LANKEM Developments PLC

ANNUAL REPORT 2020/21

CONTENT

NOTICE OF MEETING

Notice is hereby given that the 46th Annual General Meeting of Lankem Developments PLC will be held on 22nd October 2021, at 3.00p.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 2021 with the Report of the Auditors thereon.
2. To re-elect as a Director, Mr. Anushman Rajaratnam 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 a Director Mr. S.D.R. Arudpragasam, who has attained seventy years of age. Special Notice has been received from a shareholder of the intention to pass a resolution which is set out in the notes in relation to his reappointment (see note 8).
7. To reappoint as Auditors, Messrs KPMG and authorize the Directors to determine their remuneration.

By Order of the Board
CORPORATE MANAGERS & SECRETARIES (PRIVATE) LIMITED
Secretaries
Colombo

21st September 2021

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 Building, Colombo 1, not less 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 Secretaries in accordance with the instructions given on the reverse of the Form of Proxy.
4. Please refer the "Circular to Shareholders" dated 21st September 2021 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 is 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 seven 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."

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

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

CHAIRMAN'S MESSAGE

On behalf of the Board of Directors it gives me great pleasure to welcome you to the forty sixth 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 2021.

The Group reported a revenue of Rs. 4.33 billion, demonstrating a strong 34% growth over the preceding year. This is mainly attributable to the notable increase in revenues from the Company's subsidiaries Agarapatana Plantations Ltd and Waverly Power (Pvt) Ltd during the year under review.

Despite the COVID-19 pandemic generating a gamut of challenges and impacting most of the business sectors during 2020, I am pleased to inform that our estates were able to facilitate operations continuously exclusive of a major interruption. Further, the tea auctions were transformed to an electronic auction system with effect from March 2020. Although there were a few issues at the inception, the electronic system was able to facilitate the tea auctions in the industry in a commendable manner.

However, the plantation industry witnessed challenges with regard to daily wages, as the basic pay of the daily estate workers was increased from Rs.700/- to Rs. 900/- with an additional budgetary allowance of Rs.100/- by the Wages Board, an overall increase by 35% per man day compared to the preceding year. A gazette was issued with the new daily wage levels of Rs. 1,000 to be made applicable from the 5th of March 2021.

Amidst the mixed challenges precipitated in the economic landscape, Agarapatana Plantations Ltd reported a turnover of Rs. 4.29 billion, up by 35% YoY. Strategic initiatives driven by the Company to optimise tea production including initiation of mechanical harvesting processes to overcome the shortage of workers and stringent cost reduction models adopted to streamline the Company's operational expense base directly attributed to the Company's favourable performance. Consequent to the above, a profit after tax of Rs. 190 million was reported against a net loss of Rs. 1.2 billion reported in the previous year.

Further on a positive note, the Company is confident in meeting the additional expenditure in wages with the improved productivity expected with our current mechanisation programme along with the stringent cost management model. The management will further capitalise to mechanise the harvesting of tea in at least 20% of the revenue extent by the end of the next financial year with the objective to obtain a better yield whilst maintaining quality.

The year ahead will be yet another challenging one for the plantation industry as a lower yield is expected due to the non-availability of fertilizer on account of the current ban imposed by the government on the importation of inorganic fertilizer and essential chemical nutrients required for plantation crops. However, we are hopeful that firm recommendations by the National Research Institute will be presented in the near term to address such challenges.

The Company's subsidiary Waverly Power (Pvt) Ltd, which operates a hydro power generating unit reported a revenue of Rs. 35.5 million, an increase of 17% over the previous year. This is due to the increase in power generation by 20% to 2.4 million Kw hours on account of favorable weather conditions that prevailed during the year under review despite the Company being out of operation during the first half of the year due to turbine maintenance work carried out. Further the finance cost declined by 28% compared to the previous year due to the favorable interest rates that prevailed during the year under review. The Company's net loss stood at Rs. 1.2 million during the year under review against a net loss of Rs. 18 million reported during the previous year.

FINANCIAL REVIEW

For the year ended 31st March 2021, the Group recorded a revenue of Rs. 4.33 billion and a net profit of Rs. 223 million mainly due to the impressive bottom-line reported by Agarapatana Plantations Ltd. The Company recorded a net profit of Rs. 40.2 million during the year under review compared to the net loss of Rs. 136 million recorded in the previous year.

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
21st September 2021

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.

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 2021.

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

GENERAL

The Company was re-registered on 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 24 to 82.

AUDITORS' REPORT

The Auditors' Report on the Financial Statements is given on pages 20 to 23.

ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Financial Statements are given on pages 28 to 41. 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 69 to 72.

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 31.03.2021	As at 31.03.2020
Mr. S. D. R. Arudpragasam	417,164	417,164
Mr. K. P. David	4,314	4,314
Mr. Anushman Rajaratnam	177,200	-

DIRECTORS' REMUNERATION

Key management compensation in respect of the Company and the Group for the financial year 2020/2021 are given in Note 32.7.2 on page 72 to the Financial Statements.

CORPORATE DONATIONS

No donations were made during the year (2019/2020 - 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 5 and 6.

Mr. S. D. R. Arudpragasam - Chairman
Mr. R. N. Bopearatchy
Mr. D. L. Vitharana (Resigned w.e.f. 31.12.2020)
Mr. K. P. David
Mr. C. P. R. Perera
Mr. P. M. A. Sirimane
Mr. S. N. P. Palihena
Mr. Anushman Rajaratnam

Mr. D.L. Vitharana resigned from the Board of Directors with effect from 31st December 2020

In terms of Articles 84 and 85 of the Articles of Association, Mr. Anushman Rajaratnam 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.

Mr. S.D.R. Arudpragasam who has attained 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.0.85 Million (2019/2020 - 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 2020/2021 (2019/2020 - 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 5.2 Million. (2019/20 – Rs. 50.9 Million)

RESULTS

The Company made a Net Profit before Tax of Rs 40.2 Million in the current financial year. The Net Loss before Tax for the previous year was Rs. 135.9 Million.

INVESTMENTS

Investments made by the Company are given in Notes 17 and 18 on pages 55 to 57.

PROPERTY, PLANT & EQUIPMENT

During 2020/2021 the Company did not invest in Property, Plant & Equipment (2019/2020 - 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, 2021. Market value of freehold land is given in Note 12 on pages 47 and 48.

STATED CAPITAL

The Stated Capital of the Company as at 31st March, 2021 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 2021 comprised of general reserves of Rs 0.5 Million and accumulated loss of Rs. 881 Million whereas 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.

TAXATION

The Company's Liability to Taxation has been computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto.

Tax applicable rate for VAT for the Company is 8% of the turnover. The VAT recoverable as at 31st March, 2021 is Rs 6 Million.

RELATED PARTY TRANSACTIONS

During the financial year there were no recurrent related party transactions which exceeded the respective thresholds mentioned in Section 9 of the Colombo Stock Exchange Listing Rules.However non recurrent related party transactions which exceeded the respective threshold which have been disclosed to the CSE are duly set out in Note 32.4 on page 69. The Company has complied with the requirements of the Listing Rules on Related Party Transactions except for the number of meetings held. The Related Party Transactions presented in the financial statements are disclosed in Note 32 from pages 70 to 72.

SHARE INFORMATION

Information relating to Earnings, Dividend, Net Assets, and Market Value per share and share trading are given on pages 83 and 84.

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 75.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Capital Commitments and Contingent Liabilities as at the Reporting date are disclosed in Notes 33 and 34 on page 73.

EMPLOYMENT POLICY

The Group's/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 Group/Company and the employees.

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

In compliance with Section 220 of the Companies Act No. 07 of 2007 an Extraordinary General Meeting of the Company was held on 18th December 2020 at which the following Ordinary Resolution was carried unanimously by the Shareholders present and voting at the Meeting.

Ordinary Resolution

The shareholders participating in this meeting having read and considered the Circular to Shareholders and the Report of the Directors prepared in terms of Section 220 of the Companies Act No.7 of 2007 dated 26th November 2020 and the explanations given by the Board of Directors hereby resolve –

"That the Directors of the Company be authorized to carry on the business of the Company to the best advantage of all Stakeholders of the Company.

GOING CONCERN

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

TRANSFER OF SECURITIES OF THE COMPANY TO THE WATCH LIST

The Securities of Company have been transferred to Watch List in terms of Sec 7.5 (d) (ii) of the Colombo Stock Exchange (CSE) Lising Rules on 11th December 2020 as the Audited Financial Statements of the Company for the year ended 31.03.2020 contained a Material Uncertainty Related to Going Concern – Group. Due disclosures in this regard has been made to the CSE and the Shareholders of the Company.

For and on behalf of the Board,

S. D. R. Arudpragasam	P. M. A. Sirimane
Director	*Director*

By Order of the Board

Corporate Managers & Secretaries (Private) Limited
Secretaries
Colombo
21st September 2021

CORPORATE GOVERNANCE

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 judgment and their views carry substantial weight in decision making.

As at 31st March 2021 the Board comprised of seven Non-Executive Directors three of whom were Independent.

The Directors are named below:

Mr. S. D. R. Arudpragasam	-	Chairman – Non-Executive
Mr. R. N. Bopearatchy	-	Non-Executive
Mr. D. L. Vitharana	-	Non-Executive (Resigned w.e.f. 31.12.2020)
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

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 and he has served on some of these subsidiaries for over a period of nine years. He is employed by a subsidiary Company of the UPC since November 2009 in the capacity of Director/CFO and has a material business relationship with such subsidiary. He is 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. 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 resolution 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

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 15.

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 Committee Report is set out on page 14

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 13.

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 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, during the financial year ended 31st March 2021 comprised of the following members:

Mr. P.M.A. Sirimane	-	Chairman
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 two occasions during the financial year ended 31st March 2021 and the attendance was as follows:

Mr. P.M.A. Sirimane – Chairman	-	2/2
Mr. C.P.R. Perera	-	2/2
Mr. K.P. David	-	2/2

Further during the said period, on several occasions the RPTRC has reviewed and recommended Related Party Transactions by Resolutions in writing, which the Committee for purposes hereof construe as equivalent to meetings being held.

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

FUNCTIONS OF THE COMMITTEE

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

CONCLUSION

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

The Board of Directors have also declared in the Annual Report that there were no recurrent related party transactions which exceeded the respective thresholds mentioned in Section 9 of the Colombo Stock Exchange Listing Rules. However non recurrent transactions which have exceeded the respective threshold were duly disclosed to CSE and are set out in Note 32.4 on page 69. The Company has complied with the requirements of the Listing Rules on Related Party Transactions except for the number of meetings held.

P. M. A. Sirimane
Chairman
Related Party Transactions Review Committee

21st September 2021

REMUNERATION COMMITTEE REPORT

The Remuneration Committee of Lankem Developments PLC comprise of the following members.

Mr. C. P. R. Perera - Chairman - Independent Non-Executive

Mr. P. M. A. Sirimane - Member - Independent Non-Executive

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

Mr. A.M. de S. Jayaratne - Member - Independent Non-Executive – The Colombo Fort Land & Building PLC (Ultimate Parent Company)

The main function of the Remuneration Committee is to assist the Board in developing and administering an equitable and transparent method for setting policy on the overall human resources strategy of the Group, the remuneration of Directors and senior management of the Group, and for determining their remuneration packages, on the basis of their merit, qualifications, and competence, and having regard to the Company's operating results, individual performance, and comparable market statistics.

The key objective of the Committee is to attract, motivate and retain qualified and experienced personnel throughout the Group and to ensure that the remuneration of Executives at each level of management is competitive and are rewarded in a fair manner based on their performance.

C. P. R. Perera
Chairman
Remuneration Committee

21st September 2021

AUDIT COMMITTEE REPORT

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

COMPOSITION

The Audit Committee, for the financial year ended 31st March 2021, 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 two occasions during the financial year ended 31st March 2021 and the attendance was as follows:

Mr. A. M. de S. Jayaratne – Chairman	-	2/2
Mr. C. P. R. Perera	-	2/2
Mr. P.M.A. Sirimane	-	2/2

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

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

A. M. de S. Jayaratne
Chairman
Audit Committee

21st September 2021

MANAGEMENT DISCUSSION AND REVIEW

OPERATING ENVIRONMENT

Global Economy

The global economic growth differed across the countries during the year as some countries, particularly the advanced economies look forward to normalisation supported by the vaccine powered recovery while other countries continue to grapple with the resurgent of the COVID-19 virus and its related impacts. While there were hopes for an upturn in the pandemic situation with the effort for vaccination of large proportions of the population, the renewed waves and the novel variants continue to pose an upheaval for the global outlook.

In this milieu, the World Economic Outlook (WEO) has projected the global economy to expand by 6.0 % in 2021, moderating at 4.9 % in 2022, a bounce back from the 3.2 per contraction in the pandemic year of 2020. This forecast is unchanged from the April 2021 estimate, but with offsetting revisions. The growth prospects for the emerging markets and the developing economies have been reduced, particularly for Emerging Asia while the growth projection for advanced economies is revised up reflecting the revisions of the pandemic developments and its related adjustments in policy support. The 0.5% point upgrade for 2022 derives largely from the forecast upgrading for advanced economies, particularly the United States, reflecting the anticipated legislation of additional fiscal support in the second half of 2021 and improved health metrics more broadly across the group.

Local Economy

Sri Lanka also witnessed an economic downturn due to the heightened impact of the pandemic situation. During the year 2020, the country's economic growth rate remained at -4 % with industry, services and agricultural sectors contracting by 7.3 %, 1.7 %, and 1.3 % respectively. With the pandemic taking center stage in mid-March 2020, the CBSL implemented a series of policy rate cuts further bringing the short-term rates lower to unprecedented levels which resulted in the lowest long-term rates in years.

The COVID-19 crisis also triggered a panic selling of Sri Lanka International Sovereign Bonds (SLISBs) which led to a massive spike in SLISB yields in March accentuated by the country's external sector vulnerabilities. Following Moody's downgrade, the yields on the SLISBs edged up by ~170 to 540 bps which weighed down on the country's ability to raise foreign currency debt.

The Sri Lankan rupee was facing immense downward pressure during the first half of the year owing to exports, remittances, and tourist receipts falling to historical lows. In this context, the CBSL introduced import restrictions to bring the situation under control.

Oil prices slumped to a twenty-year low during March and April following the initial impact of the pandemic lockdowns across several major economies, though it gradually improved as the year wore on. Further, exporters enjoyed robust prices for key export commercial crops such as tea, rubber, and coconut during the year.

Sri Lanka's economy grew at a positive rate of 4.3 % in the first quarter of this year (2021), compared to the negative growth rate of 1.8% in the first quarter of 2020. This was a rapid expansion given the COVID-19 imposed restrictions amidst the second wave of the pandemic. This growth was mainly driven by agriculture (6.1 % vs 1.3 % in Q4) and industry (5.5 % vs 1.3 %) activities that continued despite the occasional restrictions on the control of the virus. The services sector also contributed positively to growth (3 % vs 1.9 %), despite continued weakness in tourism and entertainment-related activities (-31.9 % vs -49.1 %).

