs. '000	COMPANY 2020 Rs. '000	COMPANY 2019 Rs. '000
Major Products / Divisions				
Tea	3,187,556	3,995,018	-	-
Supply of Electricity to CEB	30,314	87,815	-	-
Total Revenue from contracts with customers	**3,217,870**	**4,082,833**	**-**	**-**

5.3 Contract Balances

	GROUP 2020 Rs.'000	GROUP 2019 Rs.'000	COMPANY 2020 Rs.'000	COMPANY 2019 Rs.'000
Receivables (Included in Trade and Other Receivables)	24,195	48,662	-	-

5.4 Segmental Analysis

5.4.1 Segmental Revenue

	GROUP 2020 Rs.'000	GROUP 2019 Rs.'000	COMPANY 2020 Rs.'000	COMPANY 2019 Rs.'000
Plantations	3,187,556	3,995,018	-	-
Other	30,314	87,815	50,899	9,926
Net Revenue	**3,217,870**	**4,082,833**	**50,899**	**9,926**

5.4.2 Segmental Loss before Tax

	GROUP		COMPANY	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Plantations	(1,194,394)	(103,163)	-	-
Other	(21,246)	42,804	(135,952)	(33,503)
Loss before Tax	**(1,215,640)**	**(60,359)**	**(135,952)**	**(33,503)**

5.4.3 Segmental Assets and Liabilities

	GROUP		COMPANY	
	2020	2019	2020	2019
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Segmental Assets				
Plantations	4,910,753	5,081,922	-	-
Other	291,292	297,596	58,266	49,242
	5,202,045	5,379,518	58,266	49,242
Goodwill on Consolidation	629,064	629,064	-	-
Investments in Subsidiary	-	-	692,919	874,783
	5,831,109	**6,008,582**	**751,185**	**924,025**
Segmental Liabilities				
Plantations	5,718,605	4,614,340	-	-
Other	273,895	208,058	105,430	141,970
	5,992,500	**4,822,398**	**105,430**	**141,970**

6. OTHER INCOME

	GROUP		COMPANY	
For the year ended 31st March	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit on Disposal of Property, Plant and Equipment	-	2,643	-	600
Dividend Income	299	224	-	-
Amortisation of Capital Grants	8,760	8,724	-	-
Rent Income	12,165	13,336	-	-
Sale of Timber	7,405	1,087	-	-
Others	27,184	25,668	-	1
	55,813	**51,682**	**-**	**601**

7. OTHER EXPENSES

		GROUP		COMPANY	
For the year ended 31st March		2020	2019	2020	2019
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Provision for Impairment of Investment in Subsidiary	17.1	-	-	181,864	36,284
		-	**-**	181,864	**36,284**

8. NET FINANCE INCOME / (COSTS)

For the year ended 31st March	Note	GROUP 2020 Rs. '000	GROUP 2019 Rs. '000	COMPANY 2020 Rs. '000	COMPANY 2019 Rs. '000
(A) Finance Income					
Interest from Related Companies		2,916	1,445	1,276	1,445
Commission on Corporate Guarantee		-	-	3,200	3,200
Others		3,042	3,005	-	-
Total Finance Income		**5,958**	**4,450**	**4,476**	**4,645**
(B) Finance Costs					
Interest Expense on Bank Overdraft		(55,121)	(48,756)	(637)	(644)
Interest Expense on Related Party Loan		(12,464)	(7,519)	(491)	(4,186)
Commission on Corporate Guarantee		(5,987)	(6,151)	(1,418)	(1,457)
Fair Value Loss of Financial Assets Measured at Fair Value Through Profit or Loss	18.3	(345)	(1,000)	(345)	(1,000)
Interest Expense on Term Loan		(173,721)	(176,692)	-	-
Interest on Leases		(1,184)	(4,406)	-	-
Other Interest		(83,829)	(98,681)	-	-
		(332,651)	(343,205)	(2,891)	(7,287)
Amount Capitalised		30,861	53,941	-	-
Total Finance Costs		**(301,790)**	**(289,264)**	**(2,891)**	**(7,287)**
Net Finance Income/(Costs)		**(295,832)**	**(284,814)**	**1,585**	**(2,642)**

9. LOSS BEFORE TAXATION

	GROUP 2020 Rs. '000	GROUP 2019 Rs. '000	COMPANY 2020 Rs. '000	COMPANY 2019 Rs. '000
Is stated after charging all the expenses including following;				
Depreciation / Amortization				
Property, Plant & Equipment	73,469	79,758	2	2
Bearer biological assets	78,470	41,617	-	-
Right-of-use assets	14,595	12,647	-	-
Auditor's Remuneration				
Statutory Audit - KPMG	765	765	765	765
Other Auditors	6,128	5,876	-	-
Salaries and Wages	2,328,970	2,313,916	-	-
Defined Contribution Plan Cost - EPF & ETF	254,300	205,019	-	-
Defined Benefit Plan Cost - Retirement Gratuity	237,871	201,221	-	-

10. TAX EXPENSES

For the year ended 31st March	Note	GROUP 2020 Rs. '000	GROUP 2019 Rs. '000	COMPANY 2020 Rs. '000	COMPANY 2019 Rs. '000
Current Income Tax Expense					
Income Tax on Profit for the Year	10.1	(1,675)	(577)	-	-
Over Provision in respect of Previous Years		-	221	-	-
		(1,675)	**(356)**	-	-
Deferred Tax Expense					
(Origination) / Reversal of Temporary Differences	28	(15,289)	381	-	-
Income Tax (Expense) / Reversal		**(16,964)**	**25**	-	-

10.1 Current Income Tax Expense

For the year ended 31st March	Note	GROUP 2020 Rs. '000	GROUP 2019 Rs. '000	COMPANY 2020 Rs. '000	COMPANY 2019 Rs. '000
Reconciliation of Accounting Loss to Income Tax Expense					
Accounting Loss before Taxation		(1,215,640)	(60,359)	(135,952)	(33,503)
Aggregate Disallowed Expenses		973,002	412,450	184,414	43,573
Aggregate Allowable Items		(350,049)	(377,150)	-	(6,287)
Other Sources of Income		(63,610)	(14,226)	-	(15,172)
Taxable profit / (Loss) from business		**(656,297)**	**(39,285)**	**48,462**	**(11,389)**
Other Source of Income		63,610	2,659	-	600
Tax Loss Utilised during the year	10.2	(56,631)	(600)	(48,462)	(600)
Taxable Profit for the Year		**6,978**	**2,060**	-	-
Income Tax at 28%		-	577	-	-
Income Tax at 24%		1,675	-		
Income Tax at 14%		-	-	-	-
Income Tax on Current Year Profit		**1,675**	**577**	-	-

In accordance with the IRD Notice No PN/IT/2020-03 dated 12th February 2020, the Group has applied the income tax rate of 24% to calculate the income tax provision for the period from 1st January 2020 to 31st March 2020 on the income earned from sources that were liable to income tax at 28% prior to 1st January 2020.

Though the legislative process relating to the amendments to laws need to be completed in order for the tax rate to be considered as substantively enacted as at the reporting date, the Group has used the proposed tax rate of 24% as mentioned above since the difference between the application of the proposed tax rate of 24% and 28% has an immaterial impact to the financial statements.

10.2 Accumulated Tax Losses

	GROUP		COMPANY	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Tax Loss Brought Forward	2,720,233	2,680,210	138,891	127,293
Adjustment in Respect of Prior Years	90,101	1,338	1,186	809
Tax loss Utilised During the Year	(56,631)	(600)	(48,462)	(600)
Tax Loss for the Year	656,297	39,285	-	11,389
Tax Loss Carried Forward	**3,410,000**	**2,720,233**	**91,615**	**138,891**

10.3. Company

The Company is liable to pay income tax at the rate of 28% for the period of nine months from 1st April 2019 to 31st December 2019 as per the Inland Revenue Act No 24 of 2007 and at the rate of 24% for the period from 1st January 2020 to 31st March 2020 as per the IRD notice no PN/IT/2020-03 dated 12th February 2020 on its taxable income for the year 2019/20 (2018/19 : 28%).

10.4. Group

10.4.1 Agarapatana Plantations Limited

As per the Inland Revenue Act no 24 of 2017 (ACT), in the case of a company predominantly conducting an agricultural business, the applicable income tax rate is 14%. Any other sources of income of the company is to be taxed at the normal tax rate of 28%. As per the above ACT "Predominantly" is defined as 80% or more calculated based on gross income. The "Agriculture business" is defined in section 195 (1) as business of producing agricultural, horticultural or any animal produce and includes an undertaking for the purpose of rearing livestock or poultry. As per the IRD notice no PN/IT/2020-03 dated 12th February 2020, profit from the agriculture operation is continued to be liable for income tax at 14% while other income is taxable at 24%.

10.4.2 Waverly Power (Pvt) Ltd.

According to the extra ordinary gazette notification issued under section 194 of the Inland Revenue Act No. 24 of 2017 and exemption granted under section 160 of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto. The company's profit from business would be exempted from income tax up to year of assessment 2019/20. The Company will be liable for tax thereafter at the rate of 14%.

11. LOSS PER SHARE

11.1 Basic earnings per share

Basic Loss per share has been calculated based on the Loss for the year attributable to equity Shareholders of the Company after Tax divided by the weighted average number of Ordinary Shares in issue as at the reporting date and is calculated as follows.

	GROUP		COMPANY	
For the year ended 31st March	2020	2019	2020	2019
Loss for the Year (Rs. 000)	(1,232,604)	(60,334)	(135,952)	(33,503)
Attributable to Non-Controlling Interest (Rs. 000)	462,766	17,044	-	-
Loss attributable to Owners of the Company (Rs. 000)	(769,838)	(43,290)	(135,952)	(33,503)
Weighted Average Number of Ordinary Shares (No. 000)	120,000	120,000	120,000	120,000
Basic Loss Per Share (Rs.)	**(6.42)**	**(0.36)**	**(1.13)**	**(0.28)**

11.2 Diluted earnings per share

There were no dilution of ordinary shares outstanding at anytime during the year. Therefore, diluted earnings per share is same as basic earnings per share.

12. PROPERTY, PLANT & EQUIPMENT

12.1 Group

	Balance As at 01.04.2019	Transferred to Right-of-use assets	Other Transfers	Additions/ Transfers during the year	Disposals during the year	Balance As at 31.03.2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost / Revalued Amount						
Freehold						
Land	19,809	-	-	-	-	19,809
Buildings	582,691	-	-	20,061	-	602,752
Water, Sanitation and Electricity	84,045	-	-	-	-	84,045
Roads	69,315	-	-	-	-	69,315
Plant & Machinery	480,892	-	94,870	22,201	-	597,963
Motor Vehicles	119,624	-	207,371	48,850	(6,650)	369,195
Computer Equipment	262	-	-	-	-	262
Office Equipment	68,907	-	-	1,108	-	70,015
Other Equipment	651	-	-	-	-	651
Furniture & Fittings	9,888	-	-	-	-	9,888
	1,436,084	**-**	302,241	**92,220**	**(6,650)**	**1,823,895**
Leasehold						
Plant & Machinery	94,870	-	(94,870)	-	-	-
Motor Vehicles	215,745	(8,374)	(207,371)	-	-	-
	310,615	**(8,374)**	**(302,241)**	**-**	**-**	**-**
Capital Work in Progress	-			948	-	948
Total Cost / Revalued Amount	**1,746,699**	**(8,374)**	**-**	**93,168**	**-**	**1,824,843**

Capital work in progress

Capital work in progress recognized above represents the cost incurred by the subsidiary, Agarapathana Plantations Limited on Buildings as at 31st March 2020.

