THE SPECTRUM OF POSSIBILITY

ANNUAL REPORT 2025/26



LANKEM

LANKEM CEYLON PLC






Robbialac

THE SPECTRUM OF POSSIBILITY

At Lankem Ceylon PLC, the year under review marked a decisive step forward in broadening horizons, expanding capabilities, and creating value through a growing spectrum of businesses and ventures.

From agriculture, packaging, and FMCG to hospitality, chemicals, and industrial solutions, each sector within the Group represented a distinct strength, yet together they formed a connected ecosystem driven by innovation, resilience, and forward momentum. The expansion into new ventures, including auto paint and fertiliser solutions, alongside strategic restructuring initiatives and the acquisitions, reflected a Group that was continuously evolving to meet changing demands and emerging opportunities.

Much like a spectrum where every colour contributes to a greater whole, Lankem's diverse portfolio combines expertise, adaptability, and ambition to create lasting impact. Every business, product, and initiative adds depth to the Group's presence, reinforcing its ability to serve industries, empower communities, and strengthen stakeholder value.

As the Group moves into a new phase of growth, supported by milestones we are positioned to transform possibility into progress. Guided by a vision of sustainable expansion and interconnected growth, the Group continues to build a future defined not by limits, but by the full spectrum of opportunities ahead.



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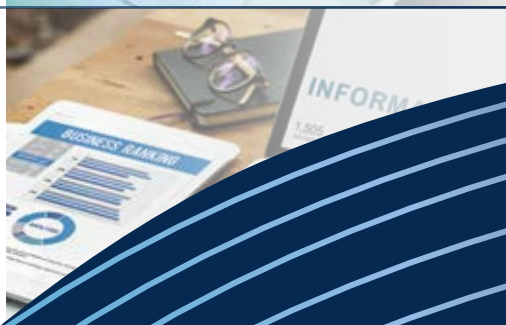


CORPORATE OVERVIEW



About this Report

This Annual Report of Lankem Ceylon PLC presents a detailed account of the Company's performance for the financial year ended 31st March 2026. It covers financial highlights, operational achievements, business segment performance, governance practices, and key strategic developments during the year under review.

The report is primarily prepared to meet the statutory and regulatory requirements of the Companies Act No. 7 of 2007 and the Colombo Stock Exchange (CSE). It is compiled in accordance with the Sri Lanka Financial Reporting Standards (SLFRS) and includes disclosures that reflect the expectations of our shareholders and broader stakeholder groups.

The content within this report pertains to the operations of Lankem Ceylon PLC and its subsidiaries, with a focus on the Company's main business segments: agrochemicals paints, consumer products, packaging, and leisure. Comparative information is provided where relevant to support year-on-year performance analysis.

This report has not been prepared using the Integrated Reporting Framework. However, we continue to enhance the scope and quality of our disclosures in response to evolving stakeholder expectations and good corporate reporting practices.

The Board of Directors is responsible for ensuring the accuracy and completeness of this Annual Report and confirms that the report was approved on 31st August 2026.

Should you require further information or wish to provide feedback on this report, please contact us via 011 – 7766000.

Our Business Areas

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

Vision

The Preferred Brand

Mission

To provide innovative, sustainable customer centric solutions and create optimal stakeholder value



Corporate Profile

Lankem Ceylon PLC stands as a leading diversified conglomerate with a rich legacy spanning over six decades. Since its incorporation in 1964 by Royal Dutch Shell and subsequent listing on the Colombo Stock Exchange in 1970, Lankem has evolved into a trusted name in Sri Lanka's chemicals, paints, consumer goods, and hospitality sectors. Today, the Company proudly operates across multiple key sectors including agri-inputs, industrial chemicals, consumer goods, pest control services, packaging, and leisure services, maintaining a strategic presence that serves both everyday and essential needs.

Our Core Purpose and Vision

In today's dynamic business environment, Lankem's core purpose remains steadfast: to be the preferred brand of the consumer across all our core business areas. Whether it is providing innovative agricultural inputs to empower farmers, manufacturing high-quality, durable industrial chemicals, delivering quality consumer goods, offering reliable pest control services, or creating memorable leisure experiences through our hospitality arm, we are driven by the commitment to create lasting value for all our stakeholders. Our vision is to nurture enduring relationships built on quality, trust, and service excellence.

Legacy Shaping Our Market Position

Our heritage as a Company with origins in the global Royal Dutch Shell group has profoundly shaped our identity and market positioning. Over the years, this legacy has instilled a culture of operational excellence, innovation, and corporate responsibility. Lankem's longstanding experience and knowledge in chemicals and consumer goods have allowed us to develop deep-rooted relationships with customers and principals alike, reinforcing our reputation as a reliable market leader.

Diverse Business Portfolio

Lankem's diversified operations encompass six core sectors:

- Agri-Inputs: Supporting Sri Lanka's farmers with effective and innovative agricultural solutions.
- Industrial Chemicals: Supplying high-quality chemicals for various industrial applications.
- Consumer Goods: Delivering durable, trusted products that meet everyday needs.
- Pest Control Services: Providing effective, safe pest management solutions.
- Leisure Services: Operating hospitality ventures that offer quality experiences.
- Packaging: Supplying advanced flexible packaging solutions

This broad portfolio enables Lankem to leverage synergies across sectors, driving growth while maintaining a balanced risk profile.

Differentiation Through Value Creation

What truly sets Lankem apart in a competitive marketplace is our unwavering focus on creating value for the consumer. We believe in fostering lasting relationships by ensuring that every product and service we deliver meets the highest standards of quality, durability, and after-sales support. Our consumer-centric approach is anchored in building trust and satisfaction that transcend transactional exchanges.

Our Values and Culture

The foundation of Lankem's culture lies in integrity, pragmatism, and empathy principles that have guided us for more than 60 years. We strive to conduct our business with transparency and mutual respect, cultivating strong, mutually rewarding relationships with principals, customers, and partners. This enduring ethos remains the cornerstone of our long-term strategy as we navigate evolving market landscapes.

Stakeholder Alignment

Recognising that success depends on collaborative engagement, Lankem places great emphasis on aligning strategic objectives with stakeholder expectations. We promote clear communication and open dialogue to ensure that internal and external stakeholders understand, accept, and actively support our Company goals. This inclusive approach creates a shared vision where all voices are heard and valued.

Commitment to Sustainability and Social Responsibility

Lankem is committed to responsible business practices that minimise environmental impact and promote sustainable development. Initiatives such as the introduction of Robbialac CARBANO reflect our drive towards eco-friendly innovation. Beyond environmental stewardship, we uphold fair and transparent labour practices and engage actively in charitable activities, especially community development programmes that support the farmer network, reinforcing our role as a socially responsible corporate citizen.

Adapting to Change and Driving Innovation

In an ever-evolving market, Lankem remains agile by continuously adapting its business model to meet changing customer needs and industry trends. Our dedicated research and development team spearheads product innovation and operational improvements, ensuring we deliver the best solutions, whether to farmers, industrial users, or consumers. Innovation is at the heart of our growth and operational excellence, helping us maintain competitive advantage and high service standards.

Building Strong Partnerships

At Lankem, our relationships with partners, suppliers, and customers are built on a foundation of trust, transparency, and good governance. We work diligently to foster collaboration and uphold ethical business practices, which we consider essential for sustainable success in today's interconnected business environment.

Business Portfolio Overview

Lankem Ceylon PLC (LCPLC) operates through a diversified business model that spans multiple industries, enabling it to remain resilient and responsive in a complex operating environment. With a clear focus on margin-led growth and operational sustainability, the Company's strategic direction continues to be shaped by its four primary business segments, along with contributions from its hotel and consumer goods sectors within the Group.

Core Business Segments and Revenue Contribution

The Company's portfolio is structured across four key business segments, each contributing distinct value to the Group's consolidated performance:

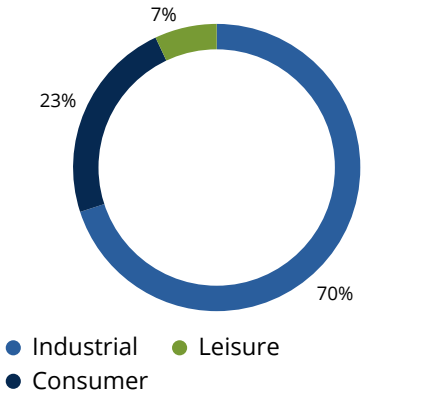
- Paints (inclusive of Auto Paints and Industrial) – 56%
- Agro (inclusive of agrochemicals, seeds, and fertilisers) – 39%
- Pest Control – 5%

In addition, the Group manages interests in:

- Hospitality – through hotel assets aimed at capital appreciation and long-term investment value.
- Consumer Goods – targeting niche markets with a range of household products.
- Packaging - providing world-standard product packaging materials

This balanced mix enables LCPLC to manage risk while leveraging synergies across its businesses.

Group Revenue Contribution by Business Segments (2025/26)



Performance Highlights by Segment

Paints Segment

Accounting for half of the Company's revenue, the Paints business remains a cornerstone of LCPLC's operations. During 2025/26 the Division saw a significant growth in sales volume through continuous improvement in marketing strategies to expand retail distribution and focused advertising. The year also saw the Company moving into automotive coating products through its partnership with Axalta Coating Systems.

Agro Segment

The Agro Division, which encompasses agrochemicals, seed products, SSP, and fertilisers, contributed 39% to revenue and demonstrated strong strategic advancement this year. Most notably, LCPLC entered the fertiliser manufacturing space through a fully owned subsidiary established to develop a Single Super Phosphate (SSP) plant. This marks a pivotal step in vertical integration, enhancing supply chain control and enabling long-term cost competitiveness. Commercial operations commenced during the last week of the financial year, the investment underscores the Group's commitment to supporting Sri Lanka's agricultural productivity and food security.

Pest Control Segment

The Pest Control Division is contributing 5% of total revenue, these segment continued stable operations during the year, focusing on efficiency and margin protection. No major changes were introduced, but both units remained important contributors to the Company's comprehensive product offering, particularly in servicing industrial and institutional markets.

Hospitality, Consumer Goods and Packaging

These segments play a strategic role in portfolio diversification. The Hospitality Division is positioned to benefit from long-term recovery in tourism, while the Consumer Goods segment caters to niche household needs with selective product offerings. The Packaging sector strives to be a dynamic provider of flexible packaging solutions to the FMCG market. All units maintained steady performance, with no major investments or changes during the year.

Strategic Focus and Adaptability

Throughout the year, all business lines operated under a conservative but focused approach, maintaining stable contribution margins in the face of fluctuating consumer demand and macroeconomic pressures. Rather than chasing aggressive market share gains, the Company opted to preserve profitability and reinforce financial discipline across operations.

The only major expansion initiative during the year was the SSP fertiliser project, which is expected to play a transformational role in the coming years. No other new market entries or product introductions were made during this period, reflecting the Group's prudent and calculated growth strategy.

Alignment with Strategic Priorities and Sustainability

Each business segment aligns with LCPLC's broader goal of margin-driven growth and long-term value creation. While operational prudence is the current priority, technology adoption and sustainable innovation remain at the core of future-readiness.

- The Agro Division adapted the Sales Force Automation (SFA) to monitor and control the sales distribution representing a step towards technology adoption.
- The Paints Division focused on new product development as a means to improving product quality and lowering the raw material cost.

These initiatives also serve to position the Group competitively in a landscape that increasingly values ESG (Environmental, Social, and Governance) compliance and product responsibility.

Growth Outlook: 2025/26 and Beyond

Looking forward, LCPLC has identified key priorities for its main business lines:

- Agro Segment: The immediate focus will be on commissioning and scaling operations at the new SSP fertiliser plant. This move is expected to reduce dependency on imports, increase local value addition, and enhance the Company's role in Sri Lanka's agricultural value chain.
- Paints Segment: Plans are in place to explore backward integration opportunities, enabling more control over raw materials and production inputs. Additionally, new product development will be a central theme, allowing the segment to meet evolving customer needs and fortify its brand strength.

In summary, Lankem's multi-sectoral business model, combined with strategic investments and operational discipline, positions the Group well for sustainable and profitable growth. Each segment is calibrated to support the Group's financial goals while embracing innovation and resilience in the face of dynamic market forces.

Financial Highlights

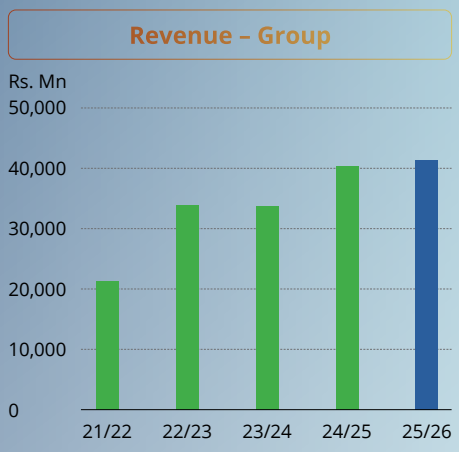
For the year ended 31st March	Consolidated		Company	
	2026 Rs. Mn	2025 Rs. Mn	2026 Rs. Mn	2025 Rs. Mn
Revenue	41,139	40,334	7,474	6,303
Gross Profit	9,528	8,845	2,191	1,851
Operating Profit	1,547	2,018	715	894
Profit Before Tax	116	258	405	383
Profit/(Loss) After Tax	(363)	(326)	555	315
Total Assets	38,795	35,871	13,874	11,652
Total Equity	11,293	8,840	4,362	2,637
Total Liabilities	27,502	27,030	9,511	9,015

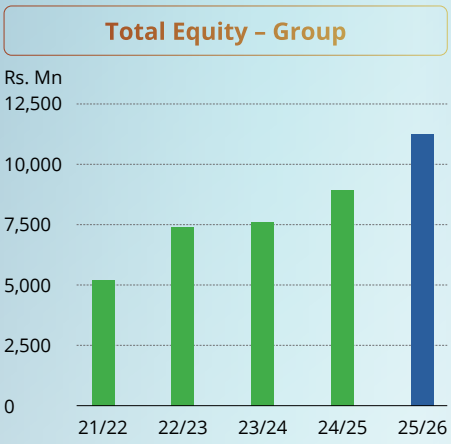
Revenue
Rs. 41.1 Bn

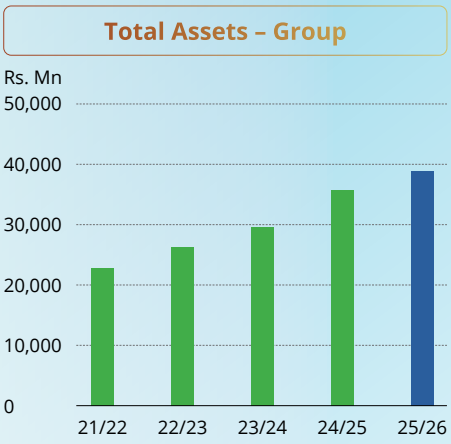
Total Equity
Rs. 11.3 Bn

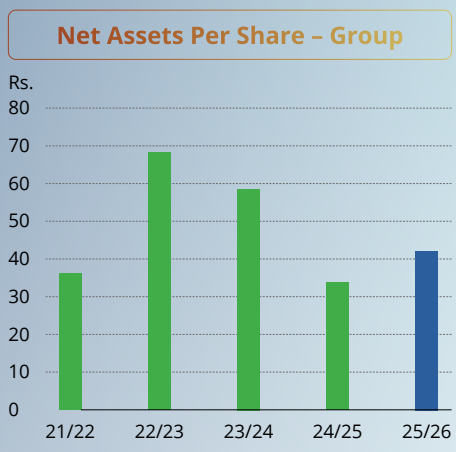
Total Assets
Rs. 38.8 Bn

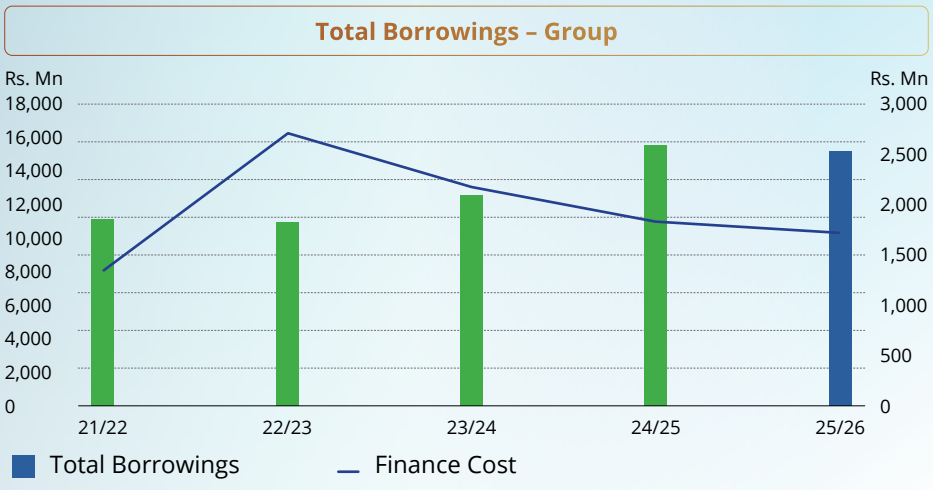
Net Assets Per Share
Rs. 41.96











LEADERSHIP



Creating Limitless Potential

Our elegant holiday destinations ensure that guests make unforgettable memories in the most luxurious surroundings.





Leadership

Chairman's Message



Building Resilience, Creating Value, Shaping the Future

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Audited Financial Statements of Lankem Ceylon PLC for the financial year ended 31 March 2026.

The year under review marked a significant milestone in Sri Lanka's economic recovery. Following several years of unprecedented disruption, improving macroeconomic conditions, including easing inflation, lower interest rates, greater exchange rate stability and renewed business confidence, created a more predictable operating environment. While structural challenges remained and the pace of recovery was gradual, these developments provided businesses with a stronger platform for planning, investment and sustainable growth.

Against this backdrop, Lankem delivered a resilient performance, supported by the strength of its diversified portfolio, disciplined financial management and long-term strategic focus. These qualities enabled the Group to respond effectively to changing market conditions while continuing to strengthen its competitive position and invest in future growth.

Despite improving domestic conditions, the global operating environment remained uncertain. Inflationary pressures, commodity price volatility, supply chain disruptions, geopolitical developments and evolving consumer behaviour continued to influence many of our businesses. These conditions reinforced the importance of maintaining financial discipline, operational agility and effective risk oversight.

The Board remained firmly focused on safeguarding the Group's long-term strength by maintaining sound governance, prudent capital management and disciplined investment. Through this balanced approach, we continued to reinforce the foundations required to capture emerging opportunities while creating sustainable value for our shareholders and other stakeholders.

Strengthening Our Strategic Position

The diversity of Lankem's portfolio remains one of the Group's greatest competitive advantages. With operations spanning agriculture, industrial chemicals, paints, consumer products, plantations and hospitality, we are well positioned to respond to evolving market conditions while reducing exposure to cyclical fluctuations within individual sectors.

Encouraging opportunities continue to emerge across our core businesses. The anticipated expansion of infrastructure and construction activities is expected to support growth in our paints and industrial segments, while the gradual recovery of tourism presents renewed prospects for our hospitality business. Agriculture and plantations remain strategically important to both the national economy and the Group, and we remain committed to strengthening our leadership in these sectors while contributing to the country's agricultural development.

A key milestone during the year was the commencement of commercial operations at our Single Super Phosphate (SSP) fertiliser manufacturing facility. This investment significantly expands our product portfolio while reinforcing our contribution to Sri Lanka's agricultural sector. Beyond strengthening the Group's long-term earnings potential, the facility supports national priorities by enhancing agricultural productivity and food security.

Our strategy continues to focus on disciplined diversification, innovation and operational excellence. By investing in new growth opportunities while strengthening existing businesses and enhancing operational capabilities, we are building a more balanced and resilient portfolio capable of delivering sustainable returns across varying economic cycles.

Financial Discipline Supporting Sustainable Growth

Maintaining a strong financial foundation remained one of the Board's highest priorities throughout the year. While improving economic conditions presented renewed opportunities, we remained focused on prudent financial stewardship to safeguard the Group's long-term stability and support sustainable growth.

During the year, we further strengthened the balance sheet through disciplined capital management, enhanced liquidity and a measured approach to capital allocation. These initiatives improved the Group's financial flexibility, positioning us to pursue strategic investments while maintaining the resilience needed to navigate an evolving business environment.

Our capital allocation philosophy remains clear: every investment must strengthen shareholder value, support our strategic objectives and preserve financial discipline. By maintaining healthy cash flows, preserving liquidity and deploying capital responsibly, we ensure the Group is well equipped to capitalise on future opportunities while effectively managing emerging risks.

Alongside financial discipline, we continue to invest in initiatives that will enhance the Group's long-term competitiveness. This includes strengthening operational capabilities, advancing research and development, accelerating digital transformation and adopting technologies that improve productivity, customer value and operational efficiency. Through this balanced approach, we continue to reinforce the foundations for sustainable growth while ensuring the Group remains agile and competitive in a rapidly evolving marketplace.

Governance, Sustainability and Long-Term Value Creation

Strong governance remains fundamental to the Board's approach to leadership and decision-making. Throughout the year, we continued to strengthen our governance framework by enhancing oversight, reinforcing accountability and upholding the highest standards of integrity, transparency and ethical conduct across the Group.

Risk management is embedded within our strategic planning processes rather than viewed solely as a compliance requirement. During the year, we further enhanced our Enterprise Risk Management framework, enabling the proactive identification and management of emerging risks while strengthening organisational resilience. This integrated approach supports informed decision-making and ensures the Group remains well equipped to respond to an increasingly dynamic operating environment.

The Board also continues to embrace integrated thinking, recognising that sustainable business success extends beyond financial performance. Strategic decisions are guided by a balanced consideration of financial outcomes, operational resilience, human capital, innovation, environmental stewardship and stakeholder relationships, reflecting the interconnected nature of long-term business performance.

Sustainability remains firmly embedded within our strategy and business operations. As stakeholder expectations and reporting requirements continue to evolve, we are further integrating Environmental, Social and Governance (ESG) considerations into investment decisions, operational practices and performance management.

Our priorities include improving resource efficiency, reducing our environmental footprint, investing in our people, fostering an inclusive workplace and maintaining strong relationships with customers, suppliers, communities and other stakeholders. These priorities, underpinned by sound governance and responsible corporate conduct, strengthen stakeholder confidence while supporting the Group's long-term success.

Looking Ahead with Confidence

Sri Lanka's improving macroeconomic outlook provides a stronger platform for sustainable business growth. Continued economic reforms, improving investor confidence and greater policy stability are expected to support the recovery of key sectors, including tourism, construction and infrastructure, creating new opportunities across Lankem's diversified portfolio.

While these prospects are encouraging, the global business environment continues to evolve rapidly. Geopolitical uncertainty, climate-related risks, technological disruption and changing stakeholder expectations will require businesses to remain agile, innovative and responsive. We believe that long-term success will increasingly depend on an organisation's ability to adapt, embrace emerging technologies and operate responsibly.

Against this backdrop, the Board will continue to focus on strengthening the Group's competitive position through disciplined investment, operational excellence and strategic diversification. Particular emphasis will be placed on expanding our agricultural portfolio following the successful commencement of commercial operations at our Single Super Phosphate (SSP) fertiliser manufacturing facility, while continuing to unlock opportunities across our industrial, consumer, plantation and hospitality businesses.

Technology and digital innovation will remain important enablers of future growth. We will continue to strengthen cybersecurity, accelerate digital transformation, explore the responsible application of emerging technologies, including Artificial Intelligence, and enhance operational efficiency through greater automation and data-driven decision-making.

Equally important is our commitment to sustainability. We recognise that responsible environmental stewardship, prudent resource management, strong governance and meaningful stakeholder engagement are fundamental to building resilient businesses capable of creating lasting value. By embedding these principles across our operations, we aim to strengthen both our competitiveness and our contribution to the communities and markets we serve.

Our people remain at the heart of the Group's continued success. Attracting, developing and retaining talented individuals, while fostering an inclusive, high-performing culture, will remain central to our long-term strategy. By investing in leadership, capability development and innovation, we are building an organisation equipped to capitalise on future opportunities and navigate an increasingly dynamic business landscape.

As we look to the future, we do so with confidence in the strength of our strategy, the dedication of our people and the resilience of our diversified business model. Guided by sound governance, disciplined execution and a clear long-term vision, we remain focused on delivering sustainable growth and enduring value for our shareholders and all stakeholders.

Appreciation

The achievements of the past year would not have been possible without the collective efforts of the many individuals and organisations that contribute to the success of the Lankem Group.

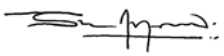
On behalf of the Board, I extend my sincere appreciation to my fellow Directors for their guidance, wisdom and unwavering commitment throughout the year. Their diverse expertise, independent perspectives and dedication to sound governance have been instrumental in The achievements of the past year reflect the collective commitment of everyone who contributes to the success of the Lankem Group.

On behalf of the Board, I extend my sincere appreciation to my fellow Directors for their guidance, expertise and unwavering commitment throughout the year. I also thank our Managing Director, Corporate Management Team and the leadership teams across the Group for their vision, dedication and disciplined execution in navigating a dynamic operating environment while positioning the business for future growth.

To every member of the Lankem family, thank you for your professionalism, resilience and commitment to excellence. Your passion, adaptability and customer focus continue to distinguish our organisation, and your contributions remain the driving force behind our success. I also extend my sincere gratitude to our customers, distributors, suppliers, business partners and financial institutions for their continued trust, collaboration and support, which have been instrumental in our progress.

Finally, I thank our shareholders for the confidence they continue to place in the Board and management. Your trust inspires us to remain focused on delivering sustainable long-term value while upholding the integrity, responsibility and principles that have guided Lankem throughout its history.

As we look ahead, we do so with confidence in our strategy, our people and our ability to seize the opportunities before us. Guided by strong governance, disciplined execution and a clear strategic vision, we remain committed to building a stronger, more competitive and future-ready Lankem Ceylon PLC for the benefit of all our stakeholders.



S.D.R.Arudpragasam
Chairman

31st August 2026

Leadership

Managing Director's Review



Delivering Performance Through Resilience and Disciplined Execution

The 2025/26 financial year was one of consolidation for the Lankem Group as we continued to navigate a business environment characterised by economic recovery, evolving market dynamics and persistent operational challenges. While the broader macroeconomic landscape demonstrated encouraging signs of stability, businesses continued to contend with rising input costs, supply chain disruptions, labour shortages and changing customer behaviour. Against this backdrop, our focus remained firmly on strengthening operational resilience, safeguarding our market position and executing the strategic priorities that would support sustainable long-term growth.

Despite these growing challenges, the Group delivered a stronger top-line performance across its operating sectors. Revenue increased by 2% to Rs. 41.1 billion from Rs. 40.3 billion, while gross profit rose by 8% to Rs. 9.5 billion from Rs. 8.8 billion. EBIT decreased by 23% to Rs. 1.5 billion, compared with Rs. 2.0 billion in the previous year. The improvement in revenue was driven principally by stronger performances in Paints, Pest Control and Hospitality, although continued cost pressure and weaker profitability in Agro and certain other businesses constrained the conversion of revenue growth into bottom-line earnings. The resilience demonstrated across our businesses nevertheless provides a solid platform upon which to build future performance.

Throughout the year, management remained committed to maintaining business continuity while strengthening the operational foundations of the Group. Rather than allowing external challenges to dictate our direction, we concentrated on improving internal efficiencies, enhancing supply chain resilience, strengthening customer engagement and investing in initiatives that will position the Group for long-term success.

Navigating a Complex Operating Environment

Although Sri Lanka's economy continued its gradual recovery, the operating environment remained far from straightforward. Global geopolitical developments, particularly disruptions arising from conflicts in key international regions, continued to impact shipping routes, freight costs and the availability of imported raw materials. As a Group with significant reliance on imported inputs across several business sectors, these developments presented ongoing operational challenges.

At the same time, rising electricity tariffs, fuel surcharges and logistics costs significantly increased production and distribution expenses. Currency depreciation continued to place upward pressure on imported raw material costs, while changes in domestic taxation further affected overall profitability. Increasing labour costs and the continued shortage of skilled personnel added further complexity to the operating environment, requiring management to balance cost discipline with the need to maintain operational capability.

In response, management adopted a proactive and agile approach to operational planning. Rather than relying heavily on single-source suppliers, we continued to diversify procurement channels wherever possible, reducing dependence on individual markets and strengthening supply chain resilience. Procurement strategies were adapted to respond more effectively to changing global conditions, particularly by expanding sourcing beyond traditional supply markets where feasible.

Inventory management also became an increasingly important operational priority. Given the uncertainty surrounding international logistics, we maintained carefully managed buffer stocks for critical raw materials while continuing to operate predominantly on a just-in-time procurement model to optimise working capital. This balanced approach enabled the Group to minimise operational disruptions while maintaining prudent inventory levels under challenging market conditions.

These initiatives reflect an important shift in our operational philosophy—from reacting to disruptions as they arise towards building greater visibility, flexibility and resilience throughout our supply chain. As global uncertainties continue to evolve, this capability will remain a significant competitive advantage.

Executing Strategy Through Operational Excellence

While responding to immediate operational challenges remained essential, management also continued to focus on delivering the Group's long-term strategic objectives.

One of the most significant achievements during the year was the successful commencement of commercial operations of our Single Super Phosphate (SSP) fertiliser manufacturing facility. This landmark investment represents an important milestone in the Group's diversification strategy and significantly strengthens our position within Sri Lanka's agricultural sector. Beyond its commercial contribution, the project reflects our long-term commitment to supporting national agricultural productivity while reducing dependence on imported fertiliser products.

Across the Group, we continued implementing initiatives designed to strengthen market presence and improve commercial performance. Enhanced distribution strategies, increased brand visibility through targeted advertising and promotional campaigns, and stronger customer engagement programmes contributed positively across several business segments, particularly within the Consumer and Paints businesses.

The Paints segment was a key contributor to growth, with revenue increasing by 24.6% to Rs. 4.21 billion from Rs. 3.38 billion and gross profit rising by 43.4% to Rs. 1.33 billion. Importantly, EBIT improved to a profit of Rs. 51.4 million from a loss of Rs. 123.4 million in the previous year, while the PBT loss narrowed to Rs. 121.4 million from Rs. 345.7 million. This improvement reflected the benefits of stronger market penetration, focused sales initiatives and improved commercial execution.

Agro and related businesses recorded revenue growth of 8.0% to Rs. 2.89 billion. However, gross profit declined to Rs. 656.3 million from Rs. 812.7 million and EBIT reduced to Rs. 102.3 million from Rs. 258.1 million, with PBT moving to a loss of Rs. 120.8 million from a profit of Rs. 113.5 million. This reflected the more challenging agricultural operating environment, including adverse weather conditions and delays in the agricultural calendar. Pest Control recorded revenue growth of 19.9% to Rs. 374.0 million, while Hospitality revenue increased by 4.1% to Rs. 2.91 billion and EBIT rose to Rs. 575.8 million from Rs. 561.2 million.

Importantly, despite the complexity of the operating environment, the Group successfully delivered its key strategic initiatives broadly in line with the plan. While minor operational delays were experienced, there were no significant deviations from our overall strategic roadmap, reflecting the dedication and agility demonstrated by our management teams across the Group.

Maintaining Financial Discipline

Maintaining financial discipline remained a central management priority throughout the year. While the Group achieved strong revenue and gross profit growth, the increase in operating profit was comparatively modest, with the EBIT margin easing to approximately 3.8% from 5.0% in the previous year. Bottom-line profitability also remained under pressure. At Lankem Ceylon PLC, PBT recorded a profit of Rs. 405 million compared with a profit of Rs. 383 million in 2024/25. Within Hospitality, PBT declined to Rs. 221.0 million from Rs. 1.28 billion, while PAT reduced to Rs. 29.3 million from Rs. 1.20 billion. These movements, together with higher direct material costs—particularly during the final quarter—and rising operating expenses, reinforced the importance of stronger margin management, cost discipline and balance-sheet optimisation.

Management therefore remained focused on preserving liquidity, strengthening working capital and ensuring the business retained sufficient financial flexibility to support ongoing operations and future investment. Several Rights Issues undertaken across Group companies contributed positively towards strengthening the capital base and improving cash flow, although further capital enhancements through restructuring initiatives will continue to be evaluated to support future growth and operational stability.

Our objective has been to strike an appropriate balance between maintaining prudent financial discipline and continuing to invest in strategic opportunities capable of generating sustainable long-term returns. This balanced approach remains fundamental to the way we manage the business and position the Group for future success.

Building Capability Through Our People

Our people remain the driving force behind the Group's operational success. Despite a highly competitive labour market and the continuing migration of skilled professionals from Sri Lanka, we remained committed to developing and retaining talent while maintaining the operational capability required to support our businesses.

Although recruitment remained selective throughout the year, priority was given to filling operationally critical positions to ensure business continuity. At the same time, we continued investing in capability development through targeted technical and sales training programmes designed to enhance commercial effectiveness, product knowledge and customer engagement.

Recognising that employee engagement is equally important to organisational performance, a range of motivational and team-building initiatives were conducted across the Group. These programmes reinforced collaboration, strengthened organisational culture and supported employee wellbeing while maintaining prudent cost management. We firmly believe that a motivated and engaged workforce is fundamental to sustaining operational excellence and delivering superior customer value.

As we look ahead, talent development, leadership succession and employee capability building will remain key priorities as we prepare the organisation for future growth.

Leveraging Technology to Enhance Operational Excellence

Digital transformation continued to support operational improvements across the Group during the year. While technology investments were carefully prioritised, management remained focused on implementing systems that improve visibility, strengthen decision-making and enhance operational efficiency.

A significant milestone was the commencement of the SAP Enterprise Resource Planning (ERP) upgrade project. This investment will modernise the Group's digital infrastructure and provide a more integrated platform for managing business processes across our operations. Once fully implemented, the upgraded system is expected to improve process efficiency, lower the total cost of ownership and provide access to enhanced analytics and emerging AI-enabled capabilities that will support better operational planning and decision-making.

The implementation of the Sales Force Automation (SFA) system within the Agro Division and subsidiary SunAgro LifeScience Ltd also represented an important step in strengthening commercial operations. The system has significantly improved visibility across sales activities, enabling management to monitor sales performance, customer coverage and distribution effectiveness in real time.

The availability of more accurate and timely information has strengthened performance management by enabling data-driven decision-making, improving sales planning and supporting reward systems that recognise high-performing employees while identifying areas requiring further development. These digital tools are helping to build a more responsive and customer-focused sales organisation.

Technology will continue to play an increasingly important role in improving productivity, streamlining operations and enhancing customer service as the Group progresses on its digital transformation journey.

Embedding Sustainability into Everyday Operations

Sustainability is increasingly becoming an integral part of the way we operate our businesses. Rather than viewing sustainability as a separate initiative, we are embedding environmental, social and governance considerations into operational decision-making across the Group.

During the year, our operating companies continued implementing initiatives aimed at improving resource efficiency, reducing environmental impacts and strengthening long-term operational resilience.

A landmark achievement was the successful commissioning of our Single Super Phosphate (SSP) manufacturing facility in Oyamaduwa, Anuradhapura, following a significant investment By producing Sri Lanka's first locally manufactured SSP fertiliser using Eppawala Rock Phosphate, the facility not only supports national agricultural productivity but also reduces

dependence on imported fertiliser, strengthens local value addition and contributes to national food security. The plant represents an important milestone in the Group's commitment to sustainable industrial development.

Across our manufacturing operations, efforts continued to improve production efficiency through optimised process controls, resource management and waste reduction initiatives. In our paints business, product development continued to focus on environmentally responsible formulations while manufacturing processes were refined to minimise material losses and improve resource utilisation.

Preparatory work also progressed on several renewable energy initiatives, including feasibility studies for solar photovoltaic installations across key manufacturing facilities. These investments are expected to reduce carbon emissions, improve energy efficiency and mitigate exposure to future energy cost volatility.

Waste reduction and circular economy initiatives continued through partnerships that support recycling, responsible waste management and improved resource recovery across our operations. At the same time, ongoing efforts to monitor water consumption and optimise resource utilisation strengthen our resilience against future climate-related challenges.

Strengthening ESG Through Operational Excellence

Environmental, Social and Governance (ESG) principles are increasingly embedded within our operational framework, influencing both day-to-day decision-making and longer-term investment planning.

Environmental considerations are incorporated into capital investment decisions through the evaluation of energy efficiency, water usage, waste generation and environmental impacts. This ensures that new investments contribute not only to financial performance but also to improving the sustainability of our operations.

From a social perspective, the health, safety and wellbeing of our employees remain paramount. Given the nature of several of our manufacturing operations, we continue to maintain stringent occupational health and safety standards through regular training, safety audits, use of personal protective equipment and continuous monitoring of workplace practices.

Within our agricultural businesses, field teams continued working closely with farmers by providing technical guidance on responsible product application, soil health improvement and climate-resilient agricultural practices. These initiatives contribute not only to customer success but also to strengthening sustainable agricultural productivity within the communities we serve.

Governance at the operational level has also been strengthened through improved data capture, enhanced reporting systems and greater operational transparency. The continued enhancement of our ERP platform and operational reporting systems will support compliance with emerging sustainability reporting requirements while improving the quality and reliability of operational data across the Group.

Looking Ahead

As we enter the new financial year, our operational priorities are clearly defined. We will continue strengthening supply chain resilience, improving inventory planning, enhancing operational efficiency and driving productivity improvements across all business segments.

Although global geopolitical tensions and ongoing supply chain disruptions continue to present uncertainty, management is implementing measures to secure critical raw material supplies while maintaining prudent inventory levels to support uninterrupted production.

At the same time, sustainability reporting, ESG integration and operational compliance will receive increased focus as the Group prepares for evolving reporting expectations and regulatory requirements. Continued investment in technology, process optimisation and digital capabilities will further strengthen operational effectiveness while improving responsiveness to changing customer needs.

Market conditions are expected to remain competitive, with continued pressure from rising raw material costs, currency fluctuations and liquidity constraints. However, these challenges also create opportunities. Strengthening market demand,

strategic pricing initiatives and continued focus on operational excellence provide a solid platform for improving margins and enhancing profitability over the coming year.

Appreciation

The progress achieved during the year reflects the dedication, professionalism and resilience of our employees across the Group. I extend my sincere appreciation to every member of the Lankem team for their commitment, adaptability and unwavering focus on delivering value to our customers and stakeholders.

I also wish to thank our Board of Directors for their guidance and strategic direction, and our shareholders for their continued confidence and support. My appreciation is extended to our customers, suppliers, distributors, financial institutions and business partners whose collaboration remains integral to our success.
While challenges remain, I am confident that the strength of our people, the resilience of our businesses and the disciplined execution of our strategy position Lankem well for the future. By continuing to innovate, strengthen our operational capabilities and remain focused on sustainable value creation, we are well placed to seize emerging opportunities and deliver improved performance in the years ahead.



P.S.Goonewardene
Managing Director

31st August 2026

Board of Directors







S. D. R. Arudpragasam
[FCMA (UK)]
Chairman, Non-Executive Director

A. Hettiarachchy
[C.Eng, MIEE, MIProdE, MIChemE]
Deputy Chairman, Non-Executive Director

P. Suren Goonewardene
BBA(Aus.), CPA(Aus.), FCMA (SL), FCIM (UK)
Managing Director







Anushman Rajaratnam
[B.Sc (Hons.), CPA, MBA]
Executive Director

K. G. Punchihewa
FCA, CPA (Aus.),
Independent Non-Executive Director

S. B. Perera
FCMA / CGMA (UK), B.Sc. Mech.Eng. (Hons.)
Independent Non-Executive Director

S. D. R. Arudpragasam

[FCMA (UK)]
Chairman, Non-Executive Director

Mr. S. D. R. Arudpragasam joined the Board of Lankem Ceylon PLC in 1989, was appointed Deputy Chairman in 1990 and as Chairman on 1st October 2017. Mr. Arudpragasam, whilst being associated with The Colombo Fort Land & Building Group of companies since 1982 and having served on the Board of The Colombo Fort Land & Building PLC (CFLB) since the year 2000 and as Deputy Chairman from 2011 was appointed Chairman of CFLB with effect from 1st July 2022. Mr. Arudpragasam also serves as Chairman of several subsidiaries of The Colombo Fort Land and Building PLC including Chairman, C.W. Mackie PLC, J.F. Packaging PLC and Chairman/ Managing Director of E.B. Creasy & Company PLC, in addition to serving on the Boards of other companies in the CFLB Group. He also serves as a member of several Board subcommittees of the CFLB Group.

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

A. Hettiarachchy

[C.Eng, MIEE, MIProdE, MIChemE]
Deputy Chairman, Non-Executive Director

Mr. A. Hettiarachchy joined the Board in April 2010 and was appointed Deputy Chairman on 1st October 2017. Mr. Hettiarachchy is a Chartered Chemical Engineer. He is the Chairman of the Board of ISL Services Limited, Executive Chairman of ACME Printing and Packaging PLC and the Chairman of Lankem Minerals Ltd. He has served on the Boards of Sri Lanka Institute of Nanotechnology, Central Industries PLC, C.W. Mackie PLC, Richard Pieris Finance Ltd, Hayleys PLC and functioned as Managing Director of Haycarb PLC, Recogen Ltd and Puritas Ltd and served on several other subsidiaries of Haycarb PLC and Hayleys PLC both in Sri Lanka and overseas. He was also a Board member of the National Science Foundation, Coconut Research Institute, Member of the National Nano Committee, Chief of Research and Engineering Systems– Sri Lanka Institute of Nanotechnology, and a member of several advisory Boards of the NSF.

P. Suren Goonewardene

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

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

He has functioned in the capacity of Chairman and Managing Director, Bharti Airtel Lanka Ltd, Chief Operating Officer, Dialog Television and Fixed Line Services, Group Managing Director, Lanka Bell Ltd and has also served on the Boards of Ceylon Shipping Corporation and the Civil Aviation Authority of Sri Lanka. He was a Council Member of the Employers' Federation of Ceylon and a former Vice President of the Indian Chamber of Commerce in Sri Lanka. He serves on the Boards of First Guardian Equities Ltd, Dawi Investment Trust (Pvt) Ltd and ACME Printing and Packaging PLC in which company he also functions as a Member of its Board subcommittees. Mr. Goonewardene's experience spans across multiple industries and he possesses expertise in the fields of telecommunication, information technology, strategic planning, organisational restructuring, investment/ credit management, finance, marketing & sales, general management and business consultancy.

Anushman Rajaratnam

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

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

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

K.G. Punchihewa

FCA, CPA (Aus.)
Independent Non-Executive Director

Mr. Kamal Punchihewa is a seasoned finance and plantation industry leader with over four decades of cross-border experience spanning Sri Lanka, Indonesia, and the broader Asian region. He was appointed to the

Board of Lankem Ceylon PLC as an Independent Non-Executive Director effective from 31st December 2024.

A Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA) since 1988 and a Certified Public Accountant (CPA) Australia since 2014, Mr. Punchihewa brings deep expertise in financial strategy, corporate governance, and operational turnaround.

He began his professional journey at M/s. B.R. De Silva & Co., Chartered Accountants, in 1983, where he became a partner in 1991.

His career in the mercantile sector commenced as Financial Controller of Kotagala Plantations Ltd. under M/s. George Steuarts Management Services in 1992. He was subsequently promoted to Group Financial Controller of the George Steuarts Group of Companies and also served as Director Finance of George Steuart Auto Supplies (Pvt) Ltd. In 2002.

He returned to the plantation sector as General Manager-Finance of Kahawatte Plantations Ltd. His international career took shape in 2005 when he took up the position of Financial Controller at PT Agro Bukit, Indonesia, and was later promoted to Head of Finance–Plantation Operations and Business Support for the entire Indonesian operations of Good Hope Asia Group, overseeing six oil palm plantation companies. This international tenure further honed his ability to manage multi company portfolios across borders.

Upon returning to Sri Lanka in 2011, Mr. Punchihewa joined Lankem Tea & Rubber Plantations (Pvt) Ltd. as Director/Deputy CEO. He was appointed Chief Executive Officer of Agarapatana Plantations Ltd. in April 2014 and served on its Board from 2012 to 2016.

In October 2016, he joined Browns Group as Group Chief Executive Officer-Plantation Sector, responsible for three Regional Plantation Companies, subsequently serving as the Chief Executive Officer of Maturata Plantations Ltd. until July 2020.

In August 2020, he joined the Richard Pieris Group as Chief Financial Officer–Plantation Sector and was promoted to Chief Executive Officer of Maskeliya Plantations PLC in February 2021, a position he held alongside his CFO responsibilities until March 2023.

Mr. Punchihewa combines rigorous financial discipline with strategic insight, making him a valuable steward of shareholder interests and corporate sustainability.

In addition to his appointment on the Board of Lankem Ceylon PLC, he serves as an Independent Non-Executive Director on the Boards of The Colombo Fort Land and Building PLC, E.B. Creasy & Co. PLC, Agarapatana Plantations PLC (since November 2024), Kotagala Plantations PLC (since November 2024), Lankem Developments PLC (from January 2025), Laxapana PLC (from January 2025), Muller & Phipps (Ceylon) PLC (from January 2025), J.F. Packaging PLC (from 20th February 2025) and ACME Printing & Packaging PLC. Mr. Punchihewa leads the Company's Board subcommittees (appointed 29th January 2025) and extends his governance role to multiple CFLB Group subsidiaries, serving on their respective subcommittees in a Chairman or Member capacity.

S.B. Perera

FCMA / CGMA (UK), B.Sc. Mech.Eng. (Hons.)
Independent Non-Executive Director

Mr. Shrihan B. Perera was appointed to the Board of Lankem Ceylon PLC on 31st December 2024. He was the Chief Executive Officer of Teejay Group from April 2018 to December 2019. He also served as the Chief Executive Officer of Brandix Apparel Solutions Ltd from January 2010 to March 2018. Mr. Perera previously held positions of Group Financial Controller & Treasurer, Group Accounts Manager and Finance Director at Unilever Sri Lanka while counting overall experience of over 30 years both with engineering and finance exposure in and amongst competitive conditions and multidimensional challenges. He has wide exposure in FMCG, garment and textile manufacture and service industries. Mr. Perera currently serves as an Independent Director of Teejay Lanka PLC and Teejay Lanka Prints (Pvt) Limited. He also serves on the Boards of Fintrex Finance Ltd, C.W. Mackie PLC and on the Boards of certain other listed and unlisted entities of The Colombo Fort Land & Building Group. In addition, he functions as the Chairman/ Member of certain Board subcommittees of several companies. He holds a Bachelor of Science Degree in Mechanical Engineering, 2nd Class Upper Honours from the University of Moratuwa and is a Fellow of the Chartered Institute of Management Accountants/CGMA, UK.

The Corporate Management



1. Chirantha De Zoysa
Chief Marketing Officer

2. Upekha Abeysekera Anthony
Chief Financial Officer

3. Daminda Siriwardana
Chief Executive Officer – Paints

4. Nishantha Jayamanne
Chief Executive Officer – Agro

5. Chamenda Wijaratne
Chief Executive Officer – SunAgro LifeScience Limited

6. Nadeera Chandrasena
Chief Supply Chain Officer



7. Roshayne Wanniachy
Deputy General Manager – HR

8. Hemajeewa Gotabhaya
General Manager – PEST Control Services

9. Chinthaka Perera
Chief Operating Officer

10. Nadeeshan Jayakody
Senior General Manager – BEST Division

11. Sachira De Silva
Chief Operating Officer – Group R&D

12. Kapila Wijethunga
Chief Operating Officer – Special Projects

STRATEGIC DIRECTION





Our Value Creation Model

Capital Inputs — FY2025/26 (Group)

Financial Capital
Equity and debt across the Group as at 31 March 2026, underpinning operations and growth investment Group-wide.

- Rs. 11,293 Mn total equity (up from Rs. 8,841 Mn)
- Rs. 38,795 Mn total assets
- Rs. 27,502 Mn total liabilities
- Rs. 41,139 Mn consolidated revenue (up from Rs. 40,334 Mn)
- Rs. 41.96 net assets per share (restated basis — see note below)

Human Capital
A multi-sector workforce across chemicals, FMCG, packaging and hospitality.

- 572 employees at Lankem Ceylon PLC (Company)
- Group-wide headcount incl. subsidiaries: 2,443
- 1.89% turnover rate (Company)
- Rs. 9.7 Mn training investment; 5,170 hours delivered (Company)

Social & Relationship Capital
Distributor, farmer, guest and brand-partner relationships across all Group businesses.

- 10–15 new distributors onboarded (Paints)
- 300+ farmer training sessions (SunAgro LifeScience)
- Hotel guests from China, India, Russia, Spain, Bangladesh, Iran
- Partnership with CropLife on agrochemical container recycling

Manufactured Capital
Manufacturing, warehousing and hospitality assets spanning every Group company.

- Horana Industrial Estate plants (SCAN, Delish, KVC)
- Lankem Agro Factory, Pannala; Agrochemicals, fertiliser & SunAgro facilities
- JF Packaging & ACME Printing & Packaging plants
- 3 resort hotels: The Palms, Sigiriya Village, Club Palm Bay
- Rs. 1,075 Mn Group capex (PPE additions), up from Rs. 737 Mn

Intellectual Capital
Formulation, certification and product-development capability across the Group's businesses.

- Robbialac CARBANO — 30% lower-carbon, biodegradable-bucket paint
- SunAgro innovations: Pexalon (Greenergy), Elektra fertiliser
- JF Packaging / ACME structured NPD process; bio-compostable packaging design
- ISO 22000, 9001, 12944-5/6, GMP, HACCP, Eco Label

Natural Capital
Natural resources and eco-efficiency measures across manufacturing, agri and hospitality operations.

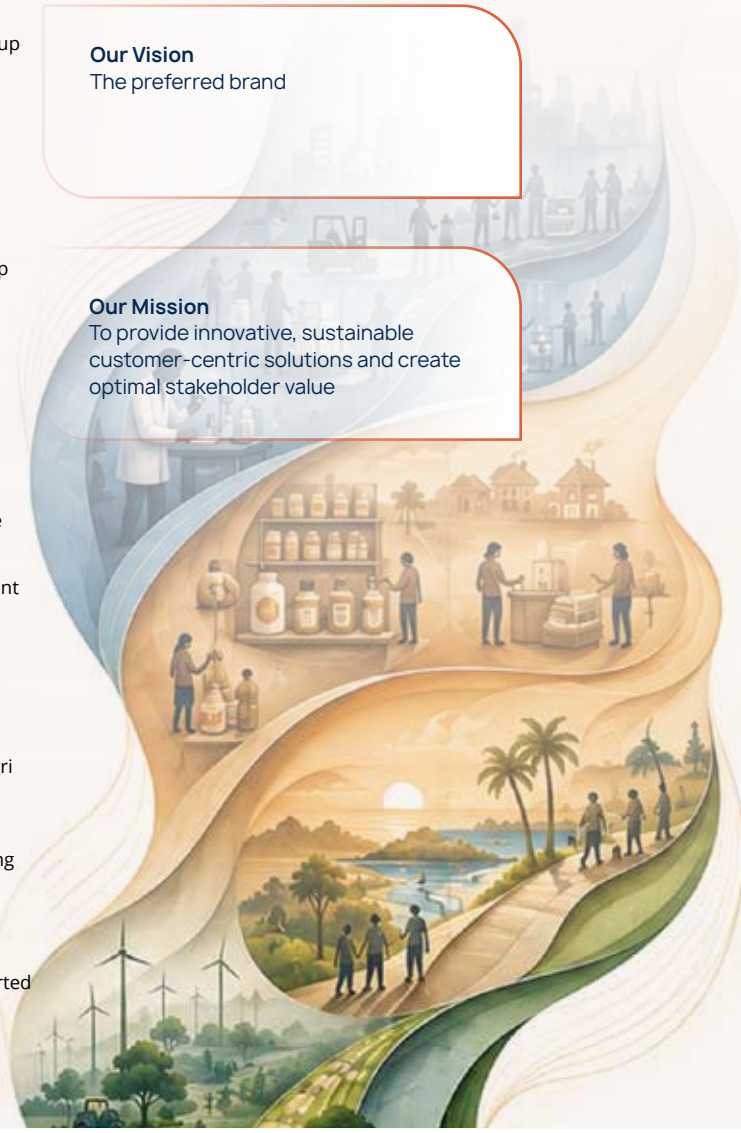
- Factory green belt · Integrated Pest Management
- Axalta paint containers are reused where feasible, reducing packaging waste generation and supporting circular economy practices.
- Waste segregation & INSEE co-processing for contaminated waste
- SLFRS S1 & S2: Alignment and implementation process initiated.
- Group GHG Emissions: Lankem Ceylon PLC, C.W. Mackie PLC, J.F. Packaging PLC, and ACME Printing & Packaging PLC collectively reported 7,930.815 MTCO2e from Scope 1 and Scope 2 emissions.

Our Business Segments

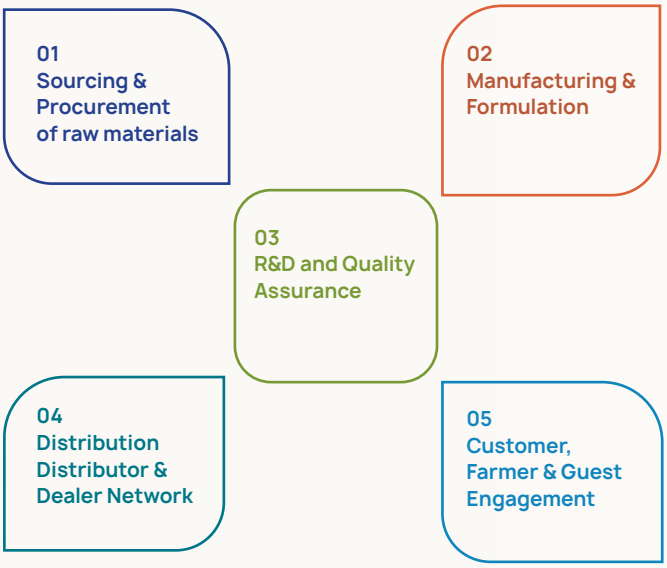
Industrial Products (Agri-Inputs, Paints, Industrial Chemicals, Pest Control)	70% Rs. 29,122 Mn
Consumer Products (Sunquick, KVC, Scan, Delish, Kotagala Kahata)	23% Rs. 9,747 Mn
Leisure (Beruwala Resorts, Sigiriya Village, Marawila Resorts)	7% Rs. 2,910 Mn

Our Vision
The preferred brand

Our Mission
To provide innovative, sustainable customer-centric solutions and create optimal stakeholder value



Value Transformation Process



Value Transformation Process

Financial

- Rs. 116 Mn profit before tax (down from Rs. 258 Mn)
- Rs. 363 Mn loss after tax (widened from loss of Rs. 326 Mn)
- Rs. 41,139 Mn revenue

Manufactured

- Group capex: Rs. 1,075 Mn (+46% YoY)
- Industrial Products segment assets Rs. 24,647 Mn

Human

- 572 Company employees (Company)
- Group headcount: 2,443

Intellectual

- Robbialac CARBANO certified by the Sri Lanka Climate Fund
- R&D pipeline:
  Several new chemistries under the Agro sector

Social & Relationship

- Industrial Products operating profit Rs. 1,658 Mn (up from Rs. 1,073 Mn)
- Consumer Products revenue Rs. 9,747 Mn (+9.9%)

Natural

- Group GHG emissions (Scope 1 & 2): 7,930.815 MTCO2e.

Outcomes – Linked to Stakeholder

Shareholders

Group loss widened to Rs. 363 Mn from Rs. 326 Mn · Net assets per share Rs. 41.96 · Basic loss per share Rs. 2.91 (vs. loss of Rs. 4.23 prior year). Company (standalone) profit nearly doubled to Rs. 555 Mn.

Employees

5,170 training hours (Company), 180° performance reviews, leadership pipelines across Group businesses.

Customers

Trusted brands — Lankem Agro - Farmer's friend, Robbialac, Sunquick, KVC, Scan, Delish — plus hotel guests from China, India, Russia, Spain and more.

Suppliers & Distributors

10–15 new distributors onboarded in Paints; CropLife partnership on agrochemical container recycling; JF Packaging's paper-packaging acquisition.

Farmers & Community

300+ farmer training sessions; islandwide tree-planting; SSP fertiliser investment supports national food security.

Government & Regulators

Compliance with the Companies Act, CSE listing rules and environmental regulations; Group capex of Rs. 1,075 Mn including, continued investment in local manufacturing capacity.

"FY2025/26 in numbers: consolidated revenue grew to Rs. 41.1 Bn and Company profit nearly doubled to Rs. 555 Mn, even as Group-level finance costs and a weaker Leisure and "others" result widened the consolidated loss to Rs. 363 Mn – underscoring how the segments now diverge in a recovering but uneven economy.

Operating Environment

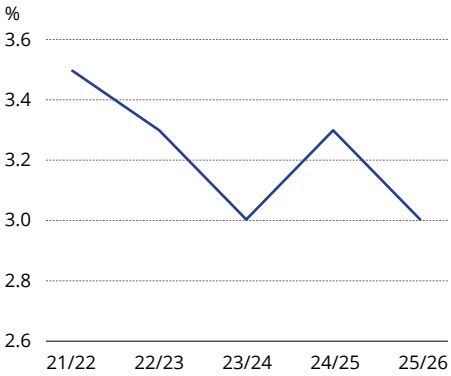
The operating environment during the financial year 2025/26 was characterised by a gradual economic recovery amid persistent global uncertainty and evolving domestic market dynamics. While Sri Lanka continued to make progress towards macroeconomic stabilisation following the economic crisis of recent years, businesses faced ongoing challenges from geopolitical developments, commodity price volatility, exchange-rate movements, inflationary pressures and changing consumer purchasing patterns.

As a diversified Group with operations spanning agriculture, industrial chemicals, consumer products, packaging, plantations and other specialised sectors, Lankem Ceylon PLC remained responsive to these changing economic and market conditions, with continued emphasis on operational resilience, long-term sustainability and stakeholder value creation.

Global Economic Landscape

The global economy recorded moderate growth during 2025, supported by gradual recoveries across major developed and emerging markets. According to estimates published by the International Monetary Fund (IMF), global growth remained relatively stable despite persistent macroeconomic uncertainty arising from tight monetary policies, elevated interest rates in major economies, ongoing geopolitical conflicts, supply chain disruptions and fluctuating commodity prices.

Global GDP Growth



Source: IMF – World Economic Outlook 2026.

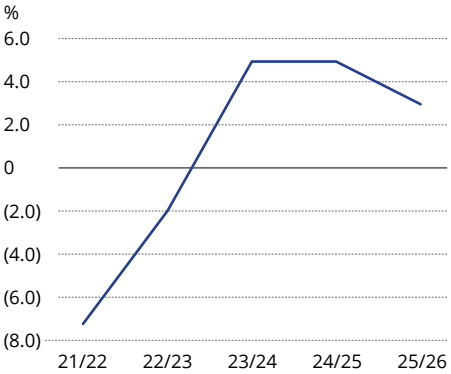
Global trade remained volatile amid heightened geopolitical tensions, particularly in regions critical to global energy supply chains. Continued instability in the Middle East contributed to uncertainty in global energy markets, increasing transportation costs and placing upward pressure on commodity prices across multiple industries. For import-dependent manufacturing businesses such as Lankem Ceylon PLC, these developments affected raw-material sourcing, international procurement costs, freight charges and inventory management decisions across several business sectors within the Group. The increasingly interconnected global economic environment required greater agility in supply chain management and procurement planning.

Domestic Economic Environment

Sri Lanka's economy continued to recover during 2025/26, supported by ongoing macroeconomic reforms, improved fiscal discipline, greater exchange-rate stability and the gradual restoration of investor confidence under the economic recovery framework supported by the International Monetary Fund.

The country recorded positive gross domestic product (GDP) growth during the year, reflecting continued expansion across the agriculture, industry and services sectors. Economic activity improved as inflationary pressures eased significantly from previous years, foreign-exchange reserves strengthened and external-sector performance continued to recover.

Sri Lanka GDP Growth



Source: Central Bank of Sri Lanka

The industrial sector remained resilient, supported by improving business confidence, expansion in construction activity and the gradual normalisation of supply chains. Increased economic activity across industrial and commercial sectors supported demand for several product categories relevant to the Group's diversified operations.

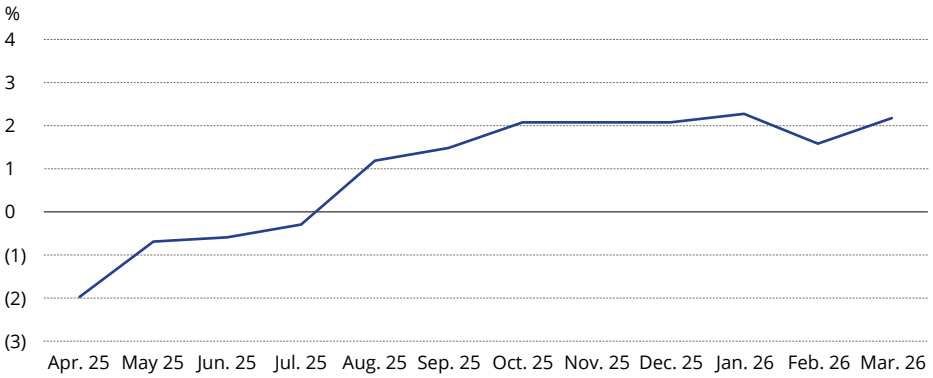
Agriculture, which remains strategically important to several Group businesses, continued to recover as farming activity improved amid relatively stable input availability and stronger sector sentiment. However, weather-related uncertainty, volatility in global fertiliser markets and evolving agricultural policy frameworks continued to influence sector performance and demand patterns.

Inflation Rate

Supported by continued macroeconomic stabilisation measures and improved monetary conditions, inflationary pressures remained largely contained during the financial year under review. Following the elevated inflation of previous years, domestic price levels were more stable throughout 2025, supported by disciplined monetary policy, improved exchange-rate management and easing supply-side pressures.

The more stable inflation environment helped improve consumer purchasing power, support business confidence and enhance operational predictability across industries. However, global energy-price volatility, imported inflation and supply chain uncertainty remain key external risks that could influence future cost structures.

Inflation : CCPI YoY Percentage Change



Source: Central Bank of Sri Lanka

Interest Rate Conditions

The interest-rate environment remained relatively favourable during 2025, supported by accommodative monetary policy, subdued inflation and improving macroeconomic stability. Continued monetary easing by the Central Bank contributed to lower borrowing costs across the economy, supporting business activity and access to financing.

Although short-term market rates experienced some volatility towards the latter part of the year due to temporary liquidity pressures, overall financing conditions remained significantly more supportive than in previous years. This environment supported business confidence, investment activity and the broader economic recovery.

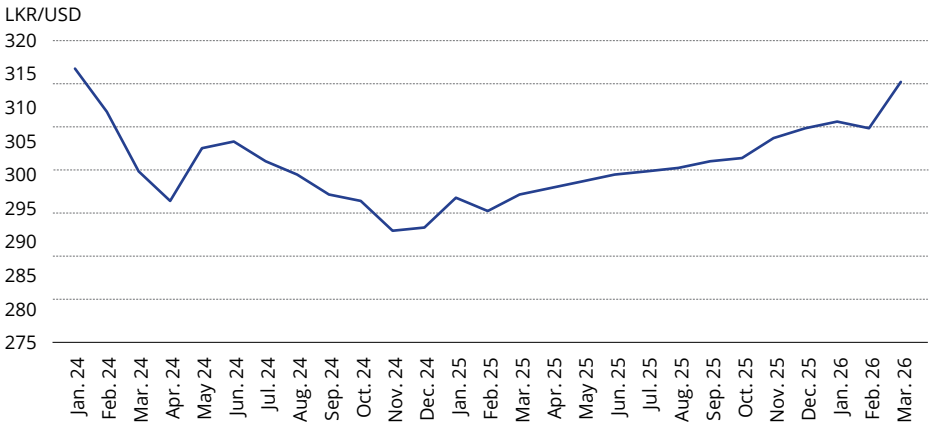
Exchange Rate and Supply Chain Dynamics

Although the Sri Lankan rupee demonstrated greater stability than in previous years, foreign-exchange movements remained an important consideration for businesses reliant on imported raw materials and internationally sourced production inputs.

As a diversified manufacturing and trading Group, Lankem Ceylon PLC remains exposed to exchange-rate movements through the procurement of industrial chemicals, specialised raw materials, packaging materials, agricultural inputs and other imported operational requirements. Currency depreciation, global commodity-price movements and fluctuations in international freight costs can directly affect cost structures and pricing decisions across several Group businesses.

In response, the Group continued to prioritise disciplined procurement planning, strategic inventory management, supplier diversification and cost-optimisation initiatives to mitigate supply-side risks while maintaining operational continuity.

Exchange Rate Movements



Source: Central Bank of Sri Lanka

Industry and Market Dynamics

Lankem Ceylon PLC operates across several highly competitive sectors in which market conditions continue to evolve in response to changing customer preferences, technological advances, increasing regulatory requirements and shifting competitive dynamics.

The agriculture sector remained strategically significant, supported by improving farming activity and increasing demand for productivity-enhancing solutions. The industrial chemicals and manufacturing sectors benefited from improving industrial output and a gradual recovery in activity across key customer industries.

Consumer markets showed moderate improvement as greater economic stability supported household purchasing activity. However, spending remained relatively cautious amid cost-of-living pressures and affordability concerns.

Across its sectors, the Group continued to focus on operational efficiency, product innovation, cost competitiveness, supply chain resilience and customer-centric product development to maintain sustainable market positioning in a dynamic operating environment.

Regulatory and Sustainability Environment

The regulatory environment continued to evolve, with increasing emphasis on environmental responsibility, product safety standards, corporate governance, sustainable manufacturing processes and responsible resource utilisation.

Businesses are increasingly expected to integrate sustainability considerations into operational decision-making while responding to stakeholder expectations relating to environmental stewardship, circular-economy practices, waste management, employee wellbeing and responsible long-term value creation.

For Lankem Ceylon PLC, sustainability is increasingly integrated into business strategy, with the Group continuing to strengthen initiatives focused on operational efficiency, responsible manufacturing, environmental management, innovation, governance excellence and long-term stakeholder value creation.

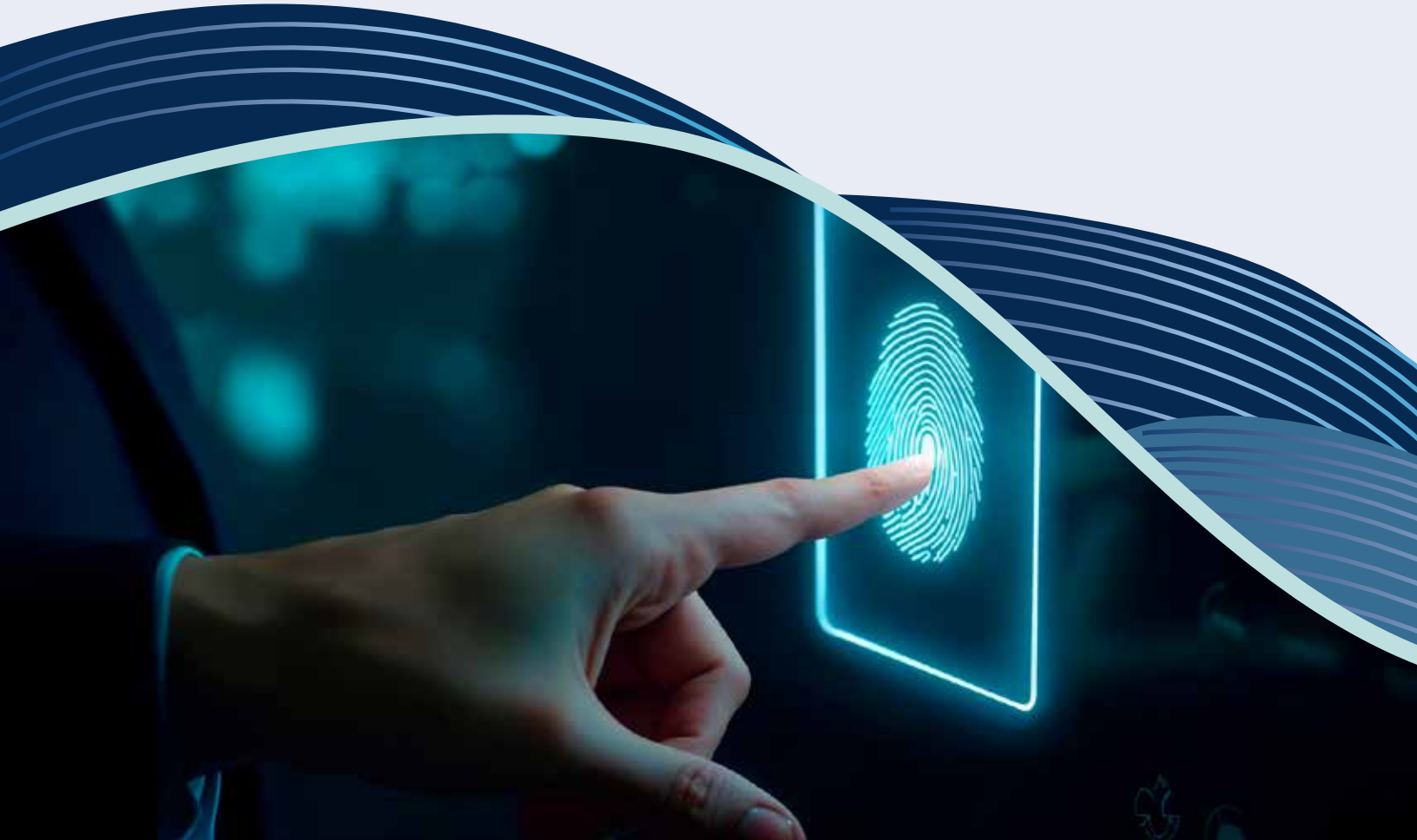
Outlook

Looking ahead, Sri Lanka's economic outlook remains cautiously optimistic as macroeconomic recovery continues under ongoing structural reforms and improving domestic business confidence. Nevertheless, external uncertainties, including geopolitical tensions, commodity-price volatility, inflationary pressures and global supply chain disruptions, continue to present downside risks.

Against this backdrop, Lankem Ceylon PLC remains focused on strengthening operational resilience, maintaining financial discipline, driving innovation-led growth, enhancing market competitiveness and executing sustainable business strategies across its diversified portfolio.

The Group remains confident in its ability to navigate evolving market conditions through disciplined execution, strategic diversification, operational excellence and a continued commitment to creating sustainable long-term value for shareholders and other stakeholders.

CAPITAL MANAGEMENT REVIEW



Shades of Growth

As a pioneer in paint manufacturing, our range keeps growing with innovation, colouring the lives of our consumers.




Robbialac®
Adding Colour to Life...
INTERIOR
EMULSION COLLECTION
4 LITRES
LANNION

Financial Capital



Management Approach

At Lankem Ceylon PLC, financial capital remains a fundamental pillar that enables sustainable business growth, operational resilience, and long-term value creation for all stakeholders. The Group adopts a disciplined and forward-looking financial management approach centred on maintaining a strong balance sheet, ensuring adequate liquidity, optimising capital allocation decisions, and strengthening profitability across its diversified business portfolio.

During the financial year under review, the Group remained focused on strengthening its financial foundation amidst evolving macroeconomic conditions while carefully balancing growth ambitions with prudent financial discipline. Strategic emphasis was placed on enhancing revenue generation through portfolio optimisation across core business sectors, improving operational efficiencies through cost management initiatives, and carefully managing investments to maximise returns.

The Group continued to strengthen its market position across its key sectors, including agriculture, industrial chemicals, consumer products, and leisure, while progressively identifying new growth opportunities. Simultaneously, management continued implementing operational improvement initiatives focused on optimising production efficiency, strengthening supply chain management, and improving resource utilisation to enhance overall profitability.

Key Constituents of Financial Capital

The Group's Financial Capital comprises the following key components, which collectively provide the financial resilience, liquidity and funding capacity required to support operational sustainability, strategic investments and long-term value creation.

Financial Capital Component Contribution to Value Creation

Shareholder Equity and Retained Earnings: Provide a strong capital base to support long-term financial stability, sustainable growth and shareholder value creation.

Interest-bearing Borrowings: Facilitate strategic investments, expansion initiatives and long-term business development while optimising the Group's capital structure.

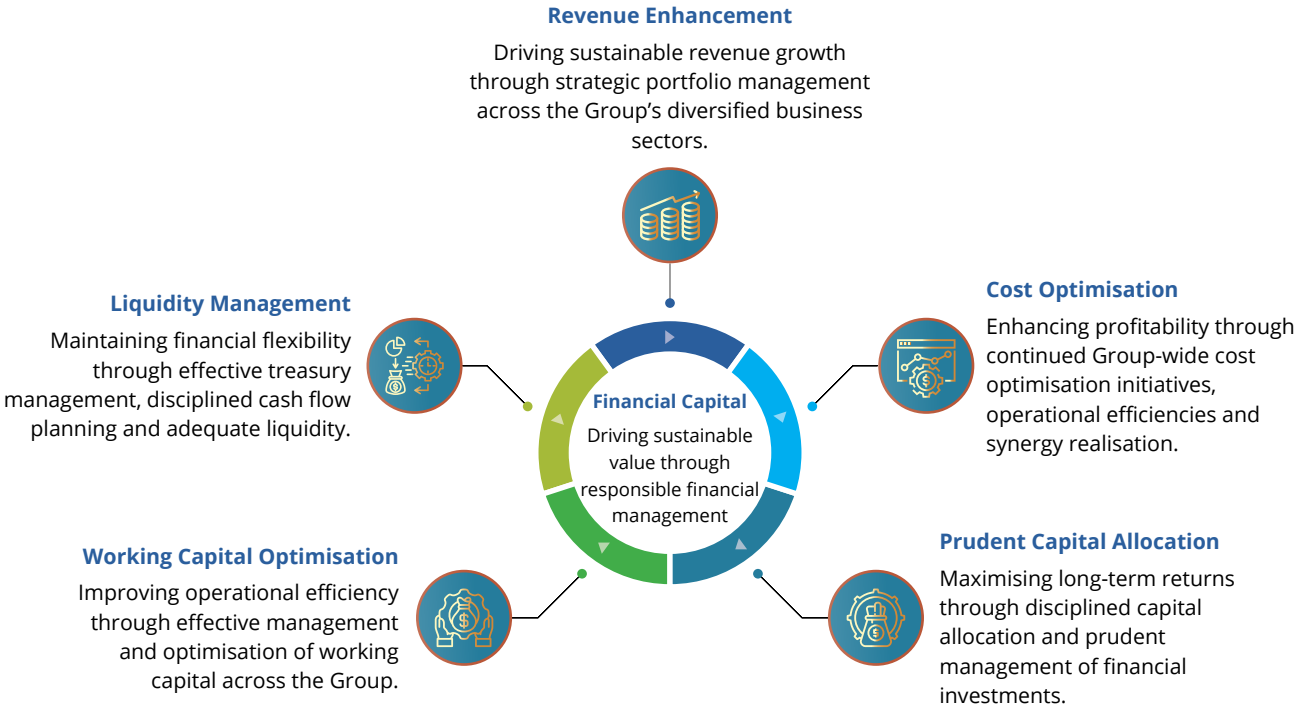
Working Capital Facilities: Support day-to-day operational requirements by ensuring timely access to funding for working capital needs across the Group.

Cash and Cash Equivalents: Maintain liquidity, strengthen financial flexibility and enable the Group to meet operational and strategic commitments.

Financial Investments and Treasury Assets: Support capital preservation, enhance liquidity management and generate supplementary investment income.

Our Focus Areas

Our financial strategy is founded on disciplined capital management, operational excellence and sustainable value creation. These strategic focus areas guide how we deploy financial resources to strengthen resilience, enhance profitability and support the Group's long-term growth ambitions.



Our Commitment

Discipline

Maintaining prudent financial management and disciplined capital allocation to create sustainable long-term value.

Stakeholder Value

Creating enduring value for shareholders, employees, customers, suppliers and the communities in which we operate.

Resilience

Strengthening financial resilience to navigate market volatility while capitalising on emerging opportunities.

Sustainability

Supporting responsible business practices that promote sustainable growth and long-term value creation.

Value Created During the Year

- The Group continued to strengthen its financial position during the year, demonstrating operational resilience while delivering sustainable value creation for shareholders through strong financial performance and disciplined capital management.

Performance Indicator	Value Created
Rs. 41 Bn	Consolidated Group revenue generated during FY 2025/26, reflecting the strength and diversity of the Group's operations.
Rs. 9.5 Bn	Gross profit achieved, demonstrating strong operational performance and effective cost management.
Rs. 1.55 Bn	Operating Profit maintained despite ongoing cost pressures, highlighting the resilience of the Group's business model.
Rs. 11 Bn	Total Equity strengthened through disciplined capital management and successful capital strengthening initiatives.
26%	Increase in net asset value per share, reflecting enhanced shareholder value and long-term wealth creation.