Lankem Developments Group Performance

The group recorded a revenue growth of Rs. 4,332 million showing an increase in revenue compared to the previous year by 3,217 million. This is mainly attributable to the growth in the plantation sector.

	Group	
Revenue	2021 Rs. Mn	2020 Rs. Mn
Revenue	4,332	3,217
GP	228	(1,034)
PBT	166	(1,215)
PAT	222	(1,232)

Despite our achievements on the revenue front, we were faced with several challenges during the year such as the low productivity of employees, low replanting rate, high production cost and the considerable shortage of labour who were willing to work in the industry. Resultantly, Sri Lanka's tea production and the share in the tea export segment declined significantly.

The COVID-19 pandemic that has taken root since early 2020 also ushered several uncertainties in the Group's operating environment. Our Agarapatana plantation faced minor disruptions in operations during the period under review owing to the travel restrictions and lockdowns imposed from time to time by the government to control the spread of the virus. However, both the Agarapatana plantation and the Waverly Power Plant were able to continue its operations following the directive by the Government to commence all agriculture and Hydro Power generation related activities being categorised as essential services. Therefore, the overall impact of COVID-19 on the Group and its subsidiaries was at minimal.

INDUSTRY SECTOR REVIEW

The year was an extremely challenging period for many sectors given the adverse impact of the COVID-19 pandemic and its related lockdowns.

Tea

Amidst the pandemic, the Tea Industry continued to sustain production, manufacturing and selling through auctions aided by the prompt response of the CTTA and CBA to shift to digital auctioning which was highly instrumental in maintaining the selling price during the compulsory lockdown periods. Therefore, the tea auction prices picked up by Rs.9.5, Rs.120.92, Rs.108.69 and Rs.89.45 during the four quarters respectively against the previous year. Auction averages for the year 2020 totaled Rs.628.21 against the 2019 average of Rs.544.54. Almost all High, Medium, and Low grown teas showed an increase in prices by Rs.62.88, Rs.84.98 and Rs.89.71 respectively against the previous year.

The total tea production for the year 2020 stood at 278.8 M/kgs indicating a decrease of 21.3 M/kgs against 2019, which was attributed to the reduction in Low grown teas by 16.6 M/kgs. While the Medium grown teas displayed only a marginal increase of 0.2M/kgs, the High grown teas marginally decreased by 0.5 M/kgs against the previous year.

The tea exports from Sri Lanka stood at 265.6M/kgs in 2020 compared to 292.6 M/kgs in 2019 demonstrating a decrease of 27 M/kgs. Subsequently, the revenue during 2020 amounted to Rs.230.2 billion as opposed to Rs.240.6 billion in 2019.

Overall, the year 2020 witnessed a decrease in auction volumes by 10.9% amounting to 33 M/kgs compared to 2019, although the prices increased by 15% from Rs.544.54 in 2019 to Rs.628.21 in 2020.

Both Western High grown and Uva High grown (Elevation) teas maintained average prices of Rs.519.75 and Rs.459.59, respectively indicating an increase of Rs.109.25/kg and Rs.105.95/kg against the previous year. Furthermore, the Company achieved an average of Rs.606.79 and Rs.590.06 for the Agras and Haputale regions respectively.

Electricity

The electricity demand reduced considerably in the face of lockdown measures imposed to control the spread of the COVID-19 outbreak. The total electricity generation during the period from January to July 2020 declined by 4.3 % to 8,987 GWh in comparison to 9,386 GWh generated in the corresponding period of the previous year.

Although the domestic consumption of electricity increased, there was a significant reduction in electricity generation in April 2020 resulting from the lower demand for electricity with the industrial, hotel and manufacturing sectors having to temporarily cease operations due to island-wide curfew amidst the pandemic situation. The electricity generation increased by 4.8 % and 8.4 % in January and February 2020, respectively, while declining significantly by 8.0 %, 16.4 %, and 12.9 % in the months of March, April, and May 2020, on a year-on-year basis. However, with the return to normalcy to the economy, the total electricity generation improved from June 2020.

The country's hydropower generation was higher during the period from January to July 2020 compared to the corresponding period of the previous year as the average reservoir levels remained at healthy levels during the seven months ending in July 2020. Subsequently, hydropower generation increased by 20.4 % to 1,853 GWh during the period under review.

During the period, the power generation through non-conventional renewable energy sources (NCRE), including mini-hydro and rooftop solar, increased by 6.8 %. Hence, the contribution of hydro, coal, fuel, and NCRE to total power generation in the seven months ending in July 2020, stood at 20.6 %, 39.6 %, 29.9 % and 9.9 %, respectively.

Meanwhile, the CEB accounted for 70.6% of the total power generation in the country, while the remainder was generated by IPPs.

SPECIFIC SECTOR PERFORMANCE

Agarapatana Plantataions

Our Agarapatana Plantations, which is one of the few mono-crop companies that has a total extent of tea in the high grown districts of Nuwara Eliya & Haputale under the Western & Uva high grown elevations, witnessed a revenue growth during the year.

During the financial year, the Company recorded a turnover of Rs. 4.3 billion against that of Rs.3.2 billion in the previous year, a 34% increase compared the previous year. The revenue of the Agras region increased by 16%, mainly due to increase in NSA by 26% although crop declined by 5%. The Haputale region too reported an increase in turnover by 53.8%, mainly due to an increase in NSA by 26% and crop by 5%.

Aided by favorable weather conditions throughout the period for both regions, the crop production of the Company increased by 0.3% and 27.2% from Agra/Uva regions respectively. The overall crop production reflected an increase of 11% against the last year.

The yield obtained in the Agras region during the year stood at 1,070 kgs/ha and Uva region at 1,011 kgs/ha. While Agras region recorded a 3.5% increase in yield, the Uva region recorded a 12.4% an increase against the previous year. This resulted in an overall increase in the yield to 1,045 kgs/ha against the last year's yield of 981kgs/ha.

The Company COP increased by 0.5% against the previous year with Agras recording an increase in COP by 5% and Uva recording a decrease by 4.9% mainly due to the increase in crop by 27.2%. The NSA of both Agras and Uva have increased by 26% and 25% respectively against the previous year thereby increasing the overall revenue by Rs.0.96 billion against the previous year.

We were able to maintain a competitive COP during the year through exercising stringent expenditure management and productivity improvements and energy conservation.

Despite the COVID-19 crisis, we were able to continue our operations in the plantations without interruption being categorised as an essential service. However, we were faced with issues related to the wages of the employees as the related parties were unable to reach an agreement and were compelled to go before the wages board for a settlement leading to a hike in the employee wages. The employers were compelled to pay the new wages despite their disagreement.

Similarly, the buying pattern of the importing countries remained almost the same given the global outlook in addition to hindrances such as restrictions in harbour operations, increase in freight costs due to the limited availability of containers.

Edge forward, the plantation sector may have to face the consequences of the current ban enforced by the Government on the importation of inorganic fertilizer and the essential chemicals required for plantation crops.

Hydro Power Energy

Our subsidiary Waverly Power (Pvt) Ltd, which operates a hydropower generating unit, recorded a revenue of Rs. 35.4 million against the Rs. 30.3 million in the previous year. This was attributed to the power generation that was increased to 2.4 million KWH against 2 million KWH the previous year.

WPL is currently having a power purchase agreement with Ceylon Electricity Board for 20 years and we did not have to face any interruption in our operations due to the COVID-19 pandemic other than the challenges arising from the seasonal changes in rainfall.

INDEPENDENT AUDITORS' REPORT

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

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

TO THE SHAREHOLDERS OF LANKEM 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 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies and other explanatory information set out on pages 24 to 82.

In our opinion, the accompanying Financial Statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31st March 2021, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company Financial Statements and the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Company financial 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.

Impairment of Investments in Subsidiaries and Goodwill

(Refer to the significant accounting policies in Notes 3.1, 3.10 and explanatory Note 17 to the Financial Statements).

Risk Description

The Group has reported a goodwill of Rs. 629 million as at 31st March 2021. The recoverable amounts of the identified CGUs have been determined based on fair value less cost to sell calculation. The Company's investment in subsidiaries amounted to Rs. 1926.3 million as at 31st March 2021.The subsidiary operating in the plantation industry has already been tested for impairment in the previous years and the carrying amount of this investment in subsidiary amounted to Rs. 1,054.8 million as at 31st March 2021. The Management carried out an impairment assessment for investment of this subsidiary as at 31st March 2021 using a consistent basis similar the previous year, as per the requirements of LKAS 36 - "Impairment of Assets" and determined a reversal of Rs. 45.9 Mn for the year ended 31st March 2021.

We considered the audit of management's impairment assessment of goodwill and investment in subsidiaries to be a key audit matter due to the magnitude of the carrying amounts of goodwill and investment in subsidiaries in the financial statements as at 31st March 2021. In addition, these areas were significant to our audit because the impairment assessment process involves significant management judgement and required the management to make various assumptions in the underlying fair value less cost to sell calculation.

Our audit procedures included;

- Evaluating the investments 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. 3,525.1 Million as at 31st March 2021. This amount consists of bearer biological assets amounting to Rs. 2,235.5 Million and consumable biological assets amounting to Rs. 1,289.6 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 reviewing the conclusions and workpapers related to the following audit procedures performed by the component auditors of the plantation sector on behalf of us;

- Evaluating the competence, independence, capability and objective of the external valuer engaged by the company.
- Assessing the completeness and accuracy of the key data used by the external valuer to the underlying data, by tracing those to the underlying books and records maintained by the company. This also included assessing the appropriateness and consistency of the application of the formula used for deriving the expected timber volume.
- Read the external valuer's report and understood the key estimates made and approach taken by the valuer in determining the fair value of consumable biological assets.
- Assessing the reasonableness of key assumptions used, in particular the discount rate, expected timber volume and average current market price by comparing those with the industry practices that are generally used in determining fair value of consumable biological assets.
- Assessing the adequacy of the disclosures of consumable biological assets made in the notes to the financial statements relating to the significant estimates and judgements.

KPMG

Our audit procedures for consumable biological assets included reviewing the conclusions and workpapers related to the following audit procedures performed by the component auditors of the plantation sector on behalf of us;

- Assessing the processes and controls in place to ensure proper identification of the expenses to be capitalized relating to immature plantations.
- Validating the significant amounts capitalized (including capitalized labour and other acceptable costs) by examining related invoices, capital expenditure authorizations and other corroborative evidences.
- Assessing if the timely transfers from respective immature to matured plantation categories are made focusing on ageing profile of immature plantations.
- Reviewing the ageing profile of the immature biological assets as of the reporting date to ensure that triggers of impairment (if any) are duly identified, assessed for probable impairment losses and duly accounted for in the financial statements.

Valuation of Retirement benefit Obligation

(Refer to the significant accounting policy in Note 3.13 and explanatory Note 30 of the consolidated Financial Statements).

Risk Description

The Group has recognized retirement benefit obligation of Rs. 1,557.5 Million and a disclosed a contingent liability of Rs. 572 Million as at 31st March 2021. The retirement benefit obligation of the Group is significant in the context of the total liabilities of the Group. The valuation of the Group's retirement benefit obligation requires significant judgment and estimation to be applied across numerous assumptions, including salary increases and discount rate. Minor changes in those assumptions could have a significant effect on the financial performance and financial position of the Group.

Management engaged an independent actuary to assist them in the estimation of the Retirement benefit obligation. We considered the estimation of the retirement benefit obligation to be a key audit matter due to the magnitude of the amounts recognized in the financial statements as well as estimation uncertainty involved.

Our audit procedures for valuation of retirement benefit obligation included reviewing the conclusions and workpapers related to the following audit procedures performed by the component auditors of the plantation sector on behalf of us;

- Assessing the competency, independence, capability and objectivity of the external valuer engaged by the Company.
- Reading the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the present value of the retirement benefit obligation.
- Assessing the assumption for salary/wage growth rates considering the historical collective agreements and management's assessment of the probable implication of wage/salary growth rate negotiations described note 34.2 to the financial statements.
- Assessing the reasonableness of the discount rate used by the actuary, considering the government treasury bond yield rates published by the Central Bank of Sri Lanka.
- Validating the key inputs used by the actuary to the underlying data held by the Company.
- Assessing the adequacy of the disclosures made on the financial statements in accordance with the accounting policy of the Group and related accounting standards.

Other Information

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

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of 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.

KPMG

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our 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. Further, as disclosed in Note 35.1 to the financial statements, the Company has complied with the requirement to call the extra ordinary general meeting on 18th December 2020.

