

LANKEM DEVELOPMENTS PLC

Company No. PQ 86

INTERIM FINANCIAL STATEMENTS

For The Year Ended 31st March 2019

LANKEM DEVELOPMENTS PLC

Company No. PQ 86

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - GROUP								
	Unaudited Quarter ended	Audited Quarter ended			Unaudited Year ended	Audited Year ended		
	31.03.2019 Rs.'000	31.03.2018 Rs.'000			31.03.2019 Rs.'000	31.03.2018 Rs.'000		
Revenue	822,480	1,136,004	-	(28)	4,082,833	4,731,146	-	(14)
Cost of Sales	<u>(883,529)</u>	<u>(1,053,815)</u>	+	16	<u>(3,823,894)</u>	<u>(4,022,936)</u>	+	5
Gross Profit	(61,049)	82,189	-	(174)	258,939	708,210	-	(63)
Gain on Fair Value of Biological Assets	74,512	103,801	-	(28)	74,512	103,801	-	(28)
Other Income	19,412	12,848	+	51	54,464	77,927	-	(30)
Administration Expenses	(40,688)	(47,179)	+	14	(129,467)	(127,190)	-	(2)
Other Expenses	-	(1,670)	+	100	-	(1,670)	+	100
Net Finance Cost	<u>(73,017)</u>	<u>(47,530)</u>	-	(54)	<u>(287,406)</u>	<u>(202,165)</u>	-	(42)
Profit before Tax	(80,830)	102,459	-	(179)	(28,958)	558,913	-	(105)
Taxation	(47)	(33,167)	+	100	-	(33,057)	+	100
Profit for the Period	<u>(80,877)</u>	<u>69,292</u>	-	(217)	<u>(28,958)</u>	<u>525,856</u>	-	106
Other Comprehensive Income								
Actuarial Gain/(loss) on Defined Benefit Plan	(81,940)	(128,975)	+	36	(81,940)	(128,975)	+	36
Revaluation Reserves	12,859	-	+	100	12,859	-	+	100
Deferred Tax Effect on revaluation	(3,600)	-	-	(100)	(3,600)	-	-	(100)
Net Gain/(Loss) on Financial Assets at Fair Value Through OCI	<u>(782)</u>	<u>(66)</u>	-	(1,085)	<u>(1,731)</u>	<u>(1,086)</u>	-	(59)
Total Comprehensive Income	<u>(154,340)</u>	<u>(59,749)</u>	-	(158)	<u>(103,370)</u>	<u>395,795</u>	-	(126)
Attributable to								
Owners of the Company	(51,313)	67,711	-	(176)	(23,765)	325,342	-	(107)
Non - Controlling Interest	<u>(29,564)</u>	<u>1,581</u>	-	(1,970)	<u>(5,193)</u>	<u>200,514</u>	-	(103)
Profit / (Loss) for the period	<u>(80,877)</u>	<u>69,292</u>	-	(217)	<u>(28,958)</u>	<u>525,856</u>	-	(106)
Attributable to								
Owners of the Company	(93,805)	(12,998)	-	(622)	(66,987)	244,119	-	127
Non - Controlling Interest	<u>(60,535)</u>	<u>(46,751)</u>	-	(29)	<u>(36,383)</u>	<u>151,676</u>	-	124
Total Comprehensive Income	<u>(154,340)</u>	<u>(59,749)</u>	-	(158)	<u>(103,370)</u>	<u>395,795</u>	-	126
Earnings per Share (Rs.)	(0.43)	0.56	-	(177)	(0.20)	2.92	-	(107)