Basis of Preparation and Comparative Figures

The Financial Statements have been prepared in accordance with the Sri Lankan Accounting Standards, namely,

- SLFRSs and LKASs issued by The Institute of Chartered Accountants of Sri Lanka
- Companies Act No. 07 of 2007
- Continuing listing requirements of the Colombo Stock Exchange
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission Sri Lanka
- Acts, Circulars, Gazettes issued by the Taxation Authorities for Corporates
- Exchange Control Act No. 22 of 2017

Financial Performance

Revenue, Costs and Profitability

For the Year Ended 31 March	2026 Rs. Mn	2025 Rs. Mn	Change in %
Revenue from Contracts with Customers	41,139	40,334	2%
Cost of Sales	(31,611)	(31,489)	0%
Gross Profit	9,528	8,845	8%
Other Income	384	249	54%
Selling and Distribution Expenses	(3,340)	(3,096)	8%
Administrative Expenses	(4,691)	(3,888)	21%
Other Expenses	(217)	-	100%
Provision of Impairment of Amount Due from Related Parties and Trade Receivable	(117)	(93)	26%
Results from Operating Activities	1,547	2,017	-23%
Finance Income	317	185	71%
Finance Cost	(1,718)	(1,832)	-6%
Share of Loss of Associate	(74)	(282)	-74%
Share of Profit of Joint Venture	44	169	-74%
Profit Before Tax	116	257	55%
Income Tax Expense	(479)	(583)	-18%
Loss for the Year	(363)	(326)	11%

Revenue

Group consolidated revenue for FY 2025/26 amounted to Rs. 41,139 Mn, representing a 2% increase compared to the previous financial year. Revenue growth during the year was supported by resilient performance across all operating sectors despite challenging market conditions and competitive market pressures.

The Group's diversified operating structure continued to provide resilience by generating revenue across multiple sectors. During the year, management continued focusing on strengthening market share across core business sectors while maintaining customer confidence through the delivery of innovative, high-quality products and services.

Revenue by Segment

During FY 2025/26, the Industrial sector remained the Group's largest revenue contributor, accounting for 70% of total revenue. The Consumer sector contributed 23%, while the Leisure sector accounted for the remaining 7%. This diversified revenue mix reduces concentration risk, strengthens earnings resilience and supports the Group's long-term revenue stability.

Industrial

The largest contributor to Group revenue, driven by the strength and diversity of the Group's industrial products and solutions portfolio.

70%
of Total Revenue

Consumer

Supported by a portfolio of trusted brands, broad market reach and consistent consumer demand.

23%
of Total Revenue

Leisure

Steady contribution generated through the Group's hospitality and leisure operations.

7%
of Total Revenue

Key Takeaway

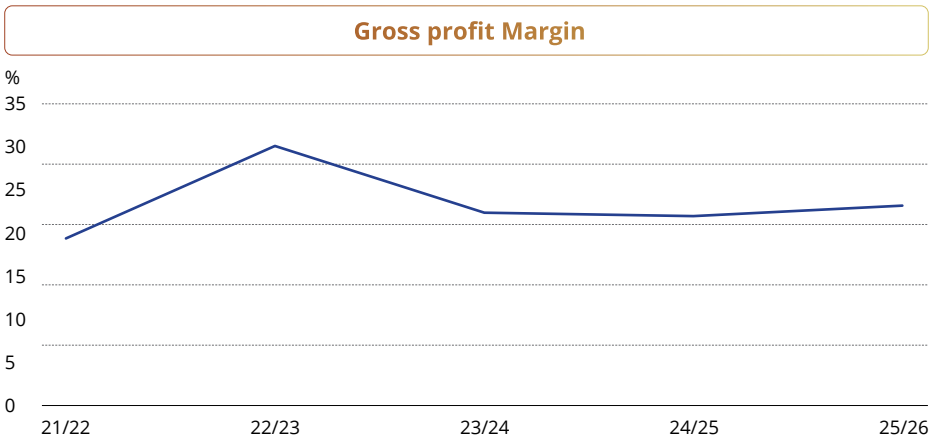
The Group's diversified revenue portfolio across the Industrial, Consumer and Leisure sectors reduces concentration risk, enhances earnings resilience and supports sustainable long-term value creation.

Gross Profit

Consolidated gross profit increased by 8% to Rs. 9,528 Mn during the year under review. Despite heightened market competition, inflationary pressures, and increasing operational costs, the Group successfully maintained profitability through proactive portfolio optimisation, improved pricing strategies, and operational efficiency improvements.

Management continued implementing strategic initiatives focused on product mix optimisation across business sectors, allowing the Group to protect profitability margins while maintaining market competitiveness.

As a result, gross profit margin improved to 23%, representing a 1% improvement compared to the previous financial year, reflecting the Group's continued focus on profitability preservation and operational efficiency.



Operating Expenses

Administrative expenses increased by 21% during the year primarily due to increased operational activities, inflationary cost pressures, and higher employee-related expenses associated with expanding business operations.

The Group's selling and distribution expenses, including advertising, promotions, and commissions, amounted to Rs. 3,340 Mn, representing 8% of total revenue. This reflected a marked YoY increase of 8%. This was a conscious decision taken to increase the advertising and promotional spend in order to strengthen the market positioning.

Operating Profit

Despite ongoing inflationary pressures and rising operating costs, the Group successfully maintained operating profit at Rs. 1,547 Mn during FY 2025/26.

The ability to sustain operating profitability reflects the effectiveness of management's strategic focus on cost discipline, operational efficiency improvements, and disciplined resource allocation across business sectors.

The Group continues to prioritise long-term profitability sustainability through continuous operational improvement initiatives and disciplined expense management.

Net Finance Cost

Net finance cost for the year was Rs. 1,401 Mn, a reduction of 15% over the prior year. The Group reported a 19% decline in Interest on loans together with foreign exchange gain of Rs.36 Mn during the year. The largest component of finance costs being Interest on Loans and Borrowings posted only Rs. 1,116 Mn. The low-interest rate environment that prevailed throughout the year supported the decline.

Finance Income

Finance income moved favourably, increasing by 71% over the prior year to Rs. 317 Mn. Gain on financial assets measured at fair value through profit or loss grew by 441% to Rs. 182 Mn due to the share market boost experienced during the year.

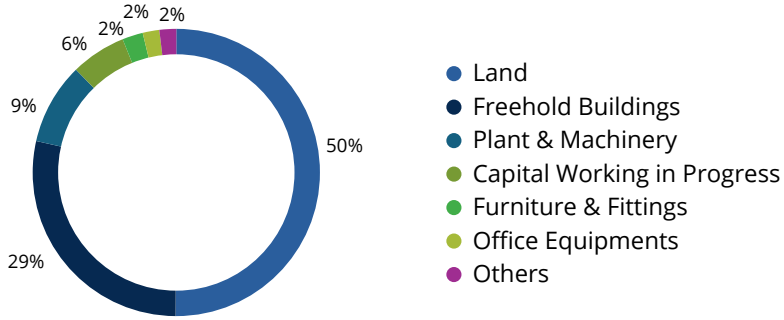
Balance Sheet Performance
Assets Analysis

For the Year Ended 31 March	2026 Rs. Mn	2025 Rs. Mn	Change in %
Property, Plant and Equipment	13,961	13,622	2%
Intangible Assets	1,615	1,136	42%
Other Non-Current Assets	2,926	2,453	19%
Total Non-Current Assets	18,502	17,211	8%
Inventories	7,531	7,069	7%
Trade and Other Receivables	10,178	9,529	7%
Other Current Assets	2,584	2,062	25%
Total Current Assets	20,293	18,660	9%
Total Assets	38,795	35,871	8%

Non-Current Assets

Total assets of the Group closed in at Rs. 38,795 Mn, a robust growth of 8%. Property, plant and equipment increased by 2% to Rs. 13,961 Mn, while intangible assets increased by 42% to Rs.1,615 Mn.

Property Plants and Equipments



Current Assets

Under current assets, inventories and trade & other receivables increased by 7% equally, reflective of the higher scale of operations and revenue growth recorded during the year. The increase in inventories is indicative of the Group maintaining higher stock holdings to support expanding business volumes, ensure uninterrupted production continuity, and manage supply chain requirements efficiently across its manufacturing operations.

Balance Sheet Funding

For the Year Ended 31 March	2026 Rs. Mn	2025 Rs. Mn	Change in %
Capital and Reserves			
Stated Capital	2,483	1,283	94%
Other Capital Reserves	5	5	0%
Revaluation Reserves	3,930	3,910	1%
Fair Value Through OCI Reserves	109	36	203%
Accumulated Losses	(1,794)	(1,589)	13%
Equity Attributable to Owners of the Company	4,733	3,645	30%
Non-Controlling Interest	6,560	5,197	26%
Total Equity	11,293	8,842	28%
Non-Current Liabilities			
Interest Bearing Borrowings	3,988	4,327	-8%
Lease Liabilities	485	243	100%
Deferred Income	16	23	-30%
Deferred Tax Liabilities	2,073	2,052	1%
Retirement Benefit Obligations	700	595	18%
Loans Payable to Related Parties	152	26	485%
Total Non-Current Liabilities	7,414	7,266	2%
Current Liabilities			
Interest Bearing Borrowings	10,613	10,739	-1%
Lease Liabilities	117	72	63%
Loans Payable to Related Parties	375	389	-4%
Trade & Other Payables	6,484	6,187	5%
Amounts Due to Related Parties	817	981	-17%
Income Tax Payable	235	237	-1%
Bank Overdraft	1,447	1,158	25%
Total Current Liabilities	20,088	19,763	2%

Equity

Total Equity increased significantly by 28% to Rs. 11,293 Mn during FY 2025/26.

The increase was primarily driven by the successful rights issue completed during the year, which significantly strengthened the Group's capital base. Improved subsidiary performance and increased non-controlling interests further contributed to strengthening overall equity balances.

The stronger equity position significantly enhances the Group's long-term financial resilience and ability to pursue future strategic growth opportunities.

Liabilities

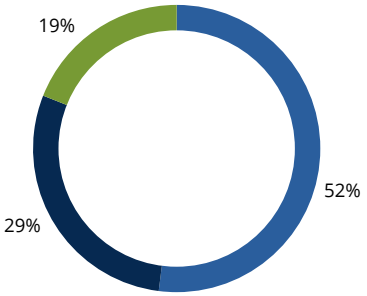
Non-current liabilities increased marginally from Rs. 7,266 Mn to Rs. 7,414 Mn during the year reflecting continued financing support for long-term business investments.

Current liabilities increased to Rs. 20,088 Mn compared to Rs.19,763 Mn recorded in the previous year. Approximately 53% of current liabilities comprise current portions of interest-bearing borrowings utilised to support operational financing requirements.

The Group continues maintaining disciplined liability management practices to ensure financial stability and sustainable capital structure management.

Financial Capital

Composition of Equity and Liabilities



Cash Flow and Liquidity

Effective liquidity management remained a key priority throughout the financial year.

Net cash outflow from operating activities decreased to Rs. 0.9 Bn compared to Rs. 1.2 Bn recorded during the previous year, reflecting improved working capital management.

Net cash outflow from investing activities amounted to Rs. 1.4 Bn compared to Rs. 0.9 Bn during FY 2024/25, primarily reflecting continued strategic capital investments.

During the year, the Group generated net cash inflow from financing activities amounting to Rs. 2.4 Bn, mainly due to obtaining Rs. 2.5 Bn long-term loan facility.

Consequently, net cash and cash equivalents increased by Rs. 56 Mn during the year.

Shareholder Value Creation

The Group remains committed to delivering sustainable long-term value creation for shareholders through disciplined financial management, operational improvement initiatives, and prudent capital allocation decisions.

For the Year Ended 31 March	2026 Rs. Mn	2025 Rs. Mn	Change in %
Earnings per share (Rs.)	(2.91)	(4.23)	31%
Net assets value per share (Rs.)	41.96	33.29	26%
Share price (Rs.)	41.00	86.90	-53%

Earnings Per Share

Diluted earnings per share improved significantly to negative Rs. 2.91 during FY 2025/26 compared to negative Rs. 4.23 in the previous year. The improvement reflects stronger operational performance and improving profitability trends during the year.

Net Asset Value

Net Asset Value per share increased to Rs. 41.96 compared to Rs. 33.29 recorded during the previous year, representing a 26% year-on-year improvement. This increase reflects stronger equity balances and continued improvement in the Group's overall financial position.

Share Performance

During FY 2025/26, Lankem's share price decreased from Rs. 86.90 to Rs. 41 primarily due to the share split undertaken during the year. Throughout the year, the share traded between a low of Rs. 31.10 and a high of Rs. 117.

Strategic Management of Financial Capital

The Group continues to manage financial capital through a disciplined framework focused on maximising long-term shareholder value while maintaining strong governance standards and financial sustainability.

Financial management practices remain fully aligned with Sri Lankan Accounting Standards including SLFRS and LKAS requirements, taxation regulations, and continuing listing requirements of the Colombo Stock Exchange.

Through disciplined treasury management, transparent financial reporting, prudent capital allocation, and strong internal governance controls, the Group remains committed to maintaining long-term financial stability while supporting sustainable business growth.

The Group will continue strengthening financial resilience, optimising capital deployment, and pursuing strategic growth opportunities that contribute to long-term value creation for all stakeholders.

Capital-Related Risks and Opportunities

Risks

Financial capital management continues to be exposed to several external and internal factors that may impact the Group's overall financial performance.

- Foreign exchange volatility impacting import costs and overall profitability margins
- Inflationary pressures increasing production costs and operating expenditure
- Changes in interest rates affecting borrowing costs and finance expenses
- Inventory management challenges leading to working capital pressure
- Economic slowdown and reduced consumer purchasing power affecting revenue growth
- Regulatory and taxation changes impacting overall business operations and capital allocation decisions

Opportunities

Despite prevailing market uncertainties, the Group continues to identify several opportunities that strengthen long-term financial sustainability.

- Expansion into new regional markets supporting future revenue growth
- Lower interest-rate environment reducing overall borrowing costs
- Improved operational efficiencies creating stronger profitability margins
- Strategic investment opportunities across core business sectors
- Treasury optimisation initiatives improving liquidity management and cash flow resilience
- Strong brand portfolio enabling continued market leadership and revenue stability

Manufactured Capital



Building the Infrastructure for Sustainable Growth

Manufactured capital forms the physical backbone of Lankem Ceylon PLC's value creation process. Through a strategically configured network of manufacturing facilities, specialised production plants, warehousing infrastructure, logistics capabilities and operational assets, the Group continues to strengthen its ability to deliver high-quality products efficiently while supporting long-term business resilience.

Over the years, Lankem has consistently invested in expanding and modernising its manufacturing footprint, enabling greater operational flexibility, improved productivity and enhanced responsiveness to changing market conditions. These investments not only strengthen production capacity but also reinforce the Group's commitment to local manufacturing, import substitution and national economic development.

Our manufactured capital comprises a strategically integrated network of production plants and specialised blending facilities located across Sri Lanka, all managed under our direct operational control. Together, these assets support diversified manufacturing operations while enabling the Group to maintain consistent product quality, operational efficiency and reliable customer service.

At the centre of this network is the Lankem Robbialac Paint and Solvent Manufacturing Plant in Ja-Ela, one of Sri Lanka's premier coatings manufacturing facilities. Supported by decades of expertise in coatings chemistry and raw material technology, the plant manufactures an extensive portfolio of decorative, industrial and protective coatings, including advanced waterborne, solvent-borne and low-VOC product systems that meet evolving customer and environmental requirements.

The Agrochemical Formulation and Packing Centre located within the Makandura Industrial Zone serves as the Group's principal production hub for crop protection products. Equipped with modern blending, liquid and powder formulation and precision packaging capabilities, the facility provides the flexibility required to respond rapidly to changing agricultural demand while maintaining stringent quality standards.

The Lankem Industrial Chemicals Plant at Sapugaskanda, commissioned in 2012, remains Sri Lanka's first chemical manufacturing facility incorporating an integrated underground petrochemical storage and blending complex. Designed around advanced automation and modern safety engineering, the facility delivers efficient, high-capacity blending and drumming operations while minimising manual intervention and enhancing operational safety.

Supporting the Group's agricultural portfolio is the Seed Paddy Processing Plant located in Siripura, Polonnaruwa, which provides automated cleaning, grading, quality sorting and packaging of high-yield seed paddy and other crop seed innovations. Complementing these facilities is the newly commissioned Single Super Phosphate (SSP) Fertiliser Manufacturing Plant at Oyamaduwa, Anuradhapura, representing one of the Group's most significant industrial investments and substantially strengthening its domestic fertiliser manufacturing capability.

Beyond manufacturing, the Group's operational footprint also includes an island-wide pest management service network supported by a dedicated fleet of service vehicles and precision chemical application equipment serving domestic, commercial and industrial customers..

Enhancing Operational Resilience

The strength of Lankem's manufactured capital extends well beyond its physical infrastructure. Direct ownership of key manufacturing, blending and formulation facilities enables the Group to maintain continuity of supply, reduce dependence on imported finished products and respond effectively to foreign exchange volatility and global supply chain disruptions.

Local manufacturing capabilities also provide exceptional operational agility, allowing production schedules to be adjusted dynamically in response to seasonal agricultural demand, changing customer requirements and evolving climatic conditions. This flexibility supports efficient inventory management while ensuring reliable market availability of paints, crop protection products and agricultural inputs.

Operational excellence is reinforced through internationally recognised integrated management systems. Major manufacturing facilities maintain certification to ISO 9001 (Quality Management), ISO 14001 (Environmental Management) and ISO 45001 (Occupational Health and Safety Management), providing a structured framework for maintaining product quality, equipment reliability, environmental stewardship and safe working environments across the Group.

Investing in Future Manufacturing Capacity

During the financial year, Lankem continued to strengthen its manufacturing platform through significant capital investment and infrastructure development.

A major milestone was the completion and commissioning of the Group's state-of-the-art Single Super Phosphate (SSP) Fertiliser Manufacturing Plant under Lankem Minerals Limited at Oyamaduwa, Anuradhapura. Representing a significant capital investment, the fully automated facility commenced commercial operations towards the third quarter of FY2025/26 and significantly expands the Group's industrial manufacturing capabilities.

The new facility is expected to reduce Sri Lanka's dependence on imported Triple Super Phosphate (TSP) by producing locally manufactured Single Super Phosphate (SSP), contributing towards national import substitution, strengthening food security and reducing foreign exchange outflows while creating new opportunities for future revenue growth.

Driving Efficiency Through Operational Excellence

Continuous improvement remains central to Lankem's manufacturing philosophy. Throughout the year, the Group continued to optimise resource utilisation, improve productivity and strengthen operational efficiency through the adoption of advanced technologies and digital integration.

One of the key initiatives implemented during the year was the continued deployment of the Sales Force Automation (SFA) platform, enabling field technical officers to communicate real-time market demand directly to production planning teams. This data-driven coordination supports more accurate production scheduling, reduces excess inventory, minimises product shelf-life deterioration and improves overall supply chain responsiveness.

The Group also continued to enhance logistics planning and distributor network optimisation, strengthening collaboration with financially resilient distributors while improving downstream inventory management, vehicle utilisation and delivery efficiency across the country.

Modernising for a Sustainable Future

Lankem continues to future-proof its manufacturing assets through strategic investments in automation, digital transformation and climate-resilient infrastructure.

Manufactured Capital

Comprehensive automation plans have been developed for the Group's principal agro-input manufacturing facilities to support higher production volumes, improve process consistency and deliver greater economies of scale.

In parallel, climate resilience initiatives are being implemented under the Group's Climate-Related Risks and Opportunities (CRRO) strategy. These investments include the progressive installation of rooftop solar photovoltaic systems across manufacturing facilities, enhancements to water security infrastructure and the phased replacement of ageing cooling systems with environmentally responsible low-global-warming-potential (GWP) refrigerants. Together, these initiatives are expected to improve operational resilience while reducing long-term energy costs and exposure to future utility tariff increases.

Digital transformation continues to play a central role in strengthening manufactured capital. enterprise resource planning (ERP) systems and operational data-capture platforms have been upgraded across manufacturing locations, enabling automated monitoring of energy consumption, environmental compliance, safety performance and operational efficiency at the point of operation. These digital capabilities replace estimation-based reporting with accurate, verifiable operational data while supporting the Group's preparedness for the emerging Sri Lanka Sustainability Disclosure Standards (SLFRS S1 and SLFRS S2).

Intellectual Capital



Driving Innovation, Knowledge and Competitive Advantage

At Lankem Ceylon PLC, intellectual capital represents the collective knowledge, technical expertise, innovation capabilities, digital infrastructure and strategic partnerships that underpin the Group's ability to create long-term value. As a science-driven organisation operating across industrial solutions including paints and coatings, agriculture and consumer products, our intellectual capital extends far beyond research laboratories, advanced manufacturing expertise, trusted brands, digital technologies and collaborative partnerships that collectively strengthen our competitive advantage and enable sustainable business growth.

Our continued investment in research and development, digital transformation, knowledge management and technical capability enables the Group to respond proactively to evolving customer expectations, regulatory developments, environmental challenges and changing market dynamics. By combining scientific excellence with practical industry experience, we continue to develop innovative solutions that enhance product quality, operational efficiency and environmental performance while creating lasting value for customers, shareholders and society.

Technical Expertise and Institutional Knowledge

Decades of industry experience have enabled the Group to cultivate a deep reservoir of specialised technical expertise and institutional knowledge. Across our diversified businesses, multidisciplinary teams continue to develop innovative products, optimise manufacturing processes and deliver practical solutions tailored to the unique requirements of Sri Lankan industries and consumers.

Within the Paints business, our research and development capability is anchored in advanced paint formulation chemistry, raw material science and coating application technologies. Our technical teams possess extensive expertise across waterborne, solvent-borne and powder coating systems, covering decorative, industrial and protective coatings. Their

knowledge extends to advanced colour science, rheology, film formation and substrate compatibility, enabling the development of high-performance coatings specifically engineered to withstand Sri Lanka's tropical climatic conditions.

Similarly, our Agricultural business benefits from a highly qualified team of agronomists, agricultural specialists and science graduates whose expertise spans crop protection, plant nutrition, seed technology, soil science, field trials and sustainable farming practices. Through continuous research, product evaluations and close engagement with farming communities, the Group develops science-based agricultural solutions that improve productivity while supporting long-term agricultural sustainability.

Recognising that knowledge is one of the Group's most valuable strategic assets, Lankem maintains structured knowledge management practices to preserve and continuously enhance institutional expertise. Standardised technical documentation, formulation databases, structured onboarding programmes and close collaboration between Research & Development, manufacturing and quality assurance teams ensure that critical knowledge is retained and effectively transferred across the organisation.

Our internal capabilities are further strengthened through long-standing partnerships with globally recognised raw material suppliers, international technology providers and local regulatory institutions, including the Department of Agriculture. These strategic collaborations provide early access to emerging technologies, international best practices, chemical safe-handling methodologies and scientific advancements that enhance innovation while supporting regulatory compliance.

Innovation and Product Development

Innovation remains central to Lankem's long-term growth strategy and serves as a key driver of competitiveness across our diversified businesses. Our research and development activities focus on developing products that address evolving customer expectations, environmental challenges and emerging market trends while delivering superior performance, quality and sustainability.

Within the Paints business, innovation is directed towards environmentally responsible coating technologies, including low-VOC, lead-free, water-based and high-performance coating systems. Research efforts continue to focus on weather-resistant exterior coatings specifically formulated for Sri Lanka's tropical climate, antimicrobial interior coatings and specialised protective coatings designed for industrial and infrastructure applications.

Innovation within the Agricultural business is equally focused on addressing climate-related challenges and evolving farming practices. Research programmes continue to develop advanced plant nutrition solutions, climate-resilient seed technologies and specialised soil improvement products that enhance agricultural productivity while promoting sustainable land management. Products such as N-Shield slow-release fertilisers improve nutrient use efficiency, while Mada Raja Single Super Phosphate (SSP) has been specifically formulated to restore soil health, optimise nutrient retention and improve long-term soil productivity. The Group also continues to introduce drought-tolerant crop varieties and advanced seed treatments to strengthen agricultural resilience under increasingly volatile climatic conditions.

Innovation extends beyond product development to encompass continuous improvements in manufacturing processes. By refining chemical blending techniques, improving batch reproducibility and optimising resource utilisation, the Group continues to reduce waste, enhance operational efficiency and strengthen long-term profitability.

Digital Transformation and Technology

Digital technologies continue to play an increasingly important role in strengthening operational excellence, enhancing customer responsiveness and supporting informed decision-making across the Group.

Integrated Enterprise Resource Planning (ERP) systems provide real-time visibility across procurement, manufacturing, inventory management and financial reporting, enabling improved planning, supply chain coordination and operational resilience.

Within our laboratories, Laboratory Information Management Systems (LIMS) automate testing workflows, maintain comprehensive product records and ensure complete traceability throughout the manufacturing process. These systems strengthen product consistency, quality assurance and regulatory compliance while improving laboratory efficiency.

Sales Force Automation (SFA) technology further enhances operational effectiveness by connecting real-time market demand directly with production planning, enabling more accurate manufacturing schedules, improved inventory management and greater customer responsiveness.

In the Paints operation, advanced spectrophotometric colour-matching technologies and automated tinting systems provide customers with highly accurate colour solutions while reducing material wastage and improving the overall customer experience.

The Group has also expanded its digital customer engagement platforms through the Lankem Hitha Mithuru Sangamaya WhatsApp community, integrated online purchasing capabilities and active social media engagement, providing customers with technical guidance, agronomic advice, seasonal crop information and convenient access to product information and support services.

Continuous Improvement and Knowledge Management

Lankem actively fosters a culture of continuous improvement by encouraging collaboration, innovation and knowledge sharing across all areas of the business.

Product development follows a structured phase-gate methodology, progressing from customer insights, market intelligence and competitive benchmarking through laboratory validation, pilot-scale testing and commercial evaluation before products are introduced to the market. This disciplined approach ensures that every new product consistently meets the Group's rigorous quality, safety and performance standards.

Cross-functional collaboration between Research & Development, manufacturing, quality assurance and commercial teams supports continuous process optimisation. Regular reviews of production efficiency, material utilisation, batch cycle times and manufacturing performance help identify opportunities to eliminate waste, improve productivity and strengthen operational excellence.

The Group also continues to invest in the professional development of its technical employees through specialised training programmes, international technical seminars, collaborative research initiatives and partnerships with global chemical and agricultural organisations. These initiatives ensure that our technical capabilities remain aligned with international developments while continuously strengthening our capacity for innovation.

The Group is also embracing emerging agricultural technologies through initiatives such as expanding local MICH hybrid seed production and exploring drone-assisted precision agriculture to optimise chemical application and improve farming efficiency.

Brand Strength and Market Reputation

Lankem's intellectual capital is further reinforced by the strength of its brands and the trust they have earned over decades of consistent performance.

The Lankem Robbialac brand remains one of Sri Lanka's most recognised names in decorative and industrial coatings, delivering products specifically engineered to perform under the country's demanding climatic conditions while meeting international quality standards.

Within the Agricultural business, the Group's long-established positioning as the "Farmer's Friend" reflects decades of close engagement with farming communities through technical advisory services, field demonstrations, science-based solutions and

continuous knowledge sharing. This enduring relationship has strengthened customer loyalty while reinforcing the Group's reputation as a trusted partner in agricultural development and food security.

Our reputation is further strengthened through rigorous quality assurance systems, transparent customer complaint management processes, responsible business practices and continued efforts to align governance and sustainability reporting with emerging frameworks, including the Sri Lanka Sustainability Disclosure Standards (SLFRS S1 and SLFRS S2).

Creating Sustainable Value Through Knowledge

As technology continues to evolve and customer expectations become increasingly sophisticated, strengthening intellectual capital will remain fundamental to Lankem's long-term success. The Group will continue investing in scientific research, innovation, digital transformation, technical capability, knowledge management and strategic partnerships to enhance product performance, improve operational efficiency and support sustainable growth.

By combining decades of technical expertise, advanced technologies, strong brands and a culture of continuous innovation, Lankem Ceylon PLC is well positioned to maintain its competitive advantage while creating sustainable value for customers, shareholders and all other stakeholders.

Human Capital



Our People

At Lankem Ceylon PLC, our people are the foundation of our continued success and one of the Group's most valuable strategic assets. Their knowledge, expertise, innovation and commitment enable us to consistently deliver quality products and services while responding effectively to changing market conditions and customer expectations. As our business continues to evolve, we remain committed to building a workplace that empowers our employees to perform at their best, supports continuous learning, and fosters a culture of collaboration, accountability and excellence.

Our human capital strategy focuses on attracting, developing and retaining talented individuals while promoting employee wellbeing, workplace safety and leadership development. Through continued investment in our people, we are strengthening organisational capability, enhancing operational performance and building a resilient workforce capable of delivering sustainable value for all stakeholders.

Workforce Profile

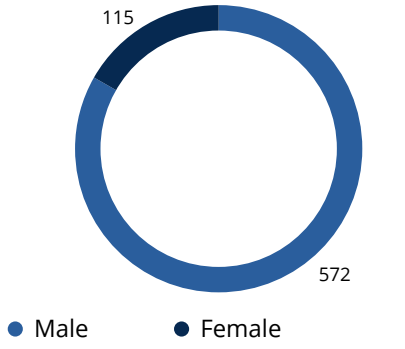
The Group employed 687 employees during the year, representing a diverse workforce across manufacturing, sales and marketing, engineering, research and development, finance, administration and other support functions. Our employees bring together a wealth of technical expertise, operational experience and industry knowledge that enables the Group to maintain high standards of quality, productivity and customer service across its operations.



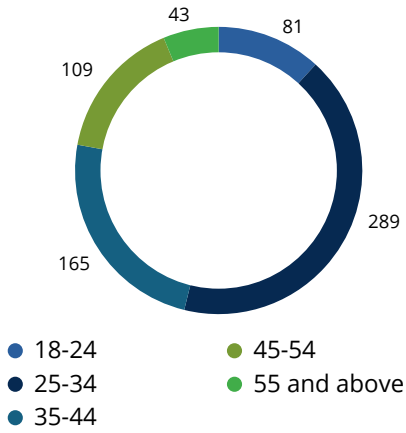
The composition of our workforce reflects a healthy balance between experienced professionals and younger employees entering the organisation. Employees between 25 and 34 years represent the largest age category, providing a strong foundation for future leadership, while long-serving employees continue to contribute valuable institutional knowledge and technical expertise that support operational continuity and business resilience.

The Group also remains committed to promoting equal opportunities and an inclusive working environment where employees are recognised and rewarded based on merit, capability and performance.

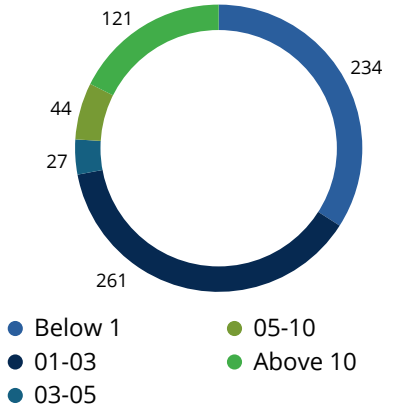
Gender Based Demographics



Age Demographics



Work Experience



Talent Attraction and Retention

Attracting and retaining skilled professionals remains fundamental to the Group's long-term success. We continue to strengthen our employee value proposition by offering competitive remuneration, performance-based incentives, career progression opportunities and employee recognition programmes that reward individual achievement and encourage high performance.

Our recruitment strategy combines university partnerships, graduate recruitment initiatives and employee referral programmes to attract individuals with the technical capabilities and values required to support our future growth. Beyond recruitment, we continue to foster an engaging and collaborative workplace culture through regular communication forums, employee engagement initiatives and structured feedback mechanisms that encourage open dialogue and continuous improvement.



By creating an environment where employees feel valued, respected and empowered, the Group continues to strengthen workforce stability while supporting higher levels of employee engagement and organisational performance.

Learning and Capability Development

Continuous learning remains central to our human capital strategy. As industries become increasingly competitive and technology continues to evolve, developing employee capability has become essential to maintaining operational excellence and sustaining long-term business growth.

During the year, the Group continued to invest in programmes that strengthened technical expertise, operational capability, leadership effectiveness and behavioural competencies across all levels of the organisation. Training initiatives focused on manufacturing excellence, technical and engineering competencies, sales and customer relationship management, leadership and supervisory development, occupational health and safety, and digital technologies.



The Group invested Rs. 9.72 million in employee learning and development during the year, delivering 5,170 training hours, equivalent to an average of 7.5 hours per employee. Technical and operational training represented the largest area of investment, reflecting our commitment to maintaining high manufacturing standards, improving productivity and supporting continuous operational improvement.

Learning and Development Investment

Training Category	Investment (Rs.)	Training Hours
Technical & Operational	7,612,392	3,319
Safety & Compliance	835,066	654
Leadership Development	554,400	121
Soft Skills & Behavioural	700,000	1,065
Digital Skills	20,660	11
Total	9,722,518	5,170

These investments continue to strengthen organisational capability while preparing our employees to meet evolving customer expectations and future business requirements.

Employee Wellbeing and Workplace Safety

Protecting the health, safety and wellbeing of our employees remains a core organisational priority. The Group maintains comprehensive occupational health and safety systems supported by regular workplace inspections, risk assessments, safety audits, incident reporting procedures and continuous awareness programmes that promote a proactive safety culture across all business units.

Occupational Health and Safety Representatives have been appointed across the Group to support compliance with safety standards, while appropriate Personal Protective Equipment (PPE) continues to be provided to factory employees, pest control teams and painters to minimise workplace risks and maintain safe working environments.

Recognising that employee wellbeing extends beyond workplace safety, the Group continued to promote initiatives that support both physical and mental wellbeing. Health screening programmes, wellness campaigns, sports and recreational activities, employee assistance initiatives and family engagement events contribute towards fostering a healthy, inclusive and supportive workplace where employees are encouraged to achieve their full potential.



Leadership Development and Succession Planning

Developing future leaders remains essential to ensuring business continuity and sustaining long-term organisational success. The Group continues to maintain a structured succession planning framework that identifies high-potential employees and prepares them to assume future leadership responsibilities.

Leadership development programmes incorporate mentoring, coaching, cross-functional exposure and structured management development initiatives that broaden employee capabilities while strengthening organisational resilience. Annual talent reviews support succession planning for key positions and help ensure that the Group maintains a strong pipeline of capable leaders who are equipped to drive future growth.



By investing in leadership development today, we are strengthening our ability to navigate future challenges while preserving the values, culture and expertise that have contributed to the Group's success.

Looking Ahead

As the Group continues to expand and respond to changing market conditions, investing in our people will remain a strategic priority. We will continue to strengthen employee capability, promote workplace wellbeing, enhance leadership development and foster an inclusive culture that encourages innovation, collaboration and continuous learning.

By building a highly engaged, skilled and future-ready workforce, Lankem Ceylon PLC remains well positioned to create sustainable value for its customers, shareholders, employees and the wider communities in which we operate.

Social and Relationship Capital



At Lankem Ceylon PLC, our social and relationship capital represents the network of trust we have cultivated with our customers, supply chain partners, local communities, and regulatory bodies. As a diversified conglomerate operating across Agri-Inputs, Paints and Industrial Chemicals, Consumer Goods, Pest Control, and Leisure, our ability to create sustainable enterprise value is closely linked to the strength, transparency, and resilience of these stakeholder relationships.

Cultivating Stakeholder Relationships

The Group maintains strong and enduring relationships with a highly diverse stakeholder base through proactive, sector-specific engagement strategies. Rather than adopting a one-size-fits-all approach, we tailor our interactions to the specific needs and expectations of each stakeholder group:

- Farmers and Agricultural Networks: We engage with farmers and agricultural communities through on-ground field trials, agricultural extension programmes, and continuous knowledge-sharing initiatives relating to crop protection and yield enhancement. Dedicated field teams, including Area Managers, Territory Sales Representatives, and Agriculture Field Officers, lead these local community outreach activities and training sessions.
- Industrial and Commercial Clients: Clients are supported by dedicated technical advisory teams that assist with specialised chemical formulations, pest management protocols, and industrial coatings, helping customers identify solutions suited to their operational requirements.
- Distributors and Retailers: Our distributors and retailers are supported through digitised sales force automation (SFA) tools and regular capability-building programmes, strengthening market connectivity and supporting seamless island-wide distribution of finished goods.
- Strategic Institutional Partners: To maximise project effectiveness and outreach, we collaborate with key institutional partners, including CropLife Sri Lanka, BASF, government schools, and various government bodies.

Strengthening Customer Trust and Loyalty

Customer trust in the Lankem brand is anchored in product safety, consistent quality, and reliable after-sales support. Across our sectors, we seek to build long-term customer relationships

by delivering solutions that respond effectively to customer needs while maintaining high standards of quality, safety, and service.

- Agri-Inputs: We do not merely supply agrochemicals and fertilisers; we provide integrated agronomic solutions supported by farmer education and technical guidance. By educating farmers on optimal application rates and safe handling, we support improved crop productivity, responsible product use, and stronger long-term relationships with farming communities. During the year, over 500 farmer training programmes were conducted island-wide at the regional level. These sessions focused on safe pesticide handling, precise application techniques, personal safety, and sustainable farming practices, with the aim of enhancing agricultural productivity while minimising environmental and safety risks.
- Paints & Consumer Goods: For flagship brands such as Robbialac, trust is built through rigorous research and development, with a focus on high durability, weather resistance, and adherence to evolving health standards, including low-VOC and lead-safe formulations.
- Pest Control & Leisure: Trust is strengthened through strict adherence to hygiene, safety, and service excellence, supporting consistently high service standards for commercial clients and hospitality guests.

Engaging Suppliers and Business Partners

Our supply chain partners are critical to the Group's operational continuity. Against a backdrop of evolving environmental regulations and changing market dynamics, the Group continues to strengthen its procurement approach by building longer-term, mutually beneficial relationships with key suppliers and business partners.

- Local SME Empowerment: We support the domestic economy by sourcing a significant proportion of our packaging materials from local Small and Medium Enterprises (SMEs), while encouraging suppliers to strengthen their capabilities to meet the Group's required industrial standards.
- Structured Evaluation: Upstream partners providing chemical active ingredients and resins are evaluated using a comprehensive PESTLE (Political, Economic, Social, Technological, Legal, and Environmental) framework, enabling the Group to assess relevant external risks and considerations within its supply chain.

Community Engagement and Value Creation

Our community investment strategy centres on promoting sustainable agriculture, uplifting rural farming communities, enhancing farmer capacity, advancing environmental stewardship, and supporting education and social inclusion. Through these initiatives, the Group seeks to create shared value by responding to community needs while strengthening the resilience of the communities connected to its operations.

- Disaster Relief and Livelihood Support: In response to the severe impact of Cyclone Ditwah on upcountry agriculture, targeted relief was extended to 50 severely affected vegetable farmers across Bandarawela, Nuwara Eliya, Ragala, Nildandahinna, and Kandy. To support crop recovery and the restoration of livelihoods, each farmer was provided with a tailored agricultural input package comprising essential insecticides, fungicides, and fertilisers, valued at approximately LKR 12,000 per farmer.
- Environmental Stewardship: In partnership with CropLife Sri Lanka and approved recycling partners, an island-wide empty container collection drive was conducted to promote the responsible management and disposal of pesticide containers. Dedicated collection bins were established across key farming regions, supported by awareness campaigns educating farmers on responsible container disposal. In addition, to mark World Environment Day, an island-wide tree-planting drive was carried out, alongside the distribution of coconut saplings to rural households, supporting environmental conservation, local food security, and biodiversity.
- Education and Social Wellbeing: We partnered with BASF to support rural education by donating essential school supplies, stationery, and bags to students at Dimbulagala Primary School. Additionally, we collaborated with the Thambuttegama Divisional Secretariat to sponsor a recognition and encouragement programme for national-level athletes with special needs, helping

promote social inclusion and recognise achievement within local communities.

- Rural Economic Integration: Facilities such as our SSP fertiliser plant in Oyamaduwa contribute to rural economic activity by providing direct employment, facilitating skills transfer, and supporting local infrastructure development.

Ethical Business Conduct and Long-Term Confidence

Our social licence to operate in highly regulated sectors, such as crop protection and industrial chemicals, relies on maintaining high standards of ethical conduct, regulatory compliance, and transparency.

- Compliance, Transparency, and Evaluation: The Group maintains compliance with applicable national environmental protocols, labour laws, and chemical registration standards. We are committed to transparent labelling and responsible marketing practices, helping ensure that end-users are fully informed of product compositions and safe usage guidelines. Programme effectiveness is evaluated through continuous field-level engagement and direct feedback collected by field officers from farmers, community leaders, trade partners, and local authorities. These insights enable the Group to assess programme relevance, understand stakeholder needs, and make appropriate operational improvements.
- Governance and Stakeholder Confidence: By integrating climate-related risk mapping and ESG metrics into Board Audit Committee oversight, the Group reinforces accountability and demonstrates its commitment to responsible and sustainable business practices. This governance framework supports long-term stakeholder confidence while strengthening the Group's ability to protect and create value over time.

Natural Capital



Preserving Natural Resources for Sustainable Value Creation

Natural capital forms the environmental foundation upon which Lankem Ceylon PLC creates long-term value. As one of Sri Lanka's most diversified manufacturing groups, the success of our operations is intrinsically linked to the responsible stewardship of natural resources, including energy, water, raw materials, ecosystems and biodiversity. Across our paints, agriculture, industrial chemicals, packaging, hospitality and service businesses, we recognise that sustainable growth depends on maintaining a careful balance between economic progress and environmental responsibility.

Our diversified portfolio creates both opportunities and responsibilities. From manufacturing advanced coatings and crop protection solutions to operating hotels within environmentally sensitive locations, our businesses rely on healthy ecosystems, climate stability and the responsible use of natural resources. We therefore integrate environmental stewardship into business planning, operational decision-making and long-term strategy, recognising that preserving natural capital is fundamental to strengthening resilience, supporting innovation and safeguarding value for future generations.

Our environmental strategy is underpinned by responsible resource management, climate resilience, pollution prevention and continuous improvement. Through investments in cleaner technologies, sustainable product innovation, operational efficiency and environmental governance, we continue to reduce our environmental footprint while enhancing the resilience of our operations in an increasingly resource-constrained world.

Understanding Our Environmental Dependencies

Operating across multiple industries means that Lankem's businesses depend on a broad range of natural resources and ecosystem services, each of which plays a critical role in supporting operational continuity and long-term value creation.

Within our agricultural businesses, productivity is closely linked to climatic stability. Predictable rainfall patterns, favourable temperatures and healthy soil conditions directly influence crop performance, planting cycles and demand for agricultural inputs. Increasing climate variability, including prolonged droughts, erratic rainfall and extreme weather events, has reinforced the importance of developing a range of climate-resilient agricultural solutions that support farmers across the two primary cultivation seasons and throughout the periods between them. This includes a comprehensive portfolio

of crop protection solutions, such as insecticides, herbicides, fungicides and other agricultural inputs, while enhancing the adaptability of our own operations. Water remains another essential natural resource across the Group. Our manufacturing facilities rely on high-quality water for formulation, processing and quality control, while our hospitality operations depend on reliable water resources to maintain guest services and landscape management. Recognising the increasing pressure on freshwater resources, the Group continues to strengthen water conservation initiatives while improving monitoring and resource efficiency across water-intensive operations.

The Group's manufacturing businesses also depend on a stable supply of specialised mineral resources, petrochemical derivatives and advanced raw materials, including pigments, solvents and chemical intermediates sourced through global supply chains. At the same time, our hospitality operations rely upon the continued health and attractiveness of Sri Lanka's natural landscapes, coastal environments and cultural heritage sites, reinforcing the importance of environmental conservation as an integral component of sustainable tourism.

Alongside these dependencies, we recognise the environmental impacts associated with our operations. Chemical manufacturing, coatings production and agrochemical formulation require careful management of emissions, wastewater and hazardous waste streams to minimise impacts on surrounding ecosystems. Similarly, the lifecycle impacts of crop protection products, packaging materials and chemical applications require continuous attention to product stewardship, responsible usage and circular resource management. Understanding these dependencies and impacts enables the Group to proactively strengthen environmental performance while enhancing operational resilience.

Driving Resource Efficiency

Efficient resource management remains central to Lankem's environmental strategy. Across the Group, we continue to invest in technologies, operational improvements and management systems that optimise the use of energy, water and raw materials while reducing waste generation and greenhouse gas emissions.

Energy efficiency initiatives remain a key focus across our manufacturing operations. Capital investments continue to prioritise energy-efficient production equipment, high-efficiency motors, LED lighting systems and modern process technologies that reduce energy consumption without compromising operational performance. At the same time, the Group is progressively evaluating opportunities to expand rooftop solar photovoltaic installations across its manufacturing facilities as part of its long-term transition towards cleaner and more resilient energy sources.

Our logistics network also contributes to environmental performance through ongoing route optimisation and efficient distribution planning. By continuously reviewing transportation routes and improving vehicle utilisation, the Group seeks to reduce fuel consumption, minimise transport-related emissions and improve overall supply chain efficiency.

Responsible water management continues to be strengthened through investments in process controls, monitoring systems and wastewater treatment infrastructure. Advanced effluent treatment plants (ETPs) operate at key paint and chemical manufacturing facilities, ensuring that industrial wastewater is treated and discharged in full compliance with Central Environmental Authority (CEA) requirements. Water audits are also being progressively implemented across water-intensive operations to identify further opportunities for conservation and improved resource efficiency.

Waste management is approached through the principles of reduction, reuse, recovery and responsible disposal. Hazardous waste generated through manufacturing operations, including paint sludge, spent solvents and contaminated production waste, is diverted away from conventional landfill disposal through certified co-processing solutions such as cement kiln destruction, ensuring environmentally responsible treatment with no long-term landfill legacy.

Circularity also continues to be integrated into selected operations through initiatives such as the reuse of paint containers for automotive customers, reducing packaging waste while supporting more efficient material utilisation. Within the Group's hospitality businesses, organic waste is carefully segregated and redirected for composting or animal feed, creating value from waste while supporting sustainable landscaping and reducing disposal volumes.

Greenhouse gas management is receiving increasing strategic attention as the Group strengthens its preparedness for climate-related reporting. Scope 1 and Scope 2 emissions have been mapped across the Group in preparation for reporting

under the Sri Lanka Sustainability Disclosure Standards (SLFRS S2), while individual business units are establishing emissions baselines that will support future target setting and performance measurement. Procurement strategies also continue to promote local sourcing where commercially feasible, reducing transportation distances and contributing to lower value chain emissions.

Through these initiatives, Lankem continues to strengthen resource efficiency while embedding environmental responsibility into day-to-day operations. These improvements not only reduce environmental impacts but also enhance operational resilience, improve cost efficiency and support the Group's broader sustainability ambitions.

Environmental Stewardship Through Innovation

At Lankem, environmental stewardship extends beyond compliance and operational efficiency to encompass product innovation, customer education and responsible value chain management. We believe that sustainable innovation plays a critical role in addressing emerging environmental challenges while creating long-term value for customers and society.

Within the Paints business, research and development efforts continue to focus on developing environmentally responsible coating technologies that deliver high performance while reducing environmental impact. One such innovation is Robbialac CARBANO, a flagship environmentally friendly paint range designed to minimise volatile organic compound (VOC) emissions through the use of advanced, eco-friendly components. By combining product performance with lower environmental impact, the range reflects the Group's commitment to advancing green chemistry and supporting healthier living environments.

Innovation within the Agricultural business is equally focused on promoting sustainable farming practices and strengthening climate resilience. The Group continues to expand its portfolio of bio-rational crop protection products, plant nutrients and environmentally responsible agricultural solutions that improve crop productivity while minimising adverse environmental impacts. Research and product development also support the introduction of climate-resilient seed varieties capable of delivering improved yields under increasingly variable climatic conditions.

Recognising that environmental performance extends beyond product design, Lankem actively promotes responsible product stewardship throughout its value chain. Through continuous farmer education programmes, technical field demonstrations and agronomic advisory services, the Group encourages balanced fertiliser application, responsible agrochemical usage and precision farming techniques that optimise crop productivity while reducing soil degradation, water contamination and unnecessary chemical application.

Environmental stewardship also extends into the communities in which we operate. The Group continues to contribute towards the preservation of Sri Lanka's cultural heritage by supporting the restoration and protective painting of significant historical and religious landmarks using premium coating systems specifically designed to withstand environmental weathering. These initiatives reflect our commitment to preserving both natural and cultural capital for future generations.

By integrating innovation, education and responsible product stewardship into our environmental strategy, we continue to strengthen the positive contribution our products and services make throughout their lifecycle while supporting broader national sustainability objectives.

Embedding Environmental Risk into Decision-Making

Environmental considerations are integrated into Lankem's governance and decision-making processes, ensuring that natural capital risks and opportunities are systematically evaluated alongside financial and operational considerations.

The Group's Enterprise Risk Management (ERM) framework incorporates a broad range of environmental and climate-related risks, including evolving regulatory requirements, climate variability, water availability, pollution prevention and resource security. These risks are regularly reviewed by executive management and receive oversight from the Board through established governance structures, enabling proactive risk mitigation and informed strategic decision-making.

Environmental considerations are also embedded into major capital investment decisions. Significant infrastructure projects undergo structured pre-investment assessments that evaluate environmental impacts, natural resource dependencies, effluent management requirements and long-term sustainability

implications alongside financial returns. This integrated approach ensures that capital investments contribute to sustainable growth while supporting responsible environmental management.

Digital transformation further strengthens environmental risk management by providing greater operational visibility across the Group.

Compliance remains fundamental to our environmental management approach. Manufacturing facilities operate under rigorous internal compliance programmes aligned with Environmental Protection Licence (EPL) requirements, ISO management systems and applicable regulatory obligations. Regular environmental monitoring, emissions testing, waste audits and effluent quality assessments are embedded within day-to-day operations, ensuring that environmental performance remains subject to continuous review and improvement.

Through this integrated approach, environmental stewardship becomes an essential component of corporate governance, strengthening resilience while supporting sustainable value creation across the Group.

Looking Ahead

As climate change, resource scarcity and stakeholder expectations continue to reshape the business landscape, Lankem remains committed to strengthening the resilience of its operations while creating long-term value through responsible environmental stewardship.

One of the Group's strategic priorities is the continued enhancement of its environmental data management capabilities in preparation for comprehensive reporting under the Sri Lanka Sustainability Disclosure Standards (SLFRS S1 and SLFRS S2). By strengthening internal ESG data collection systems and improving climate-related disclosures, the Group is positioning itself to meet emerging regulatory requirements while enhancing transparency for investors and other stakeholders.

Decarbonisation will remain another important area of focus. The Group will continue investing in renewable energy solutions, improving manufacturing energy efficiency and progressively reducing reliance on conventional fossil fuel-based energy sources. At the same time, further opportunities will be explored to expand rooftop solar installations and integrate low-carbon technologies across manufacturing operations.

Lankem also remains committed to advancing green chemistry and environmentally responsible product innovation. Future research and development activities will continue to focus on expanding environmentally friendly coating technologies, low-emission formulations and sustainable agricultural solutions that support food security, soil conservation and climate resilience.

Resource circularity will continue to guide operational improvements across the Group. By strengthening waste recovery initiatives, improving resource efficiency and expanding responsible reuse practices, Lankem aims to further minimise environmental impacts while supporting long-term operational sustainability.

Creating Sustainable Value Through Natural Capital

Natural capital is fundamental to Lankem Ceylon PLC's long-term success. The responsible stewardship of natural resources not only supports operational continuity but also strengthens resilience, enhances competitiveness and creates sustainable value for all stakeholders.

Through continued investment in cleaner technologies, environmental innovation, responsible resource management and climate resilience, the Group is building a more sustainable business capable of responding to evolving environmental challenges while supporting national economic development.

As we continue our sustainability journey, our commitment remains clear: to protect and enhance the natural resources upon which our business depends, minimise our environmental footprint and contribute meaningfully to a more resilient, resource-efficient and sustainable future for Sri Lanka.

OPERATIONAL & FINANCIAL PERFORMANCE



Management Discussion & Analysis

Global Economy

The global economy demonstrated resilience during 2025 despite continuing geopolitical uncertainty, persistent trade tensions and uneven regional growth. According to the International Monetary Fund, global economic growth remained steady at approximately 3.0%, supported by moderating inflation, easing monetary policy across several advanced economies and continued expansion in major emerging markets. While growth remained below historical averages, the gradual stabilisation of inflationary pressures and improvements in global supply chains created a more predictable operating environment for international trade and manufacturing.

Inflation continued its downward trajectory during the year as central banks maintained prudent monetary policies and commodity prices stabilised following the significant volatility experienced over recent years. Falling energy prices, improved logistics networks and easing supply chain bottlenecks contributed to lower production costs across many manufacturing sectors. As inflationary pressures moderated, several central banks, including the European Central Bank and the Bank of England, initiated gradual monetary easing, improving financial market confidence and supporting investment activity.

Global manufacturing activity showed signs of recovery during the latter part of the year, although performance varied considerably across regions. Demand for industrial products remained subdued in some advanced economies due to slower construction activity and cautious consumer spending, while infrastructure investments and industrial expansion across parts of Asia continued to support demand for chemicals, coatings and industrial materials. International trade volumes improved modestly as shipping capacity normalised and freight rates remained significantly below the elevated levels experienced during the post-pandemic recovery period.

The agricultural sector continued to face increasing climate-related challenges. Extreme weather events, including prolonged droughts, floods and tropical storms, affected agricultural production across several regions, disrupting crop yields and influencing global demand for fertilisers, crop protection products and climate-resilient agricultural technologies. These developments reinforced the importance of sustainable farming practices, efficient resource utilisation and innovations that enhance agricultural productivity while improving resilience to changing climatic conditions.

The global chemicals industry also experienced a mixed operating environment. While lower raw material prices and improved supply chain reliability supported manufacturing activity, heightened competition, pricing pressures and evolving environmental regulations continued to reshape industry dynamics. Increasing emphasis on green chemistry, lower-carbon manufacturing processes and environmentally responsible product development accelerated investment in research, innovation and sustainable production technologies.

Tourism continued its recovery during 2025, supported by the easing of travel restrictions, improving consumer confidence and increased international mobility. According to the UN Tourism, international tourist arrivals approached or exceeded pre-pandemic levels in many regions, creating positive momentum for hospitality operators and tourism-dependent economies. Nevertheless, geopolitical conflicts and regional security concerns periodically affected travel demand and booking patterns in selected destinations.

Global sustainability expectations continued to evolve rapidly throughout the year. Investors, regulators and customers increasingly demanded greater transparency regarding environmental, social and governance (ESG) performance, climate-related risks and corporate sustainability strategies. The implementation of sustainability reporting standards, including the International Sustainability Standards Board standards, encouraged organisations worldwide to strengthen ESG governance, improve data quality and integrate sustainability more closely into strategic decision-making.

Against this backdrop, businesses continued to focus on enhancing operational resilience through supply chain diversification, digital transformation, investment in local manufacturing capabilities and responsible resource management. For diversified manufacturing groups such as Lankem, these global developments underscored the importance of maintaining operational agility, strengthening local production, investing in innovation and embedding sustainability into long-term business strategy.

Sources

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- World Bank, Global Economic Prospects, June 2025.
- OECD, Economic Outlook, 2025.
- UN Tourism (UNWTO), World Tourism Barometer, 2025.
- International Energy Agency (IEA), World Energy Outlook, 2025.

Sri Lankan Economy

Sri Lanka's economy continued its recovery during 2025, marking a second consecutive year of positive economic growth following the unprecedented economic crisis of 2022. Supported by prudent macroeconomic management, continued implementation of structural reforms under the IMF Extended Fund Facility (EFF), easing inflationary pressures and improved business confidence, the country demonstrated increasing economic resilience despite ongoing external uncertainties.

According to the Central Bank of Sri Lanka, real Gross Domestic Product (GDP) expanded by an estimated 5.0% during 2025, reflecting broad-based growth across the industry, services and agriculture sectors. This sustained recovery was driven by improved domestic demand, increased private sector activity, stronger tourism performance and a gradual revival in manufacturing and construction. While economic activity moderated from the rapid rebound experienced immediately after the crisis, growth remained well above regional expectations, signalling improving macroeconomic stability.

A significant achievement during the year was the continued moderation of inflation. Following the sharp inflationary pressures experienced in previous years, monetary policy, exchange rate stability and easing global commodity prices contributed to a stable price environment. Lower inflation improved household purchasing power, supported consumer confidence and enabled businesses to operate under more predictable cost conditions. The gradual normalisation of inflation also created space for a more accommodative monetary environment, supporting private investment and economic expansion.

The banking and financial sectors continued to stabilise during the year as confidence gradually returned to financial markets. Lower market interest rates, improved banking sector liquidity and strengthening credit conditions encouraged increased lending to productive sectors of the economy, particularly manufacturing, construction, tourism and agriculture. Continued fiscal consolidation and disciplined monetary management further reinforced investor confidence while supporting macroeconomic stability.

The successful implementation of reforms under the IMF programme remained a key contributor to Sri Lanka's economic recovery. Continued progress in fiscal reforms, revenue mobilisation, debt restructuring and governance improvements strengthened the country's macroeconomic fundamentals and restored confidence among international development partners and investors. These reforms have played a critical role in stabilising the economy while laying the foundation for sustainable long-term growth.

The industrial sector demonstrated encouraging growth during the year, supported by the gradual recovery of manufacturing, construction and utilities. Improved availability of imported raw materials, easing supply chain constraints and greater foreign exchange stability enabled manufacturers to increase production while responding more effectively to improving domestic demand. Investment in local manufacturing capacity continued to gain momentum as businesses sought to strengthen supply chain resilience and reduce dependence on imported finished goods.

Agriculture also recorded positive performance despite continuing weather-related challenges. Favourable government support programmes, improved availability of agricultural inputs and increasing adoption of modern farming practices contributed to higher production across several crop categories. Nevertheless, climate variability remained an important risk, reinforcing the need for greater investment in climate-resilient agriculture, efficient irrigation systems and sustainable farming technologies.

The services sector remained the largest contributor to economic growth, benefiting from strong performances in tourism, financial services, telecommunications, transportation and wholesale and retail trade. Continued digitalisation across both the public and private sectors improved service delivery while supporting productivity gains across multiple industries.

Business confidence improved steadily throughout the year as macroeconomic conditions became more stable and investor sentiment strengthened. Increased foreign exchange availability,

improved exchange rate stability and greater policy predictability created a more favourable environment for business planning and capital investment. Manufacturers were able to resume expansion plans that had been deferred during the economic crisis, while renewed investment in productive sectors supported employment generation and economic activity.

For diversified manufacturing groups such as Lankem, the improving economic environment created opportunities across several business segments. Stronger consumer confidence supported demand for decorative paints and consumer products, while the recovery of agricultural activity contributed to increased demand for crop protection products, fertilisers and seed technologies. At the same time, improved tourism performance created favourable conditions for the Group's hospitality operations, while increased industrial activity supported demand for industrial chemicals and specialised coatings.

Despite these positive developments, several structural challenges remain. Global geopolitical uncertainty, climate-related risks, fluctuations in international commodity prices and the need to sustain fiscal discipline continue to influence Sri Lanka's economic outlook. Nevertheless, the significant progress achieved during the year demonstrates the resilience of the Sri Lankan economy and provides a stronger platform for sustainable growth over the medium to long term.

Looking ahead, continued implementation of economic reforms, increased investment in export-oriented industries, infrastructure development, digital transformation and sustainable manufacturing will remain essential to maintaining growth momentum. As businesses increasingly integrate sustainability, innovation and operational efficiency into their strategies, Sri Lanka is well positioned to build upon the progress achieved and strengthen its competitiveness within the regional economy.

Sources

- Central Bank of Sri Lanka – Annual Economic Review 2025
- International Monetary Fund – Sri Lanka Country Updates
- Asian Development Bank – Asian Development Outlook 2026
- World Bank – Sri Lanka Development Update 2025

External Sector Review

Sri Lanka's external sector demonstrated remarkable resilience during 2025, supported by continued macroeconomic reforms, improved foreign exchange inflows and strengthening external balances. The restoration of economic stability, together with prudent monetary and fiscal policies, contributed to greater confidence among international investors, exporters and development partners, while providing a more stable operating environment for businesses dependent on international trade.

One of the most notable developments during the year was the continued strengthening of the country's external reserves. Supported by inflows from tourism, worker remittances, multilateral funding and prudent foreign exchange management, Sri Lanka's gross official reserves improved steadily, enhancing the country's ability to meet external obligations and maintain exchange rate stability. The improvement in reserve adequacy also strengthened business confidence by facilitating the importation of essential raw materials, machinery and production inputs required by the manufacturing sector.

The Sri Lankan rupee remained relatively stable throughout much of the financial year following the significant volatility experienced during the economic crisis. Improved foreign currency liquidity reduced exchange rate uncertainty for import-dependent industries while enabling businesses to undertake longer-term procurement planning with greater confidence. For Lankem, whose operations rely on the importation of specialised chemical raw materials, pigments, solvents, packaging materials and selected agricultural inputs, greater exchange rate stability contributed to more predictable procurement costs and improved supply chain planning.

Export performance remained broadly resilient despite subdued demand in several key global markets. Earnings from merchandise exports were supported by traditional export industries including apparel, tea, rubber-based products and industrial manufacturing, although slower growth in certain advanced economies continued to moderate external demand. Export diversification and improved value addition remained important national priorities as Sri Lanka sought to strengthen its competitiveness within regional and international markets.

Import activity increased moderately during the year as economic conditions improved and restrictions introduced during the economic crisis were progressively relaxed. Increased imports of industrial machinery, manufacturing inputs and intermediate goods reflected the gradual recovery of

domestic production and investment activity. While higher import volumes placed some pressure on the trade balance, the availability of production inputs enabled manufacturers to improve capacity utilisation and respond more effectively to recovering domestic demand.

Tourism remained one of the strongest contributors to the country's external sector recovery. International visitor arrivals continued to increase throughout the year, supported by improved global travel demand, enhanced destination marketing and growing confidence in Sri Lanka as a safe and attractive tourist destination. Tourism earnings strengthened significantly, providing an important source of foreign exchange while stimulating activity across hotels, transportation, retail trade and related service industries. The continued recovery of the tourism sector created favourable operating conditions for the Group's hospitality businesses, contributing to higher occupancy levels and improved visitor spending.

Worker remittances continued to provide a stable source of foreign exchange inflows during the year, supported by formal remittance channels and improving confidence in the domestic financial system. These inflows strengthened household purchasing power while contributing to improved foreign exchange liquidity and overall macroeconomic stability.

Foreign direct investment (FDI) also showed encouraging signs of recovery as improving economic fundamentals, progress under the IMF-supported reform programme and enhanced policy stability contributed to renewed investor interest. Investment activity remained focused on manufacturing, renewable energy, tourism, logistics and export-oriented industries, reflecting growing confidence in Sri Lanka's medium-term economic prospects.

The gradual normalisation of international shipping and logistics networks further supported external trade during the year. Freight rates remained considerably lower than the elevated levels experienced during the immediate post-pandemic period, while improved shipping reliability reduced supply chain disruptions and shortened procurement lead times. These developments were particularly beneficial for manufacturers reliant on imported raw materials and specialised production inputs.

Notwithstanding these positive developments, the external operating environment continued to present several challenges. Geopolitical tensions, evolving trade policies, fluctuations in international commodity prices and climate-related disruptions continued to influence global trade flows and supply chain dynamics. These factors reinforced the importance of maintaining diversified sourcing strategies, strengthening local manufacturing capabilities and improving operational agility.

For Lankem, the improving external environment created opportunities across several of its business segments. Greater foreign exchange stability facilitated the procurement of essential raw materials, while recovering tourism supported the hospitality sector and improved access to imported manufacturing inputs strengthened production continuity across the Paints, Industrial Chemicals and Agricultural businesses. At the same time, the Group's continued investment in local manufacturing capabilities—including the commissioning of the Single Super Phosphate (SSP) manufacturing facility—further reduced dependence on imported finished products while supporting national import substitution initiatives.

Looking ahead, Sri Lanka's external sector is expected to benefit from continued macroeconomic reforms, stronger export competitiveness, growing tourism receipts and increased foreign investment. However, sustained progress will depend on maintaining policy consistency, strengthening export diversification, enhancing productivity and successfully navigating an increasingly uncertain global trading environment. Lankem remains well positioned to respond to these evolving conditions through its diversified business model, strong local manufacturing base and continued investment in innovation, operational excellence and sustainable growth.

Segment Performance

The financial year 2025/26 marked another year of steady progress for Lankem Ceylon PLC as the Group continued to navigate an improving but still evolving economic environment. Building on the recovery experienced during the previous year, the Group remained focused on strengthening operational resilience, expanding local manufacturing capabilities and positioning its businesses for sustainable long-term growth. Despite challenges arising from changing weather patterns, competitive market conditions, supply chain constraints and evolving regulatory requirements, the Group's diversified business portfolio enabled it to capitalise on opportunities across multiple sectors while mitigating the impact of volatility within individual markets.

Throughout the year, management maintained a disciplined approach to operational excellence, balancing revenue growth with prudent cost management, strategic capital investment and continued investment in innovation. Particular emphasis was placed on strengthening manufacturing capabilities, improving supply chain efficiency, accelerating digital transformation and embedding sustainability into business decision-making. These initiatives not only enhanced operational performance but also positioned the Group to respond more effectively to changing customer requirements and emerging market opportunities.

One of the most significant strategic developments during the year was the continued shift towards local manufacturing and value addition. The commissioning of the Single Super Phosphate (SSP) manufacturing facility under Lankem Minerals Limited represents a landmark investment in Sri Lanka's agricultural sector, strengthening the Group's fertiliser portfolio while supporting national import substitution initiatives. Beyond its commercial significance, the investment reinforces the Group's long-term strategy of reducing dependence on imported finished products, improving supply chain resilience and supporting the Country's food security objectives.

The Paints business continued to benefit from improving activity in the construction and housing sectors during the latter part of the financial year. Increased sales volumes, expansion of retail channels and continued investment in digital customer engagement contributed to improved market positioning despite challenging market conditions. At the same time, internationally recognised product certifications and continued innovation further strengthened the brand's competitive advantage within both decorative and industrial coatings markets.

Within the Agricultural sector, the Group maintained its position as a trusted provider of crop protection products, fertilisers and agricultural solutions despite weather-related disruptions, pricing pressures and supply challenges experienced during the year. Continued investment in specialty products, farmer education programmes, precision agriculture initiatives and sustainable farming solutions enabled the Group to maintain strong customer relationships while preparing for future growth. The agricultural businesses also continued to expand their focus on environmentally responsible farming practices through climate-resilient products, farmer training programmes and responsible agrochemical stewardship initiatives.

The Pest Control Division delivered another year of strong operational performance, recording continued growth while reinforcing its market position. The Division also expanded its presence across both residential and commercial markets while maintaining one of the industry's largest teams of certified technical professionals.

The Group's Hospitality businesses benefited from the continued recovery of Sri Lanka's tourism industry, with international visitor arrivals increasing throughout the year. High occupancy levels across several properties, improved market diversification and stronger domestic corporate demand contributed positively to operational performance despite temporary disruptions arising from geopolitical developments and regional travel uncertainties. Continued investment in international marketing, customer experience and diversified source markets strengthened the resilience of the hospitality portfolio.

Across the Group, digital transformation remained an important enabler of business performance. Operational systems such as Sales Force Automation, enhanced ERP capabilities and digital customer engagement platforms improved operational visibility, supported better decision-making and strengthened customer service across multiple business units. These initiatives were complemented by enhanced ESG data management systems introduced during the year, enabling more accurate measurement of environmental performance while preparing the Group for compliance with the emerging Sri Lanka Sustainability Disclosure Standards (SLFRS S1 and S2).

Sustainability continued to be integrated into the Group's strategic direction throughout the year. Significant progress was made in strengthening ESG governance through the establishment of formal Board oversight, Executive ESG Committees and factory-level ESG steering committees. Simultaneously, the Group commenced comprehensive baseline assessments covering greenhouse gas emissions, energy consumption, water use and environmental performance, providing the foundation for future climate-related disclosures and measurable sustainability targets.

Looking ahead, Lankem remains well positioned to build upon the momentum achieved during FY2025/26. Continued investment in manufacturing capacity, sustainable product innovation, digital transformation and operational excellence, combined with improving macroeconomic conditions, provides a strong platform for future growth. While global economic uncertainty, climate variability and competitive market dynamics will continue to present challenges, the Group's diversified business model, strong brands, technical expertise and commitment to sustainability provide confidence in its ability to create long-term value for shareholders and other stakeholders.

Paints Division

Sector Performance

The Sri Lankan paints industry demonstrated a gradual recovery during the financial year 2025/26 as improving macroeconomic conditions, easing inflation and renewed construction activity supported a gradual increase in demand. While the operating environment remained competitive, improved consumer confidence, greater availability of financing and the progressive recovery of the construction and real estate sectors contributed positively to market performance during the latter part of the year.

Demand from the decorative paints segment strengthened as residential construction projects resumed and homeowners increasingly invested in renovation and refurbishment activities. The gradual decline in interest rates and improved access to financing encouraged both private housing developments and commercial construction projects, creating renewed opportunities for manufacturers of decorative and protective coatings.

The industrial coatings market also showed encouraging signs of recovery. Increased activity in manufacturing, infrastructure development and engineering projects generated stronger demand for specialised coatings, corrosion protection systems and industrial finishing solutions. However, pricing remained highly competitive as manufacturers sought to rebuild market share while managing fluctuations in imported raw material costs and changing exchange rate dynamics.

Environmental sustainability continued to reshape the paints industry during the year. Growing consumer awareness, together with increasing regulatory attention towards environmentally responsible manufacturing, accelerated demand for low-VOC products, sustainable packaging solutions and coatings with reduced environmental impacts. Manufacturers continued investing in product innovation, green chemistry and internationally recognised environmental certifications to strengthen market differentiation and support evolving customer preferences.

Digital transformation also continued to influence the competitive landscape. E-commerce platforms, online colour selection tools, digital dealer networks and enhanced customer engagement channels became increasingly important in strengthening customer relationships and improving market accessibility.



Against this backdrop, Lankem Robbialac continued to leverage its strong brand reputation, extensive distribution network, technical expertise and commitment to innovation to strengthen its market position while responding proactively to changing customer expectations.

Segment Performance

Performance During the Year

The Paints Division delivered a strong recovery in FY2025/26 despite operating in a market characterised by fluctuating consumer confidence, changing weather patterns and intense competitive pressures. Although the anticipated recovery in construction activity was slower than expected during the first half of the financial year, market conditions improved progressively during the latter months, enabling the Division to capitalise on strengthening demand across the decorative, automotive and industrial coatings segments.

Revenue increased by 24.6% to Rs. 4.21 billion, compared with Rs. 3.38 billion in the previous year, broadly reflecting the 25% increase in sales volumes achieved during the year. This performance was supported by the gradual recovery of the housing and construction sectors, strengthened retail distribution, improved dealer engagement and focused market development initiatives, while reinforcing the resilience and market position of the Robbialac brand.

Improved volumes and operational efficiencies also contributed to a significant strengthening of profitability. Gross profit increased by 43.4% to Rs. 1.33 billion, from Rs. 929.7 million in FY2024/25, while the gross profit margin improved to approximately 31.7% from 27.5%. More significantly, the Division recorded an EBIT of Rs. 51.4 million, representing a notable turnaround from the EBIT loss of Rs. 123.4 million recorded in the previous year.

While financing and other below-operating-line costs continued to weigh on overall profitability, the loss before tax narrowed substantially to Rs. 121.4 million, compared with a loss of Rs. 345.7 million in FY2024/25, reflecting an improvement of approximately Rs. 224.3 million.

Unseasonal rainfall affected paint consumption during several key selling periods; however, the Division responded proactively through dynamic pricing, enhanced dealer engagement and targeted sales initiatives. Combined with stronger brand equity, disciplined cost management and operational agility, these measures enabled the Division to strengthen its financial performance and position itself favourably to benefit from the continued recovery of the construction and industrial sectors.

Operational Highlights

Innovation remained central to the Division's competitive strategy throughout the year.

Strengthening its sustainability-focused portfolio, the Division introduced additional Green Label-certified emulsion products, expanding customer access to environmentally responsible coating solutions while supporting increasing market demand for sustainable building materials. These product innovations align closely with the Group's broader sustainability strategy and reinforce its commitment to green chemistry and responsible manufacturing.

The Division also strengthened its industrial coatings portfolio through the achievement of internationally recognised ISO 12944-5:2019 and ISO 12944-6:2018 certifications relating to corrosion protection systems. These certifications further enhance Robbialac's technical credibility while strengthening its competitive position within industrial, infrastructure and protective coating markets.

Further strengthening its presence in the industrial coatings segment, Lankem Ceylon PLC continued to develop its partnership with Axalta Coating Systems, building on the introduction of Axalta's globally recognised automotive coating products to the Sri Lankan market. Through this partnership, Lankem expanded its access to a portfolio of high-performance industrial liquid, marine and powder coatings designed to improve durability, extend asset life and reduce maintenance requirements across sectors including infrastructure, energy, agriculture, heavy equipment, rail and steel structures. The coatings are particularly relevant to Sri Lanka's demanding environmental conditions, where high humidity, coastal exposure and industrial operating environments can accelerate corrosion. Certain solutions can also be applied directly onto suitably prepared, firmly adherent rust, helping to reduce extensive surface preparation and minimise operational downtime during maintenance activities. This partnership further broadens the Division's access to globally proven coating technologies and strengthens its ability to provide technically advanced, durable and cost-effective solutions to industrial and infrastructure customers.



Retail expansion remained another key priority during the year. The Division successfully increased product visibility through expanded shelf space across hardware outlets and strengthened dealer partnerships throughout the country. These initiatives improved customer accessibility while supporting growth across the decorative paints segment. Simultaneously, the gradual revival of industrial and commercial construction activity generated increased demand within the industrial coatings business, particularly through the Supply and Apply segment.

The continued success of the Robbialac Paint Masters Programme further strengthened customer engagement by providing professional painting solutions for residential and commercial customers. By combining high-quality products with professional application services, the programme enhanced customer satisfaction while creating additional opportunities to expand market share.

Digital Transformation

Digital innovation continued to strengthen operational performance across the Division.

During the year, Robbialac significantly expanded its digital sales channels through enhancements to its e-commerce platform and dealer support systems. Customers benefited from improved online purchasing options, including 24-hour delivery services, call-and-order facilities and attractive card payment promotions, improving convenience while supporting changing purchasing behaviours.

Operational efficiency was further enhanced through the implementation of a centralised Customer Relationship Management (CRM) system and the digitisation of dealer ordering processes. These initiatives improved order processing efficiency, strengthened customer service and provided greater visibility into customer requirements across the distribution network.

The Division also introduced AI-assisted customer feedback mechanisms, enabling more sophisticated analysis of customer preferences and purchasing behaviour. These insights support more informed product development, targeted marketing initiatives and continuous improvement of customer experience.

Sustainability and Stakeholder Engagement

Sustainability remained firmly embedded within the Division's operations throughout the year.

Beyond the development of environmentally responsible products, the Division continued investing in initiatives that create value for customers, applicators and communities.

Recognising the important role played by professional painters, the Division launched a comprehensive insurance programme through the Robbialac Painters Club, providing accidental insurance coverage of up to Rs. 1 million for registered painters. This initiative demonstrates the Company's commitment to supporting the wellbeing and financial security of one of its most important stakeholder groups.

Community engagement also remained an important priority. During the year, the Company organised the Children's Day Bithi Sithuwam Programme, encouraging children to express their creativity through artistic wall painting. The initiative transformed community spaces while strengthening the emotional connection between the Robbialac brand and Sri Lankan families.

These initiatives reflect the Division's broader philosophy of creating shared value through innovation, environmental responsibility and meaningful stakeholder engagement.



Challenges

Despite its commendable performance, the Division continued to face several operational challenges during the year.

Market recovery remained slower than anticipated during the first half of the financial year as consumer confidence and construction activity recovered gradually. Intense competition across both premium and value segments placed continued pressure on pricing strategies, while fluctuations in imported raw material costs required careful procurement and inventory management.

Unseasonal rainfall during several key selling months also affected demand for decorative paints, delaying repainting projects and reducing short-term sales opportunities. At the same time, the industry continued to experience changing customer expectations regarding sustainability, product performance and digital engagement, requiring continued

investment in innovation and customer experience.

Nevertheless, the Division successfully mitigated many of these challenges through operational discipline, strengthened dealer relationships, diversified product offerings and continued investment in digital capabilities.

Future Outlook

Looking ahead, the Paints Division remains well positioned to capitalise on Sri Lanka's continuing economic recovery and the anticipated growth in construction, infrastructure and residential development.

The Division will continue expanding its portfolio of environmentally responsible coating solutions while strengthening its leadership in green chemistry, sustainable packaging and low-carbon product innovation. Additional investments in research and development, product quality and internationally recognised certifications will further enhance the Division's competitive advantage across both decorative and industrial markets.

Digital transformation will remain a strategic priority, with continued investment in e-commerce capabilities, customer engagement platforms, CRM systems and data-driven decision-making tools designed to improve operational efficiency and customer experience.

The Division also intends to strengthen its market presence through expanded dealer networks, enhanced professional applicator programmes and continued investment in stakeholder development initiatives.

Supported by the strength of the Robbialac brand, its culture of innovation, robust manufacturing capabilities and commitment to sustainability, the Paints Division is well positioned to sustain profitable growth while continuing to deliver high-quality, environmentally responsible coating solutions that meet the evolving needs of customers across Sri Lanka.

Agro Division

Sector Performance

The agricultural sector continued to play a pivotal role in Sri Lanka's economic recovery during FY2025/26, contributing significantly to national food security, employment generation and rural livelihoods. Improved macroeconomic stability, greater availability of agricultural inputs and continued Government support created a more favourable operating environment compared to recent years. However, the Sector remained exposed to increasing climate variability, evolving pest and disease pressures, fluctuating commodity prices and changing regulatory requirements, reinforcing the need for more resilient and sustainable farming practices.

Demand for high-quality crop protection products, plant nutrition solutions and certified seed varieties remained relatively strong as farmers sought to improve productivity while managing increasing production costs. The gradual recovery of the economy also supported improved purchasing power within the agricultural community, although affordability remained an important consideration, particularly among smallholder farmers.



Climate change continued to reshape agricultural production across the country. Unpredictable rainfall patterns, prolonged dry spells and localised flooding affected cultivation cycles and crop yields across several regions, increasing demand for climate-resilient technologies and integrated crop management solutions. These developments further highlighted the importance of scientific farming practices, balanced plant nutrition and environmentally responsible crop protection strategies.