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
21st September 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March	Notes	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Revenue	5	4,332,235	3,217,870	5,201	50,899
Cost of Sales		(4,103,833)	(4,252,302)	-	-
Gross Profit/(Loss)		228,402	(1,034,432)	5,201	50,899
Change in the Fair Value of Biological Assets	14.2.1	269,956	197,794	-	-
Other Income	6	86,951	55,813	-	-
Administrative Expenses		(158,691)	(138,983)	(5,856)	(4,374)
Other Reversals/ (Expenses)	7	-	-	45,959	(181,864)
Provision/(Reversals) for Impairment of Amount Due From Related Parties	32	-	-	338	(2,198)
Finance Income	8	9,212	5,958	8,861	4,476
Finance Cost	8	(269,636)	(301,790)	(14,270)	(2,891)
Net Finance (Cost)/Income		(260,424)	(295,832)	(5,409)	1,585
Profit/(Loss) before Tax	9	166,194	(1,215,640)	40,233	(135,952)
Tax Reversals/(Expenses)	10	56,713	(16,964)	-	-
Profit/(Loss) for the Year		222,907	(1,232,604)	40,233	(135,952)
Other Comprehensive Income / (Expense)					
Items that will not reclassified to Profit and loss					
Actuarial Gain on Retirement Benefit Obligation	30	133,055	33,022	-	-
Tax Effect on Components of OCI	29	(13,970)	(4,623)	-	-
Deferred Tax Effect on Revaluation Reserve Due to Change In Tax Rate	29.2	514	-	514	-
Changes in Fair Value of Financial Assets classified as FVOCI	18	(44,694)	(104,270)	1,458	(348)
Other Comprehensive Income/(Expense) for the Year		74,905	(75,871)	1,972	(348)
Total Comprehensive Income/(Expense) for the Year		297,812	(1,308,475)	42,205	(136,300)
Profit/(Loss) for the year Attributable to:					
Owners of the Company		137,051	(769,838)	40,233	(135,952)
Non-Controlling Interest		85,856	(462,766)	-	-
Profit/(Loss) for the Year		222,907	(1,232,604)	40,233	(135,952)
Total Comprehensive Income/(Expense) Attributable to:					
Owners of the Company		184,584	(817,365)	42,205	(136,300)
Non-Controlling Interest		113,228	(491,110)	-	-
Total Comprehensive Income/(Expense) for the Year		297,812	(1,308,475)	42,205	(136,300)
Earnings/(Loss) per Share (Rs.)	11.1	1.14	(6.42)	0.34	(1.13)

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 28 to 82.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Notes	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	12	799,416	811,309	19,809	19,809
Bearer Biological Assets	13	2,235,530	2,232,461	-	-
Consumable Biological Assets	14	1,289,676	1,025,776	-	-
Right to Use Assets	15	185,205	199,803	-	-
Intangible Assets	16	629,064	629,064	-	-
Investments in Subsidiaries	17	-	-	1,098,878	692,919
Deferred Tax Assets	29	8,792	-	-	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	18.1	35,037	82,529	3,918	5,259
Total Non-Current Assets		5,182,720	4,980,942	1,122,605	717,987
Current Assets					
Inventories	19	515,934	426,707	-	-
Produce on Bear Biological Assets	14.2	8,856	2,692	-	-
Trade & Other Receivables	20	246,878	144,754	14	14
Amounts due from Related Parties	32.1.1	90,056	83,436	29,714	15,610
Loans due from Related Parties	32.1.3	388,176	23,145	10,064	9,938
Taxes Recoverable	21	62,958	85,380	4,164	4,164
Financial Assets Measured at Fair Value Through Profit or Loss	18.2	-	3,454	-	3,454
Cash & Cash Equivalents	22	153,529	80,599	17	18
Total Current Assets		1,466,387	850,167	43,973	33,198
TOTAL ASSETS		6,649,107	5,831,109	1,166,578	751,185
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	9,773	9,259	9,773	9,259
Reserve for Financial Assets classified as fair value through OCI		(93,370)	(65,997)	546	(912)
Accumulated Losses		(1,214,547)	(1,374,313)	(880,865)	(921,098)
Equity Attributable to Equity Holders of the Parent		260,362	127,455	687,960	645,755
Non-Controlling Interest		(123,941)	(288,846)	-	-
Total Equity		136,421	(161,391)	687,960	645,755
Non-Current Liabilities					
Interest Bearing Borrowings	26	862,840	1,051,016	-	-
Deferred Income	28	197,099	203,195	-	-
Deferred Tax Liabilities	29	-	41,311	3,086	3,600
Lease Liabilities	27	3,953	4,371	-	-
Retirement Benefit Obligations	30	1,557,597	1,531,477	-	-
Loans due to Related Parties	32.2	82,796	75,559	82,796	75,559
Total Non-Current Liabilities		2,704,285	2,906,929	85,882	79,159
Current Liabilities					
Trade & Other Payables	31	1,976,281	1,718,476	12,538	10,138
Income Tax Payable		13,996	9,776	-	-
Amounts due to Related Parties	32.3	433,632	401,054	17,170	10,931
Loans due to Related Parties	32.2	360,000	-	360,000	-
Interest-Bearing Borrowings	26	593,747	525,042	-	-
Lease Liabilities	27	540	1,137	-	-
Bank Overdraft	22	430,205	430,086	3,028	5,202
Total Current Liabilities		3,808,401	3,085,571	392,736	26,271
Total Liabilities		6,512,686	5,992,500	478,618	105,430
TOTAL EQUITY AND LIABILITIES		6,649,107	5,831,109	1,166,578	751,185
Net Assets per Share (Rs.)		2.17	1.06	5.73	5.38

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 28 to 82.

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
21st September 2021

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 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 1st April 2020	**1,558,006**	**500**	**(65,997)**	**9,259**	**(1,374,313)**	**127,455**	**(288,846)**	**(161,391)**
Profit for the year	-	-	-	-	137,051	137,051	85,856	222,907
Other Comprehensive Income/ (Expense) for the Year	-	-	(27,373)	514	74,392	47,533	27,372	74,905
Effect of changes in Effective Holdings in Subsidiaries (Note 17.1)	-	-	-	-	(51,677)	(51,677)	51,677	-
Balance as at 31st March 2021	**1,558,006**	**500**	**(93,370)**	**9,773**	**(1,214,547)**	**260,362**	**(123,941)**	**136,421**

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 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 1st April 2020	**1,558,006**	**500**	**(912)**	**9,259**	**(921,098)**	**645,755**
Profit for the Year	-	-	-	-	40,233	40,233
Other Comprehensive Income for the Year, Net of Tax	-	-	1,458	514	-	1,972
Balance as at 31st March 2021	**1,558,006**	**500**	**546**	**9,773**	**(880,865)**	**687,960**

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 28 to 82.

STATEMENT OF CASH FLOWS

For the year ended 31st March	Notes	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Cash Flows from Operating Activities					
Profit / (Loss) before Tax		166,194	(1,215,640)	40,233	(135,952)
Adjustments for :					
Depreciation of Property, Plant & Equipment	12	67,842	73,469	-	2
Depreciation of Bearer Biological Assets	13	67,175	78,470	-	-
Amortization of Right of Use Assets	15	14,598	14,596	-	-
Write-off of Bearer Biological Assets	13	-	94,713	-	-
Dividend Income		(252)	(299)	-	-
Interest Expense	8	269,636	301,445	14,270	2,546
Profit on Disposal of Property, Plant & Equipment	6	(3,292)	-	-	-
Interest Income	8	(9,212)	(5,958)	(8,861)	(4,476)
Provision for Retirement Benefit Obligation	30	241,322	237,871	-	-
(Reversal)/Provision for Impairment of Loans and Amounts due from Related Parties	32.1	-	-	(338)	2,198
Fair value Loss of Financial Assets Measured at FVTPL	8	-	345	-	345
Gain on Disposal of Financial Assets Measured at FVTPL		(4,949)	-	(4,949)	-
(Reversal) / Provision for Impairment of Investment in Subsidiaries	17.1	-		(45,959)	181,864
Net Gain on Change in Fair Value of Biological Assets	14.2.1	(269,956)	(197,794)	-	-
Write off of Unclaimed ESC Recoverable		23,583	17,662	-	-
Amortization of Deferred Income	6	(8,849)	(8,760)	-	-
Operating Profit/(Loss) before Working Capital Changes		553,840	(609,880)	(5,604)	46,527
(Increase) / Decrease in Inventories		(89,227)	79,334	-	-
(Increase) / Decrease in Trade and Other Receivables		(105,904)	20,059	-	-
(Increase) / Decrease in Amounts due from Related Parties		(59,079)	29,380	(5,031)	(7,494)
Increase / (Decrease) in Trade & Other Payables		257,805	324,033	2,398	1,359
Increase / (Decrease) in Amounts due to Related Parties		39,815	297,032	(342)	(9,807)
Cash Generated from/(Used in) Operations		597,250	139,958	(8,579)	30,585
Income Tax, WHT and Economic Service Charge Paid		-	(4,086)	-	-
Interest Paid		(246,822)	(312,933)	(453)	(637)
Gratuity Paid		(82,147)	(14,479)	-	-
Net Cash Generated from (used in) Operating Activities		268,281	(191,541)	(9,032)	29,948
Cash Flows from Investing Activities					
Acquisition of Property, Plant & Equipment	12	(55,950)	(93,168)	-	-
Investment in Subsidiaries	17	-	-	(360,000)	-
Investment in Bearer plants		(44,967)	(36,105)	-	-
Investment in Consumable Biological Assets	14	(8,457)	(9,854)	-	-
Net Investment in Financial assets Measured at Fair Value Through OCI		-	4,458	-	-
Interest Received	8	9,212	3,042	-	-
Dividend Received		252	299	-	-
Proceeds from Sale of Trees	14	8,349	13,004	-	-
Proceeds from Disposal of Property, Plant & Equipment		3,292	-	-	-
Proceeds from disposal of Financial Assets measured at FVOCI		2,800	-	2,800	-
Proceeds from disposal of Financial Assets measured at FVTPL		8,405	-	8,405	-
Net Cash used in Investing Activities		(77,064)	(118,324)	(348,795)	-
Cash Flows from Financing Activities					
Capital Grants Received	28	2,753	3,200	-	-
Loan Granted to Related Parties	32	(360,000)	-	-	-
Proceeds from Long Term Loans		105,700	473,900	-	-
Loans obtained from Related parties	32.2	360,000	-	360,000	-
Repayment of Loans due to Related Parties		-	(30,700)	-	(30,700)
Repayment of Long Term Loans		(195,777)	(227,282)	-	-
Repayments of Lease Rental	27	(1,688)	(5,258)	-	-
Net Movement in Short Term Borrowings	26.2	(29,394)	90,503	-	-
Dividend Paid		-	(39,100)	-	-
Net Cash Generated from / (used in) Financing Activities		(118,406)	265,263	360,000	(30,700)
Net Increase / (Decrease) in Cash & Cash Equivalents		72,811	(44,602)	2,173	(752)
Cash & Cash Equivalents at the beginning of the year	22	(349,487)	(304,885)	(5,184)	(4,432)
Cash & Cash Equivalents at the End of the year	22	(276,676)	(349,487)	(3,011)	(5,184)
Analysis of Cash & Cash Equivalents at the end of the Year					
Cash in Hand and at Bank		153,529	80,599	17	18
Bank Overdrafts		(430,205)	(430,086)	(3,028)	(5,202)
Cash & Cash Equivalents at the End of the year		(276,676)	(349,487)	(3,011)	(5,184)

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 28 to 82.

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 No. 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 2021, 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 Company has two subsidiaries namely, Agarapatana Plantations Limited and Waverly Power (Private) Limited. Principal activities of Agarapatana Plantations Limited are cultivation, manufacture and sale of black tea while 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 21st September 2021

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 Lankan Rupees, which is the Group'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 35 - Going Concern Assessment
Note 15.1 - Lease Term

2.4.2 Assumptions and Estimation Uncertainties

Information about the assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31st March 2021 is included in the following notes.

Note 30 - Measuring of defined benefit obligations: key actuarial assumptions;
Note 29 - Recognition of deferred tax liabilities/ (assets)
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 the 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 the acquired set of activities and assets meet the definition of a business and 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.

From 1st April 2020, in determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business, The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The 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 an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, 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 Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control.

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

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 significant accounting policies

The Group has initially adopted 'Definition of Business' (Amendments to SLFRS 3) from 1st April 2020. Amendment to the respective accounting policies is disclosed in note 3.1.1 above. A number of other new standards are also effective from 1st April 2020. None of these amendments have a material effect on the Group's financial statements.

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 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 for more than one year.

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 for 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 are 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 Years

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
Computers	04 Years

AGARAPATANA 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, rubber and cinnamon 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.

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

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.

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.

c) 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.

d) Write-off

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

3.10.2 Non-Financial Assets

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

a) Employees' Provident Fund/ Ceylon Planters' Provident Society

The Group and employees contribute 12-15% and 8-10% respectively on the salary of each employee to the Employees' Provident Fund/ Ceylon Planters' Provident Society.

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, Dividend 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.

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, manufacturing 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).

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 Profit or Loss and Other Comprehensive Income in arriving at the profit/(loss) for the year. Expenditure incurred for the purpose of acquiring and extending or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

3.16.1 Finance Cost

Finance costs comprise of 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 assets 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 LKAS 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 on or after 1st April 2021. Accordingly, the Group has not applied these amendments in preparing these Consolidated Financial Statements.

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

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

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

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

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

Companies will therefore need to distinguish between:

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

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

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

4.4 Annual improvements to SLFRS Standards 2018-2020

5. REVENUE

	GROUP		COMPANY	
For the year ended 31st March	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Gross Revenue	4,332,235	3,217,870	5,201	50,899
Net Revenue	4,332,235	3,217,870	5,201	50,899

5.1 Revenue Streams

	GROUP		COMPANY	
For the year ended 31st March	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Revenue from Contracts with customers				
Sale of Goods	4,291,539	3,187,556	-	-
Supply of Services	35,495	30,314	-	-
Total Revenue from Contract with Customers	4,327,034	3,217,870	-	-
Dividend Income	252	-	252	50,899
Gain on Disposal of Financial Assets Measured at Fair Value Through Profit or Loss	4,949	-	4,949	-
Total Revenue	4,332,235	3,217,870	5,201	50,899

5.2 Disaggregation of revenue from contacts with customers

	GROUP		COMPANY	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Major Products / Divisions				
Tea	4,291,539	3,187,556	-	-
Supply of Electricity to CEB	35,495	30,314	-	-
Total Revenue from contracts with customers	4,327,034	3,217,870	-	-

5.3 Contract Balances

	GROUP		COMPANY	
	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Receivables (Included in Trade and Other Receivables)	89,818	24,195	-	-
	89,818	24,195	-	-

5.4 Segmental Analysis

5.4.1 Segmental Revenue

	GROUP		COMPANY	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Plantations	4,291,539	3,187,556	-	-
Other	40,696	30,314	5,201	50,899
Net Revenue	4,332,235	3,217,870	5,201	50,899

5.4.2 Segmental Profit/(Loss) before Tax

	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Plantations	176,036	(1,194,394)	-	-
Other	(9,842)	(21,246)	40,233	(135,952)
Profit/(Loss) before Tax	166,194	(1,215,640)	40,233	(135,952)

5.4.3 Segmental Assets and Liabilities

	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Segmental Assets				
Plantations	5,740,737	4,910,753	-	-
Other	279,306	291,292	67,700	58,266
	6,020,043	5,202,045	67,700	58,266
Goodwill on Consolidation	629,064	629,064	-	-
Investments in Subsidiary	-	-	1,098,878	692,919
	6,649,107	5,831,109	1,166,578	751,185
Segmental Liabilities				
Plantations	6,006,172	5,718,605	-	-
Other	506,514	273,895	478,618	105,430
	6,512,686	5,992,500	478,618	105,430

6. OTHER INCOME

	GROUP		COMPANY	
For the year ended 31st March	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Profit on Disposal of Property, Plant and Equipment	3,292	-	-	-
Amortisation of Capital Grants	8,849	8,760	-	-
Rent Income	15,029	12,165	-	-
Sale of Timber	9,841	7,405	-	-
Others	49,940	27,483	-	-
	86,951	55,813	-	-

7. OTHER EXPENSES/(REVERSALS)

		GROUP		COMPANY	
For the year ended 31st March		2021	2020	2021	2020
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Provision /(Reversal) for Impairment of Investment in Subsidiary	17.1	-	-	(45,959)	181,864
		-	-	(45,959)	181,864