	Balance 01.04.2019	Transferred to Right-of-use assets	Other Transfers	Charge for the year	Accumulated Depreciation on Disposal	Balance As at 31.03.2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Accumulated Depreciation						
Freehold						
Buildings	122,220	-	-	24,771	-	146,991
Water, Sanitation and Electricity	52,076	-	-	3,561	-	55,637
Roads	28,989	-	-	2,772	-	31,761
Plant & Machinery	295,667	-	98,200	32,079	-	425,946
Motor Vehicles	103,827	-	172,462	8,990	(6,650)	278,629
Computer Equipment	157	-	-	62	-	219
Office Equipment	63,660	-	-	1,082	-	64,742
Other Equipment	651	-	-	-	-	651
Furniture & Fittings	8,806	-	-	152	-	8,958
	676,053	**-**	**270,662**	**73,469**	**(6,650)**	**1,013,534**
Leasehold						
Plant & Machinery	98,200	-	(98,200)	-	-	-
Motor Vehicles	176,788	(4,326)	(172,462)	-	-	-
	274,988	**(4,326)**	**(270,662)**	**-**	**-**	**-**
Total Depreciation	**951,041**	**(4,326)**	**-**	**73,469**	**(6,650)**	**1,013,534**
Net Carrying Value of Property, Plant & Equipment	**795,658**	**-**			**-**	**811,309**

12.2 COMPANY

	Balance As at 01.04.2019 Rs. '000	Additions during the year Rs. '000	Disposals during the year Rs. '000	Balance As at 31.03.2020 Rs. '000
Cost / Revalued Amount				
Freehold				
Land	19,809	-	-	19,809
Plant & Machinery	3,407	-	-	3,407
Motor Vehicles	72	-	-	72
Computer Equipment	15	-	-	15
Office Equipment	1,544	-	-	1,544
Other Equipment	651	-	-	651
Furniture & Fittings	503	-	-	503
Total Cost / Valuation	**26,001**	**-**	**-**	**26,001**

	Balance As at 01.04.2019 Rs. '000	Charge for the Year Rs. '000	Accumulated Depreciation on Disposal Rs. '000	Balance As at 31.03.2020 Rs. '000
Accumulated Depreciation				
Freehold				
Plant & Machinery	3,407	-	-	3,407
Motor Vehicles	72	-	-	72
Computer Equipment	15	-	-	15
Office Equipment	1,542	2	-	1,544
Other Equipment	651	-	-	651
Furniture & Fittings	503	-	-	503
Total Depreciation	**6,190**	**2**	**-**	**6,192**
Net Carrying Value of Property, Plant & Equipment	**19,811**			**19,809**

The fully depreciated assets of the Company as at 31st March 2020 are as follows:

	2020 Rs. '000	2019 Rs. '000
Plant & Machinery	3,407	3,407
Motor Vehicles	72	72
Office Equipment	1,544	1,524
Other Equipment	651	651
Computer Equipment	15	15
Furniture & Fittings	503	503
	6,192	**6,172**

The cost of fully depreciated assets, but still in use of the Group amounts to Rs 512 Mn as of 31 March 2020 (As at 31 March 2019 - Rs. 488 Mn).

12.3. The Portfolio of the Lands of the Group is as follows:

Company Name	:	Lankem Developments PLC
Location	:	Maguruwila Road, Gonawala
Extent in Perches	:	85.75
Date of the Latest Valuation	:	31.03.2019
Name of the Valuer	:	P.P.T. Mohideen
Market Value	:	Rs. 19.8 million (31st March 2019)

12.4 Revaluation of Land

The Company has revalued its lands as at 31st March 2019. The fair value of the Lands are determined by Mr. P.P.T. Mohideen (Incorporated Valuer), an external independent property valuer, having appropriate recognised professional qualifications and experience in the category of the property being valued.

The Board of Directors of the Company determinated that there is no significant change in the Fair Value of lands as at 31st March 2020.

12.5 Fair Value Hierarchy

Fair value measurement of the property has been categorised under Level 3 in the fair value Hierarchy based on the valuation techniques used.

Address of the Property	Extent of the Land	Significant Unobservable Inputs/ Market Price per Perch Rs'000	Carrying Value As at the date of Valuation Rs'000	Revalued Amount Rs'000	Net Gain on Revaluation Rs'000	Valuation Method	Interrelationship Between Key Unobservable Inputs and Fair Value
Maguruwila Road, Gonawala	85.75 Perches	265	6,950	19,809	12,859	Market Comparable Method	Positive Correlated Sensitivity

11 Perches falling within the high tension wire, are valued at Zero rate.

Market Comparable Method

This method considers the selling prices of a similar properties in terms of size, nature, location and condition. (Excluding any outlier transactions) within a reasonably recent period of time in determining the fair value of the property being revalued.

12.6 Sensitivity Analysis

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

As at 31st March 2020	Other comprehensive Income, net of tax	
	Increase Rs'000	Decrease Rs'000
Market price per perch (10% Movement)	21,790	(21,790)

12.7. If lands were Stated at deemed Cost, the amounts would have been as follows;

	2020 Rs'000	2019 Rs'000
Land	6,950	6,950

13. IMPROVEMENTS TO LEASEHOLD PROPERTY (BEARER BIOLOGICAL ASSETS)

Group

As at 31st March	Immature Plantations Rs. '000	Mature Plantations Rs. '000	Balance as at 31.03.2020 Rs. '000	Balance as at 31.03.2019 Rs. '000
Cost				
At the beginning of the Year	1,129,803	1,469,774	2,599,577	2,444,347
Additions during the Year	66,966	-	66,966	155,230
Transfer In/ (Out)	(769,382)	769,382	-	-
Written off during the year	(94,713)	-	(94,713)	-
At the End of the Year	332,674	2,239,156	2,571,830	2,599,577
Depreciation				
At the Beginning of the Year	-	260,899	260,899	219,282
Charge for the Year	-	78,470	78,470	41,617
At the End of the Year	-	339,369	339,369	260,899
Carrying Amount at the end of the year	**332,674**	**1,899,787**	**2,232,461**	**2,338,678**

13.1 Agarapatana Plantations Limited ("AGPL")

These are investments in immature/mature plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Notes 15. Further investment in immature plantations taken over by way of these leases are shown in the above notes. When such plantations become mature, the additional investments since take over to bring them to maturity are transferred from immature to mature under this note.

The Bearer Biological Assets are measured at cost less accumulated depreciations and accumulated impairment losses, if any, in terms of LKAS 16 - "Property Plant and Equipment".

Borrowing costs amounting to Rs. 30.9 Million (2018/19 – Rs. 53.9 Million) incurred on long term loans obtained to meet expenses relating to immature plantations have been capitalised as part of the cost of the immature plantations. Capitalisation will cease when crops are ready for harvest. The capitalisation rate of 12.34% (2019 – 11.8%) was used.

14. CONSUMABLE BIOLOGICAL ASSETS

	Group	
As at 31st March	2020 Rs. '000	2019 Rs. '000
At the Beginning of the Year	827,849	760,296
Decrease Due to Harvesting	(13,004)	-
Increase Due to New Planting	9,854	9,267
Gain Arising from Changes in Fair Value for the Year	201,077	58,286
	1,025,776	**827,849**

Managed timber plantation was measured at fair value and the corresponding gains/losses are recognised in the statement of profit and loss each year.

Managed trees include commercial timber plantations cultivated on estates. The cost of immature trees is treated as approximate to fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material.

The fair value of managed trees was ascertained by the independant, Incorporated valuer Mr. A. A. M Fathihu, FIV for the current year in accordance with LKAS. 41, " Agriculture" using discounted cash flows (DCF) method.

A risk adjusted discount rates per annum set out in below table in real terms excluding the effect of inflation have been used in determining the present value of estimated future cash flows as at 31st March 2020. The Fair value of consumable biological assets has been classified as Level 3 in terms of the fair value hierarchy.

Valuation techniques and significant unobservable inputs

Following table shows the valuation techniques in measuring Level 3 fair value of consumable biological asses as well as the significant unobservable inputs used,

1. The harvesting is approved by the PMMD and Forest Department based on the forestry development plan
2. The price adopted is net of expenditure
3. Discount rate is considered as per below table
4. Though the replanting is a condition precedent for harvesting, yet the cost is not taken into consideration

Assets	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs (Probability weighted average)	Relation of Unobservable Inputs to Fair Value
Consumable Biological Assets	Discounted Cash Flow Method	Discount Rate	Age to harvest 5 years or Below - 13% Age to harvest 6 to 15 years - 14% Age to harvest 15 years or Above - 15%	The higher the discount rate, the lesser the fair value
		Optimum Rotation (Maturity)	25 years	Lower the rotation period, the higher the fair value
		Volume at Rotation	19.4 - 88.5 cu.ft.	The higher the volume, the higher the fair value
		Price per cu.ft.	Rs. 245/- to Rs. 800/-	The higher the price per cu. ft. the higher the fair value

The valuations, as presented in the external valuation models based on net present values, take into account the long term exploitation of the timber plantations. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realisable value. The Board of Directors retains their view that commodity markets are inherently volatile and that long term price projections are highly unpredictable. Hence, the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the LKAS 41 against his own assumptions.

The biological assets of Agarapatana Plantations Limited are mainly cultivated in leased lands. When measuring the fair value of the biological assets it was assumed that these concessions can and will be renewed at normal circumstances. Timber content expects to realise in the future, included in the calculation of the fair value and takes into account the age of the timber plants and not the expiration date of the lease.

14.1 Sensitivity Analysis

Sensitivity Variation Sales Price

Values as appearing in the Statement of Financial Position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the Net Present Value of Biological Assets:

	Group	
As at 31st March 2020	Rs. '000	Rs. '000
	-10%	+10%
Managed Timber	(102,577)	102,577
Total	**(102,577)**	**102,577**

Sensitivity variation discount rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber trees show that a rise or decrease by 1% of the estimated future discount rate has the following effect on the Net Present Value of Biological Assets:

	Group	
As at 31st March 2020	Rs. '000	Rs. '000
	-1%	+1%
Managed Timber	46,647	(43,020)
Total	**46,647**	**(43,020)**

14.2 Produce on Bearer Biological Assets

	Group	
	2020	2019
	Rs. '000	Rs. '000
Produce on Bearer Biological Assets	2,692	5,975
As at 31st March	**2,692**	**5,975**

No Biological Assets are pledged as securities for liabilities during the year 2020 (2019 – Nil). There are no commitments for the development or acquisition of Biological Assets.

14.2.1 Change in Fair Value of Biological Assets

	Group	
	2020	2019
	Rs. '000	Rs. '000
Consumable Biological Assets - Gain arising from changes in fair value less cost to sell	201,077	58,285
Produce on Bearer Biological Assets - Loss from changes in fair value less cost to sell	(3,283)	(3,420)
	197,794	**54,865**

15. RIGHT OF USE ASSETS

		Group	
As at 31st March		2020	2019
	Note	Rs. '000	Rs. '000
Lands (JEDB/SLSPC Estates)	15.1	162,585	169,088
Immovable Bearer Biological Assets	15.2	29,252	35,259
Immovable Assets	15.3	1,611	1,809
Motor Vehicles	15.4	2,373	-
Lands (Other than JEDB/SLSPC Estates)	15.5	3,982	-
		199,803	**206,156**

15.1 Land (JEDB/SLSPC Estates)

"Right -of-use asset-Land" was previously accounted under Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka dated 21 August 2013.However, SLFRS 16 – Leases was applicable with effect from 01 April 2019 and therefore ,above "Right -of-use asset-Land" has been accounted in accordance with SLFRS 16 with effect from 01 April 2019. "Right -of-use asset-Land" have been executed for all estates for a period of 53 years. The unexpired period of the lease as at the reporting date is 25 years.

This Right -of-use asset-Land is amortized over the remaining lease term and is disclosed under non-current assets.