Against this backdrop, Lankem's Agricultural Division continued to strengthen its position as one of Sri Lanka's leading providers of integrated agricultural solutions. By combining advanced crop protection technologies, fertilisers, seed innovations and technical advisory services, the Division remained focused on supporting higher agricultural productivity while promoting sustainable farming practices and long-term food security.

Performance During the Year

The Agricultural Division demonstrated resilience during FY2025/26 despite operating within a market influenced by changing weather conditions, evolving cultivation patterns and competitive market dynamics. Leveraging its diversified product portfolio, strong technical expertise and extensive island-wide distribution

network, the Division continued to support Sri Lankan farmers through comprehensive agricultural solutions tailored to local growing conditions.

During the year, the Division recorded revenue of Rs. 2.89 billion, representing an increase of approximately 8.0% from Rs. 2.68 billion in FY2024/25. The improvement in revenue reflected the continued strength of the Division's established crop protection, fertiliser and seed businesses, supported by its broad distribution reach and sustained engagement with farming communities across the country.

Profitability, however, remained under pressure during the year. Gross profit amounted to Rs. 656.3 million, compared with Rs. 812.7 million in the previous year, while the gross profit margin moderated to approximately 22.7% from 30.3%. EBIT stood at Rs. 102.3 million, compared with Rs. 258.1 million in FY2024/25. At the pre-tax level, the Division recorded a loss of Rs. 120.8 million, compared with a profit before tax of Rs. 113.5 million in the preceding year. Against this backdrop, management continued to focus on strengthening operational efficiencies, optimising the product portfolio and positioning the business for improved profitability over the medium term.

A major strategic milestone during the year was the successful commissioning of Lankem Minerals Limited's Single Super Phosphate (SSP) manufacturing facility at Oyamaduwa, Anuradhapura. Representing a significant investment, the facility commenced commercial operations towards the end of the financial year and represents one of the Group's most significant recent investments. The facility substantially strengthens the Group's domestic manufacturing capabilities while supporting Sri Lanka's broader objective of reducing dependence on imported fertilisers.



The introduction of locally manufactured SSP represents an important strategic advancement for both the Group and Sri Lanka's agricultural sector. By improving the domestic availability of phosphorus-based fertiliser, the initiative is expected to support soil nutrition and sustainable crop production while providing farmers with a locally manufactured alternative and contributing towards national food security and reduced foreign exchange outflows associated with fertiliser imports.

Throughout the year, the Division also maintained its focus on delivering high-quality crop protection products, specialty fertilisers, plant nutrients and certified seed varieties to farmers across Sri Lanka. Continued investment in technical advisory services, farmer engagement and market development further strengthened long-standing relationships with farming communities and reinforced Lankem's position as a trusted partner to Sri Lanka's agricultural sector.

Manufacturing Excellence and Supply Chain Resilience

Embarking on local manufacturing is expected to be a significant competitive advantage for the Agricultural Division.

The Group's state-of-the-art Agrochemical Formulation and Packing Facility at the Makandura Industrial Zone remains the primary hub for blending, formulation and packaging of crop protection products. The facility enables the production of both liquid and powder formulations while maintaining high standards of quality, operational efficiency and product consistency.

Complementing these capabilities is the Seed Paddy Processing Plant located in Siripura, Polonnaruwa, where advanced processing technologies support the cleaning, grading, treatment and packaging of certified seed paddy and other improved seed varieties. These facilities enable the Division to maintain stringent quality standards while responding rapidly to seasonal demand fluctuations across different agricultural regions.

Local manufacturing significantly reduces dependence on imported finished products, improving supply chain resilience while enabling faster market responsiveness during periods of global supply chain disruption or foreign exchange volatility. The ability to formulate products locally also provides greater flexibility to tailor solutions specifically to Sri Lankan farming conditions and crop requirements.

Innovation and Product Development

Innovation remained central to the Division's strategy throughout the year.

The Division continued expanding its portfolio of sustainable agricultural solutions through ongoing investment in research, product development and strategic partnerships with internationally recognised technology providers.

Particular emphasis was placed on developing environmentally responsible crop protection solutions, advanced plant nutrition technologies and climate-resilient agricultural products capable of supporting higher productivity under increasingly variable climatic conditions. These innovations are designed to improve crop performance while minimising environmental impacts and promoting responsible resource utilisation.

The newly commissioned SSP fertiliser facility further strengthens the Division's ability to deliver innovative soil nutrition solutions that enhance long-term soil fertility while supporting sustainable agricultural production. Together with the Group's extensive crop protection portfolio, these investments position the Division to respond effectively to the evolving needs of Sri Lanka's agricultural sector.

Farmer Engagement and Technical Services

Recognising that sustainable agriculture extends beyond product supply, the Division continued to invest significantly in farmer education and technical advisory services.

Throughout the year, technical field officers conducted extensive farmer training programmes, demonstration plots and field visits across key agricultural regions. These initiatives focused on promoting balanced fertiliser application, integrated pest management, responsible pesticide usage and climate-smart farming practices designed to improve productivity while protecting natural resources.



The Division also strengthened collaboration with distributors, dealers and agricultural extension networks to improve knowledge transfer and ensure farmers received timely technical guidance throughout the cultivation cycle.

By combining scientific expertise with practical field support, the Division continues to help farmers maximise crop yields while encouraging more efficient and environmentally responsible farming practices.

Sustainability and Environmental Stewardship

Sustainability remains deeply embedded within the Agricultural Division's operating philosophy.

The commissioning of the SSP manufacturing facility represents an important contribution towards reducing Sri Lanka's dependence on imported fertilisers while strengthening domestic manufacturing capability. The facility supports national food security objectives, reduces transportation-related emissions associated with imported products and contributes towards improved agricultural self-sufficiency.

The Division also continues promoting environmentally responsible farming through the introduction of products that improve nutrient use efficiency, minimise environmental losses and support healthier soils. Farmer education programmes further reinforce sustainable practices by encouraging balanced fertiliser application, integrated pest management and responsible crop protection.



Operationally, manufacturing facilities continue to operate under internationally recognised management systems, including ISO 9001, ISO 14001 and ISO 45001, ensuring high standards of product quality, environmental management and occupational health and safety across agricultural manufacturing operations.

Challenges

The Agricultural Division continued to operate within a challenging environment.

Climate variability remained one of the most significant risks facing the Sector, with irregular rainfall patterns and changing weather conditions

affecting cultivation schedules and demand for agricultural inputs. Global commodity price fluctuations, evolving regulatory requirements and increasing competition within the agricultural input market also required careful management throughout the year.

In addition, farmers continued to face cost pressures, reinforcing the need for affordable, high-performance agricultural solutions capable of delivering improved productivity and long-term value.

The Division responded proactively through strengthened local manufacturing, continued product innovation, robust inventory management and close engagement with farming communities, enabling it to maintain operational resilience despite these challenges.

Future Outlook

Looking ahead, the Agricultural Division is well positioned to play an increasingly important role in supporting Sri Lanka's agricultural transformation.

The full commercial operation of the Single Super Phosphate manufacturing facility is expected to significantly strengthen the Division's fertiliser business while supporting national import substitution initiatives and contributing to improved agricultural productivity. Continued investment in local manufacturing, product innovation and technical services will further enhance the Division's ability to respond to changing market requirements and evolving climatic conditions.

Future priorities include expanding climate-resilient agricultural solutions, introducing new specialty crop protection technologies, strengthening digital support for farmers and further enhancing operational efficiency across manufacturing and distribution networks.

The Division will also continue integrating sustainability into its operations through environmentally responsible product development, efficient resource management and farmer education programmes that promote responsible agricultural practices and long-term soil health.

Supported by its strong manufacturing base, technical expertise, trusted brands and commitment to innovation, the Agricultural Division remains well positioned to drive sustainable growth while contributing meaningfully to Sri Lanka's food security, agricultural productivity and rural economic development.

SunAgro LifeScience

Sector Performance

Sri Lanka's agricultural landscape continues to evolve in response to increasing demand for sustainable food production, changing consumer preferences and growing awareness of food safety and environmental protection. These trends have accelerated the adoption of advanced agricultural technologies, biological crop protection products, precision farming techniques and specialty plant nutrition solutions that improve productivity while reducing environmental impacts.



The horticultural and high-value crop sectors continued to demonstrate encouraging growth during FY2025/26, driven by expanding domestic demand, export opportunities and increasing consumer preference for high-quality agricultural produce. At the same time, farmers faced mounting challenges arising from climate variability, changing pest and disease pressures, labour shortages and increasing production costs, highlighting the need for innovative and science-based agricultural solutions.

Against this backdrop, SunAgro LifeScience continued to strengthen its position as a trusted provider of crop protection solutions in Sri Lanka, with a specialised portfolio of insecticides supported by technical expertise and advisory services aimed at enhancing crop productivity and promoting responsible agricultural practices.

Performance During the Year

SunAgro LifeScience maintained a resilient operational performance during FY2025/26 despite challenging market conditions characterised by irregular weather patterns, intense price competition, product availability constraints and regulatory delays. The Division remained focused on maintaining market presence, strengthening its specialty product portfolio and supporting farmers

through reliable agricultural solutions, technical expertise and enhanced field-level engagement.

During the year, SunAgro recorded net turnover of Rs. 1.706 billion, against a budget of Rs. 2.53 billion, while divisional profit before tax amounted to Rs. 107 million, compared with the budgeted Rs. 240 million. Performance was affected primarily by the non-availability of products representing nearly Rs. 500 million in potential sales, arising from temporary export restrictions imposed by China on selected fertiliser products, shipping delays and delays in completing the registration of a key product with the Office of the Registrar of Pesticides. Profitability was also impacted by approximately Rs. 86 million in stock provisions, mainly relating to expired inventory.

Despite these constraints, the insecticide segment remained the principal contributor to divisional performance, generating Rs. 1.294 billion in revenue. The proprietary green-band product Pexalon was the standout performer, contributing approximately Rs. 776 million and achieving sales volumes nearly twice the budgeted level. The Division also strengthened its position within the sucking-pest segment, while Vedaan remained an important contributor within the non-straight fertiliser portfolio.

Operationally, the Division continued to strengthen its market reach and execution capabilities. The island-wide implementation of the Sales Force Automation (SFA) system enabled improved real-time monitoring of redistribution, field activities and secondary sales, while the organisational structure was strengthened through the establishment of separate sales and product development verticals. SunAgro also enhanced its digital presence through the launch of its website and expanded social media engagement, complemented by field demonstrations, farmer training programmes and grassroots-level branding initiatives across key agricultural regions.

During the year, the Division introduced the Hiru compound fertiliser in limited quantities and initiated partnerships with foreign principal suppliers aimed at expanding its future portfolio across seeds, fertilisers and insecticides. Continued emphasis was also placed on specialty and assured-availability products, product stewardship and strengthening supplier and distribution relationships to improve supply reliability and broaden market coverage.

Farmer engagement remained central to SunAgro's operating approach. Through field demonstrations, training programmes and technical support, the Division continued to promote the responsible and effective use of agricultural inputs while strengthening relationships with farmers and dealers. These initiatives, together with ongoing portfolio development, digitalisation and market expansion efforts, enabled SunAgro to maintain operational continuity and establish a stronger platform for future growth despite the challenges experienced during the year.

Product Innovation and Technology

Innovation remains the cornerstone of SunAgro LifeScience's business model.

The Company continues to introduce technologically advanced agricultural solutions that improve crop productivity while supporting environmental sustainability. During the year, emphasis was placed on expanding the portfolio of specialty crop nutrition products, biological crop protection solutions and next-generation agricultural technologies capable of addressing emerging farming challenges.

The Company's product development strategy focuses on delivering integrated solutions rather than standalone products. By combining advanced crop protection chemistry, biological technologies, plant nutrition and agronomic expertise, SunAgro LifeScience enables farmers to optimise crop performance while minimising unnecessary input usage and improving resource efficiency.

These innovations also support greater resilience against climate variability by helping farmers manage changing pest pressures, optimise nutrient utilisation and improve crop health under increasingly unpredictable growing conditions.

Customer Engagement and Technical Support

One of SunAgro LifeScience's greatest strengths continues to be its close partnership with Sri Lanka's farming community.



During the year, the Company expanded its programme of farmer education, field demonstrations and technical workshops, providing practical guidance on crop nutrition, pest management, disease control and sustainable farming techniques. These initiatives enabled farmers to better understand product application methods while encouraging responsible agricultural practices that improve long-term productivity.

Field demonstrations remained an important component of customer engagement, allowing growers to observe product performance under actual farming conditions before adoption. Technical officers also provided ongoing monitoring throughout the growing season, assisting farmers in responding to changing weather conditions, emerging pest outbreaks and evolving crop requirements.

This consultative approach strengthens customer confidence while positioning SunAgro LifeScience as a trusted technical partner rather than simply a supplier of agricultural inputs.

Sustainability and Responsible Agriculture

Environmental stewardship remains firmly embedded within SunAgro LifeScience's business philosophy.

The Company actively promotes sustainable agricultural practices through products and services designed to improve productivity while reducing environmental impacts. Greater emphasis continues to be placed on biological crop protection products, specialty plant nutrition technologies and integrated pest management approaches that minimise unnecessary chemical applications while maintaining effective crop protection.

Farmer awareness programmes conducted throughout the year focused on responsible pesticide handling, balanced fertiliser application, water conservation and soil health management. These initiatives support the long-term sustainability of Sri Lanka's agricultural sector while encouraging environmentally responsible farming practices.



The Company also continued supporting climate-smart agriculture by introducing products that improve crop resilience under increasingly variable climatic conditions. By helping farmers adapt to changing environmental conditions, SunAgro LifeScience contributes to enhanced food security and more resilient agricultural production systems.

Operational Excellence

Operational efficiency continued to be strengthened through close collaboration with the wider Lankem Group.

The Company benefited from access to the Group's manufacturing capabilities, technical expertise, distribution infrastructure and quality management systems, enabling efficient product sourcing, inventory management and nationwide distribution. These capabilities ensured the timely availability of agricultural inputs while maintaining high standards of product quality and customer service.

The continued integration of digital technologies across sales and customer engagement functions further enhanced operational responsiveness. Sales Force Automation (SFA) improved market visibility by enabling field personnel to capture real-time customer information, monitor market trends and communicate changing demand patterns directly to management. These insights support more effective production planning, inventory optimisation and customer service.



Challenges

The business continued to operate within a dynamic agricultural environment characterised by climate uncertainty, changing cultivation patterns and increasing market competition.

Erratic rainfall, prolonged dry periods and changing pest pressures required continual adaptation of crop management recommendations throughout the year. Rising production costs also influenced farmer purchasing decisions, increasing demand for products capable of delivering demonstrable value

and measurable improvements in productivity.

Competitive pressures within the agricultural input industry further reinforced the importance of continuous innovation, technical differentiation and strong customer relationships. SunAgro LifeScience responded by strengthening technical advisory services, expanding farmer engagement programmes and introducing innovative solutions that address both productivity and sustainability objectives.

Future Outlook

Looking ahead, SunAgro LifeScience remains well positioned to capitalise on growing demand for sustainable agricultural technologies.

The Company will continue expanding its portfolio of specialty crop nutrition products, biological crop protection solutions and climate-smart agricultural technologies that support higher productivity while reducing environmental impacts. Strategic partnerships with international technology providers will further strengthen access to advanced agricultural innovations and enhance the Company's competitive position within Sri Lanka's rapidly evolving agricultural sector.

Future priorities will also include expanding farmer education programmes, strengthening digital engagement platforms and leveraging data-driven agronomy to deliver increasingly customised solutions for growers. Continued investment in research, product innovation and technical capability will ensure that SunAgro LifeScience remains at the forefront of sustainable agricultural development.

Supported by strong technical expertise, trusted customer relationships and the broader capabilities of the Lankem Group, SunAgro LifeScience is well positioned to continue driving innovation, supporting sustainable agriculture and creating long-term value for farmers, customers and stakeholders alike.

Pest Control Division

Sector Performance

Sri Lanka's pest management industry continued to demonstrate steady growth during FY2025/26, driven by increasing awareness of public health, food safety, environmental hygiene and regulatory compliance across both domestic and commercial sectors. The expansion of the hospitality industry, food processing sector, healthcare institutions, manufacturing facilities and modern commercial establishments continued to generate sustained demand for professional pest management services.

Businesses increasingly recognised pest management as an essential component of operational risk management, particularly within sectors governed by stringent food safety, occupational health and environmental standards. Compliance with internationally recognised certifications, including ISO, HACCP, GMP and food safety management systems, continued to drive demand for integrated pest management (IPM) programmes that provide long-term, sustainable solutions rather than reactive treatments.

Growing public awareness regarding vector-borne diseases, including dengue, also reinforced the importance of preventive pest control programmes within both residential and institutional markets. Customers increasingly sought professional service providers capable of delivering scientifically based, environmentally responsible pest management solutions supported by qualified technical personnel and modern application technologies.

Against this backdrop, Lankem Pest Control Services continued to strengthen its market leadership through technical excellence, nationwide service coverage and a continued focus on innovation, customer service and sustainable pest management practices.

Performance During the Year

The Pest Control Division delivered a resilient performance during FY2025/26, recording strong revenue growth despite increasing competition and a dynamic operating environment. The Division continued to strengthen its position as one of Sri Lanka's trusted providers of professional pest management solutions, supported by its established technical capabilities, service quality and long-standing customer relationships across residential, commercial and industrial markets.

During the year, the Division recorded revenue of Rs. 374.0 million, representing an increase of approximately 19.9% from Rs. 312.0 million in FY2024/25. Gross profit increased by approximately 19.0% to Rs. 270.6 million, compared with Rs. 227.4 million in the previous year, reflecting the benefit of increased business volumes and sustained demand across key customer segments.

Profitability at the operating level, however, moderated during the year, with EBIT amounting to Rs. 33.9 million, compared with Rs. 47.9 million in FY2024/25. Profit before tax stood at Rs. 23.1 million, compared with Rs.

41.5 million in the preceding year. Against this backdrop, the Division maintained its focus on operational efficiency, service quality and disciplined cost management while continuing to expand its customer base and strengthen recurring service relationships.

Demand remained particularly strong across hospitality, food manufacturing, healthcare, logistics, warehousing and commercial facilities, where effective pest management is an important component of regulatory compliance, hygiene standards and operational quality assurance. The Division's ability to provide tailored Integrated Pest Management (IPM) programmes, together with its technical expertise and responsive service delivery, continued to support customer retention and generate new business opportunities.



The Division also benefited from increasing awareness of pest-related health and hygiene risks, contributing to growing demand from residential customers for reliable and environmentally responsible pest management solutions. Continued emphasis on customer engagement, technical capability and sustainable pest management practices enabled the Division to reinforce its market presence while establishing a stronger platform for future growth.

Operational Excellence

Operational excellence continues to underpin the Division's competitive advantage.

The business operates one of the Country's largest island-wide pest management networks, supported by a fleet of dedicated service vehicles, modern application equipment and highly trained technical personnel capable of responding efficiently to customer requirements across Sri Lanka.

During the year, continued investment in specialised equipment, precision application technologies and operational planning systems enhanced service efficiency while improving consistency and customer responsiveness. These investments enable technicians to apply pest control treatments accurately and safely while minimising unnecessary chemical usage and environmental impacts.

Towards Digital Enablement

Recognising the growing importance of digitalisation in enhancing operational efficiency and customer service, the PEST Division is exploring opportunities to progressively integrate appropriate digital technologies into its operations.

Potential areas of focus include the future adoption of digital tools to support customer management, field scheduling, service documentation, treatment records and operational reporting. These initiatives are expected to provide field teams with more efficient access to information while strengthening management visibility over service delivery and customer engagement.

Looking ahead, the Division intends to evaluate suitable digital solutions that can improve workflow efficiency, enhance the timeliness and consistency of customer communication, and support more effective record-keeping and compliance requirements. This progressive move towards greater digital enablement is expected to complement the Division's broader efforts to enhance service quality and operational effectiveness.

Technical Expertise and Service Quality

Technical capability remains one of the Division's greatest strengths.

The business continues to invest significantly in developing the knowledge and competencies of its technical workforce through structured training programmes covering pest biology, integrated pest management techniques, safe chemical handling, environmental protection and customer service excellence.

Rather than relying solely on chemical treatments, the Division adopts a comprehensive Integrated Pest Management (IPM) approach that combines inspection, monitoring, preventive measures, environmental modifications and targeted treatments to achieve sustainable pest control outcomes. This methodology not only delivers more effective long-term results but also reduces unnecessary pesticide application and promotes responsible environmental stewardship.



The Division's highly qualified technical professionals work closely with customers to identify root causes of pest infestations, recommend preventive actions and develop customised management programmes that address each customer's unique operational requirements.

Sustainability and Responsible Pest Management

Environmental responsibility remains an integral part of the Division's operating philosophy.

The Division continues to promote responsible pesticide management through precise application techniques, careful product selection and adherence to internationally recognised safety standards. Treatment programmes are designed to minimise environmental impacts while ensuring effective pest control and protecting human health.

Modern precision dosing equipment enables technicians to optimise chemical usage, reducing waste while improving treatment effectiveness. Continuous staff training further reinforces responsible handling, storage and disposal of pest control products, ensuring compliance with all relevant regulatory requirements.

Through its Integrated Pest Management approach, the Division actively encourages preventive measures and environmental improvements that reduce long-term reliance on chemical interventions. This supports healthier workplaces, safer food production environments and more sustainable pest management practices across multiple industries.

Challenges

The Division continued to operate within an increasingly competitive market characterised by rising customer expectations, changing regulatory requirements and evolving pest behaviour influenced by climate variability.

Growing awareness of environmental sustainability has increased demand for lower-toxicity treatment options and environmentally responsible pest management practices. At the same time, businesses operating under international food safety and quality standards continue to require increasingly sophisticated pest management programmes supported by comprehensive documentation and technical expertise.

Climate variability also continues to influence pest populations and seasonal infestation patterns, requiring continual adaptation of treatment programmes and monitoring strategies.

Despite these challenges, the Division's strong technical capabilities, investment in employee development and commitment to innovation enabled it to maintain high service standards and strengthen customer relationships throughout the year.

Future Outlook

Looking ahead, the Pest Control Division remains well positioned to capitalise on growing demand for professional pest management services across both residential and commercial markets.

Key priorities for the period ahead include exploring opportunities to introduce digital capabilities into service delivery, expanding Integrated Pest Management solutions, investing in advanced application technologies and further strengthening technical competencies across the workforce. The Division will also continue to advance environmentally responsible pest management practices in support of its sustainability objectives and evolving customer expectations.

As part of its future development agenda, the Division intends to evaluate suitable digital tools that can enhance customer management, field coordination, service documentation and operational reporting. In parallel, it will continue to draw on the broader capabilities of the Lankem Group, including operational expertise, governance frameworks and shared resources, to improve efficiency, strengthen customer engagement and support sustainable long-term growth.

The Division also plans to expand its fumigation business and residential pest management services, both of which have been identified as important avenues for future growth and market development.

Supported by its experienced technical team, nationwide service infrastructure, commitment to service excellence and increasing focus on sustainable pest management, the Division is well positioned to strengthen its presence within Sri Lanka's pest control industry while continuing to deliver safe, effective and environmentally responsible solutions that create lasting value for customers and stakeholders.

Consumer Products Sector Performance

Sri Lanka's consumer products sector operated within a gradually improving economic environment during FY2025/26, supported by greater macroeconomic stability and recovering consumer activity. Nevertheless, the operating landscape remained challenging, with businesses continuing to contend with freight volatility, escalating raw material and packaging costs, pricing pressures and shifts in consumer purchasing behaviour. These factors placed renewed emphasis on affordability, product quality, brand trust and supply reliability, while encouraging consumer goods companies to strengthen operational efficiency and sharpen their portfolio strategies.

Consumer preferences also continued to evolve, particularly across personal care and household categories, where demand increasingly reflected greater interest in wellness, ingredient transparency, hygiene and premium homecare experiences. Within food and beverage categories, convenience, quality, value and product accessibility remained important purchase considerations.

Against this backdrop, the Consumer Products business continued to leverage its extensive manufacturing, brand management and distribution capabilities. Operating across food & beverage and personal care & household categories, the business is supported by a multi-channel distribution network reaching more than 85,000 retail outlets island-wide and a diversified portfolio comprising proprietary and internationally recognised brands.

Performance During the Year

The Consumer Products business delivered a strong performance during FY2025/26, with the FMCG Cluster remaining the Group's largest revenue contributor and accounting for 40% of Group revenue. Cluster revenue increased [UA1.1]by 10% year-on-year to Rs. 9.7 billion, compared with Rs. 8.9 billion in the previous year, while gross profit increased to approximately Rs. 1.9 billion. Profit before tax improved by 16% to Rs. 310 million, from Rs. 267 million in FY2024/25, reflecting stronger operating efficiencies and improved profitability across key business units.

Performance was supported by the breadth of the portfolio spanning beverages, snacks, bottled water, processed foods, tea, personal care and household products. Proprietary brands including SCAN, Delish and KVC, together with the Sunquick portfolio and internationally recognised brands such as Santoor, Himalaya, KIWI, Mr Muscle, Glade and Star, enabled the business to serve a broad spectrum of consumer segments and price points.

Operational Highlights

Operational excellence remained a key priority during the year. The full-scale implementation of World Class Manufacturing (WCM) practices across manufacturing facilities strengthened production discipline, waste reduction and built-in quality, helping to protect operating margins despite external cost pressures. This was complemented by the rollout of an SAP-integrated Warehouse Management System, improving inventory management, supply chain efficiency and end-to-end product traceability. The internally developed PROMISE ERP platform further enhanced real-time monitoring of manufacturing operations and supported more data-driven decision-making.

Within Kelani Valley Canneries, investments in new cooking and automated filling machinery reduced dependence on manual processes and improved throughput and production consistency. A modern quality assurance laboratory was also commissioned to strengthen product inspection and export compliance, while worker facilities were upgraded. KVC additionally delivered the highest cost-saving contribution among Group manufacturing SBUs under the WCM programme and returned to profitability during FY2025/26.

The SCAN Bottled Drinking Water operation also responded effectively to government-imposed price controls through vendor renegotiations, process improvements and expanded Lean manufacturing practices, supporting greater cost efficiency while maintaining product quality and continuity of supply.

Product Innovation

Innovation and portfolio diversification remained central to strengthening the Consumer Products business during the year. Kelani Valley Canneries expanded its range across both domestic and export markets, introducing products including king coconut water in glass bottles, iced tea,

brined products and fruit pieces in sugar syrup for overseas markets, alongside lime pickle, coconut pickle, artificial vinegar, orange marmalade and strawberry jam locally. A second brand, Freshto, was introduced to address value-sensitive consumer segments while protecting the positioning of the flagship KVC brand.

The Delish portfolio achieved Halal certification during the year, significantly widening its addressable domestic market and creating opportunities within export and institutional channels requiring Halal-compliant products. Modern trade shelf expansion also continued.



Within the Sunquick portfolio, innovation extended beyond traditional beverage consumption into new applications and channels. The business expanded dispenser-based solutions across hotels, restaurants and catering establishments, introduced frozen slush concepts at selected hospitality locations and explored culinary and bakery applications such as fillings, toppings and flavouring. The lemon concentrate variant also addressed demand for a food-safe, shelf-stable alternative to seasonal lime availability, particularly within the horeca sector.

The Drink Studio concept was further developed from a digital recipe platform into physical consumer activation spaces featuring live beverage preparation and engagement, creating new experience-led consumption occasions for the Sunquick brand.

Distribution and Market Reach

The Group's extensive distribution infrastructure remained one of the Consumer Products business's principal competitive strengths, with its multi-channel network reaching more than 85,000 retail outlets island-wide across general trade, modern trade and institutional channels.

Several brands continued to hold strong market positions. SCAN Jumbo Peanuts maintained an estimated 70% share of its category, supported by broad distribution and a purpose-built manufacturing operation. Sunquick maintained an estimated 80% share of Sri Lanka's squash and cordial category, with distribution across approximately 35,000–40,000 outlets, while expansion of its ready-to-drink portfolio is targeted to significantly broaden outlet penetration over the medium term.

Distribution capabilities were further supported by sales force automation and digital systems that provide live outlet-level visibility and improved traceability across the network. Sunquick Lanka also progressed towards increasingly digital operations, reaching approximately 80% paperless operations while implementing tablet-based factory data collection and real-time production monitoring.

International market development also continued, with Sunquick Lanka maintaining exports to 12 overseas markets across Asia-Pacific, North America and the Pacific Islands. KVC and other manufacturing operations similarly strengthened export readiness through investments in quality assurance, manufacturing capability and operational systems.

Sustainability and Responsible Business

Sustainability became increasingly embedded within the Consumer Products business during FY2025/26, with environmental and social considerations integrated more closely into manufacturing, sourcing, packaging and community engagement.

A major milestone was achieved through the Group's Extended Producer Responsibility Programme, under which plastic collection volumes matched 100% of the plastic released into the market each month. Recycling partnerships continued to convert post-consumer PET waste into textile yarn for domestic and export applications, while the expansion of glass bottle formats provided lower-plastic packaging alternatives for hospitality customers.

The Horana manufacturing complex also increased its use of renewable energy through a 1 MW rooftop solar installation, while the transition towards biomass-based energy formed part of broader carbon-reduction initiatives.



Responsible sourcing was strengthened through the SCAN Jumbo Peanut agricultural programme. A public-private partnership with the Ministry of Agriculture was formalised for a 1,000-acre jumbo peanut cultivation initiative, aimed at improving seed multiplication, encouraging sustainable cultivation practices, strengthening raw material security and traceability, and supporting farming communities and local agricultural livelihoods.

Community-based environmental initiatives also continued through the Haritha Piyaman Programme, combining plastic recycling, reforestation and environmental awareness activities among school communities.

Challenges

Despite the positive performance, the Consumer Products business continued to operate against a challenging external backdrop. Freight volatility, increases in raw material and packaging costs and pricing pressures affected several import-dependent and locally manufactured categories. The sector also faced intensified competition and continued consumer sensitivity to price, requiring the business to balance affordability with product quality and margin preservation.

Government-imposed price controls on bottled drinking water created additional margin pressure during the year, requiring greater operational optimisation and cost management. Rising input costs and competition also affected the broader snacks category. These pressures were addressed through supplier renegotiations, Lean manufacturing practices, portfolio management, improved manufacturing efficiency and tighter cost control.

Supply chain resilience remained another key consideration, particularly in categories dependent on imported inputs and agricultural raw materials. Accordingly, the business continued strengthening local sourcing arrangements, manufacturing flexibility and traceability to reduce exposure to future disruptions.

Future Outlook

Looking ahead to FY2026/27, the Consumer Products business will continue to pursue a profit-focused growth strategy, supported by stronger manufacturing capability, consumer-centric innovation, digitalisation and broader market reach. Product and channel development will remain important priorities as the business seeks to deepen the relevance of its existing brands while responding to evolving consumer preferences across food, beverage, personal care and household categories.

The strategic pipeline includes the anticipated launch of Sun Cola, continued expansion of export markets and further development of value-added product categories. Greater penetration of Horeca, modern trade and international markets, together with continued investment in quality assurance, manufacturing automation, supply chain visibility and digital distribution capabilities, is expected to support future growth.

The Division will also continue strengthening sustainability across packaging, renewable energy, responsible sourcing and circular-economy initiatives while leveraging its extensive island-wide distribution platform and portfolio of established proprietary and international brands. With a strong operating foundation, broad consumer reach and continued focus on efficiency and innovation, the Consumer Products business remains well positioned to deliver sustainable long-term growth and strengthen its contribution to the Group's diversified portfolio.

Hotels (Tourism & Hospitality)

Sector Performance

Sri Lanka's tourism industry continued its strong recovery during FY2025/26, reaffirming its position as one of the Country's most important foreign exchange earners. Improved global travel confidence, enhanced destination marketing initiatives and continued macroeconomic stability contributed to a significant increase in international visitor arrivals throughout the year. While geopolitical tensions in certain regions and global economic uncertainty periodically influenced travel patterns, Sri Lanka remained an increasingly attractive destination, recognised for its diverse tourism offering, natural beauty and renowned hospitality.



The recovery was supported by strong visitor arrivals from traditional source markets such as India, the United Kingdom, Germany and France, while the industry also witnessed increasing arrivals from emerging markets. Domestic tourism continued to complement international demand, particularly during holiday periods and long weekends, providing additional support to hotel operators across the country.

The hospitality industry also experienced evolving customer expectations, with travellers placing greater emphasis on authentic local experiences, wellness tourism, sustainable hospitality and personalised services. Digital booking platforms, online customer reviews and experience-driven travel continued to shape consumer behaviour, encouraging hotel operators to invest in service excellence, digital marketing and unique guest experiences.

Against this backdrop, Lankem's hospitality businesses continued to strengthen their market position by leveraging distinctive properties, personalised guest experiences and a commitment to operational excellence and sustainability.

Performance During the Year

The Hospitality Sector delivered a resilient performance during FY2025/26, supported by the continued recovery of Sri Lanka's tourism industry and growing demand for distinctive, experience-led accommodation. During the year, the Sector remained focused on enhancing guest experiences, broadening its market reach and strengthening operational efficiency while maintaining high standards of service across its portfolio of properties.

The Sector recorded revenue of Rs. 2.91 billion, representing an increase of approximately 4.1% from Rs. 2.79 billion in FY2024/25. This improvement was supported by stronger occupancy across selected properties, increased international visitor arrivals, domestic travel demand and growing interest in boutique and nature-based tourism experiences.

Improved operating performance was also reflected in gross profit, which increased by 7.1% to Rs. 1.88 billion, compared with Rs. 1.75 billion in the previous year. The gross profit margin strengthened to approximately 64.5% from 62.7%, reflecting improved revenue generation and operational efficiencies across the portfolio. EBIT increased by 2.6% to Rs. 575.8 million, compared with Rs. 561.2 million in FY2024/25, demonstrating the Sector's ability to maintain a strong operating performance within a competitive hospitality environment.

At the bottom-line level, however, profitability moderated significantly during the year, with profit before tax amounting to Rs. 221.0 million, compared with Rs. 1.28 billion in FY2024/25, while profit after tax stood at Rs. 29.3 million, compared with Rs. 1.20 billion in the previous year. Accordingly, the Sector continued to place emphasis on disciplined cost management, operational efficiency and strengthening the earnings contribution of its individual properties.

Occupancy and market reach were supported by strategic marketing initiatives, stronger relationships with travel and tour partners and enhanced digital visibility, which helped attract a more diverse customer base while supporting direct bookings. The Sector also continued to differentiate its offering through hospitality experiences centred on Sri Lanka's natural landscapes, cultural heritage and personalised service.

This positioning, together with continued investment in guest experience and service quality, enabled the Sector to remain competitive within

an evolving tourism landscape while establishing a stronger platform to benefit from the continued growth of Sri Lanka's hospitality and tourism industry.

Operational Highlights

Operational excellence remained a key priority throughout the year. Management continued to focus on maintaining high service standards while improving operational efficiency across all properties. Investments in property maintenance, guest amenities and service quality enhancements ensured that visitors continued to receive a consistently high-quality hospitality experience.



Operational planning remained sufficiently agile to respond to fluctuations in visitor demand arising from seasonal travel patterns and changing international market conditions. Close coordination between sales, marketing and operations enabled the Sector to optimise occupancy levels while effectively managing operating costs.

The Sector also strengthened relationships with travel agents, tour operators and online travel platforms, improving market visibility and expanding access to international source markets.

Guest Experience and Market Positioning

Delivering memorable guest experiences continues to be central to the Sector's long-term strategy.

Throughout the year, emphasis was placed on personalised service, authentic Sri Lankan hospitality and experience-based tourism that enables visitors to connect with the Country's natural environment and cultural heritage. These differentiators continue to strengthen the Sector's competitive positioning while supporting positive customer reviews and repeat business.

Digital engagement also played an increasingly important role in attracting new customers. Enhanced online marketing initiatives, social media campaigns and improved digital booking capabilities contributed to greater customer engagement while expanding the Sector's visibility within international tourism markets.

Customer feedback remained an important management tool, providing valuable insights into guest preferences and supporting continuous service improvements across the hospitality portfolio.

Sustainability and Responsible Tourism

Sustainability remains an integral component of the Sector's operating philosophy.

Recognising that the long-term success of the tourism industry depends on protecting the natural and cultural assets that attract visitors to Sri Lanka, the Sector continued implementing environmentally responsible operating practices across its hospitality businesses.

Initiatives focused on improving energy efficiency, responsible water management, waste reduction and sustainable procurement while encouraging greater environmental awareness among employees and guests. Organic waste generated within hotel operations continued to be segregated and utilised for composting where appropriate, supporting the Group's broader circular economy objectives.

The Sector also actively supports local communities by sourcing products and services from nearby suppliers wherever feasible, thereby creating shared economic value while strengthening community relationships and contributing to regional economic development.



Through these initiatives, the Hospitality Sector continues to demonstrate that commercial success and environmental stewardship can be achieved simultaneously, supporting the Group's broader sustainability strategy.

Challenges

Despite the positive momentum experienced during the year, the Sector continued to operate within a dynamic and competitive environment.

Global geopolitical developments periodically influenced international travel patterns, while increasing competition within Sri Lanka's hospitality sector required continuous investment in service quality, marketing and product differentiation. Rising operating costs, particularly in relation to utilities, labour and food supplies, also required careful cost management without compromising guest satisfaction.

Changing traveller expectations further reinforced the importance of continuous innovation, digital engagement and sustainability-focused hospitality experiences.

The Sector successfully responded to these challenges through disciplined operational management, targeted marketing initiatives and its continued focus on delivering personalised, high-quality guest experiences.

Future Outlook

Sri Lanka's tourism industry is expected to continue its recovery as international travel demand strengthens and the Country's reputation as a premier tourism destination continues to grow.

The Hospitality Sector is well positioned to capitalise on these opportunities through continued investment in service excellence, digital marketing, property enhancements and sustainable tourism initiatives. Future priorities include strengthening international market penetration, expanding partnerships with travel operators, enhancing guest engagement through digital platforms and further integrating sustainable operating practices across all hospitality properties.

The Sector also intends to build upon growing demand for boutique, wellness and nature-based tourism experiences by developing unique offerings that showcase Sri Lanka's biodiversity, culture and authentic hospitality.

Supported by improving industry fundamentals, experienced management and a strong commitment to guest satisfaction, the Hospitality Sector remains well positioned to deliver sustainable growth while contributing to the continued development of Sri Lanka's tourism industry and creating long-term value for the Group and its stakeholders.

Printing & Packaging Sector Performance

The Group's Printing and Packaging Sector comprises J.F. Packaging PLC and ACME Printing & Packaging PLC, two businesses operating within Sri Lanka's printing and packaging industry and serving the packaging requirements of customers across a range of commercial and industrial sectors. Together, the two companies provide the Group with established manufacturing capabilities, technical expertise and customer relationships within an industry where quality, reliability, cost efficiency and responsiveness remain critical competitive factors.

During FY2025/26, the Sector operated in a challenging and highly competitive environment. Demand remained uneven across certain customer segments, while fluctuations in raw material costs, foreign exchange movements, capacity constraints and competitive pricing continued to influence operating performance. Customers also increasingly required shorter lead times, greater flexibility and packaging solutions tailored to specific product, branding and operational requirements.



Against this backdrop, JF Packaging PLC and ACME Printing & Packaging PLC continued to focus on strengthening their respective operating platforms, improving manufacturing efficiency

and maintaining close relationships with customers. Particular emphasis was placed on productivity, quality assurance, cost management and building the operational capabilities required to support sustainable growth over the medium to long term.

For ACME Printing & Packaging PLC in particular, FY2025/26 represented an important year of transformation, with the Company undertaking measures to strengthen its capital position, reduce borrowings and modernise its manufacturing operations.

Performance During the Year

Performance across the Packaging Sector during FY2025/26 reflected differing operating conditions and strategic priorities across its two principal businesses, JF Packaging PLC and ACME Printing & Packaging PLC. Against a competitive operating environment and continued cost pressures, both businesses remained focused on protecting established customer relationships, improving operational efficiency and strengthening their respective platforms for sustainable growth.

On a combined basis, the Sector recorded revenue of approximately Rs. 5.41 billion, compared with Rs. 5.58 billion in FY2024/25, representing a marginal decline of approximately 3.0%. Despite the moderation in revenue, gross profit remained broadly stable at Rs. 1.19 billion, compared with Rs. 1.20 billion in the previous year. Consequently, the gross profit margin improved slightly to approximately 22.0% from 21.4%, reflecting continued focus on product mix, pricing discipline and cost management.

EBIT amounted to approximately Rs. 254 million, compared with Rs. 378 million in FY2024/25, reflecting pressure on operating profitability during the year. At the pre-tax level, however, the Sector recorded an improvement, with the loss before tax narrowing to approximately Rs. 105 million, from a loss of Rs. 132 million in the previous year. Loss after tax also moderated to approximately Rs. 263 million, compared with Rs. 275 million in FY2024/25.

A significant development during the year was the progress made by ACME Printing & Packaging PLC in strengthening its financial position. The Company successfully completed a Rs. 1.425 billion rights issue, with the proceeds directed towards reducing bank borrowings, settling intercompany balances, supporting factory relocation and modernisation, and strengthening working capital. These measures have improved ACME's liquidity and capital structure, providing a more stable financial foundation from which to pursue its operational turnaround and future growth initiatives.

Across the Sector, the priority remained on strengthening financial and operational resilience while enhancing manufacturing efficiency, maintaining service quality and responding to evolving customer requirements. The combination of JF Packaging's established market presence and ACME's ongoing financial and operational restructuring provides the Sector with a stronger platform from which to improve profitability and pursue future opportunities within Sri Lanka's packaging industry.

Operational Excellence

Operational improvement remained an important focus for both JF Packaging PLC and ACME Printing & Packaging PLC, with the Sector continuing to prioritise manufacturing efficiency, productivity, quality consistency and dependable customer service.

At ACME, management commenced a phased relocation and modernisation of factory operations during the year. The programme is intended to improve production capability, reduce wastage and strengthen cost efficiency, thereby creating a more competitive operating platform once fully implemented.



Working capital management was also strengthened, with particular attention given to inventory control, receivable collection and supplier negotiations. These measures complemented broader efforts to optimise the Company's cost structure and improve liquidity.

Across both businesses, maintaining disciplined production planning, quality control, procurement and customer responsiveness remains central to sustaining long-term customer relationships and improving operating performance.

Product Development and Customer Solutions

The Printing and Packaging Sector operates within a market where customers increasingly seek solutions that combine functionality, product protection, visual appeal, brand differentiation and cost efficiency.

Accordingly, JF Packaging PLC and ACME Printing & Packaging PLC continue to work closely with customers to understand changing packaging requirements and provide solutions aligned with individual product and operational needs. Technical knowledge, manufacturing capability and customer collaboration therefore remain important differentiators for the Sector.

The ongoing modernisation of ACME's manufacturing platform is expected to enhance its production capabilities and provide greater scope to improve efficiency, product consistency and responsiveness to customer requirements.

Going forward, the Sector will continue to evaluate opportunities to strengthen value-added packaging capabilities, improve production flexibility and develop commercially viable solutions that respond to changing customer and market requirements.

Financial and Capital Strengthening

Strengthening financial resilience and establishing more robust capital structures remained an important priority across the Sector during FY2025/26, with several operating companies undertaking strategic initiatives to reduce leverage, enhance liquidity and create a stronger platform for future growth.

At ACME Printing & Packaging PLC, the successful rights issue significantly strengthened the Company's capital base, while facilitating a reduction in borrowings and providing funding for strategic investment and working capital requirements. Management also continued to optimise the capital structure and reduce leverage during the year, thereby improving the Company's overall financial flexibility.

Subsequent to year-end, ACME's Board proposed a capital reduction aimed at eliminating accumulated losses and establishing a more appropriate capital structure for future growth. Subject to the necessary approvals, the proposed initiative is expected to improve the presentation of the Company's financial position and enhance its ability to pursue future capital-raising opportunities.

A significant milestone was also achieved by J.F. Packaging PLC, which successfully transitioned into a listed entity through its Initial Public Offering (IPO) during the year. Launched on 30 October 2025 with the objective of raising Rs. 600 million, the IPO received a strong response from investors, becoming approximately 6.3 times oversubscribed, attracting more than 7,500 applications and generating demand of approximately Rs. 3.78 billion. The strong level of interest reflected investor confidence in the Company's brand, business model and long-term growth prospects.

A key objective of the IPO was the settlement of Rs. 600 million in bank borrowings, which was completed upon receipt of the IPO proceeds. The resulting reduction in debt significantly strengthened J.F. Packaging's financial position by lowering gearing and finance costs. The impact was already evident during FY2025/26, with reduced finance expenses contributing towards improved profitability and earnings for shareholders. The strengthened balance sheet also provides a sound foundation for future capital investment, operational enhancements and strategic expansion.



Beyond its immediate financial benefits, the listing has enhanced J.F. Packaging's corporate profile, governance and transparency, while providing greater access to financing on potentially more competitive terms. It has also strengthened the Company's ability to attract and retain talent and reinforced its employer brand. The successful IPO has therefore not only improved the Company's capital structure but also created broader strategic opportunities to support its next phase of sustainable growth.

Collectively, these initiatives reflect the Sector's continued emphasis on ensuring that its operating companies maintain strong financial and operational foundations, with appropriate capital structures, improved liquidity and greater financial flexibility to support sustainable long-term growth and value creation.

Sustainability and Responsible Operations

Sustainability is becoming increasingly relevant to the packaging industry as customers, regulators and consumers place greater emphasis on responsible material utilisation, waste minimisation and environmentally conscious packaging solutions.

Within this context, JF Packaging PLC and ACME Printing & Packaging PLC will continue to seek opportunities to improve resource efficiency across their operations, particularly through better utilisation of raw materials, reduction of production waste and improvements in manufacturing productivity.

For ACME, the ongoing modernisation programme is expected to support reductions in wastage and improvements in production efficiency.

Over the longer term, the Sector will continue to evaluate packaging technologies, production practices and material alternatives that provide an appropriate balance between customer requirements, commercial viability and environmental responsibility.

Challenges

The Printing and Packaging Sector continued to face several operating challenges during FY2025/26. These included fluctuations in customer demand, raw material price volatility, foreign exchange movements and intense competitive pressure.

ACME additionally faced capacity constraints and execution risks associated with its ongoing restructuring and factory modernisation programme. Management continued to address these risks through cost-management initiatives, customer diversification, improved procurement practices and stronger operational controls.

Across both businesses, maintaining competitive pricing while protecting margins, responding to changing customer specifications and ensuring continuity of raw material supply remain important priorities. Continued investment in productivity, manufacturing capability and process efficiency will therefore be critical to strengthening the Sector's competitive position.

Future Outlook

The Printing and Packaging Sector will continue to focus on strengthening the operating performance and market position of both JF Packaging PLC and ACME Printing & Packaging PLC. Priorities will include improving manufacturing efficiency, strengthening customer relationships, expanding value-added capabilities and maintaining disciplined cost and working capital management.



For ACME, the medium-term outlook will be shaped by completion of the ongoing factory relocation and modernisation programme, the benefits arising from its strengthened capital base and reduced borrowings, and continued implementation of operational improvement initiatives. Management expects these measures to provide a stronger foundation for revenue growth and a return to sustainable profitability over the medium term.

At Sector level, the Group will continue to leverage the complementary capabilities of JF Packaging PLC and ACME Printing & Packaging PLC, while pursuing operational efficiencies, product development opportunities and stronger customer engagement. Continued investment in technology, manufacturing capability and responsible production practices will support the Sector's objective of building a more efficient, resilient and competitive packaging platform capable of delivering sustainable long-term value.

SLFRS Sustainability-Related Financial Disclosures

1. Basis of Preparation

1.1 Reporting Entity

Lankem Ceylon PLC ("the Company") is a public limited liability company incorporated and domiciled in Sri Lanka. The consolidated sustainability-related financial disclosures presented herein cover the Company and its subsidiaries (collectively referred to as "the Group") for the annual reporting period commencing 1st April 2025 and ending 31st March 2026, matching the financial reporting period to ensure complete alignment.

1.2 Organisational Boundary

The Group defines its organisational boundary for sustainability-related financial disclosures in strict accordance with SLFRS S1. This boundary mirrors the reporting perimeter applied to the consolidated financial statements, encompassing the Parent Company and all subsidiaries over which the financial control approach is executed.

Accordingly, the sustainability information aggregates operational data from all entities consolidated under SLFRS, including:

- Lankem Robbialac
- Lankem Agro
- SunAgro LifeScience Limited
- Lankem Pest Control
- Lankem Minerals Limited
- Additionally, the group manages interests in:
  - Consumer Goods: Delivering durable, trusted household products that meet everyday needs
  - Hospitality: Through hotel assets
  - Printing and Packaging: Providing flexible packaging solutions to the FMCG markets

This broad portfolio enables Lankem to leverage synergies across sectors, driving growth while maintaining a balanced risk profile.

Business Sectors Included

The Company's diversified operations encompass five core sectors, all of which are included within the sustainability reporting boundary:

Sector	Description
Agri Inputs	Manufacture and distribution of agrochemicals (pesticides, herbicides, fungicides), fertilisers, and seeds supporting Sri Lanka's agricultural sector
Paint and Industrial Chemicals	Manufacture and distribution of decorative paints, industrial coatings, and specialty chemicals for various industrial applications
Consumer Goods	Manufacturing and marketing consumer products that meet everyday household needs
Pest Control Services	Provision of integrated pest management solutions for agricultural, commercial, and residential customers
Leisure Services	Operation of hospitality ventures offering accommodation, dining, and related leisure experiences

This broad portfolio enables Lankem to leverage synergies across sectors, driving growth while maintaining a balanced risk profile. All sectors are fully included within the sustainability reporting boundary, with emissions, risks, and opportunities assessed on a consolidated basis.

Value Chain Coverage

In accordance with SLFRS S1, the sustainability disclosures consider the Company's entire value chain, encompassing both upstream and downstream activities that are material to the Company's prospects. The value chain includes:

Upstream Activities:

- Raw material suppliers (chemical active ingredients, solvents, pigments, resins, packaging materials)
- Contract labour providers
- Facilities management partners
- Logistics partners (inbound transport of materials)
- Professional service providers
- Equipment/machinery suppliers (capital goods)

Direct Operations:

- Manufacturing operations across multiple locations
- Formulation and blending operations
- Warehousing and distribution centre operations
- Pest control service delivery
- Hospitality operations
- Product R&D and reformulation
- Packaging and labelling, quality assurance
- Energy consumption (electricity, fuel, steam, heating)
- Water consumption

Downstream Activities:

- Distribution channels and logistics (outbound)
- Customer use of products (agrochemical application, paint usage, consumer goods consumption)
- Product end-of-life and disposal

- Customer support and advisory services
- Marketing and advertising
- Returns and reverse logistics

Where specific value chain segments are not included in quantitative disclosures (e.g., Scope 3 emissions for which transitional relief has been applied), this is explicitly noted in the relevant sections. The Group is committed to progressively expanding value chain coverage as data availability and measurement methodologies mature.

Stakeholder Engagement in Value Chain

The Group operates within a broad stakeholder landscape comprising local communities, suppliers, regulators, buyers, certification bodies, and investors. These stakeholders play a key role in shaping the Group's sustainability performance, influencing areas such as ethical labour practices, responsible sourcing, regulatory compliance, and market access.

The Group maintains structured and ongoing engagement with each stakeholder group through mechanisms including community forums, supplier audits, and investor briefings. This approach supports alignment with ESG expectations, enables proactive risk management, and reinforces the Group's long-term social license to operate, which is particularly relevant given the Group's presence in the chemicals, paints, solvents, and agricultural inputs sectors.

Any changes to the organisational boundary compared with the previous reporting period are disclosed in the relevant sections, along with their implications for comparability of sustainability information.

2. Basis of Materiality

Lankem Ceylon PLC discloses sustainability-related risks and opportunities that could reasonably affect its cash flows, access to finance, or cost of capital over the short, medium, or long term. Materiality is assessed through a structured approach integrating quantitative financial thresholds, likelihood of occurrence, and severity of effect, applied across defined planning horizons.

Quantitative materiality is determined using Group revenue as the benchmark, with thresholds established based on average revenue for FY2024 and FY2025. Financial impacts are classified across five severity levels varying from negligible to severe, providing a consistent basis for evaluating the financial magnitude of sustainability-related matters. Overall materiality threshold has been set to 188 million and above as significant impacts.

Qualitative materiality considers reputational impacts, risks to the Company's social license to operate, particularly relevant given Lankem's presence in the chemicals, paints, solvents, and agricultural inputs sectors - exposure to non-compliance with sustainability-related and low-carbon regulations, stakeholder concerns, and alignment with environmental, social, and economic contexts under SLFRS Sustainability Disclosure Standards.

This combined approach ensures that both measurable financial impacts and broader sustainability considerations are systematically captured in the Company's disclosures in accordance with SLFRS Sustainability Disclosure Standards.

3. Functional Currency

The financial statements are presented in Sri Lankan rupees, which is the functional currency of the Company. All financial information presented in Sri Lankan rupees has been rounded to the nearest thousand, unless stated otherwise.

4. Sources of Guidance Strategic Alignment: Global Commitments & National Targets

Lankem Ceylon PLC recognises its responsibility to mitigate climate change while ensuring long-term business resilience. Our strategy is purposefully aligned with the following global and national frameworks:

- SLFRS Sustainability Disclosure Standards (SLFRS S1 and S2)
- Relevant SASB Standards for the Chemical and Agriculture sectors.
- Updated Nationally Determined Contributions (NDC 3.0) of Sri Lanka to the United Nations Framework Convention on Climate Change (UNFCCC).

Governance & Disclosure (SLFRS S1 & S2): In alignment with the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) roadmap, we are formalising our climate governance through SLFRS S1 (General Requirements) and SLFRS S2 (Climate-related Disclosures). For the current reporting cycle, we are prioritising the identification of Climate-Related Risks and Opportunities (CRROs). This framework allows us to translate climate data into strategic action, specifically targeting the reduction of our Scope 1 and Scope 2 emissions across our manufacturing and service delivery operations to ensure we remain a responsible and resilient corporate entity.

5. Reporting Period

Financial year covered from 1st of April 2025 to 31st of March 2026.

6. Time Horizon

Time horizons are aligned with the Company's planning cycles: short term (0-1 year) with annual operational and budgeting cycles; medium term (1-5 years) with strategic and capital investment planning; and long term (5 years and beyond) with the Company's long-term strategic vision and market transformation trends. The Company's consolidated time horizons for assessing Climate-Related Risks and Opportunities (CRROs) are categorised as follows:

Time horizon	Definition [number of years]	FY
Short term	Up to 1 Year	2025/26 to 2026/27
Medium term	1 to 5 Years	2026/27 to 2030/31
Long term	More than 5 Years	2030/31 onwards

7. Connected Information

These disclosures are connected to the Management Discussion & Analysis (page 66), the Risk Management Report [MP1.1] (page 149), the Audited Financial Statements (page 202).

Lankem's disclosures illustrate how climate-related risks and opportunities (CRROs) link directly to our governance, strategy, risk management, and financials. Guided by our turnaround theme, "Resilience. Recovery. Rise.", this integrated reporting approach aligns with SLFRS S1 and S2 across our multi-sector conglomerate footprint.

- Financial Connectivity: CRROs guide capital allocation by weighting resource efficiency (water, energy, and waste footprints) alongside payback periods, while digital SFA tools optimize inventory to prevent product degradation. Quantitative financial connectivity remains qualitative as our reporting infrastructure matures during this baseline year.
- Strategic Connectivity: Climate transition impacts drive operational transformation toward sustainable portfolios. Key milestones include low-emission Robbialac CARBANO paints, automated Oyamaduwa plant producing soil-restoring "Mada Raja SSP" fertiliser, and industrial solar PV rollouts to insulate against utility price shocks.
- Risk Management Connectivity: CRROs are integrated into our Enterprise Risk Management (ERM) framework. Operational mitigations include mandatory pre-procurement toxicological ingredient screening

8. Transitional Relief

In preparing its sustainability-related financial disclosures, Lankem Ceylon PLC has applied the following transition reliefs available under SLFRS S1 and SLFRS S2 for the first annual reporting period of adoption.

- SLFRS S1 – Disclosure of climate-related risks and opportunities only: In the first annual reporting period of applying this Standard, the Company has elected to disclose information relating only to climate-related risks and opportunities (CRROs) in accordance with SLFRS S2, and has consequently applied the requirements of SLFRS S1 only insofar as they relate to such disclosures. This election is disclosed in accordance with the requirement of the Standard. (Note 01)
- SLFRS S1 - Comparative information: As permitted under the transition relief, the Company has not disclosed comparative information in respect of CRROs in this, the first annual reporting period of adoption. In the second annual reporting period of adoption, the Company will not be required to provide comparative information on sustainability-related risks and opportunities (SRROs) other than CRROs. (Note 02)
- SLFRS S2 - Scope 3 greenhouse gas emissions: The Company has applied the transition relief permitting the exclusion of Scope 3 greenhouse gas emissions in the first reporting period. Full disclosure of Scope 3 emissions will be incorporated two years from the date of initial application of this Standard. (Note 03)
- SLFRS S2 - Anticipated financial effects of climate-related risks and opportunities: The Company has elected to defer disclosure of both qualitative and quantitative information relating to the anticipated financial effects of climate-related risks and opportunities. This deferral is permitted for a period of two years from the date of mandatory application of the Standard. (Note 04)
- SLFRS S2 - Climate resilience: The Company has applied the transition relief in respect of climate resilience disclosures. Full compliance with the climate resilience disclosure requirements

will be achieved within two years of the mandatory application date of the Standard. (Note 05)

9. Significant Judgements, Uncertainties and Proportionality

Significant judgements were applied in assessing the financial quantification of physical climate risks, particularly regarding the probability and magnitude of extreme weather events. Uncertainties exist in long-term climate projections and their localised impacts on supply chains and agricultural demand. Disclosures are proportionate to the materiality of the risks.

10. Statement of Compliance

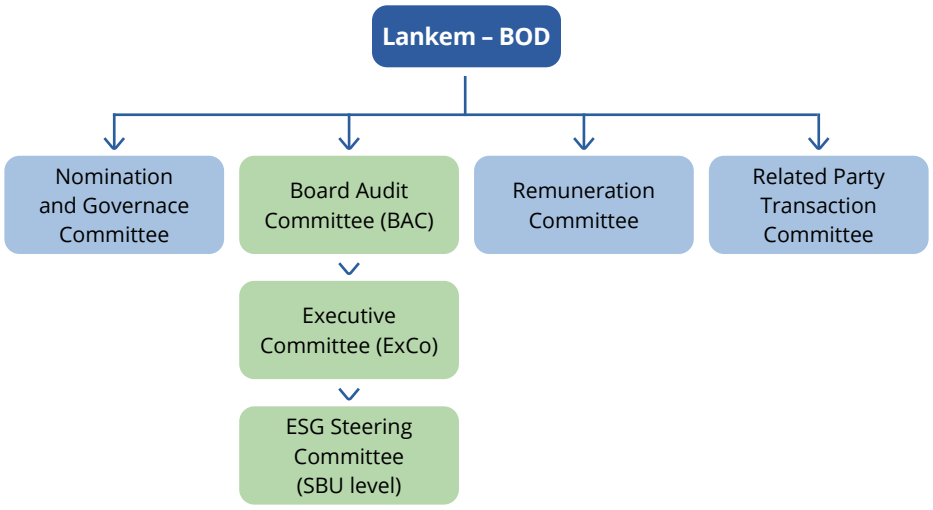
This report represents a complete set of sustainability-related financial disclosures for Lankem Ceylon PLC and its subsidiaries (collectively, the 'Group') for the year ended 31 March 2026. The Company's sustainability-related disclosures have been prepared in accordance with SLFRS Sustainability Disclosure Standards as issued by the Institute of Chartered Accountants of Sri Lanka.

Governance

Board Oversight Role

The Board of Directors retains ultimate responsibility for the strategic direction, risk oversight, and long-term resilience of Lankem Ceylon PLC. In the context of sustainability and climate-related imperatives, this duty is exercised through a structured governance framework where the Board delegates specific oversight activities to the Audit Committee, while retaining final approval and strategic decision-making authority.

Corporate sustainability and governance structure is provided below:



Responsibility

The Board Audit Committee meets quarterly and is responsible for providing assistance to the board of directors in fulfilling its oversight responsibilities. The Audit Committee is determined by the Board to provide dedicated oversight of the Company's sustainability governance. Its principal responsibilities in this regard are as follows:

Strategy and Policy: Reviews and recommends to the Board for approval the Company's short, medium, and long-term sustainability strategy, objectives, and related policies, including those pertaining to SRROs and CRROs, as submitted by the Executive Committee.

Risk and Internal Controls: Reviews the adequacy and effectiveness of internal control and risk management frameworks as they relate to the identification, assessment, measurement, management, and reporting of SRROs and CRROs.

Disclosure Integrity: Ensures the integrity and reliability of all sustainability disclosures to stakeholders, including non-financial metrics and sustainability-related financial information, in compliance with SLFRS S1 and SLFRS S2.

Board Reporting: Ensures the Board is adequately and timely informed of material SRROs and CRROs, particularly in relation to strategic decisions, major transactions, risk management processes, and associated trade-offs. Submits quarterly reports to the Board on all significant sustainability and climate-related developments, challenges, and assurance outcomes.

Targets and Performance: Oversees the process for setting and monitoring progress against sustainability targets, including the appropriate integration of sustainability performance metrics into remuneration policies where relevant.

Capabilities and Resources: Monitors the availability and adequacy of skills and resources within the Company necessary to effectively manage, measure, and report on SRROs and CRROs.

External Assurance: Reviews and approves the scope, methodology, and coordination of the independent External Auditor's assurance process for non-financial and sustainability disclosures, where applicable.

ESG Governance Guidance: Provides guidance on the governance structure, controls, and procedures required by the Executive Committee to ensure reliable data collection, monitoring, and management of SRROs and CRROs across the organisation.

Regulatory Awareness: Advises the Board on emerging sustainability trends, regulatory developments, and associated risks and opportunities that may impact the Company.

Annual Report Review: Critically assesses material sustainability-related financial information proposed for inclusion in the Annual Report and recommends enhancements where appropriate.

The Executive Committee, which supports the Board and Audit Committee, is composed of senior management representatives from all business units and cross-functional departments. Members collectively bring expertise across:

- Agri Inputs, Industrial Chemicals, Consumer Goods, Pest Control Services, and Support Functions
- Operations, Supply Chain, Finance, Marketing, Human Resources, and Credit Control
- Sustainability and ESG compliance, with Dedicated Managerial Resources

Specific training on climate-related risks, SLFRS S1 and S2 requirements, and emerging sustainability trends is provided to Board and Committee members to maintain current knowledge and effectiveness.

Inform

The Board is regularly informed on sustainability and climate-related matters through a structured reporting framework:

Quarterly Reporting: Executive Committee submits regular reports to the Audit Committee on progress of ESG initiatives, effectiveness of strategies, achievement of KPIs and targets, and emerging sustainability-related risks and opportunities.

Audit Committee to Board: The Audit Committee submits timely, comprehensive quarterly reports to the Board on all significant Sustainability and Climate-Related Risks and Opportunities (SRROs and CRROs), highlighting material developments, challenges, and assurance outcomes.

Emerging Issues: The Executive Committee provides regular insights and recommendations to the Board of Directors (via the Board Audit Committee) on emerging ESG trends, regulatory developments, stakeholder expectations, and evolving risks and opportunities.

Annual Reporting: Material sustainability-related financial information proposed for inclusion in the Annual Report is critically assessed by the Audit Committee and recommended to the Board for approval.

Address

The Board integrates climate-related considerations into strategic decision-making through:

Strategic Approval: Reviewing and approving the Company's climate transition plan, resilience strategy, and significant related policies as recommended by the Audit Committee.

Capital Allocation: Ensuring climate considerations inform capital allocation decisions, investment appraisals, and major transactions, with the Audit Committee ensuring the Board is adequately informed of SRROs and CRROs in relation to strategic decision-making.

Policy Endorsement: Approving ESG policies (environmental, social, governance) developed by the Executive Committee and recommended via the Audit Committee, ensuring they are appropriate for the business context, including as an agrochemical company.

Escalation: The Company maintains a formal escalation framework to ensure that material SRROs and CRROs are identified, assessed, and brought to the attention of the appropriate governance bodies in a timely and structured manner. Under this framework:

- Material sustainability and climate-related risks identified at the operational level are first assessed by the Executive Committee against the Company's established materiality thresholds – encompassing financial severity, likelihood of occurrence, and time horizon – as defined under the Company's SLFRS S1 and S2 disclosure framework.
- Risks assessed as Moderate, Significant, or Severe – corresponding to a financial impact of Rs. 125 million and above, or those carrying significant reputational, regulatory, or operational consequence – are escalated to the Audit Committee for review, deliberation, and recommended action.

- The Audit Committee, upon review, determines whether the matter warrants immediate Board-level attention or can be managed within delegated authority. Matters with strategic implications, including those affecting the Company's climate transition plan, capital allocation priorities, or public disclosures, are escalated to the full Board without delay.
- The Audit Committee submits comprehensive quarterly reports to the Board covering all material SRROs and CRROs, including the status of previously escalated matters, corrective actions taken, and emerging risks on the horizon.
- In the event of an acute or rapidly evolving climate or sustainability-related risk - such as a significant regulatory development, an environmental incident, or a material change in the Company's risk exposure – an ad hoc escalation pathway is available, enabling direct and immediate reporting to the Board Chair and relevant Board members outside the regular quarterly cycle.

Monitor

The Board monitors the implementation of sustainability strategy and management of associated risks through:

Target Oversight: The Audit Committee oversees the process for setting and monitoring progress against targets related to SRROs and CRROs, including the appropriate integration of sustainability performance metrics into remuneration policies where relevant. Progress is reported to the Board quarterly.

Risk Framework Review: The Audit Committee reviews the adequacy and effectiveness of internal control and risk management frameworks as they relate to identifying, assessing, measuring, managing, and reporting SRROs and CRROs.

Performance Tracking: Defined KPIs (including climate-related targets) are monitored by the Executive Committee and reported through the governance chain, with progress against targets regularly evaluated.

Assurance Oversight: The Audit Committee reviews and approves the scope, methodology, and coordination of independent External Auditor's assurance processes for non-financial and sustainability disclosures when applicable.

Continuous Improvement: The Executive Committee periodically reviews the effectiveness of the sustainability strategy and updates the SRRO management approach to reflect changes in business context, global standards, and regulatory requirements.

Management Role

Delegation

Day-to-day management of sustainability issues, including climate-related risks and opportunities, is delegated by the Board through the following structure:

Executive Committee: Responsible for driving the Organisation's strategy, policies, performance, and reporting on environmental, social, and governance matters. The Committee manages sustainability-related risks and opportunities (SRROs) and integrates ESG strategy into the Company's growth, decision-making, operations, and stakeholder engagement.

Composition: Chaired by the Managing Director, the Committee includes the Chief Financial Officer, Chief Executive Officers of all business units (Agro, SALS, Lankem Paints), Chief Marketing Officer, Chief Supply Chain Officer, Senior General Manager (BEST), General Managers (Pest Management, Supply Chain, Agro, Distribution), Deputy General Managers (HR, Credit Control), and the Manager – Sustainability.

Functional Oversight: The ESG Department coordinates implementation, maintains documentation, and supports business units in executing sustainability initiatives.

Sustainability Steering Committee: The company-level Sustainability Steering Committee is the technical and coordination hub between the Executive Committee and the manufacturing facility. Its responsibilities include:

- Data Collection & Validation – Gather primary data on energy consumption, water withdrawal & discharge, waste generation, effluent quality, and other indicators required for GHG inventory (Scope 1, 2, and relevant Scope 3). Ensure data accuracy, completeness, and timeliness for consolidation at company level.
- Corrective Action Implementation – Respond to internal audit findings, non conformances (environmental health and safety related), and exceedances of regulatory permits. Develop root cause analysis and implement corrective measures within defined deadlines.
- ESG Implementation at Facility Level – Execute policies and programmes approved by the Executive Committee (e.g.,

water conservation projects, energy efficiency retrofits, waste segregation). Monitor real time performance against facility level KPIs.

- Risk Identification – Identify local water scarcity, emission sources, or community complaints. Escalate material risks to the Executive Committee.
- Training & Awareness – Conduct toolbox talks and operator training on proper chemical handling, leak detection, energy saving behavior.
- Reporting Upward – Submit monthly data packs and progress reports to the Executive Committee, including deviations from targets and corrective action status. Drive achievement of KPIs and targets set for ESG, such as climate related GHG and energy intensity reduction targets.
- Data Governance – Mandate a single data owner at each facility (e.g., the facility steering committee chair). Ensure every data point has a named responsible person and an independent reviewer.

Policies and Procedures

Currently there exist no direct policy link to CRROs. Lankem Ceylon PLC manages Climate-Related Risks and Opportunities (CRROs) through established governance structures and operational practices embedded within the Company's overall risk management and sustainability framework.

Climate-related matters are integrated into the Company's Enterprise Risk Management (ERM) process is subjected to regular review by the Executive Committee, with oversight provided by senior management and escalation to the Audit Committee where material risks or opportunities are identified. Key operational controls include systematic monitoring of energy consumption, fuel usage, and greenhouse gas emissions across manufacturing facilities and business units; implementation of targeted energy efficiency measures; and ongoing evaluation of renewable energy deployment opportunities, including solar photovoltaic installations at priority sites.

Capital allocation decisions incorporate environmental and climate considerations, including energy efficiency, water security, and facility resilience against extreme weather events. The Company actively monitors regulatory and market developments related to climate change – including domestic alignment with international chemical conventions, evolving environmental permitting requirements, and stakeholder expectations for low-carbon transition – ensuring that strategic and investment decisions account for emerging compliance obligations and market shifts.

Environmental performance data, including GHG emissions, water intensity, and progress against climate-related targets, is reviewed quarterly to ensure alignment with the Company's sustainability strategy and compliance with mandatory reporting requirements under SLFRS S1 and SLFRS S2.

2.8.2 Policy Development and Enhancement

During the reporting period, the Group expanded the scope of its sustainability governance framework and is actively developing the following policies to address emerging environmental priorities.

Policy Under Development	Scope and Objectives
Waste and Effluent Management Policy	Establish standards for waste segregation, treatment, and disposal; set targets for waste reduction and recycling; ensure compliance with environmental discharge permits
Energy Management Policy	Define energy efficiency targets; establish protocols for monitoring and reporting energy consumption; identify opportunities for renewable energy adoption and energy conservation
GHG Emissions Management Policy	Set frameworks for measuring, reporting, and reducing Scope 1, 2, and relevant Scope 3 emissions; align reduction targets with national and international climate commitments
Water Resource Management and Conservation Policy	Establish water consumption baselines; set conservation targets; identify water recycling and reuse opportunities; manage water risks and ensure sustainable withdrawal practices

These policies are being developed in alignment with SLFRS S1 and S2 requirements, relevant international standards, and Sri Lanka's national climate commitments. Once finalised, they will be formally approved by the Board and integrated into the Group's operational procedures.

Strategy

SLFRS Sustainability Related Financial Disclosures

Strategy for CRR1 (Climate Related Risk 1)

CRR1	Extreme Weather Events	
CRROs Impact on Prospects	Description	The Group faces significant disruptions from extreme weather across Agri Inputs, Industrial Chemicals (including paints/coatings), Pest Control Services, and supply chain operations. Impacts include facility damage, production halts, raw material bottlenecks, water scarcity curbing agricultural demand, and shifting pest patterns driving volatile demand. These erode revenue through downtime losses, inventory write-offs, and suppressed demand in drought-affected markets.
	Physical Risk or Transition Risk	Physical Risk
	Time Horizon	M, L
	Define Time Horizon	Short-term (S): less than 1 year Medium-term (M): 1-5 years Long-term (L): More than 5 years
Business Model and Value Chain	Current Effects on Business Model and Value Chain	**Current effects on business model and value chain of paints division** The Paints Division of Lankem Ceylon PLC has already experienced tangible and material impacts from climate-related physical risks, primarily extreme rainfall events and flooding. These effects have disrupted manufacturing operations because of inundation of surrounding area and supply chain reliability. **Supply chain disruptions from extreme weather** Imported raw materials – including specialty resins, additives, and pigments – faced delays due to port closures and logistics interruptions during Cyclone Ditwah. The Colombo Port experienced temporary shutdowns, and several shipments were delayed by 2–3 weeks. This forced the Division to rely on safety stocks and, in some cases, to pay premium freight for expedited air shipments, raising cost of goods sold. Lankem Ceylon PLC's diversified business model and integrated value chain are already experiencing tangible effects from climate-related physical risks, primarily extreme weather events and climate volatility. These effects manifest across our core sectors, impacting operations, costs, demand patterns, and strategic assumptions. The primary effects of the identified extreme weather for FY 2025/26 financial cycle is primarily from the Cyclone Ditwah, which made landfall on 28th November 2025 and caused widespread landslides and flooding. Among the widespread effects of the cyclone, around 1 million people were identified as in need of agricultural support. Being an agro-input (fertiliser, agrichemicals, seeds) company, this has a secondary effect on demand for our products.

CRR1	Extreme Weather Events	
		Effects on the Business Model: The Company's model of providing essential inputs and services across agriculture, industry, and consumer markets is being tested by climate volatility. Revenue streams and profitability are under pressure from both the supply and demand sides. **Agri-Inputs:** This core sector faces a direct and immediate impact. Unpredictable rainfall patterns and prolonged dry periods are leading to reduced or shifted planting seasons among farmers, creating volatile and often suppressed demand for seeds, fertilisers, and agrochemicals. **Pest Control Services:** Changing climate patterns are altering pest and vector ecology. In Colombo, most food warehouses are located along river basins. Flooding caused by extreme rainfall has displaced pests from riverbanks into residential areas, leading to increased mosquito infestations and a rise in reported cases. Termite infestations are also climbing due to rising water tables and higher soil moisture. As a result, corporate clients are increasingly requesting regular vector control services to manage disease-carrying pests. These shifts require continuous adaptation of service protocols, technician training, and solution formulations, directly impacting service delivery costs and effectiveness. Paints and Coatings: **Cyclone Ditwah (November 2025) and associated flooding** The cyclone brought prolonged heavy rainfall that caused flash flooding around the Ja-Ela manufacturing facility. At the Ja-Ela factory, floodwaters inundated the surrounding area, limiting road access to the facility, resulting in 10 days of production interruptions.
	Anticipated Effects on Business Model and Value Chain	**Anticipated Effects on Business Model and Operations** Looking ahead, the increasing frequency and severity of extreme weather events, coupled with chronic climate shifts, are anticipated to drive the following strategic implications across Lankem's business model and value chain: **Capital Allocation & Asset Management:** More capital will shift toward facility hardening, water recycling, and relocating vulnerable assets. This will compete with growth funds and pressure medium-term margins. **Portfolio Evolution & Innovation:** Changing agricultural patterns and pest dynamics will accelerate the evolution of our product and service mix. In the Agri-Inputs sector, we anticipate a deliberate shift toward solutions tailored for drought conditions, water efficiency, and resilience against erratic weather, while reducing reliance on products suited only for stable, predictable growing seasons. For pest control services, the portfolio will need to adapt to emerging pest pressures and shifting infestation geographies, requiring ongoing investment in R&D, technician training, and service innovation. **Geographic & Market Repositioning:** Chronic climate impacts may gradually alter the viability of certain markets and production locations. The Company anticipates a potential need to reassess the geographic concentration of both manufacturing footprints and customer bases. This could involve reducing exposure to regions with deteriorating climate suitability while selectively expanding into more resilient areas, balancing market access with operational risk.

CRR1	Extreme Weather Events	
		Cost Structure & Margin Pressure: Beyond discrete investments, climate volatility is expected to embed higher ongoing costs into our operating model-including increased insurance premiums, logistics disruptions, raw material price volatility, and compliance with evolving regulations. These pressures will require continuous productivity improvements and pricing discipline to protect profitability. In summary, climate change is anticipated to act as a strategic catalyst, reshaping where and how we operate, what we sell, and how we manage risk. The Company's ability to navigate these shifts proactively will determine its long-term competitive positioning and resilience. **Anticipated Effects on the Value Chain:** Climate impacts will propagate through every link of the value chain, requiring integrated responses that span from raw material sourcing to end-customer relationships. **Upstream (Sourcing & Procurement):** Beyond supplier diversification, the Group anticipates needing to invest in deeper supply chain visibility and monitoring systems to track climate risks in real-time. Commodity price volatility will increase as climate shocks affect global and local supply-demand balances, requiring more sophisticated procurement hedging strategies. For agricultural raw materials, direct engagement with farming communities (including training on climate-resilient practices) may become necessary to secure long-term supply stability. **Downstream (Distribution, Sales & Customer Relationships):** Distribution networks will face chronic disruption risks, potentially requiring investment in alternative transport modes, multi-modal logistics capabilities, and decentralised warehousing to maintain service levels. Customer relationships will evolve as climate pressures alter their own business models. For Agri-Inputs customers (farmers), this means providing not just products but advisory support on climate adaptation, deepening relationships but also increasing service delivery costs. Credit risk management will need to factor climate-induced crop failure into client financing decisions.
	Where is it Concentrated?	**Current Effects** **(i) Paints and Coatings (Robbialac) – Manufacturing and Sales:** Flooding around the Ja-Ela facility caused direct manufacturing interruptions, while prolonged rainfall simultaneously suppressed paint application activity among contractors and end customers, compressing sales in both the decorative and project segments. **(ii) Agri Inputs - Demand and Supply Chain:** Volatile and suppressed farmer demand following Cyclone Ditwah has directly impacted sales of seeds, fertilisers, and agro-chemicals, with approximately one million people identified as requiring agricultural support in affected regions – representing an immediate and material demand disruption to the Company's most revenue-exposed segment. **(iii) Pest Control Services – Shifting Infestation Patterns:** Flooding displaced pests from riverbanks into residential and commercial areas, increasing mosquito and termite infestations. A concurrent regulatory delay at the Registrar of Pesticides office in Kandy restricted the supply of Biflex, limiting termite control service capacity during a period of heightened demand.