8. NET FINANCE INCOME / (COSTS)

For the year ended 31st March	Note	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
(A) Finance Income					
Interest from Related Companies		2,229	2,916	5,661	1,276
Commission on Corporate Guarantee		-	-	3,200	3,200
Others		6,983	3,042	-	-
Total Finance Income		9,212	5,958	8,861	4,476
(B) Finance Costs					
Interest Expense on Bank Overdraft		(41,288)	(55,121)	(452)	(637)
Interest Expense on Related Party Loan		(41,767)	(12,464)	(12,477)	(491)
Commission on Corporate Guarantee		(5,661)	(5,987)	(1,341)	(1,418)
Fair Value Loss of Financial Assets Measured at Fair Value Through Profit or Loss	18.2	-	(345)	-	(345)
Interest Expense on Term Loan		(151,883)	(173,721)	-	-
Interest on Leases		(674)	(1,184)	-	-
Other Interest		(53,640)	(83,829)	-	-
		(294,913)	(332,651)	(14,270)	(2,891)
Amount Capitalised		25,277	30,861	-	-
Total Finance Costs		(269,636)	(301,790)	(14,270)	(2,891)
Net Finance Costs		(260,424)	(295,832)	(5,409)	1,585

9. PROFIT/(LOSS) BEFORE TAXATION

	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Is stated after charging all expenses including the following;				
Depreciation / Amortization				
Property, Plant & Equipment	67,842	73,469	-	2
Bearer Biological Assets	67,175	78,470	-	-
Right-of-Use Assets	14,598	14,595	-	-
Auditor's Remuneration				
Statutory Audit - KPMG	850	765	850	765
Other Auditors	6,450	6,128	-	-
Salaries and Wages	2,547,375	2,328,970	-	-
Defined Contribution Plan Cost - EPF & ETF	284,421	254,300	-	-
Defined Benefit Plan Cost - Retiring Gratuity	241,322	237,871	-	-

10. TAX EXPENSES

For the year ended 31st March	Note	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Current Income Tax Expense					
Income Tax on Profit for the Year	10.1	(8,376)	(1,675)	-	-
Over Provision in respect of previous years		1,530	-	-	-
		(6,846)	(1,675)	-	-
Deferred Tax Expense					
Charge/(Reversal) for the Year	29	63,559	(15,289)	-	-
Income Tax Expense/(Reversal)		56,713	(16,964)	-	-

10.1 Current Income Tax Expense

For the year ended 31st March	Note	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Reconciliation of Accounting Profit/(Loss) to Income Tax Expense					
Profit/(Loss) before tax		166,194	(1,215,640)	40,233	(135,952)
Aggregate Disallowed Expenses		760,318	909,392	-	184,414
Aggregate Allowable Items		(612,379)	(350,049)	(51,245)	-
Buiness Profit/(Loss)		314,133	(656,297)	(11,012)	48,462
Tax exempt losses from Agro Farming		(164,156)	-	-	-
Taxable income from Agro farming		527,979	-	-	-
Taxable losses from Other operations	10.2	(14,790)	-	(11,012)	-
Buiness Profit/(Loss)		349,033	(592,687)	(11,012)	48,462
Other Sources of Income		(34,900)	(63,610)	-	-
Taxable Profit/(Loss) from the business		314,133	(656,297)	(11,012)	48,462
Profit from businesses excluding agro operations		34,900	63,610	-	48,462
Tax Loss Utilised during the year	10.2	-	(56,631)	-	(48,462)
Taxable Income from businesses excluding agro operations - Taxable at 24%		34,900	6,979	-	-
Taxable Profit/(losses) from agro operations		527,979	(656,297)		
Tax Loss Utilised during the year	10.2	(527,979)	-	-	-
Taxable Profit/(Loss) from agro operations for the year	10.2	-	(656,297)	-	-
Rate of Taxation -24%		8,376	1,675	-	-
Income Tax on Current Year Profit		8,376	1,675	-	-

10.2 Accumulated Tax Losses

	Note	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Tax Loss Brought Forward		3,410,000	2,720,233	91,615	138,891
Adjustment in Respect of Prior Years	10.3	(425,428)	90,101	-	1,186
Tax loss Utilised During the Year	10.1	(527,979)	(56,631)	-	(48,462)
Tax Loss for the Year	10.1	14,790	656,297	11,012	-
Tax Loss Carried Forward		2,471,383	3,410,000	102,627	91,615

10.3 AGARAPATANA PLANTATIONS LIMITED - SUBSIDIARY

Based on the Inland Revenue Amendment Act No. 10 of 2021, Agarapatana Plantations Limited is exempted to pay income tax on profit from its business of "Agro Farming" for a period of 5 years with effect from 1st April 2019. However, this exemption was not applied in the computation of taxable profit/(loss) from business during the year ended 31st March 2020 since the amendment Act was not substantively enacted as at 31st March 2020.

As per the guideline on "Application of tax rates in measurement of current tax and deferred tax in LKAS 12" issued by the Institute of Chartered Accountants of Sri Lanka on 23rd April 2021, Agarapatana Plantations Limited has applied this exemption in calculating the provision for income tax for the year ended 31st March 2021. Additionally, the resulting adjustment on the exempt losses for the year ended 31st March 2020 is adjusted during the year ended 31st March 2021.

10.4 WAVERLY POWER (PRIVATE) LIMITED - SUBSIDIARY

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, profit from business of Waverly Power (Private) Limited was exempted from income tax up to year of assessment 2019/20.

However, the Company is liable for income tax at 14% under the Inland Revenue Amendment Act No. 10 of 2021.

10.5 LANKEM DEVELOMENTS PLC - PARENT COMPANY

Based on the Inland Revenue Amendment Act No 10 of 2021, the Company is liable for income tax on its taxable profits at the rate of 24%. (2020 : 24%).

11. EARNINGS/(LOSS) PER SHARE

11.1 Basic Earnings Per Share

Basic earnings/(loss) per share has been calculated based on the Profit/(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	2021	2020	2021	2020
Profit/(Loss) for the Year (Rs. 000)	222,907	(1,232,604)	40,233	(135,952)
Attributable to Non - Controlling Interest (Rs. 000)	(85,856)	462,766	-	-
Profit/(Loss) attributable to Owners of the Company (Rs. 000)	137,051	(769,838)	40,233	(135,952)
Weighted Average Number of Ordinary Shares (No.000)	120,000	120,000	120,000	120,000
Basic Earnings/(Loss) Per Share (Rs.)	1.14	(6.42)	0.34	(1.13)

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 01.04.2020 Rs. '000	Capitalised during the year Rs. '000	Additions/ Transfers during the year Rs. '000	Disposals during the year Rs. '000	Balance As at 31.03.2021 Rs. '000
Cost/Revalued Amount					
Land	19,809	-	-	-	19,809
Buildings	602,752	915	32,177	-	635,844
Water, Sanitation and Electricity	84,045	-	-	-	84,045
Roads	69,315	-	-	-	69,315
Plant & Machinery	597,963	-	5,509	-	603,472
Motor Vehicles	369,195	-	-	(4,784)	364,411
Computer Equipment	262	-	-	-	262
Office Equipment	70,015	-	11,255	-	81,270
Other Equipment	651	-	-	-	651
Furniture & Fittings	9,888	-	-	-	9,888
	1,823,895	915	48,942	(4,784)	1,868,967
Capital Work in Progress	948	(915)	7,008	-	7,041
Total Cost / Revalued Amount	1,824,843	-	55,950	(4,784)	1,876,008

Capital work in progress recognized above represents the cost incurred by the subsidiary, Agarapatana Plantations Limited on Buildings as at 31st March 2021.

	Balance As at 01.04.2020 Rs. '000	Other Transfers Rs. '000	Charge for the year Rs. '000	Accumulated Depreciation on Disposal Rs. '000	Balance As at 31.03.2021 Rs. '000
Accumulated Depreciation					
Buildings	146,991	-	15,048	-	162,039
Water, Sanitation and Electricity	55,637	-	3,543	-	59,180
Roads	31,761	-	2,773	-	34,534
Plant & Machinery	395,089	-	32,007	-	427,096
Motor Vehicles	309,486	-	12,934	(4,784)	317,636
Computer Equipment	219	-	41	-	260
Office Equipment	64,742	-	1,350	-	66,092
Other Equipment	651	-	-	-	651
Furniture & Fittings	8,958	-	146	-	9,104
Total Depreciation	1,013,534	-	67,842	(4,784)	1,076,592
Net Carrying value of Property, Plant & Equipment	811,309				799,416

12.2 Company

	Balance As at 01.04.2020 Rs. '000	Additions during the year Rs. '000	Disposals during the year Rs. '000	Balance As at 31.03.2021 Rs. '000
Cost / Revalued Amount				
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 01.04.2020 Rs. '000	Charge for the Year Rs. '000	Accumulated Depreciation on Disposal Rs. '000	Balance As at 31.03.2021 Rs. '000
Accumulated Depreciation				
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 Depreciation	6,192	-	-	6,192
Net Carrying Value of Property, Plant & Equipment	19,809			19,809

The fully depreciated Assets of the Company as at 31st March 2021 are as follows:

	2021 Rs. '000	2020 Rs. '000
Plant & Machinery	3,407	3,407
Motor Vehicles	72	72
Office Equipment	1,544	1,544
Other Equipment	651	651
Computer Equipment	15	15
Furniture & Fittings	503	503
	6,192	6,192

The cost of fully depreciated assets, but still in use of the Group amounts to Rs. 573Mn as at 31st March 2021 (As at 31st March 2020 - Rs. 512 Mn)

12.3 The Portfolio of the Land 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 land as at 31st March 2019. The fair value of the Land 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 has determined that there is no significant change in the Fair Value of land as at 31st March 2021.

12.5 Fair Value Hierarchy

Fair value measurement of the land 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
Magurwila Road, Gonawala	85.75 perches	265	6,950	19,809	12,859	Market comparable method	Positive correlated sensitivity

11 perches falling with in 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 2021	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

	2021 Rs.'000	2020 Rs.'000
Land	6,950	6,950

13. BEARER BIOLOGICAL ASSETS

Group

As at 31st March	Immature Plantations Rs. '000	Mature Plantations Rs. '000	Total as at 31.03.2021 Rs. '000	Total as at 31.03.2020 Rs. '000
Cost				
At the beginning of the Year	332,674	2,239,156	2,571,830	2,599,577
Additions during the Year	70,244	-	70,244	66,966
Transfer In/ (Out)	(49,273)	49,273	-	-
Written off during the Year	-	-	-	(94,713)
At the End of the Year	353,645	2,288,429	2,642,074	2,571,830
Depreciation				
At the beginning of the Year	-	339,369	339,369	260,899
Charge for the Year	-	67,175	67,175	78,470
At the End of the Year	-	406,544	406,544	339,369
Carrying amount at the end of the Year	353,645	1,881,885	2,235,530	2,232,461

13.1 Agarapatana Plantation Limited

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 note. When such plantations become mature, the additional investments since taken 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. 25.3 Million (2019/20 – Rs. 30.9 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.

14. CONSUMABLE BIOLOGICAL ASSETS

As at 31st March	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000
At the Beginning of the Year	1,025,776	827,849
Decrease Due to Harvesting	(8,349)	(13,004)
Increased Due to New Planting	8,457	9,854
Gain Arising from changes in Fair Value for the Year	263,792	201,077
At the End of the Year	1,289,676	1,025,776

Managed timber plantation were measured at fair and 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 at 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 independent, 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 2021. 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 assets 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 are 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 are not taken in to consideration.

Assets	Valuation technique	Unobservable Inputs	Range of Unobservable Inputs (Probability weighted average)	Relation of Unobservable Input to Fair Value
Consumable Biological assets	Discounted cash flow method	Discounted rate	Age to harvest 5 years or Below- 10.5% (2020: 13%) Age to harvest 6 to 15 years -11.5% (2020: 14%) Age to harvest 15 years or Above - 12.5% (2020: 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. 265/= to Rs. 860/=	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.

Agarapatana Plantations Limited is exposed to the following risks relating to its timber plantation

(a) Regulatory and Environmental Risks

The Company is subject to laws and regulations in Sri Lanka. The Company has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

(b) Supply and Demand Risks

The Company is exposed to risks arising from fluctuations in the price and sales volume of timber. When possible the Company manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Company's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

(c) Climate and Other Risks

The Company's timber plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Company has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

14.1 Sensitivity Analysis

Sensitivity Variation Sales Price

Values as appearing in the Statement of Financial Position are 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 2021	Rs. '000 -10%	Rs. '000 +10%
Managed Timber	(128,967)	128,967
Total	(128,967)	128,967

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 2021	Rs. '000 -1%	Rs. '000 +1%
Managed Timber	54,391	(50,268)
Total	54,391	(50,268)

14.2 Produce on Bearer Biological Assets

	GROUP	
	2021 Rs. '000	2020 Rs. '000
At the beginning of the Year	2,692	5,975
Change in fair value less cost to sell	6,164	(3,283)
At the End of the Year	8,856	2,692

No Biological Assets are pledged as securities for liabilities during the year 2021 (2020 - Nil). There are no commitments for the development or acquisition of Biological Assets.

14.2.1 Change In Fair Value of Biological Assets

	GROUP	
	2021 Rs. '000	2020 Rs. '000
Consumable Biological assets - gain arising from changes in fair value less cost to sell	263,792	201,077
Produce on Bearer Biological Assets - gain/(Loss) arising from changes in fair value less cost to sell	6,164	(3,283)
	269,956	197,794

15. RIGHT- OF -USE ASSETS

As at 31st March	Note	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000
Lands (JEDB/SLSPC)	15.1	156,082	162,585
Immovable Bearer Biological Assets	15.2	23,244	29,252
Immovable Assets	15.3	1,413	1,611
Motor Vehicles	15.4	698	2,373
Lands (Other than JEDB/SLSPC Estates)	15.5	3,768	3,982
		185,205	199,803

15.1 Land (JEDB/SLSPC Estates)

"Right-of-Use asset-Land"has accounted in accordance with SLFRS16-Leases with effect from 01 January 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 Statement of Financial Position date is 24 years.

This Right-of-use asset-Land is amortized over the remaining lease term or use full life of the right which ever is shorter and is disclosed under non-current assets.