Description	Revaluation as at 22.06.1992 Rs. '000	Accumulated Amortisation 01.04.2019 Rs. '000	Amortisation for the Year Rs. '000	Accumulated Amortisation 31.03.2020 Rs. '000	Carrying Amount 31.03.2020 Rs. '000	Carrying Amount 31.03.2019 Rs. '000
Leasehold Right to Bare Land of JEDB/SLSPC Estates	341,588	172,500	6,503	179,003	162,585	169,088

15.2 Immovable Bearer Biological Assets

All the leases executed as at the reporting date will be retroactive to 22nd June 1992, the date of formation of the Company. The board decided at its meeting on 8th March 1995 that these assets would be taken at their book values as they appear in the books of JEDB/SLSPC on the day immediately preceding the date of formation of the Company. These assets are taken into the balance sheet as at 22nd June 1992 and depreciated as follows:

	Capitalised value 26 June 1992		Accumulated Depreciation				
Description	Balance as at 01.04.2019 Rs. '000	Balance as at 31.03.2020 Rs. '000	Balance as at 01.04.2019 Rs. '000	Charge for the year Rs. '000	Balance as at 31.03.2020 Rs. '000	Carrying Amount 31.03.2020 Rs. '000	Carrying Amount 31.03.2019 Rs. '000
Coffee, Pepper, Cardamom	305	305	-	-	-	305	305
Mature Plantations	179,093	179,093	144,281	5,967	150,248	28,845	34,812
Vested Tea	1,223	1,223	1,081	40	1,121	102	142
	180,621	**180,621**	**145,362**	**6,007**	**151,369**	**29,252**	**35,259**

15.3 Immovable Assets (Other than right to use Land and Bearer Biological Assets)

	Revalued amount			Accumulated Depreciation				
Description	Balance as at 22.06.1992 Rs. '000	Transfers Rs. '000	Balance as at 01.04.2019/ 31.03.2020 Rs. '000	Balance as at 01.04.2019 Rs. '000	Charge for the year Rs. '000	Balance as at 31.03.2020 Rs. '000	Carrying Amount 31.03.2020 Rs. '000	Carrying Amount 31.03.2019 Rs. '000
Improvement to Land	5,407	-	5,407	4,820	181	5,001	406	587
Unimproved Land	998	-	998	-	-	-	998	998
Roads and Bridges	677	-	677	453	17	470	207	224
Buildings	62,634	-	62,634	62,634	-	62,634	-	-
Fences and Securities	49	-	49	49	-	49	-	-
Machinery	8,822	(621)	8,201	8,201	-	8,201	-	-
Water Supply	6,158	-	6,158	6,158	-	6,158	-	-
Power Augmentation	972	-	972	972	-	972	-	-
Other Vested Assets	30	-	30	30	-	30	-	-
	85,747	**(621)**	**85,126**	**83,317**	**198**	**83,515**	**1,611**	**1,809**

15.4 Motor Vehicles

As at 31st March	2020 Rs. '000	2019 Rs. '000
Cost		
Transferred from Property, Plant and Equipment (Note 12.1)	**8,374**	-
Balance as at 31st March	**8,374**	-
Depreciation		
Transferred from Property, Plant and Equipment (Note 12.1)	4,326	-
Charge for the Year	1,675	-
Balance as at 31st March	6,001	-
Net Carrying Amount	2,373	-

15.5 Lands (Other than JEDB/SCSPC Estates)

As at 31st March	2020 Rs. '000
Adjustment due to initial application of SLFRS 16	4,196
Balance as at 31st March	4,196
Accumulated Amortization	
Amortization for the Year	214
Balance as at 31st March	214
Balance as the End of the Year	3,982

16. INTANGIBLE ASSETS

	Group	
As at 31st March	2020 Rs. '000	2019 Rs. '000
Goodwill		
Balance as at the Beginning of the Year	629,064	629,064
Balance as at the End of the Year	**629,064**	**629,064**

This represents the excess of the cost of acquisition of the net assets of Agarapathana Plantations Limited.

Impairment of Goodwill of Agarapatana Plantations Limited has been tested by considering the assumptions disclosed under Note 17. Valuation was based on the Market Multiples and accordingly, no provision for impairment is required as at the reporting date.

17. INVESTMENTS IN SUBSIDIARIES

As at 31st March	Group Holding 2020 %	Company Holding 2020 %	No. of Shares 2020	Cost 2020 Rs. '000	Market Value 2020 Rs. '000	No. of Shares 2019	Cost 2019 Rs. '000	Market Value 2019 Rs. '000
Company								
Unquoted Investments								
Agarapatana Plantations Limited	62	62	145,394,302	1,522,324	-	145,394,302	1,522,324	-
Waverly Power (Pvt) Ltd.	57	57	4,400,000	44,000	-	4,400,000	44,000	-
				1,566,324	**-**		**1,566,324**	**-**
Less: Provision for Impairment (Note 17.1)				(873,405)			(691,541)	
				692,919			**874,783**	

Carrying value of investments as at 31st March 2020 has been tested for Impairment and a provision for impairment amounting to Rs. 873.4 Million as at 31st March 2020 has been recognised.

The Company has applied market approach to determine fair value of Agarapathana Plantations Limited as specified in SLFRS 13 – 'Fair Value Measurement'. The recoverable value of Agarapathana Plantations Limited for the year ended 31st March 2020 is based on market multiples with adjustment to the marketability and control premium. This valuation is catagorised as a level 2 – valuation model according to the fair value hierarchy.

17.1 Provision for Impairment of Investments in Subsidiaries

	COMPANY	
	2020 Rs. '000	2019 Rs. '000
Unquoted Investments		
Balance at the beginning of the year	691,541	655,257
Provision for the year	181,864	36,284
Balance at the end of the Year	**873,405**	**691,541**

18. OTHER FINANCIAL INVESTMENTS

18.1 Financial Assets Measured at fair value through other comprehensive income

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

		GROUP			COMPANY	
	Notes	2020 Rs. '000	2019 Rs. '000	Notes	2020 Rs. '000	2019 Rs. '000
Quoted Investments	18.1.1	1,459	4,390	18.1.4	679	888
Unquoted Investments	18.1.2	76,490	182,148	18.1.5	-	-
Unit Trusts	18.1.3	4,580	4,719	18.1.6	4,580	4,719
		82,529	**191,257**		**5,259**	**5,607**

As at 31st March,	No. of Shares 2020	Carrying Value 2020 Rs. '000	No. of Shares 2019	Carrying Value 2019 Rs. '000
	GROUP			
18.1.1 Quoted Investments				
DFCC Bank PLC	5,536	335	5,536	388
Marawila Resorts PLC	312,500	344	312,500	500
Beruwala Resorts PLC	1,300,000	780	5,835,973	3,502
Total Quoted Investments		**1,459**		**4,390**
18.1.2 Unquoted Investments				
Far Eastern Exports Ltd	150,000	-	150,000	-
Union Commoditios (Pvt) Ltd	1,200,000	76,490	1,200,000	182,148
Total Unquoted Investments		**76,490**		**182,148**
18.1.3 Unit Trusts				
Pyramid Unit Trust	87,321	3,348	87,321	3,131
Comtrust Equity Fund	94,856	1,232	94,856	1,588
Total Unit Trusts		**4,580**		**4,719**
		82,529		**191,257**

Market value per share of quoted investments are based on published stock market prices on 20th March 2020 (2018/19 - 31st March 2019). Unquoted investments has been valued based on the net assets value of the Company. Net assets per share as at 31st March 2020 was Rs. 63.74 (2019 : Rs. 151.79)

As at 31st March	No. of Shares 2020	Market Value 2020 Rs. '000	No. of Shares 2019	Market Value 2019 Rs. '000
	COMPANY			
18.1.4 Quoted Investments				
DFCC Bank PLC	5,536	335	5,536	388
Marawila Resorts PLC	312,500	344	312,500	500
Total Quoted Investments		**679**		**888**
18.1.5 Unquoted Investments				
Fareastern Exports Ltd	150,000	-	150,000	-
Total Unquoted Investments		**-**		**-**
18.1.6 Unit Trusts				
Pyramid Unit Trust	87,321	3,348	87,321	3,131
Comtrust Equity Fund	94,856	1,232	94,856	1,588
Total Unit Trusts		**4,580**		**4,719**
		5,259		**5,607**

18.2 Financial Assets Measured at Fair Value through Profit or Loss

As at 31st March	No. of Shares 2020	Market Value 2020 Rs. '000	No. of Shares 2019	Market Value 2019 Rs. '000
	COMPANY / GROUP			
Quoted Investments				
Piramal Glass Ceylon PLC	250,000	825	250,000	875
Renuka Holdings PLC	1,147,000	2,179	1,147,000	2,294
Kotagala Plantations PLC	90,000	450	90,000	630
Total Quoted Investments Measured at fair Value through Profit or Loss		**3,454**		**3,799**

19. INVENTORIES

As at 31st March	GROUP 2020 Rs. '000	GROUP 2019 Rs. '000	COMPANY 2020 Rs. '000	COMPANY 2019 Rs. '000
Raw Materials	63,062	53,416	512	512
Growing Crop-Nurseries	33,401	25,744	-	-
Producing Tea	303,767	397,497	-	-
Spares & Consumables	26,989	29,896	-	-
	427,219	**506,553**	**512**	**512**
Less: Provision for Obsolete Inventories	(512)	(512)	(512)	(512)
	426,707	**506,041**	**-**	**-**

20. TRADE AND OTHER RECEIVABLES

As at 31st March	GROUP 2020 Rs. '000	GROUP 2019 Rs. '000	COMPANY 2020 Rs. '000	COMPANY 2019 Rs. '000
Trade Debtors	24,411	48,877	215	215
Less: Provision for Impairment	(5,418)	(5,418)	(215)	(215)
Total Trade Debtors	**18,993**	**43,459**	**-**	**-**
Other Receivables	104,352	111,133	14	14
Deposits Advances & Prepayments	21,409	18,929	-	-
Total Other Receivables	**125,761**	**130,062**	**14**	**14**
	144,754	**173,521**	**14**	**14**

21 . TAXES RECOVERABLE

	GROUP		COMPANY	
As at 31st March	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Income Tax	3,097	3,097	3,097	3,097
Economic Service Charge (ESC)	56,557	61,843	-	-
Withholding Tax & ACT	1,836	2,348	1,067	1,067
VAT Recoverable	29,899	33,279	6,009	6,009
	91,389	**100,567**	**10,173**	**10,173**
Less: Provision for Value Added Tax (VAT) Recoverable	(6,009)	(6,009)	(6,009)	(6,009)
	85,380	**94,558**	**4,164**	**4,164**

22. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
As at 31st March,	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Favourable Balance				
Fixed Deposits	29,083	29,950	-	-
Cash at Bank	49,868	72,981	18	22
Cash in Hand	1,648	50		50
	80,599	**102,981**	**18**	**72**
Unfavourable Balance				
Bank Overdraft	(430,086)	(407,866)	(5,202)	(4,504)
Cash and Cash Equivalents for the Purpose of the Cash Flow Statement	349,487	(304,885)	(5,184)	(4,432)

23. STATED CAPITAL

	2020		2019	
	Number of Shares Nos. '000	Value of Shares Rs. '000	Number of Shares Nos. '000	Value of Shares Rs. '000
Fully paid Ordinary Shares				
At the beginning of the Year	120,000	1,558,006	120,000	1,558,006
At the End of the Year	**120,000**	**1,558,006**	**120,000**	**1,558,006**

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.

24. REVALUATION RESERVE

	GROUP		COMPANY	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1st April	9,259	-	9,259	-
Surplus on revaluation	-	12,859	-	12,859
Deferred tax impact on revaluation surplus	-	(3,600)	-	(3,600)
Balance as at 31st March	**9,259**	**9,259**	**9,259**	**9,259**

The Company has revalued its lands as at 31st March 2019 and the difference between the deemed costs of the lands and revalued amounts was included under revaluation reserve.

25. GENERAL RESERVE

	GROUP		COMPANY	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1st April	500	500	500	500
Movement	-	-	-	-
Balance as at 31st March	**500**	**500**	**500**	**500**

General reserve is a capital reserve created by the Company. The directors may utilize the reserve as they deemed appropriate.