CRR1	Extreme Weather Events	
		(iv) Supply Chain – Climate-Vulnerable Sourcing and Logistics: Port closures and logistics disruptions during Cyclone Ditwah caused 2–3 week delays in imported raw materials, forcing reliance on safety stocks and premium freight arrangements, directly increasing cost of goods sold. **(v) Distribution Networks – Weather-Damaged Infrastructure:** Road access disruptions around the Ja-Ela manufacturing facility resulted in 10 days of production interruption following flash flooding from Cyclone Ditwah, with consequent impacts on product availability across customer-facing distribution channels. Anticipated Effects **(i) Paints and Coatings (Robbialac) – Manufacturing and Sales:** Increasing frequency of extreme rainfall events is anticipated to cause recurring manufacturing downtime and seasonally compressed sales windows, particularly in decorative and project paint segments where outdoor application is directly weather-dependent. **(ii) Agri Inputs – Demand and Supply Chain:** Unpredictable rainfall patterns and prolonged dry periods are anticipated to cause persistent demand volatility and seasonal demand compression, representing the most materially exposed segment of the value chain over the medium to long term. **(iii) Pest Control Services – Shifting Infestation Patterns:** Continued ecological shifts in pest behavior driven by rising temperatures and erratic rainfall will require ongoing adaptation of service protocols, solution formulations, and technician training, increasing service delivery costs over the medium term. **(iv) Supply Chain – Climate-Vulnerable Sourcing and Logistics:** Increasing frequency and severity of weather events is expected to exacerbate raw material procurement disruptions, necessitating deeper supplier diversification, multi-sourcing arrangements, and more sophisticated procurement hedging across climate-vulnerable sourcing regions. **(v) Distribution Networks – Weather-Damaged Infrastructure:** Chronic disruption risks to road and port infrastructure are anticipated to require investment in alternative transport modes, decentralised warehousing, and multi-modal logistics capabilities to maintain acceptable service levels across the Company's distribution network.
Strategy and Decision-Making	Plans to Respond in Strategy, Risk Management, Transition Plans and Climate-related Targets	**Strategy and Decision Making** The Company's integrated response to extreme weather risk is embedded across three strategic pillars, tailored to Lankem Ceylon PLC's core business portfolio (Agri-Inputs, Industrial coatings and Pest Control Services): **Pillar 1: Operational Hardening & Resource Resilience** Investing in climate-resilient infrastructure and deploying water conservation technologies at major sites by 2028. This pillar is owned by operations heads of business segments.

CRR1	Extreme Weather Events	Strategy in Action: **Agri-Inputs & Industrial Coatings:** Phased implementation of flood defenses, improved drainage, waterproofing of critical electrical infrastructure at manufacturing facilities identified as high-risk through vulnerability assessments. Priority sites include those in flood-prone industrial zones and water-stressed regions. Under pillar 2, increased critical inventory buffers will be protected from facility hardening under pillar 1. **Water Management and Resilience:** Optimising water conservation systems at key manufacturing locations, targeting a progressive reduction in water dependency and intensity in the facility. Water metering and sub-metering helps with quantifying the usage with respective areas in the facilities. This serves dual benefits of cost reduction and business continuity during water shortages. **Heat Resilience:** Retrofitting of plant cooling systems, improved ventilation in production areas, and heat-stress protocols for outdoor and warehouse workers to maintain productivity and safety during extreme heat events. **Pillar 2: Supply Chain Diversification & Inventory Strategy** **Supply Chain Agility:** Focus on lead time reduction, supplier diversification, and flexible sourcing arrangements rather than maintaining large inventory buffers. Strategy in Action: **Supplier Diversification:** Proactive identification and qualification of alternative suppliers across different geographic zones to reduce concentration risk. For critical raw materials (particularly in Agri Inputs and critical chemicals for key products in the group), the target is to establish at least two qualified suppliers in distinct climate zones where commercially viable. **Alternate Sourcing Emphasis:** Alternative sourcing pathways maintained for import-dependent raw materials, including qualified secondary suppliers and expedited logistics arrangements. Prioritisation of local and regional suppliers where feasible, reducing exposure to long logistics routes vulnerable to weather disruption, while simultaneously supporting the local economy and reducing carbon footprint. **Data-Driven Optimisation:** Data-driven improvement of supply chain responsiveness, including supplier lead time reduction and multi-sourcing **Supplier Engagement:** Collaborative dialogue with key suppliers on their own climate resilience capabilities, with technical assistance provided where strategic importance warrants. Inclusion of climate resilience considerations in supplier evaluation and onboarding processes. Pillar 3: Portfolio Adaptation & Innovation Accelerating R&D for climate-adaptive agricultural solutions (e.g., products for erratic rainfall patterns)

CRR1	Extreme Weather Events	Strategy in Action: **For Agri Inputs:** Product Portfolio Evolution: Accelerated R&D focus on solutions tailored for climate-stressed agriculture, including: Drought-tolerant crop varieties and seed treatments (treatments are done by manufacturers) High nutrient use efficiency fertiliser focus (import) (N-shield - slow-release) Soil health products that improve soil pH and macro and micronutrient retention levels, protects microbiome Market Responsiveness: Agile product introduction (special import to fight pest outbreaks or disease pressures linked to weather anomalies). Advisory Services: Development of technical advisory capabilities to guide farmers on climate-adaptive practices, deepening customer relationships while supporting resilience. **For Pest Control Services:** Service Protocol Adaptation: Continuous refinement of treatment protocols based on shifting pest ecology, with R&D investment in: Solutions for emerging pest species driven by climate change Preparing for pest control services due to changing climate and anticipated weather patterns Proactive monitoring and early-warning systems for clients Technician Capability: Enhanced training programs equipping field staff with knowledge of climate-driven pest behavior changes and appropriate response strategies. **For Industrial Chemicals & Consumer Goods:** Product Resilience: Review of formulations and packaging for heat and humidity sensitivity, with modifications where necessary to ensure product integrity under stressed storage and transit conditions. Customer Support: Development of guidance for customers/dealers on proper storage and handling during extreme weather conditions.
	How the Company is Resourcing and Plan to Resource Activities	**How the Company is Resourcing and Plan to Resource Activities** Activities are resourced through a pragmatic, multi-layered framework designed to maximise impact while maintaining fiscal discipline: **(i) Capital Allocation Framework:** Integrated Budgeting: Resilience investments are embedded within the regular three-year CAPEX planning cycle rather than siloed as a separate “climate fund.”

CRR1	Extreme Weather Events	

Phased Approach: Hardening measures are prioritised based on risk exposure, with highest-risk sites addressed first. This allows capital outlays to be spread over multiple years, smoothing cash flow impact while progressively reducing vulnerability.

Operating Expenditure: Lower-cost initiatives (training, planning, supplier assessments, protocol updates) are funded through functional operating budgets, with climate resilience treated as a normal business cost rather than exceptional expenditure.

(ii) Governance & Execution Structure:

Executive Committee: A cross-functional team comprising representatives from Operations, Supply Chain, R&D, Procurement, and Finance, meeting quarterly to coordinate implementation, track progress, and report to the Audit Committee. This structure leverages existing personnel rather than creating costly new roles.

Operational Ownership: Responsibility for site-level hardening measures resides with factory management, integrated into their regular performance objectives. Supply chain initiatives are owned by procurement leadership. This embeds accountability within line functions rather than creating parallel structures.

Knowledge Sharing: Regular cross-site forums enable facilities to share lessons learned from pilot initiatives (e.g., water conservation projects), accelerating adoption of proven, cost-effective solutions without reinventing approaches.

(iii) External Expertise & Partnerships:

Targeted Engagement: External consultants engaged selectively for specialised inputs such as initial SLFRS reporting framework and gap analysis. Once frameworks are established, periodic updates are managed internally to contain costs.

Academic & Industry Partnerships: Collaboration with local universities and agricultural research institutions for climate-adaptive R&D, leveraging existing relationships and grant-funded opportunities rather than bearing full research costs independently.

Peer Learning: Active participation in industry forums and sustainability working groups to share adaptation experiences and learn from peer companies facing similar challenges, reducing the need for expensive proprietary research.

Government & United Nations Development Programmes: Monitoring and accessing relevant government and United Nations climate adaptation Programmes, technical assistance initiatives, and development partner funding where available to supplement internal resources.

CRR1	Extreme Weather Events	
	Progress (qualitative and quantitative)	**Operational Hardening & Site-Level Assessments:** Vulnerability Assessments: Comprehensive climate vulnerability assessments for three major manufacturing sites have been planned for the coming year. These assessments will evaluate: ❍ Extreme rain exposure and flood vulnerability assessment ❍ Water scarcity risks and dependency on municipal supply ❍ Infrastructure resilience to extreme heat and storm events ❍ Business continuity gaps and priority hardening requirements ❍ Facility-Level Actions: To be implemented based on the results of facility-level vulnerability assessment: ❍ Elevation of critical electrical equipment in flood-prone areas ❍ Improved drainage clearance and maintenance protocols ❍ Corrective actions for identified vulnerabilities. **Supply Chain Resilience:** Supplier Diversification: Completed identification of alternative sources for 8 high-priority materials (including Biflex for Pest Control services) to reduce single-source dependency and geographic concentration risk. Qualification process initiated for priority alternatives. Supply Chain Agility: Shifted focus from inventory buffers to lead time reduction and responsive sourcing arrangements. Developed a dynamic sourcing model that adjusts procurement lead times and supplier selection based on seasonal weather risk patterns, without increasing safety stock levels. Geographic Source Diversification: Mapped climate vulnerability of existing supplier locations for critical raw materials. Initiated qualification of alternative suppliers in distinct climate zones for Biflex and other single-source materials to ensure continuity during region-specific weather events. Strategic Sourcing Improvements: Implemented revised sourcing strategies for 8 high-priority materials during Q4 FY2026, emphasising supplier diversification and flexible logistics over inventory build-up. **Portfolio Adaptation & R&D:** Agri Inputs: Launched initial field trials of N-field, coated fertiliser (reduces GHG from N2O emissions). Sanmite – To counter increased mite attacks during prolonged dry conditions (dry spell) conditions Pest Control Services: A comprehensive review of pest incidence data over the past five years is in progress, identifying emerging patterns correlated with changing rainfall and temperature trends.

CRR1	Extreme Weather Events	
		Strategic Integration & Governance: Governance Structure: Established the cross-functional Climate Resilience Working Group with representation from Operations, Supply Chain, R&D, Procurement, and Finance. The Group has met quarterly, with progress reports submitted to the Audit Committee. Capability Building: SLFRS Sustainability disclosure, standards gap Analysis and implementation facilitation training session held for the Board Audit Committee on 25th November 2025.
Financial Effects	Current Year Financial Effects to PL, BS and CF	There are no quantifiable material financial effects on the P&L, BS, and CF for this reporting cycle.
	Significant Risk of Material Adjustments to Carrying Value of Assets and Liabilities in the Next Financial Year	There is no significant risk of material adjustments to carrying value of assets and liabilities in the next financial year.
	Anticipated Financial Effect Over Short, Medium and Long Term to PL, BS and CF	Transitional Relief (Note 04) Refer Page 94
Climate Resilience	Resilience Assessment	Transitional Relief (Note 05) Refer Page 94
	How and When Climate Scenario Analysis Was Performed. Disclosure of (i) Inputs; (ii) Key Assumptions, and (iii) Reporting Period in Which Scenario Analysis Was Carried Out	Transitional Relief (Note 05) Refer Page 94
Judgements and Uncertainties	Judgements	Key judgements include the estimation of adaptation costs, the projection of future agricultural demand shifts, and the probability weighting of different weather event severities.
	Uncertainties	Significant uncertainties exist regarding the future trajectory of global warming, the efficacy of local adaptation measures, the speed of change in farmer behavior, and the future cost and availability of climate-resilient technologies and insurance.

Strategy For CRR2 (Climate Related Risk 2)

CRR2	Strategic Erosion from Regulatory & Market Transition	
CRROs Impact on Prospects	Description	Systemic regulatory and market shifts threaten core products across the Company's main businesses. This includes chemical bans/phase-outs, product reformulation costs, and stranded inventory risk, all risking significant compliance costs, margin pressure, and market share loss.
	Physical Risk or Transition Risk	Transition Risk
	Time Horizon	M, L
	Define time horizon	Refer page 92 from Basis of preparation for time horizon definition
Business Model and Value Chain	Current Effects on Business Model and Value Chain	There are no financially material impacts in the current year to business and value chain.
	Anticipated Effects on Business Model and Value Chain	**Anticipated Effects on Business Model and Operations** Looking ahead, the acceleration of domestic regulatory alignment with international chemical conventions, combined with evolving market preferences and mandatory disclosure requirements, is anticipated to drive fundamental transformation across Lankem's business model. The four interconnected risks will compound each other: **1. Product Stranding & Compliance CAPEX** (Portfolio Rationalisation & Asset Modification): A significant proportion of the Company's current product portfolio-particularly in crop protection-relies on active ingredients. Sri Lankan regulatory alignment with Codex Alimentarius and EU maximum residue limits (MRLs) could render certain products non-compliant for export-oriented crops (CabrioTop is such a widely used fungicide for vegetables). GAP (Good agricultural practices) certificate is required to export agricultural products. This will necessitate: ❍ Possible reformulation of existing products ❍ Replacement or phasing-out molecules with greener alternatives (lower toxicity synthetics) **2. Mandatory Disclosure & Reputational Liability** (Transparency Costs & Stakeholder Scrutiny): SLFRS S1/S2 compliance will require: ❍ Annual disclosure of Scope 1, 2, and 3 GHG emissions, exposing the Company's carbon footprint to investors and lenders ❍ Public articulation of climate resilience gaps, potentially affecting cost of capital and investor confidence ❍ Enhanced environmental permitting requirements Central Environmental Authority (CEA) may impose additional monitoring, reporting, and operational constraints, with non-compliance risking permit delays or suspensions ❍ Reputational exposure if disclosures reveal slower transition progress than peers

CRR2	Strategic Erosion from Regulatory & Market Transition

3. Market Displacement
(Portfolio & Capability Transformation): Accelerated technological shift toward greener alternatives will disrupt existing revenue streams:

- Agri Inputs: Biostimulants, and organic fertilisers (already in the pipeline) could displace a portion of conventional chemical sales eventually. Adaptation based on local trends will help capture premium export-oriented segments.
- Paints & Coatings: Water-based, low-VOC, and biosolvent formulations could erode solvent-borne demand, particularly in urban and export-oriented project segments.

This transition requires a proactive R&D investment, new registrations, and technician/ sales force retraining.

4. Litigation & Enforcement Risks
(Operational & Financial Exposure):

- Regulatory Enforcement: Failure to meet tightening environmental standards (air emissions, effluent discharge, hazardous waste management) could result in fines, operational suspension, or permit revocation.
- Climate-Amplified Incidents: Facilities storing chemicals face elevated risk of spills during extreme weather events. Such extreme weather events could trigger:
  - o Regulatory enforcement actions and fines
  - o Third-party liability claims (downstream contamination, community impacts)
  - o Remediation costs and reputational damage

Anticipated Effects on the Value Chain:
Upstream (Sourcing & Procurement):
• Procurement must transition from transactional purchasing to strategic partnerships with suppliers of future-proofed, compliant molecules and green chemistry inputs.
• Increased due diligence on supplier sustainability practices and regulatory compliance required (Lankem will be in a better position to push for supplier sustainability once we have a clear sustainability strategy and related data reporting structure – this is to prepare if and when supplier decides to request sustainability data from Lankem, similar to Request For Proposal).
• Potential consolidation of supplier base toward those investing in green chemistry innovation.

Downstream (Sales, Distribution & Customer Relationships):
• Sales model evolves from product-centric to solutions-centric, with technical advisory services as key differentiator.
• Distribution partners require training on new product categories.
• Digital traceability and product stewardship data become expected by institutional buyers.

CRR2	Strategic Erosion from Regulatory & Market Transition	
	Where is it Concentrated?	**(i) Agri Inputs Portfolio (Crop Protection & Fertilisers):** • Products containing active ingredients flagged under international conventions would result in product phase outs as soon as a viable green alternative is available. Currently the portfolio only has yellow band and below chemicals in terms of toxicity. • Export-oriented crop segments will transition fastest, creating immediate market access risk. • Conventional fertiliser portfolio faces displacement from organic and enhanced-efficiency alternatives. **(ii) Paints and Coatings (Robbialac Brand):** • Solvent-based decorative and industrial coatings face substitution pressure from water-borne, high-solids, and low-VOC alternatives. • Premium urban and export-oriented project segments lead this shift. **(iii) Pest Control Services Portfolio:** • Conventional chemical treatments face competition from Integrated Pest Management (IPM) and biological control approaches. • Corporate and institutional clients (hotels, hospitals, factories) are early adopters. **(iv) Manufacturing Facilities – Regulatory & Litigation Hotspots:** • Pannala (Lankem Agro Factory): Highest concentration of regulated agrochemical formulation and packing. Site requires process adaptation for biological and elevated chemical storage areas to withstand extreme floods. • Sapugaskanda (Industrial Chemicals): Solvent blending operations face dual pressure: regulatory restrictions on solvents, market shift to water-based alternatives, and flood exposure creating spill risk. • Ja-Ela: Flood-prone facilities storing chemicals face elevated litigation/enforcement risk from potential weather-triggered spills. **(v) Disclosure & Reporting:** • Sustainability function (Colombo head office) coordinating Group-wide data collection for SLFRS S1/S2 compliance. • Audit Committee oversight of climate-related disclosures and risk management. **Current Effects** (i) Paints and Coatings (Robbialac) – Regulatory and Market Transition: Solvent-based decorative and industrial coatings are already experiencing substitution pressure from water-borne, high-solids, and low-VOC alternatives, with premium urban and export-oriented project segments leading this shift. (ii) Agri Inputs – Product Compliance and Market Access: The current portfolio is concentrated in yellow band and below chemicals in terms of toxicity; however, export-oriented crop segments are already subject to certification requirements under Rainforest Alliance, Fairtrade, and organic frameworks, creating immediate market access pressure even absent formal regulatory bans. The Pannala facility, as the Company's primary agrochemical formulation and packing site, carries the highest current concentration of regulatory compliance exposure, requiring ongoing process adaptation and elevated chemical storage management.

CRR2	Strategic Erosion from Regulatory & Market Transition	(iii) Pest Control Services – Market and Protocol Transition: Corporate and institutional clients – including hotels, hospitals and factories – are already requesting pest vector. control as an alternative to conventional chemical treatments, signaling an early-stage but accelerating market shift that is beginning to affect service protocol design. (iv) Supply Chain – Procurement and Regulatory Uncertainty: International suppliers are already notifying the discontinuation of certain active ingredients facing EU and US phase-outs, creating current procurement uncertainty for import-dependent raw materials. Inventory exposure exists for products containing molecules flagged under international scrutiny, representing a present working capital risk. (v) Distribution Networks and Disclosure – Operational and Reporting Concentration: The Pannala and Ja-Ela facilities, as flood-prone chemical storage locations, currently face elevated litigation and enforcement risk from potential weather-triggered spills. **Anticipated Effects** (i) Paints and Coatings (Robbialac) – Accelerating Substitution: Accelerated technological shift toward water-based, low-VOC, and biosolvent formulations is anticipated to progressively erode solvent-borne product demand, particularly in urban and export-oriented project segments. This will require proactive R&D investment, new product registrations, and reformulation of existing ranges to protect market share and maintain regulatory compliance over the medium to long term. (ii) Agri Inputs – Portfolio Rationalisation and Compliance CAPEX: Sri Lankan regulatory alignment with Codex Alimentarius, EU maximum residue limits, and international chemical conventions is anticipated to render a portion of the current crop protection portfolio non-compliant, necessitating structured phase-out of flagged molecules, replacement with greener alternatives, and investment in new registrations. (iii) Supply Chain – Strategic Sourcing Transformation: Procurement is anticipated to transition from transactional purchasing toward strategic partnerships with suppliers of compliant, future-proofed molecules and green chemistry inputs. Increased supplier due diligence on sustainability practices and regulatory compliance will become a standard requirement, with potential consolidation of the supplier base toward those investing in green chemistry innovation. (iv) Distribution Networks and Disclosure – Escalating Compliance and Liability Exposure: Tightening environmental standards – covering air emissions. effluent discharge and hazardous waste management– are anticipated to impose increasing compliance obligations on distribution and storage facilities, particularly those in flood-prone locations. Mandatory SLFRS S1/S2 disclosure will progressively expose the Company's carbon footprint and climate resilience gaps to investors and lenders, with potential cost of capital implications if transition progress lags peer companies.

CRR2	Strategic Erosion from Regulatory & Market Transition	
Strategy and Decision-Making	Plans to Respond in Strategy, Risk Management, Transition Plans and Climate-related Targets	The Company's response to CRR-2 is structured across five interconnected strategic pillars, each addressing specific risk drivers while capturing transition opportunities: **Pillar 1: Regulatory Intelligence & Proactive Portfolio Management** Anticipating regulatory change and managing product portfolio transition before compliance deadlines. Strategy in Action: • Regulatory Monitoring: Dedicated regulatory intelligence function tracking: National alignment with Rotterdam, Basel, Stockholm Conventions Codex Alimentarius and EU MRL updates CEA/National Pesticide Registrar policy developments Regional regulatory trends (India, ASEAN) affecting sourcing • Portfolio Risk Classification: Annual "traffic light" assessment of all active ingredients: Red (High Risk): Phase-out complete Yellow: Toxic Blue: Moderately toxic Green:4 Slightly toxic • Phase-out Planning: Structured phase-out protocols for yellow-rated molecules. Phase out completed for red label (highly hazardous pesticides) • Registration Pipeline Management: Prioritised registration of replacement molecules • Risk Management Integration: Portfolio risk reviewed phase-out decisions escalated to Executive Committee; inventory provisions assessed with Finance. **Pillar 2: Strategic Compliance CAPEX & Facility Hardening** Investing in facility modifications to meet tightening environmental standards and reduce physical-litigation nexus Strategy in Action: Flood resilience measures at vulnerable sites (Pannala), including raised storage, secondary containment, and automated shut-offs Transition to safer, green chemistry and product formulations, including water-based paint production capacity expansion at Ja-Ela and reconfiguration of solvent blending lines for reduced-risk formulations Strengthened environmental compliance and monitoring through proactive engagement with CEA/EPA, regular environmental audits, and investment in continuous emission monitoring

CRR2	Strategic Erosion from Regulatory & Market Transition	Risk-based CAPEX prioritisation, with climate adaptation investments reviewed by the Investment Committee **Pillar 3: Green Portfolio Transformation** Developing and commercialising sustainable alternatives to capture premium markets and future-proof revenue Paints and Coatings (Robbialac): Water-borne Transition: Progressive substitution of solvent-borne products with water-based decorative and industrial coating ranges Bio-based Formulations and Packaging: R&D into biosolvents and bio-based resins; transition to recyclable packaging formats and refill models for industrial containers Agri Inputs: Green Solutions Portfolio: Expansion of biostimulants, and soil health products addressing drought and heat stress tolerance, nutrient use efficiency, and soil organic carbon enhancement Reduced-Risk Chemistries: Identification and registration of newer synthetic molecules with favorable environmental profiles Enhanced Efficiency Fertilisers: Scale-up of slow-release and coated fertilisers (e.g., N-Shield) to reduce GHG emissions (N2O) and nutrient runoff **Pillar 4: Disclosure Readiness & Stakeholder Engagement** Preparing for mandatory sustainability disclosure (SLFRS S1/S2) while proactively managing reputational liability through transparent communication and stakeholder dialogue. Strategy in Action: SLFRS S1/S2 Preparation: Development of Scope 1, 2, and 3 GHG emissions inventory; articulation of transition plan with measurable milestones; governance framework disclosure covering Board oversight and management responsibilities Investor and Lender Engagement: Proactive communication on transition progress and climate risk management Reputational Management: Annual sustainability report publication aligned with the Annual Report; stakeholder engagement on transition commitments. Risk Management Integration: Disclosure gaps and stakeholder concerns reviewed quarterly by Audit Committee; reputational risk monitoring integrated into corporate communications function; material climate-related matters escalated to Board. **Pillar 5: Litigation Risk Management & Incident Preparedness** Strengthening operational controls, emergency preparedness, and insurance coverage to mitigate litigation and enforcement exposure

CRR2	**Strategic Erosion from Regulatory & Market Transition**	
		Strategy in Action: Operational Controls: Enhanced standard operating procedures for chemical handling, storage, and transport; spill prevention and response plans reviewed and tested annually; secondary containment integrity verification across all facilities; regular internal and third-party environmental compliance audits Emergency Preparedness: Trigger-based extreme weather protocols for flood-prone facilities; coordination with local emergency services; community grievance mechanism for incident reporting; structured post-incident review and corrective action protocols Insurance Coverage: Annual review of environmental liability, business interruption, and Directors' and officers' liability insurance adequacy, maintained with awareness of evolving climate litigation exposure Legal Preparedness: Retained legal counsel engaged on the evolving environmental liability landscape; regulatory defense protocols established; dedicated incident response legal team on retainer Risk Management Integration: Litigation risk embedded in facility risk registers; insurance adequacy reviewed quarterly by the Risk Management function; incident response plans tested through tabletop simulations.
	How the Company is Resourcing and Plan to Resource Activities	Activities are resourced through a pragmatic, multi-layered framework designed to maximise impact while maintaining fiscal discipline: **(i) Capital Allocation Framework:** • Integrated Budgeting: Transition investments (R&D, registrations, facility vulnerability assessments and hardening) embedded within 3-year CAPEX and OPEX planning cycles, evaluated through risk-adjusted framework factoring avoided compliance costs, stranded asset reduction, and market access preservation. • Phased Approach: Investments prioritised based on regulatory urgency and risk exposure: o Tier 1 (FY 2026/27): Regulatory intelligence, portfolio risk mapping, flood-proofing highest-risk chemical storage o Tier 2 (FY 2027/28): Plant modifications for green production, expanded R&D pipeline • Operating Expenditure: Regulatory intelligence, portfolio monitoring, disclosure preparation, and customer advisory services funded through functional operating budgets. **(ii) Governance & Execution Structure:** • Regulatory Transition Working Group: Cross-functional team (Regulatory Affairs, R&D, Supply Chain, Engineering, Procurement, Marketing, Finance, Legal) meeting monthly to coordinate regulatory monitoring, portfolio decisions, and transition execution; reports quarterly to Audit Committee.

CRR2	**Strategic Erosion from Regulatory & Market Transition**	
		• Operational Ownership: Responsibility for product phase-out plans resides with category managers; facility hardening with factory management; disclosure readiness with Finance. • Knowledge Sharing: Regular cross-functional reviews of international regulatory developments and competitor movements. **(iii) External Expertise & Partnerships:** • Regulatory Consultants: Engaged for complex registration pathways and international regulatory alignment advice. • Academic & Research Partnerships: Collaboration with universities for efficacy trials, residue studies, and alternative product development. • Industry Associations: Active participation in CropLife, National Chamber of Commerce to engage with policymakers on practicable transition timelines. • Development Partner Engagement: Monitoring UN agencies (FAO, UNEP) and development partner programmes supporting sustainable agriculture transition.
	Progress (qualitative and quantitative)	**Regulatory Intelligence & Portfolio Management (Pillar 1):** • Regulatory Monitoring Framework: Established systematic regulatory intelligence function in Q2 FY2025/26; quarterly portfolio risk reviews embedded. • Portfolio Risk Mapping: Completed initial "traffic light" assessment of 150+ active ingredients across Agri Inputs: • Phase-out Initiation: Phase-out plans initiated for yellow-rated molecules. **Compliance CAPEX & Facility Hardening (Pillar 2):** • Flood-Proofing Chemical Storage: Rapid vulnerability assessment to be conducted for flood-exposed facilities; priority hardening measures identified for the Pannala Factory; implementation scheduled FY 2026/27. **Green Portfolio Transformation (Pillar 3):** • Paints (Robbialac): Water-based decorative range expanded; low-VOC industrial coating formulation work initiated. • Pest Control Services: Pest vector cotrol service protocol piloted with corporate hotel clients; 12 technicians trained in vector control principles. **Disclosure Readiness (Pillar 4):** • SLFRS S1/S2 Preparation: Scope 1 and 2 GHG inventory substantially complete; Scope 3 methodology under development; climate resilience assessment documented; transition plan articulated.

SLFRS Sustainability-Related Financial Disclosures

CRR2	Strategic Erosion from Regulatory & Market Transition	
Financial Effects	Current Year Financial Effects to PL, BS and CF	There are no material impacts for current financial year (FY 2025/26).
	Significant Risk of Material Adjustments to Carrying Value of Assets and Liabilities in The Next Financial Year	There is no significant risk of material adjustments to carrying value of assets and liabilities in the next financial year.
	Anticipated Financial Effect Over Short, Medium and Long Term to PL, BS and CF	Transitional Relief (Note 04) [refer page 94]
Climate Resilience	Resilience Assessment	Transitional Relief (Note 05) [refer page 94]
	How and When Climate Scenario Analysis Was Performed. Disclosure of (i) Inputs; (ii) Key Assumptions, and (iii) Reporting Period in Which Scenario Analysis Was Carried Out	Transitional Relief (Note 05) [refer page 94]
Judgements and Uncertainties	Judgements	Determination of climate-related demand decline rates for key agricultural inputs.
	Uncertainties	Significant uncertainties exist regarding the future trajectory of global warming, the efficacy of local adaptation measures, the speed of change in farmer behavior, and the future cost and availability of climate-resilient technologies and insurance. Regulatory Trajectory & Stringency: The precise timing, scope, and enforcement intensity of domestic regulatory alignment with international chemical conventions (e.g., Codex Alimentarius, EU MRLs) remain uncertain. A stricter-than-anticipated stance could render a larger portion of the crop protection portfolio non-compliant ahead of current phase-out schedules.

Strategy for the CRO (Climate Related Opportunity)

CRO	Strategic Low-carbon Transition investment Resilience	
CRROs Impact on Prospects	Description	A unified strategic investment opportunity to build resilience and transition to low-carbon operations. Initiatives include adopting low-GWP refrigerants, implementing renewable energy and water security measures, diversifying supply chains, and improving energy efficiency. This programme aims to future-proof operations, lower long-term costs, and access premium markets.
	Physical Risk or Transition Risk	Opportunity
	Time Horizon	M, L
Business Model and Value Chain	Current Effects on Business Model and Value Chain	Current reporting cycle impact on the business model and value chain is immaterial.
	Anticipated Effects on Business Model and Value Chain	Looking ahead, the deliberate scaling of resilience and transition investments is anticipated to generate compounding benefits across Lankem's business model, transforming climate-related expenditure from a cost centre into a source of competitive advantage. **Upstream (Sourcing & Procurement):** Proactive regulatory intelligence enables early identification of at-risk molecules, allowing strategic phase-out planning and securing future-proofed alternative sources ahead of competitors. **Operations (Inventory & Portfolio Management):** Systematic portfolio risk mapping enables managed phase-out of flagged molecules, minimising inventory write-offs and reducing stranded asset risk through planned draw-down strategies. **Downstream (Sales & Customer Relationships):** A technically trained sales force capable of addressing environmental and regulatory inquiries builds customer trust, positioning Lankem as a preferred partner for export-oriented and sustainability-certified clients while enabling premium pricing. **Competitive Advantage & Market Positioning:** Early regulatory adaptation allows Lankem to lead in premium segments (export agriculture, green building, corporate services) where compliance is non-negotiable, transforming regulatory pressure into a competitive advantage.
	Where is it Concentrated?	The opportunity is concentrated across the following business segments and physical locations: (i) Energy-Intensive Manufacturing Sites: • Robbialac Paint manufacturing facility: • Pannala (Lankem Agro Factory): (ii) Water-Stressed & Flood-Exposed Locations: • Pannala: Water conservation to reduce groundwater abstraction during dry periods. • Sapugaskanda /Ekala: Flood resilience investments (raised storage, secondary containment) to protect inventory and reduce spill risk. • Peliyagoda: Flood-proofing of solvent storage areas; water efficiency measures.

CRO	Strategic Low-carbon Transition investment Resilience	
		(iii) Product Portfolio (Customer-Facing Divisions): • Agri-inputs: Enhanced efficiency fertilisers (N-Shield), biopesticides, biostimulants, soil health products, drone-based application services. • Paints & Coatings (Robbialac): Water-based decorative and industrial coatings, low-VOC formulations, bio-based solvents, circular packaging. • Pest Control Services: IPM protocols, biological control offerings, "Eco+" service tier
Strategy and Decision Making	Plans to Respond in Strategy, Risk Management, Transition Plans and Climate-related Targets	**Pillar 1: Renewable Energy & Resource Efficiency** Accelerate deployment of solar PV and resource efficiency measures to reduce energy costs, emissions, and exposure to price volatility. FY26 will serve as the base year for setting and tracking future energy targets. Strategy in Action: Solar PV Rollout: Phased installation of rooftop solar photovoltaic systems at major manufacturing sites. Phase 1 (FY2025/26): Feasibility studies at the Pannala site. Phase 2 (FY2026-27): Implementation and commissioning of initial systems. Client Empowerment Programme: In a strategic shift from traditional non-sustainable incentives, such as air tickets, we will offer top-performing clients co-invested or fully funded solar PV energy systems. This initiative deepens partnerships by reducing clients' Scope 2 emissions and energy costs, extending our climate-positive impact down the value chain and strengthening shared commitment to a low-carbon economy. Energy Efficiency Programme: Systematic site-level energy audits to identify and prioritize efficiency opportunities, including lighting upgrades (LED), high-efficiency motor replacements, compressed air system optimisation, and process heating/cooling improvements. Target Setting: Establish Group-wide renewable energy generation and energy efficiency targets aligned with national NDC commitments. **Pillar 2: Water Security & Circular Water Management** Invest in water recycling, rainwater harvesting, and efficiency measures to ensure operational continuity, reduce costs, and build drought-resilient operations. Strategy in Action: Water Audits: Comprehensive water balance assessments at Pannala and Ja-Ela sites to identify reduction, reuse, and recycling opportunities. Rainwater Conservation: Water conservation initiatives at water intensive facilities. Target Setting: Site-specific water intensity reduction targets are expected to be set by FY 2026/27.

CRO	Strategic Low-carbon Transition investment Resilience

Pillar 3: Green Portfolio Transformation

Develop and commercialise a portfolio of sustainable products across all business segments to capture growing market demand for climate-adaptive and low environmental-impact solutions. This pillar future-proofs revenue by transitioning the product mix to align with a low-carbon economy, directly linking operational decarbonisation to premium market access.

Strategy in Action:

Agri-Inputs:

Enhanced Efficiency Fertilisers: Scale coated and slow-release NPK formulations for premium, export-oriented farms (tea, rubber, coconut) requiring sustainability certifications; contributes to N2O reduction compared to conventional fertilisers.

Climate-Resilient Seeds: Expand drought- and heat-tolerant, short-duration cultivars via global partnerships; position Lankem as the preferred climate-smart supplier under erratic rainfall and temperature extremes.

Soil Health & Biostimulants: Introduce new lines for drought/heat tolerance, nutrient efficiency, and soil carbon enhancement to support farmer resilience.

Drone Fertiliser Application: Precision application tool reducing chemical use, targeting large-scale commercial and export-oriented estates.

Paints & Coatings (Robbialac):

Water-borne Transition: Expand water-based decorative and industrial ranges to replace solvent-borne products, capturing low VOC demand from architects, contractors, and green building projects.

Packaging Circularity: Shift to recyclable paint containers and explore refill models for industrial customers.

Pest Control Services:

Low-Emission Application Technology: Deploy Ultra-Low Volume (ULV) fogging technology to replace thermal fogging that uses half-burnt diesel, reducing environmental pollution and diesel reliance.

Service Decarbonisation: Transition to low-emission vehicles for operations and digitise service reports, quotations, and pest audit reports to reduce transport and paper footprint.

Pest Vector Control: Continue general pest control services (spraying for ants, cockroaches, bedbugs, flies; thermal and ULV fogging for mosquitoes and house flies; baiting for mosquito larvae) with a focus on pest vector control.

CRO	Strategic Low-carbon Transition investment Resilience	**Pillar 4: Supply Chain Agility & Strategic Sourcing** Enhance supply chain agility through supplier diversification, geographical source diversification, and strategic sourcing to reduce single-source dependency, mitigate climate-related disruption risk, and lower Scope 3 carbon footprint. Strategy in Action: Supplier Risk Assessment: Systematic evaluation of key suppliers for climate vulnerability (physical and transition risks) and single-source exposure. Diversification Programme: Proactive identification and qualification of alternative suppliers for critical raw materials, including agrochemical active ingredients, paint resins, and solvents, across different geographic zones to reduce concentration risk. Local Sourcing Initiative: Prioritisation of local and regional suppliers for packaging, certain chemicals, and agricultural inputs where commercially viable, reducing logistics costs and supply chain emissions. Strategic Inventory Optimisation: Data-driven determination of optimal safety stock levels for climate-vulnerable and import-dependent materials to ensure business continuity.
	How the Company is Resourcing and Plan to Resource Activities	Activities are resourced through a pragmatic, multi-layered framework: (i) Capital Allocation Framework: • Integrated Budgeting: Resilience and transition investments are embedded within the regular five-year CAPEX and OPEX planning cycles, evaluated through standard investment criteria with additional weighting for risk reduction benefit, cost savings potential, and revenue enhancement opportunity. • Phased Approach: Investments prioritised based on regulatory urgency, risk exposure, and return potential: - Tier 1 (FY 2026-28): Quick-win energy and water efficiency; feasibility studies; solar installation; supplier assessments; R&D pipeline expansion. - Tier 2 (FY2028-30): Solar rollout to remaining facilities; green product scaling. • Operating Expenditure: Lower-cost initiatives (energy audits, supplier assessments, R&D, training) funded through functional operating budgets. (ii) Governance & Execution Structure: • Climate Working Group: Cross-functional team (Operations, Supply Chain, R&D, Procurement, Finance) meeting quarterly to coordinate implementation, track progress, and report to Investment Committee. • Operational Ownership: Responsibility for site-level investments resides with factory management; product development with category managers; supply chain initiatives with procurement leadership. • Performance Accountability: Investment milestones and benefits realisation integrated into relevant function KPIs (planned to be implemented in medium term, when the Sustainability Related Risks and Opportunities(SRRO) have been assessed for the Company).

CRO	Strategic Low-carbon Transition investment Resilience	
		(iii) External Expertise & Partnerships: • Technical Consultants: Engaged selectively for Specialised inputs (solar feasibility, water treatment design, energy audits). • Academic & Research Partnerships: Collaboration with local universities for green product R&D. Industry-academia collaboration for mutually beneficial, service-driven initiatives. • Industry Associations: Active participation in sustainability working groups to share experiences and learn from peer companies.
	Progress (qualitative and quantitative)	**Renewable Energy & Energy Efficiency (Pillar 1):** Accelerating deployment of solar PV and resource efficiency measures to reduce energy costs, emissions, and exposure to price volatility. FY26 will be used as the base year, against which future energy targets will be set. • Completed solar PV feasibility studies for Pannala site. • Resource Efficiency Programmes: Systematic site-level audits to identify and prioritize efficiency opportunities in Ja-Ela Paints factory, including lighting upgrades (LED), high-efficiency motor replacements and compressed air system optimisation. • Completed LED lighting upgrade at Ja-Ela warehouse and office areas. • Completed compressed air audit at Lankem paints Ja-Ela **Water Security & Circular Water Management (Pillar 2):** • Conducting a water risk assessment at Ja-Ela and Pannala is scheduled for FY 2026/27; baseline water intensity to be established for FY 2025/26 to set future water targets. • Water metering and sub metering requirement has been identified for Ja-Ela Robbialac factory. • Identified alternative water supply requirement for Pannala factory for drought preparedness. At the Pannala factory water metering has been done for the tube well and identified areas to ensure the consumption is tracked for anomalies. **Green Portfolio Transformation (Pillar 3):** • Agri-inputs: - N-Shield coated urea - Registration dossiers submitted for 2 microbial biopesticides (Trichoderma, Bacillus). - Field trials initiated for 3 botanical formulations. - 2 new biostimulant products under field trials; target launch FY2028. • Paints (Robbialac): - Expanded water-based decorative range by 4 SKUs (FY2026). - Low-VOC industrial coating formulation work initiated.

CRO	Strategic Low-carbon Transition investment Resilience	
		Supply Chain Resilience & Efficiency (Pillar 4): Supply chain strategy is being designed to fulfill the following. Initial climate risk screening for top 50 suppliers Qualification process for alternative sources for identified critical materials Review of critical material inventory requirements; safety stock levels revision for identified high-priority materials Alternative sourcing pathways for import-dependent raw materials, including qualified secondary suppliers and expedited logistics arrangements.
Financial Effects	Current Year Financial Effects to PI, BS and CF	There is no material financial impact for the current financial year (FY 2025/26).
	Significant Risk of Material Adjustments to Carrying Value of Assets and Liabilities in the Next Financial Year	There is no significant risk of material adjustments to carrying value of assets and liabilities in the next financial year.
	Anticipated Financial Effect Over Short, Medium and Long Term to PL, BS and CF	Transitional Relief (Note 04) [refer page 94]
Climate Resilience	Resilience Assessment	Transitional Relief (Note 05) [refer page 94]
	How and When Climate Scenario Analysis Was Performed. Disclosure of (i) Inputs; (ii) Key Assumptions, and (iii) Reporting Period in Which Scenario Analysis Was Carried Out	Transitional Relief (Note 05) [refer page 94]

CRO	Strategic Low-carbon Transition investment Resilience	
Judgements and Uncertainties	Judgements	Key judgements applied in quantifying the CRO-1 opportunity include: • Investment Returns: Future energy and water cost savings are estimated based on current prices and consumption patterns; actual savings may vary with future price movements, technology performance, and operational changes. • Revenue Premium: Premium pricing assumptions for green products are based on observed market trends and pilot results; actual premium capture depends on competitive dynamics and customer adoption rates. • Capital Cost Estimates: CAPEX estimates for solar PV, water infrastructure, and other investments are based on feasibility studies and current market quotes; actual costs may vary with market conditions and project scope. • Timing Assumptions: Investment phasing assumes availability of capital, technical resources, and regulatory approvals; delays may shift anticipated benefit realisation.
	Uncertainties	• Technology Performance: Actual performance of solar PV systems and energy efficiency measures may differ from projections. • Market Development: Speed and scale of customer adoption of green products (enhanced efficiency fertilisers, low-VOC paints), and willingness to pay premium prices, are uncertain. • Regulatory Environment: Future policy support for renewable energy, water efficiency, and sustainable products may affect investment economics. • Cost Trajectories: Future energy prices, water tariffs, and material costs are inherently uncertain and will affect savings realisation. • Competitor Response: Competitor investment in similar capabilities may affect premium pricing potential and market share capture. • Internal Capability: Successful execution depends on building and retaining necessary technical and commercial capabilities across divisions.

Risk Management

Processes and Policies Relating to Climate-related Risks

Identification

i. Risk and Opportunity Identification

Lankem Ceylon PLC has undertaken a comprehensive assessment to identify key climate-related risks and opportunities. These risks have been classified into transition risks and physical risks, with physical risks further categorised as acute and chronic, in line with SLFRS S1 and SLFRS S2.

Risk Identification Sources

Material climate-related risks and opportunities (CRROs) are identified using inputs from:

- Climate data (rainfall intensity, temperature anomalies, flood patterns, water stress levels) (source – World Bank Climate Change Knowledge Portal CCKP, WRI Aqueduct Water Risk Atlas)
- Ministry of Environment, Sri Lanka: Updated Nationally Determined Contributions (NDC 3.0)
- National Adaptation Plan for Climate Change Impacts in Sri Lanka 2016-2025 by Ministry of Mahaweli Development and Environment Sri Lanka.
- Sri Lanka – Country Climate and Development Report (CCDR) – 2025 The World Bank Group
- Climate Risk Country Profile – Sri Lanka, 2021 by the World Bank Group.
- CA Sri Lanka (The Institute of Chartered Accountants): Preparer's Guide to SLFRS S1 and S2 (Climate-related Disclosures)
- Regulatory monitoring: Upcoming chemical regulations (pesticide bans/restrictions, EU DRIs) and market intelligence on customer preferences for sustainable products
- Internal operational data: Manufacturing facility vulnerability assessments, supply chain mapping, and energy/water consumption patterns

This ensures both physical and transition risks are detected across the entity's value chain, covering agricultural inputs, coatings, and pest control operations.

ii. Whether the Company Uses Climate-related Scenario Analysis

At the identification process, scenario analysis is not used.

(Transitional Relief Note 5 - Refer Page 94)

Assessment

iii. How the Company Assess:

The Company's Sustainability risk management processes are evolving and entail a bottoms-up approach in risk identification and management and a top-down approach in review and monitoring. While business-level CRROs are reported to Audit and ESG Executive Committees, key risks are aggregated at Group-level, facilitating a holistic and high-level overview of the Company's risk exposures.

Nature

- Transition Risks (CRR-2): Risks related to the transition to a lower-carbon economy, including regulatory shifts (chemical phase-outs, agrochemical reformulation costs), market changes (packaging market shifts), and technological disruptions.
- Physical Risks (CRR-1): Risks related to the physical impacts of climate change, including acute events (floods, storms disrupting agriculture, supply chains, and construction) and chronic changes (water stress, temperature increases affecting pest control and crop cycles).
- Climate-related Opportunities (CRO-1): Opportunities related to efforts to mitigate and adapt to climate change, such as strategic investment in resilience (adopting low-GWP refrigerants, renewable energy, water security), diversifying supply chains, improving resource efficiency, and resource circularity.

Likelihood

Probability of occurrence based on historical patterns, emerging data, and expert review.

Description	Probability of Occurrence
Very Likely	81% - 100%
Likely	61% - 80%
Possible	41% - 60%
Unlikely	21% - 40%
Very Unlikely	0% - 20%

Magnitude/Exposure

Severity of the effect.

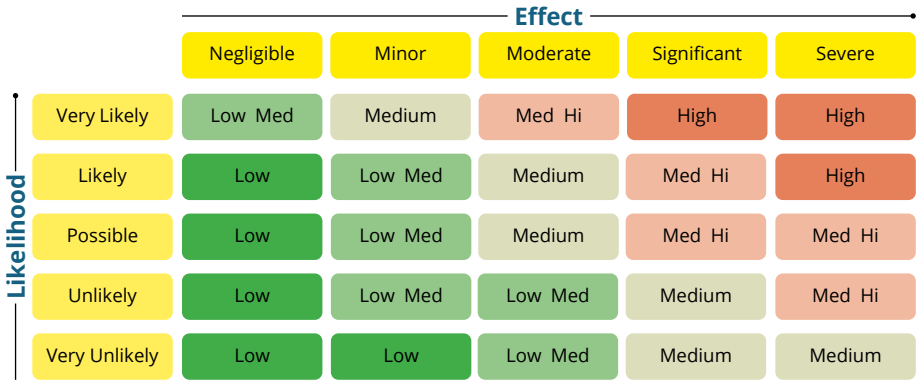
Description	Impact (% of the revenue)
Severe	> 5%
Significant	3%
Moderate	2%
Minor	1%
Negligible	No impact

Here, average revenue of last 2 financial years were considered as the base.

Prioritisation

Whether and How the Entity Prioritses Climate-related Risks Relative to Other Types of Risk

Lankem Ceylon PLC prioritises climate-related risks and opportunities (CRROs) using a structured assessment framework based on financial impact, likelihood, time horizon, operational exposure, strategic relevance, regulatory and compliance significance, and stakeholder implications. Each CRRO is evaluated relative to other enterprise risks to identify the most material issues affecting operations, assets, and long-term value creation.



Management-level committees (Audit Committee and ESG Working Group Committee) are responsible for monitoring, mitigating, and implementing measures to address high-priority CRROs effectively.

Monitoring

v. How the Entity Monitors Climate-related Risks

A structured system is in place for the quarterly monitoring, review, and reporting of sustainability-related risks and opportunities by the Audit Committee. This system enables early identification, timely escalation, and consistent oversight of material ESG risks across all levels of governance.

The Audit Committee monitors the progress and current performance of Climate-Related Risks and Opportunities (CRROs), while key risk areas are also monitored at business-unit level in coordination with the respective responsible teams.

Monitoring mechanisms include:

- Quarterly Audit Committee meetings where CRRO updates are reviewed alongside financial performance.
- Management reporting from the MD and CFO on the adequacy of risk management systems
- Annual review of the risk assessment and internal control framework
- External Auditor engagement on climate-related financial statement impacts

Changes in the Process

No change has been made, compared to the previous year, in the risk management process due to climate-related risk management.

Processes and Policies Relating to Climate-related Opportunities

Lankem Ceylon PLC identifies, assesses, prioritises, and monitors climate-related opportunities (CRO-1) through the same strategic and risk management processes as risks.

- Identification: Opportunities are identified using market and regulatory scanning by monitoring sustainability trends, customer preferences for eco-friendly products, and emerging regulations identifies opportunities for new product development and access to premium markets.
- Assessment and Prioritisation: Opportunities are assessed based on their potential to create value (cost savings, revenue growth, enhanced brand reputation), strategic alignment with core businesses (agricultural inputs, coatings), feasibility, return on investment, and risk reduction potential. CRO-1 (Strategic Investment in Resilience & Low-Carbon Transition) is prioritised as a unified programme to simultaneously address multiple risks and create long-term value.
- Monitoring: Progress against opportunity-related targets (investment in solar PV, energy savings, water reduction) is monitored by the Board Audit Committee through quarterly reports and the annual review of sustainability strategy performance. The Committee ensures requisite skills and

resources are available to execute these opportunities.

Integration to Overall ERM

Climate-related risks and opportunities (CRROs) are managed through the Company's established risk management processes. These processes identify, assess, and monitor CRROs alongside other strategic and operational risks, with their potential financial, operational, and transitional impacts reflected in risk registers and informing strategic decision-making.

Integration is Achieved Through:

- Unified Oversight: The Audit Committee oversees both financial reporting risks and sustainability/ climate-related risks, ensuring CRROs are considered alongside all other significant business risks.
- Single Risk Framework: CRROs are incorporated into the company's annual enterprise-wide risk assessment, which the Audit Committee reviews in its consolidated form.
- Integrated Control Environment: The internal control framework addresses all significant risks, with controls for financial reporting now integrating climate-related data (GHG emissions verification, CapEx tracking for resilience projects).
- Combined Assurance: External audit (financial statement assurance) provide assurance on climate-related matters.
- Strategic and Financial Planning: Climate risk and opportunity assessments directly inform strategy, capital allocation (CapEx), and financial projections reviewed by the Board.

Responsibilities for oversight and escalation are delegated to relevant management-level committees (ESG Working Group Committee, Audit Committee), ensuring that CRROs are systematically captured and considered in line with the Company's risk governance and decision-making practices. The approach to integrating CRROs remains consistent across all entities within the organisational boundary.

Metrics and Targets

Cross-Industry Metrics

1) Greenhouse Gas Emissions (GHG)

Lankem Ceylon PLC is committed to transparent reporting of its climate-related metrics and targets. This disclosure, prepared in accordance with SLFRS S1 and S2 standards, outlines our approach to measuring and managing greenhouse gas (GHG) emissions.

The Company measures its greenhouse gas (GHG) emissions in accordance with the GHG Protocol and reports as per the SLFRS S2 standard requirements. These disclosures cover all consolidated operations within the financial control boundary and include Scope 1 and Scope 2 (location-based) emissions.

Greenhouse Gas (GHG) Emissions

During the reporting period, Lankem Ceylon PLC has measured its absolute gross GHG emissions, expressed in metric tonnes of CO2 equivalent (tCO2e), to better understand its climate impact and guide mitigation efforts. The measurement covers two main categories of emissions:

- Scope 1 Emissions: These are direct emissions from sources owned or controlled by the Company, including fuel combustion from Company-owned vehicles, generators, boilers, process emissions from manufacturing operations, and fugitive emissions from refrigerants and air conditioning systems.
- Scope 2 Emissions: These are indirect emissions resulting from the generation of purchased electricity consumed by the Company. Measuring these helps Lankem Ceylon PLC evaluate energy efficiency opportunities and the potential for switching to renewable sources across its manufacturing facilities.
- Scope 3 Emissions: In accordance with the transition relief (Note 03), the Company will not be reporting its Scope 3 GHG emissions during current financial reporting cycle.

Basis of Determination of Organisational Boundary and Operational Boundary

The organisational boundary for GHG quantification of Lankem Ceylon PLC is defined using the financial control approach in accordance with the GHG Protocol. Under this approach, the Company accounts for 100% greenhouse gas emissions from operations over which it has financial control, meaning entities and facilities where Lankem Ceylon PLC has the authority to direct financial and operating policies with a view to gaining economic benefits.

Accordingly, the GHG inventory includes emissions arising from all business operations under its financial control, covering the agrochemicals, coatings, pest control, and other strategic business units. This includes manufacturing plants, warehouses, distribution centres, and logistics operations across the Company's facility locations, where the company exercises financial control over the respective divisions and subsidiaries.

Under this boundary, the Company reports 100% of Scope 1 and Scope 2 emissions from these financially controlled operations, regardless of the equity share held. Entities or investments where the Company does not have financial control are excluded from the organisational boundary. This approach ensures alignment with financial reporting principles and provides a comprehensive representation of emissions attributable to the Company's controlled operations.

Methodology Used for the Measurement and Disclosure of GHG Emissions

Lankem Ceylon PLC measures its greenhouse gas (GHG) emissions using internationally recognised methodologies to ensure consistency, accuracy, and comparability across all emission scopes. The GHG inventory is prepared in accordance with globally accepted standards and technical guidance, which form the basis for reliable measurement and transparent disclosure.

GHG Measurement Standards Applied

The following standards and guidance are applied in developing the Company's GHG inventory:

- Greenhouse Gas (GHG) Protocol – Corporate Accounting and Reporting Standard
- GHG Protocol Scope 2 Guidance, an amendment to the Corporate Accounting and Reporting Standard
- ISO 14064-1:2018 standard

GHG Disclosures

GHG-related disclosures are prepared in alignment with SLFRS S2 – Climate-Related Disclosures. The summary of GHG emissions, disaggregated by the scope and business segment, is presented in the tables below.

Summary of GHG Emissions

Scope	FY26 (mtCO2e)
Scope 1	2,818.209
Scope 2	4,205.308
Total	7,023.516

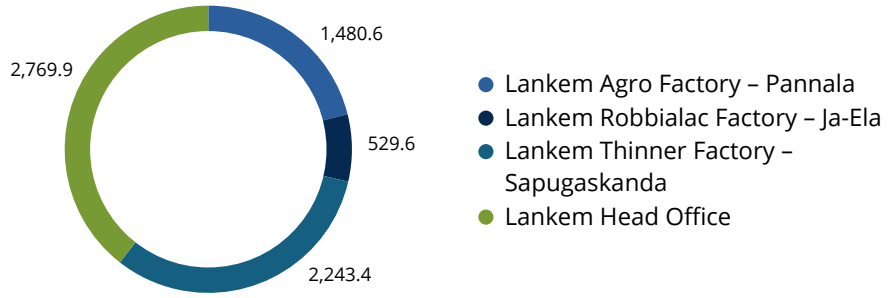
GHG Scope 1 and Scope 2 Emissions

Description	Greenhouse gas emissions (metric tonnes CO2e) 2025/26		
	Scope 1	Scope 2	Total
Consolidated accounting group	2,818.209	4205.308	7,023.516
Total (financial control approach)	2,818.209	4,205.308	7,023.516

GHG Scope 1 and Scope 2 Emissions

Company name	Total GHG (Scope 1) (MT CO2e)	Total GHG (Scope 2) (MT CO2e)	Total GHG (Scope 1 & 2) (MT CO2e)
Lankem Ceylon PLC	1,310.908	169.702	1,480.610
ACME Printing & Packaging PLC	109.740	419.826	529.566
C. W. Mackie PLC	815.910	1,427.510	2,243.420
J.F. Packaging PLC	581.650	2,188.270	2,769.920
Total	2,818.209	4,205.308	7,023.516

Total GHG (Scope 1 & 2) (MT CO2e)



Key Assumptions and Sources of GHG Measurement

Scope	Emission Sub-category	Activity	Data Source	Emission Factor (EF) Source	Source of GWP Values
Scope 1	Stationary combustion	Diesel consumption for generator operations	Fuel purchase records	DEFRA Conversion Factors 2025	Department for Energy Security and Net Zero. (2025). Greenhouse gas reporting: Conversion factors 2025 – condensed set [Excel spreadsheet]. UK
		Furnace oil combustion (thermic oil heater)	Furnace oil consumption	DEFRA Conversion Factors 2026	Department for Energy Security and Net Zero. (2025). Greenhouse gas reporting: Conversion factors 2025 – condensed set [Excel spreadsheet]. UK
		LPG combustion (heating jaw cleaning & standby use at the kitchen)	LP Gas consumption	IPCC AR6 Report – 2024	Intergovernmental Panel on Climate Change (IPCC). (2024). IPCC global warming potential values (AR6 update)
		Petrol combustion in Stand-by Generator (5 kVa)	Petrol consumption	IPCC AR6 Report – 2024	Intergovernmental Panel on Climate Change (IPCC). (2024). IPCC global warming potential values (AR6 update)
		Oxy-acetylene cutter in workshop operations	Oxy-acetylene consumption	IPCC AR6 Report – 2024	Intergovernmental Panel on Climate Change (IPCC). (2024). IPCC global warming potential values (AR6 update)
		Biomass used for boilers	Biomass measuring records	IPCC AR6 Report – 2024	Intergovernmental Panel on Climate Change (IPCC). (2024). IPCC global warming potential values (AR6 update)
	Mobile combustion	Diesel consumption for forklifts	Fuel purchase records	DEFRA Conversion Factors 2025	Department for Energy Security and Net Zero. (2025). Greenhouse gas reporting: Conversion factors 2025 – condensed set [Excel spreadsheet]. UK Government.
		Company provided fuel for employee vehicles	Diesel consumption	DEFRA Conversion Factors 2025	Department for Energy Security and Net Zero. (2025). Greenhouse gas reporting: Conversion factors 2025 – condensed set [Excel spreadsheet]. UK Government.
			Petrol consumption	DEFRA Conversion Factors 2025	Department for Energy Security and Net Zero. (2025). Greenhouse gas reporting: Conversion factors 2025 – condensed set [Excel spreadsheet]. UK Government.

Scope	Emission Sub-category	Activity	Data Source	Emission Factor (EF) Source	Source of GWP Values
	Fugitive emissions	CO2 Fire extinguishers	Maintenance record	IPCC AR6 Report – 2024	Intergovernmental Panel on Climate Change (IPCC). (2024). IPCC global warming potential values (AR6 update)
		Refrigerant leakages	Maintenance records for Refrigerants – R22, R32, R134a, R410a	IPCC AR6 Report – 2024	Intergovernmental Panel on Climate Change (IPCC). (2024). IPCC global warming potential values (AR6 update)
Scope 2	Electricity consumption	Electricity Use	CEB bills	SLSEA (2023) – Sri Lanka Energy Balance 2022	Sri Lanka Sustainable Energy Authority. (2023). Sri Lanka energy balance 2022 (p. 99). Sri Lanka Sustainable Energy Authority.

GHG Verification

External verification or assurance of GHG emissions has not been undertaken for ESG data in the current reporting cycle (FY26). The Company intends to progressively move towards external assurance in following reporting cycles of its GHG emissions as part of its commitment to transparency and continuous improvement in sustainability reporting.

2) Climate-related Physical Risks

Lankem Ceylon PLC has identified climate-related physical risks to its value chain through comprehensive risk mapping conducted as part of the SLFRS S1/S2 disclosure process. These risks are documented under CRR-1 (Extreme Weather Events) and include exposure to flooding, cyclones, water stress, and supply chain disruption across manufacturing facilities, warehouses, and distribution infrastructure.

The Group has not performed a quantified assessment of the percentage of assets or business activities vulnerable to climate-related physical risks during the current reporting cycle (FY2026). Target-setting and metric formulation for physical risk exposure, including the proportion of asset carrying value vulnerable to extreme weather events and the percentage of production facilities located in water-stressed regions, will be developed in subsequent reporting periods as the Company builds baseline data and refines its resilience assessment methodology.

This approach is consistent with the Company's phased adoption of SLFRS S2 requirements, progressively strengthening disclosure quality and data infrastructure over the medium term.

3) Climate-Related Transition Risks – Targets and Metrics

Lankem Ceylon PLC's exposure to climate-related transition risks arises primarily from tightening regulations on chemical products, evolving sustainability standards, and increasing stakeholder expectations across its core business segments of agrochemicals, paints and coatings, and pest control services. These risks are formally captured in CRR-2 (Strategic Erosion from Regulatory & Market Transition).

During the current reporting cycle (FY 2025/26), the Company has not done an assessment of climate-related transition risks affecting its business model and value chain.

Climate-related Targets

The Company has not set Any climate related targets for the current reporting period.

4) Climate-related Opportunities

Lankem Ceylon PLC has identified significant climate-related opportunities across its agrochemicals, fertilisers, seeds, paints and coatings, and pest control business segments, formally captured in CRO (Strategic Investment in Resilience & Low-Carbon Transition). These opportunities span product innovation, operational efficiency, supply chain resilience, and access to evolving premium markets.

Baseline Establishment and Metric Development:

The Company has not assessed amount or percentage of assets or business activities aligned with climate related opportunities or established quantitative targets for climate-related opportunities during the current reporting cycle. FY2026 serves as a baseline year for establishing energy and water intensity benchmarks, renewable energy feasibility assessments, and green product pipeline development.

5) Capital Expenditure

The Group currently does not have material amounts allocated for climate aligned capital deployment.

6) Internal Carbon Pricing

Lankem Ceylon has not implemented internal carbon pricing as of FY 2025/26.

7) Remuneration

The Group has not yet integrated climate-related or sustainability performance metrics into executive remuneration structures.

Industry-Specific Metrics

Sustainability Accounting Standards Board (SASB) Resource Transformation: Chemicals (RT-CH) standard was referred to in setting industry-specific metrics.

Chemicals (RT-CH)

Table 1: Sustainability Disclosure Topics & Metrics

Topic	Metric	Category	Unit of Measure	Code	Disclosure Reference and/or Response
Greenhouse Gas Emissions	Gross global Scope 1 emissions, percentage covered under emissions limiting regulations	Quantitative	Metric tonnes (t) CO2-e	RT-CH-110a.1	2,818.209 Tonne CO2e
Energy Management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable and (4) total self-generated energy 1	Quantitative	Gigajoules (GJ), Percentage (%)	RT-CH-130a.1	(1) 19,902.019 * (2) 7.36 % *
Water Management	(1) Total water withdrawn, (2) total water consumed; percentage of each in regions with High or Extremely High Baseline Water stress	Quantitative	Thousand cubic metres (m^3), Percentage (%)	RT-CH-140a.1	(1) 6,916 *

* These figures are for Lankem Ceylon PLC, not including subsidiaries.

Climate and GHG Emission-Related Targets

Baseline Year Establishment (FY2025/26):

FY 2025/26 reporting cycle serves as the baseline year for the Company's GHG emissions accounting and climate-related performance measurement. During this period, the Group is:

- Establishing operational boundaries and consolidation approaches for emissions reporting
- Collecting activity data across all material emission sources (fuel consumption, purchased electricity, refrigerants, transportation, and relevant value chain activities)
- Calculating Scope 1, Scope 2, using appropriate emission factors
- Implementing data collection systems and quality assurance protocols

Target-Setting (FY2026/27 onwards):

Following baseline establishment and third-party verification, the Group will develop climate-related targets aligned with:

- Sri Lanka's Nationally Determined Contributions (NDC 3.0) trajectory toward carbon neutrality by 2050
- Material climate-related risks and opportunities identified in our CRRO assessment

These targets will be disclosed in the FY2026/27 Sustainability Report.

SUSTAINABILITY & ESG PERFORMANCE



Sustainability Management Framework

Creating Sustainable Value Through Responsible Business

Sustainability is fundamental to Lankem Ceylon PLC's purpose of creating enduring value for shareholders, customers, employees, communities and the environment. As one of Sri Lanka's most diversified manufacturing groups, operating across Agri Inputs, Paints and Coatings, Industrial Chemicals, Consumer Products, Packaging, Pest Control and Hospitality, the Group recognises that long-term business success depends on balancing economic growth with environmental stewardship, social responsibility and sound governance.

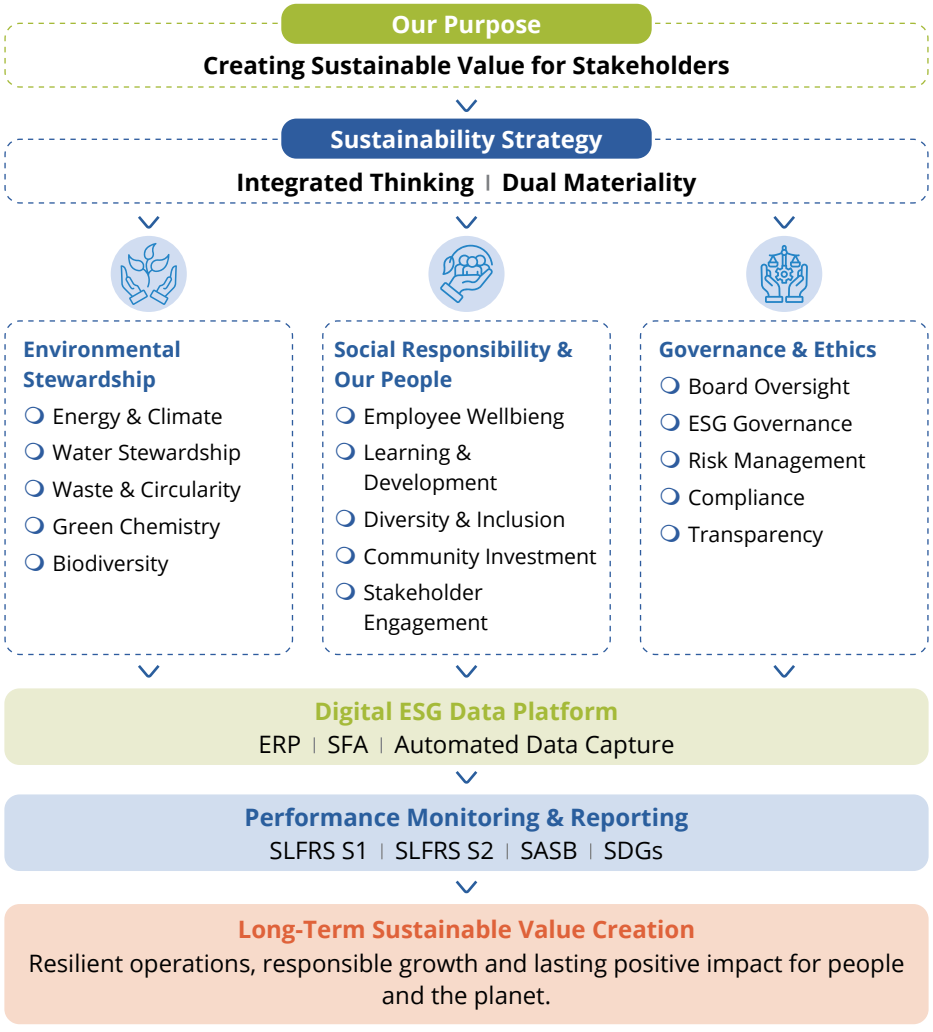
Our sustainability strategy is built upon the principles of integrated thinking, recognising the interdependence between financial performance and the environmental and social systems within which we operate. Rather than viewing sustainability as a standalone initiative, it is embedded into business planning, operational decision-making and risk management, enabling the Group to strengthen resilience, manage emerging ESG risks and capitalise on opportunities created by the transition towards a more sustainable economy.

During the year, Lankem significantly strengthened its sustainability management framework as part of its journey towards alignment with the emerging Sri Lanka Sustainability Disclosure Standards (SLFRS S1 and S2). This transition represents an important milestone in the evolution of the Group's ESG journey, shifting from predominantly qualitative sustainability reporting towards robust, auditable performance measurement supported by reliable operational data. The enhanced framework enables sustainability considerations to be more effectively integrated into strategic planning while strengthening transparency, accountability and long-term value creation.

Recognising the importance of data-driven decision-making, sustainability is increasingly supported by digital technologies across the organisation. The sales force automation (SFA) platform, for example, enables real-time demand forecasting and distribution planning, reducing product wastage, preventing inventory deterioration and improving operational efficiency. Similarly, major capital investments are now assessed through a climate resilience lens, prioritising resource-efficient technologies and rooftop solar photovoltaic installations, energy-efficient manufacturing systems and low-global-warming-potential (GWP) refrigeration technologies.

This integrated approach enables the Group to simultaneously strengthen operational performance, enhance environmental stewardship and create sustainable value for all stakeholders.

Sustainability Management Framework



Sustainability Management Framework

Strengthening ESG Governance

Strong governance forms the cornerstone of Lankem's sustainability journey. During the year, the Group further enhanced its ESG governance structure by strengthening Board oversight and establishing clear accountability across all levels of the organisation.

Overall responsibility for sustainability oversight rests with the Board Audit Committee, whose Terms of Reference were expanded during the year to formally include ESG oversight and the review of sustainability-related risks and opportunities. This enhanced mandate ensures that sustainability remains closely integrated with the Group's broader corporate governance and enterprise risk management frameworks.

Supporting the Board is the newly established Executive ESG Committee, comprising representatives from multiple business functions. The Committee is responsible for implementing the Group's sustainability strategy, coordinating ESG initiatives, reviewing material sustainability issues and validating operational performance data collected across the Group's diverse business units. At operational level, Factory ESG Steering Committees further strengthen governance by embedding sustainability practices directly into manufacturing operations and ensuring consistent implementation of environmental, health and safety initiatives across production facilities.

The Group also continued to strengthen stakeholder engagement during the year to ensure that its sustainability priorities remain aligned with stakeholder expectations. Engagement with employees, customers, regulators, suppliers, farming communities and business partners provided valuable insights into emerging sustainability issues, helping to refine the Group's materiality assessment and prioritise the environmental, social and governance matters most relevant to long-term value creation. These engagements confirmed climate change, energy management, water stewardship, waste management, occupational health and safety, product stewardship and responsible business conduct as the Group's key material sustainability priorities.

ESG Governance Structure



Embedding Sustainability into Strategy

Sustainability considerations are integrated into operational planning, capital allocation and business decision-making across the Group. Environmental, social and governance factors are increasingly evaluated alongside financial considerations when assessing new investments, manufacturing improvements and strategic initiatives.

The Group continues to leverage digital technologies to strengthen operational efficiency while supporting sustainability objectives. Sales force automation enables technical officers to communicate real-time market requirements directly to production planning teams, improving inventory management, reducing chemical shelf-life losses and enhancing resource utilisation throughout the supply chain. At the same time, climate resilience considerations are incorporated into major infrastructure investments, ensuring that new manufacturing assets contribute to improved environmental performance while strengthening long-term operational resilience.

During the year, Lankem also operationalised an enhanced ESG reporting framework designed to improve the quality and reliability of sustainability information. Operational data capture has been introduced across manufacturing locations to provide accurate measurement of energy consumption, water usage, effluent treatment performance and workplace safety metrics. These improvements support the Group's preparedness for future sustainability assurance while providing management with more timely information to support continuous improvement.

Sustainability Priorities

Lankem's sustainability roadmap reflects a phased approach to managing environmental and climate-related risks while supporting long-term business resilience.

In the short term, the Group is focused on establishing comprehensive baselines for greenhouse gas emissions, water consumption and energy performance across its operations. Significant effort is being directed towards embedding auditable ESG data collection systems that will enable accurate monitoring of sustainability performance and facilitate compliance with future disclosure requirements.

Medium-term priorities include obtaining independent assurance over sustainability disclosures, establishing measurable climate-related performance targets and aligning operational performance with Sri Lanka's Nationally Determined Contributions (NDC 3.0). Looking further ahead, the Group aims to progressively decarbonise its operations through expanded renewable energy generation, resource-efficient manufacturing technologies, green chemistry innovations and circular economy initiatives strengthening long-term competitiveness.

Lankem also continues to align its sustainability initiatives with internationally recognised frameworks, including the United Nations Sustainable Development Goals, particularly SDG 2 (Zero Hunger), SDG 12 (Responsible Consumption and Production) and SDG 13 (Climate Action). The Group is simultaneously progressing towards alignment with the SASB Chemical Industry Standards and the emerging SLFRS S1 and S2 reporting requirements, further strengthening the credibility and comparability of its sustainability disclosures.

Sustainability Roadmap

Short Term	Medium Term	Long Term
Establish Scope 1 & 2 baseline	Third-party assurance	Carbon neutrality
ESG data systems	Climate targets	Green chemistry
Water & energy monitoring	NDC alignment	Circular economy
Auditable reporting	Enhanced disclosures	Renewable energy expansion

Sustainability Highlights

FY2025/26 represented a pivotal year in strengthening the Group's sustainability capabilities. Among the year's most significant achievements was the formal establishment of an enhanced ESG governance structure, including the expansion of the Board Audit Committee's responsibilities, the formation of Executive and Factory-level ESG Committees and the implementation of automated ESG data collection systems across manufacturing operations. Together, these initiatives have strengthened governance, improved operational transparency and positioned the Group for future compliance with emerging sustainability disclosure standards.

The successful commissioning of the Group's new Single Super Phosphate (SSP) manufacturing facility further reinforced Lankem's commitment to sustainable agriculture by supporting improved soil health, enhancing nutrient efficiency and reducing reliance on imported fertilisers. This investment demonstrates how sustainability and commercial strategy can work together to create long-term economic, environmental and social value.

Environmental Stewardship

Environmental stewardship remains one of the defining pillars of Lankem Ceylon PLC's sustainability agenda. Operating across diverse manufacturing, agricultural and service businesses, the Group recognises that its long-term success is intrinsically linked to the responsible management of natural resources and the minimisation of environmental impacts throughout the value chain.

Environmental considerations are integrated into every stage of the business, from product design and raw material sourcing to manufacturing, logistics and customer engagement. Through continuous investment in cleaner technologies, resource-efficient manufacturing processes and environmental monitoring systems, the Group seeks to improve operational performance while supporting Sri Lanka's broader environmental and climate ambitions.

During the year, environmental management continued to evolve from a compliance-driven function towards a strategic business enabler, supporting improved operational resilience, enhanced stakeholder confidence and long-term value creation.

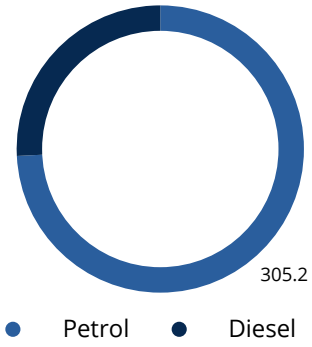
Energy Management

Energy efficiency continues to play a central role in improving operational performance while reducing the Group's environmental footprint. Across its manufacturing operations, Lankem continued to optimise energy consumption through equipment upgrades, process improvements and the adoption of digital monitoring systems that provide greater visibility into energy usage across production facilities.

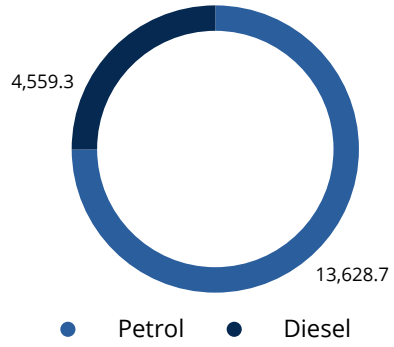
Operational improvements included the continued replacement of conventional lighting with LED technology, the installation of energy-efficient motors and the optimisation of manufacturing processes to reduce unnecessary energy consumption. Routine energy audits and equipment performance monitoring also enabled the identification of opportunities to improve production efficiency while lowering operating costs.

The Group's ERP platform and factory-level operational monitoring systems provide increasingly accurate information on energy consumption, supporting informed decision-making and strengthening the reliability of ESG reporting.

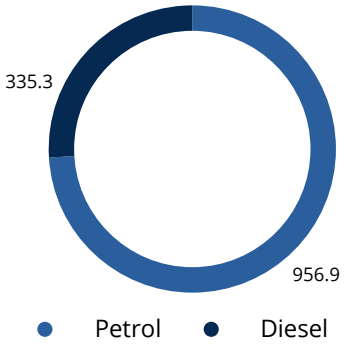
Total Fuel use (t)



Total Energy (GJ)



Total Fuel Based Emissions (t)



Looking ahead, the Group intends to further strengthen energy efficiency through process automation, continuous equipment modernisation and the integration of renewable energy technologies across its manufacturing footprint.

Renewable Energy Transition

Supporting Sri Lanka's transition towards a lower-carbon economy, Lankem continues to invest in renewable energy infrastructure that enhances operational resilience while reducing dependence on grid electricity.

During the year, feasibility assessments and technical evaluations continued for the phased installation of rooftop solar photovoltaic (PV) systems across key manufacturing facilities. Initial projects at the Ja-Ela and Pannala manufacturing locations form part of a broader renewable energy strategy aimed at reducing greenhouse gas emissions, improving energy security and mitigating the long-term impact of rising utility costs.

Renewable energy investments are complemented by initiatives to improve energy efficiency, optimise factory operations and progressively modernise manufacturing infrastructure, supporting the Group's commitment to responsible resource management and long-term climate resilience.