LANKEM DEVELOPMENTS PLC

Company No. PQ 86

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME - COMPANY

	Unaudited Quarter ended 31.03.2019 Rs.'000	Audited Quarter ended 31.03.2018 Rs.'000	Variance %	Unaudited Year ended 31.03.2019 Rs.'000	Audited Year ended 31.03.2018 Rs.'000	Variance %
Revenue	-	-		-	-	
Cost of Sales	-	-		-	-	
Gross Profit	-	-		-	-	
Other Income	68,313	276,290	- (75)	68,518	276,707	- (75)
Administration Expenses	(2,328)	(923)	- (152)	(5,104)	(3,769)	- (35)
Other Expenses	(36,284)	(1,670)	- (2,073)	(36,284)	(1,670)	- (2,073)
Net Finance Cost	(584)	(729)	+ 20	(2,642)	(646)	- (309)
Profit before Tax	29,117	272,968	- (89)	24,488	270,622	- (91)
Income Tax Expense	-	-		-	-	
Profit/ (Loss) for the Period	29,117	272,968	- (89)	24,488	270,622	- (91)
Other Comprehensive Income / (Expense)						
Net Gain/(Loss) on Financial Assets at Fair Value Through OCI	(199)	(66)	- (201)	(564)	81	- 796
Revaluation Reserves	12,859	-	+ 100	12,859	-	+ 100
Deferred Tax Effect on revaluation	(3,600)	-	- (100)	(3,600)	-	- (100)
Total Comprehensive Income / (Expense)	38,177	272,902	- (86)	33,183	270,703	- (88)
Attributable to						
Owners of the Company	29,117	272,968	- (89)	24,488	270,622	- (91)
Non - Controlling Interest	-	-		-	-	
Profit / (Loss) for the period	29,117	272,968	- (89)	24,488	270,622	- (91)
Attributable to						
Owners of the Company	38,177	272,902	- (86)	33,183	270,703	- (88)
Non - Controlling Interest	-	-		-	-	
Total Comprehensive Income / (Expense)	38,177	272,902	- (86)	33,183	270,703	- (88)
Profit / (Loss) per Share (Rs.)	0.24	2.27	- (89)	0.20	2.43	- (92)

LANKEM DEVELOPMENTS PLC

Company No. PQ 86

STATEMENT OF FINANCIAL POSITION				
	Group		Company	
	Unaudited As at 31.03.2019 Rs.'000	Audited As at 31.03.2018 Rs.'000	Unaudited As at 31.03.2019 Rs.'000	Audited As at 31.03.2018 Rs.'000
Leasehold Properties				
ASSETS				
Non - Current Assets				
Property, Plant & Equipment	804,412	834,687	19,811	6,954
Improvement to Leasehold Property	2,339,813	2,225,065	-	-
Biological Assets	846,794	760,297	-	-
Leasehold Properties	206,156	218,804	-	-
Intangible Assets	629,064	629,064	-	-
Investments in Subsidiaries	-	-	874,783	911,066
Other Long-Term Investments	191,256	192,988	5,607	6,171
Total Non-Current Assets	5,017,495	4,860,905	900,201	924,191
Current Assets				
Inventories	506,550	607,221	-	-
Produce on Bear Biological Assets	5,974	9,395	-	-
Trade and Other Receivables	168,463	222,835	14	14
Loans due from Related Parties	23,145	23,145	10,600	10,600
Amounts due from Related Parties	65,089	38,089	62,743	5,130
Taxes Recoverable	83,135	82,588	4,164	4,164
Short Term Investments	3,799	4,799	3,799	4,799
Bank & Cash Balances	102,980	209,272	72	50
Total Current Assets	959,135	1,197,344	81,392	24,757
TOTAL ASSETS	5,976,630	6,058,249	981,593	948,948
EQUITY AND LIABILITIES				
Equity Attributable to Equity Holders of the Parent				
Stated Capital	1,558,006	1,558,006	1,558,006	1,558,006
Revaluation Reserve	12,859	-	12,859	-
General Reserve	500	500	500	500
Accumulated Loss	(607,021)	(527,174)	(731,319)	(751,643)
	964,343	1,031,332	840,046	806,863
Non - Controlling Interest	208,404	297,095	-	-
Total Equity	1,172,747	1,328,427	840,046	806,863
Non - Current Liabilities				
Interest Bearing Borrowings	865,012	1,165,460	-	-
Deferred Income	21,599	217,479	-	-
Deferred Tax Liabilities	208,755	18,179	3,600	-
Net Obligation to Lessor	145	145	-	-
Retirement Benefit Obligations	1,341,107	1,177,096	-	-
Total Non-Current Liabilities	2,436,618	2,578,359	3,600	-
Current Liabilities				
Trade & Other Payables	1,378,834	1,328,479	8,777	6,989
Loans due to Related Parties	30,700	30,700	30,700	30,700
Amounts due to Related Parties	161,129	237,070	93,966	99,648
Interest Bearing Borrowings	378,468	191,854	-	-
Dividends Payables	10,028	-	-	-
Income Tax Payable	12,873	13,024	-	-
Bank Overdraft	395,233	350,336	4,504	4,748
Total Current Liabilities	2,367,265	2,151,463	137,947	142,085
Total Liabilities	4,803,883	4,729,822	141,547	142,085
TOTAL EQUITY AND LIABILITIES	5,976,630	6,058,249	981,593	948,948
Net Assets per Share (Rs.)	8.04	8.59	7.00	6.72