26. INTEREST BEARING BORROWINGS

	GROUP		COMPANY	
As at 31st March,	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Payable after one Year				
Long Term Loans **(Note 26.2)**	1,051,016	892,729	-	-
Total	**1,051,016**	**892,729**	**-**	**-**
Payable Within One Year				
Long Term Loans **(Note 26.2)**	392,124	303,793	-	-
Short Term Loans **(Note 26.3)**	132,918	42,415	-	-
	525,042	346,208	-	-
Loans - Lankem Ceylon PLC **(Note 26.1)**	-	30,700	-	30,700
Total	**525,042**	**376,908**	**-**	**30,700**
Total Interest bearing Borrowings	**1,576,058**	**1,269,637**	**-**	**30,700**

26.1 Loans - Lankem Ceylon PLC

	GROUP		COMPANY	
As at 31st March,	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance at the beginning	30,700	30,700	30,700	30,700
Payments made during the year	(30,700)	-	(30,700)	-
Balance at the End of the Year	-	**30,700**	-	**30,700**
Maturity Analysis				
Payable within One Year	-	**30,700**	-	**30,700**
Payable after One Year	-	-	-	-

26.2 Long Term Loans

	GROUP		COMPANY	
As at 31st March,	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance at the beginning	1,196,522	1,320,097	-	-
Loans obtained during the Year	473,900	10,500	-	-
Payments made during the Year	(227,282)	(134,075)	-	-
Balance at the end	**1,443,140**	**1,196,522**	-	-
Maturity Analysis				
Payable within One Year	392,124	303,793	-	-
Payable after One Year	1,051,016	892,729	-	-

26.3 Short Term Loans

	GROUP		COMPANY	
As at 31st March,	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance at the beginning	42,415	-	-	-
Loans Obtained During the Year	207,939	175,910	-	-
Payments Made During the Year	(117,436)	(133,495)	-	-
Balance at the end	**132,918**	**42,415**	-	-

26.4 Assets Pledged as Security Against Interest Bearing Borrowings

	Company/ Lender	Balance as at 31.03.2020 Rs. Million	Balance as at 31.03.2019 Rs. Million	Terms of Repayment	Security Pledged
Agarapatana Plantations Limited	Sampath Bank PLC	424.99	500.0	71 installments of Rs. 7 Mn and a final installment of Rs. 6.6 Mn commencing from 26.04.2019	Mortgage over leasehold rights over the estate land & Factory building of Diyagama West Estate
	Bank of Ceylon	250.0	-	72 monthly installments commencing from 20.05.2020 including six months grace period for the capital	Tri partite agreement with borrower,bank and the tea broker John Keells PLC
	Bank of Ceylon	50.0	-	72 monthly installments commencing from 03.05.2020 including six months grace period for the capital	A primary mortgage over leasehold rights of Glenanore and Haputale Estates including machinery fixed each of these estate.
	Seylan Bank PLC	45.3	46.1	84 Installments commencing from 30.11.2018	Mortgage over leasehold rights over the estate,land & buildings, fixed & floating assets of Diyagama East Estate
	Commercial Bank of Ceylon PLC	172.8	222.5	84 monthly installments commencing from 05.09.2016	Duly accepted Letter of Offer supported by board Resolution. General Terms and conditions Relating to term Loans Deposits of original title deeds and plan relating to the Damberenne Estate.
	Tea Board	28.3	30.0	36 installments commencing from August 2017	
	Tea Board	39.9	42.4	36 installments commencing from 13.07.2017	
	Bank of Ceylon	49.5	99.1	First and second installments of Rs. 416,667 & 60 installments of Rs. 4,054,598 commencing from December 2015	Additional mortage over lease hold rights of Glenanore and Haputhale Estates including machinery fixed each of these estates.
	Bank of Ceylon	162.5	200.0	48 monthly installments commencing from 12.06.2019	Tri partite agreement with borrower,bank and the tea broker John Keells PLC

	Company/ Lender	Balance as at 31.03.2020 Rs. Million	Balance as at 31.03.2019 Rs. Million	Terms of Repayment	Security Pledged
Agarapatana Plantations Limited	People's Leasing & Finance PLC	7.1	-	36 monthly installments commencing from 20.11.2019	Original Certificates of Registration of the vehicles and Fixed Deposit No. 82218547
	People's Leasing Company PLC Term Loan	8.8	9.9	60 monthly installments commencing from 10.11.2018	
	People's Leasing Company PLC	8.8		36 monthly installments commencing from 20.11.2019	
	People's Leasing Company PLC	4.8		36 monthly installments commencing from 20.11.2019	
	People's Leasing Company PLC	5.16		36 monthly installments commencing from 20.11.2019	
	Seylan Merchant Bank	23.5		36 monthly installments commencing from 13.04.2019	Original Certificates of the vehicles.
	Seylan Merchant Bank	21.2		36 monthly installments commencing from 10.03.2020	
Waverly Power (Pvt) Ltd	Sampath Bank PLC				
	Loan 1	44.99	46.5	96 monthly installments commencing one month after the date	a) Loan agreement for Rs. 25 Million.
					b) Primary mortgage bond for Rs. 25 Million over entirety of shares issued by the company, supported by an irrevocable Power of Attorney.
	Loan 2	95.5	-	96 monthly installments commencing one month after the date of first disbursement.	a) Loan agreement for Rs. 125 Million.

27. LEASE LIABILITIES

		GROUP		COMPANY	
As at 31st March		2020	2019	2020	2019
	Notes	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Payble after one Year					
Lease Liabilities other than JEDB/SLSPC Estates	27.1	4,239	640	-	-
Net liability to the Lessor of JEDB/SLSPC Estates	27.2	132	143	-	-
		4,371	**783**	**-**	**-**
Payble Within one Year					
Lease Liabilities other than JEDB/SLSPC Estates	27.1	**1,137**	**4,520**		
		1,137	**4,520**	**-**	**-**

27.1 Lease Liabilities (Other than JEDB/SLSPC Estates)

As at 31st March	GROUP 2020 Rs. '000	GROUP 2019 Rs. '000	COMPANY 2020 Rs. '000	COMPANY 2019 Rs. '000
Opening Balance	5,160	37,217	-	-
Adjustment due to initial application of SLFRS 16	4,196	-	-	-
Adjusted balance as at 1st April	9,356	37,217	-	-
Payments made during the Year	(5,126)	(32,057)	-	-
Interest Expense for the year	**1,146**	-	-	-
Balance at the End of the Year	5,376	5,160	-	-
Maturity Analysis				
Payable within one Year	1,137	4,520	-	-
Payable after one Year	4,239	640	-	-

27.2 Net liability to the Lessor of JEDB/SLSPC Estate

As at 31st March	GROUP 2020 Rs. '000	GROUP 2019 Rs. '000	COMPANY 2020 Rs. '000	COMPANY 2019 Rs. '000
Gross Liability	375	375	-	-
Finance charges allocated to future periods	(243)	(232)	-	-
	132	143	-	-

Net liability to lessor of JEDB/SLSCP Estates represents the Net Present Value of annual rental over the lease period discounted at a nominal discount rate of 8.16% per annum. Nominal discount rate consists of a real discount rate of 4.16% per annum and projected inflation of 4% per annum.

27.3 Below note shows the contractual undiscounted future cash flows of lease liabilities.

As at 31st March	GROUP 2020 Rs. '000
Less than one year	1,137
One to five years	2,976
More than 5 years	12,179
Total undiscounted lease liabilities as at 31st March	16,292

27.4 Amount recognised in the statement of profit or loss

As at 31st March	GROUP 2020 Rs. '000
Lease under SLFRS 16	
Interest on lease liabilities	1,184
Amortisation of Right-of-use asset	14,597
Lease under LKAS 17	
Lease expense	513

28. DEFERRED INCOME

As at 31st March	GROUP 2020 Rs. '000	GROUP 2019 Rs. '000
Cost		
At the Beginning of the Year	331,675	331,675
Additions During the Year	3,200	-
At the end of the Year	**334,875**	**331,675**
Amortisation		
Balance at the Beginning of the Year	122,920	114,196
Amortisation for the Year	8,760	8,724
At the End of the Year	**131,680**	**122,920**
Net Carrying Value at the End of the Year	**203,195**	**208,755**

28.1 Agarapatana Plantations Ltd.

The Agarapatana Plantations Ltd., has received funding from the Plantation Housing and Social Welfare Trust, Asian Development Bank, Plantation Reform Project and Ministry of Livestock Development for the development of worker welfare facilities such as re-roofing of line rooms, latrines, water supply and sanitation etc. The funds received from Sri Lanka Tea Board are utilised for Tea replanting. The amounts spent are included under the relevant classification of Property, Plant and Equipment and the grant component is reflected under deferred Income.

29. DEFERRED TAX LIABILITIES

As at 31st March	GROUP 2020 Rs. '000	GROUP 2019 Rs. '000	COMPANY 2020 Rs. '000	COMPANY 2019 Rs. '000
Balance At the Beginning of the Year	21,398	18,179	3,600	-
Charge / (Reversal) to the Income Statement	15,289	(381)	-	-
Charge to the Other Comprehensive Income	4,623	3,600	-	3,600
Balance At the End of the year	**41,311**	**21,398**	**3,600**	**3,600**

The Deferred Tax Liability is arrived at by applying the effective Income Tax rate of 28% for the Company applicable for the year of assessment 2019/20 to the temporary difference as at 31st March 2020. Deferred tax liability of Waverly Power (Pvt) Ltd. and Agarapathana Plantations Limited have been arrived by applying effective income tax rate of 14% as per the tax rates specified in the Inland Revenue Act No. 24 of 2017.

29.1 Group

The Group recognized deferred tax liabilities attributable to below temporary differences.

	2020		2019	
	Temporary Difference Rs '000	Tax Effect Rs '000	Temporary Difference Rs '000	Tax Effect Rs '000
Property, Plant & Equipment	(588,869)	(82,442)	(498,337)	(69,767)
Revaluation Reserve	(12,859)	(3,600)	(12,859)	(3,600)
Right - of - use assets	(193,447)	(27,083)	-	-
Biological Assets	(3,260,929)	(456,530)	(3,172,502)	(444,150)
Retirement Benefit Obligation	1,531,477	214,406	1,341,107	187,755
Lease Liabilities	1,268	178	-	-
Accumulated Tax Losses	2,241,130	313,759	2,202,598	308,364
	(282,227)	(41,311)	(139,993)	(21,398)

Agarapathana Plantations Limited

Tax losses recognized above are attributable to the subsidiary, Agarapathana Plantations Limited. Deferred tax asset on these accumulated tax losses is recognized up to extent of the expected realization of the tax losses against future taxable income.

Deferred tax asset in respect of following temporary differences has not been recognised in the financial statements as it is not probable that the Group will have sufficient taxable profits against which these losses can be claimed.

	2020		2019	
	Temporary Difference Rs '000	Tax Effect Rs '000	Temporary Difference Rs '000	Tax Effect Rs '000
Accumulated Tax Losses	1,168,870	176,468	558,959	97,699
	1,168,870	176,468	558,959	97,699

29.2 Company

The recognized deferred tax liability of the Company is attributable to the following temporary difference.

	2020		2019	
	Temporary Difference Rs '000	Tax Effect Rs '000	Temporary Difference Rs '000	Tax Effect Rs '000
Revaluation Reserve	(12,859)	(3,600)	(12,859)	(3,600)
	(12,859)	(3,600)	(12,859)	(3,600)

The Company has not recognized deferred tax assets attributable to the following tax losses, since it is not probable that future taxable profits will be available against which these tax losses can be claimed.

	2020		2019	
	Temporary Difference Rs '000	Tax Effect Rs '000	Temporary Difference Rs '000	Tax Effect Rs '000
Accumulated Tax Losses	91,615	25,652	138,891	38,889
	91,615	25,652	138,891	38,889

30. RETIREMENT BENEFIT OBLIGATIONS

	GROUP		COMPANY	
As at 31st March	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Movement in Present Value of Funded Obligations				
Balance at the Beginning of the Year	1,341,107	1,177,096	-	-
Current Service Cost	83,644	71,740	-	-
Interest Cost	154,227	129,482	-	-
Benefits Paid	(14,479)	(119,151)	-	-
Actuarial (Gains) / Losses	(33,022)	81,940	-	-
Present value of Defined Benefit Obligations	**1,531,477**	**1,341,107**	-	-

30.1 Agarapatana Plantations Limited

The retirement benefit obligation for all workers and staff is estimated on an actuarial basis, using the projected unit credit (PUC) method as recommended by LKAS 19. The full actuarial valuation was carried out by a professionally qualified actuary firm Messrs Actuarial & Management Consultants (Pvt) Ltd as at 31st March 2020. Assumptions used for the actuarial valuation are given below.