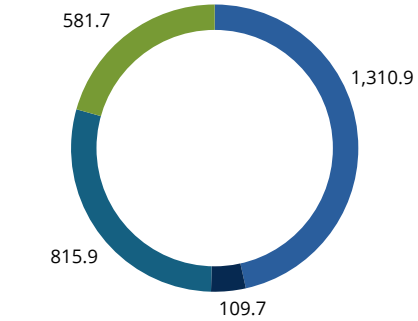
Climate Action and Greenhouse Gas Management

Climate change presents both operational risks and strategic opportunities for the Group. Recognising the increasing importance of climate-related disclosures, Lankem continued to strengthen its greenhouse gas accounting framework during the year by establishing organisational boundaries, identifying significant emission sources and developing baseline inventories in preparation for reporting under the Sri Lanka Sustainability Disclosure Standards (SLFRS S2).

The Group's emissions primarily arise from fuel consumption within manufacturing operations, logistics activities and purchased electricity. Accordingly, operational initiatives continue to focus on improving energy efficiency, optimising transportation routes, modernising production equipment and expanding renewable energy generation to reduce overall emissions intensity.
In addition to reducing direct emissions, procurement strategies increasingly prioritise locally sourced materials where commercially feasible, helping minimise transportation-related emissions while strengthening domestic supply chains.

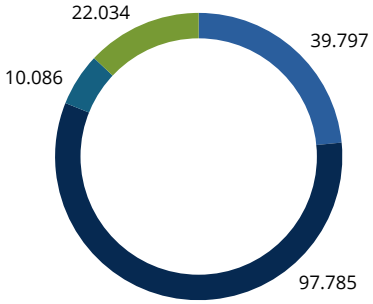
Scope 1 Greenhouse Gas Emissions

Total GHG (Scope 1) (MT CO2e)



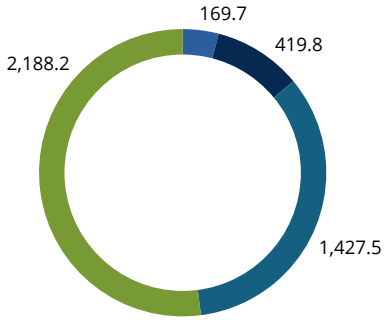
- Lankem Ceylon PLC
- ACME Printing & Packaging PLC
- C. W. Mackie PLC
- J.F. Packaging PLC

GHG from Grid Electricity (Scope 2) (MT CO2e)



- Lankem Agro Factory – Pannala
- Lankem Robbialac Factory – Ja-Ela
- Lankem Thinner Factory – Sapugaskanda
- Lankem Head Office

Total GHG (Scope 2) (MT CO2e)



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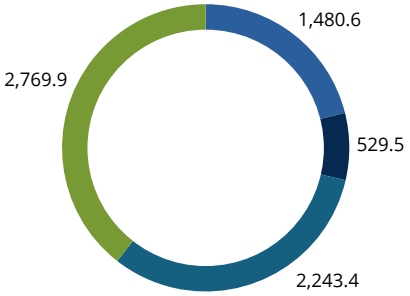
- C. W. Mackie PLC
- J.F. Packaging PLC

Total GHG (Scope 1 & 2) (MT CO2e)



- Lankem Ceylon PLC
- ACME Printing & Packaging PLC
- C. W. Mackie PLC
- J.F. Packaging PLC

The establishment of greenhouse gas baselines during FY2025/26 represents an important milestone in Lankem's climate journey and provides the foundation for future emissions reduction targets and decarbonisation initiatives.

Within Scope 1, fuel used for transport dominates the emissions profile, accounting for 1,302.304 MT CO2e — nearly the entire Scope 1 total — while emissions from the four operational facilities (Head Office, Lankem Agro Factory-Pannala, Ja-Ela Paint Factory, and Sapugaskanda Thinner Factory) are comparatively minor, together contributing just over 3 MT CO2e. This highlights logistics and transportation as the primary driver of direct emissions, consistent with the narrative's emphasis on optimising transport routes.

Within Scope 2, the Ja-Ela Paint Factory is the largest contributor at 623.676 MT CO2e (about 58% of Scope 2 emissions), followed by Lankem Agro Factory-Pannala (253.824 MT CO2e), Lankem Head Office (140.532 MT CO2e), and Sapugaskanda Thinner Factory (64.330 MT CO2e) — pointing to electricity consumption at the paint manufacturing facility as a key focus area for renewable energy or efficiency initiatives.

At the Group level, Lankem Ceylon PLC's combined emissions (2,387.905 MT CO2e) represent roughly 21% of the total Group footprint of 7,023.516 MT CO2e across all four business units. J.F. Packaging PLC has the highest overall emissions (2,769.920 MT CO2e), driven largely by Scope 2 (2,188.270 MT CO2e), followed by C.W. Mackie PLC (2,243.420 MT CO2e) and ACME Printing & Packaging PLC (529.566 MT CO2e, the lowest of the four). Notably, Scope 2 emissions dominate the Group total (4,205.308 MT CO2e, about 60% of the combined footprint), suggesting purchased electricity is the primary lever for Group-wide decarbonisation, alongside continued fuel efficiency gains in logistics.

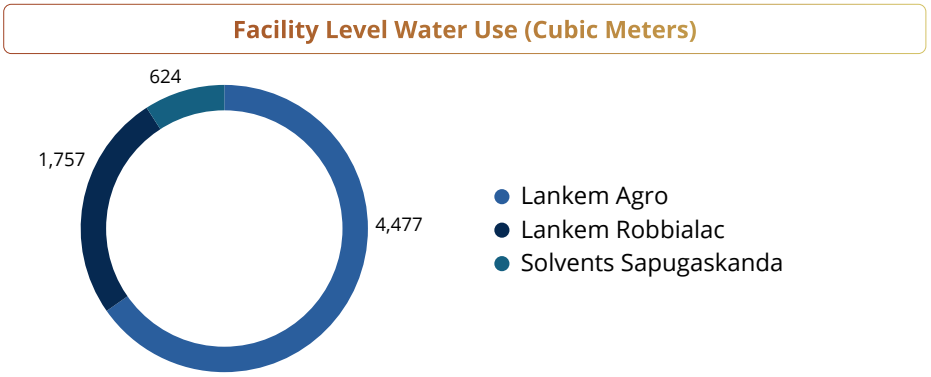
Water Stewardship

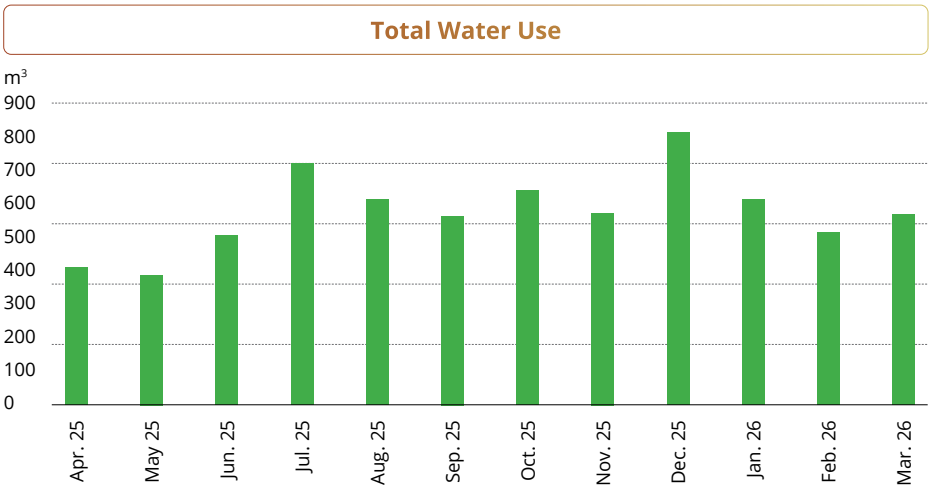
Water is a critical natural resource supporting manufacturing, formulation, quality assurance and hospitality operations across the Group. Recognising the growing importance of water security, Lankem continues to strengthen water management through responsible consumption, improved monitoring and investment in treatment infrastructure.

Advanced effluent treatment plants (ETPs) operate across major manufacturing facilities, ensuring that industrial wastewater is treated in accordance with regulatory requirements before discharge. These systems play a vital role in protecting surrounding ecosystems while maintaining compliance with Environmental Protection Licence (EPL) conditions and national environmental regulations.

Water audits undertaken during the year enabled the identification of opportunities to improve efficiency, reduce wastage and optimise process water usage across manufacturing operations. Continuous monitoring also supports proactive leak detection and operational improvements that contribute to lower water consumption over time.

Total Water Consumption (m³)





The Group remains committed to strengthening water stewardship through improved monitoring, infrastructure upgrades and the progressive introduction of water conservation initiatives across its operations.

Waste Management and Circular Economy

Responsible waste management remains an important component of Lankem's environmental strategy. The Group applies the principles of reduction, reuse, recycling and responsible disposal across its manufacturing and service operations, recognising that effective waste management contributes both to environmental protection and operational efficiency.

Hazardous waste generated through paint manufacturing and chemical formulation, including paint sludge, spent solvents and contaminated materials, is managed through licensed waste handlers and environmentally responsible co-processing solutions such as cement kiln destruction. This approach eliminates long-term landfill liabilities while ensuring compliance with national environmental regulations.

Circular economy principles continue to be incorporated across several business operations. Paint containers supplied to selected automotive customers are collected, cleaned and reused where appropriate, extending packaging life while reducing waste generation. Organic waste generated within hospitality operations is diverted for composting or beneficial agricultural use, contributing to improved resource recovery and reduced landfill disposal.

The Group also continued to strengthen waste segregation practices across manufacturing facilities while conducting baseline waste assessments to improve future reporting and identify opportunities for further waste reduction initiatives.

Sustainable Innovation

Innovation continues to support the Group's environmental ambitions by enabling the development of products and technologies that reduce environmental impacts while improving customer value.

Within the Paints business, environmentally responsible coating technologies such as Robbialac CARBANO continue to demonstrate the Group's commitment to green chemistry. Designed using low-emission formulations and environmentally friendly raw materials, these products contribute to healthier indoor environments while maintaining the high performance expected by customers.

Similarly, innovation within the Agricultural business supports more sustainable farming practices through climate-resilient crop varieties, improved plant nutrition technologies and environmentally responsible crop protection solutions. Products such

as Mada Raja Single Super Phosphate (SSP) contribute to healthier soils, improved nutrient efficiency and reduced dependence on imported fertilisers, supporting both agricultural productivity and national food security.

Farmer education programmes further reinforce responsible product stewardship by promoting balanced fertiliser application, responsible pesticide use and sustainable agricultural practices that protect soil health and surrounding ecosystems.

Investing in Environmental Resilience

During the year, the Group continued investing in infrastructure designed to strengthen both environmental performance and operational resilience.

The commissioning of Single Super Phosphate manufacturing facility under Lankem Minerals Limited represents one of the most significant sustainability-related investments undertaken by the Group. Beyond enhancing domestic manufacturing capability, the facility contributes towards import substitution, reduces foreign exchange outflows and supports the long-term sustainability of Sri Lanka's agricultural sector.

Environmental resilience is also being strengthened through planned investments in rooftop solar energy systems, low-global-warming-potential refrigeration technologies, digital environmental monitoring platforms and process automation. These initiatives are expected to reduce resource consumption while improving climate resilience and supporting future compliance with emerging sustainability reporting requirements.

Looking Ahead

Lankem's sustainability journey continues to evolve as environmental expectations, regulatory requirements and stakeholder priorities become increasingly sophisticated.

Over the coming years, the Group will focus on strengthening climate-related disclosures, expanding renewable energy generation, improving resource efficiency and embedding circular economy principles more deeply across its operations. Continued investment in digital ESG data management systems will support greater transparency while enabling external assurance of sustainability performance.

The Group also intends to establish measurable emissions reduction targets, strengthen climate resilience planning and continue developing environmentally responsible products that support sustainable agriculture, resource conservation and lower-carbon manufacturing.

By integrating environmental stewardship into strategic decision-making, investing in sustainable innovation and continuously improving operational performance, Lankem remains committed to protecting the natural resources upon which its business depends while creating enduring value for shareholders, customers, employees, communities and future generations.

Human Capital Development

Developing the capabilities of our people is fundamental to strengthening Lankem Ceylon PLC's operational performance and preparing the Group for future growth. As business requirements, technologies and customer expectations continue to evolve, we recognise the importance of equipping employees with the technical, managerial and behavioural competencies required to perform effectively in an increasingly dynamic operating environment.

Our human capital development approach therefore focuses on continuous learning, technical and operational capability building, leadership development and succession planning. Through targeted development interventions, the Group seeks to strengthen individual performance while building the organisational capabilities required to support productivity, innovation and long-term business continuity.

Learning and Capability Development

During FY2025/26, the Group continued to invest in structured learning programmes covering the competencies most relevant to its diverse operations.

Training interventions focused principally on:

- Sales and customer relationship management
- Manufacturing excellence and process improvement
- Technical and engineering competencies
- Leadership and supervisory development
- Occupational health and safety
- Digital and technology skills.

A total of 5,170 training hours were delivered during the year, equivalent to an average of approximately 7.5 hours of training per employee. Total investment in training, including related logistics, amounted to Rs. 9.72 million.

Training and Development Performance

Training Category	Investment (LKR)	Training Hours
Technical & Operational	7,612,392	3,319
Safety & Compliance	835,066	654
Leadership Development	554,400	121
Soft Skills & Behavioural	700,000	1,065
Digital Skills	20,660	11
Total	9,722,518	5,170

Technical and operational development represented the largest component of the Group's learning investment during the year, accounting for 3,319 training hours and approximately Rs. 7.61 million. This emphasis reflects the importance of maintaining strong technical and manufacturing competencies across Lankem's operating businesses.

Soft skills and behavioural development accounted for a further 1,065 hours, supporting the interpersonal, communication and workplace capabilities required for effective collaboration and performance. Safety and compliance training accounted for 654 hours, while specific programmes were also undertaken in leadership development and digital skills.

Learning and Development Highlights

Indicator	FY2025/26
Total Training Hours	5,170 hours
Average Training Hours per Employee	7.5 hours
Total Training Investment including Logistics	Rs. 9.72 Mn

The Group continues to align training interventions with operational requirements so that learning translates into improved workplace performance, stronger technical competencies and enhanced organisational capability.

Strengthening Leadership Capability

Building leadership capability is an important component of Lankem's human capital development strategy. The Group recognises that sustainable growth requires a strong pipeline of employees who are equipped to assume greater management and leadership responsibilities as the organisation evolves.

Leadership development initiatives therefore extend beyond formal training programmes to include mentoring, coaching and cross-functional exposure, enabling employees to broaden their understanding of the organisation and develop the judgement, management and interpersonal capabilities required for more senior responsibilities.

These development opportunities also support greater knowledge transfer across functions and businesses, helping employees gain experience beyond their immediate areas of responsibility while strengthening collaboration across the Group.

Succession Planning and Business Continuity

Succession planning remains central to ensuring continuity in critical roles and preserving organisational capability over the long term.

The Group maintains a structured framework to identify employees with the potential to take on greater responsibilities and prepare them progressively for future leadership positions. Annual talent reviews are conducted to identify succession candidates for key roles, assess development requirements and strengthen the leadership pipeline.

This approach enables Lankem to develop internal talent systematically rather than relying solely on external recruitment for future leadership requirements. It also supports continuity by facilitating the transfer of knowledge and experience while preparing emerging talent to assume positions of greater responsibility.

Developing Future-Ready Capabilities

The skills required across Lankem's businesses will continue to evolve as manufacturing processes become more sophisticated, digital technologies become increasingly embedded in operations and customer and regulatory requirements change.

Accordingly, the Group's future human capital development agenda will increasingly focus on building capabilities that support technical excellence, process improvement, digital adoption, customer responsiveness and effective leadership.

Continuous learning will remain important in enabling employees to adapt to new technologies and operating practices while ensuring that Lankem maintains the specialist knowledge required across its manufacturing, commercial and support functions.

Looking Ahead

Lankem will continue to strengthen its learning and development framework by aligning employee development more closely with business priorities and future capability requirements.

Greater emphasis will be placed on developing technical and operational expertise, strengthening supervisory and leadership capabilities and building a deeper succession pipeline for critical positions. The Group will also continue to expand opportunities for employees to learn through formal training, coaching, mentoring and cross-functional exposure.

Through sustained investment in employee capability, Lankem aims to build a workforce equipped not only to meet current operational requirements but also to support the Group's future transformation, competitiveness and long-term strategic ambitions.

Community Engagement

The Company's community engagement approach is centred on creating sustainable value for the communities connected to its operations, with particular emphasis on agricultural livelihoods, environmental responsibility, education and social inclusion. During the year, initiatives were implemented through a combination of direct community support, knowledge-sharing programmes and partnerships with industry, government and community organisations.

A key area of focus was strengthening the resilience and capabilities of farming communities. More than 500 farmer training programmes were conducted islandwide, covering safe pesticide handling, correct application techniques, personal safety and sustainable agricultural practices. In addition, targeted livelihood assistance was extended to 50 vegetable farmers in Bandarawela, Nuwara Eliya, Ragala, Nildandahinna and Kandy who were severely affected by Cyclone Ditwah. Agricultural input packages valued at approximately LKR 12,000 per farmer were provided to support crop recovery and the restoration of livelihoods.

Environmental responsibility remained an integral component of community engagement. In collaboration with CropLife Sri Lanka and approved recycling partners, an islandwide agrochemical container collection initiative was undertaken, supported by dedicated collection points and farmer awareness on responsible disposal. Environmental activities also included an islandwide tree-planting programme and the distribution of coconut saplings to rural households, contributing to biodiversity, greening and longer-term household food security.

The Company also continued to support education and social inclusion. In partnership with BASF, essential school supplies, stationery and bags were donated to students of Dimbulagala Primary School. Support was also extended to a recognition programme for national-level athletes with special needs in collaboration with the Thambuttegama Divisional Secretariat, reinforcing the Company's commitment to inclusion and community wellbeing.

These initiatives were supported by active participation from employees across operational regions, including area managers, territory sales representatives and agriculture field officers, whose direct engagement enabled effective implementation and continuous interaction with beneficiaries. Partnerships with CropLife Sri Lanka, BASF, government institutions, schools and approved waste-management service providers further strengthened the reach and effectiveness of the programmes.

During the financial year, LKR 2.0 million was allocated for community engagement and CSR activities, of which approximately LKR 1.0 million was utilised across livelihood, environmental, educational and disaster-relief initiatives. Programme effectiveness continues to be assessed through field-level engagement and feedback from farmers, community representatives, trade partners and local authorities.

Going forward, the Company will focus on expanding farmer knowledge programmes, strengthening agrochemical waste collection and recycling initiatives, extending educational support to underserved communities and introducing more structured performance indicators to measure the social and environmental outcomes of its community investments.

Responsible Supply Chain

Lankem Ceylon PLC recognises that a resilient and responsible supply chain is integral to maintaining operational continuity, product quality and long-term value creation. Given the diversity of the Group's operations, its supply chain encompasses a broad range of inputs, including chemical active ingredients, solvents, pigments, resins and packaging materials sourced from both local and international markets. During the year, the Group engaged with approximately 150 domestic suppliers and 110 international suppliers, reflecting the scale and complexity of its sourcing network.

The Group is progressively evolving its procurement approach from conventional transactional purchasing towards longer-term strategic supplier partnerships. Particular emphasis is being placed on securing reliable, compliant and increasingly future-ready raw materials, including chemical molecules and green chemistry inputs that respond to changing regulatory requirements and market expectations. Supplier selection and monitoring are supported by a structured PESTLE framework covering political, economic, social, technological, legal and environmental considerations, enabling the Group to assess supply chain resilience and compliance across its diverse operating sectors.

Strengthening responsible sourcing practices represents an important area of focus. During FY2025/26, the Group commenced the development of a Responsible Sourcing Declaration, which is intended to establish clearer expectations for suppliers in relation to environmental, labour, health and safety and ethical considerations. Once implemented, this framework is expected to provide the foundation for incorporating sustainability requirements more formally into procurement practices and supplier relationships. Supplier assessments and compliance reviews under the strengthened framework are planned to commence during FY2026/27.

Supporting domestic value creation also remains an important element of the Group's procurement approach. All packaging material suppliers have been developed locally, helping to strengthen domestic supply chains while supporting local enterprises and reducing reliance on imported packaging inputs. This approach complements the Group's broader efforts to increase local sourcing where commercially feasible and thereby reduce transportation-related environmental impacts.

Strengthening Supply Chain Resilience

The importance of supply chain resilience was reinforced during the year when adverse weather conditions disrupted both inbound logistics and domestic distribution. Cyclone Ditwah resulted in flash flooding and temporary closures at the Colombo Port, delaying imported specialty resins, additives and pigments by approximately two to three weeks. Landslides and infrastructure damage also affected the distribution of finished goods in certain areas.

The Group responded by utilising strategic safety stocks maintained at manufacturing facilities and strengthening coordination between factories and sales teams across the island. These measures supported continuity of production and helped minimise prolonged disruption to customer deliveries. The experience also reinforced the need for greater supplier diversification and more systematic assessment of climate-related supply chain exposures.

Looking ahead, the Group plans to strengthen the resilience and sustainability of its supply chain through a phased programme of action. Priorities for FY2026/27 include increasing the qualification of alternative suppliers across different geographic regions, extending risk screening beyond the Group's top 50 suppliers and undertaking flood vulnerability assessments at key chemical storage locations. Over the longer term, the Group intends to expand its ESG data infrastructure to support the measurement and reporting of Scope 3 greenhouse gas emissions across the upstream value chain, following the applicable SLFRS S2 transitional period.

Through these initiatives, Lankem aims to progressively build a supply chain that is more resilient to operational and climate-related disruption while strengthening responsible sourcing, local value creation and environmental accountability.

ESG Performance Indicators

FY2025/26 marked an important step in Lankem Ceylon PLC's transition towards a more data-driven approach to sustainability management and reporting. As the Group progresses towards alignment with SLFRS S1 and S2, greater emphasis has been placed on establishing reliable performance baselines, strengthening automated data capture and improving the consistency and auditability of ESG information across operations.

Automated operational data capture has been introduced across manufacturing locations to strengthen the measurement of energy consumption, water use, effluent treatment performance and workplace safety indicators. These systems provide management with more timely information to support operational decision-making and continuous improvement while establishing the foundation required for future external assurance of sustainability disclosures.

A key achievement during the year was the establishment of the Group's initial greenhouse gas emissions baseline. Across Lankem Ceylon PLC, ACME Printing & Packaging PLC, C.W. Mackie PLC and J.F. Packaging PLC, Scope 1 emissions amounted to 2,818.209 MT CO2e, while Scope 2 emissions amounted to 4205.308 MT CO2e, resulting in a combined measured footprint of 7,023.516 MT CO2e.

For Lankem Ceylon PLC specifically, Scope 1 emissions amounted to 1,310.908 MT CO2e and Scope 2 emissions to 169.702 MT CO2e, giving a combined footprint of 1480.610 MT CO2e. Transport fuel accounted for the majority of Lankem Ceylon PLC's Scope 1 footprint, while the Ja-Ela Paint Factory was the largest contributor to Scope 2 emissions at 97.785 MT CO2e.

These findings provide a clearer basis for prioritising future interventions in logistics efficiency, electricity consumption, energy-efficient manufacturing and renewable energy generation.

Water consumption was also monitored across major manufacturing operations during the year. The Lankem Agro Factory at Pannala consumed 4,477 m^3, the Ja-Ela Paint Factory 1,757 m^3 and the Sapugaskanda Thinner Factory 624 m^3, representing a combined recorded consumption of 6,858 m^3 across these facilities. Water audits and continuous monitoring are being used to identify opportunities to reduce wastage, optimise process water use and strengthen leak detection.

Waste management performance continued to be strengthened through reduction, reuse, recycling and responsible disposal practices. Hazardous materials generated through paint and chemical manufacturing, including paint sludge, spent solvents and contaminated materials, are managed through licensed waste handlers and appropriate co-processing solutions. Circularity initiatives include the collection, cleaning and reuse of selected paint containers, while organic waste from hospitality operations is directed towards composting or beneficial agricultural use.

Key ESG indicators established or strengthened during FY2025/26 include:

- Scope 1 GHG emissions – Group: 2,818.209 MT CO2e
- Scope 2 GHG emissions – Group: 4,205.308 MT CO2e
- Total Scope 1 and 2 emissions – Group: 7,023.526 MT CO2e
- Lankem Ceylon PLC Scope 1 and 2 emissions: 1,480.610 MT CO2e
- Recorded water consumption across Lankem's three principal manufacturing facilities: 6,858 m^3
- Domestic suppliers: 150
- International suppliers: 110
- ESG data management: Automated operational data capture progressively implemented across manufacturing operations
- Renewable energy: Technical and feasibility assessments progressing for rooftop solar PV installations at key manufacturing locations.

The establishment of these baselines represents the beginning of a more comprehensive ESG performance measurement framework rather than the end point of the Group's sustainability journey. In the short term, Lankem will continue strengthening greenhouse gas, energy and water baselines and improving auditable ESG data systems. Medium-term priorities include establishing measurable climate-related targets, obtaining independent assurance over sustainability disclosures and progressing alignment with Sri Lanka's Nationally Determined Contributions. Longer-term ambitions include renewable energy expansion, green chemistry, circular economy initiatives and progressive decarbonisation of operations.

By progressively moving from predominantly qualitative sustainability disclosure towards measurable and auditable performance indicators, Lankem is strengthening its ability to monitor progress, identify areas for improvement and demonstrate the relationship between ESG performance, operational resilience and long-term value creation.


LANKEM
Cocoly
Powerful
The founder of granular water soluble fertilizer
Lankem
Inari
Cocoly
එවිසෙක්ට් 4G
එවිසෙක්ට් 4G
EVISECT 4G
Lankem Mancozeb
Chilli Seeds
MI-2
Pumpkin
Mae
Kekiri
එවිසෙක්ට් එස්
එවිසෙක්ට් එස්
EVISECT S
VitaCat
Maxicrop
GROW YOUR OWN
Veggies

Strength in Diversity

Cutting edge advancements are integral in developing and growing our chemical arm, delivering a wide array of products under one quality brand.



RISK MANAGEMENT



Enterprise Risk Management Framework

Lankem Ceylon PLC is the flagship listed entity of the wider Lankem Group, which spans industrial, leisure, consumer and printing & packaging. This report sets out the Group's Enterprise Risk Management (ERM) framework, the formally scored risk register maintained at Lankem Ceylon PLC, and the principal risk themes disclosed by the Group's other listed subsidiaries, giving the Board and Senior Management a consolidated view of risk across the Group.

Enterprise Risk Management Framework

The ERM framework is designed to give the Board and Senior Management proactive oversight of the Group's key vulnerabilities, track the implementation of mitigation strategies, support decisions with quantified impact scores, and align risk practices with industry standards and regulatory expectations. It serves as a foundational input to quarterly Board reviews, internal audit cycles, business continuity planning and departmental KPI alignment.

Governance & Monitoring

The register is reviewed quarterly by departmental heads and validated through independent audit checks, with mitigation updates compiled on a quarterly basis using risk-owner accountability metrics. The framework forms part of the Group's integrated risk governance structure, overseen by the Audit Committee, safeguarding stakeholder confidence across all business divisions.

Risk Governance Structure

A layered governance structure ensures risks are identified, escalated and managed consistently from the factory floor to the Boardroom.

Group Executive Management – CEO, CFO, COO, CSCO
Implements the ERM framework, owns cross-divisional risks and reports key exposures to the Board.

Audit Committee
Oversees internal control, compliance and assurance processes; validates the quarterly risk register.

Board of Directors
Ultimate responsibility for the ERM framework; reviews Group-wide risk exposure and approves risk appetite.



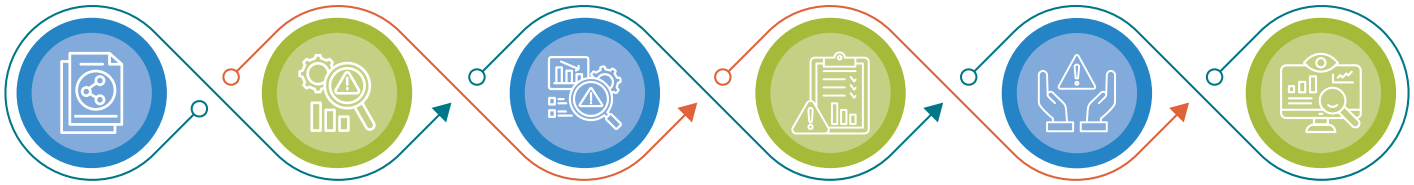
Divisional & Business-Unit Heads
Identify and manage day-to-day operational risks within Operations, Supply Chain, Sales, HR, Finance and IT.

Internal Audit & Compliance
Provides independent assurance on the effectiveness of controls, governance and risk management practices.

Enterprise Risk Management Framework

Our Risk Management Process

The Group's ERM cycle follows a structured, repeatable sequence — from establishing context through to monitoring and review — aligned to internationally recognised risk-management practice.



Establish Context
Understand internal & external factors shaping strategic objectives and stakeholder expectations.

Identify Risks
Capture strategic, operational, financial, compliance and reputational risks by division.

Assess Risks
Score each risk on likelihood × impact (1–3) to derive a composite risk score.

Evaluate Risks
Compare scored risks against the Group's risk appetite to set priority levels.

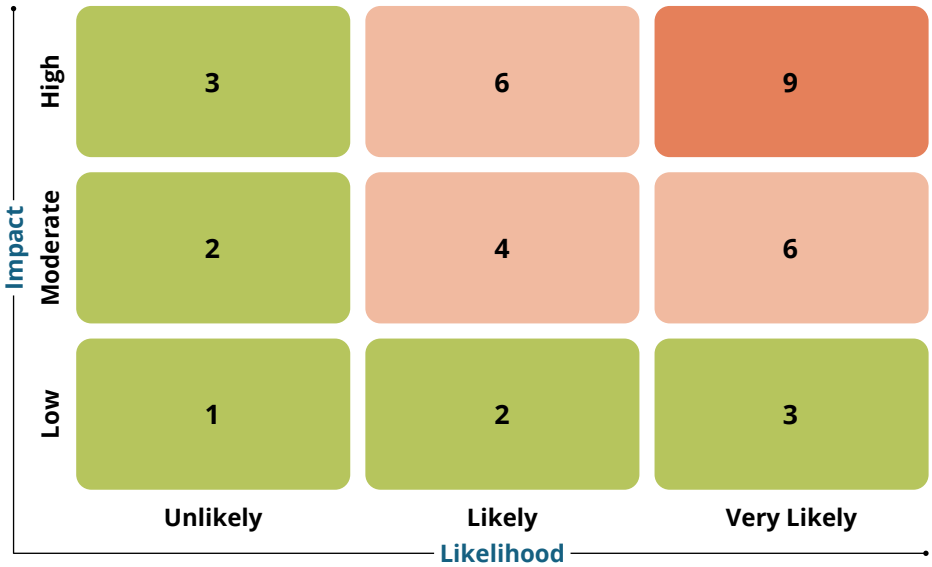
Treat Risks
Implement mitigation actions and controls owned by the relevant risk owner.

Monitor & Review
Track mitigation effectiveness quarterly and update the register through audit checks.

Communication & Consultation — Quarterly Review by Departmental Heads & Audit Committee

Risk Scoring Methodology

Each identified risk is assessed on a structured Likelihood × Impact scoring model (each rated 1–3), producing a composite score that determines the risk level — Low, Moderate or High — and reveals exposure clusters by category and division.



Top Risks by Score

1. **Seasonal & weather-driven demand volatility –** High × High
2. **Intensifying market competitiveness –** High × High
3. **Inconsistent supplier material quality –** High × High
4. **Loss of key suppliers –** High × High
5. **Cybersecurity & ransomware vulnerability –** Likely × High
6. **Liquidity constraints –** Likely × High

Risk Appetite Classification

Each risk is further assigned a risk-appetite rating, reflecting management's tolerance for uncertainty and willingness to trade off risk against other objectives when responding to that risk.

Rating	Risk Philosophy	Choice When Faced with Options	Tolerance for Uncertainty	Trade-off vs Other Objectives
OPEN	Highest risk appetite	Will take justified risks	Fully anticipated	Willing
FLEXIBLE	High risk appetite	Will take well-justified risks	Expect some	Willing to be under the right conditions
CAUTIOUS	Moderate risk appetite	Preference for safe delivery	Limited	Prefer to avoid
MINIMALIST	Low risk appetite	Extremely conservative	Low	With extreme reluctance
AVERSE	Lowest risk appetite — avoidance is a top priority	"Sacred" avoidance of risk is core objective	Extremely low	Never

Key Strategic Risks

Key Strategic Risks

The following risks are rated High on the Group's scoring matrix and represent the most significant threats to Lankem Ceylon PLC's strategic objectives, market position and financial stability. These risks span market competitiveness, supply chain resilience, liquidity, regulatory compliance and information technology.

Risk	Implication	Division	Level	Risk Owner	Appetite
Loss of market share to competitors	Stock-outs of fast-moving items, low entry barriers, high price sensitivity and availability of substitute products erode market position.	Sales & Marketing / Supply Chain	High	CEO, CSCO, GM Operations	Averse
Cancellation or restriction of product licenses	Regulatory changes, license cancellation or product restrictions can result in a direct loss of sales.	Operations	High	CEO, GM Operations, Factory Manager	Averse
Seasonal & weather-driven demand volatility	Heavy dependency on weather and seasonality causes significant swings in sales performance.	Sales & Marketing (Agro, Seeds, Paints, SALS)	High	CEO, GM Sales, Head of Sales	Cautious
Intensifying market competitiveness	Aggressive competitor activity threatens sales volumes and brand reputation.	Sales & Marketing	High	GM Sales, Head of Sales, R&D	Averse
Adverse changes at principal suppliers	Mergers, acquisitions and strategic shifts by principals create risk of sudden price increases, supply disruption and quality variation.	Supply Chain	High	CSCO, Supply Chain Division	Minimalist
Inconsistent supplier material quality	Supplier materials falling short of approved specifications compromise finished-product quality.	Supply Chain	High	CSCO	Averse
Liquidity constraints	Working-capital shortages delay payments, raise the risk of NPL classification and threaten the Group's ability to meet obligations.	Supply Chain / Finance / Operations	High	CFO, CEO, CSCO	Minimalist
Loss of key suppliers	Delayed payments erode supplier relationships, narrowing the vendor base available to the Group.	Supply Chain / Finance	High	CSCO, CFO	Averse

Risk	Implication	Division	Level	Risk Owner	Appetite
High employee turnover	Loss of institutional expertise, operational delays and elevated recruitment cost.	Human Resources	High	DGM HR, AM HR	Minimalist
Revenue recognition risk (SLFRS 15)	Invoicing/delivery timing mismatches cause revenue misstatement, cut-off errors and audit findings.	Finance	High	CFO, Divisional CEOs, SM Finance	Averse
Late statutory & tax filings	Delayed CIT, WHT, PAYE or SEC submissions expose the Group to penalties, interest and legal action.	Finance	High	CFO, SM Finance, Shared Services Center	Averse
Rising customer credit exposure	Inadequate monitoring of receivables increases bad-debt risk and pressures cash flow.	Credit Control	High	CFO, DGM Credit Control, Divisional CEOs	Minimalist
Interest-rate & currency market risk	Rising borrowing costs and LKR depreciation increase procurement and financing costs.	Treasury	High	CFO, SM Finance	Minimalist
Cybersecurity & ransomware vulnerability	Inadequate protection exposes operational data and systems to malware, breach and financial loss.	IT	High	Senior Manager – IT	Averse
Network / connectivity outage	Hardware failure, cyberattack or ISP disruption halts SAP, email and digital operations.	IT	High	Senior Manager – IT	Averse
Catastrophic data loss	Absence of disaster-recovery sites at factories and Colour Shops raises the risk of unrecoverable data loss.	IT	High	Senior Manager – IT	Averse

Operational Risks

Beyond the strategic risks above, the Group monitors a broader set of Moderate- and Low-rated operational risks arising from day-to-day activities across Operations, Supply Chain, Human Resources, Compliance, Finance and IT. While individually less severe, these risks are actively tracked as they can compound into significant exposures if left unmanaged.

Operations & Environmental

Risk Description	Risk Level	Score
Fire, flood or lightning damage to assets	Moderate	4
Poor waste management / environmental contamination	Moderate	4
Water contamination / drainage blockages	Moderate	4
Lapsing of product, trade, EPL or ISO registrations	Moderate	6
Import approval delays and product restrictions	Moderate	6
Sale of expired products	Moderate	6
Sale to unlicensed dealers / redistribution non-compliance	Moderate	6
Product quality defects and recalls	Low	4
Failure to honour product warranty	Low	4
Rejection of quality / analytical certificates	Moderate	4

Supply Chain

Risk Description	Risk Level	Score
Raw / packing material price volatility (oil derivatives)	Moderate	6

Human Resources

Risk Description	Risk Level	Score
Payroll anomalies & industrial action	Moderate	4
Difficulty validating employee attendance / leave	Moderate	4
Recruitment of unsuitable candidates	Moderate	4
Incomplete employee personal files	Low	2

Compliance & Finance

Risk Description	Risk Level	Score
Non-compliance with internal controls	Moderate	4
Under-insurance / breach of policy warranties	Moderate	4
Financial reporting errors	Moderate	4
Weak budgetary controls	Moderate	4
Duplicate supplier payments	Low	4
Data integrity / system errors in financial reporting	Moderate	4

IT & Asset Management

Risk Description	Risk Level	Score
Loss, theft or misplacement of company assets	Moderate	6
Unavailability of SAP due to system failure	Moderate	4
Bypassing of approval controls via SAP T-codes	Moderate	6
Use of unlicensed / pirated software	Moderate	6
Unauthorised access or misuse of company data	Moderate	9

Risk Mitigation Strategies

Risk owners across each division maintain active mitigation programmes aligned to the Group's risk appetite.

Environmental & Asset Controls
Fire cover, hydrant maintenance, waste management and drainage inspection programmes.

Market & Reputational Safeguards
Competitive pricing, safety-stock levels, seasonal import planning and green-product registration.

Legal & Regulatory Compliance
Certificate expiry tracking, renewal filings and distributor compliance certification.

Supply Chain Resilience
Alternative raw materials, framework contracts and supplier quality rating.

Liquidity & Financial Discipline
Bank facility negotiation, monthly variance reviews and a centralised tax calendar.

Workforce Stability
Salary audits, grievance resolution and structured induction & training.

Cybersecurity & IT Resilience
Endpoint protection, network redundancy, backups and independent IT audits.

Risk Mitigation Strategies

Risk Category	Key Mitigation Actions
Environmental & Asset Risk	❍ Periodic renewal of insurance and fire-cover certification; scheduled maintenance of fire hydrants, extinguishers and lightning protection. ❍ Formal agreement with a licensed waste handler and routine inspection of the waste-water treatment plant. ❍ Scheduled inspection and maintenance of factory drainage systems.
Market, Sales & Reputational Risk	❍ Competitive pricing, continuous supply and maintenance of SAP-based safety stock re-order levels for fast-moving items. ❍ Expansion and diversification of the supplier base, with regular market and competitor analysis. ❍ Seasonal import planning, smaller block-wise ordering, new-market diversification and structured monitoring of climate and customer-feedback signals. ❍ Registration of green / bio products and collaboration with industry bodies such as CropLife Sri Lanka to protect brand reputation.
Legal & Regulatory Risk	❍ Close monitoring of license, registration and certification expiry dates, with renewal applications submitted at least three months in advance. ❍ Weekly monitoring dashboards for expiring products and prompt sales-team notification. ❍ Annual compliance certification for distributors and GPS monitoring of redistribution routes.
Supply Chain Risk	❍ Validation of alternative raw materials and long-term framework contracts (3–6 months) with key suppliers to stabilise pricing. ❍ Supplier evaluation and quality-rating programme; incoming-material QC checks at the factory. ❍ Backward integration and diversification of the supplier base to reduce single-source dependency.
Liquidity, Credit & Financial Risk	❍ Restructuring of the shareholding base and active bank negotiations for working-capital and rescheduling facilities. ❍ Monthly variance review of operating costs against budget with divisional cost-control accountability. ❍ Weekly debtor-ageing review, firm enforcement of credit limits and customer credit-worthiness ranking. ❍ Centralised statutory tax and reporting calendar with a standardised month-end closing checklist.
Human Resources Risk	❍ Regular salary audits, a formal grievance-resolution process and streamlined payroll reconciliation (within 5 days). ❍ Frequent training and induction programmes, periodic performance evaluation and structured onboarding. ❍ SOP-driven leave application and approval process with monthly system reminders.
IT & Cybersecurity Risk	❍ Updated antivirus / endpoint protection, network firewalls, intrusion detection and independent IT audit review. ❍ Redundant network infrastructure, failover routers and ISP service-level agreements. ❍ Regular cloud and NAS data backups; asset tagging and twice-yearly physical asset verification. ❍ Restriction of unauthorised software installation and periodic device scanning.

Table 2: Consolidated risk mitigation strategies by category.

Risk assessments and the associated mitigation actions are reviewed on a quarterly basis to ensure continued relevance, completeness and effectiveness, and to keep the register aligned with the Group's evolving risk landscape and business priorities.

GOVERNANCE & ACCOUNTABILITY



Expanding the Spectrum

Our consumer range has been developed with care, bringing convenience and taste to lives and livelihoods.




SUNQUICK

Corporate Governance

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

We present below the corporate governance practices adopted and practiced by Lankem Ceylon PLC, in accordance with the rules on Corporate Governance set out in the Listing Rules of the Colombo Stock Exchange (CSE).

1. The Board of Directors

1.1 The Board, Composition and Meetings

The Board of Directors of Lankem Ceylon PLC is responsible for the governance practices adopted in all the companies within the Group. The Board currently comprise of the Chairman, Deputy Chairman, Managing Director, and three other Directors. All the Directors are professionals who posses a wealth of experience and knowledge in varied fields of management, marketing, finance and science & engineering.

Name of Director	Directorship Status
Mr. S. D. R. Arudpragasam	- Non-Executive (Chairman)
Mr. A. Hettiarachchy	- Non-Executive (Deputy Chairman)
Mr. P.S. Goonewardene	- Executive (Managing Director)
Mr. Anushman Rajaratnam	- Executive
Mr. K.G. Punchihewa	- Independent Non-Executive
Mr. S.B. Perera	- Independent Non-Executive

The Board has met 11 times during the year under review. In addition to Board Meetings, matters are referred to the Board and decided by resolutions in writing.

The number of meetings of the Board and the individual attendance by members is shown below:

Total number of Meetings held: 11

Name of Director	Directorship Status	Board Meetings Attended
Mr. S. D. R. Arudpragasam	Chairman, Non-Executive	10/11
Mr. A. Hettiarachchy	Deputy Chairman, Non-Executive	7/11
Mr. P.S. Goonewardene	Managing Director, Executive	11/11
Mr. Anushman Rajaratnam	Executive Director	8/11
Mr. K.G. Punchihewa	Independent Non-Executive	11/11
Mr. S.B. Perera	Independent Non-Executive	10/11

Responsibilities of the Board

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

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

Fit & Proper Assessment

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

Company Secretary and Independent Professional Advice

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

Independent Judgement

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

Training for Directors

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

Directors – Other Directorships

The details pertaining to the names of the companies (In Sri Lanka) in which the Directors serve as a Director or key management personnel are presented on pages 164 to 168.

1.2 Segregation of the Role of Chairman and Chief Executive Officer

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

1.3 Chairman's Role

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

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

1.4 Financial Acumen

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

1.5 Board Balance

The Board at present comprises of four Non-Executive Directors of whom two are Independent and two Executive Directors.

The Independent Non-Executive Directors have submitted signed and dated declarations of their independence or non-independence to the Board. The Board makes a determination annually as to the independence or non-independence of each Independent Non-Executive Director based on such declarations made on the defined criteria and other information available to the Board. The names of Directors determined to be "Independent" are set out in the Annual Report.

Mr. K.G. Punchihewa and Mr. S.B. Perera Independent Non-Executive Directors, meet the criteria for defining independence as set out in Listing Rule 9.8.3 of the Colombo Stock Exchange and were determined to be independent by the Board.

1.6 Supply of Information

Lankem Ceylon PLC has set up procedures to receive timely information which includes monthly reports on performance comprising of financial statements and reviews including a clear agenda prior to the meetings. Minutes of all the meetings are properly recorded and circulated among Directors.

Apart from Board Meetings, Executive Directors and Senior Managers meet bi-weekly or more frequently to monitor performance of the business segments, identify key areas for improvement, discuss critical operational issues which require senior management involvement for resolving and to monitor the performance against the Budget.

Decisions and important information from these meetings are conveyed to all Board members at the Board meetings. Monthly accounts and key financial parameters and performance of each division are discussed and necessary action is taken.

1.7 Nominations and Governance Committee and Appointments to the Board

There is a formal and transparent procedure for the appointment of new Directors to the Board, which is in accordance with the recommendations made by the Nominations and Governance Committee, in consultation with the Chairman and in compliance with the provisions of the Articles of Association of the Company, the Policies adopted by the Company and the Rules on Corporate Governance.

The Board as a whole annually assesses the Board composition to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company. The findings of such assessments are taken into account when new Board appointments are considered and when incumbent Directors come up for re-election.

Upon the appointment of a new Director to the Board, the Company makes the required disclosures to the shareholders by making announcements to the Colombo Stock Exchange.

The Nominations and Governance Committee Report is set out on pages 192 to 194 of the Annual Report.

1.8 Re-election of Directors

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

The Nominations and Governance Committee of the Company has duly recommended to the Board the re-election and reappointment of the Directors at the forthcoming Annual General Meeting and the Board of Directors have duly approved said re-election and reappointment of the Directors. Further the Members have refrained from participating in decisions relating to his/her own appointment.

2. Directors Remuneration

2.1 Remuneration Committee

The Remuneration Committee Report is set out on page 191 of this report.

2.2 Disclosure of Remuneration

Aggregate remuneration paid to Executive and Non- Executive Directors is disclosed in Note 34.8 to the Financial Statements on page 294.

3. Relationship with Shareholders

3.1 Constructive Use of AGM/ General Meetings

Lankem Ceylon PLC always welcomes the active participation of shareholders at general meetings in order to promote and continue an effective dialogue between the two parties. Opportunities are available to shareholders to raise questions from the Chairman and other Directors at the Annual General Meeting/ General Meetings. The required number of days' notice has been given in accordance with the Articles of Association of the Company and the Companies Act No. 07 of 2007.

The Company's principal communicator, with all its stakeholders is its Annual Report and Quarterly Financial Statements.

The policy on Relations with Shareholders and Investors is available on the Company's website https://lankem.lk, where contact persons are also provided. Major issues and concerns of shareholders are communicated to all Directors by the Senior Management, Corporate Secretaries, and Registrars of the Company.

3.2 Major Transactions

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

Price-Sensitive Information

Due care is exercised with respect to share price-sensitive information.

4. Accountability And Audit

4.1 Financial Reporting

Lankem Ceylon PLC and its Board of Directors consider timely publication of its Annual and Quarterly Financial Statements and other price sensitive information as a high priority enabling the shareholders to make effective economic decisions and ensures to comply with the statutory requirements and procedures laid down by the Colombo Stock Exchange and The Securities and Exchange Commission with regard to these publications. These publications include all material, financial and non financial information to facilitate the requirements of existing and potential shareholders. The Board undertakes the responsibility for the preparation and presentation of the financial statements and ensures that they are prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS) adopted by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 7 of 2007.

The Annual Report of the Board of Directors on the affairs of the Company is given on pages 182 to 185 of this Annual Report.

The Directors are of the belief that the Company is capable of operating in the foreseeable future after the adequate assessment of the Company's financial position and resources. Therefore, the going concern principle has been adopted in the preparation of these Financial Statements. The Auditors' Report on Financial Statements is given on pages 198 to 201 containing the Auditors' reporting responsibility. Non-financial information of business segments is given on pages 66 to 91.

Compliance with Legal Requirements

The Board is conscious of its responsibility to the shareholders, the government and the society in which it operates and is unequivocally committed to upholding ethical behaviour in conducting its business. The Board strives to ensure that the Company and its subsidiaries comply with the laws and regulations of the Country.

4.2 Internal Controls

The Board of Directors takes overall responsibility for the Company's internal control system. A separate Audit and Compliance Section has been established to review the effectiveness of the Company's internal controls to ensure reasonable assurance that assets are safeguarded and all transactions are properly authorised and recorded.

However, any system can ensure only reasonable and not absolute assurance that errors and irregularities are prevented or detected within a reasonable time frame.

The Board of Directors has ensured that the financial reporting system has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes which have been carried out in accordance with Sri Lanka Accounting Standards and regulatory requirements. A statement of Directors' Responsibilities for financial reporting is given on pages 186 and 187.

4.3 Audit Committee

The Audit Committee report is set out on pages 188 to 190 of this report.

4.4 Related Party Transactions Review Committee

The Related Party Transactions are disclosed in Note 34 to the financial statements. The Report of the Related Party Transactions Review Committee appear on pages 195 and 196.

5. Rights of Employees/ Other Stakeholders

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

Compliance status with the Colombo Stock Exchange Listing Rules on Corporate Governance

The Company's compliance status with the Colombo Stock Exchange Listing Rules on Corporate Governance is disclosed on pages 169 to 181.

Company Policies

The Company has established a comprehensive suite of corporate policies that align with the Listing Rules of the Colombo Stock Exchange (CSE) and reflect the Company's commitment to ethical governance, transparency, and sustainable business practices. These policies encompass key areas such as:

- Matters relating to the Board of Directors
- Board Committees

Corporate Governance

- Corporate Governance, Nominations, and Re-election
- Remuneration
- Internal Code of Business Conduct and Ethics
- Risk Management and Internal Controls
- Relations with Shareholders and Investors
- Environmental, Social, and Governance (ESG) Sustainability
- Control and Management of Company Assets and Shareholder Investments
- Corporate Disclosures
- Whistleblowing
- Anti-Bribery and Corruption

These policies are publicly accessible on the Company's website at https://lankem.lk ensuring transparency and adherence to best practices in corporate governance.

Details of Directors' Other Directorships

The details pertaining to the names of the companies (in Sri Lanka) in which the Directors serve as a Director or Key Management Personnel is given below.

Abbreviations:

C - Chairman
DC - Deputy Chairman
EC - Executive Chairman
EX - Executive Director
NE - Non-Executive Director
INE - Independent Non-Executive Director
SINE - Senior Independent Non-Executive Director
GCFO - Group Chief Financial Officer
GMD - Group Managing Director
MD - Managing Director
JMD - Joint Managing Director
CEO - Chief Executive Officer
D - Director
Alt - Alternate Director
SID - Senior Independent Director

Public Quoted Companies	Mr. S.D.R. Arudpragasam	Mr.A. Hettiarachchy	Mr. Anushman Rajaratnam	Mr. P.S. Goonewardene	Mr. K.G. Punchihewa	Mr S. B. Perera
The Colombo Fort Land and Building PLC*	✓ C/NE		✓ GMD/ EX		✓ INE	✓ INE
C M Holdings PLC*	✓ C/NE		✓ NE			
York Arcade Holdings PLC*	✓ C/NE		✓ NE			
Lankem Ceylon PLC*	✓ C/NE	✓ DC/ NE	✓ EX	✓ MD/ EX	✓ INE	✓ INE
Lankem Developments PLC*	✓ C/NE		✓ NE		✓ INE	✓ INE
Kotagala Plantations PLC*	✓ C/NE		✓ NE		✓ INE	✓ INE
Agarapatana Plantations PLC*	✓ C/NE		✓ NE		✓ INE	✓ INE
E.B. Creasy & Company PLC*	✓ C/MD/ EX				✓ INE	✓ INE
Muller & Phipps (Ceylon) PLC*	✓ C/NE				✓ INE	✓ INE
Laxapana PLC*	✓ C/NE				✓ INE	✓ INE
Beruwala Resorts PLC*	✓ C/NE		✓ NE			✓ INE

Public Quoted Companies	Mr. S.D.R. Arudpragasam	Mr.A. Hettiarachchy	Mr. Anushman Rajaratnam	Mr. P.S. Goonewardene	Mr. K.G. Punchihewa	Mr S. B. Perera
Marawila Resorts PLC*	✓ C/NE		✓ NE			✓ INE
Sigiriya Village Hotels PLC*	✓ C/NE		✓ NE			✓ INE
J. F. Packaging PLC*	✓ C/NE	✓ NE	✓ NE	✓ NE	✓ INE	✓ INE
C. W.Mackie PLC*	✓ C/NE		✓ NE			✓ INE
ACME Printing & Packaging PLC*	✓ NE	✓ C/ EX	✓ NE	✓ NE	✓ SINE	
Associated Motor Finance PLC				✓ C/INE		
Colombo Fort Investments PLC*	✓ C/NE		✓ NE			
Colombo Investment Trust PLC*	✓ C/NE		✓ NE			
Teejay Lanka PLC						✓ INE
Fintrex Finance PLC						✓ NE

Public Unquoted Companies	Mr. S.D.R. Arudpragasam	Mr.A. Hettiarachchy	Mr. Anushman Rajaratnam	Mr. P.S. Goonewardene	Mr. K.G. Punchihewa	Mr S. B. Perera
American Lloyd Travels Limited*	✓ D		✓ D			
C. W. M. Hotels Holdings Limited	✓ D		✓ D			
Candy Delights Limited*	✓ C/MD					
Capital Finance Limited			✓ D			
Capital Investments Limited*	✓ D					
Capital Leasing Company Limited*	✓ C		✓ D			
Century Equity Trust Limited	✓ D					
Ceyflex Rubber Limited*	✓ C					
Colombo Fort Holdings Limited*	✓ D					
Colombo Fort Hotels Limited*	✓ C		✓ D			
Colombo Fort Travels Limited*	✓ D					
Colonial Motors (Ceylon) Limited*	✓ C/NE		✓ D			
Consolidated Tea Plantaions Limited*	✓ D		✓ D		✓ D	✓ D
Corporate Systems Limited*	✓ C					
Creasy Plantation Management Limited*	✓ D					
Darley Butler & Company Limited*	✓ C/MD					
E. B. Creasy Logistics Limited *	✓ C					
E.B. Creasy Trading Limited*	✓ D					

Public Unquoted Companies	Mr. S.D.R. Arudpragasam		Mr.A. Hettiarachchy		Mr. Anushman Rajaratnam		Mr. P.S. Goonewardene		Mr. K.G. Punchihewa		Mr S. B. Perera	
Far Eastern Exports (Colombo) Limited*	✓	D			✓	D						
Financial Trust Limited					✓	D						
First Guardian Equities (Private) Limited							✓	D				
Fortland Finance Limited	✓	C										
Guardian Asset Management Limited*	✓	D										
Great Eastern Resorts Ltd					✓	D						
Horton Plains Resorts and Spa Limited					✓	D						
Imperial Hotels Limited*	✓	C			✓	D						
ISL Services Limited			✓	C								
JF Ventures Limited*	✓	C	✓	D	✓	D	✓	D	✓	D	✓	D
Kelani Valley Canneries Limited					✓	D						
Lanka Agro Plantations Limited					✓	D						
Lanka Special Steel Limited*	✓	C										
Lankem Agrochemicals Limited*	✓	C			✓	D	✓	D				
Lankem Cargo Storage Limited*	✓	D			✓	D						
Lankem Chemicals Limited* (Striking off in progress)	✓	C			✓	D	✓	D				
Lankem Consumer Products Limited *(Striking off progress)	✓	C			✓	D	✓	D				
Lankem Minerals Limited*	✓	D	✓	C	✓	D	✓	D				
Lankem Paints Limited*	✓	C			✓	D	✓	D				
Lankem Plantation Services Limited*	✓	D										
Lankem Research Limited *(Striking off in progress)	✓	C			✓	D	✓	D				
Lankem Technology Services Limited * (Striking off in progress)	✓	C					✓	D				
Muller & Phipps (Health Care) Limited*	✓	C										
Nature's Link Limited*	✓	C					✓	D				
Nutriklim (Ceylon) Limited	✓	D										
Rubber & Allied Products (Colombo) Limited*	✓	C			✓	D						
Sherwood Holidays Limited*	✓	C										
Sigiriya Resorts Limited					✓	D						
SunAgro Farms Limited*	✓	C			✓	D	✓	D				
SunAgro Lifescience Limited*	✓	C	✓	D	✓	D	✓	D				
Sunrise Resorts Limited					✓	D						
Tropical Beach Resorts Limited					✓	D						
Udaveriya Plantations Limited	✓	D			✓	D						
Weligama Hills Limited	✓	D			✓	D						
York Hotel Management Services Limited*	✓	C			✓	D						
York Tours Limited*					✓	D						
EBC Milkfoods Limited *(Striking off in progress)	✓	C										

Private Companies	Mr. S.D.R. Arudpragasam		Mr.A. Hettiarachchy		Mr. Anushman Rajaratnam		Mr. P.S. Goonewardene		Mr. K.G. Punchihewa		Mr S. B. Perera	
Alliance Five (Private) Limited*	✓	C	✓	D	✓	D	✓	D	✓	D	✓	D
Associated Farms (Private) Limited*	✓	C					✓	D				
ACME Packaging Solutions (Private) Limited*	✓	D	✓	C	✓	D	✓	D				
BOT Hotel Services (Private) Limited*	✓	C										
Ceylon Tapes (Private) Limited*	✓	C	✓	D	✓	D	✓	D	✓	D	✓	D
Ceytape (Private) Limited*	✓	C	✓	D	✓	D	✓	D	✓	D	✓	D
Colombo Fort Group Services (Private) Limited*	✓	D			✓	D						
Colombo Fort Properties (Private) Limited*					✓	D						
Colombo Residencies (Private) Limited	✓	D										
Company Holdings (Private) Limited	✓	D										
Consolidated Commercial Investments (Private) Limited					✓	D						
Consolidated Holdings (Private) Limited	✓	D			✓	D						
Consolidated Trust (Private) Limited					✓	D						
Dawi Investment Trust (Private) Limited							✓	NED				
E. B. Creasy Ceylon (Private) Limited*	✓	C										
Fortigrains Lanka (Private) Limited			✓	D								
Galle Fort Hotel (Private) Limited *	✓	D			✓	D						
Group Three Associate (Private) Limited*	✓	C										
Kiffs (Private) Limited*	✓	C	✓	D	✓	D	✓	D	✓	D	✓	D
Lankem Exports (Private) Limited*	✓	C					✓	D				
Lankem Tea & Rubber Plantations (Private) Limited*	✓	C			✓	D	✓	D				
Maitland & Knox (Private) Limited	✓	D			✓	D						
Mayfield Investments (Private) Limited					✓	D						
Motor Mart Ceylon (Private) Limited*	✓	D			✓	D						
Oakley Investments (Private) Limited	✓	D			✓	D						
Property and Investment Holdings (Private) Limited	✓	D			✓	D						
Quantum Tech Solutions (Private) Limited			✓	D								
Sri Lanka Institute of Nanotechnology (Private) Limited			✓	D								
Sterling Steels (Private) Limited*	✓	C										
Sunquick Lanka (Private) Limited					✓	D						
Sunquick Lanka Properties (Private) Limited					✓	D						
Teacom (Private) Limited*	✓	C			✓	D						
Teejay Lanka Prints (Private) Limited											✓	D
Transways (Private) Limited*					✓	D						
Tulsi Investments (Private) Limited	✓	D										

Private Companies	Mr. S.D.R. Arudpragasam	Mr.A. Hettiarachchy	Mr. Anushman Rajaratnam	Mr. P.S. Goonewardene	Mr. K.G. Punchihewa	Mr S. B. Perera
Unicom Clearing and Forwarding (Private) Limited*	✓ C		✓ D			
Union Commodities (Private) Limited*	✓ C		✓ D			
Union Commodities Exports (Private) Limited*	✓ C		✓ D			
Union Commodities Teas (Private) Limited*	✓ C		✓ D			
Union Group (Private) Limited*	✓ D		✓ D			
Union Investments (Private) Limited*	✓ D		✓ D			
Voyages Ceylon (Private) Limited*			✓ D			
Waverly Power (Private) Limited*	✓ C		✓ D			
York Conventions (Private) Limited*			✓ D			

Notes:

1. The Companies marked * are Subsidiaries or Associates of The Colombo Fort Land & Building Group.
2. Mr. S.D.R. Arudpragasm was appointed as the Non-Executive Chairman of C.W. Mackie PLC with effect from 01.04.2026. Further, Mr. S.D.R. Arudpragasam was appointed as the Non-Executive Chairman of Colonial Motors (Ceylon) Limited with effect from 02.04.2026.
3. Mr. A. Hettiarachchy ceased to be a Director of Sri Lanka Institute of Nanotechnology (Pvt) Ltd with effect from 27.04.2026.
4. Mr. Anushman Rajaratnam was appointed as a Managing Director to the Board of Union Commodities (Private) Limited with effect from 16th May 2025. He was appointed to the Board of Capital Finance Limited on 30th January 2026 and to the Board of Consolidated Trust (Private) Limited on 23rd March 2026.
5. Mr. P. S. Goonewardena ceased to be Chairman/ Independent Non-Executive Director Associated Motor Finance PLC with effect from 17.11.2025.
6. Mr. K.G. Punchihewa ceased to be a Director of Plantations Human Development Trust (PHDT) with effect from 28.09.2025.
7. Mr. S.B. Perera resigned from the Boards of J F Ventures Ltd, Ceytape Ltd, Alliance Five (Pvt) Ltd, Kiffs (Pvt) Ltd and Teejay India Private Ltd with effect from 10.05.2025 and also from the Board of Teejay Mauritius Private Ltd with effect from 31.05.2025.

COMPLIANCE WITH THE LISTING RULES OF THE COLOMBO STOCK EXCHANGE (CSE)-RULE 9- CORPORATE GOVERNANCE

Rule		Adherence
9.2	**Policies**	
9.2.1	Establish and maintain the following policies	
	a) Matters relating to the Board of Directors; b) Board Committees; c) Corporate Governance, Nominations and Re-election; d) Remuneration; e) Internal Code of Business Conduct and Ethics for All Directors and Employees, Including Policies on Trading in the Entity's Listed Securities; f) Risk Management and Internal Controls; g) Relations with Shareholders and Investors; h) Environmental, Social and Governance Sustainability; i) Control and Management of Company Assets and Shareholder Investments; j) Corporate Disclosures; k) Whistleblowing; l) Anti-Bribery and Corruption.	Complied. The Company has established and continues to maintain the said policies. The policies have been duly published on the corporate website https://lankem.lk
9.2.2	Any waivers from compliance with the Internal Code of Business Conduct and Ethics or exemptions granted by the Listed Entity shall be fully disclosed in the Annual Report.	Not Applicable.
9.2.3	Listed entities shall disclose in its Annual Report: (i) The list of policies that are in place in conformity rule 9.2.1. above with reference to its website; (ii) Details pertaining to any changes to policies adopted by the Listed Entities in compliance with Rule 9.2 above.	Complied.
9.2.4	Listed Entities shall make available all such policies to shareholders upon written request being made for any such Policy.	Will be made available when requests are received.
9.2.5	If a Listed Entity fails to comply with Rule 9.2.1, the Exchange will issue a Notice of Show Cause, granting seven (7) market days to provide reasons for the non-compliance. ii. If no response is received within the given time or if the explanation is deemed insufficient, enforcement measures will follow as outlined below: a. A letter of warning will be issued by the Exchange. b. If the Entity fails to rectify the non-compliance within three (3) months from the date of the warning letter, a penalty of Rs. 250,000 will be imposed. iii. The Exchange will make a market announcement regarding the non-compliance, enforcement action, and penalty. The penalty must be settled within seven (7) market days from notification. Failure to do so will result in referral to the SEC under Section 65 of the SEC Act.	Not Applicable.

Rule		Adherence
9.3	**Board Committees**	
9.3.1	Establishment of Committee	
	(a) Nominations and Governance Committee (b) Remuneration Committee (c) Audit Committee (d) Related Party Transactions Review Committee	The Company maintains the Nominations & Governance Committee, Remuneration Committee, Audit Committee and Related Party Transactions Review Committee.
9.3.2	Compliance with the composition, responsibilities and disclosures required in respect of the Board Committees.	Complied
9.3.3	The Chairperson of the Board of Directors of the Listed Entity shall not be the Chairperson of the Board Committees.	Complied
9.4	**Adherence to Principles of Democracy in The Adoption of Meeting Procedures and the Conduct of All General Meetings with Shareholders**	
9.4.1	Records of all resolutions and the following information upon a resolution being considered at any general meeting shall be maintained. (a) The number of shares in respect of which proxy appointments have been validly made; (b) The number of votes in favour of the resolution; (c) The number of votes against the resolution; and (d) The number of shares in respect of which the vote was directed to be abstained.	Complied
9.4.2	Communication and relations with shareholders and investors.	
	a) Have a policy on effective communication and relations with shareholders and investors.	The Company has established the Policy on Relations with Shareholders and Investors and it is published on the corporate website https://lankem.lk
	b) Disclose the contact person for such communication.	The contact person is mentioned.
	c) Policy on relations with shareholders and investors shall include a process to make all Directors aware of major issues and concerns of shareholders.	Major issues and concerns of shareholders are effectively communicated to the Directors by the Senior Management and the Corporate Secretaries & Registrars as and when they arise.
	(d) When conducting of any shareholder meetings through virtual or hybrid means, compliance with the Guidelines issued by the Exchange.	Complied.

Rule		Adherence
9.5	**Policy on Matters Relating to the Board of Directors**	
9.5.1	Establish and maintain formal policy governing matters relating to the Board: a) Composition and Board Balance (Executive and Non-Executive), Role and function of Chairman and CEO and Procedure for Appraisal of Board Performance and appraisal of CEO; b) Where the roles of Chairman and CEO are combined: appointment of SID – establishment of Board Charter inclusive of functions and safeguards for SID; c) Board diversity – experience, skills, competencies, age, gender, industry requirements; d) Maximum number of Directors and rationale; e) Frequency of Board meetings; f) Mechanisms for ensuring that Directors are kept abreast of the Listing Rules and on-going compliance and/or non-compliance; g) Specify the minimum number of meetings, in numbers and percentage, that a Director must attend; h) Requirements relating to trading in securities of the Listed Entity and its listed group Companies and disclosure of such requirements; i) Specify the maximum number of directorships in Listed Entities that may be held by Directors; j) Participation at meeting of the Board and Board committees by audio visual means and participation to be taken into account when deciding the quorum.	Complied. 9.5.1 (b) Not Applicable The Company has established the policy on matters relating to the Board of Directors and it is published on the corporate website https://lankem.lk
9.5.2	Confirm compliance of 9.5.1. in Annual Report – If non compliant provide explanations with reasons and proposed remedial action.	Complied with 9.5.1
9.6	**Chairperson and CEO**	
9.6.1	Chairperson shall be a Non-Executive Director Chairperson and CEO shall not be held by the same individual, unless otherwise a SID is appointed	Complied Not Applicable
9.6.2	Market announcement in the event Chairperson is an Executive Director and/ or the position of Chairman and CEO are held by the same individual.	Not Applicable
9.6.3	Requirement for a Senior Independent Director (SID)	Not Applicable
9.6.3 a)	Appoint an Independent Director as the SID in the following instances: i. The positions of the Chairperson and CEO are held by the same individual. ii. The Chairperson is an Executive Director; Not Applicable iii. The Chairperson and CEO are close family members or related parties.	Not Applicable
9.6.3 b)	Senior Independent Director shall meet with the Independent Directors at least once a year or as often as deemed necessary at a meeting chaired by the SID without the presence of the other Directors and provide feedback and recommendations to the Board.	Not Applicable
9.6.3 c)	Senior Independent Director shall chair a meeting of the Non-Executive Directors without the presence of the Chairperson at least annually to appraise the Chairman's performance.	Not Applicable
9.6.3 e)	SID shall make a signed explanatory disclosure demonstrating the effectiveness of their duties.	Not Applicable
9.6.4	Rationale for the appointment of a SID set out in the Annual Report.	Not Applicable
9.7	**Fitness of Directors and CEO**	
9.7.1	Fitness of Directors and CEO in terms of the Listing Rules	Complied

Rule		Adherence
9.7.2	Listed Entities shall ensure that the persons recommended by the Nominations and Governance Committee as Directors are fit and proper before such nominations are placed before Shareholders' meeting or appointments.	Complied.
9.7.3	Fit and Proper Assessment Criteria' set out in Rule 9.7.3 (a) Honesty, integrity and reputation - (i)-(vii) (b) Competence and capability - (i)-(ii) (c) Financial soundness - (i)-(iii)	Complied
9.7.4	Declarations to be obtained from Directors and CEO on an annual basis confirming that each of them has continuously satisfied the fit and proper assessment criteria set out in the rules during the financial year concerned and satisfies the said criteria as at the date of such confirmation	Complied
9.7.5	Disclosures in the Annual Report	Complied
	(a) Statement on Directors and CEO satisfying fit and proper assessment criteria	Complied
	(b) Any non-compliance and remedial action taken to rectify non-compliance	Not Applicable
9.8	**Board Composition**	
9.8.1	The Board of Directors of a Listed Entity shall, at a minimum, consist of five (05) Directors.	Complied
9.8.2 a)	The Board of Directors of Listed Entities shall include at least two (2) Independent Directors or such number equivalent to one third (1/3) of the total number of Directors of the Listed Entity at any given time, whichever is higher.	Complied
9.8.2 b)	Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	Not Applicable
9.8.3	Criteria for determining independence:	
	(i) Has been employed by the Listed Entity during the period of three (3) years immediately preceding appointment as Director. (ii) Currently has/had during the period of three (3) years immediately preceding appointment as a Director, a material business relationship with the Listed Entity, whether directly or indirectly. (iii) Currently has/had during the preceding financial year a close family member who is a Director and/or CEO in the Listed Entity. (iv) Has a significant shareholding in the Listed Entity. (v) Has served an aggregate period of nine (9) years on the Board of the Listed Entity from the date of the first appointment. (vi) Is employed in another Company or business: a) In which a majority of the other directors of the Listed Entity are employed or are directors; or b) In which a majority of the other directors of the Listed Entity have a significant shareholding or material business relationship; or c) That has a significant shareholding in the Listed Entity or with which the Listed Entity has a business connection. (vii) Is a director of another Company: a) In which a majority of the other Directors of the Listed Entity are employed or are Directors; or b) That has a business connection in the Listed Entity or a significant shareholding.	Complied

Rule		Adherence
	(viii) Has a material business relationship or a significant shareholding in another company or business: a) In which a majority of the other Directors of the Listed Entity are employed or are Directors; and/or b) Which has a business connection with the listed entity or significant shareholding in the same; and/or c) Where the core line of business of such Company is in direct conflict with the line of business of the Listed Entity. (ix) Is above the age of seventy (70) years. Provided that a person above the age of seventy (70) years may nevertheless be considered independent if compliant with Rule 9.8.3 (ix) (a) to (d) and The requirements of sub-clauses (a), (b) and (c) shall be repeated at each Annual General Meeting of the Listed Entity in respect of any director over the age of seventy years whom the Listed Entity wishes to continue to treat as independent.	
9.8.5	Independent Directors	
9.8.5 a)	Each Independent Director to submit a signed and dated declaration annually of his "independence" or "non-independence" against the criteria specified in the Listing Rules.	Complied
9.8.5 b)	Make an annual determination as to the "independence" or "non- independence" of each Independent Director based on the Directors` declaration and other information available to it and shall set out the names of Directors determined to be 'independent' in the Annual Report.	Complied
9.8.5 c)	If independence is impaired against any of the criteria set out in Rule 9.8.3, an immediate market announcement is required.	Not Applicable.
9.8.6	Enforcement Actions for Non-Compliance with Rules 9.8.1 and 9.8.2:	Complied with Rule 9.8.1 and 9.8.2.
	A. In the event a Listed Entity fails to comply with Rules 9.8.1 and/or 9.8.2 of these Rules;	9.8.6 A and B Not Applicable.
	B. Where a Listed Entity has failed to comply with Rules 9.8.1 or 9.8.2 and has not disclosed of such non compliance to the Exchange or the market.	
9.9	**Alternate Directors**	
9.9 (a–e)	Appointment of Alternate Directors to be in accordance with the Rules and such requirements to be incorporated into the Articles of Association. a) Alternate Directors shall only be appointed in exceptional circumstances and for a maximum period of one (1) year from the date of appointment b) If an Alternate Director is appointed for a Non-Executive Director such alternate should not be an Executive Director of the Listed Entity. c) If an Alternate Director is appointed by an Independent Director, the person so appointed should meet the criteria of independence. The Nominations and Governance Committee shall review and determine that the person nominated as the alternate would qualify as an Independent Director before such appointment is made. d) Immediate market announcement regarding the appointment of an Alternate Director e) Attendance of Alternate Director to be counted for the purpose of quorum at Board and Board committee meetings.	Not Applicable

Rule		Adherence
9.10.	**Disclosures Relating to Directors**	
9.10.1	Disclose its policy on the maximum number of Directorships in Listed Entities Board members shall be permitted to hold as per Rule 9.5.1. Non-compliance to be reported in the Annual Report.	Complied. The Company policy on maximum number of Directorships which a Director can hold in Listed Companies is 25.
9.10.2	Market announcement upon the appointment of a new Director. (i - iii)	Not Applicable. There were no new Directors appointed to the Board during the period.
9.10.3	Immediate market announcement upon any changes to the composition of the Board Committees. (i - iii)	Not Applicable. No changes were made to the composition of the Board Committee during the period.
9.10.4	Details in relation to the Board members. name, qualifications and brief profile	
	❍ Nature of his/her expertise in relevant functional areas.	Complied
	❍ Whether either the Director or close family members has any material business relationships with other Directors.	Not Applicable
	❍ Whether Executive, Non-Executive and/or independent Director.	
	❍ Total number and names of Companies in Sri Lanka in which the Director concerned serves as a Director and/or KMP stating whether listed or unlisted, whether functions as executive or non- executive (If the directorships are within the Group names need not be disclosed).	Complied
	❍ Number of Board meetings attended.	
	❍ Names of Board Committees in which the Director serves as Chairperson or a member.	
	❍ Attendance of committee meetings.	
	❍ TOR and powers of SID.	
9.10.5	Non-Disclosure of Changes to Board and Committees: A. Failure to disclose new appointments or changes to the Board of Directors; B. Failure to disclose changes to the composition of Board Committees in terms of Rule 9.10.3 (ii).	Not Applicable
9.11	**Nominations and Governance Committee**	
9.11.1	Establishment of Nominations and Governance Committee.	Complied
9.11.2	Maintain a formal procedure for the appointment of new Directors and re-election of Directors to the Board through the Nominations and Governance Committee.	Complied
9.11.3	Written terms of reference.	Complied

Rule		Adherence
9.11.4	Composition: (1) The members of the Nominations and Governance Committee shall: (a) Comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors; (b) Not comprise of Executive Directors of the Listed Entity. (2) An Independent Director shall be appointed as the Chairperson. (3) Identify Members in the Annual Report.	Complied
9.11.5	Functions	
	(i) Evaluate the appointment of Directors to the Board of Directors and Board Committees; (ii) Recommend (or not recommend) the re-appointment/ re-election of current Directors; (iii) Establish and Maintain a formal and transparent procedure to evaluate, select and appoint/reappoint Directors; (iv) Establish and maintain a set of criteria for selection of Directors; (v) Establish and maintain a suitable process for the periodic evaluation of the performance of the Board of Directors and the CEO of the Entity to ensure that their responsibilities are satisfactorily discharged; (vi) Develop a succession plan for the Board of Directors and Key Management Personnel; (vii) Review the structure, size and composition of the Board and Board Committees with regard to effective discharge of duties and responsibilities;	Complied.
	(viii) Review and recommend the overall corporate governance framework of the Listed Entity taking into account the Listing Rules of the Exchange, other applicable regulatory requirements and industry/ international best practices; (ix) Periodically review and update the Corporate Governance Policies / Framework of the Entity in line with the regulatory and legal developments relating to same, as a best practice; (x) Receive reports from the Management on compliance with the corporate governance framework of the Entity including the Entity's compliance with provisions of the SEC Act, Listing Rules of the Exchange and other applicable laws, together with any deviations/ non-compliances and the rational for same.	
9.11.6	Disclosures in Annual Report Nomination & Governance Committee Report and contents to be incorporated – Sections (a)-(m)	Complied
9.12	**Remuneration Committee**	Refer Remuneration Committee Report
9.12.1	The term "remuneration" shall make reference to cash and all non-cash benefits whatsoever received.	Complied.
9.12.2	Listed Entity shall have a Remuneration Committee that conforms to the requirements set out in Rule 9.12 of the Listing Rules.	Complied
9.12.3	Establish and maintain a formal and transparent procedure for developing policy on Executive Directors' remuneration and for fixing the remuneration packages of individual Directors. No Director shall be involved in fixing his/ her own remuneration.	Complied
9.12.4	Remuneration for Non-Executive Directors shall be based on a policy of non-discriminatory pay practices to ensure the independence is not impaired.	Complied

Rule		Adherence
9.12.5	The Remuneration Committee shall have written terms of reference clearly defining its scope, authority, duties and matters pertaining to the quorum of meetings.	Complied
9.12.6	Composition: (1) The members of the Remuneration Committee shall: (a) Comprise of a minimum of three (03) Directors of the Listed Entity, out of which a minimum of two (02) members shall be Independent Directors; (b) Not comprise Executive Directors of the Listed Entity.	Complied
9.12.6 (2)	An Independent Director shall be appointed as the Chairperson of the Remuneration Committee by the Board of Directors.	Complied
9.12.7	Functions	
	(1) Recommend the remuneration payable to the Executive Directors and CEO of the Listed Entity and/or equivalent position thereof to the Board of the Listed Entity which will make the final determination upon consideration of such recommendations; (2) Engage any external consultant or expertise that may be considered necessary to ascertain or assess the relevance of the remuneration levels applicable to Directors and CEO.	Complied
9.12.8	Disclosure in Annual Report	
9.12.8 a)	Names of Remuneration Committee members.	Complied
9.12.8 b)	Statement of Remuneration Policy.	Complied
9.12.8 c)	Aggregate remuneration paid to Executive Directors and Non-Executive Directors.	Complied
9.13	**Audit Committee**	Refer Audit Committee Report
9.13.1	Where Listed Entities do not maintain separate Committees to perform the Audit and Risk functions, the Audit Committee of such Listed Entities shall additionally perform the Risk functions.	Complied
9.13.2	The Audit Committee shall have written terms of reference clearly defining its scope, authority and duties.	Complied
9.13.3 (1)	Composition of the Audit Committee.	Complied.
9.13.3 (2)	Quorum – requires that the majority of those in attendance to be independent Directors.	Complied.
9.13.3 (3)	Compulsorily to meet on a quarterly basis prior to recommending the financials to be released to the market.	Complied.
9.13.3 (4)	An Independent Director shall be the Chairman of the Committee.	Complied.
9.13.3 (5)	Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) of the Listed Entity shall attend the Audit Committee meetings by invitation.	Complied.
9.13.3 (6)	The Chairperson of the Audit Committee shall be a member of a professional accounting body.	Complied.
9.13.4	Functions of the Audit Committee.	Complied
	Detailed in Rule (1) (i) –(xiii) and (2)	
9.13.5	Disclosures in Annual Report	Complied

Rule		Adherence
	Disclosure in the Annual Report relating to Audit Committee: (a) Names of chairperson and members with nature of Directorship; (b) Status of risk management and internal control – Company and Group; (c) Statement on CEO and CFO assurance on operations and finances; (d) Opinion on compliance with Financial reporting requirements, information requirements Listing Rules, Companies Act, SEC Act and any other requirements; (e) Availability of formal Audit Charter; (f) Internal audit assurance and summary of the work internal audit function; (g) Details demonstrating effective discharge of functions and duties; (h) Statement on External Auditors' assurance on their independence; (i) Confirmation on determining auditor's independence.	
9.14	**Related Party Transactions Review Committee (RPTRC)**	Refer Related Party Transactions Review Committee Report
9.14.1.	Establishment of Committee: Listed Entities shall have a Related Party Transactions Review Committee that conforms to the requirements set out in Rule 9.14 of these Rules.	Complied
9.14.2	The Related Party Transactions Review Committee shall comprise - Minimum three (03) Directors out of which a minimum of two (02) members shall be Independent Directors; - May comprise of Executive Directors; - An Independent Director shall be appointed as the Chairperson.	Complied
9.14.3	Functions of the Related Party Transactions Review Committee: (1) Committee shall be responsible for reviewing the Related Party Transactions; (2) Objective – ensure that the interests of shareholders as a whole are taken into account when entering into Related Party Transactions; (3) The objective and the economic and commercial substance of the Related Party Transactions should take precedence over the legal form and technicality; (4) Establish and maintain a clear policy, procedure and process in place for the identification, clarification and reporting the Related Party Transactions on an end-to-end basis across the Entity's operations.	Complied.
9.14.4	(1) The Related Party Transactions Review Committee shall meet at least once a calendar quarter. It shall ensure that the minutes of all meetings are properly documented and communicated to the Board of Directors. (2) Should ensure having access to enough knowledge or expertise complied to assess or aspects of proposed Related Party Transactions and where necessary obtain appropriate professional and expert advice from appropriately qualified person when necessary. (3) Board of Directors to approve RPT when required by the Committee.	Complied
	(4) If a Director has a material personal interest in a matter being considered at a Board Meeting to approve a Related Party Transaction as required in Rule 9.14.4(3), such Director shall not: (a) Be present while the matter is being considered at the meeting; and (b) Vote on the matter.	Not Applicable.
9.14.5	Review of Related Party Transactions by the Related Party Transactions Review Committee	Complied

Rule		Adherence
9.14.6	Shareholder approval 1. Listed Entities shall obtain shareholder approval by way of a Special Resolution for the following Related Party Transaction. a) Non-recurrent transaction i) Transactions exceeding one third (1/3) of the total assets as per the latest Audited Financial Statements; ii) Transactions exceeding one third (1/3) of the total assets as per the latest Audited Financial Statements when aggregated with other non- recurrent transactions entered into with the same related party during the same financial year; iii) Acquisition of substantial asset from, or disposal of a substantial asset to, any related party of the Entity or its associates	Not Applicable
	b) Recurrent transaction (i) One third (1/3) of the gross revenue (or equivalent term for revenue in the Income Statement) and in the case of group entity consolidated group revenue of the Entity as per the latest Audited Financial Statements; or (ii) One third (1/3) of the gross revenue (or equivalent term for revenue in the Income Statement) and in the case of group entity consolidated group revenue of the Entity as per the latest Audited Financial Statements of the Entity, when aggregated with other recurrent transactions entered into with the same related party during the same financial year; and; (iii) The transactions are not in the ordinary course of business and in the opinion of the Related Party Transactions Review Committee, are on terms favorable to the related party than those generally available to the public.	Not Applicable.
9.14.7 (1) (a)	Immediate disclosure of any non-recurrent related party transaction with a value exceeding 10% of the Equity or 5% of the Total Assets whichever is lower, of the Entity as per the latest Audited Financial Statements;	Complied.
9.14.7 (1) (b)	Immediate disclosure of the latest transaction, if the aggregate value of all non-recurrent related party transactions entered into with the same related party during the same financial year amounts to 10% of the Equity or 5% of the total assets whichever is lower, of the Entity as per the latest Audited Financial Statements.	Complied.
9.14.8 (1)	Disclosure in the Annual Report if the aggregate value of all the Non-recurrent related party transactions exceeding 10% of the Equity or 5% of the total assets of the Listed Entity, whichever is lower, as per the latest Audited Financial Statements.	Complied
9.14.8 (2)	Disclosures in the Annual Report if the aggregate value of the recurrent related party transactions exceeds 10% of the gross revenue/income (or equivalent term in the Income Statement and in the case of Group Entity consolidated revenue) as per the latest Audited Financial Statements.	Complied
9.14.8 (3)	Report of the Related Party Transactions Review Committee.	Complied
9.14.8 (4)	Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise.	Complied
9.14.9 (1) (2)	Shareholder approval for acquisition and disposal of substantial assets.	Not Applicable.