Description	Revaluation as at 22.06.1992 Rs. '000	Accumulated Amortisation 01.04.2020 Rs. '000	Amortisation for the Year Rs. '000	Accumulated Amortisation 31.03.2021 Rs. '000	Carrying Amount 31.03.2021 Rs. '000	Carrying Amount 31.03.2020 Rs. '000
Leasehold Right to Bare Land of JEDB/SLSPC Estates	341,588	179,003	6,503	185,506	156,082	162,585

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 leasehold right to bare land on all of these estates have been taken in to the books of the Company as at 22nd June 1992 immediately after the 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 01.04.2020 Rs. '000	Balance as at 31.03.2021 Rs. '000	Balance as at 01.04.2020 Rs. '000	Charge for the year Rs. '000	Balance as at 31.03.2021 Rs. '000	Carrying amount 31.03.2021 Rs. '000	Carrying amount 31.03.2020 Rs. '000
Coffee,Pepper, Cardamom	305	305	-	-	-	305	305
Other Mature Plantations	179,093	179,093	150,248	5,968	156,216	22,877	28,845
Vested Tea	1,223	1,223	1,121	40	1,161	62	102
	180,621	180,621	151,369	6,008	157,377	23,244	29,252

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

Description	Revalued Amount Balance as at 22.06.1992	Transfers	Balance as at 01.04.2020/ 31.03.2021	Accumulated Depreciation Balance as at 01.04.2020	Charge for the year	Balance as at 31.03.2021	Carrying amount 31.03.2021	Carrying amount 31.03.2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Improvement to Land	5,407	-	5,407	5,001	181	5,182	225	406
Unimproved Land	998	-	998	-	-	-	998	998
Roads and Bridges	677	-	677	470	17	487	190	207
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	83,515	198	83,713	1,413	1,611

15.4 Motor Vehicles

As at 31st March	2021 Rs.'000	2020 Rs.'000
Cost		
Balance as the beginning of the Year	8,374	-
Transferred from Property, Plant and Equipment	-	8,374
At the End of the Year	8,374	8,374
Depreciation		
Balance as the beginning of the Year	6,001	-
Transferred from Property, Plant and Equipment	-	4,326
Charge for the Year	1,675	1,675
At the End of the Year	7,676	6,001
Net Carrying Amount	698	2,373

15.5 Lands (Other than JEDB/SCSPC Estates)

As at 31st March	2021 Rs.'000	2020 Rs.'000
Balance as the beginning of the Year	4,196	-
Adjustments due to initial application of SLFRS 16	-	4,196
Balance at the End of the Year	4,196	4,196
Accumulated Amortization		
Balance as the beginning of the Year	214	-
Amortization for the Year	214	214
Balance at the End of the Year	428	214
Balance as the End of the Year	3,768	3,982

16. INTANGIBLE ASSETS

As at 31st March	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000
Goodwill		
Balance as the beginning of the Year	629,064	629,064
Balance as the End of the Year	629,064	629,064

This represents the excess of the cost of acquisition of the net assets of Agarapatana Plantation 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 method and accordingly, no provision for impairment is required as at the reporting date.

17. INVESTMENTS IN SUBSIDIARIES

As at 31st March	Group Holding 2021 %	Company Holding 2021 %	No. of Shares 2021	Cost 2021 Rs. '000	No. of Shares 2020	Cost 2020 Rs. '000
Company						
Unquoted Investments						
Agarapatana Plantations Limited	73	72	235,394,302	1,882,324	145,394,302	1,522,324
Waverly Power (Pvt) Ltd	57	57	4,400,000	44,000	4,400,000	44,000
				1,926,324		1,566,324
Less: Provision for impairment in Value of Investments (Note 17.1)				(827,446)		(873,405)
				1,098,878		692,919

Carrying value of investments as at 31st March 2021 has been tested for Impairment and a provision for impairment amounting to Rs. 827.4 Million as at 31st March 2021 has been recorgnised. (2020: 873.4Mn)

17.1 Investment in Agarapatana Plantations Limited

The Company has acquired additional 90 Mn shares of Agarapatana Plantations Limited for a consideration of Rs. 360 Mn during the year ended 31st March 2021. As a result the ownership has increased up to 72% as at 31st March 2021 (2020 : 62%).

17.2 Provision for Impairment in Value of Investments

	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Unquoted Investments		
Balance at the beginning of the year	873,405	691,541
Provision / (Reversal) for the year	(45,959)	181,864
Balance at the end of the Year	827,446	873,405

The Company has applied market approach to determine fair value of Agarapatana Plantations Limited as specified in SLFRS 13 – 'Fair Value Measurement'. The recoverable value of Agarapatana Plantations Limited for the year ended 31st March 2021 has been calculated based on appropriate market multiples with adjustment to the marketability and control premium. In this calculation the Company has used a marketability adjustment within the range of 10% - 20% and acontrol premium within the range of 8% - 20%. The fair value measurement is catagorised as level 2 according to the fair value hierarchy.

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	2021 Rs. '000	2020 Rs. '000	Notes	2021 Rs. '000	2020 Rs. '000
Quoted Investments	18.1.1	1,040	1,459	18.1.4	-	679
Unquoted Investments	18.1.2	30,079	76,490	18.1.5	-	-
Unit Trusts	18.1.3	3,918	4,580	18.1.6	3,918	4,580
		35,037	82,529		3,918	5,259

	GROUP			
As at 31st March,	No. of Shares 2021	Carrying Value 2021 Rs. '000	No. of Shares 2020	Carrying Value 2020 Rs. '000
18.1.1 Quoted Investments				
DFCC Bank PLC	-	-	5,536	335
Marawila Resorts PLC	-	-	312,500	344
Beruwala Resorts PLC	1,300,000	1,040	1,300,000	780
Total Quoted Investments		1,040		1,459
18.1.2 Unquoted Investments				
Far Eastern Exports Ltd	150,000	-	150,000	-
Union Commodities (Pvt) Ltd	1,200,000	30,079	1,200,000	76,490
Total Unquoted Investments		30,079		76,490
18.1.3 Unit Trusts				
Pyramid Unit Trust	87,321	3,918	87,321	3,348
Comtrust Equity Fund	-	-	94,856	1,232
Total Unit Trusts		3,918		4,580
		35,037		82,529

Market value per share of quoted investments are based on published stock market prices on 31st March 2021 (2019/20 - 20th March 2021). Unquoted investment in Union Commodities (Pvt) Ltd. has been valued based on the net assets per share as at 31st March 2021 of Rs. 25.06 (2020: Rs. 63.74)

As at 31st March	COMPANY No. of Shares 2021	Market Value 2021 Rs. '000	No. of Shares 2020	Market Value 2020 Rs. '000
18.1.4 Quoted Investments				
DFCC Bank PLC	-	-	5,536	335
Marawila Resorts PLC	-	-	312,500	344
Total Quoted Investments		-		679
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	3,918	87,321	3,348
Comtrust Equity Fund	-	-	94,856	1,232
Total Unit Trusts		3,918		4,580
		3,918		5,259

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

As such, these investments are sold at its maket values. A cumulative profit of Rs. 887,900/- from the disposal has been recognized in other comprehensive income for the year ended 31st March 2021.

Investment	No. of Shares / units disposed Rs.	Market Value per share / unit at disposal Rs.
DFCC Bank PLC	5,536	64.5
Marawila Resorts PLC	312,500	2.1
Comtrust Equity Fund	94,856	19.44

18.2 Financial Assets Measured at Fair Value Through Profit and Loss

As at 31st March	GROUP/COMPANY No. of Shares 2021	Market Value 2021 Rs. '000	No. of Shares 2020	Market Value 2020 Rs. '000
Quoted Investments				
Piramal Glass Ceylon PLC	-	-	250,000	825
Renuka Holdings PLC	-	-	1,147,000	2,179
Kotagala Plantations PLC	-	-	90,000	450
Total Quoted Investments Measured at fair value through Profit or Loss		-		3,454

19. INVENTORIES

As at 31st March	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Raw Materials	62,654	63,062	512	512
Growing Crop-Nurseries	15,322	33,401	-	-
Producing Tea	406,974	303,767	-	-
Spares & Consumables	31,496	26,989	-	-
	516,446	427,219	512	512
Less: Provision for Obsolete Inventories	(512)	(512)	(512)	(512)
	515,934	426,707	-	-

20. TRADE AND OTHER RECEIVABLES

As at 31st March	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Trade Debtors	90,033	24,411	215	215
Less: Provision for Impairment	(5,418)	(5,418)	(215)	(215)
Total Trade Debtors	84,615	18,993	-	-
Other Receivables	121,801	104,352	14	14
Deposits Advances & Prepayments	40,462	21,409	-	-
Total Other Receivables	162,263	125,761	14	14
	246,878	144,754	14	14

21. TAXES RECOVERABLE

As at 31st March	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Income Tax	3,097	3,097	3,097	3,097
Economic Service Charge (ESC)	32,974	56,557	-	-
Withholding Tax	1,067	1,836	1,067	1,067
VAT Recoverable	31,829	29,899	6,009	6,009
	68,967	91,389	10,173	10,173
Less: Provision for Value Added Tax (VAT) Recoverable	(6,009)	(6,009)	(6,009)	(6,009)
	62,958	85,380	4,164	4,164

22. CASH AND CASH EQUIVALENTS

As at 31st March,	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Favorable Balance				
Fixed Deposits	28,842	29,083	-	-
Cash at Bank	118,186	49,868	17	18
Cash in Hand	6,501	1,648	-	-
	153,529	80,599	17	18
Unfavorable Balance				
Bank Overdraft	(430,205)	(430,086)	(3,028)	(5,202)
Cash and Cash Equivalents for the Purpose of the Cash Flow Statement	(276,676)	(349,487)	(3,011)	(5,184)

23. STATED CAPITAL

	2021 Number of Shares Nos.'000	2021 Value of Shares Rs. '000	2020 Number of Shares Nos.'000	2020 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 dividends 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 poll.

24. REVALUATION RESERVE

	Notes	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Balance as at the beginning of the Year		9,259	9,259	9,259	9,259
Surplus on revaluation		-	-	-	-
Deferred tax impact on revaluation surplus	29.2	514	-	514	-
Balance as at the end of the Year		9,773	9,259	9,773	9,259

25. GENERAL RESERVE

	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Balance as at the beginning of the Year	500	500	500	500
Balance as at the end of the Year	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

As at 31st March,	Notes	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Payable after one Year					
Long Term Loans	26.1	862,840	1,051,016	-	-
Total		862,840	1,051,016	-	-
Payable within one Year					
Long Term Loans	26.1	490,223	392,124	-	-
Short Term Loans	26.2	103,524	132,918	-	-
Total		593,747	525,042	-	-
Total Interest bearing Borrowings		1,456,587	1,576,058	-	-

26.1 Long Term Loans

As at 31st March,	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Balance at the beginning of the year	1,443,140	1,196,522	-	-
Loans obtained during the year	105,700	473,900	-	-
Payments made during the year	(195,777)	(227,282)	-	-
Balance at the end of the year	1,353,063	1,443,140	-	-
Maturity Analysis				
Payable within one Year	490,223	392,124	-	-
Payable after one Year	862,840	1,051,016		

26.2 Short Term Loans

As at 31st March,	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Balance at the beginning	132,918	42,415	-	-
Loans obtained during the Year	28,416	207,939	-	-
Payments made during the Year	(57,810)	(117,436)	-	-
Balance at the end of the year	103,524	132,918	-	-

26.3 Assets Pledged as Security Against Interest Bearing Borrowings

	Lender	Balance as at 31.03.2021 Rs. Million	Balance as at 31.03.2020 Rs. Million	Terms of Repayment	Security Pledged
Agarapatana Plantations Limited	Sampath Bank PLC	**409.70**	425.00	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**	250.0	72 monthly installments commencing from 20.05.2020 including six months grace period for the capital	Additional mortage over lease hold rights of Glenanore and Haputhale Estates including machinery fixed each of these estates. Corporate Guarantee from Lankem Ceylon PLC
	Bank of Ceylon	**50.0**	50.0	72 monthly installments commencing from 20.05.2020 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	**44.2**	45.3	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	**164.3**	172.8	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	**11.2**	28.3	36 installments commencing from August 2017	
	Tea Board	**33.5**	39.9	36 installments commencing from 13.07.2017	
	Bank of Ceylon	**42.3**	49.5	First and second installments of Rs. 416,667 & 60 installments of Rs. 4,054,598 commencing from December 2015	Additional mortgage over lease hold rights of Glenanore and Haputhale Estates including machinery fixed each of these estates.
	Bank of Ceylon	**158.3**	162.5	48 monthly installments commencing from 12.06.2019	A primary mortgage over leasehold rights of Glenanore and Haputale Estates including machinery fixed each of these estate. Tri partite agreement with borrower,bank and the tea broker John Keells PLC

	Lender	Balance as at 31.03.2021 Rs. Million	Balance as at 31.03.2020 Rs. Million	Terms of Repayment	Security Pledged
Agarapatana Plantations Limited	People's Leasing and Finance Company PLC	5.6	7.1	36 monthly installments commencing from 20.11.2019	Original Certificates of Registration of the vehicles
	People's Leasing and Finance Company PLC	7.0	8.8	60 monthly installments commencing from 10.11.2018	
	People's Leasing and Finance Company PLC	7.0	8.8	36 monthly installments commencing from 20.11.2019	
	People's Leasing and Finance Company PLC	3.8	4.8	36 monthly installments commencing from 20.11.2019	
	People's Leasing and Finance Company PLC	4.50	5.16	36 monthly installments commencing from 20.11.2019	
	Seylan Merchant Bank PLC	16.9	23.5	36 monthly installments commencing from 13.04.2019	Original certificates of Registration of the Vehicles
	Seylan Merchant Bank PLC	14.8	21.2	36 monthly installments commencing from 10.03.2020	
Waverly Power (Pvt) Ltd	Sampath Bank PLC				
	Loan 1	37.5	46.5	96 monthly installments commencing one month after the date of first disbursement.	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	88.2	95.5	96 monthly installments commencing one month after the date of first disbursement.	a) Loan agreement for Rs. 125 Million.
	Loan 3	4.2	-	12 monthly installments commencing from date of grant	a) Loan agreement for Rs. 4.2 Million.

26.4 Assets Pledged as Security Against Bank Overdrafts

Agarapatana Planantions Ltd

Name of the Lender	Nature of the Facility	Facility Obtained Rs. Million	Amount Outstanding as at end of the Year Rs. Million	Security Pledged
Indian Bank	Bank Overdraft	160	3.6	Primary mortgage over lease hold rights to bare land and buildings of Torrington Estate. Stock in trade, movable assets and book debts Corporate Guarantee from Lankem Developments PLC
Bank of Ceylon	Bank Overdraft	200	33.4	A primary mortgage over leasehold rights of Glenanore and Haputale Estates including machinery fixed each of these estates. Overdraft Agreement

27. LEASE LIABILITIES

As at 31st March,	Notes	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Payable after one year					
Lease Liabilities other than JEDB/SLSPC Estates	27.1	3,824	4,239	-	-
Net Liability to the Lessor JEDB/SLSPC Estates	27.2	129	132	-	-
		3,953	4,371	-	-
Payable within one year					
Lease Liabilities other than JEDB/SLSPC Estates	27.1	538	1,137	-	-
Net Liability to the Lessor JEDB/SLSPC Estates	27.2	2	-	-	-
		540	1,137	-	-

27.1 Lease Liabilities (Other than JEDB/SLSPC Estates)

As at 31st March,	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Opening Balance	5,376	5,160	-	-
Adjustment due to initial application of SLFRS 16	-	4,196	-	-
Adjusted Balance as at 1st April	5,376	9,356	-	-
Payments made during the year	(1,688)	(5,126)	-	-
Interest Expense for the year	674	1,146	-	-
Balance at the End of the year	4,362	5,376	-	-
Maturity Analysis				
Payable within one year	538	1,137	-	-
Payable after one year	3,824	4,239	-	-

27.2 Net liability to the Lessor of JEDB/SLSPC Estate

	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Gross Liability	375	375	-	-
Finance charges allocated to future periods	(244)	(243)	-	-
	131	132	-	-

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

	Group 2021 Rs.'000
Less than one year	13
One to five years	63
More than 5 years	225
Total undiscounted lease liabilities as at 31st March	301

28. DEFERRED INCOME

As at 31st March	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000
Cost		
At the beginning of the Year	334,875	331,675
Additions during the year	2,753	3,200
At the end of the Year	337,628	334,875
Amortisation		
At the beginning of the Year	131,680	122,920
Amortisation for the Year	8,849	8,760
At the end of the Year	140,529	131,680
Net Carrying Value at the End of the Year	197,099	203,195

28.1 Agarapatana Plantations Ltd

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/ ASSETS

As at 31st March	Notes	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Balance at the beginning of the Year		41,311	21,399	3,600	3,600
Charged/(Reversed) to the Income Statement	29.1	(63,559)	15,289	-	-
Charged/ (Reversed) to the Other Comprehensive Income	29.2	13,456	4,623	(514)	-
Balance at the end of the year		(8,792)	41,311	3,086	3,600

The Deferred Tax Liability is arrived at by applying the effective Income Tax rate of 24% for the Company applicable for the year of assessment 2020/21 to the temporary difference as at 31st March 2021. Deferred tax liability of Waverly Power (Pvt) Ltd have been arrived by applying effective income tax rate of 14% as per the tax rates specified in the Inland Revenue Amendment Act No. 10 of 2021. The effective tax rate used to calculate deferred tax liability for Agarapatana Plantations Limited as at 31 March, 2021 is 10.5% (2020 - 14%).