	2020	2019
Rate of Interest	10.00%	11.50%
Rate of Salary Increment - Worker's (Once in 2 years)	16.00%	16.00%
Staff Turnover Rate	10.00%	10.00%
Retirement Age - Workers and Staff	60	60
Daily Wage Rate	Rs.700/-	Rs.700/-

Sensitivity Analysis

Value appearing in the Financial Statements are sensitive to the changes of financial assumptions used. A sensitivity was carried out as follows:

Change in the Discount Rate	1%	0%	-1%
As at 31st March 2020 - Retirement Benefit Obligation	(123,327)	1,531,477	142,321
Change in the Salary Increment Rate	1%	0%	-1%
As at 31st March 2020 - Retirement Benefit Obligation	80,017	1,531,477	(74,502)

30.2 Expenses Recognised in the Income Statement

	GROUP		COMPANY	
As at 31st March	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Current Service Cost	83,644	71,740	-	-
Interest on Obligation	154,227	129,482	-	-
Provision for the Year	**237,871**	**201,222**	-	-

31. TRADE & OTHER PAYABLES

As at 31st March	GROUP 2020 Rs. '000	GROUP 2019 Rs. '000	COMPANY 2020 Rs. '000	COMPANY 2019 Rs. '000
Trade Payables	32,215	36,816	3,453	3,453
Other Creditors	511,753	386,990	6,685	5,325
Broker Advances	156,487	452,640	-	-
Payable to Employees	122,240	158,363	-	-
ESC Payable	82,507	70,128	-	-
EPF/Gratuity/ETF Payable	803,247	279,478	-	-
Dividends Payable	10,027	10,028	-	-
	1,718,476	**1,394,443**	**10,138**	**8,778**

32. RELATED PARTY TRANSACTIONS

32.1 AMOUNTS DUE FROM RELATED PARTIES

32.1.1 Amounts Due from Related Parties – Non-Trade

As at 31st March	Note	GROUP 2020 Rs. '000	GROUP 2019 Rs. '000	COMPANY 2020 Rs. '000	COMPANY 2019 Rs. '000
Agarapathan Plantations Ltd		-	-	3,200	-
Marawila Resorts PLC		134	298	-	-
Sherwood Holidays Ltd		11,724	11,408	-	-
Lankem Ceylon PLC		61,526	51,498	7,387	-
Lankem Tea & Rubber Plantations (Pvt) Ltd		-	39,667	-	-
Colombo Fort Hotels Ltd		10,052	7,029	6,559	5,175
Total Amounts Due From Related Parties		**83,436**	**109,900**	**17,146**	**5,175**
Less : Provision for Impairment	32.1.2	**-**	**-**	**(1,536)**	**-**
		83,436	**109,900**	**15,610**	**5,175**

32.1.2 Provision for Impairment - Amount due from Related Parties

As at 31st March	GROUP 2020 Rs. '000	GROUP 2019 Rs. '000	COMPANY 2020 Rs. '000	COMPANY 2019 Rs. '000
Balance as at the beginning of the Year	-	-	-	-
Provision for the Year	-	-	1,536	-
Balance as at the end of the Year	-	-	1,536	-

32.1.2 Loans Due from Related Parties

As at 31st March	Note	GROUP 2020 Rs. '000	GROUP 2019 Rs. '000	COMPANY 2020 Rs. '000	COMPANY 2019 Rs. '000
Colombo Fort Hotels Ltd		23,145	23,145	10,600	10,600
Less: Provision for Impairment	32.1.2.1	-	-	(662)	-
Total Loans Due From Related Parties		23,145	23,145	9,938	10,600
Total Amounts Due From Related Parties		**106,581**	**133,045**	**25,548**	**15,775**

32.1.2.1 Provision for Impairment - Loans Due from Related Parties

As at 31st March	GROUP 2020 Rs. '000	GROUP 2019 Rs. '000	COMPANY 2020 Rs. '000	COMPANY 2019 Rs. '000
Balance as at the beginning of the Year	-	-	-	-
Provision for the Year	-	-	662	-
Balance as at the end of the Year	-	-	662	-

The Company has granted a loan of Rs. 80Mn to Colombo Fort Hotels Limited (CFHL) on 1st of April 2012 at 15% interest per annum to facilitate working capital requirements of CFHL. The interest rate was revised from Financial Year 2013/2014 onwards to AWPLR +2% per annum payable monthly and subject to fluctuations at the discretion of the Lender.

Waverly Power (Pvt) Ltd., granted a loan of Rs. 12.54 Million to Colombo Fort Hotels Ltd., on 12th February 2018 at an interest rate of AWPLR +2% per annum payable monthly and subject to fluctuations at the discretion of the Lender.

32.2 AMOUNTS DUE TO RELATED PARTIES

As at 31st March	GROUP 2020 Rs. '000	GROUP 2019 Rs. '000	COMPANY 2020 Rs. '000	COMPANY 2019 Rs. '000
Non-Current				
Lankem Tea & Rubber Plantations (Pvt) Ltd. (Note 32.2.1)	75,559	-	75,559	-
	75,559	-	75,559	-
Current				
Lankem Ceylon PLC	29,134	27,706	-	16,891
Lanka Special Steel Ltd.	18,675	-	-	-
E.B. Creasy & Co. PLC	54,992	29,850	1,518	1,517
The Colombo Fort Land & Building Company PLC	83,819	7,054	-	-
Lankem Tea & Rubber Plantations (Pvt) Ltd. (Note 32.2.1)	42,184	75,559	-	75,559
Waverly Power (Pvt) Ltd.	-	-	9,413	421
Creasy Plantation Management Ltd.	4,793	4,793	-	-
Kotagala Plantations PLC	57,631	15,215	-	-
Union Commodities (Pvt) Ltd.	97,155	-	-	-
Sigiriya Village Hotels PLC	10,000	-	-	-
Colombo Fort Group services (Pvt) Ltd.	2,671	953	-	-
	401,054	**161,130**	**10,931**	**94,388**

32.2.1 Pursuant to the agreement signed between the Company and Lankem Tea & Rubber Plantations (Private) Limited dated 31st March 2020, Rs. 75,559 ("000") due to Lankem Tea & Rubber Plantations (Private) Limited from Lankem Developments PLC has been converted to a long term loan of which repayments fall after 12 months. An interest at the rate of AWPLR + 2% is to be charged on the capital outstanding with effect from 1st April 2020.

32.3 Related Party Transactions

32.3.1 Parent and Ultimate Controlling Party

The Company's parent undertaking is Consolidated Tea Plantations Ltd while the ultimate parent undertaking and controlling party is The Colombo Fort Land & Building company PLC.

32.3.2 Related Party Transactions

The Company has a related party relationship with its related Group Companies. The following transactions were carried out with related parties during the year ended 31st March 2019 and 2020.

32.3.3 The Company's Transaction with its Related Companies

Name of Related Party	Name of Directors	Nature of the Transaction	2020 Amount Rs. '000	2019 Amount Rs. '000
Lankem Ceylon PLC	Mr. S. D. R Arudpragasam	Intercompany Settlements	26,294	-
- Affiliated Company	Mr. R. N Bopearatchy (Retired w.e.f. 31.07.2020)	Interest Expense	(598)	(4,186)
	Mr. D. L. Vitharana (Retired w.e.f. 31.07.2020)	Commission on Corporate Guarantee	(1,242)	(1,457)
	Mr. Anushman Rajaratnam			
	Mr. K. P. David (Resigned w.e.f. 31.07.2020)	Loan settlements	30,700	-
	Mr. P. M. A. Sirimanne			
Colombo Fort Hotels Ltd.	Mr. S. D. R Arudpragasam	Interest Income	1,384	1,445
- Affiliated Company	Mr. Anushman Rajaratnam			
Agarapatana Plantations Ltd.	Mr. Anushman Rajaratnam	Commission on Corporate Guarantee	3,200	3,200
- Subsidiary	Mr. S. D. R Arudpragasam	Intercompany Settlements	-	(4,600)
	Mr. C. P. R. Perera			
	Mr. P. M. A. Sirimane			
Lankem Tea & Rubber Plantations (Pvt) Ltd.	Mr. S. D. R Arudpragasam	Intercompany Settlements	-	(4,600)
	Mr. Anushman Rajaratnam			
	Mr. A. Rajaratnam			
	Mr. S. D. R Arudpragasam			
	Mr. C.P.R. Perera			
Waverly Power (Pvt) Ltd.	Mr. S. D. R Arudpragasam	Fund Transfers	-	(3,400)
- Subsidiary	Mr. Anushman Rajaratnam	Intercompany Settlements	(59,592)	-
		Dividend	50,600	9,703

32.3.4 Waverly Power (Pvt) Ltd

Name of Related Party	Name of Directors	Nature of the Transaction	2020 Amount Rs. '000	2019 Amount Rs. '000
Lankem Ceylon PLC	Mr. S. D. R.Arudpragasam	Intercompany Settlements	(9,273)	451
- Affiliated Company	Mr. Anushman Rajaratnam	Settlement of dividend	(39,100)	(7,497)
		Advances	51,471	59,000
		Reimbursement of Expenses	(578)	(5)
Agarapatana Plantations Ltd.	Mr. S. D. R Arudpragasam	Lease Rental Paid	(600)	(573)
- Affiliated Company	Mr. Anushman Rajaratnam	Advances	-	1,000
	Mr. G.D.V. Perera			
Colombo Fort Group Services (Pvt) Ltd.	Mr. S. D. R.Arudpragasam	Reimbursement of Expenses	(134)	(117)
- Affiliated Company	Mr. Anushman Rajaratnam			
Colombo Fort Hotels Ltd.	Mr. S. D. R. Arudpragasam			
- Affiliated Company	Mr. Anushman Rajaratnam	Interest Receivable	1,639	1,710
	Mr. S. Rajaratnam			

32.3.5 Agarapatana Plantations Ltd

Name of Related Party	Name of Directors	Nature of the Transaction	2020 Amount Rs. '000	2019 Amount Rs. '000
Lankem Tea & Rubber	Mr. A. Rajaratnam*			
Plantations (Pvt) Ltd	Mr. S. D. R. Arudpragasam	Transfer of Intercompany Balances	(8,090)	(3,550)
- Affiliated Company	Mr. C. P. R. Perera	Advances Given	-	21,813
	Mr. R. C. Peris (Resigned w.e.f.31.10.2019)	Settlements	(39,667)	
	Mr. D. A. Ratwatte	Advances Received	(34,093)	
	Mr. G. D. V. Perera			
	Mr. Anushman Rajaratnam			
	Mr. D.R. Madena			
	Mr. S.S.Poholiyadda			
Lankem Ceylon PLC	Mr. S. D. R. Arudpragasam			
- Affiliated Company	Mr. Anushman Rajaratnam	Commission on Bank Guarantee	(4,569)	(4,694)
	Mr. P.M.A.Sirimane	Issue of Shares	-	-
		Share of group expenses	(15,000)	(15,000)
		Settlements	1,250	10,000

Name of Related Party	Name of Directors	Nature of the Transaction	2020 Amount Rs. '000	2019 Amount Rs. '000
Sigiriya Village Hotels PLC	Mr. Anushman Rajaratnam			
- Affiliated Company	Mr. S. D. R. Arudpragasam	Sales Proceeds Received	-	(179)
	Mr. C. P. R. Perera	Advances Received	10,000	-
Kotagala Plantations PLC	Mr. A. Rajaratnam* (Resigned w.e.f. 30.09.2019)			
- Affiliated Company	Mr. S. D. R. Arudpragasam	Advances Received	(42,415)	-
	Mr. C. P. R. Perera	Settlements	-	122,437
	Mr. R. C. Peris (Retired on 31.10.2019)			
	Mr. D. A. Ratwatte			
	Mr. G. D. V. Perera			
	Mr. S.S.Poholiyadda			
	Mr. Anushman Rajaratnam (Appointed w.e.f. 01.10.2019)			
The Colombo Fort Land & Building Co.PLC	Mr. A. Rajaratnam*	Rent on Building & Other Expenses	(9,955)	(10,676)
- Ultimate Parent	Mr. S. D. R. Arudpragasam	Issue of Shares	-	3,622
	Mr. C. P. R. Perera	Transfer of Intercompany balances	(75,772)	-
	Mr. Anushman Rajaratnam	Transfer of Intercompany balances	8,963	
	Mr. P.M.A.Sirimane			
Creasy Plantation	Mr. S. D. R. Arudpragasam	Settlements	-	11
Management Ltd				
- Affiliated Company				
Sherwood Holidays Ltd	Mr. S. D. R. Arudpragasam	Rent and Bungalow Upkeep Expenses	1,973	1,855
- Affliated Company	Mr. D. A. Ratwatte	Settlements	(1,656)	(2,630)
	Mr. G. D. V. Perera			
Ceylon Tea Brokers PLC	Mr. C. P. R. Perera	Broker Advance Received	(264,226)	(447,627)
- Affiliated Company		Broker Advance Paid	307,285	428,636
		Sale of Tea	323,266	474,178
		Sale Proceeds Received	(325,923)	(470,780)
Marawila Resorts PLC				
- Affiliated Company	Mr. S.D.R.Arudpragasam	Tea Sales	179	326
	Mr. C.P.R.Perera	Settlements	(343)	(396)
	Mr. Anushman Rajaratnam			
Union Commodities (Private) Ltd	Mr. S.D.R.Arudpragasam	Advances Received	91,000	-
- Affiliated Company	Mr. G.D.V Perera	Interest Charged	6,155	-
	Mr. Anushman Rajaratnam			

Name of Related Party	Name of Directors	Nature of the Transaction	2020 Amount Rs. '000	2019 Amount Rs. '000
E. B Creasy & Co. PLC	Mr. S. D. R. Arudpragasam	Short term loan received	(20,000)	(25,000)
Affiliated company	Mr. P.M.A.Sirimane	Interest Charged	(5,141)	(3,333)
Lanka Special Steels Ltd	Mr. S. D. R. Arudpragasam	Advances Received	(32,000)	-
Affiliated company	Mr. P.M.A.Sirimane	Interest Charged	(675)	
		Settlements	14,000	
Colombo Fort Group Services (Pvt) Ltd	Mr. S. D. R. Arudpragasam	IT Support Services Expenses	(3,882)	(3,040)
- Affiliated Company	Mr. P. M. A. Sirimane	Payments Made	2,162	2,003
	Mr. Anushman Rajaratnam			

** Mr. A. Rajaratnam resigned from the Board of Agarapatana Plantations Ltd on 30.09.2019.*
Mr. Anushman Rajaratnam was appointed to the Board of Agarapatana Plantations Ltd on 01.10.2019.