Rule		Adherence
9.14.9 (3)	Rule 9.14.9(1) does not apply to: a) Transactions between the Listed entity and a wholly owned subsidiary; b) Transaction between wholly owned subsidiaries of the Entity; c) Takeover offer made by the Listed Entity in accordance with Takeovers and Mergers Code 1995 (as amended); d) Any transaction entered into by the Listed Entity with a bank as principal, on arm's length terms and in the ordinary course of it's banking business.	Not Applicable.
9.14.9 (4) (5) (6)	Competent independent advice on acquisition and disposal of substantial asset	Not Applicable.
9.14.10	Exempted Related Party Transactions: (a) Subject to Rule 9.14.8 (2), transactions with related parties which are recurrent, of revenue or trading nature and which is necessary for day-to-day operations of a Listed Entity or its subsidiaries and, in the opinion of the related party Transactions Review Committee, terms are not favorable to the Related Party than those generally available to the public; (b) The payment of dividend, issue of Securities by the Listed Entity by way of a capitalisation of reserves, the exercise of Rights, options or warrants (subject to Rules contained in Section 5 and 7 of these Rules), sub-division of shares or consolidation of shares; (c) The grant of options, and the issue of Securities pursuant to the exercise of options, under an employee share option scheme/ employees share purchase scheme (subject to Rule 5.6 of these Rules); (d) A transaction in marketable securities carried out in the open market where the counterparty's identity is unknown to the Listed Entity at the time of the transaction; (e) The provision or receipt of financial assistance or services, upon usual commercial terms and in the ordinary course of business, from a Company whose activities are regulated by any written law relating to licensed banks, finance Companies or insurance Companies or are subject to supervision by the Central Bank of Sri Lanka or Insurance Board of Sri Lanka; (f) Directors' fees and remuneration, and employment remuneration.	Complied.
9.15	**Penalties for Non-Compliance with Board Committee Composition Requirements**	
	A. When a Listed Entity fails to comply with Rules 9.11.4(1), 9.11.4(2), 9.12.6, 9.13.3(1), 9.13.3(4), 9.13.3(6), or 9.14.2 B. Where a Listed Entity has failed to comply with Rules 9.11.4(1), 9.11.4(2), 9.12.6, 9.13.3(1), 9.13.3(4), 9.13.3(6) or 9.14.2 and has not disclosed of such non-compliance to the Exchange or the market: - If non-compliance is rectified: (a) – (b) - If non-compliance is not rectified: (c) – (e)	Not Applicable
9.16	**Additional Disclosures**	
(i)	Directors have disclosed all material interests in contracts and have refrained from voting when materially involved.	Complied.
(ii)	Directors have conducted a review of the internal controls and obtained reasonable assurance of their effectiveness and adherence.	Complied.

Rule		Adherence
(iii)	Directors are aware of laws, rules and regulations and their changes particularly to Listing Rules and applicable capital market provisions.	Complied.
(iv)	Disclosure of material non-compliance with laws/ regulations and fines by relevant authorities where the Entity operates.	Complied.
9.17	**Enforcement Procedure for Non-Compliance with Corporate Governance Requirements**	
	Enforcement procedure for non-compliance with corporate governance requirements a) Immediate market announcement on non-compliance in the event of failure to comply with any of the requirements contained in Rules 9.3.1, 9.8.1, 9.8.2(a), 9.11.4(1),9.11.4(2), 9.12.6, 9.13.3(1),9.13.3(4),9.13.3(6) or 9.14.2 about such non-compliance within one (1) Market Day from the date of the non-compliance. Announcement shall be repeated on the first (1st) market day of each calendar month until the Entity becomes compliant with these Rules. b) The non-compliance must be rectified within three (03) months from the date of non-compliance. c) If not rectified within three months, the Entity's Securities shall be transferred to the Watch List immediately upon the expiration of the said period. d) While the Securities are on the Watch List, Directors, CEO, their close family members, parent Entity, and entities where they hold 50% or more voting rights, cannot transact in the Entity's Securities without prior SEC approval. This restriction continues for three (03) months after resignation or until compliance is restored— whichever is earlier. e) Upon being placed on the Watch List, the Entity must make a market announcement including: -The remedial action proposed within six (06) months. -The following statements: i) Any change in the plan will be announced within 1 market day after Board approval. ii) If the plan is not implemented within 6 months, trading will be suspended. iii) If suspension lasts more than 6 months, delisting will follow. f) At the first general meeting following the transfer to the Watch List, shareholders must be informed of the non-compliance, remedial actions, and that continued failure will result in suspension and potential delisting. g) The outcome of the above general meeting must be announced to the market by the next market day, including any decisions made. h) The Entity must rectify non-compliance within six (06) months from the date of Watch List transfer. i) Failure to comply within six months will result in trading suspension. The Exchange will also announce the enforcement action and any penalties imposed. j) In addition to actions under 9.18(c) and 9.18(i), the Exchange shall impose penalties on the Listed Entity and/or its Directors as of the date of non-compliance. k) If suspension exceeds six (06) months, the Securities shall be delisted under Rule 11.3. l) The Exchange's decision to delist the Securities and any attached conditions shall be communicated to the SEC.	Not Applicable

Compliance with Companies Act No. 7 of 2007

Section		Compliance
168 (1) (a)	The state of the Company's affairs and nature of the business of the Company or any of its subsidiaries together with any change thereof during the accounting period.	Complied.
168 (1) (b)	Signed Financial Statement of the Company for the accounting period completed.	Complied.
168 (1) (c)	Auditor's Report on Financial Statements of the Company.	Complied.
168 (1) (d)	Accounting policies and any changes thereto.	Complied.
168 (1) (e)	Particulars of the entries made in the Interests Register during the accounting period.	Complied.
168 (1) (f)	Remuneration and other benefits paid to Directors of the Company during the accounting period.	Complied.
168 (1) (g)	Total amount of donations made by the Company during the accounting period.	Complied.
168 (1) (h)	Names of the Directors of the Company at the end of the accounting period and name of Directors who ceased to hold office during the accounting period.	Complied.
168 (1) (i)	Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered during the accounting period.	Complied.
168 (1) (j)	Other relationships or any interest of Auditors with the Company or any of its subsidiaries.	Complied.
168 (1) (k)	Acknowledgment of the content of this report and signature on behalf of the Board.	Complied.

Annual Report of the Board of Directors

The Board of Directors of Lankem Ceylon PLC present their Report on the affairs of the Company together with the Audited Financial Statements for the year ended 31st March 2026. The details set out herein provide the pertinent information required by the Companies Act No. 07 of 2007, and the Colombo Stock Exchange Listing Rules and are guided by recommended best practices.

General

The Company was re-registered on 18th March 2008 as required under the Companies Act No. 07 of 2007.

Principal Activities, Business and Future Prospects

The principal activities of the Company together with those of its subsidiary companies have been described along with the Corporate Information in this Annual Report. A review of the Company's business and its performance during the year with comments on financial results and future prospects is contained in the Chairman's Message, The Managing Director's Review and in the Management Discussion & Analysis of this Annual Report. This Report together with the Financial Statements reflect the state of affairs of the Company. The Directors, to the best of their knowledge and belief, confirm that the Company has not engaged in any activities that contravene laws and regulations and prudential requirements and that there are no material non-compliances other than those disclosed in the Annual Report.

Financial Statements

The Financial Statements of the Group are given on pages 202 to 314.

Auditors' Report

The Auditors' Report on the Financial Statements is given on pages 198 to 201.

Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 209 to 227.

Interest Register

Directors' Interest in Transactions

The Directors have made general disclosures as provided for in Section 192 (2) of the Companies Act No. 07 of 2007. Arising from this, details of contracts in which they have an interest are disclosed in Note 34.9 to the Financial Statements on pages 295 and 296.

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

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

Directors' Remuneration

Directors' remuneration in respect of the Group for the financial year 2025/26 is Rs. 386.3 Mn (2024/25 – Rs. 356.6 Mn) and in respect of the Company for the financial year 2025/26 is Rs. 199.2 Mn (2024/25 – Rs. 180.2 Mn).

Directors' Interest in Shares

The Directors of the Company who have an interest in the shares of the Company have disclosed their shareholdings and any acquisitions/disposals to the Board in compliance with Section 200 of the Companies Act No. 07 of 2007. Details pertaining to Directors' direct Shareholdings are as follows:

	No. of Shares as at 31.03.2026	No. of Shares as at 31.03.2025
Mr. S. D. R. Arudpragasam	-	-
Mr. A. Hettiarachchy	-	-
Mr. Anushman Rajaratnam	2,000	1,787
Mr. P. S. Goonewardene	-	-
Mr. K.G. Punchihewa	-	-
Mr. S.B. Perera	-	-

Directorate

The names of the Directors who held office during the financial year and who are currently in office are given below and brief profiles of the Directors appear on pages 24 to 27.

Mr. S. D. R. Arudpragasam – Chairman

Mr. A. Hettiarachchy – Deputy Chairman

Mr. P. S. Goonewardene – Managing Director

Mr. Anushman Rajaratnam – Director

Mr. K.G. Punchihewa – Director

Mr. S.B. Perera – Director

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

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

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

Corporate Donations

Donations made by the Group amounted to Rs. 0.39 Mn during the year under review. (2024/2025 – Rs 0.44 Mn)

Corporate Governance

The Corporate Governance principles adhered to by the Company are given on pages 160 to 181.

Auditors

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

The Auditors, Messrs. KPMG Chartered Accountants, were paid Rs. 27.1 Mn during the year under review (2024/25 – Rs. 25.3 Mn) as audit fees and fees for audit related services by the Group. In addition, they were paid Rs. 3.3 Mn (2024/25 – Rs. 2.4 Mn) by the Group for non-audit related work, which consisted mainly of tax related work. In addition to the above, Group companies are engaged with other audit firms. Audit fees in respect of these firms amounted to Rs. 5.0 Mn during the year under review (2024/2025 – Rs. 5.4 Mn.). As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company. The Auditors do not have any interest in the Company.

Revenue

The revenue of the Group for the year was Rs. 41,139 Mn (2024/25 – Rs. 40,334 Mn)

Results

The Group made a profit before tax of Rs. 116 Mn against a profit of Rs. 258 Mn in the previous year.

The detailed results are given in the Statement of Profit or Loss and Other Comprehensive Income on page 202.

Dividends

The Board of Directors have not recommended payment of a dividend for the year ended 31st March 2026.

Investments

Investments made by the Group are given in Notes 16, 17 and 18 to the Financial Statements on pages 250 to 258.

Property, Plant & Equipment

During 2025/26, the Group invested Rs. 1,075 Mn in Property, Plant & Equipment (2024/25 – Rs. 737 Mn). Further, Directors are of the opinion that the net amounts of Property, Plant & Equipment other than freehold land, appearing in the Statement of Financial Position are not greater than their market value as at 31st March 2026. The market value of the freehold land as at 31st March 2026 are disclosed in Note 12 to the Financial Statements on pages 240 and 241.

Stated Capital

The stated capital of the Company as at 31st March 2026 was Rs. 2,483,681,470/- and is represented by 137,255,352 issued and fully paid ordinary shares.

Rights Issue and Subdivision of Shares

The Company made a Rights Issue of Seventeen Million One Hundred and Fifty Six Thousand Nine Hundred and Nineteen (17,156,919) ordinary shares at a price of Rs.70 per share to the shareholders as at the end of trading on 17th October 2025 (record date) in the proportion of One (01) new ordinary share for every three (3) existing issued ordinary shares. The issue closed on 13th November 2025 and was fully subscribed. The total consideration received was Rs. 1,200,984,330/-. The purpose of the issue was to settle Related Party dues to E. B. Creasy & Co. PLC and for a part settlement of bank loans. Subsequent to the Rights Issue of Shares the Stated Capital of the Company is Rs. 2,483,681,470/-.

Pursuant to a decision of the Board on 18th June 2025 and consequent to an Ordinary Resolution pertaining to the subdivision of shares of the Company being carried unanimously by the Shareholders present and voting at the Extraordinary General Meeting held on 15th October 2025, such subdivision was effected based on the shareholding as at end of trading on 10th December 2025 (record date). Accordingly, without actuating any increase to the stated capital of the Company, every one (01) existing issued ordinary share was subdivided into Two (2) issued ordinary shares, thereby increasing the number of issued ordinary shares of the Company from Sixty Eight Million Six Hundred and Twenty Seven Thousand Six Hundred and Seventy six (68,627,676) to One Hundred and Thirty Seven Million Two Hundred and Fifty Five Thousand Three Hundred and Fifty Two (137,255,352).

The Company has issued 17,156,919 ordinary shares at a price of Rs.70 per share and subsequent to the right issue every one (01) existing issued ordinary share was subdivided into Two (2) issued ordinary shares, the effect of right issue and subdivision of shares are adjusted retrospectively in calculating weighted average number of shares in issue as required by LKAS 33 – "Earnings per share".

Reserves

The total Group reserves as at 31st March 2026 comprised other capital reserves of Rs. 4.8 Mn, FVOCI reserve of Rs. 109.2 Mn, retained loss of Rs. 1,794 Mn and revaluation reserve of Rs. 3,930 Mn. Whereas the total Group reserves as at 31st March 2025 comprised other capital reserves of Rs.4.8 Mn, FVOCI reserve of Rs. 36.3 Mn, retained loss of Rs. 1,589 Mn and revaluation reserve of Rs. 3,909 Mn. The movements are shown in the Statement of Changes in Equity in the Financial Statements.

Taxation

The Group's liability to taxation has been computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, and subsequent amendments thereto.

Income tax and other taxes paid and liable by the Group are disclosed in Note 10 to the financial statements on pages 232 to 234.

Related Party Transactions

During the financial year there were no recurrent related party transactions which exceeded the respective thresholds mentioned in Section 9.14 of the Colombo Stock Exchange Listing Rules. However non recurrent related party transactions which exceeded the respective thresholds are duly set out in Note 34.6 on page 294. The Company has complied with the requirements of the Listing Rules on Related Party Transactions.

The related party transactions presented in the financial statements are disclosed in Note 34 from pages 285 to 296.

Share Information

Information relating to earnings, dividend, net assets, market value per share and share trading is given on pages 318 and 319.

Events Occurring After the Reporting Period

Events occurring after the Reporting Period that would require adjustments to or disclosures are disclosed in Note 40 on pages 311 and 312.

Capital Commitments and Contingent Liabilities

Capital commitments and contingent liabilities as at the date of the Statement of Financial Position are disclosed in Notes 38 & 39 on pages 309 to 311.

Employment Policy

The Company's recruitment and employment policy is nondiscriminatory. The occupational health and safety standards receive substantial attention. Appraisals of individual employees are carried out to evaluate their performance and realise their potential. This process benefits the Company and the employees.

Shareholders

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

Statutory Payments

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

Environmental Protection

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

Internal Control

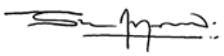
The Board of Directors takes overall responsibility for the Company's internal control system. The Board and management annually review the effectiveness of the Company's internal controls to ensure reasonable assurance that assets are safeguarded against unauthorised use or disposal and to ensure all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

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

Going Concern

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

For and on behalf of the Board



S. D. R. Arudpragasam
Chairman



P.S. Goonewardene
Managing Director

By Order of the Board



Corporate Managers & Secretaries (Private) Limited
Secretaries
Colombo

31st August 2026

Statement of Directors' Responsibilities

The Board of Directors (Board) of the Company is responsible for the adequacy of the Company's system of internal controls and for reviewing its design and effectiveness regularly.

However, such a system is designed to manage, rather than eliminate the risk of failure to achieve business objectives of the Group. Accordingly, the system of internal controls can only provide reasonable and not absolute assurance against material misstatements of losses or frauds.

The Board is of the view that the prevalent internal control systems instituted, by them, and which comprise internal checks, internal audits, risk management policies and financial and other controls are so designed that, there is reasonable assurance that all assets are safeguarded and transactions properly authorised and recorded, so that material misstatements and irregularities are either prevented or detected within a reasonable period of time.

The Board has established various Committees, such as the Audit Committee, Remuneration Committee, Nominations and Governance Committee and Related Party Transactions Review Committee to strengthen the process of identifying and reviewing the adequacy and integrity of the system of internal controls and risk management.

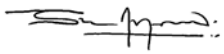
The Directors are of the view that the Company and its Group have adequate resources to continue operations in the foreseeable future and have continued to use the going concern basis in the preparation of these Financial Statements. The Directors have provided the Auditors, Messrs. KPMG, Chartered Accountants, with every opportunity to carry out reviews and tests that they consider appropriate and necessary for the performance of their responsibilities. The Auditors have examined the Financial Statements together with all financial records and related data and expressed their opinion, which appears as reported by them on pages 198 to 201 of this Report.

The Directors are Responsible for:

- preparing the Annual Report and the Consolidated Financial Statements in accordance with the Companies Act No.7 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and are required to prepare Financial Statements for each financial year, which give a true and fair view of the state of affairs of the Company and its subsidiaries as at the reporting date and of the profit and loss of the Company and its subsidiaries for the financial year ending on that reporting date;
- preparing Financial Statements which give a true and fair view of the state of affairs as at the reporting date and the Profit or Loss for the period then ended of the Company and the Group in accordance with SLFRSs and LKASs;
- establishing an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, and regularly reviewing the effectiveness of such process;
- taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities; and maintaining the integrity of the statutory and audited information available to the public;
- In addition, the Directors consider that, in preparing the Financial Statements:
  - suitable accounting policies have been selected and applied consistently;
  - judgements and estimates made have been reasonable and prudent;
  - the Financial Statements comply with IFRS as adopted for use in Sri Lanka (SLFRSs/LKASs);
  - all Accounting Standards which they consider applicable have been followed in preparing the Parent Company Financial Statements; and
  - it is appropriate that the Group and Parent Company Financial Statements have been prepared on a "Going Concern" basis.

The Directors also confirm that to the best of their knowledge, the Financial Statements are prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group taken as a whole; and this Directors' Report contains a fair review of the development and performance of the business and the position of the Company and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face. The Board of Directors of the Company is of the view that the Board has discharged its responsibilities accordingly.

By Order of the Board



S.D.R. Arudpragasam
Chairman



P.S.Goonewardene
Managing Director

31st August 2026

Audit Committee Report

During the financial year ended 31st March 2026, the Audit Committee remained steadfast in its mandate to assist the Board in safeguarding the integrity of the Group's financial reporting and fulfilling its fiduciary obligations to shareholders.

This role extends beyond regulatory compliance with the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards (SLFRS/LKAS), and applicable listing requirements to encompass the broader ecosystem of internal controls, risk oversight, and ethical governance.

Recognising that stakeholder trust rests fundamentally on the credibility of our financial statements, we have continued to exercise rigorous scrutiny over accounting policies, evaluate the effectiveness of internal control frameworks, and oversee the independence and performance of the external audit function.

Looking ahead, we remain committed to upholding these responsibilities as cornerstones of sustainable corporate governance and long-term confidence in the Company.

Composition

The composition of the Audit Committee comprising of the following Members during the financial year ended 31st March 2026 are detailed below.

Mr. K.G. Punchihewa
Chairman, Independent Non-Executive Director

Mr. S.B. Perera
Member, Independent Non-Executive Director

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

Mr. K.G. Punchihewa, the current Chairman of the Committee is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA) and a Member of the Certified Public Accountants (CPA) – Australia.

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

Brief profiles of the members of the Committee are given on pages 24 to 27 of the Annual Report

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

Meetings and Attendance

The Audit Committee has met on five occasions during the financial year ended 31st March, 2026 and the attendance of the committee was as follows:

Mr. K.G. Punchihewa – Chairman	5/5
Mr. S.B. Perera – Member	5/5
Mr. S.D.R. Arudpragasam – Member	3/5

Meetings of the Audit Committee have been held in each quarter of the financial year. In addition to these Meetings on several occasions the committee has also adopted resolutions in writing in relation to matters under the purview of the Audit Committee.

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

The Managing Director and the Chief Financial Officer attend the meetings of the Audit Committee. Further other members of the Board and Management Committee, as well as the External and Internal Auditors, were present at discussions where appropriate.

Key Responsibilities of the Committee

The Committee is governed by the specific terms of reference set out in the Audit Committee charter which has been reviewed and recommended by the Audit Committee and approved by the Board.

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
The Committee reviews and assesses the effectiveness and sufficiency of the Company's risk management function to ensure that the Company's assets are adequately safeguarded.

(b) Efficiency of the system of internal controls
The Committee reviews the effectiveness of the internal control systems, financial reporting, compliance with laws and regulations, as well as the adequacy and effectiveness of the governance processes within the Company. The Committee also obtains a statement of compliance from the Managing Director and the Chief Financial Officer on the Company's operations, finances, risk management and internal control systems.

(c) Independence and objectivity of the External (statutory) Auditors
The Committee exercises independent oversight on internal and external assurance functions ensuring both internal and External Auditor's independence, objectivity and the effectiveness of the audit processes.

(d) Appropriateness of the principal accounting policies used
The Committee reviews the key judgements applied in the preparation of the financial statements described in the relevant accounting policies and notes to the Financial Statements.

(e) Financial Statement integrity
The Committee reviews and ensures that the Financial Reporting system is in accordance with the Sri Lankan Accounting Standards and other regulatory and statutory requirements.

Activities During the Financial Year 2025/26

Financial Reporting

The Committee reviewed and discussed the quality and integrity of the financial reporting system adopted by the Company in the preparation and presentation of its quarterly and annual financial statements to ensure reliability of the processes and consistency of the accounting policies adopted and their compliance with the Sri Lanka Financial Reporting Standards.

The Audit Committee obtained Statements of Compliance from the Management where appropriate and reviewed the adequacy of disclosures and presentation of the Annual and Interim Financial Statements before recommending them for approval by the Board.

Further, the Committee reviewed the procedures established by the Management to comply with Statutory and Regulatory requirements and is satisfied that the financial reporting requirements under the Listing Rules of the Colombo Stock Exchange, Companies Act No. 07 of 2007, Securities and Exchange Commission Act and other relevant financial reporting related regulations and requirements are met.

Internal Audit, Risk and Control

The Committee reviewed and approved the Annual Internal Audit Plan by ensuing there are no unjustified restrictions or limitations in the scope of the Internal Audit.

The Company's internal audit function has been outsourced to Deloitte, Chartered Accountants. The Internal Auditors report quarterly to the Committee on the adequacy and effectiveness of internal controls in the Company and compliance with rules and regulations and established policies of the Company.

The periodic reports submitted by the Internal Auditors where appropriate were reviewed by the Committee with the management responses on financial and operational audits, carried out in line with the approved Annual Audit Plan. The Audit Committee obtains the required assurances from the Management and the Internal Auditors on the remedial action in respect of identified risks to maintain the effectiveness of internal control procedures in place.

Compliance

During the year under review, The Committee has assisted the Board in ensuring compliance with the statutory provisions prior to publication of Interim Financial Statements and the Annual Report. The Committee has taken necessary measures to ensure that the interim Financial Statements and the Annual Report are published in a timely manner, and they are prepared and presented in accordance with the Sri Lanka Accountings Standards and in compliance with the Companies Act and the regulatory requirements. The Committee has assessed the adequacy of existing controls and risk management procedures and recommend to the Board additional controls and risk mitigating strategies that could be implemented to strengthen the existing internal control system. Further, the Committee has, where necessary, reviewed the routine operations of the Company and assessed the prospects of its business operations and accordingly makes sure that the going concern assumption used in the preparation of the financial statements is appropriate.

Ethics and Good Governance

The Committee continuously emphasises upholding ethical values of the staff members. In this regard, the Policy on Internal Code of Business Conduct and Ethics, the Policy on Whistleblowing and the Policy on Anti-Bribery and Corruption have been established. All appropriate procedures are in place to conduct independent investigations into incidents reported through Whistleblowing or identified through other means. The Whistleblower Policy guarantees strict confidentiality of the identity of the Whistleblowers.

Audit Committee Report

External Audit

The Company has appointed KPMG, Chartered Accountants, as its External Auditors and the services provided by them are segregated between audit assurance services and other advisory services. The Committee has reviewed the progress and the conduct of the statutory audit function and discussed the audit-related issues with the Auditors. KPMG Chartered Accountants has also issued a declaration as required by the Companies Act 7 of 2007 that they do not have any relationship or interest in any of the companies in the Group which may have a bearing on the independence of their role as Auditors. During the year under review, the Committee evaluated the independence and performance of the External Auditors and is satisfied that the independence of the External Auditors have not been impaired by an event or service that gives rise to a conflict of interest. The Committee obtained written assurance from the External Auditors that they have been independent throughout the conduct of the audit engagement in terms of all relevant professional and regulatory requirements.

The Audit Committee has recommended to the Board the reappointment of KPMG, Chartered Accountants for the financial year ending 31st March 2027 subject to the approval of the Shareholders at the Annual General Meeting of the Company.

The current External Auditors, KPMG has been functioning as the External Auditor of the Company for over 20 years. A partner rotation of the External Auditor takes place periodically and the last change took place during the year under review.



K.G. Punchihewa
Chairman
Audit Committee
31st August 2026

Remuneration Committee Report

The Remuneration Committee assists the Board in developing the Group's Remuneration Policy and recommending frameworks for Executive Directors and key management personnel.

During the reporting period, the Committee met two times to review pay structures, evaluate performance alignment, and consider stakeholder perspectives.

We oversee the design of fair, competitive compensation structures aligned with long-term strategy and sustainable growth, establish clear guidelines for management staff remuneration, and uphold a Board approved, non-discriminatory policy for Non-Executive Directors to safeguard their independence and objectivity.

Our approach balances shareholder interests with the need to attract, retain, and motivate talent essential to delivering the Company's strategic objectives.

Remuneration Policy

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

Composition

The composition of the Remuneration Committee comprising of the following Members during the financial year ended 31.03.2026 is detailed below :

Mr. K.G. Punchihewa
Chairman – Independent Non-Executive Director

Mr. S.B. Perera
Member – Independent Non-Executive Director

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

Brief profiles of the Committee members are given on pages 24 to 27.

The Remuneration Committee has well defined Terms of Reference outlining the Committee's composition, quorum, authority and its responsibilities.

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

Meetings and Attendance

The attendance of the Committee was as follows:

Mr. K.G. Punchihewa – Chairman	2/2
Mr. S.B. Perera – Member	2/2
Mr. S.D.R. Arudpragasam – Member	2/2

The Remuneration Committee meets on a need basis. The proceedings of the Committee meetings were regularly reported to the Board of Directors.

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

The Managing Director assists the Committee by providing relevant information and participating in the deliberations of the Committee.

All Non-Executive Directors receive a fee for serving on the Board and on subcommittees. They do not receive any performance-related incentive payments.

The details on the aggregate remuneration of the Executive and Non-Executive Directors are given in Note 34.8 to the financial Statements.



K.G. Punchihewa
Chairman
Remuneration Committee
31st August 2026

Nominations & Governance Committee Report

The Nominations & Governance Committee is entrusted with ensuring that the Company's governance framework remains fully aligned with the listing requirements of the Colombo Stock Exchange (CSE) and the regulatory directives of the Securities and Exchange Commission of Sri Lanka (SEC). During the year, the Committee maintained strict adherence to all applicable governance standards to uphold investor confidence and regulatory compliance.

In support of the Board, the Committee oversees the discharge of statutory and fiduciary obligations pertaining to corporate governance. Our core mandate focuses on the strategic selection, appointment, and retention of Board Members including the evaluation, re-election, and re-appointment of incumbent Directors, to ensure the Board maintains the necessary skills, independence, and diversity required to lead the Company effectively.

A formal and transparent process governs all Director appointments. The appointment of new Directors, alongside the re-election and re-appointment of sitting Directors, follows a rigorous procedure based on recommendations formulated by the Nominations & Governance Committee. These recommendations are developed in consultation with the Chairman and executed in full compliance with the Company's Articles of Association, adopted Policies, and the Rules on Corporate Governance.

The Committee's composition and operational scope continue to operate within the approved Terms of Reference ratified by the Board. This framework ensures clarity of purpose, effective oversight, and accountability across all governance activities undertaken during the reporting period.

Composition

The Nominations and Governance Committee of the Company comprised of the following members during the financial year ended 31.03.2026:

Mr. K.G. Punchihewa
Chairman, Independent Non-Executive Director

Mr. S.B. Perera
Member, Independent Non-Executive Director

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

The Independent Directors of the Listed Entity have submitted their declarations and the said Independent Directors meet and continue to meet the criteria for determining independence.

Mr. K.G. Punchihewa and Mr. S.B. Perera, Independent Non-Executive Directors, meet the criteria for independence as set out in Listing Rule 9.8.3 of the Colombo Stock Exchange and were determined to be independent by the Board.

Brief profiles of the current members of the Committee are given on pages 24 to 27 of the Annual Report.

The Company's Secretaries, Corporate Managers & Secretaries (Private) Ltd function as the Secretaries to the Nominations and Governance Committee.

Meeting Attendance

The Nominations and Governance Committee has met on two occasions during the financial year ended 31st March 2026 and the attendance was as follows:

Mr. K.G. Punchihewa – Chairman	2/2
Mr. S.B. Perera	2/2
Mr. S.D.R. Arudpragasam	2/2

Key Responsibilities and Duties of the Committee

The Committee oversees the corporate governance structure of the organisation, providing an overview of the principles, policies, and practices of the Board of Directors. This framework enables the Company to meet the governance requirements of the Colombo Stock Exchange (CSE), and the Securities and Exchange Commission of Sri Lanka (SEC).

Furthermore, the Committee is responsible for reviewing and recommending improvements to the Company's governance policies and practices.

The Committee monitors the effectiveness of compliance with the relevant regulatory and legal requirements and makes recommendations to the Board on such matters and any corrective action to be taken, as the Committee may deem appropriate.

Whilst exercising the oversight with respect to the corporate governance by the Board of Directors, the Committee also considers and recommends succession arrangements from time to time for the retiring Directors, and Key Management Personnel considering the additional/new expertise required. The Committee regularly reviews the structure, size, composition, including gender representation and competencies (including the skills, knowledge and experience) of the Board members and makes recommendations to the Board regarding any changes.

The fitness and propriety of the Directors were considered during the year as and when required to ensure compliance with requirements and Corporate Governance Rules of the CSE.

Committee Activities in 2025/2026

Performance evaluations of the Board were conducted and discussed.

The Policies of the Company were reviewed and recommended by the Committee and approved by the Board and duly established during the year. The Committee ensured that the Policies were uploaded on the Company website. The subcommittee Charters and Terms of Reference were reviewed and recommended by the respective Board subcommittees and approved by the Board.

The Committee also checked the independence of the Directors against the criteria for independence as set out in the CSE Listing Rules. The Committee ensured that the declaration of independence is carried out by the Independent Directors and concluded that all Independent Directors of the Company meet the criteria for determining independence.

The Directors were briefed on the structure, processes & resources of the Company, the applicable corporate governance framework, applicable Listing Rules, securities market regulations and other applicable laws and regulations.

Further an annual update was given to the Directors on corporate governance, Listing Rules, securities market regulations and other applicable laws and regulations. Any major issues relating to the Company are communicated to the Independent Directors and special meetings of the Board are held as and when the need arises to address such matters.

Re-Appointments/ Re-Elections

In terms of the Articles of Association a Director appointed by the Board holds office until the next Annual General Meeting, at which he seeks re-election by the Shareholders. The Articles require that one-third (1/3) of the Directors in office (excluding a Director appointed to the office of Chairman, Managing Director or Joint Managing Director and any other Executive Office) to retire at each Annual General Meeting. The Directors to retire are those who have been longest in office since their last election. Retiring Directors are eligible for re-election.

Furthermore, Special Notice has been received by the Company from a shareholder giving notice of the intention to move the Ordinary Resolution more fully set out in the Notice of Meeting of this Report, at the forthcoming Annual General Meeting.

Accordingly, respective members of the Committee whilst refraining from participating in recommending their own re- election / reappointment, in terms of the Articles 84 and 85 of the Articles of Association of the Company, recommended the re-election of Mr. K.G. Punchihewa and to reappoint in terms of section 211 of the Companies Act No. 7 of 2007, Mr. S.D.R. Arudpragasam and Mr. A. Hettiarachchy who are over seventy years of age, as Directors, at the forthcoming Annual General Meeting of the Company based on their performance and the contribution made to achieve the objectives of the Board.

In view of the strategic direction of the Company and the Group and the pivotal roles played by Mr. S.D.R. Arudpragasam, Chairman and Mr. A. Hettiarachchy, Deputy Chairman in terms of sustenance and growth of the Company and the Group as a whole as well as their Management skills, integrity, expertise, wealth of experience and business acumen, the Committee has recommended to the Board to reappoint as Directors Mr. S.D.R. Arudpragasam and Mr. A. Hettiarachchy who are over seventy years of age and who retire in terms of Section 210 of the Companies Act No. 7 of 2007.

Nominations & Governance Committee Report

The Directors coming up for re-election / reappointment do not have any close family relationship with the Directors, the Listed Entity nor do they have any relationship with shareholders holding over 10% of shares of the Company other than those disclosed hereunder:

Information of Directors who are to be re-elected/reappointed at the AGM are as follows:

Board member	Date first appointed as Director	Date last re-appointed / re-elected as a Director	Board Committees served on	Any relationships including close family relationships between the member and the Directors of Lankem Ceylon PLC, the Company or its shareholders holding more than ten per-centum (10%) of the shares of Lankem Ceylon PLC
Mr. S.D.R. Arudpragasam – Chairman (Non – Executive)	14/02/1989	14/08/2025	Audit Committee, RPTRC, Nominations & Governance Committee and Remuneration Committee	Mr. S.D.R. Arudpragasam is a Director of The Colombo Fort Land & Building PLC which holds 44.00% of equity in Lankem Ceylon PLC as at 31.03.2026. Mr. Arudpragasam is also a Director of Darley Butler & Co. Ltd which holds shares in slash account with Amana Bank PLC amounting to 13.14% of equity in Lankem Ceylon PLC as at 31.03.2026.
Mr. A. Hettiarachchy – Deputy Chairman (Non – Executive)	01/04/2010	14/08/2025		None
Mr. K.G. Punchihewa – Director (Independent Non – Executive)	31/12/2024	14/08/2025	Audit Committee, RPTRC, Nominations & Governance Committee, Remuneration Committee	Mr. K.G. Punchihewa is a Director of The Colombo Fort Land & Building PLC which holds 44.00% of equity in Lankem Ceylon PLC as at 31.03.2026.

The names, qualifications, principal commitments and other Directorships or Chairmanships of the aforesaid Directors coming up for re-election / reappointment and of the rest of the Board members of Lankem Ceylon PLC are given in their profiles on pages 24 to 27 and under the caption “Details of Directors’ other Directorships” appearing on pages 164 to 168.

The Corporate Governance requirements stipulated under the Listing Rules of the CSE have been met by the Company. The Company’s compliance status with the Colombo Stock Exchange Listing Rules on Corporate Governance is disclosed on pages 169 to 181.



K.G. Punchihewa
Chairman

31st August 2026

Related Party Transactions Review Committee Report

The Related Party Transactions Review Committee (RPTRC), constituted in conformity with the Listing Rules of the Colombo Stock Exchange, continued to discharge its oversight responsibilities throughout the financial year with unwavering commitment to the principles of good corporate governance.

As the regulatory landscape continues to evolve, the Committee remained resolute in its mandate of ensuring full compliance with the rules and regulations governing related party transactions for listed entities, while strengthening its monitoring and review mechanisms accordingly.

Central to the Committee's deliberations during the year was the safeguarding of fairness and equitable treatment for all shareholders, particularly minority interests, through the diligent oversight of transactions conducted at arm's length and supported by enhanced disclosure practices.

At its core, the Committee recognises that maintaining stakeholder trust is fundamental to sustainable corporate governance, and accordingly, every effort has been directed towards promoting transparency, accountability, and the protection of the best interests of the Company and its diverse stakeholder community.

Policy and Terms of Reference

The Committee has established a clear Policy and Terms of Reference approved by the Board, setting forth the procedure to identify related parties and the process of reporting the transactions with related parties to the Committee on a quarterly basis. It also specifies the approval process and disclosure requirements, including market announcements and Annual Report disclosures.

Composition

The Related Party Transactions Review Committee of the Company comprised of the following members:

Mr. K.G. Punchihewa
Chairman - Independent / Non-Executive Director

Mr. S.B. Perera
Member - Independent / Non-Executive Director

Mr. S.D.R. Arudpragasam
Non Executive Director

Brief profiles of the members of the Committee are given on pages 24 to 27 of the Annual Report.

Meetings of the Committee

The Related Party Transactions Review Committee (RPTRC) meets on a quarterly basis at a minimum or as often as may be deemed necessary. During the financial year, the Committee met five times, having held meetings in each calendar quarter, to review the related party transactions. The attendance of the Committee was as follows:

Mr. K.G. Punchihewa – Chairman	5/5
Mr. S.B. Perera – Member	5/5
Mr. S.D.R. Arudpragasam – Member	3/5

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

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

Policies, Procedures and Functions of the Committee

The Policies and Procedures adopted by the Related Party Transactions Review Committee when reviewing and recommending transactions are consistent with Section 9.14 of the Listing Rules of the Colombo Stock Exchange.

Related Party Transactions Review Committee Report

The Functions of the Committee are as follows;

- Reviewing all proposed Related Party Transactions (Except for exempted transactions)
- Determining whether the relevant Related Party Transaction is fair and is conducted on normal commercial terms and is in the best interest of the Company and its stakeholders and is not prejudicial to its minority shareholders.
- Acquiring appropriate knowledge or expertise to assess all aspects of proposed Related Party Transactions where necessary. This includes obtaining independent professional or expert advice from suitably qualified persons when required.
- Obtaining 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.
- Directing 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 during the financial year under review and has communicated its comments and observations to the Board of Directors.

The Board of Directors has also declared in the Annual Report that there were no recurrent related party transactions which exceeded the respective thresholds mentioned in Section 9 of the Colombo Stock Exchange Listing Rules. However non-recurrent related party transactions which exceeded the respective thresholds are duly disclosed on page 294 of the Annual Report. The Company has complied with the requirements of the Listing Rules on Related Party Transactions.



K.G. Punchihewa
Chairman
Related Party Transactions Review Committee

31st August 2026

FINANCIAL INFORMATION



Independent Auditors' Report

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
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TO THE SHAREHOLDERS OF LANKEM CEYLON PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the Financial Statements of Lankem Ceylon PLC ("the Company") and the Consolidated Financial Statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31st March 2026, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the Financial Statements, including material accounting policies and other explanatory information as set out on pages 202 to 314.

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 2026, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

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 Group financial statements of the current period. These matters were addressed in the context of our audit of the Company financial statements and the Group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Impairment Assessment Of Goodwill on Consolidation, Investment In Subsidiaries and Investments in Associates.

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

Risk Description

The Company has recorded investments in subsidiaries amounting to Rs. 6,462 Mn and investments in associates amounting to Rs. 768 Mn as at 31st March 2026. Goodwill on consolidation of Rs. 1,984 Mn has been recognised in the consolidated financial statements as at 31st March 2026. Additionally, the Company has recognised Rs. 136 Mn and Rs.435 Mn as provision for impairment of investment in subsidiaries, and Goodwill on consolidation respectively as at 31st March 2026.

The Management allocated goodwill to the respective cash- generating units ("CGUs") as disclosed in Note 15 to the Financial Statements. The recoverable amounts of the identified CGUs have been determined based on value-in-use calculations or fair value less cost to sell calculations.

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T. J. S. Rajakarier FCA
W. K. D. C. Abeyrathne FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA
R. G. H. Raddella ACA
W. W. J. C. Perera FCA
G. A. U. Karunaratne FCA
R. H. Rajan FCA
A.M.R.P. Alahakoon ACA
H.U.S.T Dayananda FCA
Ms. S. Joseph FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA

Principals: S.R.I. Perera FCMA (UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F R Ziyard ACA, FCMA (UK), FCIT, K. Somasundaram ACMA (UK), Ms. D Corea Dharmaratne

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The carrying amounts of each investment in subsidiaries and associates where indications existed have been tested for impairment and determined their recoverable amounts based on value in use calculations or fair value less cost to sell calculations as at 31st March 2026.

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

We have identified the impairment of goodwill on consolidation, investments in subsidiaries, and investment in associates as a key audit matter due to the magnitude of the amounts recognised in the Financial Statements as at 31st March 2026. In addition, these areas were significant to our audit because the impairment assessment process involves significant management judgement and required the management to make various assumptions in the underlying cash flow forecasts and valuation methodology.

Our audit procedures included;

- Obtaining an understanding of management's impairment assessment process.
- Evaluating the carrying amounts and the nature and background of the investments to identify impairment indications under accounting standards.
- Assessing the management's basis used to determine the recoverable amounts of these investments by our own expectations based on our knowledge of the investments and experience of the industry in which those operate.
- Engaging our own internal experts where applicable to assess the reasonability of the valuation techniques, forecasts and assumptions used.
- Assessing the accuracy of management's assumptions comparing with externally derived data as well as our own assessments in relation to key inputs such as projected economic growth, competition, cost inflation and discount rates.
- Assessing the adequacy of disclosures in the Financial Statements in relation to impairment of investments in subsidiaries, investment in associates and goodwill on consolidation.

2. Recoverability of Deferred Tax Assets on Accumulated Tax Losses

(Refer to the material accounting policy in Note 3.18.2 and explanatory Note 31 to the Financial Statements).

The Group and the Company have recorded a deferred tax assets of Rs. 602 Mn and Rs. 354 Mn respectively as at 31st March 2026 on deductible temporary differences arising from accumulated tax losses.

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

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

Our audit procedures included;

- Assessing the Group's/Company's approach for evaluating the likelihood of the recoverability of deferred tax assets on tax losses.
- Challenging the key assumptions included in forecasting the future taxable profits after considering the accumulated unutilised tax losses by comparing the key inputs used in the forecasts, including future revenue growth, management of operating costs with historical performance of the entities;
- Assessing the appropriateness of the approval for the forecasts used by the management; and
- Assessing the adequacy of disclosures in the Financial Statements as required by the relevant accounting standards.

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent



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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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.

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- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3707.



Chartered Accountants
Colombo
31st August 2026

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st March	Notes	Consolidated		Company	
		2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Revenue	5	41,138,683	40,334,070	7,474,393	6,302,597
Cost of Sales		(31,610,650)	(31,489,141)	(5,283,568)	(4,452,053)
Gross Profit		9,528,033	8,844,929	2,190,825	1,850,544
Other Income	6	384,487	248,665	748,653	976,754
Distribution Costs		(3,340,409)	(3,095,576)	(1,372,085)	(1,228,633)
Administrative Expenses		(4,690,907)	(3,887,758)	(725,415)	(585,812)
Other Expenses	7	(217,378)	-	(61,154)	(38,155)
Provision For Impairment of Amount Due From Related Parties and Trade Receivable		(117,208)	(92,596)	(66,288)	(80,628)
Results from Operating Activities		1,546,618	2,017,664	714,536	894,070
Finance Income	8	317,397	184,747	302,794	139,301
Finance Costs	8	(1,718,139)	(1,831,836)	(611,977)	(650,378)
Share of Loss of Associate	17	(74,162)	(281,626)	-	-
Share of Profit of Joint Venture	18	43,978	168,829	-	-
Profit Before Tax	9	115,692	257,778	405,353	382,993
Income Tax (Expenses)/ Reversals	10	(478,618)	(583,299)	149,864	(68,492)
(Loss) /Profit for the Year		(362,926)	(325,521)	555,217	314,501
Other Comprehensive Income / (Expense)					
Items that will not be Reclassified to Profit or Loss					
Fair Value Gain / (Loss) on Financial Assets Designated at Fair Value Through Other Comprehensive Income		(7,481)	15,172	3,868	12,951
Actuarial Loss on Defined Benefit Obligations	32	(71,494)	(79,669)	(49,614)	(42,126)
Revaluation Surplus	12	56,406	1,541,012	-	66,657
Share of Other Comprehensive Income of Equity-Accounted Investees (Net of Tax)	17/18	72,757	367,141	-	-
Tax Effect on Components of OCI	31.2	3,780	(441,493)	14,846	(7,536)
Other Comprehensive Income /(Expense) for the Year, Net of Tax		53,968	1,402,163	(30,900)	29,946
Total Comprehensive (Expense) /Income for the Year		(308,958)	1,076,642	524,317	344,447
(Loss) /Profit Attributable to:					
Owners of the Company		(328,731)	(462,796)	555,217	314,501
Non-Controlling Interests		(34,195)	137,275	-	-
(Loss) /Profit for the Year		(362,926)	(325,521)	555,217	314,501
Total Comprehensive (Expense)/Income Attributable to:					
Owners of the Company		(283,546)	329,549	524,317	344,447
Non-Controlling Interests		(25,412)	747,093	-	-
Total Comprehensive (Expense) /Income for the Year		(308,958)	1,076,642	524,317	344,447
Basic (Loss) / Earnings per Share (Rs.) (Restated 2025)	11.1	(2.91)	(4.23)	4.92	2.87
Diluted (Loss) / Earnings per Share (Rs.) (Restated 2025)	11.2	(2.91)	(4.23)	4.92	2.87

The Notes from pages 209 to 314 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Statement of Financial Position

As at 31st March	Notes	Consolidated		Company	
		2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Assets					
Non-Current Assets					
Property, Plant and Equipment	12	13,960,988	13,621,993	1,148,796	1,112,649
Right-of-Use Assets	13	594,496	298,303	118,076	31,796
Investment Property	14	654,757	662,143	-	-
Intangible Assets	15	1,614,992	1,135,533	26,308	12,956
Investments in Subsidiaries	16	-	-	6,325,907	5,067,476
Investments in Associates	17	949,577	950,842	768,422	768,422
Investments in Joint Venture	18	504,312	460,474	-	-
Financial Assets Measured at Fair Value Through OCI	19	120,114	81,690	76,906	73,039
Financial Assets Measured at Amortised Cost	21	5,830	-	-	-
Loans Due From Related Parties	34.3	45,500	-	-	-
Amounts Due From Related Parties	34.2	51,010	-	-	-
Deferred Tax Assets	31.3	-	-	314,239	149,529
Total Non-Current Assets		18,501,576	17,210,978	8,778,654	7,215,867
Current Assets					
Inventories	22	7,531,190	7,068,741	1,824,561	1,622,937
Trade & Other Receivables	23	10,178,512	9,529,176	2,433,555	1,952,083
Amounts Due From Related Parties - Trade	34.1	69,464	67,182	16,222	25,322
Amounts Due From Related Parties - Non Trade	34.2	404,363	542,596	342,235	377,107
Loans Due From Related Parties	34.3	108,000	369,465	123,500	260,236
Income Tax Recoverable		25,475	27,542	23,215	23,215
Financial Assets Measured at Fair Value through Profit or Loss	20	15,913	67,924	15,913	67,924
Cash & Cash Equivalents	24	1,331,533	987,230	315,540	107,137
Non - Current Assets Held for Sale	25	629,185	-	-	-
Total Current Assets		20,293,635	18,659,856	5,094,741	4,435,961
Total Assets		38,795,211	35,870,834	13,873,395	11,651,828
Equity and Liabilities					
Equity					
Stated Capital	26	2,483,681	1,282,697	2,483,681	1,282,697
Other Capital Reserves	27	4,833	4,833	-	-
Revaluation Reserves	27	3,929,519	3,909,580	619,850	619,850
Fair Value Through OCI Reserves	27	109,226	36,343	51,822	48,037
(Accumulated Losses)/Retained Earnings		(1,793,778)	(1,589,317)	1,206,767	686,235
Equity Attributable to Owners of the Company		4,733,481	3,644,136	4,362,120	2,636,819
Non - Controlling Interest		6,559,770	5,196,393	-	-
Total Equity		11,293,251	8,840,529	4,362,120	2,636,819

Statement of Financial Position

As at 31st March	Notes	Consolidated 2026 Rs. '000	Consolidated 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
Liabilities					
Non-Current Liabilities					
Interest Bearing Borrowings	28	3,988,682	4,327,117	1,809,617	1,901,965
Lease Liabilities	29.1	484,940	242,593	63,265	10,058
Deferred Income	30	15,585	22,678	-	-
Deferred Tax Liabilities	31.3	2,073,543	2,052,473	-	-
Retirement Benefit Obligations	32	699,770	594,861	346,342	273,062
Loans Payable to Related Parties	28.3	151,590	26,590	145,643	160,542
Amounts Due to Related Parties	34.5	-	-	46,670	-
Total Non-Current Liabilities		7,414,110	7,266,312	2,411,537	2,345,627
Current Liabilities					
Interest Bearing Borrowings	28	10,613,253	10,739,045	3,571,459	3,573,722
Lease Liabilities	29.1	117,311	72,108	16,921	7,766
Loans Payable to Related Parties	28.3	375,000	389,664	527,000	120,369
Trade & Other Payables	33	6,483,533	6,186,952	2,163,140	2,131,834
Amounts Due to Related Parties - Trade	34.4	29,090	12,133	91,169	14,523
Amounts Due to Related Parties - Non Trade	34.5	787,916	969,045	209,417	588,336
Income Tax Payable		235,162	237,008	-	-
Bank Overdraft	24	1,446,585	1,158,038	520,632	232,832
Total Current Liabilities		20,087,850	19,763,993	7,099,738	6,669,382
Total Liabilities		27,501,960	27,030,305	9,511,275	9,015,009
Total Equity and Liabilities		38,795,211	35,870,834	13,873,395	11,651,828
Net Assets Per Share (Rs.)		41.96	33.29	38.67	24.09

The Notes from pages 209 to 314 form an integral part of these Financial Statements.

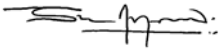
I certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act. No. 07 of 2007.



Upekha Abeysekera Anthony
Chief Financial Officer

The Board of Directors are responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Board of Directors of Lankem Ceylon PLC.



S. D. R. Arudpragasam
Chairman



P. S. Goonewardene
Managing Director

Colombo
31st August 2026

Statement of Changes in Equity

Consolidated	Attributable to Owners of the Company							
	Stated Capital Rs. '000	Other Capital Reserves Rs. '000	FVOCI Reserves Rs. '000	Accumulated Losses Rs. '000	Revaluation Reserves Rs. '000	Total Rs. '000	Non-Controlling Interest Rs. '000	Total Rs. '000
Balance as at 1st April 2024	1,282,697	4,833	8,818	(1,397,729)	3,094,241	2,992,860	4,553,255	7,546,115
Profit/(Loss) for the Year	-	-	-	(462,796)	-	(462,796)	137,275	(325,521)
Other Comprehensive Income/(Expenses) for the Year (Net of Tax)	-	-	27,525	(50,519)	815,339	792,345	609,818	1,402,163
Changes in ownership interests								
Changes in Percentage Holding of Subsidiaries (Note 42)	-	-	-	(13,353)	-	(13,353)	13,353	-
Changes in Interest While Retaining Control (Note 42)	-	-	-	335,080	-	335,080	14,410	349,490
Distribution to Equity Holders								
Dividend Paid	-	-	-	-	-	-	(131,718)	(131,718)
Balance as at 31st March 2025	1,282,697	4,833	36,343	(1,589,317)	3,909,580	3,644,136	5,196,393	8,840,529
Balance as at 1st April 2025	1,282,697	4,833	36,343	(1,589,317)	3,909,580	3,644,136	5,196,393	8,840,529
Issue of Shares by the Company	1,200,984	-	-	-	-	1,200,984	-	1,200,984
Issue of share by Subsidiary to NCI	-	-	-	-	-	-	1,313,280	1,313,280
Profit/(Loss) for the Year	-	-	-	(328,731)	-	(328,731)	(34,195)	(362,926)
Other Comprehensive Income/ (Expenses) for the Year (Net of Tax)	-	-	72,883	(47,637)	19,939	45,185	8,783	53,968
Changes in ownership interests								
Changes in Percentage Holding of Subsidiaries (Note 42)	-	-	-	(56)	-	(56)	56	-
Changes in Interest While Retaining Control (Note 42)	-	-	-	171,963	-	171,963	(37,435)	134,528
On Acquisition of Subsidiary	-	-	-	-	-	-	333,739	333,739
Distribution to Equity Holders								
Dividend Paid	-	-	-	-	-	-	(220,851)	(220,851)
Balance as at 31st March 2026	2,483,681	4,833	109,226	(1,793,778)	3,929,519	4,733,481	6,559,770	11,293,251

Statement of Changes in Equity

Company	Attributable to Owners of the Company				
	Stated Capital	FVOCI Reserves	Revaluation Reserves	Retained Earnings	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Balance as at 1st April 2024	1,282,697	35,366	573,190	401,119	2,292,372
Profit for the Year	-	-	-	314,501	314,501
Other Comprehensive Income/(Expenses) for the Year (Net of Tax)	-	12,671	46,660	(29,385)	29,946
Balance as at 31st March 2025	1,282,697	48,037	619,850	686,235	2,636,819
Balance as at 1st April 2025	1,282,697	48,037	619,850	686,235	2,636,819
Issue of Shares by the Company	1,200,984	-	-	-	1,200,984
Profit for the Year	-	-	-	555,217	555,217
Other Comprehensive Income/(Expenses) for the Year (Net of Tax)	-	3,785	-	(34,685)	(30,900)
Balance as at 31st March 2026	2,483,681	51,822	619,850	1,206,767	4,362,120

The Notes from pages 209 to 314 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Statement of Cash Flow

For the Year Ended 31st March	Notes	Consolidated		Company	
		2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Cash Flow From Operating Activities					
Profit Before Tax		115,692	257,778	405,353	382,993
Adjustments For :					
Depreciation/ Amortisation	9	592,604	483,189	70,165	59,463
Amortisation of Right of Use Assets	13	106,890	81,269	17,240	10,527
Dividend Income	6	(5,004)	(2,397)	(229,138)	(225,521)
Gain on Disposal of Investment in Subsidiaries	6/7	-	-	(210,412)	-
Interest Expense	8	1,681,959	1,791,641	611,977	650,378
Amortisation of Deferred Income	30	(7,093)	(8,375)	-	-
Net Profit on Disposal of Property, Plant & Equipment	6	(41,484)	(5,347)	(11,758)	(520)
Net Exchange Gain	8	(49,952)	(42,755)	(12,995)	(21,525)
Interest Income	8	(38,616)	(68,170)	(107,915)	(84,149)
Provision for Retirement Benefit Obligation	32	133,364	111,481	51,812	42,414
Fair Value Gain on Financial Assets Measured at Fair Value Through Profit or Loss	8	(181,884)	(33,627)	(181,884)	(33,627)
Write Back of Payables	6	(2,304)	-	(2,304)	-
Share of Loss From Associate	17.2	74,162	281,626	-	-
Share of Profit From Joint Venture	18	(43,978)	(168,829)	-	-
Reversal of Impairment of Investment in Subsidiaries	16	-	-	(187,684)	(438,230)
Provision for Impairment of Trade Receivables	23	41,203	93,085	70,427	43,347
Provision/(Reversal) of Impairment of Amount Due From Related Parties	34	75,708	(1,314)	(4,139)	37,281
Provision Made for Obsolete Inventories	22.1	241,412	183,103	38,808	36,214
Gain on Dilution of Interest	17	-	(55,542)	-	-
Write off of Inventory		115,520	-	62,934	-
Operating Profit Before Working Capital Changes	22.1	2,808,199	2,896,816	380,487	459,045
Increase in Inventories		(819,381)	(1,749,512)	(303,366)	(617,792)
Increase in Trade and Other Receivables		(682,574)	(1,341,189)	(551,435)	(175,436)
Decrease/(Increase) in Amounts Due From Related Parties		74,155	(353,140)	10,701	(475,425)
Increase in Trade and Other Payables		329,608	1,277,685	54,919	220,582
(Decrease) /Increase in Amounts Due to Related Parties		(164,172)	152,890	(411,975)	(5,364)
Cash Generated From/ (Used in) Operations		1,545,835	883,550	(820,669)	(594,390)
Income Tax Paid		(394,203)	(443,915)	-	-
Interest Paid		(2,043,160)	(1,626,254)	(600,122)	(551,565)
Gratuity Paid	32	(69,863)	(29,519)	(28,146)	(21,412)
Gratuity Refund From Plan Assets	32.1	(28,151)	(23,637)	-	-

Statement of Cash Flow

For the Year Ended 31st March	Notes	Consolidated 2026 Rs. '000	Consolidated 2025 Rs. '000	Company 2026 Rs. '000	Company 2025 Rs. '000
Net Cash Used in Operating Activities		(989,541)	(1,239,775)	(1,448,937)	(1,167,367)
Cash Flow From Investing Activities					
Purchase & Construction of Property, Plant & Equipment	12	(1,688,902)	(1,382,752)	(107,230)	(41,112)
Purchase of ROU Asset		(25,159)	-	(25,159)	-
Investment in Intangible Assets	15	(48,177)	(8,554)	(17,365)	(591)
Purchase & Construction of Investment Property	14	(10,823)	(17,686)	-	-
Proceeds Received From Disposal of Subsidiary Shares	16	294,997	349,490	332,898	-
Acquisition of Shares in Subsidiary		(287,960)	-	(722,786)	-
Proceeds from Disposal of Financial Assets measured at FVTPL		233,895	-	233,895	-
(Investment in)/ Proceeds from Disposal of Financial Assets measured at FVOCI		(25)	-	-	-
Grants Received	30	-	4,567	-	-
Interest Received		26,346	89,898	62	1,035
Dividend Received	6	5,004	2,397	198,877	223,270
Proceeds From Disposal of Property, Plant & Equipment/ Investment Property		107,183	10,954	16,689	-
Net Cash (Used in) /Generated From Investing Activities		(1,393,621)	(951,686)	(90,119)	182,602
Cash Flow From Financing Activities					
Dividend Paid		(220,851)	(131,718)	-	-
Right Issue of Shares		1,200,984	-	1,200,984	-
Rights Issue By Subsidiaries		713,260	-	-	-
Share Issued to Non Controlling Interest		600,020	-	-	-
Loans Given to Related Parties		-	-	(114,500)	(160,000)
Proceeds From Long Term Loans	28.1	2,529,595	1,045,677	700,000	123,000
Repayment of Long Term Loans	28.1	(2,195,183)	(1,678,246)	(601,836)	(378,389)
Net Lease Payment	29	(149,155)	(115,802)	(20,365)	(13,499)
Net Movement in Short Term Borrowings	28	(411,553)	3,234,126	(74,107)	1,511,105
Loans Obtained From Related Parties		565,000	235,000	499,012	160,000
Settlement of Loans Granted to Related Parties		261,465	-	300,840	-
Settlement of Loans Obtained From Related Parties		(454,664)	(38,755)	(430,369)	(177,568)
Net Cash Generated From Financing Activities		2,438,918	2,550,282	1,459,659	1,064,649
Net Increase/(Decrease) in Cash & Cash Equivalents		55,756	358,821	(79,397)	79,884
Cash & Cash Equivalents at the Beginning of the Year		(170,808)	(529,629)	(125,695)	(205,579)
Cash & Cash Equivalents at the End of the Year	24	(115,052)	(170,808)	(205,092)	(125,695)

The Notes from pages 209 to 314 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Notes to the Financial Statements

1. Reporting Entity

1.1 Domicile and Legal Form

Lankem Ceylon PLC (the "Company") is a public limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office of the Company is situated at No. 98, Sri Sangaraja Mawatha, Colombo 10, Sri Lanka.

The Consolidated Financial Statements of the Company for the year ended 31st March 2026 comprise of the Company and its subsidiaries (together referred to as the "Group" and individually as 'Group entities') and the Group's interest in Equity accounted investees.

1.2 Principal Activities and Nature of the Operation

Lankem Ceylon PLC manages a portfolio of investments consisting of a range of diverse business operations. The principal business line of the Company is manufacturing of chemicals, paints and consumer products.

There were no significant changes in the nature of the principal business activities of the Companies in the Group during the financial year under review.

1.3 Parent Company and Ultimate Parent Company

The immediate and ultimate holding company of Lankem Ceylon PLC is The Colombo Fort Land & Building PLC.

2. Basis of Preparation

2.1 Statement of Compliance

The Financial Statements of the Company and those consolidated with such, comprise of the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows, together with Accounting Policies and Notes to the Financial Statements. The consolidated Financial Statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS), as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

Further these statements comply with the requirements of the Companies Act No. 07 of 2007.

The Consolidated Financial Statements for the year ended 31st March 2026 were authorised for issue by the Board of Directors 31st August 2026.

2.2 Basis of Measurement

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

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

2.3 Use of Estimates, Judgments and Assumptions

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

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

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

	Policy No.
Investment in Subsidiaries: whether the Group has control over an investee;	3.1.3
Measurement of Fair Value of Financial Instruments	3.3
Measurement of Intangible Assets	3.7
Impairment	3.10
Valuation of Retirement Benefit Obligations	3.13
Provisions, Contingent Assets and Liabilities	3.14
Deferred Tax Assets and Liabilities	3.18.2
Valuation of Land and Buildings	3.4.3
Inventories	3.8

2.3.1 Assumptions and Estimation Uncertainties

Information about the assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31st March 2026 is included in the following notes.

Note 32 : Measuring of defined benefit Obligations: Key actuarial assumptions

Note 31 : Recognition of deferred tax liability

Note 16 : Impairment test key assumptions underlying recoverable amounts

Note 12 : Valuation of Property, Plant and Equipment

Note 19.2.2 :Fair value measurement of unquoted investments

Note 15 : Impairment of Goodwill

2.3.2 Measurement of Fair Values

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

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

When measuring fair value of an asset or liability, the Group uses observable market data as far as possible. Fair Values are categorised 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 categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of reporting period during which is the change has occurred.

2.4 Functional and Presentation Currency

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

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

2.5 Accounting Policies and Comparative Information

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

2.6 Materiality and Aggregation

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

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

2.7 Going Concern

The management has made an assessment of its ability to continue as a going concern and it is satisfied that it has the resources to continue in business for the foreseeable future. Therefore, the financial statement of the group continues to be prepared on a going concern basis as disclosed in Note 37 to the financial statements.

3. Material Accounting Policies

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

3.1 Basis of Consolidation

3.1.1 Business Combinations

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

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

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

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

The Group measures goodwill at the acquisition date as: The fair value of the consideration transferred; plus

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

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

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

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

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

3.1.2 Non-controlling interests

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

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

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

3.1.3 Subsidiaries

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

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

Control over an investee

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

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

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

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

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

The following companies, with equity control equal to or less than 50%, have been consolidated as subsidiaries based on above criteria.

Company Name	Holding %
Beruwala Resorts PLC	35.26
Marawila Resorts PLC	26.93
Imperial Hotels Ltd.	23.82
Ceytra (Pvt) Ltd.	44.41
Sunquick Lanka Properties (Pvt) Ltd.	26.94
Sigiriya Village Hotels PLC	27.04
B.O.T. Hotel Services (Pvt) Ltd.	40.82
York Arcade Holdings PLC	40.14

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

3.1.4 Investments in Associates and Joint Venture

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

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

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

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

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

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

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

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

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

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

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

3.1.5 Loss of control

On the loss of control, the Group de-recognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

Subsequently it is accounted for as an equity-accounted investee or Financial Assets Fair Value Through Other Comprehensive Income (FVOCI) depending on the level of influence retained.

3.1.6 Transactions eliminated on consolidation

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

3.2 Foreign Currency

Foreign currency transactions

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

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

3.3 Financial Instruments

3.3.1 Recognition and Initial Measurement

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

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

3.3.2 Classification and Subsequent Measurement

3.3.2.1 Financial Assets

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

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

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

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

a) Business Model Assessment

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

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

- How the performance of the portfolio is evaluated and reported to the Group's management.

The risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;

- How managers of business are compensated. eg: whether compensation is based on the fair value of assets managed or the contractual cash flows collected.
- The frequency, volume and timing of sales of financial assets in prior periods, the reason for such sale and expectation about future sales activity.

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

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

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

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

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

Contingent events that would change the amount or timing of cash flows;

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

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

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

3.3.2.3 Financial Liabilities

i) Classification, subsequent measurement and gains and losses

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

3.3.3 De-recognition

3.3.3.1 Financial Assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

3.3.3.2 Financial Liabilities

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

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

3.3.4 Offsetting

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

3.3.5 Other Payables

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

3.3.6 Assets and Basis of their Valuation

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

3.4 Property, Plant and Equipment

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

3.4.1 Recognition and Measurement

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

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

At the time of transition from SLASs to SLFRSs/ LKASs, the Group has elected to recognise their land at deemed cost by applying the optional exemption included in the transitional provisions of SLFRS 1, "First time Adoption of Sri Lanka Accounting Standards". Accordingly, previously recognised revalued amount has been considered as deemed cost of the land as at 1st April 2011 and the cost model has been applied subsequently as per LKAS 16.

LKAS 16 provide that, when an item of property plant & 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.

3.4.2 Cost Model

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

3.4.3 Revaluation Model

The Group applies the revaluation model for the entire class of lands and buildings. Such lands and buildings are carried at a revalued amount, being their fair value at the date of revaluation, less subsequent accumulated impairment losses.

Freehold Land

From 31st March 2022, the Group applies the revaluation model for the entire class of freehold land for measurement after initial recognition. The Group policy is to revalue all freehold land by an independent professional valuer every three years or when there is a substantial difference between the fair value and the carrying amount. The Group has carried the latest revaluation of free hold lands as at 31st March 2025 and land value is based on the market prices of each land respectively.

Buildings on Freehold Land

Since 31st March 2021, the Group adopts the revaluation model for the entire class of Buildings on freehold land for measurement after initial recognition. As per the Group policy, all Buildings on freehold land are also revalued by an independent professional valuer every three years or when there is a substantial difference between the fair value and the carrying amount. The most recent revaluation of buildings on freehold land was conducted as at 31st March 2024, with valuations based on prevailing market prices.

On revaluation of an asset, any increase in the carrying amount is recognised in Other Comprehensive Income and accumulated in equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of Income. In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the Statement of Income or debited in the Other Comprehensive Income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognised in other Comprehensive

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

3.4.4 Gains and Losses on Disposal

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

3.4.5 Subsequent Costs

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

3.4.6 De-Recognition

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

3.4.7 Depreciation

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

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

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

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

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

3.4.8 Capital Work in Progress

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

3.4.9 Leases

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

The contract involves the use of an identified asset this may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- The Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either;
- The Group has the right to operate the asset; or
- The Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. Where the lease agreement includes an annual adjustment on a variable such as GDP deflater, the Group shall annually reassess the liability considering such variable and recognise the amount of remeasurement of the lease liabilities as an adjustment to the right-of-use asset.

i. As a Lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re- measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or is there is a revised in substance fixed lease payments.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of- use asset has been reduced to zero.

As per the Group accounting policy, lease payments are presented in the statement of cash flows under financing activities in their entirety, comprising both the principal and interest components. The interest portion of the lease payments is not separately disclosed under operating activities, in line with the Group's consistent presentation approach.

Short Term Leases and Leases of Low Value Assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low value assets and short terms leases. The Group recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. As a Lessor

The Group leases out its investment property, including own property and right of use assets. The Group has classified these leases as operating leases.

The Group is required to make any adjustments on transition to SLFRS 16 for leases in which it acts as a lessor, except for a sub – lease.

The Group sub – leases some of its properties. Under LKAS 17, the head lease and sub lease contracts were classified as operating leases. On transition to SLFRS 16, the right of use assets recognised from the head leases are presented in investment property and measured at fair value at that date. The Group assessed the classification of the sub – lease contracts with reference to the right of use asset rather than the underlying asset and concluded that they are operating leases under SLFRS 16.

3.5 Investment Property

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

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

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

Lankem Ceylon PLC	Building: 20 years
C.W. Mackie PLC	Building: 40 years

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

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

3.6 Borrowing Costs

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

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

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

3.7 Intangible Assets

3.7.1 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.

3.7.2 Other Intangible assets

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses

3.7.2.1 Subsequent expenditure

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

3.7.2.2 Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available-for-use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life of software is as follows:
Computer software and licenses
4-5 years

Amortisation shall cease at the earlier of the date that the asset is classified as held for sale or the date that asset is de-recognised.

3.7.2.3 Derecognition

An intangible asset shall be derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognised in profit or loss when the asset is derecognised.

3.8 Inventories

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

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

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

3.9 De-recognition of Financial Assets

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

(a) the Group has transferred substantially all the risks and rewards of the asset, or

(b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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

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

3.10 Impairment

3.10.1 Non-derivative financial assets

a. Financial Instruments and Contract Assets

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

Contract Assets
Financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the bank balances for which credit risk has not increased significantly since initial recognition which are measured at 12 month ECLs.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when:

- The debtor is unlikely to pay its credit obligation to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 365 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

b. Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e, the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

c. Presentation of allowance for ECL in the statement of financial position

Loss allowance for financial assets measured at amortised cost is deducted from the gross carrying amount of the assets.

d. Write-off

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

3.10.2 Non-Financial Assets

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

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

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

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

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

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

3.11 Cash and Cash Equivalents

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

3.12 Stated Capital

Ordinary shares

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

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

3.13 Employee Benefits

3.13.1 Short-Term Employee Benefits

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

3.13.2 Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in Profit or Loss in the periods during which related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(a) Employees' Provident Fund

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

(b) Employees' Trust Fund

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

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

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

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gain or losses on the settlement of a defined plan when the settlement occurs.

Lankem Ceylon PLC and C.W. Mackie PLC have obtained insurance policies to meet the retiring gratuity payments to its employees.

3.14 Provisions, Contingent Assets and Contingent Liabilities

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

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

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

3.15 Revenue

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.

Revenue Streams

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

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

Contract Liabilities

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

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

Performance Obligations and Revenue Recognition Policies

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

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

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

b) Rendering of Services

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

(c) Revenue from Construction Contracts

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

(d) Revenue from Hotel Services

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

(e) Dividend Income

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

(f) Finance Income

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

3.15.2 Other Sources of Revenue

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

Rental income from investment property is recognised in profit or loss on an straight line basis over the term of the agreement. Rental income is recognised as other income.

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 Government Grants

Other government grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognised in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the periods in which the expenses are recognised.

3.16.1 Capital nature grants and subsidies

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

3.16.2 Revenue nature grants and subsidies

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

3.17 Expenses

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

3.17.1 Finance costs

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

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

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

3.18 Taxation

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

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

3.18.1 Current tax

The Company is liable for income tax on its taxable income at the rate of 30% in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto.

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

3.18.2 Deferred tax

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

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

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

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

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

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

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

3.19 Earnings per Share

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

3.20 Cash Flow Statement

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

3.21 Segmental Information

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

3.22 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.

3.23 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 38 to the Financial Statements. Commitments are disclosed in Note 37 to the Consolidated Financial Statements.

3.25 Related Party Transactions

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

3.26 Financial Risk Management Policies

The Group's principal financial liabilities comprise of loans and borrowings, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Group also holds Financial Assets Measured at Fair Value Through OCI, Financial Assets Measured at Fair Value Through Profit or Loss and enters into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's Senior Management monitors these risks. The Group's Senior Management is supported by an audit committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The Audit Committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite.

4. Accounting Standards issued but not yet effective as at 31st March 2026

The Institute of Chartered Accountants of Sri Lanka has issued a number of new amendments to Sri Lanka Accounting Standards (SLFRSs/ LKASs) that are effective for annual periods beginning after the current financial year. Accordingly, the Group has not early adopted them in preparing these Financial Statements.