29.1 Amount Charged/(Reversed) to the Income Statement

	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Due to change in the effective tax rate	(39,784)	-	-	-
Due to change in the temporary difference	(23,775)	15,289	-	-
	(63,559)	15,289	-	-

29.2 Amount Charged/(Reversed) to the Other Comprehensive Income

	GROUP		COMPANY	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Due to change in the effective tax rate	(514)	-	(514)	-
Due to change in the temporary difference	13,970	4,623	-	-
	13,456	4,623	(514)	-

29.3 Group

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

	2021		2020	
	(Tax able)/ Deductible Temporary Difference	Tax Effect	(Tax able)/ Deductible Temporary Difference	Tax Effect
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Property, Plant and Equipment	(475,622)	(19,377)	(588,869)	(82,442)
Revaluation Reserve	(12,859)	(3,086)	(12,859)	(3,600)
Right of Use Assets	(142,609)	(14,973)	(193,447)	(27,083)
Biological Assets	(3,243,885)	(340,608)	(3,260,929)	(456,530)
Retirement Benefit Obligation	1,311,197	137,675	1,531,477	214,406
Lease Liability	104	11	1,268	178
Accumulated Tax Losses	2,368,756	249,150	2,241,130	313,759
	(194,918)	8,792	(282,227)	(41,311)

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The losses recognized above are attributable to the subsidiary, Agarapatana Plantations Limited. Deferred tax asset on these accumulated tax losses is recognized up to the 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 recognized in the financial statements as it is not probable that the Group will have sufficient taxable profits against which these losses can be claimed.

	2021		2020	
	Temporary Difference	Tax Effect	Deductible Temporary Difference	Tax Effect
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Accumulated Tax Losses	-	-	1,077,255	150,815
	-	-	1,077,255	150,815

29.4 Company

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

	2021		2020	
	Taxble Temporary Difference	Tax Effect	Taxble Temporary Difference	Tax Effect
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Revaluation Reserve	(12,859)	(3,086)	(12,859)	(3,600)
	(12,859)	(3,086)	(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.

	2021		2020	
	Deductible Temporary Difference	Tax Effect	Deductible Temporary Difference	Tax Effect
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Accumulated Tax Losses	102,627	23,270	91,615	25,652
	102,627	23,270	91,615	25,652

30. RETIREMENT BENEFIT OBLIGATIONS

	GROUP		COMPANY	
As at 31st March	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Movement in Present Value of Funded Obligations				
Balance at the beginning of the Year	1,531,477	1,341,107	-	-
Current Service Cost	88,174	83,644	-	-
Interest Cost	153,148	154,227	-	-
Benefits Paid	(82,147)	(14,479)	-	-
Acturial Gain	(133,055)	(33,022)	-	
Present value of Defined Benefit Obligations	1,557,597	1,531,477	-	-

30.1 Agarapatana Plantations Limited

The retirement benefit obligation for all workers and staff is 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 2021. Assumptions used for the actuarial valuation are given as below.

	2021	2020
Rate of interest	7.50%	10.00%
Rate of Salary Increment - Worker's	5.68% Per annum	16.00% Every two years
Staff Turnover Rate	10.00%	10.00%
Retirement age - Workers and Staff	60	60

The Government of Sri Lanka through its Gazette notification dated 5th March 2021 specified minimum daily wage rate of plantation workers to be increased up to Rs.1000/-. However, the subsidiary Agarapatana Plantations Limited has not considered this in the calculation of retirement benefit obligation as at 31st March 2021 further details including the contingent liability on the same is disclosed in the note 34.2 to these Financial Statements.

Sensitivity Analysis

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

A one percentage point change in the discount rate	1%	0%	-1%
As at 31st March 2021	(130,853)	1,557,597	151,753

A one percentage point change in the salary increment rate.	1%	0%	-1%
As at 31st March 2021	159,580	1,557,597	(139,703)

30.2 Expenses Recognised in the Income Statement

As at 31st March	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Current Service Cost	88,174	83,644	-	-
Interest on Obligation	153,148	154,227	-	-
Provision for the Year	241,322	237,871	-	-

31. TRADE & OTHER PAYABLES

As at 31st March,	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Trade Payables	29,091	32,215	3,320	3,453
Other Creditors	516,880	511,753	9,218	6,685
Broker Advances	284,928	156,487	-	-
Payable to Employees	196,085	122,240	-	-
ESC Payable	82,516	82,507	-	-
EPF / ETF Payable	866,781	803,247	-	-
Dividends Payable	-	10,027	-	-
	1,976,281	1,718,476	12,538	10,138

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 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Agarapatana Plantations Ltd		-	-	11,046	3,200
Marawila Resorts PLC		134	134	-	-
Sherwood Holidays Ltd		13,159	11,724	-	-
Lankem Ceylon PLC		64,481	61,526	12,417	7,387
Colombo Fort Group Services (Pvt) Ltd		12	-	-	-
Colombo Fort Hotels Ltd		12,270	10,052	7,575	6,559
Total Amounts Due From Related Parties		90,056	83,436	31,038	17,146
Less: Provision for Impairment	32.1.2	-	-	(1,324)	(1,536)
		90,056	83,436	29,714	15,610

32.1.2 Provision for Impairment - Amount due from Related Parties

	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Balance as at the Beginning of the year	-	-	1,536	-
(Reversal)/Provision for the Year	-	-	(212)	1,536
Balance as at the end of the Year	-	-	1,324	1,536

32.1.3 Loans due from Related Parties

As at 31st March	Note	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Colombo Fort Hotels Ltd		23,145	23,145	10,600	10,600
Consolidated Tea Plantations Ltd		365,031	-	-	-
Less: Provision for Impairment	32.1.3.1	-	-	(536)	(662)
Total Loans Due From Related Parties		388,176	23,145	10,064	9,938
Total Amounts Due From Related Parties		478,232	106,581	39,778	25,548

32.1.3.1 Provision for Impairment - Loans Due from Related Parties

	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Balance as at the Beginning of the year	-	-	662	-
Provision/(Reversal) for the Year	-	-	(126)	662
Balance as at the end of the Year	-	-	536	662

The Company 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.

Agarapatana Plantation Limited has granted a loan of Rs.360 Million to Consolidated Tea Plantations Limited during the year ended 31st March 2021. An interest of AWPLR + 2% is charged on this balance.

32.2 Loans Due To Related Parties

As at 31 st March,	Note	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Non Current					
Lankem Tea & Rubber Plantations (Pvt) Ltd.	32.2.1	82,796	75,559	82,796	75,559
Current					
Consolidated Tea Plantations Ltd.	32.2.2	360,000	-	360,000	-
		442,796	75,559	442,796	75,559

32.2.1 Pursuant to the addendum to the agreement signed between the Company and Lankem Tea & Rubber Plantations (Private) Limited dated 31st March 2021, Lankem Tea & Rubber Plantations (Private) Limited has extended the grace period up to 31st March 2023 for the repayment of this loan. However, interest is continued to be charged at the rate of AWPLR + 2% on the capital outstanding.

32.2.2 The Company obtained a loan of Rs. 360 Million from Consolidated Tea Plantations Ltd, on 11th March 2021 at an interest rate of AWPLR +2% per annum and subject to fluctuations at the discretion of the Lender.

32.3 Amounts Due To Related Parties

As at 31 st March,	GROUP 2021 Rs. '000	GROUP 2020 Rs. '000	COMPANY 2021 Rs. '000	COMPANY 2020 Rs. '000
Lankem Ceylon PLC	48,454	29,134	-	-
Lanka Special Steel Ltd	-	18,675	-	-
E.B. Creasy & Co. PLC	60,908	54,992	1,517	1,518
The Colombo Fort Land & Building Company PLC	91,266	83,819	-	-
Lankem Tea & Rubber Plantations (Pvt) Ltd	37,944	42,184	-	-
Waverly Power Pvt Ltd	-	-	10,413	9,413
Creasy Plantation Management Ltd	4,635	4,793	-	-
Kotagala Plantations PLC	22,303	57,631	-	-
Darley Butler & Co. Ltd	41,815	-	-	-
Union Commodities (Pvt) Ltd	107,805	97,155	-	-
Sigiriya Village Hotels PLC	10,000	10,000	-	-
Colombo Fort Group services (Pvt) Ltd	3,262	2,671	-	-
Consolidated Tea Plantations Ltd	5,240	-	5,240	-
	433,632	401,054	17,170	10,931

32.4 Related Party Transactions

32.4.1 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 PLC.

Except for the following transactions, there were no non-recurrent related party transactions entered into by the Company during the financial year, the value of which exceeded 10% of shareholders equity or 5% of the total assets of the group or recurrent related party transactions the value of which exceeded 10% of gross revenue of the group during the year ended 31st March 2021.

Name of the Related Party	Related Party Relationship	Value of the related party transactions entered into during the financial year Rs.	Value of the related party transactions as a % of Equity and as a % of Total Assets	Terms and Conditions	The rational for entering into the transaction
Consolidated Tea Plantations Ltd	Immediate Parent	360,000,000	138% of Equity and 5.4% of total assets.	Interest bearing loan to be disbursed within 30 days from 11.01.2021	For the purpose of relending to Agarapatana Plantations Ltd
Agarapatana Plantations Ltd	Subsidiary	360,000,000	138% of Equity and 5.4% of total assets	Interest bearing short term loan	To meet Agarapatana Plantations Ltd working capital requirements
Agarapatana Plantations Ltd	Subsidiary	360,000,000	138% of total equity and 5.4% of total assets	Issued Issue of 90Mn ordinary shares at Rs. 4/- per share in settlement of short-term loan obtained from Lankem Developments PLC amounting to Rs. 360Mn	To strengthen the Financial Position of Agarapatana Plantations Ltd

32.4.2 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, 2020 and 2021.

32.4.3 The Company's transaction with its Related Companies

Name of Related Party	Name of Directors	Nature of the Transactions	2021 Amount Rs. '000	2020 Amount Rs. '000
Lankem Ceylon PLC - Common Control	Mr. S. D. R Arudpragasam	Intercompany Settlements	6,371	26,294
	Mr. Anushman Rajaratnam	Interest Expense	-	(598)
	Mr.P.M.A.Sirimane	Commission on Corporate Guarantee	(1,341)	(1,242)
		Loan settlements	-	30,700
Colombo Fort Hotels Ltd - Common Control	Mr. S. D. R Arudpragasam	Interest Income	1,016	1,384
	Mr. Anushman Rajaratnam	Commission on Corporate Guarantee	3,200	3,200
Agarapatana Plantations Ltd - Subsidiary	Mr. S. D. R Arudpragasam	Interest Income	4,646	-
	Mr. Anushman Rajaratnam	Invesment in shares	(360,000)	-
	Mr. C. P. R. Perera			
	Mr.P.M.A.Sirimane (Resigned w.e.f. 31.03.2021)			
Lankem Tea & Rubber Plantations (Pvt) Ltd - Common Control	Mr. S.D.R Arudpragasam	Interest Expense	7,237	-
	Mr. Anushman Rajaratnam			
	Mr. C. P. R. Perera			
Waverly Power (Pvt) Ltd - Subsidiary	Mr. S. D. R Arudpragasam	Intercompany payable	(1,000)	(59,592)
	Mr. Anushman Rajaratnam	Dividend	-	50,600
Consolidated Tea Plantations Limited - Parent Company	Mr. Anushman Rajaratnam	Loan Received	360,000	-
	Mr. S. D. R Arudpragasam	Interest Expense	5,240	-
	Mr. C. P. R. Perera			

32.4.4 Waverly Power (Pvt) Ltd

Name of Related Party	Name of Directors	Nature of the Transactions	2021 Amount Rs. '000	2020 Amount Rs. '000
Lankem Ceylon PLC - Common Control	Mr. S. D. R.Arudpragasam	Intercompany Settlements	-	(9,273)
	Mr. Anushman Rajaratnam	Settlement of dividend	-	(39,100)
		Advances	-	51,471
		Reimbursement of Expenses	(2,075)	(578)
Agarapatana Plantations Ltd - Common Control	Mr. S. D. R Arudpragasam	Lease Rental Paid	(539)	(600)
	Mr. Anushman Rajaratnam			
	Mr. G. D. V. Perera (Resigned w.e.f. 31.03.2021)			
Colombo Fort Group Services (Pvt) Ltd - Common Control	Mr. S. D. R.Arudpragasam Mr. Anushman Rajaratnam	Reimbursement of Expenses	(134)	(134)
Colombo Fort Hotels Ltd - Common Control	Mr. S. D. R. Arudpragasam	Interest Receivable	1,201	1,639
	Mr. Anushman Rajaratnam			
	Mr. S. Rajaratnam			
	Mr. Amrit Rajaratnam			