I certify that the financial statements have been prepared in accordance with the requirements of the Companies Act no. 7 of 2007.

Sgd.
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.

Sgd.
S. D. R. Arudpragasam
Director

Sgd.
R.N. Bopearatchy
Director

Colombo
29th May, 2019

LANKEM DEVELOPMENTS PLC
Company No. PQ 86

STATEMENT OF CHANGES IN EQUITY

<i>Group</i>	Stated Capital Rs. '000	General Reserve Rs. '000	Revaluation Reserve Rs. '000	Accumulated Profit/ (Loss) Rs. '000	Total Rs. '000	Non-Controlling Interest Rs. '000	Total Equity Rs. '000
Balance as at 01.04.2018	1,558,006	500	-	(527,174)	1,031,332	297,095	1,328,427
Rights Issue of Shares	-	-	-	-	-	-	-
Profit for the Period	-	-	-	(23,765)	(23,765)	(5,193)	(28,958)
Adjustment due to change in Holding	-	-	-	-	-	-	-
Other Comprehensive Income	-	-	12,859	(56,082)	(43,223)	(31,190)	(74,413)
Dividend Payment	-	-	-	-	-	(52,308)	(52,308)
Balance as at 31.03.2019	<u>1,558,006</u>	<u>500</u>	<u>12,859</u>	<u>(607,021)</u>	<u>964,344</u>	<u>208,404</u>	<u>1,172,748</u>
Balance as at 01.04.2017	1,408,006	500	-	(771,535)	636,971	71,271	708,242
Rights Issue of Shares	150,000	-	-	-	150,000	-	150,000
Direct Expenses on Right Issue	-	-	-	(1,405)	(1,405)	-	(1,405)
Adjustment due to change in Holding	-	-	-	1,647	1,647	74,148	75,795
Profit for the Period	-	-	-	325,342	325,342	200,514	525,856
Other Comprehensive Income	-	-	-	(81,223)	(81,223)	(48,838)	(130,061)
Dividend Payment	-	-	-	-	-	-	-
Balance as at 31.03.2018	<u>1,558,006</u>	<u>500</u>	<u>-</u>	<u>(527,174)</u>	<u>1,031,332</u>	<u>297,095</u>	<u>1,328,427</u>

<i>Company</i>	Stated Capital Rs. '000	Revaluation Reserve Rs. '000	General Reserve Rs. '000	Revaluation Reserve Rs. '000	Accumulated Profit/(Loss) Rs. '000	Total Rs. '000
Balance as at 01.04.2018	1,558,006	12,859	500	-	(751,643)	806,863
Rights Issue of Shares	-	-	-	-	-	-
Direct Expenses on Right Issue	-	-	-	-	-	-
Profit for the Period	-	-	-	-	24,488	24,488
Other Comprehensive Expense	-	-	-	12,859	(4,164)	8,695
Balance as at 31.03.2019	<u>1,558,006</u>	<u>12,859</u>	<u>500</u>	<u>12,859</u>	<u>(731,319)</u>	<u>840,046</u>
Balance as at 01.04.2017	1,408,006	-	500	-	(1,020,941)	387,565
Rights Issue of Shares	150,000	-	-	-	-	150,000
Profit for the Period	-	-	-	-	270,622	270,622
Direct Expenses on Right Issue	-	-	-	-	(1,405)	(1,405)
Other Comprehensive Expense	-	-	-	-	81	81
Balance as at 31.03.2018	<u>1,558,006</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>(751,643)</u>	<u>806,863</u>