32.4 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 year end are unsecured and no interest was charged during the year. Interest on balance transferred to Interest Bearing Liabilities are charged at the market rate.

32.5 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.

32.5.1 Loans to Key Management Personnel

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

32.5.2 Key Management Personnel Compensation

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

	GROUP		COMPANY	
As at 31st March	2020 Rs. '000	2019 Rs. '000	2020 Rs. '000	2019 Rs. '000
Short - Term Employee Benefits	11,014	10,494	-	1,230
Motor Vehicle Transfer	6,650	-	-	-

32.5.3 Transactions with Close Family Members

There were no transactions with close family member during the year.

33. CAPITAL AND FINANCIAL COMMITMENTS

33.1 COMPANY

The Company had no material capital or financial commitments as at the reporting date.

33.2 GROUP

The Group had no significant capital or financial commitments as at the Reporting date other than those disclosed below.

33.2.1 Capital Commitments

There are no material capital commitments other than the following as at the reporting date.

33.2.1.1 Agarapatana Plantations Limited

The following are the capital commitments approved as at the reporting date.

	2020 Million	2019 Million
Field Development	97.3	71.7
Machinery & Factory Development	204.2	133.4

34. CONTINGENT LIABILITIES

34.1 COMPANY

The Company has issued a corporate guarantee amounting to Rs. 160 mn to Indian Bank on behalf of Agarapathana Plantations Limited.

34.2 GROUP

There are no material contingent liabilities outstanding as at the reporting date which require adjestments/disclosure in the Financial Statements.

35. GOING CONCERN

The Board of Directors of the Company / Group has determined that the use of going concern assumption in the preparation of financial statements as at 31st March 2020 is appropriate based on following factors.

35.1 Company

The Company has incurred a loss of Rs. 135.9 Million during the year ended 31st March 2020 (2019: Rs. 33.5 Million). Its accumulated losses as of 31st March 2020 was Rs. 921.1 Million (2019: Rs. 785.1 Million). Further, the Company's net assets are less than the half of its stated capital resulting in a serious loss of capital situation as of 31st March 2020. These factors raised concerns over the appropriateness of the use of going concern assumption for the preparation of financial statements of the Company. However, the Board of Directors of the Company has determined that the use of going concern assumption in the preparation of financial statements of the Company for the year ended 31st March 2020 is appropriate based on following factors.

As disclosed in Note 1.2 to the financial statements, the Company's principal operation is to manage its investment portfolio. The Company has recognized an impairment expense on the investment in its subsidiary Agarapathana Plantations Limited ("AGPL") amounting to Rs. 181.8 Million during the year ended 31st March 2020 (2019: Rs. 36.2 Million). As disclosed in Note 17 to the financial statements, this provision for impairment of Investment in subsidiary depends on market prices of peer companies in the plantation industry and performance of AGPL.

The management of AGPL has taken several steps to improve its profitability which comprises of investment initiatives on mechanization relating to plucking process to overcome the issue of worker shortage and proper application of agricultural inputs details of which are described in Note 35.2(a) below.

The Board of Directors of the company believe that in addition to the positive outcome from the said steps taken by the subsidiary AGPL, which will enable to improve the profitability of the AGPL , the plantation industry will also perform well in the future and as a result, market prices of peer companies in the plantation industry will increase.

As such, a reversal of the impairment provision made against the investment in subsidiary AGPL will make possible the improvement in profitability and the accumulated loss situation of the Company.

In addition, the Board of Directors also believe that the 'Waverly Power Pvt Ltd, which declared dividends during the year 19/20 will continue to perform well and contribute more to the profitability of the company. WPL is currently having a power purchase agreement with CEB for 20 years.

35.2 Group

The Group has recorded a loss of Rs. 1,232.6 Million for the year ended 31st March 2020 (2019: Rs. 60 Million). Further, its accumulated losses were Rs. 1,374.3 Million as of 31st March 2020 (2019: Rs. 662.2 Million) and as of that date the Group's current liabilities exceeded its current assets by Rs. 2,235.4 Million (2019: Rs. 1,337.7 Million). The Directors of Group are confident that the financial position of the Group will improve during the year 2020/21 as a result of the following steps taken by the subsidiary company.

(a) Agarapathana Plantations Limited ("AGPL")

AGPL reported a gross loss of Rs. 1,035.4 Million and a net loss of Rs. 1,211.9 Million during the year ended 31st March 2020 (2019 net loss: Rs. 102.9 Million). It reported negative net assets of Rs. 820.4 Million (2019: Positive Rs. 466.9 Million) and its current liabilities exceeded its current assets by Rs. 2,321 Million as of 31st March 2020 (2019: Rs. 1,306.9 Million).

AGPL is predominantly engaged in the cultivation of tea. Tea prices have significantly improved subsequent to the year ended 31st March 2020. Similar to the industry, AGPL strongly believe that these prices will remain firm till the end of next year and thereafter. Further, actions have been taken to revive the operations of AGPL from the loss-making position to a profitable business venture and therefore based on the future plans, the Board of directors is confident that AGPL will continue as a going concern for a foreseeable future. Adding to that, AGPL has taken following key steps to improve the financial status.

i. To enhance fertilizer applications, and thereby achieving a significant improvement to the yield as well as quality is expected during the 2nd half of the current year. A separate Broker funding in the form of a revolving short-term loan has been negotiated to meet this requirement.

ii. Negotiations are underway with Bank of Ceylon to raise a working capital facility of Rs. 200 Million at a reduced interest rate under the COVID -19 conditions. With the current AWPLR being around 6.5% the lending rate is expected to be approximately 9% (AWPLR+2.5%), which would thus be a competitive rate to replace the monthly Broker borrowings at 17%. The Company will make all attempts to avail this facility from Bank of Ceylon as a significant portion of the previous loans of Rs. 250 Million obtained from Bank of Ceylon has been successfully settled with a current outstanding balance of Rs. 50Million.

iii. The management has committed to bring in significant savings in the cost of harvesting by introducing mechanized plucking, with an increase in the production at a reduced labour cost which accounts for 60% of the cost of production. In this regard the management has strategized for 30% of the plucking extent to be mechanized within the next two years.

   The Company has successfully implemented the first phase of the mechanized plucking during August 2020, whereby almost 50 machines are already in operation and will be increased to 110 machines by the end of March 2021.

   Mechanized plucking operates by way of two pluckers per machine, harvesting at the rate of 50 Kgs per plucker per day, with a norm of 40 Kgs and the excess quantities are paid at Rs.30/- per Kg, whereas manual plucking yields l6 Kgs per plucker with a norm of l8 Kgs and the excess quantities are paid at Rs.40/- per Kg. The Company has lost a fair number of workers due to retirement etc. and as such, currently the required plucking rounds are unable to be implemented due to shortage of workers. This is also expected to be mitigated by mechanized plucking.

iv. The management has issued a stringent operational policy on labour management that are to be strictly observed by the Estate management, whereby each estate is required to keep the total labour cost below 60% of the total cost of production, by way of deploying labour efficiently in terms of labour allocation to plucking rounds and other related works considering lean vs cropping periods whilst meeting the projected crop. This aspect of the estate management is measured on a weekly basis at Head Office, whereby a dashboard report is generated in numbers and circulated at top levels to monitor compliance.

   This is a tool to keep the labour cost outflows at minimum under the current financial crisis situation and to manage the available working capital funds and additional borrowings.

v. The Board of Directors of Lankem Tea & Rubber Plantations (Pvt) Ltd, Managing Agent has decided to extend the moratorium placed on Management Fees for the coming financial year too.

Further, on 16 September 2020 the Board of Directors of The Colombo Fort Land & Building PLC has provided a Letter of Comfort which has been accepted by the Board of AGPL by virtue of its resolution dated 16 September 2020 that AGPL will be getting financial assistance whenever is required to defray the external liabilities.

(b) Waverly Power (Pvt) Ltd (WPL)

In addition, the Board of Directors also believe that the 'Waverly Power (Pvt) Ltd, a subsidiary of the group, operates in the power generation sector, which has reported net assets of Rs 86Mn for the year will continue to perform well and further improves the company and group net assets in coming years. WPL is currently having a power purchase agreement with CEB for 20 years.

Based on the above factors, the Board of Directors has determined that the use of going concern assumption in the preparation of financial statements of the Group for the year ended 31st March 2020 is appropriate.

36. EVENTS OCCURRING AFTER THE REPORTING DATE

There were no material events occurring after the reporting Date that require adjustments to or disclosure in the Financial Statements other than the following:

The Board of Directors have resolved to convene an Extraordinary General Meeting in compliance with section 220 of the Companies Act No. 7 of 2007 which will be held on 18th December 2020.

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

On 11th March 2020 the World Health Organization declared the COVID-19 as an Global Pandemic Situation. The pandemic has been significantly affected to the Sri Lanka economy as well as the Company's business environment. The Board of Directors have evaluated and determined the below impact to the business carried out by the Group.

(a) Lankem Development PLC (Company)

The Principal business activity of the Company is managing investments owned by the Company. Thus the impact of COVID 19 Pandemic to the Company depends on the impact to the businesses which are managed by the Company. Impact to the business managed by the company are explained below.

(b) Agarapathana Plantations Limited (Subsidiary)

The Plantation sector being declared as an "essential service", enabling the Company to carry out its critical operations with minimum interruption during the lockdown period and the same prioritization will be provided to the industry in case of a future lockdown.

With the Government declaring the Plantation Sector an 'essential service", the Company continued to operate its estates with a supervision, following many stakeholder meetings, the industry rallied together and established the Country's first-ever electronic tea auction performed, resulting in the first ever Auction being held on Saturday, 4th April 2020. Although an improvement in tea prices was noted at auctions, the traded quantities were relatively low, primarily also due to crop losses arising from the prolonged drought in the first quarter of the year in tea growing regions, which resulted in a revenue drop. However, the Board of Directors are of the view that the Covid 19 pandemic would not have a significant impact to the business operations of the Company primarily due to:

- The Company has sufficient financing arrangements both already negotiated and in the process of negotiation enabling to meet the financial commitments in a possible stressed situation. The behavioral pattern of tea and rubber prices will continue at the same trend.
- 'Shareholders of the Company has provided the assurance that they shall provide necessary financial support and other assistance to the Company to continue as a going concern in the future.

(c) Waverly Power (Pvt) Limited (Subsidiary)

The impact of the pandemic to the operations was minimal as electricity is an essential service and the continued to operate our power plants with all health measures.

38. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

Financial Risk Management - Overview

The Group has exposure to the following risks arising from financial instruments:

– Credit Risk
– Market Risk
– Liquidity 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 Developments 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.

38.1 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:

		GROUP		COMPANY	
		2020	2019	2020	2019
As at 31st March	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Amount Due from Related Companies - Loan	32.1.2	23,145	23,145	9,938	10,600
Amount Due from Related Companies	32.1.1	83,436	109,900	15,610	5,175
Trade and Other Receivables	20	123,345	154,592	14	14
Cash and Cash Equivalents	22	78,951	102,931	18	22
		308,877	**390,568**	**25,580**	**15,811**

38.2 Impairment Losses of Trade and Other Receivables

Group	Gross	Impairment	Gross	Impairment
	2020	2020	2019	2019
As at 31st March	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Past Due 0 - 365 Days	117,927	-	149,174	-
More than One Year	5,418	5,418	5,418	5,418
	123,345	**5,418**	**154,592**	**5,418**

Company	Gross 2020 Rs. '000	Impairment 2020 Rs. '000	Gross 2019 Rs. '000	Impairment 2019 Rs. '000
Past Due 0 - 365 Days	-	-	-	-
More than One Year	229	215	229	215
	229	**215**	**229**	**215**

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 disclosured in the respective notes of the Financial Statements.