32.4.5 Agarapatana Plantations Ltd

Name of Related Party	Name of Directors	Nature of the Transactions	2021 Amount Rs. '000	2020 Amount Rs. '000
Lankem Tea & Rubber Plantations (Pvt) Ltd - Common Control	Mr. S. D. R. Arudpragasam	Transfer of Intercompany Balances	(1,092)	(8,090)
	Mr. C. P. R. Perera	Settlements	(3,148)	(39,667)
	Mr. D. A. Ratwatte (Resigned w.e.f. 31.03.2021)	Advances Received	-	(34,093)
	Mr. G. D. V. Perera (Resigned w.e.f. 31.03.2021)			
	Mr. Anushman Rajaratnam		-	-
	Mr.D.R. Madena		-	-
	Mr.S.S.Poholiyadda		-	-
Lankem Ceylon PLC - Common Control	Mr. S. D. R. Arudpragasam	Commission on Bank Guarantee	(4,319)	(4,569)
	Mr. Anushman Rajaratnam			-
	*Mr.P.M.A.Sirimane	Management expenses Charged	(15,000)	(15,000)
		Settlements	-	1,250
Sigiriya Village Hotels PLC - Common Control	Mr. S. D. R. Arudpragasam	Advances Received	-	10,000
	Mr. Anushman Rajaratnam			
	Mr. C. P. R. Perera			
Kotagala Plantations PLC - Common Control	Mr. S. D. R. Arudpragasam	Advances Received	-	(42,415)
	Mr. Anushman Rajaratnam	Settlements	(35,328)	-
	Mr. C. P. R. Perera			
	Mr. D. A. Ratwatte (Resigned w.e.f. 31.03.2021)			
	Mr. G. D. V. Perera (Resigned w.e.f. 31.03.2021)			
	Mr.S.S.Poholiyadda			
The Colombo Fort Land & Building PLC - Ultimate Parent	Mr. S. D. R. Arudpragasam	Rent on Building & Other Expenses	(8,056)	(9,955)
	Mr. Anushman Rajaratnam	Settlements	9,848	-
	Mr. C. P. R. Perera	Advance Received	-	(75,772)
	*Mr.P.M.A.Sirimane	Transfer of Intercompany balances	-	8,963
		Interest Charged	9,238	-
Creasy Plantation Management Ltd - Common Control	Mr. S. D. R. Arudpragasam	Settlements	159	-
Sherwood Holidays Ltd - Common Control	Mr. S. D. R. Arudpragasam	Rent and Bungalow Upkeep Expenses	1,434	1,973
	Mr. D. A. Ratwatte (Resigned w.e.f. 31.03.2021)	Settlements	-	(1,656)
	**Mr. G. D. V. Perera			
Ceylon Tea Brokers PLC - Common Control	Mr. C. P. R. Perera	Broker Advance Received	(351,000)	(264,226)
		Broker Advance Paid	314,043	307,285
		Sale of Tea	326,822	323,266
		Sale Proceeds Received	(318,213)	(325,923)
Marawila Resorts PLC - Common Control	Mr.S.D.R.Arudpragasam	Tea Sales	-	179
	Mr. Anushman Rajaratnam	Settlements	-	(343)
	Mr.C.P.R.Perera			

Name of Related Party	Name of Directors	Nature of the Transactions	2021 Amount Rs. '000	2020 Amount Rs. '000
Union Commodities (Pvt) Ltd - Common Control	Mr.S.D.R.Arudpragasam	Advances Received	-	(91,000)
	Mr. Anushman Rajaratnam	Interest Charged	(10,649)	(6,155)
	**Mr. G.D.V Perera			
E. B Creasy & Co. PLC - Common Control		Short term loan received	-	(20,000)
	Mr.P.M.A.Sirimane	Interest Charged	(5,915)	(5,141)
Lanka Special Steel Ltd - Common Control	Mr. S. D. R. Arudpragasam	Advances Received	-	(32,000)
	*Mr.P.M.A.Sirimane	Interest Charged	(641)	(675)
		Settlements	19,316	14,000
Colombo Fort Group Services (Pvt) Ltd - Common Control	Mr.S.D.R.Arudpragasam	IT Support Services Expenses	(3,310)	(3,882)
	Mr. Anushman Rajaratnam	Payments Made	2,720	2,162
	*Mr.P.M.A.Sirimane			
Darley Butler & Co, Ltd - Common Control	Mr.S.D.R.Arudpragasam	Advances Received	(39,651)	-
	*Mr.P.M.A.Sirimane	Interest Charged	(2,162)	-
Consolidated Tea Plantations Ltd - Intermediate Parent	Mr.S.D.R.Arudpragasam	Term Loan Granted	360,000	-
	Mr. S. Poholiyadda	Interest Charged	5,030	-
	Mr. Anushman Rajaratnam			
	Mr.C.P.R.Perera			

* Mr. P. M. A. Sirimane resigned from the directorate of Agarapatana Plantations Ltd on 31.03.2021
** Mr. G. D. V. Perera resigned from the directorate of Agarapatana Plantations Ltd on 31.03.2021

32.6 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 clarified an amounts due to/from related parties are unsecured and no interest was charged during the year. Interest on balances transferred to loans from/to related parties are charged at the market rate.

32.7 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 Developments PLC and its subsidiary companies.

32.7.1 Loans to Key Management Personnel

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

32.7.2 Key Management Personnel Compensation

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

	GROUP		COMPANY	
As at 31 st March,	2021 Rs. '000	2020 Rs. '000	2021 Rs. '000	2020 Rs. '000
Short - Term Employee Benefits	12,506	11,014	-	-
Motor Vehicle Transfer	-	6,650	-	-

32.7.3 Transactions with Close Family Members

There were no transactions with close family members 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

33.2.1 Agarapatana Plantations Limited

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

	2021 Rs. Mn	2020 Rs. Mn
Field Development	99.6	97.3
Machinery & Factory Development	153.4	204.2

34. CONTINGENT LIABILITIES

34.1 Company

The company has issued a corporate guarantee amounting to Rs.160 Mn to Indian Bank - Colombo 01 on behalf of Agarapatana Plantations Limited.

34.2 Group - Agarapatana Plantations Limited (“APL”)

There are no material contingent liabilities outstanding as at the reporting date which require adjustments / disclosure in the Financial Statements other than those disclosed below.

34.2.1. Gazetted Increase in Daily Wage Rate

In the past, wages of the Plantation workers were negotiated between Trade Unions and Regional Plantation Companies (RPCs), once in every two years and a Collective Agreement was signed between the parties. However, the last wage negotiations between the parties were not successful and therefore, the matter was referred to the Wages Board by the Minister of Labour.Consequently, The Wages Board without considering objections of the RPCs decided the daily wage rate of Tea / Rubber workers as Rs 1,000/- per day and gazetted its decision on 05th March 2021.

Therefore, a“Writ Application”was instituted by the RPC’s in the Court of Appeal seeking an interim order, staying and/or suspending the operation of the Gazette issued by the Wages Board, but the Hon Judges of the Court of Appeal declined to issue an interim order but directed the respondents to file objections and the RPC’s(Petitioners) to file Counter Objections. As at the date of the Statement of financial position, the above matter is under the purview of the Court of Appeal and, therefore the final decision is pending.

Having discussed with independent legal experts and based on the information available,the Directors of APL are of the view that in the event of an unforeseen verdict unfavorable to the Company from the above court case, the contingent liability on retirement benefit obligation would be Rs.572Mn and of which Rs.30Mn need to be charged to Profit or Loss and Rs.542Mn to be charged under Other Comprehensive Income for the year ended 31 March 2021. However, no provisions have been made in the financial statements for the year ended 31 March 2021 in this regard.

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 as 31st March 2021 is appropriate based on following factors.

35.1 Company

The Company's current liabilities exceeds its current assets by Rs. 348.8 Million. Its accumulated losses as of 31st March 2021 was Rs. 880.8 Million (2020: Rs. 921.1 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 2021. These factors raised concerns over the appropriateness of the use of going concern assumption of the preperation 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 preperation of financial statemnets of the Company for the year ended 31st March 2021 is appropriate based on the following factors.

As disclosed in Note 1.2 to the financial statements, the Company's principal operation is to manage its invetsmnets portfolio. Carrying amount of the investment in Agarapatana Plantations Limited ("APL") represents approximately 95% of the carrying value of the Company's investment in subsidiaries. The Company has recognized a reversal of Rs. 45.9 Mn on the impairement of its investment in APL for the year ended 31st March 2021.

The management of APL 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. Actions taken by the management of APL togther with the positive market conditions have already resulted in a substantial improvement in the operational results of APL for the year ended 31st March 2021.

As such, a further reversal of the impairment provision made against the investment in subsidiary APL will make an improvement in the future profitability and the accumulated loss situation of the Company. Additionally, the Board has already negotiated with related parties to whom the Company has short term payable balances with regard to the settlement of them in a manner that would not affect the liqudity situation of the Company.

35.2 Group

The Group accumulated losses were Rs. 1,214.5 Million as of 31st March 2021 (2020: 1,374.3 Million) and as of that date the Group's current liabilities exceeded its current assets by Rs. 2,342 Million (2020: 2,235.4 Million).The Directors of Group are confident that the financial position of the Group will improve during the year 2021/22 as a result of following steps taken by the subsidiary Company.

(a) Agarapatana Plantations Limited

APL reported a Gross Profit of Rs.170.6 Million and Net Profit of Rs. 189.6 Million during the year ended 31st March 2021 (2020 net of loss: Rs. 1,211.9). Its current liabilities exceeds its current assets by Rs. 2,060 Million as of 31st March 2021 (2020: Rs.2,321 Million).

After reviewing the financial position and cash flow of APL, the Board of Directors are of the view that APL has adequate resources to continue its operation well into the foreseeable future. The directors of the Company are confident that the financial position of the APL will significantly improve during the year 2021/22 based on the following action plans appended below.

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 a bank to raise a working capital facility of Rs.200 Mn at a reduced interest rate under the COVID -19 conditions, whereby the current AWPLR being around 5.6% the lending rate would be around 8% (AWPLR+2.5%), which would thus be a very competitive rate to replace the monthly Broker borrowings at 14%. In order to facilitate the granting of this new loan, Bank has fully recovered the outstanding capital balance of Rs. 42 Mn of Rs. 245 Mn loan through the proceeds available at Escrow A/C of the bank. Company will receive the 1st tranche of this loan amounting Rs.75Mn during September 2021.
iii. The management has committed to bring in significant savings in the cost of harvesting by introducing machine plucking, with an increase in the production at a reduced labour cost which accounts for 60% of the COP. In this regard the management has strategized for 30% of the plucking extent to be mechanized within the next this regard the management has strategized for 30% of the plucking extent to be mechanized within the next two years. The Company has hired a specialized Consultant in this filed full time under mechanization who will be responsible for training and implementation.

The APL has successfully implemented the first phase of the mechanized plucking during the year 2020/2021, whereby almost 113 machines are in operation and will be increased by another 400 machines by the end of March 2022.

Machine plucking operates by way of two pluckers per machine, harvesting at the rate of 35 to 50 Kgs per plucker per day, with a norm of 30 to 40 Kgs and the over kilos are paid at Rs.30/-, whereas manual plucking brings l6 Kgs per plucker with a norm of l8 Kgs and the over kilos are paid at Rs.40/- . APL has lost a fair amount of workers due to retirement etc and as such, currently the required plucking rounds are unable to be implemented due to shortage of workers, which will be mitigated by mechanized plucking.

iv. The management of APL has issued a stringent operational policy on labour management that are to be strictly observed by the Estate management, whereby each and every estate should keep up to the total labour cost at 60% of the total COP, 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.

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

(b) Waverly Power (Pvt) Ltd WPL

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. 84.9 Mn as at 31st March 2021. 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 preperation of financial statements of the Group for the year ended 31st March 2021 is appropriate.

36. EVENTS OCCURING AFTER THE REPORTING DATE

There were no material events occurring after the Reporting Date that require adjustments to or disclosure in the Financial Statements.

37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

Financial Risk Management - Overview

The Group has exposure to the following risk 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 Company's supervision, policies and processes for measuring risk, and the company'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.

37.1 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	
As at 31st March		2021	2020	2021	2020
	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Amount due from Related Companies- Loan	32.1.3	388,176	23,145	10,064	9,938
Amount due from Related Companies	32.1.1	90,056	83,436	29,714	15,610
Trade and Other Receivables	20	206,416	123,345	14	14
Cash and Cash Equivalents	22	147,028	78,951	17	18
		831,676	308,877	39,809	25,580

37.2 Impairment Losses of Trade and Other Receivables

Group	Gross	Impairment	Gross	Impairment
	2021	2021	2020	2020
As at 31st March	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Past due 0 - 365 days	206,416	-	117,927	-
More than one year	5,418	5,418	5,418	5,418
	211,834	5,418	123,345	5,418

Company	Gross	Impairment	Gross	Impairment
	2021	2021	2020	2020
As at 31st March	Rs. '000	Rs. '000	Rs. '000	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 receivable, amount due to related parties and loan from related parties are disclosed 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 amounts due from related companies.

37.3 Liquidity Risk

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

As At 31st March	2021				2020			
	Carrying Amount	Contractual Cash Flows	12 months or less	1-5 Years	Carrying Amount	Contractual Cash Flows	12 months or less	1-5 Years
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Group								
Non-Derivative Financial Liabilities								
Interest Bearing Borrowings	1,456,586	1,456,586	593,746	862,840	1,576,057	1,576,057	525,042	1,051,016
Trade and Other Payables	1,691,353	1,691,353	1,691,353	-	1,561,989	1,561,989	1,561,989	-
Loan due to Related Parties	442,796	442,796	360,000	82,796	75,559	75,559	-	75,559
Amounts due to Related Companies	433,632	433,632	433,632		401,054	401,054	401,054	-
Bank Overdraft	430,205	430,205	430,205	-	430,086	430,086	430,086	-
	4,454,572	4,454,572	3,508,936	945,636	4,044,745	4,044,745	2,918,171	1,126,575

As At 31st March	2021				2020			
	Carrying Amount	Contractual Cash Flows	12 months or less	1-5 Years	Carrying Amount	Contractual Cash Flows	12 months or less	1-5 Years
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Company								
Non-Derivative Financial Liabilities								
Trade and Other Payables	12,538	12,538	12,538	-	10,138	10,138	10,138	-
Loan due to Related Parties	442,796	442,796	360,000	82,796	75,559	75,559	-	75,559
Amount due to Related Companies	17,170	17,170	17,170	-	10,931	10,931	10,931	-
Bank Overdraft	3,028	3,028	3,028	-	5,202	5,202	5,202	-
	475,532	475,532	392,736	82,796	101,830	101,830	26,271	75,559

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

37.4 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 optimizing the return.

37.4.1 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.

37.4.2 Interest Rate Risk

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

	Group		Company	
	2021	2020	2021	2020
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Fixed Rate instruments				
Financial Assets	28,842	29,083	-	-
	28,842	29,083	-	-
Variable Rate Instruments				
Financial Assets	365,031	-	10,600	10,600
Financial Liabilities	1,899,382	1,576,058	360,000	-
	2,264,413	1,576,058	370,600	10,600

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 before tax. A reasonably possible of +/- 0.1% is used, consistent with current trends in interest rates.