The following amended standards are not expected to have a significant impact on the Group's and Company's Financial Statements.

i. SLFRS 18 Presentation and Disclosure in Financial Statements

SLFRS 18 will replace LKAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the Statement of Profit or Loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.

- Management-defined performance measures (MPMs) are disclosed in a single note in the Financial Statements.

- Enhanced guidance is provided on how to company information in the Financial Statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the Statement of Cash Flows when presenting operating cash flows under the indirect method.

The Group is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Group's Statements of Profit or Loss, the Statement of Cash Flows and the additional disclosures required for MPMs. The Company is also assessing the impact on how information is presented in the Financial Statements, including for items currently labelled as "other".

ii. Other accounting standards

The following new and amended accounting standards are not expected to have a significant impact on the Group's Financial Statements.

- Classification and measurement of Financial Instruments (Amendments to SLFRS 9 and SLFRS 7) and

- Contracts Referencing Nature-dependent Electricity (Amendments to SLFRS 9 and SLFRS 7)

5. Revenue

5.1 Revenue Streams

For the Year Ended 31st March	Consolidated		Company	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Revenue from contracts with customers				
Sale of Goods	38,228,205	37,539,159	7,474,393	6,302,597
Rendering of Services	2,910,478	2,794,911	-	-
	41,138,683	40,334,070	7,474,393	6,302,597

5.2 Business Segment Analysis of Revenue

Segmentation has been determined based on the operating activities of the companies or the sector, where multiple activities fall within one company or sector has been based on the core activities of that particular sector.

Trading Consumer Products - Manufacturing, Selling and Distribution of Consumer Products
Trading Industrial Products - Manufacturing, Selling and Distribution of Industrial Products
Leisure - Owning and Operation of Resort Hotels
Others - Special Projects and Other Services

5.3 Segment Revenue

For the Year Ended 31st March	Consolidated		Company	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Trading - Consumer Products	9,747,445	8,872,199	-	-
Trading - Industrial Products	29,122,139	29,361,444	7,474,393	6,302,597
Leisure	2,910,478	2,794,911	-	-
	41,780,062	41,028,554	7,474,393	6,302,597
Inter-Segment Revenue	(641,379)	(694,484)	-	-
	41,138,683	40,334,070	7,474,393	6,302,597

5.4 Timing of Revenue Recognition

For the Year Ended 31st March	Consolidated		Company	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Products and Services Transferred at a Point in Time	41,138,683	40,334,070	7,474,393	6,302,597
Products and Services Transferred Over Time	-	-	-	-
	41,138,683	40,334,070	7,474,393	6,302,597

5.5 Segment Operating Profit - Consolidated

For the Year Ended 31st March	Operating Profit		Profit before Tax	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Consumer Products	386,629	399,142	243,785	244,956
Industrial Products	1,658,006	1,073,276	511,398	(401,567)
Leisure	433,097	530,831	295,757	405,787
Others	(931,114)	14,415	(935,248)	8,602
	1,546,618	2,017,664	115,692	257,778

5.6 Assets and Liabilities

As At	Total Assets		Total Liabilities	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Trading - Consumer Products	3,920,447	3,564,545	2,341,676	2,280,448
Trading - Industrial Products	24,647,029	22,525,447	19,551,498	19,905,876
Leisure	8,354,540	8,517,823	3,559,485	3,649,861
Other	1,873,195	1,263,019	2,049,301	1,194,120
	38,795,211	35,870,834	27,501,960	27,030,305

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

As at	Additions to Right of Use Assets		Additions to Property, Plant & Equipment		Depreciation/ Amortisation and Impairment	
	31.03.2026 Rs. '000	31.03.2025 Rs. '000	31.03.2026 Rs. '000	31.03.2025 Rs. '000	31.03.2026 Rs. '000	31.03.2025 Rs. '000
Trading - Consumer Products	-	-	197,361	173,717	84,511	38,434
Trading - Industrial Products	407,934	125,303	974,048	896,532	445,003	309,863
Leisure	-	-	517,493	312,503	169,980	210,311
	407,934	125,303	1,688,902	1,382,752	699,494	558,608

6. Other Income

For the Year Ended 31st March	Consolidated		Company	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Profit on Disposal of Property, Plant and Equipment	45,678	5,347	11,758	520
Dividend Income - Quoted Companies	5,004	2,397	229,138	140,385
- Unquoted Companies	-	-	-	85,136
Write Back of Creditors	2,304	-	2,304	-
Amortisation of Grants and Subsidies	7,093	8,375	-	-
Commission Income	4,852	2,176	-	-
Reversal of Impairment Provision for Investment in Subsidiaries (Note 16.2)	-	-	191,949	476,385
Gain on Disposal of Investment in Subsidiaries	-	-	215,567	
Rent Income	55,332	79,391	-	-
Gain on Dilution of Interest	-	55,542	-	-
Write Back of Other Payables	124,474	-	-	-
Sundry Income	139,750	95,437	97,937	274,328
	384,487	248,665	748,653	976,754

7. Other Expenses

For the Year Ended 31st March	Consolidated		Company	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Loss on Disposal of Investments (Note 16.4)	-	-	5,155	-
Impairment of Investment in Subsidiaries (Note 16.2)	-	-	4,265	38,155
IPO Expenses	36,312	-	-	-
Sundry Expenses	176,872	-	51,734	-
Loss on Disposal of Property, Plant and Equipment	4,194	-	-	-
	217,378	-	61,154	38,155

8. Net Finance Costs

For the Year Ended 31st March	Consolidated		Company	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
(A) Finance income				
Interest Income	(25,016)	(31,094)	(1,909)	(1,035)
Interest From Loans Due From Related Companies	(10,916)	(32,475)	(24,351)	(39,457)
Debenture Interest Income	(203)	-	-	-
Reversal of Commission on Corporate Guarantee	(10,562)	-	(10,562)	-
Commission on Corporate Guarantee	(2,684)	(4,601)	(71,093)	(43,657)
Gain on Translation of Foreign Currency	(86,132)	(82,950)	(12,995)	(21,525)
Gain on Financial Assets Measured at Fair Value Through Profit or Loss	(181,884)	(33,627)	(181,884)	(33,627)
Total Finance Income	(317,397)	(184,747)	(302,794)	(139,301)
(B) Finance Costs				
Interest on Bank Loans	1,116,393	1,204,249	263,438	302,524
Interest on Overdraft, Trust Receipt Loans and Short Term Loans	508,515	540,067	345,589	343,389
Interest on Lease Liabilities (Note 29)	57,051	47,325	2,950	4,465
Foreign Exchange Loss	36,180	40,195	-	-
Total Finance Costs	1,718,139	1,831,836	611,977	650,378
Net Finance Costs	1,400,742	1,647,089	309,183	511,077

9. Profit/(Loss) Before Tax

Is stated after charging all expenses including the following:

For the Year Ended 31st March	Consolidated		Company	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Depreciation/Amortisation				
Property, Plant & Equipment (Note 12)	562,113	459,778	66,152	58,813
Investment Property (Note 14)	18,209	17,561	-	-
Intangible Assets (Note 15.2)	12,282	5,850	4,013	650
Right of Use Assets (Note 13)	106,890	81,269	17,240	10,527
Auditor's Remuneration				
KPMG	27,123	25,310	9,181	9,658
Other Auditors	5,083	5,389	107	-
Non-Audit Services				
KPMG	3,348	2,356	378	378
Other Auditors	9,985	2,260	1,892	1,892
Salaries and Wages	2,855,331	2,502,481	1,118,491	1,118,491
Defined Benefit Plan Cost - Retiring Gratuity	133,364	111,481	51,812	42,414
Defined Contribution Plan Cost - EPF & ETF	379,839	332,001	124,788	124,788
Managing Agent Fees	21,113	57,804	-	-
Donations	388	436	-	-

10. Income Tax Expense/(Reversals)

For the Year Ended 31st March	Consolidated		Company	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Current Income Tax Expense				
Taxation on Profit for the Year (Note 10.1)	348,966	365,546	-	-
Under/(Over) Provision in Respect of Previous Year	48,186	(3,408)	-	-
Taxes on Dividend Received	61,481	59,287	-	-
	458,633	421,425	-	-
Deferred Tax Expense				
Deferred Tax Recognised/(Reversals) Through Profit or Loss (Note 31.1)	19,985	161,874	(149,864)	68,492
	478,618	583,299	(149,864)	68,492

10.1 Current Income Tax Expense

Reconciliation of Accounting Profit to Income Tax Expense

For the Year Ended 31st March	Consolidated		Company	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Accounting Profit Before Taxation	115,692	257,778	405,353	382,993
Inter Group Adjustments	939,168	2,015,724	-	-
	1,054,860	2,273,502	405,353	382,993
Aggregate Disallowable Expenses	1,654,683	327,590	98,072	94,255
Aggregate Allowable Expenses	(2,413,381)	(2,110,710)	(1,275,430)	(942,045)
Tax Exempt Income	(189,528)	30,208	-	-
Income Not Part of Assessable Income	(272,110)	(345,994)	-	-
	(165,476)	174,596	(772,005)	(464,797)
Statutory Loss From Business (Note 10.2)	1,689,790	1,037,920	772,005	464,797
Taxable Profit From Business	1,524,314	1,212,516	-	-
Other Sources of Income	134,794	120,822	26,260	39,457
Tax Losses Utilised During the Year (Note 10.2)	(493,057)	(114,852)	(26,260)	(39,457)
Taxable Income	1,166,051	1,218,486	-	-
Income Tax @ 30%	348,116	365,546	-	-
Income Tax @ 24%	-	-		
Income Tax @ 18%	-	-	-	-
Income Tax @ 15%	850	-	-	-
Income Tax @ 10%	-	-	-	-
Income Tax on Profit for the Year	348,966	365,546	-	-

10.2 Accumulated Tax Losses

For the Year Ended 31st March	Consolidated		Company	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Balance at the Beginning of the Year	4,739,093	5,382,431	537,321	1,622,634
Adjustments to Opening Balance	(333,699)	(588,550)	(102,804)	(562,619)
Tax Loss Utilised During the Year	(493,057)	(114,852)	(26,260)	(39,457)
Tax Loss for the Year	1,689,790	1,037,920	772,005	464,797
Disallowed Tax Loss Due to Expiration	(16,551)	(977,856)	-	(948,034)
Balance at the End of the Year	5,585,576	4,739,093	1,180,262	537,321

10.3 The Group/ Company is liable to pay income tax on its taxable income at 30% as per the Inland Revenue (Amendment) Act No 45 of 2022 (2025-30%) .

Effective tax rate of the Group is 30% (2025 - 30%).

(a) Subsidiaries

Name of the Company	Income Tax Rate for profits earned for the Year Ended 31st March 2026	Income Tax Rate for profits earned for the Year Ended 31st March 2025
SunAgro LifeScience Ltd.	30%	30%
Associated Farms (Pvt) Ltd.	30%	30%
Lankem Paints Ltd.	30%	30%
Lankem Chemicals Ltd.	30%	30%
Lankem Consumer Products Ltd.	30%	30%
Lankem Exports (Pvt) Ltd.	30%	30%
Lankem Research Ltd.	30%	30%
SunAgro Farms Ltd.	30%	30%
JF Ventures Ltd.	30%	30%
Nature's Link Ltd.	30%	30%
Lankem Technology Services Ltd.	30%	30%
Marawila Resorts PLC	30%	30%
Sigiriya Village Hotels PLC	30%	30%
Colombo Fort Hotel Ltd.	30%	30%
Beruwala Resorts PLC	30%	30%
B.O.T. Hotel Services (Pvt) Ltd.	30%	30%
Galle Fort Hotel (Pvt) Ltd.	30%	30%
Imperial Hotels Ltd.	30%	30%
Sherwood Holidays Ltd.	30%	30%
C.W.Mackie PLC	30%	30%
J.F. Packaging PLC (Previously known as J.F. Packaging Ltd.)	30%	30%
Alliance Five (Pvt) Ltd.	30%	30%
Kiffs (Pvt) Ltd.	30%	30%
Ceylon Tapes (Pvt) Ltd.	30%	30%
ACME Printing and Packaging PLC	30%	30%
Lankem Minerals Ltd.	30%	30%
York Arcade Holdings PLC	30%	30%

(b) Associates

Name of the Company	Income Tax Rate for profits earned for the Year Ended 31st March 2026
Consolidated Tea Plantations Ltd.	30%

(c) Joint Venture

The joint venture company, Sunquick Lanka (Pvt) Ltd. has used the tax rate of 30% in calculating the income tax provision for the year ended 31st March 2026 (2025: 30%).

11. (Loss)/Earning Per Share

11.1 Basic (Loss) / Earnings per Share

The calculation of the earnings per share is based on the profit for the year attributable to ordinary shareholders divided by weighted average number of ordinary shares outstanding during the year as given below, as per the requirements of the Sri Lanka Accounting Standard (LKAS 33) – "Earnings Per Share".

	Consolidated		Company	
For the Year Ended 31st March	2026	2025	2026	2025
(Loss) / Profit Attributable to Equity Holders (Rs.'000)	(328,731)	(462,796)	555,217	314,501
Weighted Average Number of Ordinary Shares (No.'000)	112,810	109,463	112,810	109,463
(Loss) / Earnings per Share (Rs.) (Restated 2025)	(2.91)	(4.23)	4.92	2.87

11.2 Diluted Earnings per share

The calculation of diluted earnings per share is based on dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares.

The Company has issued 17,156,919 ordinary shares at a price of Rs.70 per share and subsequent to the right issue every one (01) existing issued ordinary share was subdivided into Two (2) issued ordinary shares, the effect of right issue and subdivision of shares are adjusted retrospectively in calculating weighted average number of shares in issue as required by LKAS 33 - "Earnings per share".

	Consolidated		Company	
For the Year Ended 31st March	2026	2025	2026	2025
(Loss) / Profit Attributable to Equity Holders (Rs.'000)	(328,731)	(462,796)	555,217	314,501
Weighted Average Number of Ordinary Shares (No.'000)	112,810	109,463	112,810	109,463
(Loss) / Earnings Per Share (Rs.) (Restated 2025)	(2.91)	(4.23)	4.92	2.87

Following the subdivision of issued ordinary shares, earnings per share (EPS) and net assets per share have been adjusted retrospectively for all comparative periods presented.

12. Property, Plant and Equipment

12.1 Consolidated

	Balance As at 01.04.2025 Rs.'000	Transfer During the Year Rs. '000	Reclassified During the Year Rs. '000	Revaluation During the year Rs.000	
Cost / Revalued Amount					
Land	7,317,278	(266,685)	(58,575)	-	
Freehold Buildings	4,281,666	(353,577)	58,575	56,406	
Buildings on Leasehold Lands	41,721	-	-	-	
Fixtures	68,407	-	-	-	
Plant & Machinery	3,312,012	221,963	-	-	
Motor Vehicles	470,867	-	-	-	
Furniture & Fittings	784,619	235	-	-	
Office Equipment	600,488	-	-	-	
Linen & Soft Furnishings	228,160	-	-	-	
	17,105,218	(398,064)	-	56,406	
Capital Work in Progress	648,872	-	(395,013)	-	
Total Cost/Revalued Amount	17,754,090	(398,064)	(395,013)	56,406	

	Balance As at 01.04.2025 Rs.'000	Transfer During the Year Rs. '000	Charge for the year Rs. '000	
Accumulated Depreciation				
Freehold Buildings	152,230	(14,576)	165,237	
Buildings on Leasehold Lands	23,248	-	3,519	
Fixtures	41,631	-	-	
Plant & Machinery	2,355,835	-	216,611	
Motor Vehicles	414,292	-	23,297	
Furniture & Fittings	565,316	-	59,606	
Office Equipment	401,904	-	66,674	
Linen & Soft Furnishings	177,641	-	27,169	
Total Depreciation	4,132,097	(14,576)	562,113	
Net Carrying Value of Property, Plant and Equipment	13,621,993			

The capital working progress of the Group includes, Plant & Machinery and Buildings under construction of Lankem Minerals Ltd., Sigiriya Village Hotels PLC, Beruwala Resorts PLC,C W Mackie PLC, Galle Fort Hotel (Pvt) Ltd.,Ceylon Tapes (Pvt) Ltd., Sherwood Holiday Ltd., Alliance Five (Pvt) Ltd. and Kiffs (Pvt) Ltd. and Imperial Hotels Ltd.

	Additions During the Year Rs. '000	Disposals During the Year Rs. '000	Write Off During the Year Rs. '000	Balance As at 31.03.2026 Rs.'000	Balance As at 31.03.2025 Rs.'000
	-	-	-	6,992,018	7,317,278
	229,923	(587)	(703)	4,271,703	4,281,666
	1,074	-	-	42,795	41,721
	-	-	-	68,407	68,407
	361,627	(118,245)	-	3,777,357	3,312,012
	160,253	(70,129)	-	560,991	470,867
	169,699	(33,594)	-	920,959	784,619
	130,407	(2,443)	-	728,452	600,488
	22,190	(1,607)	-	248,743	228,160
	1,075,173	(226,605)	(703)	17,611,425	17,105,218
	613,729	-	-	867,588	648,872
	1,688,902	(226,605)	(703)	18,479,013	17,754,090

	Disposals During the Year Rs. '000	Write Off During the Year Rs. '000	Balance As at 31.03.2026 Rs.'000	Balance As at 31.03.2025 Rs.'000
	(31)	(703)	302,157	152,230
	-	-	26,767	23,248
	-	-	41,631	41,631
	(76,370)	-	2,496,076	2,355,835
	(53,359)	-	384,230	414,292
	(28,835)	-	596,087	565,316
	(1,990)	-	466,588	401,904
	(321)	-	204,489	177,641
	(160,906)	(703)	4,518,025	4,132,097
			13,960,988	13,621,993

12.2 Company

	Balance As at 01.04.2025 Rs.'000	Additions During the Year Rs. '000	Disposals During the Year Rs. '000	Balance As at 31.03.2026 Rs.'000
Cost / Revalued Amount				
Land	452,501	-	-	452,501
Buildings	601,002	19,217	-	620,219
Fixtures	8,142	-	(459)	7,683
Plant & Machinery	265,496	17,590	(24,506)	258,580
Motor Vehicles	38,948	-	(6,720)	32,228
Furniture, Fittings & Office Equipment	311,105	70,423	(32,810)	348,718
Cost / Revalued Amount	1,677,194	107,230	(64,495)	1,719,929

	Balance As at 01.04.2025 Rs.'000	Charge for the Year Rs. '000	Disposals During the Year Rs. '000	Balance As at 31.03.2026 Rs.'000
Accumulated Depreciation				
Buildings	29,060	29,773	-	58,833
Fixtures	1,578	478	(372)	1,684
Plant & Machinery	246,874	6,609	(24,203)	229,280
Motor Vehicles	38,364	581	(6,720)	32,225
Furniture, Fittings & Office Equipment	248,669	28,711	(28,269)	249,111
Total Depreciation	564,545	66,152	(59,564)	571,133
Total Carrying Amount of Property, Plant & Equipment	1,112,649			1,148,796

Carrying Amount of Property Plant and Equipment

Asset Category	Consolidated		Company	
	As at 31.03.2026 Rs.'000	As at 31.03.2025 Rs.'000	As at 31.03.2026 Rs.'000	As at 31.03.2025 Rs.'000
Land	6,992,018	7,317,278	452,501	452,501
Freehold Buildings	3,969,546	4,129,436	561,386	571,942
Buildings on Leasehold Lands	16,028	18,473	-	-
Fixtures	26,776	26,776	5,999	6,564
Plant & Machinery	1,281,281	956,177	29,300	18,622
Motor Vehicles	176,761	56,575	3	584
Furniture & Fittings	324,872	219,303	99,607	62,436
Office Equipments	261,864	198,584	-	-
Linen & Soft Furnishing	44,254	50,519	-	-
Capital Working in Progress	867,588	648,872	-	-
	13,960,988	13,621,993	1,148,796	1,112,649

12.3 Fully Depreciated Property, Plant and Equipment Still in Use

Consolidated

The gross carrying amount of fully depreciated Property, Plant and Equipment still in use as at 31st March 2026 is Rs.3,065 Mn (2025-Rs.3,100 Mn).

Company

The gross carrying amount of fully depreciated Property, Plant and Equipment still in use as at 31st March 2026 is Rs.500 Mn (2025-Rs.465 Mn).

12.4 Revaluation of Lands

A Valuation of freehold Lands of the Group was carried out by the independent valuers as at 31st March 2025 using "Comparable market value" method and incorporated in the financial statements of the Group. The surplus on revaluation of Lands has been credited to the revaluation reserve.

The directors of the Company are of the view that the fair value of these Lands as at 31st March 2026 has not been changed significantly since the last valuation date.

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

Portfolio of lands owned by the Group are as follows:

Company Name	Location	Extent	Number of Buildings	
i Lankem Ceylon PLC				
Land	St. Anthony's Road Ekala	2A:3R:36.35P	12	
ii Marawila Resorts PLC				
Land	Thalawila, Marawila	29A:1R:33.6P	23	
Land	Amarasekera Road, Mudukatuwa	00A: 01R: 20.00P	-	
iii Sigiriya Village Hotels PLC				
Land	Sigiriya, Mankani, Trincomalee	08A: 01R: 02.29P	32	
iv B.O.T. Hotels Services (Pvt) Ltd.				
Land	Kapparatota Road, Weligama	03A: 01R: 05.50P	6	
v C.W. Mackie PLC				
Land	Munagama, Horana.	3A:0R:5.21P	12	
Land	Aramanagolla, Horana	5A:0R:0.5P	4	
Land	Thebuwana, Narthupana	5A:3R:10P	8	
Land	Kaluaggala, Hanwella	2A:0R:30.20P	11	
vi Galle Fort Hotel (Pvt) Ltd.				
Land	Galle Fort, Galle	0A:1R:37.5P	4	
vii Beruwala Resorts PLC				
Land	Freehold :Moragalla, Beruwala	0A:0R:2.78P	12	
viii JF Packaging PLC (Formerly known as JF Packaging Ltd.) Land	Minuwangoda Road, Kotugoda.	2A:0R:28P	7	
ix Ceylon Tapes (Pvt) Ltd.				
Land	23/20, Samagi Mawatha, Ja-Ela.	0A:01R:05P	3	
x. Imperial Hotels Ltd.				
Land	Halloluwa, Kandy	6A-0R-18.00P	2	

	Name of the Valuer	Effective Date of the Latest Valuation	Significant Unobservable Input/ Value for Perch Rs. '000	Carrying Value of Lands As at 31.03.2026 Rs. '000	Market value of Land as at 31.03.2026 Rs. '000
	WikiFrank Chartered Valuers	31.03.2025	800-1000	452,500	452,500
	WikiFrank Chartered Valuers	31.03.2025	500-650	1,388,933	1,388,933
	WikiFrank Chartered Valuers	31.03.2025	350-400	18,000	18,000
	WikiFrank Chartered Valuers	31.03.2025	225	297,500	297,500
	WikiFrank Chartered Valuers	31.03.2025	2,250-2,500	709,427	709,427
	WikiFrank Chartered Valuers	31.03.2025	700-800	412,429	412,429
	WikiFrank Chartered Valuers	31.03.2025	1,000-1,200	680,400	680,400
	WikiFrank Chartered Valuers	31.03.2025	400-500	143,750	143,750
	WikiFrank Chartered Valuers	31.03.2025	600-800	180,650	180,650
	WikiFrank Chartered Valuers	31.03.2025	13,000-20,000	1,694,410	1,694,410
	WikiFrank Chartered Valuers	31.03.2025	1,000-1,200	3,614	3,614
	WikiFrank Chartered Valuers	31.03.2025	800-1000	348,000	348,000
	WikiFrank Chartered Valuers	31.03.2025	700-800	36,000	36,000
	WikiFrank Chartered Valuers	31.03.2025	750-1,500	626,405	626,405
				6,992,018	6,992,018

12.5 Sensitivity Analysis

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

Market Price per Perch (10% movement)	Market Value as at 31st March 2026	Increase +10%	Decrease -10%
Lankem Ceylon PLC	452,500	45,250	(45,250)
Sigiriya Village Hotels PLC	297,500	29,750	(29,750)
Marawila Resort PLC	1,406,933	140,693	(140,693)
B.O.T. Hotel Services (Pvt) Ltd.	709,427	70,943	(70,943)
Galle Fort Hotels (Pvt) Ltd.	1,694,410	169,441	(169,441)
Ceylon Tapes (Pvt) Ltd.	36,000	3,600	(3,600)
JF Packaging PLC (Formerly known as JF Packaging Ltd.)	348,000	34,800	(34,800)
Beruwala Resorts PLC	3,614	361	(361)
C.W. Mackie PLC	1,417,229	141,723	(141,723)
Imperial Hotels Ltd.	626,405	62,641	(62,641)
	6,992,018	699,202	(699,202)

12.6 Revaluation of Buildings under Property, Plant and Equipment

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

The directors of the Company are of the view that the fair value of these Buildings as at 31st March 2026 has not been changed significantly since the last valuation date.

The fair value measurement for all of Buildings has been categorised as level 03 fair value based on the input to the valuation technique used.

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

Company Name	Location	No of Buildings	Extent of the Buildings Sq.ft	Valuation of Buildings Rs.000	Net Book Value Rs.000	Revaluation Gain / (Loss) Rs.000	Name of the Valuer	Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Sensitivity of Fair Value to Unobservable Inputs
Galle Fort Hotels (Pvt) Ltd.	No. 6217, Pedlar Street, Galle Fort, Galle. No. 31, Light House Street, Galle Fort, Galle.	5	32,311 sq. ft.	245,259	246,647	(1,388)	WikiFrank Chartered Valuers	Estimated Replacement Cost per Sq. Ft. Adjusted for Wear and Tear.	Rs.5,000-Rs 8,000	Positively Correlated Sensitivity
Sherwood Holidays Ltd.	Totalagala, Haputale	7	11,940 sq. ft.	81,406	77,353	4,053	WikiFrank Chartered Valuers	Estimated Replacement Cost per Sq. Ft. Adjusted for Wear and Tear.	Rs. 3,700-Rs 6,750	Positively Correlated Sensitivity
Lankem Ceylon PLC	St. Anthony's Road, Ekala	12	53,282 sq. ft.	192,590	102,058	90,532	WikiFrank Chartered Valuers	Estimated Replacement Cost per Sq. Ft. Adjusted for Wear and Tear.	Rs. 2,500-Rs 6,750	Positively Correlated Sensitivity
Lankem Ceylon PLC	Pannala, Kurunegala	4	58,133 sq. ft.	307,550	172,267	135,283	WikiFrank Chartered Valuers	Estimated Replacement Cost per Sq. Ft. Adjusted for Wear and Tear.	Rs. 4,000-Rs 6,750	Positively Correlated Sensitivity
Lankem Ceylon PLC	Siripura, Polonnaruwa	1	20,675 sq.ft.	93,244	71,217	22,027	WikiFrank Chartered Valuers	Estimated Replacement Cost per Sq. Ft. Adjusted for Wear and Tear.	Rs. 5,500	Positively Correlated Sensitivity
Marawila Resorts PLC	Pannala, Kurunegala	24	181,664 sq. ft.	967,501	824,325	143,176	WikiFrank Chartered Valuers	Estimated Replacement Cost per Sq. Ft. Adjusted for Wear and Tear.	Rs. 1,800-Rs 7,200	Positively Correlated Sensitivity
Ceylon Tapes (Pvt) Ltd.	23/20, Samagi Mawatha, Ja-Ela.	3	4,204 sq. ft.	14,000	5,542	8,458	Siri Nissanka Chartered & Incorporated Valuers	Estimated Replacement Cost per Sq. Ft. Adjusted for Wear and Tear.	Rs. 1,500-Rs 3,000	Positively Correlated Sensitivity
B.O.T Hotel Services (Pvt) Ltd.	No. 215, Sri Sanghananda Mawatha, Kapparathota, Weligama.	7	58,971 sq.ft	153,758	161,437	(7,679)	Siri Nissanka Chartered & Incorporated Valuers	Estimated Replacement Cost per Sq. Ft. Adjusted for Wear and Tear.	Rs. 825-Rs 3,975	Positively Correlated Sensitivity
JF Packaging PLC (Formerly known as JF Packaging Ltd.)	No. 306, Minuwangoda Road, Kotugoda	8	71,320 sq. ft.	440,512	190,141	250,371	Siri Nissanka Chartered & Incorporated Valuers	Estimated Replacement Cost per Sq. Ft. Adjusted for Wear and Tear.	Rs. 5,000-Rs 16,000	Positively Correlated Sensitivity
Beruwala Resorts PLC	6th Lane, Moragalla, Beruwala	12	131,988 sq. ft.	461,574	265,107	196,467	Siri Nissanka Chartered & Incorporated Valuers	Leasehold interest	YP @ 6.25 % in perpetuity and Annual Rent 1.2Mn per annum	Positively Correlated Sensitivity

Company Name	Location	No of Buildings	Extent of the Buildings Sq.ft	Valuation of Buildings Rs.000	Net Book Value Rs.000	Revaluation Gain / (Loss) Rs.000	Name of the Valuer	Significant Unobservable Inputs	Range of Estimates for Unobservable Inputs	Sensitivity of Fair Value to Unobservable Inputs
Ceymac Rubber Co, Ltd.	Aramangolla, Horana and Thebuwana, Narthupana	17	124,798 sq. ft.	244,000			Mr.K.T.D.Tissera Chartered Valuer	Estimated Replacement Cost per Sq. Ft. Adjusted for Wear and Tear.	Rs. 750-Rs 3,000	Positively Correlated Sensitivity
Kelani Valley Canneries Ltd.	Kaluaggala, Hanwella	11	26,522 sq.ft.	60,000	299,257	84,743	Mr.K.T.D.Tissera Chartered Valuer	Estimated Replacement Cost per Sq. Ft. Adjusted for Wear and Tear.	Rs. 500-Rs 2,500	Positively Correlated Sensitivity
C.W. Mackie PLC	Munagama, Horana	7	24,785 sq. ft.	80,000			Mr.K.T.D.Tissera Chartered Valuer	Estimated Replacement Cost per Sq. Ft. Adjusted for Wear and Tear.	Rs. 1,000- Rs 4,000	Positively Correlated Sensitivity
Sigiriya Village Hotels PLC	P.O Box 1, Sigiriya	32	160241 sq.ft.	363,750	194,032	169,718	WikiFrank Chartered Valuers	Estimated Replacement Cost per Sq. Ft. Adjusted for Wear and Tear.	Rs 1,600 - Rs 5,000	Positively Correlated Sensitivity
ACME Packaging Solutions (Pvt) Ltd.	Makandura, Gonawila	7	30,648 sq.ft.	152,615	107,088	45,527	WikiFrank Chartered Valuers	Estimated Replacement Cost per Sq. Ft. Adjusted for Wear and Tear.	Rs 1,750-Rs 6,750	Positively Correlated Sensitivity
Total Gain				3,857,759	2,716,470	1,141,289				

12.7 Sensitivity Analysis

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

Market Price Sq.ft. (10% movement)	Revalued Amount as at 31st March 2026	Increase +10%	Decrease -10%
Lankem Ceylon PLC	593,384	59,338	(59,338)
Sigiriya Village Hotel PLC	363,750	36,375	(36,375)
Marawila Resort PLC	967,501	96,750	(96,750)
B.O.T. Hotel Services (Pvt) Ltd.	153,758	15,376	(15,376)
Galle Fort Hotels (Pvt) Ltd.	245,259	24,526	(24,526)
Ceylon Tapes (Pvt) Ltd.	14,000	1,400	(1,400)
JF Packaging PLC (Formerly known as JF Packaging Ltd.)	440,512	44,051	(44,051)
Beruwala Resorts PLC	461,574	46,157	(46,157)
C.W. Mackie PLC	384,000	38,400	(38,400)
Sherwood Holidays Ltd.	81,406	8,141	(8,141)
ACME Printing & Packaging PLC	152,615	15,262	(15,262)
	3,857,759	385,776	(385,776)

12.8 Market Comparable Method

This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property. In this process, outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.

12.9 Replacement Cost Method (Depreciation about the Valuation)

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

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

12.10 Carrying Amount of Land & Buildings at Cost Less Accumulated Depreciation

The carrying amounts of land and buildings had those were carried at cost less accumulated depreciation are as follows:

	Consolidated		Company	
As at	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Lands	2,160,458	2,180,901	60,600	60,600
Buildings	2,079,995	1,955,048	62,226	77,657

13. Right-of-Use-Assets

	Consolidated		Company	
As at	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Cost				
Balance as at 1st April	684,783	561,554	100,037	102,111
Additions During the Year	407,934	125,303	108,371	-
Recognition During the Year	(4,851)	(2,074)	(4,851)	(2,074)
Balance at the End of the Year	1,087,866	684,783	203,557	100,037
Accumulated Amortisation				
Balance as at 1st April	386,480	306,248	68,241	58,751
Amortisation for the Year	106,890	81,269	17,240	10,527
De Recognition During the Year	-	(1,037)	-	(1,037)
Balance at the End of the Year	493,370	386,480	85,481	68,241
Written Down Value	594,496	298,303	118,076	31,796

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

14. Investment Property

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Cost				
Balance at the Beginning of the Year	838,304	977,763	-	-
Additions During the Year	10,823	17,686	-	-
Reclassified to Property, Plant and Equipment	-	(157,145)	-	-
Balance at the End of the Year	849,127	838,304	-	-
Accumulated Depreciation				
Balance at the Beginning of the Year	176,161	158,600	-	-
Charge for the Year	18,209	17,561	-	-
Balance at the End of the Year	194,370	176,161	-	-
Carrying Amount	654,757	662,143	-	-

C. W. Mackie PLC
Part of the C.W.Mackie PLC's Building complex has been given out on rent and the value of land and buildings of that portion has been classified as 'investment property' and accounted, under "Cost Model" as required by LKAS 40 – Investment Property.

As per the valuation carried out by Mr. K.T.D. Tissera, Fair value of these investment property as at 31st March 2024 is as follows;

Company / Location	Fair Value Rs. Mn
Sunquick Lanka Properties (Pvt) Ltd, Munagama, Horana	700.0
Total	700.0

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

For the year ended 31st March	2026 Rs.'000	2025 Rs.'000
Rent Income	53,592	78,191
Direct operating expenses arising from investment property that generated rental income during the year	23,472	30,425

Sigiriya Village Hotels PLC
Land held for capital appreciation has been classified as investment property. This property is situated in Trincomalee and the extent of the land is 8 A, 1 R & 2.3 P.

15. Intangible Assets

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Goodwill (Note 15.1)	1,548,366	1,107,155	-	-
Other Intangible Assets (Note 15.2)	66,626	28,378	26,308	12,956
	1,614,992	1,135,533	26,308	12,956

15.1 Goodwill

As at	Consolidated	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Goodwill on Acquisition	1,983,726	1,542,515
Impairment of Goodwill	(435,360)	(435,360)
	1,548,366	1,107,155

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

As at	Consolidated	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000
C.W. Mackie PLC	165,935	165,935
ACME Printing and Packaging PLC	372,289	372,289
Ceylon Tapes (Pvt) Ltd.	23,490	23,490
JF Packaging PLC (Formerly known as JF Packaging Ltd.)	435,500	435,500
Sherwood Holidays Ltd.	30,267	30,267
Kiffs (Pvt) Ltd.	143,777	143,777
Alliance Five (Pvt) Ltd.	42,185	42,185
Galle Fort Hotel (Pvt) Ltd.	329,072	329,072
York Arcade Holdings PLC	441,211	-
	1,983,726	1,542,515
Less: Provision for Impairment (Note 15.1.1)	(435,360)	(435,360)
	1,548,366	1,107,155

15.1.1 Impairment Assessment of Goodwill

The Group has carried out an impairment assessment for the Goodwill recognised in the Consolidated Financial Statements as at 31st March 2026. For the purpose of impairment assessment the Group considered each Company as separate CGUs.

The recognised impairment as at 31st March 2026 is attributable to below CGUs

As at	Consolidated	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000
ACME Printing & Packaging PLC	106,288	106,288
Galle Fort Hotel (Pvt) Ltd.	329,072	329,072
	435,360	435,360

ACME Printing and Packaging PLC
The recoverable amount of this CGU was calculated based on it's fair value less cost to sell. The fair value of the Company was determined based on its market value of Rs.4.19 Bn as at 31st March 2026. The fair value is classified as level 1 as per the fair value hierarchy under SLFRS 13.

Galle Fort Hotels (Pvt) Ltd.
The recoverable amount of this CGU was calculated based on it's value in use, determined by discounting future cash flows from continuing use of CGU. The carrying amount of the CGU was determined as higher than its recoverable amount. Therefore, an impairment loss of Rs.329 Mn was recognised in during the year ended 31st March 2022.

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

Recoverable amounts of these investments were measured as follows:

15.1.1.1 Recoverable Values Measured with Reference to the Value in Use

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

Investee	Significant unobservable inputs	Value of the inputs
Ceylon Tapes (Pvt) Ltd. (CT)	Average Growth Rate	19.6%
	Terminal Growth Rate	3%
	Discount Rate	10.0%
	Term	3 years (terminal value thereafter)
JF Packaging PLC (JF) (Formerly Known as JF Packaging Ltd.)	Average Growth Rate	8.5%
	Terminal Growth Rate	3%
	Discount Rate	10.0%
	Term	3 years (terminal value thereafter)
Kiffs (Pvt) Ltd. (KF)	Average Growth Rate	14%
	Terminal Growth Rate	3%
	Discount Rate	10.0%
	Term	3 years (terminal value thereafter)
Alliance Five (Pvt) Ltd. (A5)	Average Growth Rate	10.9%
	Terminal Growth Rate	3%
	Discount Rate	10.0%
	Term	3 years (terminal value thereafter)
Sherwood Holidays Ltd. (SW)	Average Growth Rate	17%
	Terminal Growth Rate	5%
	Discount Rate	15%
	Term	5 years (terminal value thereafter)

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

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

Company Name	Change required for carrying amount to equal recoverable amount				
	KF	A5	CT	JF	SW
Discount Rate	24.0%	25.0%	16.0%	6.7%	26.8%
Growth Rate	-12.0%	-20.0%	-5.0%	-37.3%	-15.6%

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

Investee	Significant Unobservable / Observable Inputs	Value of the Inputs
CW Mackie PLC	Market Value	Rs.33.90

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

15.2 Other Intangible Assets

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Cost				
Balance at the Beginning of the Year	110,592	98,880	14,957	14,366
Additions During the Period	32,790	8,554	5,300	591
Transfer from PPE - CWIP	2,353	-	-	-
Reclassified from Property, Plant and Equipment	-	3,158	-	-
Balance at the End of the Year	145,735	110,592	20,257	14,957
Accumulated Amortisation				
Balance at the Beginning of the Year	82,214	75,983	2,001	1,351
Charges for the Year	12,282	5,850	4,013	650
Balance at the End of the Year	94,496	82,214	6,014	2,001
Capital Work in Progress (Note 15.2.1)	15,387	-	12,065	-
Carrying Amount	66,626	28,378	26,308	12,956

15.2.1 Other Intangible Assets - Capital Work in Progress

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Balance at the Beginning of the Year	-	-	-	-
Additions During the Period	15,387	-	12,065	-
Transfer to Intangible Assets	-	-	-	-
Balance at the End of the Year	15,387	-	12,065	-

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

16. Investment in Subsidiaries

16.1 Company

As at	Group Holding 2026 %	Company Holding 2026 %	Group Holding 2025 %	Company Holding 2025 %	No of Shares 31.03.2026	Market Value 31.03.2026 Rs.'000	Cost 31.03.2026 Rs.'000	No of Shares 31.03.2025	Market Value 31.03.2025 Rs.'000	Cost 31.03.2025 Rs.'000
Quoted Investments										
C.W.Mackie PLC	52.82	52.60	54.25	54.25	94,651,260	3,208,678	841,128	19,523,252	2,123,154	873,919
Marawila Resorts PLC (Note 16.3)	26.92	4.68	26.92	4.68	16,478,829	93,929	98,066	16,478,829	112,056	98,066
ACME Printing and Packaging PLC (Note 16.3)	50.50	50.50	25.10	25.10	335,827,655	2,115,714	1,111,190	23,846,993	93,003	284,952
JF Packaging PLC (Formerly known as JF Packaging Ltd.)	69.95	69.95	-	-	120,406,800	1,745,899	1,121,515	-	-	-
York Arcade Holdings PLC*	40.14	40.14	-	-	60,212,600	848,998	277,300	-	-	-
Total Quoted Investments							3,449,199			1,256,937

As at	Group Holding 2026 %	Company Holding 2026 %	Group Holding 2025 %	Company Holding 2025 %	No of Shares 31.03.2026	Market Value 31.03.2026 Rs.'000	Cost 31.03.2026 Rs.'000	No of Shares 31.03.2025	Market Value 31.03.2025 Rs.'000	Cost 31.03.2025 Rs.'000
Unquoted Investments										
Colombo Fort Hotels Ltd.	53.02	52.93	53.02	52.93	147,270,913	-	1,965,848	147,270,913	-	1,965,848
Lankem Plantation Services Ltd.	60.00	60.00	60.00	60.00	179,993	-	1,800	179,993	-	1,800
Lankem Exports (Pvt) Ltd.	100.00	100.00	100.00	100.00	10,000	-	100	10,000	-	100
Lankem Paints Ltd.	100.00	100.00	100.00	100.00	2,000,000	-	20,000	2,000,000	-	20,000
Lankem Consumer Products Ltd.	100.00	100.00	100.00	100.00	2,000,000	-	20,000	2,000,000	-	20,000
Lankem Chemicals Ltd.	100.00	100.00	100.00	100.00	2,000,000	-	20,000	2,000,000	-	20,000
Lankem Research Ltd.	100.00	100.00	100.00	100.00	250,007	-	2,500	250,007	-	2,500
SunAgro Life Science Ltd.	100.00	100.00	100.00	100.00	626,000	-	215,000	626,000	-	215,000
SunAgro Farms Ltd.	100.00	100.00	100.00	100.00	1,200,000	-	12,000	1,200,000	-	12,000
Lankem Technology Services Ltd.	100.00	100.00	100.00	100.00	4,999,995	-	5,000	4,999,995	-	5,000
JF Packaging Ltd.	-	-	100.00	100.00	-	-	-	120,406,800	-	1,121,515
Associated Farms (Pvt) Ltd.	100.00	100.00	100.00	100.00	55,398	-	554	55,398	-	554
Nature's Link Ltd.	100.00	100.00	100.00	100.00	5,000,000	-	50,000	5,000,000	-	50,000
Lankem Minerals Ltd.	100.00	100.00	100.00	100.00	70,012,500		700,125	70,012,500		700,125
Total Unquoted Investments							3,012,927			4,134,442
							6,462,126			5,391,379
Provision for Impairment of Investment in Subsidiaries (16.2)							(136,219)			(323,903)
Net Carrying Amount							6,325,907			5,067,476

*The Company has invested in 40.14% shareholding in York Arcade Holdings PLC amounting to Rs.277.3 Mn during the year ended 31st March 2026.

16.2 Provision for Impairment of Investment in Subsidiaries

The Provision for impairment of investment in subsidiaries as at 31st March 2026 are attributable to followings:

As at	Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Lankem Consumer Products Ltd.	20,000	20,000
Lankem Paints Ltd.	20,000	20,000
SunAgro Farms Ltd.	12,000	12,000
Associated Farms (Pvt) Ltd.	554	554
Lankem Plantation Services Ltd	1,800	1,800
Nature's Link Ltd.	50,000	50,000
Lankem Exports (Pvt) Ltd.	100	100
Lankem Research Ltd.	2,500	2,500
Lankem Technology Services Ltd.	5,000	5,000
Marawila Resorts PLC	4,265	-
Lankem Chemicals Ltd.	20,000	20,000
ACME Printing and Packaging PLC	-	191,949
	136,219	323,903

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

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

Colombo Fort Hotels Ltd.
The recoverable amount of the Company has been determined based on its adjusted net assets value as at 31st March 2026. As the recoverable amount was higher than the carrying cost of the investment, an impairment provision amounting to Rs. 434 Mn has been reversed during the year ended 31st March 2025.

Marawila Resorts PLC
The recoverable amount of the Company has been determined based on its market value as at 31st March 2026. As the recoverable amount was higher than the carrying cost of the investment, an impairment provision amounting to Rs. 42 Mn has been reversed during the year ended 31st March 2025.

Calculation of Recoverable Values

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

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

Subsidiary	Unobservable input	Range of input Rs.
Lankem Consumer Products Ltd.	Net Assets Per Share	-
Lankem Paints Ltd.	Net Assets Per Share	-
Sun Agro Farms Ltd.	Net Assets Per Share	-
Associated Farms (Pvt) Ltd.	Net Assets Per Share	-
Lankem Plantation Services Ltd.	Net Assets Per Share	-
Colombo Fort Hotels Ltd.	Adjsuted Net Assets Per Share	9-20
Nature's Link Ltd.	Net Assets Per Share	-
Lankem Exports (Pvt) Ltd.	Net Assets Per Share	-
Lankem Research Ltd.	Net Assets Per Share	-
Lankem Technology Services Ltd.	Net Assets Per Share	-
Marawila Resorts PLC	Market Value	5.70
Lankem Chemicals Ltd.	Net Assets Per Share	-
ACME Printing and Packaging PLC	Market Value	6.30
JF Packaging PLC	Market Value	14.50

16.3 Subsidiaries with ownership of less than 50%

Marawila Resort PLC
Although the Group owns less than 50% of Marawila Resorts PLC, management has determined that the Group controls this entity. The Group controls Marawila Resorts PLC by virtue of an agreement with its major shareholders, who owns approximately 56.96% of voting rights of Marawila Resorts PLC.

York Arcade Holdings PLC
As at the reporting date, Lankem Ceylon PLC (LCPLC), jointly with Darley Butler & Co.Ltd (DBCL), the party acting in concert, holds 50.14% equity stake in York Arcade Holdings PLC (YAH). LCPLC entered into a formal shareholder agreement with DBCL, wherein LCPLC has been granted the authority to act as the immediate Parent of YAH. As per the said agreement, LCPLC has the power to control the financial and operating activities of YAH, and accordingly as per SLFRS 10 'Business Combinations', LCPLC has recognised the investment in YAH as a Subsidiary and has consolidated the same in its Group Financial Statements.

16.4 Gain on Disposal of Investment in Subsidiary's shares

Beruwala Resorts PLC
The Group has disposed its investment in Beruwala Resorts PLC.

Due to the above disposal the impact of non controlling interest at the Group level is as follows,

As at	Consolidated	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Considerations received	2,200	349,490
Increase in Retained Earnings	2,148	335,080
Increase in Non Controlling Interest	52	14,410

Along with the Beruwala Resorts PLC disposal, there is an indirect disposal of B.O.T. Hotel Services (Pvt) Ltd. The impact of non controlling interest at the Group level is as follows.

Due to this, there is an adjustment between equity components, which resulted in decrease in retained earnings of Rs. 56,000/- and a corresponding increase in non controlling interest of Rs. 56,000/- with no impact on the total equity of the Group.

ACME Printing & Packaging PLC
The Group has disposed its investment in ACME Printing & Packaging PLC. Due to the above disposal the impact of non controlling interest at the Group level is as follows,

As at	Consolidated
	31.03.2026 Rs.'000
Considerations received	15,461
Increase in Retained Earnings	33,078
Decrease in Non Controlling Interest	(17,617)

C.W. Mackie PLC
The Group has disposed its investment in C.W. Mackie PLC. Due to the above disposal the impact of non controlling interest at the Group level is as follows,

As at	Consolidated
	31.03.2026 Rs.'000
Considerations received	81,861
Increase in Retained Earnings	21,658
Increase in Non Controlling Interest	59,423

York Arcade Holdings PLC

The Group has disposed its investment in York Arcade Holdings PLC. Due to the above disposal the impact of non controlling interest at the Group level is as follows,

As at	Consolidated 31.03.2026 Rs.'000
Considerations received	196,280
Increase in Retained Earnings	174,768
Increase in Non Controlling Interest	21,512

16.5 Acquisition of York Arcade Holdings PLC

Lankem Ceylon PLC (LCPLC) made an offer to its parent company, The Colombo Fort Land & Building PLC (CFLB) to purchase CFLB's Equity stake of 49.27% in York Arcade Holdings PLC (YAH) represented by 369,495 Ordinary Voting Shares. The Board of CFLB advised the Company that they have agreed to accept the offer and the said transaction was executed on 24th November 2025, on the Trading Floor of the Colombo Stock Exchange. The said number of shares were acquired at Rs. 921.75 per share.

Further to the Company's acquisition of a 49.27% equity stake in York Arcade Holdings PLC (YAH) represented by 369,495 Ordinary Voting Shares from parent Company, The Colombo Fort Land & Building PLC, the Company has also acquired on 24th November 2025, a further equity stake of 0.88% of YAH, from related entities, Fort Investments PLC and Colombo Investment Trust PLC amounting 1,525 and 5,043 Ordinary Colombo Shares respectively at a price of Rs.882.75 per share Pursuant to the aforesaid transactions where the Company has acquired in total 50.15% of YAH shares, the said YAH becomes a subsidiary of Lankem Ceylon PLC, and the ultimate parent company of YAH remains The Colombo Fort Land & Building PLC.

Subsequently the Company disposed 10% of its equity stake, representing 15,000,000 shares of the issued Ordinary Shares of York Arcade Holdings PLC to Darley Butler & Co. Ltd on the trading floor of the Colombo Stock Exchange. However, acting in concert with Darley Butler & Co.Ltd, the holding in York Arcade Holdings PLC stands at 50.15%.

Fair values of the identifiable assets and liabilities of the acquired entities at the date of acquisition were:

	Rs.000
Financial Investments - FVTOCI	70,333
Financial Investments - Amortised Cost	7,332
Trade and Other Receivables	5,898
Amounts Due from Related Parties	64,922
Loans Due From Related Parties	45,500
Cash and Cash Equivalents	58,420
Deferred Tax Liability	(4,865)
Income Tax Payable	(7,393)
Trade and Other Payables	(1,239)
Net Identifiable Assets and Liabilities	238,908
Fair value of Consideration Paid (Net of Transaction Cost)	346,380
Non Controlling Interests, Based on FV	333,739
Less:	
Fair Value of Identified Net Assets	(238,908)
Goodwill on Acquisition	441,211
Analysis of Cash on Acquisition of the Subsidiaries	
Cash Paid on Acquisition	346,380
Cash and Cash Equivalents of Subsidiaries Acquired	(58,420)
Net Cash Outflow	287,960

Total transaction cost related to this acquisition amounting to Rs. 2,629,077 has been recognised as an expense under other expenses.

17. Investment in Associates

As at	Consolidated	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Unquoted Investments		
Consolidated Tea Plantations Ltd. (CTPL)	949,577	950,842
Total Unquoted Investments	949,577	950,842
Balance as at Beginning of the Year	950,842	808,267
Net Share of Loss for the Year (Net of Tax)	(74,162)	(281,626)
Other Comprehensive Income	72,897	368,659
Gain on Dilution of Interest (Note 17.3)	-	55,542
Balance as at End of the Year	949,577	950,842

17.1 Company

As at	Principle Business Activities	Holding 2026 %	Holding 2025 %	No. of Shares 31.03.2026	Cost 31.03.2026 Rs'000	No. of Shares 31.03.2025	Cost 31.03.2025 Rs'000
Unqouted Investments							
Consolidated Tea Plantations Ltd (CTPL)	Investing in Plantation	33.39	33.39	28,733,222	768,422	28,733,222	768,422
Gross Carrying Amount					768,422		768,422
Provision for Impairment					-		-
Net Carrying Amount					768,422		768,422

Consolidated Tea Plantation Ltd. (CTPL) has invested in the plantation sector (Kotagala Plantations PLC, Agarapatana Plantations PLC. and Lankem Tea & Rubber Plantations (Pvt) Ltd. and in other sectors Lankem Developments PLC, Waverly power (Pvt) Ltd. and Union Commodities (Pvt) Ltd. as at 31st March 2026. Considering profitability improvement in the plantation sector, the Company has re-assessed the impairment of its investment in CTPL and there is no impairment indication as at 31st March 2026 and 31st March 2025.

The recoverable value of CTPL was estimated based on its fair value less cost to sell calculated with reference to the adjusted net assets value of CTPL as at 31st March 2026. In calculating the adjusted net assets value of CTPL, the Company has used the fair values of investments made in the subsidiaries of CTPL. Fair values of investment made in the subsidiaries of CTPL were estimated using a combination of valuation techniques. Fair values of all listed subsidiaries were determined with reference to the market prices of share traded as at reporting date. For non-listed subsidiaries, respective net assets values were used.

Significant unobservable inputs are,

	Range
Market prices of listed subsidiaries	Rs. 8 - Rs.18 per share
Net assets value of non-listed subsidiaries	Rs. 750 - Rs. 765 per share

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

17.2 Summarised Financial Information of Associates Companies

Summary of the Statement of Financial Position

As at	CTPL 31.03.2026 Rs.'000	CTPL 31.03.2025 Rs.'000
Non-Current Assets	18,766,825	18,122,538
Current Assets	5,485,642	5,768,248
Total Assets	24,252,467	23,890,786
Non-Current Liabilities	10,333,605	9,683,098
Current Liabilities	7,242,251	8,060,009
Total Liabilities	17,575,856	17,743,107
Equity Attributable to the Owners of the Company	2,351,521	2,354,655
Non-Controlling Interest	4,325,090	3,793,024
Total Net Assets	6,676,611	6,147,679
Ownership interest	40.38%	40.38%
Investees Share of Net Assets	949,577	950,842
Carrying Amount of Interest	949,577	950,842

Summary of the Statement of Profit or Loss

For the Year Ended	CTPL 31.03.2026 Rs.'000	CTPL 31.03.2025 Rs.'000
Revenue	17,035,653	17,393,943
Total Expenses	(16,592,616)	(16,004,499)
Profit Before Tax	443,037	1,389,444
Income Tax	(90,011)	(595,073)
Profit After Tax	353,026	794,371
Other Comprehensive (Expense) / Income	(530,694)	328,403
Total Comprehensive (Expense) / Income	(177,668)	1,122,774
Profit/ (Loss) Attributable to:		
Owners of the Company	(76,108)	(106,684)
Non Controlling Interest	429,134	901,055
	353,026	794,371
Total Comprehensive Income/ (Expense) Attributable to:		
Owners of the Company	(387,066)	108,121
Non Controlling Interest	209,398	1,014,653
	(177,668)	1,122,774
Investee Share of Loss Recognised for the Year	(74,162)	(281,626)
Investees Share of Other Comprehensive Income	72,897	368,659

17.3 Investment and Disposal of Consolidate Tea Plantation Ltd.

At the Company Level

CTPL has issued 2,108,368 ordinary shares under a private placement and consequently the Company holding reduced by 0.84% during the year 31st March 2025.

At the Group Level
CTPL has issued 2,108,368 ordinary shares under a private placement and consequently the Group holding reduced by 1.01% during the year 31st March 2025 and the gain on Dilution of Interest amounted to Rs. 56 Mn.

18. Investment in Joint Venture

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

As at	Consolidated	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Balance as at 01st April	460,474	293,163
Share of Profit & OCI for the Year	43,838	167,311
Carrying Value as at 31st March	504,312	460,474

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

As at	Consolidated	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Summary of the Statement of Financial Position		
Non-Current Assets	615,661	755,538
Current Assets	2,098,539	2,066,811
Non - Current Liabilities	(87,928)	(213,775)
Current Liabilities	(1,597,064)	(1,668,831)
Equity	1,029,208	939,743
Group's Carrying Amount of the Investments	504,312	460,474
Summary of the Statement of Profit or Loss		
Revenue	3,221,771	3,512,878
Operating Expenses	(3,085,746)	(3,341,149)
Other Operating Income	9,954	17,114
Finance (Expense)/Income	(66,566)	10,486
Income Tax	10,337	145,220
Profit for the Year	89,750	344,549
Other Comprehensive expense	(285)	(3,098)
Total Comprehensive Income for the Year	89,465	341,451
Group's Share of Profit for the Year	43,978	168,829
Group's Share of Profit Recognised for the Year	43,978	168,829
Share of Loss Recognised in Other Comprehensive expense	(140)	(1,518)

19. Financial Assets Measured at Fair Value Through Other Comprehensive Income

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

As at	Note	Consolidated		Note	Company	
		31.03.2026 Rs.'000	31.03.2025 Rs.'000		31.03.2026 Rs.'000	31.03.2025 Rs.'000
Quoted Investments	19.1.1	113,766	75,592	19.2.1	70,558	66,966
Unquoted Investments	19.1.2	6,348	6,098	19.2.2	6,348	6,073
		120,114	81,690		76,906	73,039

19.1 Consolidated

19.1.1 Quoted Investments

As at	Consolidated			
	No of Shares 31.03.2026	Fair Value 31.03.2026 Rs.'000	No of Shares 31.03.2025	Fair Value 31.03.2025 Rs.'000
Bank, Finance & Insurance				
Nations Trust Bank PLC	11,793	3,411	7,781	1,478
National Development Bank PLC	7,793	1,013	7,793	834
Total		4,424		2,312
Hotels & Travel				
Hunas Holdings PLC	60,000	1,080	60,000	1,434
Pegasus Resorts PLC	960	37	960	33
Renuka City Hotels PLC	525	426	525	250
Royal Palms Beach Hotels PLC	375	19	375	12
Hotel Sigiriya PLC	38,000	2,698	38,000	2,918
Total		4,260		4,647
Plantations				
Maskeliya Plantations PLC	800	56	-	-
Watawala Plantations PLC	25,290	1,044	-	-
Balangoda Plantations PLC	200	12	-	-
Kahawatte Plantations PLC	165	3	-	-
Hatton Plantations PLC	6,600	139	-	-
Lankem Development PLC	2,480,626	44,155	2,480,626	43,907
Agarapatana Plantations PLC	1,760,204	26,403	1,760,204	23,059
Total		71,812		66,966

As at	Consolidated			
	No of Shares 31.03.2026	Fair Value 31.03.2026 Rs.'000	No of Shares 31.03.2025	Fair Value 31.03.2025 Rs.'000
Healthcare				
Ceylon Hospitals PLC	520	31	130	17
Total		31		17
Other				
C M Holdings PLC	686,378	30,887	-	-
RIL Properties PLC	6,666	167	-	-
Sierra Cables PLC	1,400	40	-	-
Chevron Lubricants Lanka PLC	12,000	2,145	12,000	1,650
Total		33,239		1,650
Total Quoted Investments		113,766		75,592

Market value per share of quoted investments are based on published stock market prices as at 31st March 2026 (2024/25- 31st March 2025).

19.1.2 Unquoted Investments

As at	Consolidated			
	No of Shares 31.03.2026	Fair Value 31.03.2026 Rs.'000	No of Shares 31.03.2025	Fair Value 31.03.2025 Rs.'000
Nanotechnology (Pvt) Ltd.	3,810,182	-	3,810,182	-
Lankem Tea & Rubber Plantations (Pvt) Ltd.	8,342	6,348	8,342	6,073
Asia Pacific Golf Courses Ltd.	2,500	-	2,500	-
Ingrin Institute of Printing & Graphics (Pvt) Ltd.	-	-	1	25
Total		6,348		6,098

19.2 Company

19.2.1 Quoted Investments

As at	Company			
	No of Shares 31.03.2026	Fair Value 31.03.2026 Rs.'000	No of Shares 31.03.2025	Fair Value 31.03.2025 Rs.'000
Lankem Developments PLC	2,480,626	44,155	2,480,626	43,907
Agarapatana Plantations PLC	1,760,204	26,403	1,760,204	23,059
Total		70,558		66,966

19.2.2 Unquoted Investments

As at	Company			
	No of Shares 31.03.2026	Fair Value 31.03.2026 Rs.'000	No of Shares 31.03.2025	Fair Value 31.03.2025 Rs.'000
Nanotechnology (Pvt) Ltd.	3,810,182	-	3,810,182	-
Lankem Tea & Rubber Plantation (Pvt) Ltd.	8,342	6,348	8,342	6,073
Total		6,348		6,073

No Strategic investments were disposed during 2025/26, and there was no transfer of any cumulative gain or loss within equity relating to these investments.

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

20. Financial Assets Measured at Fair Value Through Profit or Loss

As at	Consolidated/Company			
	No of Shares 31.03.2026	Fair Value 31.03.2026 Rs.'000	No of Shares 31.03.2025	Fair Value 31.03.2025 Rs.'000
Nations Trust Bank PLC	55,016	15,913	53,774	10,366
Tokyo Cement Company PLC (Voting)	-	-	36,117	2,853
C M Holdings PLC	-	-	331,547	54,705
Union Bank Colombo PLC	30	-	30	-
		15,913		67,924

The Company has disposed its investments in Tokyo Cement Company PLC and C M Holdings PLC during the year ended 31 March 2026. As the disposal consideration received was equivalent to the fair value of the respective investments immediately prior to disposal, no gain or loss has been recognised in the Statement of Profit or Loss in respect of these disposals.

21. Financial Assets Measured at Amortised Cost

As at	Consolidated	
	No of Shares 31.03.2026	Fair Value 31.03.2026 Rs.'000
Kotagala Plantations PLC	100,000	7,711
Allowance for Impairment on Corporate Debt Securities		(1,881)
		5,830

21.1 York Arcade Holdings PLC has subscribed to Rated Secured Debentures of Kotagala Plantations PLC at Rs. 100/- each having the the following terms :

Category	No. of Debentures	Terms of Debentures	Interest Rates	Date of Maturity
Type C (Restructured)	50,000	6 Years	7.50%	31st August 2026
Type D (Restructured)	50,000	6 Years	7.50%	31st August 2026

* The rated Redeemable Debentures Type C and Type D issued by Kotagala Plantations PLC in terms of the Trust deed dated 5th May, was restructured with the requisite consent of the Debenture Holders of Kotagala Plantations PLC at a meeting convinced by the Tuestees on 17th September 2020.

21.2 Allowance for Impairment on Corporate Debt Securities Amortised Cost

As at	Consolidated
	31.03.2026 Rs.'000
Balance at 01st April	1,942
Charge for Impairement on Corporate Debt Securites	(61)
Balance at 31st March	1,881

22. Inventories

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Raw Materials	2,333,780	2,383,117	592,862	811,527
Work- in -Progress	499,012	183,295	24,434	19,698
Finished Goods	4,674,188	4,558,848	1,063,972	837,048
Goods-in-Transit	244,540	90,859	242,241	77,738
Consumable Stock	455,053	421,065	-	-
Packing & Other Materials	43,581	24,629	-	-
	8,250,154	7,661,813	1,923,509	1,746,011
Less: Provision for Obsolete Inventories (Note 22.1)	(718,964)	(593,072)	(98,948)	(123,074)
	7,531,190	7,068,741	1,824,561	1,622,937

22.1 Provision for Obsolete Inventories

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Balance as at 1st April	593,072	448,819	123,074	86,962
Provision for the Year	241,412	183,103	38,808	36,214
Inventory Write-off	(115,520)	(38,850)	(62,934)	(102)
Balance as at 31st March	718,964	593,072	98,948	123,074

23. Trade & Other Receivables

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Trade Receivables	8,326,245	8,362,466	2,295,463	2,002,138
Provision for Impairment of Trade Receivables (Note 23.1.1)	(562,424)	(563,715)	(359,374)	(301,803)
	7,763,821	7,798,751	1,936,089	1,700,335
Other Receivables	757,601	763,458	490,193	244,924
Deposits, Advances and Prepayments	1,223,500	737,386	6,250	5,000
Staff Loan	45,311	40,710	1,023	1,824
Tax Recoverable (Note 23.2)	421,413	222,302	-	-
Provision for Impairment of Other Receivables (Note 23.1.2)	(33,134)	(33,431)	-	-
	2,414,691	1,730,425	497,466	251,748
	10,178,512	9,529,176	2,433,555	1,952,083

23.1.1 Provision for Impairment on Trade Receivables

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Balance as at 1st April	563,715	539,776	301,803	258,456
Provision Made During the Year	92,126	98,519	70,427	43,347
Reversal During the Year	(50,626)	(4,609)	-	-
Written-off During the Year	(42,791)	(69,971)	(12,856)	-
Balance as at 31st March	562,424	563,715	359,374	301,803

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

23.1.2 Provision for Impairment of Other Receivables

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Balance as at 01st April	33,431	34,256	-	-
Reversal Made During the Year	(297)	(825)	-	-
Balance as at 31st March	33,134	33,431	-	-

23.2 Taxes Recoverable

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Withholding Tax	28,720	15,830	-	-
Value Added Tax	392,693	206,472	-	-
	421,413	222,302	-	-

24. Cash & Cash Equivalents

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Favorable Balance				
Fixed Deposits	11,599	7,975	-	-
Cash at Bank	1,236,153	916,569	314,215	106,113
Cash in Hand	83,781	62,686	1,325	1,024
	1,331,533	987,230	315,540	107,137
Unfavorable Balance				
Bank Overdraft	(1,446,585)	(1,158,038)	(520,632)	(232,832)
	(115,052)	(170,808)	(205,092)	(125,695)

25. Non - Current Assets Held for Sale

Subsequent to the reporting date, on 24th July 2026, the group's subsidiary, ACME Printing & Packaging PLC has disposed its properties (Land and Building) situated at No.318, Gonamaditta Road, Piliyandala for a consideration of Rs.630,000,000/-. Therefore, aforementioned properties have been recognised as "Non-current assets held for sale" as per the requirements of SLFRS 5 - Non-current Assets held for Sale and Discontinued Operations.

As at	Consolidated	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Balance at the Beginning of the Year	-	-
Transferred from Property, Plant & Equipment (Note 12)	629,185	-
Disposal during the year	-	-
Balance at the End of the Year	629,185	-

26. Stated Capital

As at	31.03.2026		31.03.2025	
	Number of Shares	Value of Shares Rs.'000	Number of Shares	Value of Shares Rs.'000
Fully Paid Ordinary Shares	137,255,352	2,483,681	51,470,757	1,282,697

The holders of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to one vote per individual present at meetings of the shareholders or one vote per share in the case of a poll.

27. Capital Reserves

	Other Capital Reserves Rs'000	Revaluation Reserves Rs'000	FVOCI Reserves Rs'000	Total Rs.'000
Consolidated				
Balance as at 01st April 2025	4,833	3,909,580	36,343	3,950,756
Gain on Financial Assets Measured at FVOCI (Net of Tax)	-	-	72,883	72,883
Revaluation Gain on Buildings (Net of Tax)	-	19,939	-	19,939
Balance as at 31st March 2026	4,833	3,929,519	109,226	4,043,578
Company				
Balance as at 01st April 2025	-	619,850	48,037	667,887
Gain on Financial Assets Measured at FVOCI (Net of Tax)	-	-	3,785	3,785
Balance as at 31st March 2026	-	619,850	51,822	671,672

27.1 Other Capital Reserves

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

27.2 Fair Value through OCI Reserves

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

27.3 Revaluation Reserve

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

28. Interest Bearing Borrowings

As at		Consolidated		Company	
		31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Payable after one year					
Long Term Loans	(Note 28.1)	3,988,682	4,327,117	1,809,617	1,901,965
Loans Payable to Related Parties	(Note 28.3)	151,590	26,590	145,643	160,542
		4,140,272	4,353,707	1,955,260	2,062,507
Payable within one year					
Long Term Loans	(Note 28.1)	1,973,876	1,211,136	726,734	452,654
Short Term Loans	(Note 28.2)	8,528,474	9,040,027	2,815,742	2,989,849
Interest Payable		110,903	487,882	28,983	131,219
		10,613,253	10,739,045	3,571,459	3,573,722
Loans Payable to Related Parties	(Note 28.3)	375,000	389,664	527,000	120,369
Total		10,988,253	11,128,709	4,098,459	3,694,091
Total Interest Bearing Borrowings		15,128,525	15,482,416	6,053,719	5,756,598

28.1 Long Term Loans

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Balance at the Beginning	5,538,253	5,791,841	2,354,619	2,210,008
Loans Obtained During the Year	2,529,595	1,045,677	700,000	123,000
Transfer from Short Term Loans	100,000	400,000	100,000	400,000
Effects on Foreign Currency Fluctuations	6,325	(21,019)	-	-
Loan Reschedule	(16,432)	-	(16,432)	-
Payments Made During the Year	(2,195,183)	(1,678,246)	(601,836)	(378,389)
Balance at the End	5,962,558	5,538,253	2,536,351	2,354,619
Payable Within One Year	1,973,876	1,211,136	726,734	452,654
Payable After One Year	3,988,682	4,327,117	1,809,617	1,901,965

28.2 Short Term Loans

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Term Loans	5,878,697	6,132,543	1,023,446	942,045
Trust Receipt Loans	2,649,777	2,907,484	1,792,296	2,047,804
	8,528,474	9,040,027	2,815,742	2,989,849

28.3 Loans Payable to Related Parties

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Balance at the Beginning	416,254	220,009	280,911	298,479
Loans Transferred / Obtained During the Year	565,000	235,000	837,000	160,000
Payments Made During the Year	(454,664)	(38,755)	(445,268)	(177,568)
Balance at the End	526,590	416,254	672,643	280,911
Loans Payable to Related Parties are as Follows:				
The Colombo Fort Land & Building PLC	375,000	20,576	370,000	10,000
Darley Butler & Co. Ltd.	-	100,000	-	-
Sigiriya Village Hotels PLC	-	-	-	60,369
Colombo Fort Hotels Ltd.	-	-	42,000	-
SunAgro LifeScience Ltd.	-	-	260,643	210,542
E.B. Creasy & Company PLC	-	134,088	-	-
Agarapatana Plantations PLC	151,590	161,590	-	-
	526,590	416,254	672,643	280,911
Payable Within One Year	375,000	389,664	527,000	120,369
Payable After One Year	151,590	26,590	145,643	160,542

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

Party	Interest Rate
Colombo Fort Hotels Ltd.	AWPLR + 2%
The Colombo Fort Land & Building PLC	AWPLR + 2%
SunAgro LifeScience Ltd.	AWPLR + 3.75% / 2%

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

Party	Interest Rate
The Colombo Fort Land & Building PLC	AWPLR + 2%
Agarapatana Plantations PLC	AWPLR + 2%

28.4 Assets Pledged as Security Against Interest Bearing Borrowings

Company	Lender	Balance as at 31.03.2026 Rs.'Mn	Balance as at 31.03.2025 Rs.'Mn	Terms of Repayment	Interest	Security Pledged
Lankem Ceylon PLC	**Sampath Bank PLC**					
	Loan 1	-	30.11	In January 2025, existing loan Rs. 189.888 Mn was convert to new reschedule facility payable over 15 monthly installments on 26th of each month as follows, together with interest . 1-3 months - Rs.2.625 Mn, 4-14 months - Rs.8.130 Mn and 15th month - Rs.10.458 Mn.	AWPLR + 1.25% p.a.	(a) Term Loan Agreement of Rs.60.11 Mn. (b) Term Loan Agreement of Rs.189.888 Mn. (C) Corporate guarntee of E.B.Creasy & Company PLC Rs. 250 Mn. (d) Corporate guarantee of E.B. Creasy & Co PLC for Rs.200 Mn. (e) Hypothecation bond over stock and book debts for Rs.450 Mn over stocks lying at Makandura Industrial Zone (West) Pannala and book debts of the Company.
	Loan 2	-	99.89	In January 2025, existing loan Rs. 60.112 Mn was convert to new reschedulement facility payable over 14 monthly installments on 26th of each month as follows, together with interest. 1-2 months - Rs.0.875 Mn, 3-13 months - Rs.2.71 Mn and 14th month - Rs.0.302 Mn.	AWPLR + 1.25% p.a.	
	Commercial Bank of Ceylon PLC					
	Loan 1	312.50	375.00	In 60 monthly installments of Yr - 1 Rs. 5 Mn, Yr - 2 Rs. 5.5 Mn, Yr - 3 Rs. 6.5 Mn, Yr - 4 Rs. 7.5 Mn, Yr - 5 Rs. 8.75 Mn and a final installment of Rs. 9.75 Mn together with interest payable monthly on reducing balance of capital.	AWPLR + 2.5% p.a.	(a) Primary Mortgage for Rs. 200 Mn over land at Ja-ela. (b) Secondary Mortgage Bond No. 528 dated 07-04-1998 for Rs.50 Mn executed over above property. (c) Tertiary Mortgage Bond for Rs. 307 Mn over above property. (d) Additional Mortgage Bond for Rs.400 Mn over stocks and assignment of book debts to be executed by th Company. (e) Corporate guarantee of E.B. Creasy & Company PLC Rs. 382 Mn. (f) Corporate guarantee of E.B. Creasy & Company PLC Rs. 215 Mn.
	Loan 2	43.00	55.00		AWPLR + 2.5% p.a.	
	Peoples' Bank					
	Loan 1	493.20	498.00	In June 2025, Existing loan Rs. 515 Mn was convert to new reschedulement facility, payable over 132 monthly installments.	AWPLR + 2.5% p.a. during the first year and six months subject to monthly review for next 7 years.	(a) Mortgage over stocks and Book debts. (b) Corporate Gurantee from SunAgro LifeScience Ltd. for Rs.515 Mn.

Company	Lender	Balance as at 31.03.2026 Rs.'Mn	Balance as at 31.03.2025 Rs.'Mn	Terms of Repayment	Interest	Security Pledged
	Loan 2	192.00	216.43	In June 2025, outstanding interest were capitalised into a new term loan facility, payable over 108 monthly installments.	AWPLR + 2.5% p.a.	
	Loan 3	64.40	73.80	Resheculed term loan, payable over 96 monthly installments.	AWPLR + 2% p.a.	Stock in Trade & Book debts, Company Indemnity
	Loan 4	38.10	43.40	Resheculed term loan, payable over 96 monthly installments.	AWPLR + 2% p.a.	Stock in Trade & Book debts, Company Indemnity
	Loan 5	15.00	24.00	Capitalised interest loan, payable over 60 monthly installments.	AWPLR + 2% p.a.	Stock in Trade & Book debts, Company Indemnity
	Loan 6	5.40	8.90	Resheculed term loan, payable over 60 monthly installments.	AWPLR + 2% p.a.	Stock in Trade & Book debts, Company Indemnity
	National Development Bank					
	Loan 1	90.01	-	In August 2025, existing import loans and short term loans were convert into a new term loan facility of Rs.100 Mn, payable over 36 equal monthly installmentsof Rs.3,254,489.77 inclusive of interest.	9.85%	Mortgage over stocks and book debts
	Nations Trust bank					
	Loan 1	192.32	245.62	In June 2022, existing loan was converted to new reschedulement facility. Payable over 62 installments inclusive of interest.	First year from 13th August 2021 to 13th August 2022 - Fixed rate 7.5% p.a. and then AWPLR + 1.5% p.a.	(a) Mortgage over stocks and book debts of Rs. 300 Mn. (b) Corporate gurantee from SunAgro Lifescience Ltd. For Rs.300 Mn. (c) Letter of comfort from Colombo Fort Land & Building PLC.
	Peoples Leasing & Finance PLC					
	Loan 1	-	28.01	In February 2023, existing loan was converted to new reschedule facility, payable over 36 installments, Rs.2,872,608/- per month (Installment amount can be varied due to revision of AWPLR)	AWPLR + 3% p.a.	Corporate Guarantee from SunAgro LifeScience Ltd. for the value of Rs. 65.53 Mn.
	Loan 2	125.42	145.75	Repayable over period of 48 months commencing from 30th August 2024. 1-1 months - Rs. 3,000,000/- 2-19 months - Rs.3,000,000/- 20-48 months - Rs.5,325,727/-.	16% p.a.	Corporate Gurantee from SunAgro Lifescience Ltd.

Company	Lender	Balance as at 31.03.2026 Rs.'Mn	Balance as at 31.03.2025 Rs.'Mn	Terms of Repayment	Interest	Security Pledged
	Pan Asia Banking Corporation PLC					
	Loan 1	-	52.27	Repayable within 6 years with a grace period of 12 months.	01 Month AWPLR + 3.5% p.a. with rebate of 2% p.a. Subject to a floor rate of 19% p.a. with rebate of 2% p.a.	Floating Mortgage Bond for Rs.150 Mn over stocks stored at Lankem Paint factory,Horncastle Estate,Kanuwana, Ja-Ela together with an assignment over book debts (Mortgage bond No.313 of 20/11/2008) Pledge over trading shares for Rs 147 Mn held in Slash Account.
	Siyapatha Finance PLC					
	Loan 1	-	157.44	Payable over 96 monthly installments (Commencing from 10th January 2021).	0%	Corporate Guarantee from J.F.Packaging Ltd., for the value of Rs.157,589,894/-.
	Hatton National Bank					
	Loan 1	265.00	301.00	Payable over 72 monthly installments. Interest to be serviced monthly. 1-12 months -Rs. 2 Mn, 12-24 months - Rs.3 Mn, 24-36 months - Rs.4 Mn, 36-48 months -Rs.5 Mn, 48-60 months - Rs. 6.25 Mn, 61-71 months - Rs. 7 Mn, Last installment - Rs. 5 Mn.	AWPLR + 0.5% p.a.	Secondary floating mortgage for Rs.325 Mn over commercial property (Free Hold) belonging to Union Commodities (Pvt) Ltd. at No. 79, Biyagama Road, Talwatte, Kelaniya to the extent of 3A 3R 11.2 P including Machinery and Buildings.
	Loan 2	700.00	-	Facility to be repaid over a period of 05 years inclusive of an initial capital grace period of 06 months. A minimum of Rs.350,000,000/- to be settled within the grace period of 06 months. Therafter the loan be repaid in 53 equal monthly installments of Rs.6,482,000/- and a final installment of Rs.6,454,000/- together with monthly interest.	AWPLR + 1.75% p.a.	Tripartite Agreement between Lankem Ceylon PLC, HNB PLC as the Financier and HNB PLC as the Custodian Bank in a format acceptable to the Bank over the 120,406,800 No. shares of JF Packaging PLC with a 50% margin to be held in CDS SLASH account to be opened in the name of Hatton National Bank PLC/Lankem Ceylon PLC along with a Special Power of Attorney.
		2,536.35	2,354.62			
Beruwala Resorts PLC						
	Cargills Bank PLC					
	Term Loan USD	154.23	172.10		7.75% p.a	Primary mortgage over Land and Buildings of B.O.T. Hotel Services (Pvt) Ltd. situated at Weligama.