Based on historic default rates, the Company believe that, apart from the above, no impairment allowance is necessary in respect of amount due from related companies.

38.3 Liquidity Risk

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

As At 31st March	2020				2019			
	Carrying Amount Rs. '000	Contractual Cash Flows Rs. '000	12 months or less Rs. '000	1-5 Years Rs. '000	Carrying Amount Rs. '000	Contractual Cash Flows Rs. '000	12 months or less Rs. '000	1-5 Years Rs. '000
Group								
Non-Derivative Financial Liabilities								
Interest Bearing Borrowings	1,576,057	1,576,057	525,042	1,051,016	1,269,637	1,269,637	376,908	892,729
Trade and Other Payables	1,479,482	1,479,482	1,479,482	-	871,675	871,675	871,675	-
Amounts due to Related Companies	476,613	476,613	476,613	-	161,130	161,130	161,130	-
Bank Overdraft	430,086	430,086	430,086	-	407,866	407,866	407,866	-
Total	**3,962,238**	**3,962,238**	**2,911,223**	**1,051,016**	**2,710,308**	**2,710,308**	**1,817,579**	**892,729**

	2020				2019			
	Carrying Amount Rs. '000	Contractual Cash Flows Rs. '000	12 months or less Rs. '000	1-5 Years Rs. '000	Carrying Amount Rs. '000	Contractual Cash Flows Rs. '000	12 months or less Rs. '000	1-5 Years Rs. '000
Company								
Non-Derivative Financial Liabilities								
Trade Payables	10,138	10,138	10,138	-	8,778	8,778	8,778	-
Amount due to Related Companies	86,489	86,489	86,489	-	94,388	94,388	94,388	-
Bank Overdraft	5,202	5,202	5,202	-	4,504	4,504	4,504	-
Total	**101,829**	**101,829**	**101,829**	**-**	**107,670**	**107,670**	**107,670**	**-**

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

38.4 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates affecting 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 exposure within acceptable parameters, while optimising the return.

38.4.1 Currency Risk

Foreign currency risk is that the fair value or future cash flows of a Financial Instrument fluctuating, due to change in foreign exchange rates.

Exposure to Currency Risk

At the reporting date the Group / Company has not been exposed to Currency Risk.

38.4.2 Interest Rate Risk

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

	GROUP		COMPANY	
	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Variable rate instruments				
Financial Assets	-	-	-	-
Financial Liabilities	1,576,057	1,269,637	-	-
	1,576,057	**1,269,637**	**-**	**-**

Sensitivity Analysis

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

	Group		Company	
	+0.1% (10 Basis Points) Impact on Profit Rs. '000	-0.1% (10 Basis Points) Impact on Profit Rs. '000	+0.1% (10 Basis Points) Impact on Profit Rs. '000	-0.1% (10 Basis Points) Impact on Profit Rs. '000
31st March 2020				
Financial Liabilities				
Interest Bearing Loans and borrowings	(175)	175	-	-
31st March 2019				
Financial Liabilities				
Interest Bearing Loans and borrowings	(181)	181	-	-

38.5 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 in 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. 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.

	Group			
	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
31st March 2020				
Financial Assets Measured at Fair Value Thorough Other Comprehensive Income	6,039	-	76,490	82,529
Financial Assets Measured at Fair Value Thorough Profit or Loss	3,454	-	-	3,454
	9,493	**-**	**76,490**	**85,983**
31st March 2019				
Financial Assets Measured at Fair Value Thorough Other Comprehensive Income	9,109	-	182,148	191,257
Financial Assets Measured at Fair Value Thorough Profit or Loss	3,799	-	-	3,799
	12,908	**-**	**182,148**	**195,056**

	Company			
	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
31st March 2020				
Financial Assets Measured at Fair Value Through Other Comprehensive Income	5,259	-	-	5,259
Financial Assets Measured at Fair Value Through Profit or Loss	3,454	-	-	3,454
	8,713	**-**	**-**	**8,713**
31st March 2019				
Financial Assets Measured at Fair Value Thorough Other Comprehensive Income	5,607	-	-	5,607
Financial Assets Measured at Fair Value Thorough Profit or Loss	3,799	-	-	3,799
	9,406	**-**	**-**	**9,406**

38.6 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:

As at 31.03.2020	Financial Assets measured at FVTPL	Amortised Cost	Financial Assets measured at FVOCI	Financial Liabilities at amortised cost	Total Carrying Amount	Fair Value
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Group						
Assets						
Cash and Cash Equivalents	-	80,599	-	-	80,599	80,599
Trade and Other Receivables	-	123,345	-	-	123,345	123,345
Financial Assets Measured FVTPL	3,454	-	-	-	3,454	30,521
Financial Assets Measured FVTOCI	-	-	82,529	-	82,529	82,529
Loans Given to Related Parties	-	23,145	-	-	23,145	23,145
Amounts Due from Related Parties	-	83,436	-	-	83,436	83,436
	3,454	**310,525**	**82,529**	**-**	**396,508**	**396,508**
Liabilities						
Trade and Other Payables	-	-	-	1,479,482	1,479,482	1,479,482
Bank Overdraft	-	-	-	430,086	430,086	430,086
Amount Due to Related Parties	-	-	-	476,613	476,613	476,613
	-	**-**	**-**	**2,386,181**	**2,386,181**	**2,386,181**

As at 31.03.2019	Financial Assets Measured FVTPL	Amortised Cost	Financial Assets measured at FVOCI	Financial Liabilities at Amortised Cost	Total Carrying Amount	Fair Value
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Group						
Assets						
Cash and Cash Equivalents	-	102,981	-	-	102,981	102,981
Trade & Other Receivables	-	154,592	-	-	154,592	154,592
Financial Assets Measured FVTPL	3,799	-	-	-	3,799	3,799
Financial Assets Measured FVOCI	-	-	191,257	-	191,257	191,257
Loans Given to Related Parties	-	23,145	-	-	23,145	23,145
Amounts Due from Related Parties	-	109,900	-	-	109,900	109,900
	3,799	**390,618**	**191,257**	**-**	**585,874**	**584,674**
Liabilities						
Trade Payables	-	-	-	871,675	871,675	871,675
Bank Overdraft	-	-	-	407,866	407,866	407,866
Amount due to Related Parties	-	-	-	161,130	161,130	161,130
	-	**-**	**-**	**1,471,371**	**1,471,371**	**1,471,371**

As at 31.03.2020	Financial Assets measured at FVTPL	Amortised Cost	Financial Assets measured at FVOCI	Financial Liabilities at amortised cost	Total Carrying Amount	Fair Value
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Company						
Assets						
Cash and Cash Equivalents	-	18	-	-	18	18
Trade & Other Receivables	-	14			14	14
Financial Assets Measured FVTPL	3,454	-	-	-	3,454	3,454
Financial Assets Measured FVTOCI	-	-	5,259	-	5,259	5,259
Loans Given to Related Parties	-	9,938	-	-	9,938	9,938
Amounts Due from Related Parties	-	15,610	-	-	15,610	15,610
	3,454	**25,580**	**5,259**	**-**	**34,293**	**34,293**
Liabilities						
Trade and Other Payables	-	-	-	10,138	10,138	10,138
Bank Overdraft	-	-	-	5,202	5,202	5,202
Amount Due to Related Parties	-	-	-	86,489	86,489	86,489
	-	**-**	**-**	**101,829**	**101,829**	**101,829**

As at 31.03.2019	Financial Assets measured at FVTPL	Amortised cost	Financial Assets measured at FVOCI	Other Financial Liabilities	Total Carrying Amount	Fair Value
	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000	Rs. 000
Company						
Assets						
Cash and Cash Equivalents	-	72	-	-	72	72
Trade and Other receivables	-	14			14	14
Financial Assets Measured FVTPL	3,799	-	-	-	3,799	3,799
Financial Assets Measured FVTOCI	-	-	5,607	-	5,607	5,607
Loans given to Related Parties	-	10,600	-	-	10,600	10,600
Amounts due from Related Parties	-	5,175	-	-	5,175	5,175
	3,799	**15,861**	**5,607**	**-**	**25,267**	**25,267**
Liabilities						
Trade and Other Payables	-	-	-	8,778	8,778	8,778
Bank Overdraft	-	-	-	4,504	4,504	4,504
Amounts due to Related Parties - Loan	-	-	-	30,700	30,700	30,700
Amount due to Related Parties	-	-	-	94,388	94,388	94,388
	-	**-**	**-**	**138,370**	**138,370**	**138,370**

39. 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 Group 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:

	GROUP		COMPANY	
As at 31st March Group Company	2020	2019	2020	2019
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Total Liabilities	**5,992,500**	**4,822,398**	**105,429**	**141,970**
Less: Cash and cash equivalents	(80,599)	(102,981)	(18)	(72)
Net debts	5,911,900	4,719,417	105,411	141,898
Total Equity	**127,455**	**944,820**	**645,756**	**782,055**
Debt to Equity ratio(Gearing Ratio)	**46.38**	**5.00**	**0.16**	**0.18**

The Group's Debt to equity ratio has significantly increased during the year due to the deteriorated financial results recorded by the subsidiary, Agarapathana Plantations Limited ("AGPL"). As disclosed in the note 35.2 (a) to these financial statements, the ultimate parent entity has confirmed to provide necessary financial assistance to AGPL in an event it require to settle its obligations.

40. NON-CONTROLLING INTERESTS

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

	Agarapathana Plantations Ltd		Weverly Power (Pvt) Ltd	
	2020	2019	2020	2019
	Rs. 000	Rs. 000	Rs. 000	Rs. 000
NCI percentage (%)	37.53%	37.53%	43.59%	43.59%
Total assets	4,910,747	5,081,915	257,915	263,222
Total liabilities	5,731,210	4,614,920	171,868	68,886
Net assets	(820,463)	466,995	86,047	194,336
Carrying amount of NCI	(307,920)	175,263	37,508	84,711
Revenue	3,187,556	3,995,018	30,314	87,815
Profit/(loss) after tax	(1,211,934)	(102,942)	(18,185)	49,529
Total comprehensive income	**(1,287,458)**	**(186,048)**	**(18,587)**	**58,804**
Total Comprehensive Income / (Expense) allocated to NCI	(483,183)	(69,824)	(8,102)	25,633
Cash flows from/(used in) operating activities	(142,796)	83,304	(22,329)	1,900
Cash flows from/(used in) investing activities	(125,311)	(136,075)	3,141	(225)
Cash flows from/(used in) financing activities, before dividend to NCI	242,273	(108,929)	94,011	(4,288)
Cash flows from financing activities	**242,273**	**108,929**	**4,312**	**(4,288)**
Net increase in cash and cash equivalents	**(25,834)**	**(161,700)**	**(14,876)**	**(2,613)**

40. RECLASSIFICATIONS

40.1 Reclassification of Revenue

As disclosed in Note 1.2 to the financial statements, the principal operation of the Company is to manage its investments. Therefore, the management determined that recognition of dividend income under revenue would result in the financial performance of the Company being presented more appropriately. As such, the dividend income previously classified under other income was also reclassifed to revenue during the year to maintain the comparability of the financial statements.

	COMPANY	
	Other Income	Revenue
	Rs. '000	Rs. '000
As previously reported in the financial statements for the year ended 31st March 2019	9,926	-
Reclassification of Dividend Income	(9.926)	9,926
	-	9,926

40.2 Recognition of FVOCI reserve

The Company/Group decided to present the changes in fair value of investments classified as FVOCI as a separate component within equity to improve the presentation. In accordance with the decision, change in fair value for the year ended 31st March 2019 previously recognized in accumulated losses were also reclassified to FVOCI reserve in the comparative amounts of the financial statements for the year ended 31st March 2020. As such, following adjustments were made.