LANKEM DEVELOPMENTS PLC

Company No. PQ 86

STATEMENT OF CASH FLOW				
	Group		Company	
	Un-audited	Audited	Un-audited	Audited
For the Period Ended 31st March	2019	2018	2,019	2018
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cash Flows from Operating Activities	(28,958)	558,913	24,488	270,622
Adjustments for :				
Depreciation	124,504	83,497	2	2
Depreciation of Mature Plantations	-	37,610	-	-
Amortization of Leasehold Properties	-	13,272	-	-
Gain on Disposal of Investments	-	(66)	-	(66)
Dividend Income	-	(618)	(67,916)	(618)
Interest Expense	291,051	204,686	6,287	6,487
Profit on Disposal of Property Plant & Equipment	(2,643)	(6,474)	(600)	-
Interest Income	(7,650)	(2,114)	(4,645)	(5,434)
Provision for Retirement Benefit Obligation	201,221	190,938	-	-
Fair value (Gain) / Loss on investments classified as FVTPL	1,000	(407)	1,000	(407)
Provision for impairment of Investment in Subsidiary	-	-	36,284	(276,023)
Impairment on Long term Investments	-	1,670	-	1,670
Gain or Loss on fair value of Biological Assets	(74,512)	(103,801)	-	-
Amortization of Deferred Income	(8,724)	(8,672)	-	-
Amortisation	6,441	-	-	-
Provision for Surcharges	25,000	-	-	-
Profit from sale of Valuable Timber trees	(1,087)	-	-	-
Profit/ (Loss) before Working Capital Changes	525,643	968,434	(5,100)	(3,767)
(Increase) / Decrease in Inventories	100,671	(208,832)	-	-
(Increase) / Decrease in Trade and Other Receivables	58,904	(20,485)	-	-
(Increase) / Decrease in Amounts due from Related Parties	(83,123)	(20,325)	(52,969)	12,200
Increase / (Decrease) in Trade and Other Payables	25,355	(298,807)	1,786	477
Increase / (Decrease) in Amounts due to Related Parties	(81,584)	40,159	56,369	851
(Increase) / Decrease in VAT Recoverable	5,678	-	-	-
Cash Generated from Operations	551,545	460,144	86	9,761
Taxes Paid	(5,080)	(18,130)	-	-
Interest Paid	(327,402)	(243,777)	(644)	(513)
Interest Received	3,005	-	-	-
Gratuity Paid	(119,151)	(161,921)	-	-
Net Cash Generated from / (used in) Operating Activities	102,917	36,316	(558)	9,248
Cash Flows from Investing Activities				
Acquisition of Property, Plant & Equipment	(33,547)	(63,973)	-	-
Investment in Immature Plantations	(101,990)	(83,972)	-	-
Investment in Biological Assets	-	(8,414)	-	-
Interest Received	-	680	-	-
Dividend Received	224	618	224	618
Investment in Subsidiaries	-	-	-	(162,200)
Investment in Long Term Investments	-	(182,389)	-	(240)
Investments in short term investment	-	(400)	-	(400)
Proceeds from Disposal of Long Term Investments	-	1,883	-	-
Proceeds from Disposal of Property, Plant & Equipment	2,643	6,474	600	-
Proceeds from Sale of Valuable Timber and other Trees	1,251	-	-	-
Proceeds from Disposal of Short Term Investments	-	1,363	-	1,362
Withdrawal / (Investment) in Fixed Deposits	(225)	-	-	-
Investment in Timber	(8,566)	-	-	-
Net Cash Generated from / (used in) Investing Activities	(140,210)	(328,130)	824	(160,860)
Cash Flows from Financing Activities				
Proceeds from Right Issue of Shares	-	150,000	-	150,000
Direct Cost on Share Issue	-	(1,405)	-	(1,405)
Settlement of Loan Granted to Related Companies	-	10,000	-	-
Loan Granted to Related Companies	-	(12,544)	-	-
Proceeds from Long Term Loans	177,540	896,249	-	-
Repayment of Long Term Loans	(259,348)	(411,802)	-	-
Repayments of Lease Rental	(32,089)	(45,315)	-	-
Net Movement in Short Term Borrowings	-	(23,924)	-	-
Grants Received	-	1,260	-	-
Net Investment from Non Controlling Interest	-	75,795	-	-
Grants Refunded	-	(405)	-	-
Net Cash Generated from / (used in) Financing Activities	(113,897)	637,909	-	148,595
Net Increase / (Decrease) in Cash & Cash Equivalents	(151,190)	346,095	266	(3,017)
Cash & Cash Equivalents at the beginning of the Period	(141,062)	(487,159)	(4,698)	(1,681)
Cash & Cash Equivalents at the end of the Period	(292,252)	(141,064)	(4,432)	(4,698)
Analysis of Cash & Cash Equivalents at the end of the Period				
Cash in Hand and at Bank	102,981	209,272	72	50
Bank Overdraft	(395,233)	(350,336)	(4,504)	(4,748)
Cash & Cash Equivalents at the end of the Period	(292,252)	(141,064)	(4,432)	(4,698)