	+0.1% (10 Basis Points) Impact on Profit	-0.1% (10 Basis Points) Impact on Profit	+0.1% (10 Basis Points) Impact on Profit	-0.1% (10 Basis Points) Impact on Profit
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
31st March 2021				
Sensitivity to 100 bp- Effect	(1,375)	1,375	(1,511)	1,511
31st March 2020				
Sensitivity to 100 bp- Effect	(447)	447	(60)	60

37.5 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.

31st March 2021	GROUP Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Total Rs'000
Financial Assets Measured at Fair Value Through Other Comprehensive Income	4,958	-	30,079	35,037
	4,958	-	30,079	35,037

31st March 2020	GROUP Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Total Rs'000
Financial Assets Measured at Fair Value Through Other Comprehensive Income	6,039	-	76,490	82,529
Financial Assets Measured at Fair Value Through Profit or Loss	3,454	-	-	3,454
	9,493	-	76,490	85,983

31st March 2021	Company Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Total Rs'000
Financial Assets Measured at Fair Value Through Other Comprehensive Income	3,918	-	-	3,918
	3,918	-	-	3,918

31st March 2020	Company Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Total Rs'000
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

37.6 Accounting classifications and fair value

The vale of financial assets and liabilities, together with carrying amounts shown in the Financial Statements of financial position as follows:

As at 31.03.2021	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
Group						
Cash and Cash Equivalents	-	153,529	-	-	153,529	153,529
Trade & Other Receivables	-	206,416	-	-	206,416	206,416
Financial Assets Measured at FVTPL	-		-	-	-	-
Financial Assets Measured at FVOCI	-	-	35,037	-	35,037	35,037
Loans given to Related Parties	-	388,176	-	-	388,176	388,176
Amounts due from Related Parties	-	90,056	-	-	90,056	90,056
	-	838,177	35,037	-	873,214	873,214
Trade and other payables	-	-	-	1,608,837	1,608,837	1,608,837
Bank Overdraft	-	-	-	430,205	430,205	430,205
Interest Bearing Borrowings				1,456,586	1,456,586	1,456,586
Amounts due to Related Parties - Loan	-	-	-	442,796	442,796	442,796
Amount due to Related Parties	-	-	-	433,632	433,632	433,632
Lease Liabilities				4,493	4,493	4,493
	-	-	-	4,376,549	4,376,549	4,376,549

As at 31.03.2020	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
Group						
Cash and Cash Equivalents	-	80,599	-	-	80,599	80,599
Trade & Other Receivables	-	123,345	-	-	123,345	123,345
Financial Assets Measured at FVTPL	3,454	-	-	-	3,454	3,454
Financial Assets Measured at FVOCI	-	-	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
Trade and Other Payables	-	-	-	1,561,989	1,561,989	1,561,989
Bank Overdraft	-	-	-	430,086	430,086	430,086
Amounts due to Related Parties - Loan	-	-	-	75,559	75,559	75,559
Amount due to Related Parties	-	-	-	401,054	401,054	401,054
Interest Bearing Borrowings	-	-	-	1,576,058	1,576,058	1,576,058
Lease Liabilities	-	-	-	5,508	5,508	5,508
	-	-	-	4,050,254	4,050,254	4,050,254

As at 31.03.2021	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						
Cash and Cash Equivalents	-	17	-	-	17	17
Trade & Other Receivables	-	14	-	-	14	14
Financial Assets Measured at FVOCI	-	-	3,918	-	3,918	3,918
Loans given to Related Parties	-	10,064	-	-	10,064	10,064
Amounts due from Related Parties	-	29,714	-	-	29,714	29,714
	-	39,809	3,918	-	43,727	43,727
Trade and other Payables	-	-	-	12,538	12,538	12,538
Bank Overdraft	-	-	-	3,028	3,028	3,028
Amounts due to Related Parties - Loan	-	-	-	442,796	442,796	442,796
Amount due to Related Parties	-	-	-	17,170	17,170	17,170
	-	-	-	475,532	475,532	475,532

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						
Cash and Cash Equivalents	-	18	-	-	18	18
Trade & Other Receivables	-	14	-	-	14	14
Financial Assets Measured at FVTPL	3,454	-	-	-	3,454	3,454
Financial Assets Measured at FVOCI	-	-	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
Trade and other Payables	-	-	-	10,138	10,138	10,138
Bank Overdraft	-	-	-	5,202	5,202	5,202
Amounts due to Related Parties - Loan	-	-	-	75,559	75,559	75,559
Amount due to Related Parties	-	-	-	10,931	10,931	10,931
	-	-	-	101,830	101,830	101,830

38. CAPITAL MANAGEMENT

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

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

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

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

	GROUP		Company	
As at 31st March	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
Total Liabilities	6,512,686	5,992,500	478,618	105,430
Less: Cash and cash equivalents	(153,529)	(80,599)	(17)	(18)
Net debts	6,359,157	5,911,901	478,601	105,412
Total Equity	260,362	127,455	687,960	645,756
Debt to Equity ratio(Gearing Ratio)	24.42	46.38	0.70	0.16

39. NON-CONTROLLING INTERESTS

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

	Agarapatana Plantations Ltd		Waverly Power (Pvt) Ltd	
	2021 Rs.'000	2020 Rs.'000	2021 Rs.'000	2020 Rs.'000
NCI percentage (%)	26.80%	37.53%	43.59%	43.59%
Total assets	5,732,796	4,910,747	245,441	257,915
Total liabilities	5,890,121	5,731,210	160,551	171,868
Net assets	(157,325)	(820,463)	84,890	86,047
Carrying amount of NCI	(43,375)	(307,920)	37,004	37,508
Revenue	4,291,538	3,187,556	35,495	30,314
Profit/(loss) after tax	230,201	(1,211,934)	(1,233)	(18,185)
Total comprehensive income	303,134	(1,287,458)	(1,157)	(18,587)
Total comprehensive income / (Expense) allocated to NCI	83,574	(483,183)	(504)	(8,102)
Cash flows from/(used in) operating activities	(92,217)	(142,796)	9,145	(22,329)
Cash flows from/(used in) investing activities	(87,892)	(125,311)	2,016	3,141
Cash flows from/(used in) financing activities, before dividend to NCI	252,703	242,273	(11,099)	94,011
Cash flows from financing activities	252,703	242,273	(11,099)	4,312
Net increase in cash and cash equivalents	72,594	(25,834)	62	(14,876)

The principal place of business	
53/1/1, Sri Baron Jayathilake Mawatha, Colombo 01	53/1/1, Sri Baron Jayathilake Mawatha, Colombo 01

SHARE INFORMATION

Position	Full Name Of Shareholder	2021 No of Ord. Vot. Shares	2021 Percentage	2020 No of Ord. Vot. Shares	2020 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	2,500,000	2.08%	8,150,000	6.79%
3	UNION BANK OF COLOMBO PLC/LANKEM CEYLON PLC	2,480,626	2.07%	2,480,626	2.07%
4	MR. DAVID KOTTHOFF	2,200,000	1.83%	-	-
5	ACUITY PARTNERS (PVT) LIMITED/COLOMBO FORT INVESTMENTS PLC	2,000,000	1.67%	2,000,000	1.67%
6	ACUITY PARTNERS (PVT) LIMITED/COLOMBO INVESTMENT TRUST PLC	1,819,600	1.52%	1,819,600	1.52%
7	HATTON NATIONAL BANK PLC/RAVINDRA ERLE RAMBUKWELLE	1,787,500	1.49%	-	-
8	SEYLAN BANK PLC/MOHAMED MUSHTAQ FUAD	1,773,738	1.48%	-	-
9	HATTON NATIONAL BANK PLC/MUSHTAQ MOHAMED FUAD	1,509,331	1.26%	-	-
10	MR. NANDADEVA PERERA	1,189,800	0.99%	1,200,000	1.00%
11	MR. RAVINDRA ERLE RAMBUKWELLE	1,148,000	0.96%	1,610,000	1.34%
12	MR. MADHURA SUPUN HIRIPITIYA	773,222	0.64%	437,700	0.36%
13	MR. SITHAMBARAM PILLAI JAYAKUMAR	718,983	0.60%	718,983	0.60%
14	MS. MOHAMED FUAD JEAN SHAKIRA	588,089	0.49%	180,531	0.15%
15	BANSEI SECURITIES CAPITAL (PVT) LTD/ D.A.M.A.D.C.DEEGAHAWATURA	561,095	0.47%	41,095	0.03%
16	UNION COMMODITIES (PVT) LTD.	550,000	0.46%	550,000	0.46%
17	SEZEKA LIMITED	516,598	0.43%	516,598	0.43%
18	MR. DON SHEYENNE NIROSHANA ALGAMA	500,000	0.42%	-	-
19	DR. JAYASURIYA PATABENDIGE ASOKA KUMARA	481,001	0.40%	-	-
20	PEOPLE'S LEASING & FINANCE PLC/MR.A.RAJARATNAM	419,886	0.35%	-	-
		83,279,764	69.41%	79,467,428	66.22%

PUBLIC HOLDING

The percentage of shares held by the public as at 31st March 2021 was 41.07%.(31st March 2020 - 36.77%)
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 2021 was Rs. 162.64Million.

PUBLIC SHAREHOLDERS

The number of Public Shareholders as at 31st March 2021 were 3,085.(31st March 2020 - 3,126)

MARKET VALUE

The market value of the Company's shares on 31st March 2021 was Rs. 3.30 (31st March 2020- Rs. 1.50) Highest during the year was Rs. 6.50 and lowest during the year was Rs. 1.40

ANALYSIS OF ORDINARY SHAREHOLDERS

	As At 31st March 2021			As At 31st March 2020		
	No. of Shareholders	%	Total Holdings	No. of Shareholders	%	Total Holdings
Individuals	2,955	30.55	36,656,249	2,984	30	36,225,909
Institutions	145	69.45	83,343,751	155	70	83,774,091
	3,100	100	120,000,000	3,139	100	120,000,000

SHARE INFORMATION

DISTRIBUTION OF SHARES

No of Shares held			As at 31.03.2021			As at 31.03.2020		
			No of Shareholders	Total Holding	Holding %	No of Shareholders	Total Holding	Holding %
1	-	1,000	1,630	470,798	0.39	1,608	452,470	0.38
1,001	-	10,000	922	3,592,158	3.00	959	3,751,977	3.13
10,001	-	100,000	440	15,221,321	12.68	469	15,715,311	13.10
100,001	-	1,000,000	97	22,544,833	18.79	94	20,508,540	17.09
Over 1,000,000			11	78,170,890	65.14	9	79,571,702	66.30
			3,100	120,000,000	100.00	3,139	120,000,000	100.00

FIVE YEAR SUMMARY

For the Year ended 31st March	Group					Company				
	2021 Rs.'000	2020 Rs.'000	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000	2021 Rs.'000	2020 Rs.'000	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000
Trading Results										
Turnover	4,332,235	3,217,870	4,082,833	4,731,146	3,476,594	5,201	50,899	9,926	-	-
Profit / (Loss) before Taxation	166,194	(1,215,640)	(60,359)	558,913	24,078	40,233	(135,952)	(33,503)	270,622	(36,869)
Taxation	56,713	(16,964)	25	(33,057)	(56)	-	-	-	-	-
Profit / (Loss) after Taxation	222,907	(1,232,604)	(60,334)	525,856	24,022	40,233	(135,952)	(33,503)	270,622	(36,869)
Total Assets										
Property, Plant & Equipment and Biological assets	4,324,622	4,269,349	4,168,341	4,038,853	3,857,970	19,809	19,809	19,811	6,954	6,956
Intangible Assets	629,064	629,064	629,064	629,064	629,064	-	-	-	-	-
Investment in Subsidiaries	-	-	-	-	-	1,098,878	692,919	874,783	911,066	472,843
Other Long Term Investments	229,034	82,529	191,257	192,988	15,238	3,918	5,259	5,607	6,171	7,519
Current Assets	1,466,387	850,167	1,019,920	1,197,344	785,418	43,973	33,198	23,824	24,757	32,012
	6,649,107	5,831,109	6,008,582	6,058,249	5,287,690	1,166,578	751,185	924,025	948,948	519,330
Equity and Liability										
Stated Capital	1,558,006	1,558,006	1,558,006	1,558,006	1,408,006	1,558,006	1,558,006	1,558,006	1,558,006	1,408,006
Reserves	(1,297,644)	(1,430,551)	(613,186)	(525,674)	(771,035)	(870,046)	(912,251)	(775,951)	(751,643)	(1,020,441)
Non Controlling Interest	(123,941)	(288,846)	241,364	297,095	71,271	-	-	-	-	-
Current liabilities	3,808,401	3,085,571	2,357,626	2,151,463	2,712,589	392,736	26,271	138,370	142,085	131,765
Non-Current Liabilities	1,146,688	1,334,141	1,102,267	1,383,084	831,712	82,796	75,559	-	-	-
Retired Benefit Obligation	1,557,597	1,531,477	1,341,107	1,177,096	1,019,104	-	-	-	-	-
Deferred Tax Liability	-	41,311	21,398	18,179	16,043	3,086	3,600	3,600	-	-
	6,649,107	5,831,109	6,008,582	6,058,249	5,287,690	1,166,578	751,185	924,025	948,448	519,330
Cash Flow										
Net Cash Generated from / (Used in) :										
Operating Activities	268,281	(191,540)	91,178	36,316	129,069	(9,032)	29,948	(334)	9,248	(6,368)
Investing Activities	(77,064)	(118,324)	(134,285)	(328,130)	(177,697)	(348,795)	-	600	(160,860)	9,662
Financing Activities	(118,406)	265,263	(120,714)	637,909	51,140	360,000	(30,700)	-	148,595	-
Key Financial Indicators										
Profit/(Loss) per share	1.14	(6.42)	(0.36)	2.92	0.11	0.34	(1.13)	(0.28)	2.43	(0.34)
Net Assets per Share	2.17	1.06	7.87	8.59	10.62	5.73	5.38	6.52	6.72	6.46
Market Value per Share	3.30	1.5	3.40	2.60	2.60	3.30	1.50	3.40	7.30	2.60
Market Capitalisation	162,640	66,186	150,840	876,000	156,000	162,640	66,186	150,840	876,000	156,000

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.	Kamalanesan Ponniah David	of Colombo or failing him,
4.	Chrisantha Priyange Richard Perera	of Colombo or failing him,
5.	Parakrama Maithree Asoka Sirimane	of Colombo or failing him,
6.	Shanthikumar Nimal Placidus Palihena	of Colombo or failing him,
7.	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 22nd October 2021 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 2021 with the Report of the Auditors thereon.	…	…
2. To re-elect Mr. Anushman Rajaratnam 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 Mr. S.D.R. Arudpragasam as a Director.	…	…
7. To re-appoint as Auditors Messrs KPMG and to authorize the Directors to determine their remuneration.	…	…

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 One.

…
Signature

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

Instructions as to completion are noted on the reverse hereof.

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 thehand 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. 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

Designed & Produced by
mediaWIZE
Annual Reports

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