	COMPANY	
	Accumulated Losses Rs. '000	FVOCI Reserve Rs. '000
As previously reported in the financial statements for the year ended 31st March 2019	**785,710**	-
Reclassification of loss in fair value of FVOCI Investments	(564)	564
Comparative amount as per the annual report for the year ended 31st March 2020	**785,146**	**564**

	Group	
	Accumulated Losses Rs. '000	FVOCI Reserve Rs. '000
As previously reported in the financial statements for the year ended 31st March 2019	**622,945**	-
Reclassification of loss in fair value of FVOCI Investments	(729)	729
Comparative amount as per the annual report for the year ended 31st March 2020	**622,216**	**729**

Above reclassifications do not result in changes to the Total Assets, Total Liabilities or Total Equity presented as at 31st March 2019 or 1st April 2018. Accordingly, balances as at 1st April 2018 are not presented in accordance with LKAS 8 - "Changes in Accounting Policies, Estimates and Errors".

SHARE INFORMATION

TWENTY MAJOR SHAREHOLDERS

Position	Full Name Of Shareholder	31st March 2020		31st March 2019	
		No. of Shares	Percentage	No. of Shares	Percentage
1	CONSOLIDATED TEA PLANTATIONS LIMITED	59,762,295	49.80%	59,762,295	49.80%
2	ACUITY PARTNERS (PVT) LIMITED/UNION INVESTMENTS (PVT) LIMITED	8,150,000	6.79%	8,150,000	6.79%
3	LANKEM CEYLON PLC	2,480,626	2.07%	2,352,340	1.96%
4	ACUITY PARTNERS (PVT) LIMITED/COLOMBO FORT INVESTMENTS PLC	2,000,000	1.67%	2,000,000	1.67%
5	ACUITY PARTNERS (PVT) LIMITED/COLOMBO INVESTMENT TRUST PLC	1,819,600	1.52%	1,819,600	1.52%
6	MR. RAVINDRA EARL RAMBUKWELLA	1,610,000	1.34%	973,000	0.81%
7	MRS. VASUDEVAN SARASWATHI AND MR. SUBRAMANIAM VASUDEVAN	1,500,187	1.25%	100,000	0.08%
8	MR. NANDADEVA PERERA	1,200,000	1.00%	1,200,000	1.00%
9	SANDWAVE LIMITED	1,048,994	0.87%	2,028,283	1.69%
10	MR. SITHAMBARAM PILLAI JAYAKUMAR	718,983	0.60%	718,983	0.60%
11	MERCHANT BANK OF SRI LANKA & FINANCE PLC 01	550,000	0.46%	278,502	0.23%
12	UNION COMMODITIES (PVT) LTD.	550,000	0.46%	550,000	0.46%
13	MR. ANOUK KANISHKA WIMALARATNA	535,000	0.45%	535,000	0.45%
14	SEZEKA LIMITED	516,598	0.43%	516,598	0.43%
15	PEOPLE'S MERCHANT FINANCE PLC/ R.M.SAMARAKKODY	463,387	0.39%	217,956	0.18%
16	MR. MADHURA SUPUN HIRIPITIYA	437,700	0.36%	1,600	0.00%
17	MR. SRI DHAMAN RAJENDRAM ARUDPRAGASAM	417,164	0.35%	417,164	0.35%
18	MR. MAHAKALANDAGE JAYANTHA PERERA	414,850	0.35%	300,000	0.25%
19	FINANCIAL TRUST LIMITED	407,000	0.34%	304,500	0.25%
20	MR. PULIHINGI DEVALAGE VIDUNUWAN VIDURANGA SENARATHNA	400,000	0.33%	247,916	0.21%
		84,982,384	**70.82%**	**82,473,737**	**68.73%**

MARKET VALUE

The market value of the Company’s shares on 31st March 2020 was Rs. 1.50 (31st March 2019- Rs. 3.40)
Highest during the year was Rs. 4.20 and lowest during the year was Rs. 1.50

NET ASSETS PER SHARE

Consolidated

The net assets per share as at 31st March 2020 - Rs. 1.06
The net assets per share as at 31st March 2019 - Rs. 7.87

Company

The net assets per share as at 31st March 2020 - Rs. 5.38
The net assets per share as at 31st March 2019 - Rs. 6.52

SHARE INFORMATION

PUBLIC HOLDING

The percentage of shares held by the public as at 31st March 2020 was 36.77 %.(31st March 2019 - 36.97%)
The applicable option under Colombo Stock Exchange Rule 7.13.1 on minimum Public Holding is option 5 and the Float

Adjusted Market Capitalisation as at 31st March 2020 was Rs. 66.19 Million.

PUBLIC SHAREHOLDERS

The number of Public Shareholders as at 31st March 2020 were 3,126.

DISTRIBUTION OF SHARES

No. of Shares Held	As At 31st March 2020			As At 31st March 2019		
	No. of Shareholders	Total Holding	Holding %	No. of Shareholders	Total Holding	Holding %
1-1,000	1,608	452,470	0.38	1,636	464,857	0.39
1,001-10,000	959	3,751,977	3.13	934	3,599,734	3.00
10,001-100,000	469	15,715,311	13.0	422	14,068,522	11.72
100,001-1,000,000	94	20,508,540	17.09	74	19,904,519	16.59
Over1,000,000	9	79,571,702	66.30	10	81,962,368	68.30
	3,139	**120,000,000**	**100.00**	**3,076**	**120,000,000**	**100.00**

ANALYSIS OF ORDINARY SHAREHOLDERS

	As At 31st March 2020			As At 31st March 2019		
	No. of Shareholders	%	Total Holdings	No. of Shareholders	%	Total Holdings
Individuals	2,984	30	36,225,909	2,915	26	31,092,619
Institutions	155	70	83,774,091	161	74	88,907,381
	3,139	**100**	**120,000,000**	**3,076**	**100**	**120,000,000**

FIVE YEAR SUMMARY

	Group					Company				
For the Year Ended 31st March	2020 Rs.'000	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000	2016 Rs.'000	2020 Rs.'000	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000	2016 Rs.'000
Trading Results										
Turnover	3,217,870	4,082,833	4,731,146	3,476,594	3,544,419	50,859	9,926	-	-	-
Profit / (Loss) before Taxation	(1,215,640)	(60,359)	558,913	24,078	(178,345)	(135,952)	(33,503)	270,622	(36,869)	(22,901)
Taxation	(16,964)	25	(33,057)	(56)	(4,410)	-	-	-	-	-
Profit / (Loss) after Taxation	(1,232,604)	(60,334)	525,856	24,022	(182,755)	(135,952)	(33,503)	270,622	(36,869)	(22,901)
Total Assets										
Property,Plant & Equipment	4,269,349	4,168,341	4,038,853	3,857,970	3,620,967	19,809	19,811	6,954	6,956	6,958
Intangible Assets	629,064	629,064	629,064	629,064	629,064	-	-	-	-	-
Investment in Subsidiaries	-	-	-	-	-	692,919	874,783	911,066	472,843	507,565
Other Long Term Investments	82,529	191,257	192,988	15,238	18,192	5,259	5,607	6,171	7,519	7,399
Current Assets	850,167	1,019,920	1,197,344	785,418	725,496	33,198	23,824	24,757	32,012	33,076
	5,831,109	**6,008,582**	**6,058,249**	**5,287,690**	**4,993,719**	**751,185**	**924,025**	**948,948**	**519,330**	**554,998**
Equity and Liability										
Stated Capital	1,558,006	1,558,006	1,558,006	1,408,006	1,408,006	1,558,006	1,558,006	1,558,006	1,408,006	1,408,006
Reserves	(1,430,551)	(613,186)	(525,674)	(771,035)	(903,445)	(916,685)	775,951	(751,643)	(1,020,441)	(983,541)
Non-Controlling Interest	(288,846)	241,364	297,095	71,271	(31,723)	-	-	-	-	-
Current liabilities	3,085,571	2,357,626	2,151,463	2,712,589	2,536,290	26,271	138,370	142,085	131,765	130,533
Non-Current Liabilities	1,334,141	1,102,267	1,383,084	831,712	847,022	75,559	-	-	-	-
Retired Benefit Obligation	1,531,477	1,341,107	1,177,096	1,019,104	1,120,988	-	-	-	-	-
Deferred Tax Liability	41,311	21,398	18,179	16,043	16,581	3,600	3,600	-	-	-
	5,831,109	**6,008,582**	**6,058,249**	**5,287,690**	**4,993,719**	**751,185**	**924,025**	**948,448**	**519,330**	**554,998**
Cash Flow										
Net Cash Generated from/ (Used in):										
Operating Activities	(191,540)	91,178	36,316	129,069	91,162	29,948	(334)	9,248	(6,368)	(2,711)
Investing Activities	(118,324)	(134,285)	(328,130)	(177,697)	(142,411)	-	600	(160,860)	9,662	2,891
Financing Activities	265,263	(120,714)	637,909	51,140	(19,017)	(30,700)	-	148,595	-	-
Key Financial Indicators										
Profit/(Loss) per Share	(6.42)	(0.36)	2.92	0.11	(1.79)	(1.13)	(0.28)	2.43	(0.34)	(0.38)
Net Assets per Share	1.06	7.87	8.59	10.62	8.41	5.38	6.52	6.72	6.46	7.07
Market Value per Share	1.5	3.40	2.60	2.60	4.00	1.50	3.40	7.30	2.60	4.00
Market Capitalisation	66,186	150,840	876,000	156,000	240,000	66,186	150,840	876,000	156,000	240,000

NOTES

FORM OF PROXY

I/We...

.... of ....

....being a member/members of Lankem Developments PLC, hereby appoint ....of

....

whom failing.

1.	Sri Dhaman Rajendram Arudpragasam	of Colombo or failing him,
2.	Ranjit Noel Bopearatchy	of Colombo or failing him,
3.	Damitha Laksiri Vitharana	of Colombo or failing him,
4.	Kamalanesan Ponniah David	of Colombo or failing him,
5.	Chrisantha Priyange Richard Perera	of Colombo or failing him,
6.	Parakrama Maithree Asoka Sirimane	of Colombo or failing him,
7.	Shanthikumar Nimal Placidus Palihena	of Colombo or failing him,
8.	Anushman Rajaratnam	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 December 2020 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting.

	For	Against
1. To receive the Annual Report of the Board of Directors and the Statement of Accounts of the Company for the year ended 31st March 2020 with the Report of the Auditors thereon.		
2. To re-elect Mr. P. M. A. Sirimane as a Director.		
3. To re-appoint Mr. R.N. Bopearatchy as a Director.		
4. To re-appoint Mr. C.P.R. Perera as a Director.		
5. To re-appoint Mr. S.N.P. Palihena as a Director.		
6. To re-appoint as Auditors Messrs KPMG and to authorize the Directors to determine their remuneration.		
7. Special Business - To amend the Articles of Association by a Special Resolution as set out in the Notice of Meeting.		

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

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

....
Signature

Note:

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

Instructions as to completion are noted on the reverse hereof

FORM OF PROXY

INSTRUCTIONS AS TO COMPLETION

1. Perfect the Form of Proxy, after filling in legibly your full name, address and 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 Sealof 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 (Pvt) Limited., 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 1, not less than forty-eight (48) hours before the time appointed for the meeting

CORPORATE INFORMATION

Name of Company

Lankem Developments PLC

Legal Form

Public Quoted Company with Limited Liability

Domiciled in Sri Lanka

Date of Incorporation

14th October 1974

Company Number

PQ 86

Stock Exchange Listing

The ordinary shares of the Company are listed with the Colombo Stock Exchange of Sri Lanka

Board of Directors

Mr. S. D. R. Arudpragasam (Chairman)
Mr. R. N. Bopearatchy
Mr. D. L. Vitharana
Mr. K. P. David
Mr. C. P. R. Perera
Mr. P.M.A. Sirimane
Mr. S.N.P. Palihena
Mr. Anushman Rajaratnam

Secretaries

Corporate Managers and Secretaries (Private) Limited

Registered Office

No. 98, Sri Sangaraja Mawatha, Colombo 10.

Lawyers

Messrs Julius & Creasy
Attorneys-at-Law

Auditors

KPMG

Chartered Accountants

Bankers

Commercial Bank of Ceylon PLC

Subsidiary Companies and their Principal Activities

Agarapatana Plantations Limited

Cultivation and Processing of Tea

Waverly Power (Pvt) Ltd

Generation of Power Energy/Electricity using Hydro Resources

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Lankem Developments PLC
No. 98, Sri Sangaraja Mawatha, Colombo 10.