LANKEM DEVELOPMENTS PLC

Company No. PQ 86

SEGMENTAL INFORMATION

Segmental Revenue

	Group Net Revenue	
	Un-audited	Audited
	2019	2018
<i>For the year ended 31st March</i>	Rs.'000	Rs.'000
Plantations	3,995,018	4,667,281
Others	87,815	63,865
	<u>4,082,833</u>	<u>4,731,146</u>

Segmental Results

	Operating Profit		Net Finance Cost		Profit / (Loss) before Tax		Tax Expense		Profit / (Loss) after Tax	
	Un-audited	Audited	Un-audited	Audited	Un-audited	Audited	Un-audited	Audited	Un-audited	Audited
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<i>For the Period ended 31st March</i>	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Plantations	206,083	639,969	(277,282)	(190,359)	(71,199)	449,610	-	(30,451)	(71,199)	419,159
Others	52,365	121,109	(10,124)	(11,806)	42,241	109,303	-	(2,606)	42,241	106,697
	<u>258,448</u>	<u>761,078</u>	<u>(287,406)</u>	<u>(202,165)</u>	<u>(28,958)</u>	<u>558,913</u>	<u>-</u>	<u>(33,057)</u>	<u>(28,958)</u>	<u>525,856</u>

LANKEM DEVELOPMENTS PLC

Company No. PQ 86

Notes to the Financial Statements

1. The Interim Financial Statements have been prepared in accordance with the accounting policies set out in the audited financial statements for the year ended 31st March 2018 subject to Note No.02, and also in compliance with Sri Lanka Accounting Standard LKAS 34 - Interim Financial Reporting.
2. 2.1 The Company/ Group has voluntarily changed the accounting policy on freehold land from cost model to revaluation model as at 31st March 2019, by carrying out a revaluation by an independent valuer. This is done to provide reliable and more relevant information. Changing accounting policy from cost model to revaluation model has been dealt in accordance with LKAS 16 Property, Plant & Equipment rather than in accordance with LKAS 08 Accounting policies, changes in Accounting Estimates and Errors.

2.2 Sri Lanka Accounting Standard - SLFRS 9 on "Financial Instruments", which replaces the existing guidance on LKAS 39 on "Financial Instruments: Recognition and Measurement" has become effective for annual reporting periods beginning on or after January 01, 2018. The new standard SLFRS 9 bringing together all three aspects of the accounting for financial instruments; classification and measurement; impairment; and hedge accounting. The Company has adopted using the retrospective approach from 1st January 2018. This Change has no material impact on the group results and the financial position.

2.3 SLFRS 15 supersedes LKAS 11 Construction Contracts, LKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. The Company has adopted using the retrospective approach from 1st January 2018. This Change has no material impact on the group results and the financial position.
3. The presentation and classification of the financial statements of the previous period have been amended, where relevant, for better presentation and to be comparable with those of the current period.
4. Subsequent to the reporting period, no circumstances have arisen that would require adjustments to or disclosures in the financial statements.
5. There has been no significant change in the nature of the contingent liabilities which were disclosed in the audited financial statements for the year ended 31st March 2018.
6. The applicable option under Colombo Stock Exchange Rule 7.13.1 on Minimum Public Holding is Option 5 and the Float Adjusted Market Capitalization as at 31.03.2019 was Rs. 150.84 Mn.
7. The figures in the financial statements are provisional and are subject to audit.

8. Share Information
As at 31st March

	2019	2018
Stated Capital (Rs.'000)	1,558,006	1,558,006
Number of Ordinary Shares (Voting) Issued	120,000,000	120,000,000
9. Market Price recorded during the quarter	31.03.2019	31.03.2018
	Rs.	Rs.
- Highest	4.70	8.80
- Lowest	3.20	5.80
- Last traded price (Volume Weighted Average)	3.40	7.30

10. Director's direct shareholdings as at 31st March 2019

<u>Name of Director</u>	<u>No. of Shares</u>
Mr. S. D. R. Arudpragasam	417,164
Mr. K. P. David	4,314

11. The percentage of shares held by the public as at 31st March 2019 was 36.97 %.

12. The number of Public Shareholders as at 31st March 2019 were 3063.

LANKEM DEVELOPMENTS PLC

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Notes to the Financial Statements

13. The Twenty Major Shareholders as at 31.03.2019 were as follows;

<i>Name of Shareholder</i>	<i>No. of Shares</i>	<i>%</i>
1 Consolidated Tea Plantations Limited	59,762,295	49.80
2 Acuity Partners (Pvt) Limited/Union Investments (Pvt) Limited	8,150,000	6.79
3 Lankem Ceylon PLC	2,352,340	1.96
4 Mellon Bank N.A.-Acadian Frontier Markets Equity Fund	2,094,798	1.75
5 Sandwave Limited	2,028,283	1.69
6 Acuity Partners (Pvt) Limited/Colombo Fort Investments PLC	2,000,000	1.67
7 Acuity Partners (Pvt) Limited/Colombo Investment Trust PLC	1,819,600	1.52
8 Mr. Semasinghe Nawaratna Chandrasekara Wanninayaka Mudiyansele Bandara Chandrasekara Kandededara	1,531,052	1.28
9 Mr. Nandadeva Perera	1,200,000	1.00
10 Citizens Development Business Finance Plc/J.D.Weerasooriya And P.S.B. Mullegama	1,024,000	0.85
11 Mr. Prasanna Senarath Bandara Mullegama	1,000,000	0.83
12 Mr. Ravindra Earl Rambukwella	973,000	0.81
13 Seylan Bank Plc/Mohamed Mushtaq Fuad	937,735	0.78
14 Mr. Ganegoda Hitiarachchige Sarath Kumara	750,000	0.62
15 Mr. Sithambaram Pillai Jayakumar	718,983	0.60
16 Mellon Bank N.A.-Commonwealth Of Massachusetts	583,925	0.49
17 Union Commodities (Pvt) Ltd.	550,000	0.46
18 Mr. Anouk Kanishka Wimalaratna	535,000	0.45
19 Sezeka Limited	516,598	0.43
20 Dialog Finance Plc/F.F. Haniffa	451,224	0.38
	88,978,833	74.16