Company	Lender	Balance as at 31.03.2026 Rs.'Mn	Balance as at 31.03.2025 Rs.'Mn	Terms of Repayment	Interest	Security Pledged
	Term Loan LKR	138.35	174.88		One Month AWPLR + 2% p.a / One Month AWPLR + 1.5% p.a	Corporate guarantee of Colombo Fort Land and Buildings PLC Rs. 25 Mn.
		292.58	346.98			
Sigiriya Village Hotels PLC	**Sampath Bank PLC**					
	Term Loan	133.99	115.45	Repayable over 35 monthly installments.	AWPLR + 1%	Primary Mortage Bond for Rs.195,000,000/- over leasehold right of property at No.01, Hotel Road Sigiriya owned by the Sri Lanka Tourism Development Authority. Also depicted as Lot No. 217B and 217C in survey Plan No.2356 dated 22nd January 1979 made by Mr. H.Anil Peris (Licensed Surveyor).
		133.99	115.45			
Marawila Resorts PLC	**Commercial Bank of Ceylon PLC**					
	Loan 1 - LKR	49.67	80.80	Repayable over 48 monthly installments, as advice by the bank.	AWPLR + 1.5% p.a	Floating Primary Mortgage Bond No.5484 dated 26.03.2019 for Rs. 120,000,000/- executed over the property situated at “Club Palm Bay”. Thalwilawella, Marawila more fully depicted as Lots 03 to 09 in Plan No. 5656 dated 16.10.2016 drawn by Mr. W S S A Fernando (L/S) in extent of A 24: R:0 P 2.7 owned by Marawila Resorts PLC.
	Loan 3 - USD	146.55	159.74	Total of existing USD term loan outstanding is USD 631,376/- which should be repaid in 60 monthly installments	SOFR (3 months) + 4.15% p.a	
	Loan 3 - LKR	58.81	81.74	Repayable over 60 monthly installments, per monthly Rs.1.5 Mn.	AWPLR + 1.5% p.a	
	Loan 4 - LKR	28.99	-	Repayable 10 Mn over 03 months and 30 Mn within 04 months from the date of granted.	AWPLR + 1.5% p.a.	
		284.02	322.28			
Galle Fort Hotels (Pvt) Ltd.	**Cargills Bank PLC**					
	Loan 1 - LKR	49.75	73.63	Repayable over 34 equal monthly installements	AWPLR+2% p.a	(a) Primary mortgage bond over property mentioned as Lot X in the plan No.130 and Lot A and B in plan No.151 situated at Fort Village in the Gramasewa Division of Fort 96 D in the district of Galle. (b) Brand New Mazda BT 50 4WD
	Loan 2 - LKR	8.88	-	Repayable over 60 equal monthly installements.		

Company	Lender	Balance as at 31.03.2026 Rs.'Mn	Balance as at 31.03.2025 Rs.'Mn	Terms of Repayment	Interest	Security Pledged
	Loan 3 - USD	153.63	171.83	Repayable over 72 equal monthly installements	7.75Yo p.a	
		212.26	245.46			
JF Packaging PLC (Previously known as JF Packaging Ltd.)	**Sampath Bank PLC**					
	Loan 1	-	22.98	Repayable over 60 monthly installments, 01-12 months- Rs. 0.32 Mn, 13-24 months - Rs.1 Mn, 25-36 months - Rs.1.75 Mn, 37-48 months - Rs. 2.25 Mn, 49- 60 months - Rs.3 Mn.	AWPLR + 1%	Corporate guarantee of Lankem Ceylon PLC for Rs.98.87 Mn mortgage over shares of Alliance Five (Pvt) Ltd.
	Loan 2	-	6.03	Repayable over 60 monthly installments, 01-12 months - Rs. 0.12 Mn, 13-24 months - Rs.0.25 Mn, 25-36 months - Rs. 0.45 Mn, 37-48 months - Rs. 0.58 Mn, 49- 60 months - Rs.74 Mn.	AWPLR + 1%	Mortgage over Dry laminating machine and related equipment's
	Loan 3	-	0.40	Repayable over 60 monthly installments of Rs.47,500/-	AWPLR + 1%	
	Bank of Ceylon					
	Loan 1	-	51.57	Repayable over 72 monthly installments, 01-12 months - Rs. 0.5 Mn, 13-24 months - Rs.0.75 Mn, 25-36 months - Rs. 1.702 Mn, 37-48 months - Rs. 2.119 Mn, 49- 60 months - Rs.2.536 Mn, 61-72 months - Rs.2.607 Mn.	AWPLR + 1.5%	Primary mortgage of Land, building and machinery situated at No.306, Minuwangoda Road, Kotugoda.
	Loan 2	-	27.64	Repayable over 60 monthly installments, 01-12 months- Rs. 0.5 Mn, 13-24 months - Rs.0.75 Mn, 25-36 months - Rs.1.00 Mn, 37-48 months - Rs. 1.333 Mn, 49- 60 months - Rs.1.415 Mn.	AWPLR + 1.5%	
	Loan 3	-	44.72	Repayable over 72 monthly installments, 01-12 months - Rs. 0.5 Mn, 13-24 months - Rs.0.75 Mn, 25-36 months - Rs.1.00 Mn, 37-48 months - Rs. 1.828 Mn, 49- 60 months - Rs.1.995 Mn, 61-72 months - Rs.2.397 Mn	AWPLR + 2%	
	Loan 4	-	161.85	Repayable over 5 years in equal monthly capital of Rs. 4,927,975/-	AWPLR + 2%	Mortgage over stock and book debts held at factory premises at No. 306, Menuwangoda Road, Kotugoda.

Company	Lender	Balance as at 31.03.2026 Rs.'Mn	Balance as at 31.03.2025 Rs.'Mn	Terms of Repayment	Interest	Security Pledged
	Loan 6	-	152.76	Repayable over 72 monthly installments, 01-12 months - Rs. 0.5 Mn, 13-24 months - Rs.1.00 Mn, 25-36 months - Rs.3.283 Mn, 37-48 months - Rs. 4.283 Mn, 49- 60 months - Rs.5.033 Mn, 61-72 months - Rs.2.599 Mn	AWPLR + 1.5%	Primary mortgage of Land, building and machinery situated at No.306, Minuwangoda Road, Kotugoda.
	Nation Trust Bank PLC					
	Loan 1	-	91.27	Repayable over 48 monthly installments.	AWPLR + 1.25%	Mortgage over stocks and book debts held at factory premises at No:306,Minuwangoda Road, Kotugoda.
	Siyapatha Finance PLC	-	29.82	Repayable over 37 monthly installments, 1-36 Months Rs. 2 Mn and Final installment of Rs. 58.82 Mn.	AWPLR + 2%	Corporate guarantee from Ceylon Tapes (Pvt) Ltd. and the loan agreement for Rs.100 Mn.
		-	589.04			
C.W.Mackie PLC	**Commercial Bank of Ceylon PLC**					
	Loan 1	71.43	100.00	Repayable over 60 monthly installments.	9.25% p.a	Mortgage bond over the machinery valued Rs.1.7 Mn at Kaluaggala, Hanwella
	Loan 2	-	0.17	Repayable over 60 monthly installments.	AWPLR + 1.75%	Floating primary mortgage bond over property situated at Mungama, Horana
	Hatton National Bank PLC	-	22.41	Repayable over 42 monthly installments.	AWPLR + 0.75 & 1% p.a	Floating primary mortgage bond over property situated at Mungama, Horana
	Seylan Bank PLC	1,050.00	-		10% p.a	Registration books of motor vehicles
		1,121.43	122.58			
SunAgro LifeScience Ltd.	**Peoples Leasing & Finance PLC**					
	Loan 1	55.01	90.88	Repayable over a period of 60 months commencing from 01st June 2022; 01-60 month - Rs .3,743,624/-,	10% per annum	Corporate Guarantee of Lankem Ceylon PLC to the value of Rs.176,195,001.72/-.
	Hatton National Bank PLC					
	Loan 1	65.64	178.14	To be repaid over a period of five years follows together with interest after an initial grace period of 12 months. 0-12 months - Grace Period, 13-36 months - Rs.6.25 Mn per month 27-48 Months - Rs.7.8 Mn per month and 48-60 Months - Rs.10.94 Mn per month.	AWPLR + 1.75%	Corporate Guarantee of Lankem Ceylon PLC to the value of Rs.375 Mn.
		120.65	269.02			

Company	Lender	Balance as at 31.03.2026 Rs.'Mn	Balance as at 31.03.2025 Rs.'Mn	Terms of Repayment	Interest	Security Pledged
ACME Printing and Packaging PLC	**Seylan Bank PLC**	12.49	20.83	Repayable in monthly installments commencing from Oct 2024.	AWPLR + 2.5%	Monthly transfer of Rs.0.15 Mn to savimgs account.
	National Development Bank PLC					
	Loan 1	44.39	39.10	Repayable in 54 equal monthly installments commencing from May 2023	AWPLR + 2%	Primary Mortgage Bond over stocks and book debt of the borrowers and monthly transfer of Rs. 0.1 Mn to savings accounts
	Loan 2	20.21	31.48	Repayable in 53 equal monthly installements commencing from May 2023.	AWPLR + 2%	
	Softlogic Finance PLC	25.30	39.20	Repayable in 60 monthly installements commencing from May 2023.	AWPLR + 2%	
		102.39	130.61			
ACME Packaging Solutions (Pvt) Ltd.	**Sampath Bank PLC**	-	42.89	Repayable in equal monthly installments commencing from December 2018	AWPLR + 2.5%	Mortage of Rs. 90 Mn ovber Machinery owened by ACME Packaging Solution (Pvt) Ltd.
	National Development Bank PLC					
	Loan 1	13.32	20.59	Repayable in 53 equal monthly installments commencing from May 2023	AWPLR + 2%	Primary Mortgage Bond over stocks & book debt of the borrowers and Monthly transfer of 0.10 Mn to Savings Account.
	Softlogic Finance PLC	143.60	126.82	Repayable in 60 equal monthly installments commencing from May 2023	AWPLR + 2%	
		156.92	190.30			
Sherwood Holidays Ltd.	**Cargills Bank PLC**	-	5.00	Temporary Loan	AWPLR + 2%	Double Cab - Vehicle
	Union Bank	67.51	-	Repayable over 60 equal monthly installements.	11.25%P A	Vehicle-Brand New
		67.51	5.00			
Ceylon Tapes (Pvt) Ltd.	**Hatton National Bank PLC**					
	Loan 1	314.20	325.00	Repayable over 7 years in 84 month installments 01-12 month - interest only 13-24 month - Rs. 0. 9 Mn 25-36 month-Rs.3.4 Mn 37-48 month-Rs.3.9 Mn 49-60 month-Rs.5.9 Mn 61-72 month-Rs.6.5 Mn 78-78 month-Rs.7.05 Mn 79-83 month-Rs. 8.06 Mn 84 month-Rs.7.14 Mn.	AWPLR +0.5%	Commercial Propesty owened by Union Commodity (Pvt) Ltd, No. 79, Biyagama Road, Talwatte, Kelanya

Company	Lender	Balance as at 31.03.2026 Rs.'Mn	Balance as at 31.03.2025 Rs.'Mn	Terms of Repayment	Interest	Security Pledged
	Loan 2	63.75	-	Repayable over 5 years in equal monthly capital of Rs. 1.250,000/	AWPLR+1%	Primary Mortage Bond for Rs. 60 Mn over Machinery Situated at No. 60/1, Aniyakanda Estate, Nagoda, Kandana. Corporate guarantee from J.F. Packaging PLC for Rs. 75 Mn.
		377.95	325.00			
Lankem Minerals Ltd.	**Hatton National Bank PLC**	556.51	521.91	Payable over a period of 72 Months inclusive of an initial capital grace period of 12 months & capital - 60 monthly installments of Rs. 10.0 Mn each.	AWPLR + 1.5%	a) Corporate Guarantee of Lankem Ceylon PLC For Rs, 1,800.0 Mn. b) Corporate Guarantee of Sunagro LifeScience Ltd. for Rs, 1,800.0 Mn. c) Agreement to Mortgage over land, building and machinery including project_ assets at Oyamaduwa Village, Oyamaduwa along with a special Power of Attorney d) Assignment of all project documents, receivables, insurance etc. in favour of the bank by way of additional Mortgage Bond. e) Mortgage over 70,012,500 No of shares of Lankem Minerals Ltd. along with a special Power of Attorney.
		556.51	521.91			
		5,962.56	5,538.25			

29. Lease Liabilities

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Balance as at 01st April	314,701	279,245	17,824	27,821
Leases Obtained During the Year	383,089	104,896	83,212	-
Payments Made During the Year	(149,155)	(115,802)	(20,365)	(13,499)
Interest Charged During the Year	57,051	47,325	2,950	4,465
De-Recognition of Liability due to Termination During the Year	(3,435)	(963)	(3,435)	(963)
Balance at the End of the Year	602,251	314,701	80,186	17,824
Amounts Recognised in Profit and Loss				
Amortisation on Right-of-Use-Assets	106,890	81,269	17,240	10,527
Interest Charged During the Year	57,051	47,325	2,950	4,465
Amounts Recognised in Cash Flow				
Payments Made During the Year	(149,155)	(115,802)	(20,365)	(13,499)

29.1 Maturity Analysis

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Payable Within One Year	117,311	72,108	16,921	7,766
Payable After One Year	484,940	242,593	63,265	10,058
	602,251	314,701	80,186	17,824

30. Deferred Income

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
At the Beginning of the Year	69,127	64,560	-	-
Grants Received During the Year	-	4,567	-	-
At the End of the Year	69,127	69,127	-	-
Amortisation				
At the Beginning of the Year	46,449	38,074	-	-
Amortisation for the Year	7,093	8,375	-	-
At the End of the Year	53,542	46,449	-	-
Net Deferred Income	15,585	22,678	-	-

Consolidated

C.W.Mackie PLC

C. W. Mackie PLC (CWM) has been awarded a Government grant from Ministry of Plantation Industries, amounted to Rs. 45.6 Mn. for the acquisition of peanut processing line and automated packing machines in 2024. The government grant is recognised as deferred income and is being amortised over the useful life of the machinery.

Kelani Valley Canneries Ltd.

During the year 2019/20, the Company has acquired an Automated Filling Machine at a total cost of Rs 2.2 Mn. under a government grant scheme from Industrial Development Board of Ceylon, which was aimed at facilitating Micro Small and Medium Enterprises (MSME) engaged in food based products. The government grant is recognised as deferred income and is being amortised over the useful life of the machinery.

In accordance with the term of the grant KVC has started the production with above machineries and shall not dispose, assign, pledge, mortgage, gift, or let rent the machinery for a period of five years from the date of purchase.

31. Deferred Tax (Liabilities) /Assets

As at		Consolidated		Company	
		31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Balance at the Beginning of the Year		(2,052,473)	(1,449,106)	149,529	225,557
On Acquisition of Subsidiary		(4,865)	-	-	-
Recogised Through Profit or Loss	31.1	(19,985)	(161,874)	149,864	(68,492)
Recogised Through OCI	31.2	3,780	(441,493)	14,846	(7,536)
Balance at the End of the Year	31.3	(2,073,543)	(2,052,473)	314,239	149,529

31.1 Recognised in Profit or Loss for the Year

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Due to Change in Temporary Differences	(19,985)	(161,874)	149,864	(68,492)
	(19,985)	(161,874)	149,864	(68,492)

31.2 Recognised through OCI

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Due to Change in Temporary Differences	3,780	(441,493)	14,846	(7,536)
	3,780	(441,493)	14,846	(7,536)

31.3 Deferred Tax (Liabilities)/Assets

The composition of deferred tax (liabilities)/assets as at 31st March 2026 are as follows:

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Deferred Tax Assets				
Defined Benefit Obligations	199,448	166,053	106,147	83,919
Tax Losses Carried Forward	602,391	546,566	354,079	161,197
Provision for Impairment of Trade Receivables	280,015	242,768	107,812	90,541
Provision for Obsolete Inventories	139,217	122,039	29,684	36,922
Unclaimed Finance Cost	15,553	76,039	-	55,489
Lease Liability	(89,748)	(35,160)	24,056	5,347
Gain on FVTOCI Investments	11,714	17,603	13,695	13,778
Property, Plant & Equipment	(930,718)	(867,709)	(15,018)	(21,194)
Revaluation Surplus	(2,355,933)	(2,339,012)	(265,650)	(265,650)
Intangible Assets	(5,144)	(1,281)	(5,144)	(1,281)
Unrealised Foreign Exchange Gain	(6,423)	902	-	-
Right of Use Assets	66,085	18,719	(35,422)	(9,539)
Net Deferred Tax (Liabilities)/Assets	(2,073,543)	(2,052,473)	314,239	149,529

31.4 Accumulated Tax Losses

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

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

31.5 Unclaimed Finance Cost

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

31.6 Revaluation Surplus on Freehold Land and Buildings

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

31.7 Tax Rates - Substantively Enacted as at the Reporting Date

The Group / Company has considered the tax rates substantively enacted as at 31st March 2026 in calculating the deferred tax liabilities /assets. Following tax rates enacted in the Inland Revenue (Amendment) Act No 45 of 2022 have been considered as the rates that were substantively enacted as at the reporting date.

As such, following tax rates have been used by the Group in calculating deferred tax assets / liabilities as at 31st March 2026.

Company	Tax Rates used as at	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Lankem Ceylon PLC	30%	30%
Marawila Resorts PLC	30%	30%
JF Packaging PLC (Formerly known as JF Packaging Ltd.)	30%	30%
SunAgro LifeScience Ltd.	30%	30%
Sigiriya Village Hotels PLC	30%	30%
Beruwala Resorts PLC	30%	30%
B.O.T. Hotel Services (Pvt) Ltd.	30%	30%
Galle Fort Hotels (Pvt) Ltd.	30%	30%
C.W. Mackie PLC	30%	30%
Alliance Five (Pvt) Ltd.	30%	30%
Kiffs (Pvt) Ltd.	30%	30%
Ceylon Tapes (Pvt) Ltd.	30%	30%
Nature's Link Ltd.	30%	30%
ACME Printing & Packaging PLC	30%	30%
Lankem Minerals Ltd.	30%	30%
York Arcade Holdings PLC	30%	30%

31.8 Deferred Tax Assets not Recognised

(a) No provision has been made for deferred tax in the financial statements of Imperial Hotels Ltd. as no material temporary differences have arisen during the year which are expected to reverse in the future.

(b) Deferred tax assets have not been recognised in respect of accumulated tax losses on the following companies:

As at	31.03.2026		31.03.2025	
	Temporary Differences Rs. Mn	Deferred Tax Asset Rs. Mn	Temporary Differences Rs. Mn	Deferred Tax Asset Rs. Mn
ACME Printing and Packaging PLC	1,054	316	1,113	334
ACME Packaging Solutions (Pvt) Ltd.	232	70	610	183
Kelani Valley Canneries Ltd.	41	12	46	14
Ceytra (Pvt) Ltd.	108	40	79	24
Lankem Minerals Ltd.	1,014	304	564	169
York Arcade Holdings PLC	1,003	301	-	-
	3,452	1,043	2,412	724

32. Retirement Benefit Obligations

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Present Value of the Funded Obligations (Note 32.2)	414,148	435,269	353,825	279,729
Present Value of the Unfunded Obligations (Note 32.3)	383,861	282,911	-	-
Present Value of the Obligations	798,009	718,180	353,825	279,729
Fair Value of Retirement Benefit Assets (Note 32.1)	(98,239)	(123,319)	(7,483)	(6,667)
Present Value of Net Obligations	699,770	594,861	346,342	273,062

Company
An Actuarial valuation has been carried out as at 31st March 2026 by Messrs. Actuarial and Management Consultants (Private) Ltd. as required by the Sri Lanka Accounting Standard 19 'Employee Benefits'.

Plan Assets of the Company are held by an approved external gratuity fund where it invests in insurance scheme amounting to Rs.7.48 Mn. as at the date of Statement of Financial Position.

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

32.1 Fair Value of Retirement Benefit Assets

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Movements in Fair Value of Plan Assets				
Fair Value of Plan Assets at the Beginning of the Year	123,319	110,718	6,667	5,646
Contribution Paid to the Plan Assets	28,151	23,637	-	-
Expected Return on Plan Assets	11,126	12,273	667	678
Benefits Paid by the Plan Assets / the Company	(58,976)	(18,591)	-	-
Actuarial (Losses) / Gain	(5,381)	(4,718)	149	343
Fair Value of Retirement Benefit Assets	98,239	123,319	7,483	6,667

32.2 Present Value of the Funded Obligations

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Movement in Present Value of Funded Obligations				
Balance at the Beginning of the Year	435,269	394,891	279,729	218,678
Transfer Out	-	-	-	(3,098)
Provision for the Year	47,483	41,899	52,479	43,092
	482,752	436,790	332,208	258,672
Benefits Paid by the Plan Assets / the Company	(69,307)	(10,241)	(28,146)	(21,412)
Actuarial Losses	703	8,720	49,763	42,469
Present Value of Defined Benefit Obligations	414,148	435,269	353,825	279,729

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Expenses Recognised in the Statement of Profit or Loss				
Current Service Cost	22,280	18,179	24,506	16,851
Interest Cost	25,203	23,720	27,973	26,241
	47,483	41,899	52,479	43,092
Expected Return on Plan Assets	(11,126)	(12,273)	(667)	(678)
	36,357	29,626	51,812	42,414
Losses Recognised in OCI	703	8,720	49,763	42,469
	703	8,720	49,763	42,469

32.3 Present Value of the Unfunded Obligations

As at	Consolidated 2026 Rs.'000	Consolidated 2025 Rs.'000
Movement in Present Value of Unfunded Obligations		
Balance at the Beginning of the Year	282,911	181,442
Transfer Out	(2,129)	(8,748)
Provision for the Year	97,007	81,855
	377,789	254,549
Gratuity Paid	(59,532)	(37,869)
Actuarial Losses	65,604	66,231
Present Value of Defined Benefit Obligations	383,861	282,911
Expenses Recognised in the Statement of Comprehensive Income		
Current Service Cost	53,348	42,302
Interest on Obligations	43,659	39,553
Provision for the Year	97,007	81,855
Net Actuarial Losses	65,604	66,231
	162,611	148,086

Consolidated

(i) The retirement benefit obligations as at 31st March 2026 for Marawila Resorts PLC, Sigiriya Village Hotels PLC, Beruwala Resorts PLC and C.W.Makie PLC are based on actuarial valuation carried out by Messrs. Piyal S. Goonethilleke and Associates as per which liability as at 31st March 2026 were Rs. 18.7 Mn, Rs. 23.7 Mn, Rs. 18.6 Mn and Rs. 147.8 Mn respectively.

ii) The retirement benefit obligations as at 31st March 2026 for JF Packaging PLC (Formerly known as JF Packaging Ltd.) is based on actuarial valuation carried out by Messrs. Actuarial and Management Consultants (Private) Ltd. as per which liability as at 31st March 2026 was Rs.39.6 Mn.

iii) LKAS 19 - 'Employee benefit' requires to apply Project Credit Unit method to make a reliable estimate of the retirement benefit obligation in order to determine the present value of the retirement benefit obligation. These key assumptions were made in arriving at the retirement benefit obligation as at 31st March 2026 in respect of following companies are stated below:

Company Name	Expected Salary Increment Rate	Discount Rate	Liability as at 31.03.2026
Lankem Ceylon PLC	7.0%	9.0%	346
Marawila Resorts PLC	10.0%	10.8%	19
Sigiriya Village Hotels PLC	10.0%	10.8%	24
C.W. Mackie PLC	10.0%	10.8%	148
Beruwala Resorts PLC	10.0%	10.8%	19
SunAgro LifeScience Ltd.	7.0%	10.0%	4
Galle Fort Hotels (Pvt) Ltd.	7.5%	9.3%	4
Ceylon Tapes (Pvt) Ltd.	10.0%	10.0%	23
Lankem Paints Ltd.	7.0%	10.0%	19
JF Packaging PLC (Formerly known as JF Packaging Ltd.)	10.0%	10.0%	40
Sherwood Holidays Ltd.	7.5%	10.8%	4
Alliance Five (Pvt) Ltd.	10.0%	10.0%	14
Kiffs (Pvt) Ltd.	10.0%	10.0%	6
ACME Printing and Packaging PLC	10.0%	10.0%	32
			700

A long term treasury bond rate of 9% - 10.8% p.a. (2025-10% - 11.5%) has been used to discount future liability taking in to consideration remaining working life of employees.

32.4 Sensitivity of assumptions employed in actuarial valuation

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Consolidated	2026		2025	
	Increase Rs.'000	Decrease Rs.'000	Increase Rs.'000	Decrease Rs.'000
Movement by 1%				
Discount Rate	(38,682)	43,181	(35,684)	39,647
Future salary scale	47,460	(43,399)	41,253	(38,349)

Company	2026		2025	
	Increase Rs.'000	Decrease Rs.'000	Increase Rs.'000	Decrease Rs.'000
Movement by 1%				
Discount Rate	(9,919)	10,611	(8,836)	9,454
Future salary scale	11,169	(10,612)	9,971	(9,467)

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

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Within the Next 12 Months	144,944	109,796	56,088	41,215
Between 1-2 Years	245,577	179,905	178,735	125,129
Between 2 -5 Years	210,250	168,234	70,134	71,394
Between 5-10 Years	171,154	184,675	29,751	26,051
Beyond 10 Years	26,084	75,576	19,114	15,937
Weighted Average Duration of Defined Benefit Obligation	7 years	6 years	3.1 years	3.5 years

33. Trade And Other Payables

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Trade Payables	3,516,850	3,179,190	1,309,613	1,159,381
Other Payables	1,089,568	1,266,153	240,408	268,620
Accrued Expenses	1,160,045	962,228	400,958	323,771
WHT Payable	8,369	33,115	591	14,491
Unclaimed Dividend	25,500	29,397	4,285	11,953
NBT Payable	-	2,913	-	-
VAT Payable	325,444	415,013	186,806	242,870
Advance Received	307,319	123,469	-	-
Other Levies Payable	50,438	175,474	20,479	110,748
	6,483,533	6,186,952	2,163,140	2,131,834

34. Related Party Transactions

34.1 Amounts Due from Related Parties - Trade

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Subsidiaries				
C.W. Mackie PLC	-	-	171	498
Alliance Five (Pvt) Ltd.	-	-	37	199
Beruwala Resorts PLC	-	-	1,620	1,767
Marawila Resorts PLC	-	-	9,454	9,277
B.O.T. Hotel Services (Pvt) Ltd.	-	-	-	242
Sigiriya Village Hotels PLC	-	-	4,355	4,416
Kiffs (Pvt) Ltd.	-	-	188	99
Lankem Minerals Ltd.	-	-	-	3,960
Shrewood Holidays Ltd.	-	-	72	-
Galle Fort Hotels (Pvt) Ltd.	-	-	614	337
ACME Packaging Solutions (Pvt) Ltd.	-	-	3,682	6,262
Affiliates				
Consolidated Tea Plantations Ltd.	578	678	-	-
E.B. Creasy & Company PLC	19,213	20,184	-	-
Darley Butler & Co Ltd.	1,018	-	-	-
Candy Delights (Pvt) Ltd.	21,424	18,714	-	-
Union Commodities (Pvt) Ltd.	21,416	18,253	-	-
JF Lanka Hotels & Tours (Pvt) Ltd.	-	1,858	-	-
Sunquick Lanka (Pvt) Ltd.	5,812	7,131	-	-
Colombo Fort Group Services (Pvt) Ltd.	24	364	-	-
	69,485	67,182	20,193	27,057
Provision for Impairment of Amounts Due From Related Parties - Trade (Note 34.1.1)	(21)	-	(3,971)	(1,735)
Net Carrying Amount	69,464	67,182	16,222	25,322

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

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Balance at the Beginning of the Year	-	-	1,735	2,356
Provision /(Reversal) for the Year	21	-	2,236	(621)
Balance at the End of the Year	21	-	3,971	1,735

34.1.2 Provision for Impairment of Amounts Due from Related Parties - Trade

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Subsidiaries				
Beruwala Resorts PLC	-	-	22	6
Marawila Resorts PLC	-	-	590	142
B.O.T. Hotel Services (Pvt) Ltd.	-	-	-	51
Sigiriya Village Hotels PLC	-	-	758	76
Kiffs (Pvt) Ltd.	-	-	2	-
Alliance Five (Pvt) Ltd.	-	-	-	1
ACME Packaging Solutions (Pvt) Ltd.	-	-	2,345	1,435
C.W.Mackie PLC	-	-	4	3
Ceylon Tape (Pvt) Ltd.	-	-	41	-
Shrewood Holidays Ltd.	-	-	20	-
Galle Fort Hotels (Pvt) Ltd.	-	-	189	21
Affiliates				
Candy Delights (Pvt) Ltd.	7	-	-	-
E.B. Creasy & Company PLC	14	-	-	-
	21	-	3,971	1,735

34.2 Amounts Due from Related Parties - Non Trade

Amounts Due After One Year

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Parent				
The Colombo Fort Land & Building PLC	51,013	-	-	-
	51,013	-	-	-
Provision for Impairment of Amounts Due From Related Parties - Non Trade (Note 34.2.1)	(3)			
Total amounts Due From Related Parties - Non Trade	51,010	-	-	-

Amounts Due Within One Year

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Parent				
The Colombo Fort Land & Building PLC	76,878	58,311	-	324
Subsidiaries				
Associated Farms (Pvt) Ltd.	-	-	20,169	20,169
Lankem Consumer Products Ltd.	-	-	160,128	160,128
JF Packaging PLC (Formerly known as JF Packaging Ltd.)	-	-	186	186
SunAgro Farms Ltd.	-	-	2,313	2,313
Lankem Exports (Pvt) Ltd.	-	-	35,681	35,681
Ceylon Tapes (Pvt) Ltd.	-	-	2,529	6,838
Galle Fort Hotels (Pvt) Ltd.	-	-	18,000	18,000
ACME Packaging Solutions (Pvt) Ltd.	-	-	4,225	4,226
ACME Printing & Packaging PLC	-	-	6,461	52,520
Lankem Minerals Ltd.	-	-	191,162	-
Alliance Five (Pvt) Ltd.	-	-	1,962	-
Nature's Link Ltd.	-	-	5,344	5,344
Lankem Chemicals Ltd.	-	-	1,164	1,164
Lankem Research Ltd.	-	-	1,757	1,757
Affiliates				
E.B. Creasy Logistic (Pvt) Ltd.	-	1,326	-	-
Darley Butler & Co Ltd.	499	170	430	-
Lankem Developments PLC	-	76,581	-	76,581
Lankem Tea & Rubber Plantations (Pvt) Ltd.	121,887	117,499	121,886	117,499
Kotagala Plantations PLC	7,578	38,848	7,578	38,848
Agarapatana Plantations PLC	8,109	43,172	8,109	43,172
CWM Hotels Holdings Ltd.	81,939	81,939	-	-
York Hotel Management Services Ltd.	158,702	119,746	92	57
Ceylon Trading Company Ltd.	340	694	-	-
Lanka Special Steel Ltd.	83	171	62	171
Candy Delights (Pvt) Ltd.	3,755	5,287	486	-
Colonial Motors (Ceylon) Ltd.	13,043	-	1,036	-
Property & Investment Holdings (Pvt) Ltd.	3,060	18,060	-	-
Laxapana PLC	-	179	-	179
Union Commodities (Pvt) Ltd.	95,737	68,710	48,474	45,899
Ceyflex Rubber Ltd.	204	204	204	204
Colombo Fort Group Services (Pvt) Ltd.	2,191	1,167	-	-
Sterling Steel (Pvt) Ltd.	398	1,697	399	220
	574,403	633,761	639,837	631,480
Provision for Impairment of Amounts Due From Related Parties - Non Trade (Note 34.2.1)	(170,040)	(91,165)	(297,602)	(254,373)
Total amounts Due From Related Parties - Non Trade	404,363	542,596	342,235	377,107

34.2.1 Movement of Provision for Impairment of Amounts due from Related Parties - Non- Trade Amounts Due After One Year

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Balance as at the Beginning of the Year	-	-	-	-
On Acquisition of Subsidiary	120	-	-	-
Reversal for the Year	(117)	-	-	-
Balance as at the End of the Year	3	-	-	-

Amounts Due Within One Year

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Balance as at the Beginning of the Year	91,165	87,221	254,373	234,494
On Acquisition of Subsidiary	3,188	-	-	-
Provision for the Year	75,687	3,944	43,229	19,879
Balance as at the End of the Year	170,040	91,165	297,602	254,373

34.2.2 Provision for Impairment of Amounts Due from Related Parties - Non-Trade Amounts Due After One Year

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Parent				
The Colombo Fort Land & Building PLC	3	-	-	-
	3	-	-	-

Amounts Due Within One Year

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Parent				
The Colombo Fort Land & Building PLC	3,268	375	-	1
Subsidiaries				
Lankem Consumer Products Ltd.	-	-	160,127	160,127
Associated Farms (Pvt) Ltd.	-	-	20,169	20,169
SunAgro Farms Ltd.	-	-	2,313	2,313
Lankem Exports (Pvt) Ltd.	-	-	35,681	35,681
Nature's Link Ltd.	-	-	5,344	5,344
Lankem Research Ltd.	-	-	1,757	1,757
Galle Fort Hotels (Pvt) Ltd.	-	-	5,552	1,127
Alliance Five (Pvt) Ltd.	-	-	23	-
ACME Packaging Solutions (Pvt) Ltd.	-	-	2,691	968
ACME Printing & Packaging PLC	-	-	2,123	16,346
Ceylon Tapes (Pvt) Ltd.	-	-	521	212
Lankem Chemicals Ltd.	-	-	1,164	1,164
Lankem Technology Services Ltd.	-	-	186	186
Affiliates				
Sterling Steels (Pvt) Ltd.	5	3	5	3
Darley Butler & Co Ltd.	3	-	3	-
Agarapatana Plantations PLC	1,516	426	1,516	426
E.B. Creasy & Company PLC	90	-	-	-
Colombo Fort Group Service (Pvt) Ltd.	33	-	20	-
Lanka Special Steels Ltd.	14	9	14	9
Candy Delights (Pvt) Ltd.	11	-	2	-
Kotagala Plantations PLC	1,701	1,199	1,701	1,199
Colonial Motors (Ceylon) Ltd.	151	-	151	-
York Hotel Management Services Ltd.	21,202	10	-	10
Laxapana PLC	-	1	-	1
Lankem Developments PLC	-	223	-	223
Lankem Tea & Rubber Plantations (Pvt) Ltd.	7,863	3,025	7,863	3,025
Union Commodities (Pvt) Ltd.	52,043	3,930	48,475	3,930
Ceyflex Rubber Ltd.	201	152	201	152
CWM Hotels Holdings Ltd.	81,939	81,812	-	-
	170,040	91,165	297,602	254,373

34.3 Loans Due from Related Parties

Amounts Due After One Year

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
The Colombo Fort Land & Building PLC	45,500	-	-	-
	45,500	-	-	-

Amounts Due Within One Year

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Lankem Developments PLC	-	141,465	-	141,465
Lankem Minerals Ltd.	-	-	123,500	9,000
Sunquick Lanka (Pvt) Ltd.	-	120,000	-	-
ACME Printing and Packgaing PLC	-	-	-	159,375
The Colombo Fort Land & Building PLC	108,000	108,000	-	-
	108,000	369,465	123,500	309,840
Provision for Impairment of Loans Due from Related Parties (Note 34.3.1)	-	-	-	(49,604)
	108,000	369,465	123,500	260,236

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

Party	Interest Rate
Lankem Minerals Ltd.	AWPLR + 2%

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

Party	Interest Rate
The Colombo Fort Land & Building PLC	AWPLR + 2%

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

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Balance at the Beginning of the Year	-	5,258	49,604	31,579
(Reversal)/Provision During the Year	-	(5,258)	(49,604)	18,025
Balance at the End of the Year	-	-	-	49,604

34.3.2 Provision for Impairment of Loans Due from Related Parties

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Provision for Impairment				
ACME Printing & Packaging PLC	-	-	-	49,604
	-	-	-	49,604

34.4 Amounts Due to Related Parties - Trade

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Parent				
The Colombo Fort Land & Building PLC	1,427	4,244	-	-
Subsidiaries				
Ceylon Tapes (Pvt) Ltd.	-	-	221	4,115
Lankem Minerals Ltd.	-	-	84,764	-
ACME Printing & Packaging PLC	-	-	5,891	6,849
JF Packaging PLC (Formerly known as JF Packaging Ltd.)	-	-	293	3,559
Affiliates				
Colombo Fort Group Service (Pvt) Ltd.	25,379	2,419	-	-
E.B. Creasy Logistic (Pvt) Ltd.	2,284	5,470	-	-
	29,090	12,133	91,169	14,523

34.5 Amounts Due to Related Parties - Non Trade

Amounts After One Year

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
SunAgro LifeScience Ltd.	-	-	46,670	-
Total amounts Due to Related Parties	-	-	46,670	-

Amounts Due Within One Year

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Parent				
The Colombo Fort Land & Building PLC	36,762	15,601	34,673	8,601
Subsidiaries				
Sigiriya Village Hotels PLC	-	-	13,721	60,217
Colombo Fort Hotels Ltd.	-	-	754	591
Alliance Five (Pvt) Ltd.	-	-	-	50
JF Packaging PLC (Formerly known as JF Packaging Ltd.)	-	-	103	52,796
C.W. Mackie PLC	-	-	-	127
Lankem Paints Ltd.	-	-	15,338	17,379
Lankem Minerals Ltd.	-	-	-	64,075
SunAgro LifeScience Ltd.	-	-	66,000	220,651
Affiliates				
York Hotel Management Services Ltd.	17,607	71,933	566	-
Darley Butler & Co Ltd.	449	2,625	-	767
Kotagala Plantations PLC	-	320	-	-
Agarapatana Plantation PLC	30,489	11,820	-	-
Lankem Tea & Rubber Plantations Ltd.	-	0	-	-
E.B. Creasy & Company PLC	4,734	148,960	4,734	86,402
York Arcade Holding PLC	-	-	301	-
Colonial Motors PLC	-	334	-	-
Laxapana PLC	-	-	-	-
Waverly Power (Pvt) Ltd.	48,529	48,052	48,529	48,052
E.B. Creasy Logistic (Pvt) Ltd.	12,495	10,613	11,411	9,157
CM Holdings PLC	8,744	8,162	8,684	8,162
Colonial Motors (Ceylon) Ltd.	-	1,701	-	1,701
Colombo Fort Group Service (Pvt) Ltd.	8,750	22,450	4,603	9,608
Sunquick Lanka (Pvt) Ltd.	616,341	625,728	-	-
Sterling steel (Pvt) Ltd.	-	746	-	-
Union Investment (Pvt) Ltd.	3,016	-	-	-
Total amounts Due to Related Parties	787,916	969,045	209,417	588,336

34.6 Transactions with Related Parties

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

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Associates				
(Receipt)/Payment of Outstanding Balances	-	(31)	-	(31)
Joint Venture				
(Receipt)/Payment of Outstanding Balances	3,068,418	2,764,138	-	-
Interest (Expenses)/Income	672	(10,254)	-	-
(Reimbursement)/ Charging of Expenses	199,187	150,701	-	-
Sale of Goods	130,667	132,244		
Purchases of Goods	(3,376,328)	(2,963,152)	-	-
Service Rended	708	708	-	-
Discount Due to Change in Sugar Prices	(16,539)	-	-	-
Affiliates				
(Purchases)/Sale of Goods	98,946	319,620	243,790	145,418
(Receipt)/Payment of Outstanding Balances	(305,154)	239,535	(357,788)	40,359
(Reimbursement)/ Charging of Expenses	39,778	(108,272)	124,875	34,962
Rent (Expenses)/Income	(19,264)	(13,951)	(19,264)	(13,951)
Management (Fees) /Income	(322,169)	(168,409)	-	15,000
Interest (Expenses)/Income	(55,097)	(1,485)	(28,259)	18,132
Advances Paid /(Received)	60,339	(6,000)	25,200	-
Loan (Obtained) /Granted	(609,089)	(380,732)	(565,000)	(98,732)
Subsidiaries				
(Purchases)/ Sale of Goods	-	-	(94,270)	(61,351)
(Reimbursement)/ Charging of Expenses	-	-	643,774	714,280
(Receipt) / Payment of Outstanding Balances	-	-	221,882	(368,068)
Interest (Expenses) / Income	-	-	(39,085)	(16,002)
Loan (Obtained) /Granted			(157,500)	169,000
Dividend Received	-	-	29,798	85,136
Investment in Shares	-	-	(289,472)	(700,000)

Except for the following transactions, there were no non-recurrent related party transactions entered in to by the Company during the financial year, the value of which exceeded 10% of shareholders equity or 5% of the total assets of the group or recurrent related party transactions the value of which exceeded 10% of gross revenue of the group during the year ended 31st March 2025.

Name of the Related Party	Related Party Relationship	Value of the related party transactions Rs.	Value of the related party transactions as a % of Equity and as a % of Total Assets	Terms and Conditions	The rational for entering in to the transaction
Lankem Minerals Ltd. (LML)	Subsidiary	1,800,000,000	49.39% of Equity and 5.02% of total assets	Mortgage over 70,012,499 shares of Lankem Minerals Limited (LML) held by Lankem Ceylon PLC to secure Banking Facilities from Hatton National Bank PLC (HNB) for LML amounting to Rs.1.8Bn.	Provision of security by LCPLC in the form of a mortgage of 70,012,499 LML shares valued at Rs. 10/- per share totaling Rs. 700,124,990/- to enable LML to obtain the aforesaid Banking Facilities from Hatton National Bank PLC for commencement of the Single Super Phosphate (SSP) fertiliser manufacturing plant in Oyamaduwa.
The Colombo Fort Land Building PLC (CFLB)	Parent Company	340,000,000	9.33% of Equity and 0.95% of total assets	Obtainig a loan of Rs. 340 Mn from CFLB	Obtaining a loan from the parent company to facilitate subscribing to the Rights issue of the Company's subsidiary company ACME Printing & Packaging PLC.
The Colombo Fort Land Building PLC (CFLB)	Parent Company	340,582,016	9.35% of Equity and 0.95% of total assets	Acquisition of 369,495 ordinary shares of York Arcade Holdings PLC at a price of Rs. 921.75 per share	To facilitate LCPLC Group's financial restructuring plans.
Aggregate		2,480,582,016			

34.7 Terms and Conditions of Transactions with Related Parties

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

34.8 Transactions with Key Management Personnel

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

(a) Loans to Key Management Personnel

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

(b) Key Management Personnel Compensation

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

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Short-term Employee Benefits	386,270	356,578	199,159	180,151
Total Compensation Paid to Key Management Personnel	386,270	356,578	199,159	180,151

34.9 The Directors of the Company are Also Directors of the Following Companies

Name of the Company	Relationship	Name of the Director					
		Mr.S.D.R.Arudpragrasam	Mr.Anushman Rajaratnam	Mr.A.Hettiarachchy	Mr.S.B.Perera	Mr.K.G.Punchihewa	Mr.P.S.Goonewardene
Lankem Ceylon PLC		✓	✓	✓	✓	✓	✓
The Colombo Fort Land & Building PLC	Parent	✓	✓		✓	✓	
Associated Farms (Pvt) Ltd.	Subsidiary	✓					✓
B.O.T. Hotel Services (Pvt) Ltd.	Subsidiary	✓					
Beruwala Resorts PLC	Subsidiary	✓	✓		✓		
C.W. Mackie PLC	Subsidiary	✓	✓		✓		
Ceylon Tapes (Pvt) Ltd.	Subsidiary	✓	✓	✓	✓	✓	✓
Colombo Fort Hotels Ltd.	Subsidiary	✓	✓				
Galle Fort Hotels (Pvt) Ltd.	Subsidiary	✓	✓				
JF Packaging PLC (Formerly known as JF Packaging Ltd.)	Subsidiary	✓	✓	✓	✓	✓	✓
Lankem Chemicals Ltd.	Subsidiary	✓	✓				✓
Lankem Consumer Products Ltd.	Subsidiary	✓	✓				✓
Lankem Exports (Pvt) Ltd.	Subsidiary	✓	✓				
Lankem Paints Ltd.	Subsidiary	✓	✓				✓
Lankem Research Ltd.	Subsidiary	✓	✓				✓
Lankem Technology Services Ltd.	Subsidiary	✓					✓
Marawila Resorts PLC	Subsidiary	✓	✓		✓		
Nature's Link Ltd.	Subsidiary	✓					✓
Sigiriya Village Hotels PLC	Subsidiary	✓	✓		✓		
SunAgro Farms Ltd.	Subsidiary	✓	✓				✓
JF Ventures Ltd.	Subsidiary	✓	✓	✓		✓	✓
SunAgro LifeScience Ltd.	Subsidiary	✓	✓	✓			✓
Sherwood Holidays Ltd.	Subsidiary	✓					
ACME Printing & Packaging PLC	Subsidiary	✓	✓	✓		✓	✓
ACME Packaging Solution (Pvt) Ltd.	Subsidiary	✓	✓	✓			✓
Lankem Minerals Ltd.	Subsidiary	✓	✓	✓			✓
Kiffs (Pvt) Ltd.	Subsidiary	✓	✓	✓		✓	✓
Alliance Five (Pvt) Ltd.	Subsidiary	✓	✓	✓		✓	✓
Imperial Hotels Ltd.	Subsidiary	✓	✓				
York Arcade Holdings PLC	Subsidiary	✓	✓				
C M Holdings PLC	Related Company	✓	✓				
Colombo Fort Investments PLC	Related Company	✓	✓				
Colonial Motors (Ceylon) Ltd.	Related Company	✓	✓				
Candy Delights Ltd.	Related Company	✓					
Darley Butler & Co. Ltd.	Related Company	✓					
E.B. Creasy & Company PLC.	Related Company	✓			✓	✓	
E.B. Creasy Logistics Ltd.	Related Company	✓					
Financial Trust Ltd.	Related Company		✓				
E.B. Creasy Ceylon (Pvt) Ltd.	Related Company	✓					

Name of the Company	Relationship	Name of the Director					
		Mr.S.D.R.Arudpragrasam	Mr.Anushman Rajaratnam	Mr.A.Hettiarachchy	Mr.S.B.Perera	Mr.K.G.Punchihewa	Mr.P.S.Goonewardene
Kotagala Plantations PLC.	Related Company	✓	✓		✓	✓	
Lankem Development PLC.	Related Company	✓	✓		✓	✓	
Lankem Tea & Rubber Plantations (Pvt) Ltd.	Related Company	✓	✓				✓
Laxapana PLC	Related Company	✓			✓	✓	
Union Commodities (Pvt) Ltd.	Related Company	✓	✓				
York Hotel Management Services Ltd.	Related Company	✓	✓				
Waverly Power (Pvt) Ltd.	Related Company	✓	✓				
Ceyflex Rubber Ltd.	Related Company	✓					
Lanka Special Steels Ltd.	Related Company	✓					
Sterling Steel (Pvt) Ltd.	Related Company	✓					
Colombo Fort Group Services (Pvt) Ltd.	Related Company	✓	✓				
Consolidated Tea Plantation Ltd.	Associate	✓	✓		✓	✓	

35. Financial Risk Management and Fair Value Measurement

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

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

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

Risk Management Framework

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

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

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

35.1 Credit Risk

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

Exposure to Credit Risk

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

As at	Note	Consolidated		Company	
		31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Trade Receivables	23	8,326,245	8,362,466	2,295,463	2,002,138
Other Receivables	23	802,912	804,168	491,216	246,748
Amounts Due From Related Parties - Trade	34.1	69,485	67,182	20,193	27,057
Amounts Due From Related Parties - Non - Trade	34.2	625,416	633,761	639,837	631,480
Loans Due From Related Parties	34.3	153,500	369,465	123,500	309,840
Cash and Bank Balances	24	1,247,752	924,544	314,215	106,113
		11,225,310	11,161,586	3,884,424	3,323,376

35.2 Impairment Losses of Trade Receivables, Amount Due from and Loan Due from Related Parties

As at	Consolidated				Company			
	31.03.2026		31.03.2025		31.03.2026		31.03.2025	
	Gross Rs.'000	Impairment Rs.'000	Gross Rs.'000	Impairment Rs.'000	Gross Rs.'000	Impairment Rs.'000	Gross Rs.'000	Impairment Rs.'000
Past Due 0-365 Days	8,612,201	170,061	8,869,159	91,165	2,719,619	301,573	2,668,712	305,712
More Than One Year	562,424	562,424	563,715	563,715	359,374	359,374	301,803	301,803
	9,174,625	732,485	9,432,874	654,880	3,078,993	660,947	2,970,515	607,515

The movements in the allowance for impairment in respect of trade and other receivable, amount due to related parties and loan from related parties are disclosured in the respective notes of the Financial Statements.

Amounts due from related Companies

The amounts due from related parties mainly consist of receivables from associates and other related ventures and those are closely monitored by the group.

Balances with Bank

The Group held balance with Banks of Rs. 1,247.75 Mn as at 31st March 2026 (Rs. 924.54 Mn as at 31st March 2025) and the Company held balance with Banks of Rs. 314,22 Mn as at 31st March 2026 (Rs. 106.11 Mn as at 31st March 2025) which represent its maximum credit exposure on these assets.

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

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

35.3 Liquidity Risk

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

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

As at 31st March 2026	Consolidated				Company			
	Carrying Amount Rs.'000	Contractual Cash Flows Rs.'000	Less than One Year Rs.'000	More than One year Rs.'000	Carrying Amount Rs.'000	Contractual Cash Flows Rs.'000	Less than One Year Rs.'000	More than One year Rs.'000
Non-Derivative Financial Liabilities								
Interest Bearing Borrowings	14,601,935	15,528,118	11,208,851	4,319,267	5,381,076	5,724,284	3,727,609	1,996,675
Loan Payable to Related Parties	526,590	594,417	567,827	26,590	672,643	814,366	628,274	186,092
Trade Payables	3,516,850	3,516,850	3,516,850	-	1,309,613	1,309,613	1,309,613	-
Amounts Due to Related Parties - Trade	29,090	29,090	29,090	-	91,169	91,169	91,169	-
Amounts Due to Related Parties - Non Trade	787,916	787,916	787,916	-	256,087	256,087	256,087	-
Lease Liabilities	602,251	784,042	171,284	612,758	80,186	113,705	24,537	89,168
Bank Overdraft	1,446,585	1,446,585	1,446,585	-	520,632	520,632	520,632	-
Other Payable	2,659,364	2,659,364	2,659,364	-	853,527	853,527	853,527	-
	24,170,581	25,346,382	20,387,767	4,958,615	9,306,656	9,683,383	7,411,448	2,271,935

As at 31st March 2025	Consolidated				Company			
	Carrying Amount Rs.'000	Contractual Cash Flows Rs.'000	Less than One Year Rs.'000	More than One year Rs.'000	Carrying Amount Rs.'000	Contractual Cash Flows Rs.'000	Less than One Year Rs.'000	More than One year Rs.'000
Non-Derivative Financial Liabilities								
Interest Bearing Borrowings	15,066,162	16,430,819	11,579,289	4,851,530	5,475,687	5,631,959	3,929,366	1,702,593
Loan Payable to Related Parties	416,254	504,763	478,173	26,590	280,911	347,140	175,786	171,354
Trade Payables	3,179,190	3,179,190	3,179,190	-	1,159,381	1,159,381	1,159,381	-
Amounts Due to Related Parties - Trade	12,133	12,133	12,133	-	14,523	14,523	14,523	-
Amounts Due to Related Parties - Non Trade	969,045	969,045	969,045	-	588,336	588,336	588,336	-
Lease Liabilities	314,701	542,293	104,734	437,559	17,824	55,718	12,343	43,375
Bank Overdraft	1,158,038	1,158,038	1,158,038	-	232,832	232,832	232,832	-
Other Payable	2,884,293	2,884,293	2,884,293	-	972,453	972,453	972,453	-
	23,999,816	25,680,574	20,364,895	5,315,679	8,741,947	9,002,342	7,085,020	1,917,322

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

35.4 Market Risk

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

35.4.1 Currency Risk

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

Exposure to Currency Risk

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

Consolidated	2026		2025		
As at 31st March	USD	EURO	USD	EURO	AUD
Trade and Other Payables	(1,515,916)	1,198	(1,300,682)	1,182	-
Trade and Other Receivables	3,020,399	206,178	2,172,535	70,313	7,120
Cash and Cash Equivalents	297,687	7,817	579,477	45,808	-
Interest Bearing Borrowing	(1,664,758)	-	(2,024,734)	-	-
Gross Statement of Financial Position Exposure	137,412	215,193	(573,405)	117,303	7,120

Company	2026		2025	
As at 31st March	USD	EURO	USD	EURO
Trade and Other Payables	(771,092)	-	(432,980)	-
Cash and Cash Equivalents	25,151	-	19,950	-
Gross Statement of Financial Position Exposure	(745,941)	-	(413,030)	-

The following significant exchange rates were applicable during the year:

	Average Rate		Reporting Date Spot Rate	
As at 31st March	2026 Rs.	2025 Rs.	2026 Rs.	2025 Rs.
USD	315.54	296.33	315.19	296.35
EURO	362.03	319.78	361.75	319.86
AUD	216.38	186.42	216.35	186.52

Sensitivity Analysis

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

	Consolidated		Company	
	Strengthening Profit or Loss Rs.'000	Weakening Profit or Loss Rs.'000	Strengthening Profit or Loss Rs.'000	Weakening Profit or Loss Rs.'000
As at 31st March 2026				
USD (10% Movement)	(4,331)	4,331	23,511	(23,511)
EURO (10% Movement)	(7,785)	7,785	-	-
As at 31st March 2025				
USD (10% Movement)	16,993	(16,993)	12,240	(12,240)
EURO (10% Movement)	(3,752)	3,752	-	-
AUD (10% Movement)	(133)	133	-	-

35.4.2 Interest Rate Risk

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

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Fixed Rate Instruments				
Financial Assets	11,599	7,975	-	-
	7,975	7,149	-	-
Variable Rate Instruments				
Financial Assets	153,500	369,465	123,500	260,236
Financial Liabilities	(16,575,110)	(16,689,983)	(6,574,351)	(5,989,430)
	(16,421,610)	(16,320,518)	(6,450,851)	(5,729,194)

Sensitivity Analysis

The following table demonstrate the sensitivity to a reasonably possible change in , with all other variables held constant, of the profit before tax. A reasonably possible of +/-1% is used, consistent with current trends in interest rates.

	Strengthening/(Weakening) interest rates	Effect on Profit before Tax	
		Consolidated Rs.'000	Company Rs.'000
As at 31st March 2026	+100	164,332	64,509
	-100	(164,332)	(64,509)
As at 31st March 2025	+100	163,285	57,292
	-100	(163,285)	(57,292)

35.5 Fair Value Hierarchy

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

The different levels have been defined as follows;

Level 1 : Quoted market price (unadjusted) in active markets for an identical instrument.

Level 2 : Valuation techniques based on observable inputs either directly - i.e as prices or indirectly - i.e. Derived from prices. This category includes instruments valued using: quoted market prices active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or the valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 : Valuation techniques using significant unobservable inputs either directly - i.e as prices or indirectly - i.e Derived from prices. This category includes all instruments where the valuation techniques includes inputs not based on observable date and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

31st March 2026	Consolidated			Company		
	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
Financial Assets Measured at Fair Value Through OCI	113,766	-	6,348	70,558	-	6,348
Financial Assets Measured at Fair Value Through Profit or Loss	15,913	-	-	15,913	-	-
Financial Assets Measured at Amotised Cost	5,830	-	-	-	-	-
	135,509	-	6,348	86,471	-	6,348

31st March 2025	Consolidated			Company		
	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
Financial Assets Measured at Fair Value Through OCI	75,592	-	6,098	66,966	-	6,073
Financial Assets Measured at Fair Value Through Profit or Loss	67,924	-	-	67,924	-	-
	143,516	-	6,098	134,890	-	6,073

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

As at	Net Assets Value per share	
	31.03.2026	31.03.2025
Lankem Tea & Rubber Plantations (Pvt) Ltd.	761	728
Ingrin Instittue of Printing & Graphics (Pvt) Ltd.	-	25

Reconciliation of level 3 fair values

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

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Unquoted Investments				
Balance as at 1st April	6,098	5,164	6,073	5,139
Gain Included in OCI	250	934	275	934
Balance as at 31st March	6,348	6,098	6,348	6,073

35.6 Accounting Classifications and Fair Value

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

Company As at 31st March 2026	Financial Assets Measured at FVTPL Rs.'000	Financial Assets Measured at Amortised Cost Rs.'000	Financial Assets measured at FVOCI Rs.'000	Financial Liabilities Measured at Amortised Cost Rs.'000	Total Carrying Amount Rs.'000	Fair Value Rs.'000
Financial Assets						
Trade Receivables	-	1,936,089	-	-	1,936,089	1,936,089
Amounts Due From Related Parties - Trade	-	16,222	-	-	16,222	16,222
Amounts Due From Related Parties - Non-Trade	-	342,235	-		342,235	342,235
Loans Due From Related Parties	-	123,500	-	-	123,500	123,500
Financial Assets Measured at FVOCI	-	-	76,906	-	76,906	76,906
Financial Assets Measured at FVTPL	15,913	-	-	-	15,913	15,913
Cash & Cash Equivalents	-	315,540	-	-	315,540	315,540
	15,913	2,733,586	76,906	-	2,826,405	2,826,405
Financial Liabilities						
Interest Bearing Borrowings	-	-	-	5,381,076	5,381,076	5,381,076
Lease Liabilities	-	-	-	80,186	80,186	80,186
Loans Payable to Related Parties	-	-	-	672,643	672,643	672,643
Trade Payables	-	-	-	1,309,613	1,309,613	1,309,613
Amounts Due To Related Parties - Trade	-	-	-	91,169	91,169	91,169
Amounts Due To Related Parties - Non-Trade	-	-	-	256,087	256,087	256,087
Bank Overdraft	-	-	-	520,632	520,632	520,632
Other Payables				853,527	853,527	853,527
	-	-	-	9,164,933	9,164,933	9,164,933

Company As at 31st March 2025	Financial Assets Measured at FVTPL Rs.'000	Financial Assets Measured at Amortised Cost Rs.'000	Financial Assets measured at FVOCI Rs.'000	Financial Liabilities Measured at Amortised Cost Rs.'000	Total Carrying Amount Rs.'000	Fair Value Rs.'000
Financial Assets						
Trade Receivables	-	1,700,335	-	-	1,700,335	1,700,335
Amounts Due From Related Parties - Trade	-	25,322	-	-	25,322	25,322
Amounts Due From Related Parties - Non-Trade	-	377,107	-		377,107	377,107
Loans Due From Related Parties	-	260,236	-	-	260,236	260,236
Financial Assets Measured at FVOCI	-	-	73,039	-	73,039	73,039
Financial Assets Measured at FVTPL	67,924	-	-	-	67,924	67,924
Cash & Cash Equivalents	-	107,137	-	-	107,137	107,137
	67,924	2,470,137	73,039	-	2,611,100	2,611,100
Financial Liabilities						
Interest Bearing Borrowings	-	-	-	5,475,687	5,475,687	5,475,687
Lease Liabilities	-	-	-	17,824	17,824	17,824
Loans Payable to Related Parties	-	-	-	280,911	280,911	280,911
Trade Payables	-	-	-	1,159,381	1,159,381	1,159,381
Amounts Due To Related Parties - Trade	-	-	-	14,523	14,523	14,523
Amounts Due To Related Parties - Non-Trade	-	-	-	588,336	588,336	588,336
Bank Overdraft	-	-	-	232,832	232,832	232,832
Other Payables				972,453	972,453	972,453
	-	-	-	8,741,947	8,741,947	8,741,947

Consolidated As at 31st March 2026	Financial Assets Measured at FVTPL Rs.'000	Financial Assets Measured at Amortised Cost Rs.'000	Financial Assets measured at FVOCI Rs.'000	Financial Liabilities Measured at Amortised Cost Rs.'000	Total Carrying Amount Rs.'000	Fair Value Rs.'000
Financial Assets						
Trade Receivables	-	7,763,821	-	-	7,763,821	7,763,821
Amounts Due From Related Parties - Trade	-	69,464	-	-	69,464	69,464
Amounts Due From Related Parties - Non-Trade		455,373	-	-	455,373	455,373
Loans Due From Related Parties	-	153,500	-	-	153,500	153,500
Financial Assets Measured at FVTPL	15,913	-	-	-	15,913	15,913
Financial Assets Measured at FVOCI	-	-	120,114	-	120,114	120,114
Financial Assets Measured at Amortised Cost	-	5,830	-	-	5,830	5,830
Cash & Cash Equivalents	-	1,331,533	-	-	1,331,533	1,331,533
	15,913	9,779,521	120,114	-	9,915,548	9,915,548
Financial Liabilities						
Interest Bearing Borrowings	-	-	-	14,601,935	14,601,935	14,601,935
Lease Liabilities	-	-	-	602,251	602,251	602,251
Trade Payables	-	-	-	3,516,850	3,516,850	3,516,850
Loans Payable To Related Parties				526,590	526,590	526,590
Amounts Due To Related Parties - Trade	-	-	-	29,090	29,090	29,090
Amounts Due To Related Parties - Non-Trade	-	-	-	787,916	787,916	787,916
Bank Overdraft	-	-	-	1,446,585	1,446,585	1,446,585
Other Payable	-	-	-	2,659,364	2,659,364	2,659,364
	-	-	-	24,170,581	24,170,581	24,170,581

Consolidated As at 31st March 2025	Financial Assets Measured at FVTPL Rs.'000	Financial Assets Measured at Amortised Cost Rs.'000	Financial Assets measured at FVOCI Rs.'000	Financial Liabilities Measured at Amortised Cost Rs.'000	Total Carrying Amount Rs.'000	Fair Value Rs.'000
Financial Assets						
Trade Receivables	-	7,798,751	-	-	7,798,751	7,798,751
Amounts Due From Related Parties - Trade	-	67,182	-	-	67,182	67,182
Amounts Due From Related Parties - Non-Trade		542,596	-	-	542,596	542,596
Loans Due From Related Parties	-	369,465	-	-	369,465	369,465
Financial Assets measured at FVTPL	67,924	-	-	-	67,924	67,924
Financial Assets measured at FVOCI	-	-	81,690	-	81,690	81,690
Cash & Cash Equivalents	-	987,230	-	-	987,230	987,230
	67,924	9,765,224	81,690	-	9,914,838	9,914,838
Financial Liabilities						
Interest Bearing Borrowings	-	-	-	15,066,162	15,066,162	15,066,162
Lease Liabilities	-	-	-	314,701	314,701	314,701
Trade Payables	-	-	-	3,179,190	3,179,190	3,179,190
Loans Payable To Related Parties				416,254	416,254	416,254
Amounts Due To Related Parties - Trade	-	-	-	12,133	12,133	12,133
Amounts Due To Related Parties - Non-Trade	-	-	-	969,045	969,045	969,045
Bank Overdraft	-	-	-	1,158,038	1,158,038	1,158,038
Other Payable	-	-	-	2,884,293	2,884,293	2,884,293
	-	-	-	23,999,816	23,999,816	23,999,816

36. Capital Management

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

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

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

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

As at	Consolidated		Company	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Total Liabilities	27,501,960	27,030,305	9,511,275	9,015,009
Less: Cash and cash Equivalents	(1,331,533)	(987,230)	(315,540)	(107,137)
Net Debts	26,170,427	26,043,075	9,195,735	8,907,872
Total Equity	11,293,251	8,840,529	4,362,120	2,636,819
Debt to Equity Ratio (Gearing Ratio)	2.32	2.95	2.11	3.38

37. Going Concern

The Group has incurred a net loss of Rs. 363 Mn for the year ended 31st March 2026 (2025: Loss of Rs. 326 Mn) and reported accumulated losses of Rs. 1,794 Mn as at 31st March 2026. Furthermore, the Company's current liabilities exceed its current assets by Rs. 2,005 Mn (2025: Rs. 2,233 Mn) as at the reporting date.

In addition, the Group reported negative operating cash flows amounting to Rs. 990 Mn for the year ended 31st March 2026, compared to negative Rs. 1,240 Mn in the previous year.

These events and conditions required the management of the Group and the Company to undertake a detailed going concern assessment. The Group's and the Company's ability to continue as a going concern is dependent upon the initiatives being taken to strengthen their financial position and liquidity profile and their ability to generate sufficient cash flows from operations within the next twelve months from the reporting date of these financial statements. These initiatives include, amongst others, the following:

Lankem Ceylon PLC- Company

1 Lankem Minerals Ltd., a wholly owned subsidiary of the Company, commenced commercial operations of its fertiliser manufacturing plant during the last week of March 2026. The sales and distribution of fertiliser are carried out through Lankem Ceylon PLC's existing distributor network. Based on the commencement of operations and management's forecasts, this initiative is expected to contribute positively to the Company's future operating results and cash flows.

2 The Company has continued the expansion of its fertiliser business and has obtained an approved loan facility to construct a new fertiliser blending plant. Management expects this expansion to improve the Company's operating results from the third quarter of the financial year 2026/27 onwards.

3 During the financial year, the Company expanded its paints operations by entering the Auto Paint segment. Initial sales have been generated during the year, and management expects this business segment to contribute additional revenue and improve the Company's future profitability.

4 In addition to the above initiatives, management is evaluating several restructuring options within the Group to strengthen the Company's balance sheet and improve its overall financial position.

Management expects that the additional cash flows generated from these strategic initiatives will be utilised to settle part of the Company's non-operational term loans, thereby reducing finance costs and improving future profitability.

In addition, the Board of Directors of the Company confirms that they do not have any intention to liquidate the Company or cease the operations at least 12 months from the date of signing the financial statements.

Management has assessed the liquidity and cash flow projections of the Group and the Company for a period of at least twelve months from the reporting date of these financial statements. This assessment is based on certain significant assumptions, including positive progress on the strategic initiatives set out above, the realisation of forecast revenue and operating cash flows from the fertiliser and auto paint businesses, the settlement of part of the non-operational term loans and the resulting reduction in finance costs, and the availability of adequate funding to meet obligations as and when they fall due.

In reaching this conclusion, the Board of Directors and management have exercised significant judgement in respect of the above assumptions. On this basis, the Board of Directors has concluded that there are no material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as a going concern, and the financial statements have accordingly been prepared on a going concern basis.

Marawila Resorts PLC
The Group's Subsidiary Marawila Resorts PLC's Current Liabilities exceeded its Current Assets by Rs. 194,824,433/- as at 31st March 2026.

Notwithstanding this, the financial statements have been prepared on a going concern basis as at 31st March 2026 based on a comprehensive review of Marawila Resorts PLC's affairs including, but not limited to;

1. The cash flow forecast of Marawila Resorts PLC for the period up to next 12 months.
2. Marawila Resorts PLC's ability in settling the statutory payables and other liabilities when they fall due and payable.
3. Revenue and profitability forecasts of Marawila Resorts PLC for the period up to next 12 months.

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

ACME PLC Group has incurred a net loss of Rs. 452.8 Mn (2025: Rs. 405.9 Mn) during the year ended 31st March 2026 and have reported accumulated losses amounting to Rs. 2,462.5 Mn (2025: Rs. 2,009.6 Mn).

ACME PLC has incurred a Rs. 576.4 Mn (2025: Rs. 291.8 Mn) during the year ended 31st March 2026 and current liabilities exceeded its current assets by Rs. 496 Mn (2025: Rs. 223 Mn) and total liabilities exceeded its total assets by Rs. 36 Mn, resulting a negative equity. ACME PLC has reported accumulated loss amounting to Rs. 1,968.2 Mn (2025: Rs. 1,391.6 Mn). As at 31st March 2026, ACME PLC's net assets are less than the half of the stated capital and faces a serious loss of capital situation.

Therefore, these events or conditions indicate that a material uncertainty exists that may cast substantial doubts on ACME PLC'sability to continue as a going concern and therefore that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Notwithstanding this, the financial statements have been prepared on a going concern basis by the ACME PLC's Management, due to reliance on the business plan and after performing comprehensive review of the affairs including, but not limited to.

* Lankem Ceylon PLC has acquired ACME printing and packaging group of Companies with a strategic view to enhance the market presence in the packaging industry during the year 2022. Hence, the Board of Directors of Lankem Ceylon PLC do not have any intention to liquidate the ACME printing and packaging PLC or to cease the operations in the near future.

*ACME PLC has relocated its factory to Pannala and expanded its production operations through the adoption of technologically advanced machinery, with the aim of improving productivity.

*ACME PLC has completed disposal of its land and building located in Piliyandala and generated net proceeds of approximately Rs. 630 million in July 2026. The proceeds are primarily intended to be utilised for the settlement of short-term borrowings, including existing interest-bearing borrowings, with any remaining funds allocated for working capital requirements and general corporate purposes of the Company.

* The Board of Directors of ACME PLC has approved and completed in June 2026, the reduction of its stated capital in compliance with the Companies Act No 7 of 2007, as a measure to mitigate the serious loss of capital situation.

*The Directors of Lankem Ceylon PLC confirm that to provide financial assistance to the Subsidiary to ensure that it can pay its external debts as and when they fall due and payable for a period of at least 12 months from the date of signing these financial statements.

As a consequence, in view of the above, the Board continues to have a reasonable expectation that ACME PLC Group has adequate resources to continue in operations for at least the next 12 months that the going concern basis of accounting remains appropriate. Management firmly believe that ACME PLC Group will be able to continue as a going concern into the foreseeable future and, accordingly, the Financial Statements of ACME PLC Group have been prepared on a going concern basis without making adjustments that may be required to the recorded assets and the classification of liabilities if ACME PLC is unable to continue as a going concern.

38. Commitments

38.1 Company

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

38.2 Consolidated

The Group have financial commitments as at the date of the Statement of Financial Position.

(i) Sigiriya Village Hotels PLC

Financial Commitments

The group's subsidiary, Sigiriya Village Hotels PLC has the following financial commitment to the lending institutions.

Institution	Amounts (Rs)
Sampath Bank PLC	148,468,340

(ii) Beruwala Resorts PLC

Financial Commitments

The Group's Subsidiary Beruwala Resorts PLC does not have significant financial commitments as at the reporting date, other than following,

Institution	Facility For	Amounts (Rs)
Cargills Bank PLC	To finance capital expenditure pertaining to refurbishments & working capital management	326,939,679

39. Contingent Liabilities

There are no material contingent liabilities outstanding as at the date of the Statement of Financial Position other than those disclosed below;

39.1 Company

Lankem Ceylon PLC has issued Corporate Guarantees for borrowings obtained by the related companies and letters of comfort as indicated below as at 31st March 2026.

Name of the Company	Amount Rs.'000
SunAgro Lifescience Ltd.	1,564,642
Lankem Minerals Ltd.	1,800,000
	3,364,642

Comfort letters are provided for Lankem Paints Ltd. ACME Printing & Packaging PLC, ACME Packaging Solutions (Pvt) Ltd. and Lankem Minerals Ltd. by Lankem Ceylon PLC.

39.2 Consolidated

(i) ACME Printing and Packaging PLC

The Group's Subsidiary ACME Printing & Packaging PLC, has no material contingent liabilities as at the reporting date which would require adjustment or disclosure in financial statements other than following; D.C. Colombo Case No.DSP/0015/08.

Subsequent to the reporting date, on 10 July 2026, the High Court dismissed ACME Printing & Packaging PLC's appeal and upheld the judgment of the District Court in favour of the Labour Union. The judgment confirms that a present obligation existed as at 31st March 2026. At the date the annual financial statements were authorised for issue,ACME Printing & Packaging PLC had not completed the assessment required to determine the amount of the obligation. Consequently, no provision has been recognised because the amount cannot yet be estimated reliably. ACME Printing & Packaging PLC is in the process of quantifying the financial impact.

(ii) Sigiriya Village Hotels PLC

With regard to the court case No B/453/2016 at Dambulla Magistrate Court the parties are negotiating to arrive at an amicable solution and the land to be regularised under the Sri Lanka Tourism Development Authority.

(iii) C.W.Mackie PLC

The following contingent liabilities exist as at the reporting date on account of the letters of comfort and guarantees given by the group's subsidiary, C W Mackie PLC:

Letters of comfort and guarantees provided on behalf of the subsidiaries are as follows.

Name of the Company	Amount Rs. Mn	
	31.03.2026 Rs.'000	31.03.2025 Rs.'000
Ceymac Rubber Company Ltd.	150	150
Ceytra (Pvt) Ltd.	13	8
Kelani Vellay Canneries Ltd.	115	90
	278	248
Short Term Loan Facilities:		
Ceymac Rubber Company Ltd.	140	140
Ceytra (Pvt) Ltd.	10	8
Kelani Valley Canneries Ltd.	70	192
	220	340

These corporate guarantees have been provided for Hatton National Bank PLC and Commercial Bank of Ceylon PLC on behalf of the subsidiary companies Ceymac Rubber Company Limited, Ceytra (Private) Limited and Kelani Valley Canneries Limited for short-term loan facilities, where repayment terms are less than 12 months.

(iv) Marawila Resorts PLC.
The Group's Subsidiary Marawila Resorts PLC is of the view that there are no material litigation or claims other than those disclosed below that could have material impact on the financial position. Accordingly, no provision has been made for Rs. (32,793) following legal claims in the Financial Statements. Marawila Resorts PLC is having consulted the legal counsel have determined that no provision is required for the below case outstanding against the company as at 31 March 2026.

Commercial High Court of Kurunegala – Case No NWP/HCCA/KUR/106/2021/FA

40 . Events Occurring After The Reporting Period

40.1 Company

Subsequent to the reporting period, no circumstances have arisen that would require adjustments to or disclosures in the financial statements of the Company.

40.2 Consolidated

(i) Beruwala Resorts PLC

1. The Group's Subsidiary Beruwala Resorts PLC has decided temporarily to suspend hotel operations for four months from 1st May 2026 to 30th August 2026. This temporary closure is undertaken to facilitate the planned refurbishment and operational improvements, with a view to enhancing the overall guests experience and maintaining the company service standers.

2. The Group's Subsidiary Beruwala Resorts PLC on 23rd July 2026 announced a Rights Issue of Three Hundred and Eighteen Million Four Hundred and Twenty Nine Thousand Two Hundred and Twenty Five (318,429,225) Ordinary Shares at a price of Rs. 1.25 per share in the proportion of Five (5) new ordinary shares for every Eleven (11) existing issued Ordinary Shares held, subject to approval by The Colombo Stock Exchange (CSE) and the shareholders of Beruwala Resorts PLC.

(ii) ACME Printing & Packaging PLC

1. Sales of Land and Building

Subsequent to the reporting date, on 24 July 2026, the group's subsidiary ACME Printing & Packaging PLC completed the sale of its land and factory for a consideration of Rs.630 million to Singer Sri Lanka PLC in accordance with the Sale and Purchase Agreement executed with the purchaser.

2. Capital Reduction

Capital Reduction - ACME Printing and Packaging PLC

The group's subsidiary ACME Printing & Packaging PLC has resolved to convene an Extraordinary General Meeting ("EGM") on 11 June 2026 to seek shareholder approval for a proposed capital reduction amounting to Rs. 1,595,084,628.50, in accordance with the applicable provisions of the Companies Act and the Company's Articles of Association.

As at the reporting date, the proposed capital reduction remains subject to shareholder and regulatory approvals, where applicable, and accordingly no adjustment has been made to these financial statements.

Capital Reduction - ACME Packaging Solutions Pvt Ltd.

The group's subsidiary ACME Packaging Solutions Pvt Ltd. has resolved to convene an Extraordinary General Meeting ("EGM") on 5th August 2026 to seek shareholder approval for a proposed capital reduction amounting to Rs. 738,610,256.00 in accordance with the applicable provisions of the Companies Act and the Company's Articles of Association.

As at the reporting date, the proposed capital reduction remains subject to shareholder and regulatory approvals, where applicable, and accordingly no adjustment has been made to these financial statements.

(iii) York Arcade Holdings PLC

The Group's Subsidiary York Arcade Holdings PLC disposed 3.4% of its equity state, (amounting to 500,000 ordinary shares) in Imperial Hotels ltd. to its parent company Lankem Ceylon PLC on 2nd April, 2026 at a price of Rs. 48.71 per share amounting to a total consideration of Rs. 24,355,000/-.

41. Subsidiary Companies of the Group

Details of subsidiaries in which Lankem Ceylon PLC held an indirect interest are set out below:

Indirect Subsidiary	Effective Holding (%)
Imperial Hotels Ltd.	23.82
B.O.T Hotel Services (Pvt) Ltd.	40.82
Beruwala Resorts PLC	35.26
Ceymac Rubber Company Ltd.	52.14
Ceytra (Pvt) Ltd.	44.41
Kelani Velly Canneries Ltd.	50.92
SunQuick Lanka Properties (Pvt Ltd.	26.94
Galle Fort Hotel (Pvt) Ltd.	53.02
Sherwood Holidays Ltd.	53.02
Kiffs (Pvt) Ltd.	69.95
Alliance Five (Pvt) Ltd.	69.95
Ceylon Tapes (Pvt) Ltd.	69.95
Sigiriya Village Hotels PLC	27.04
JF Ventures Ltd.	69.95
ACME Packaging Solutions (Pvt) Ltd.	50.50

42. Non-Controlling Interests in Subsidiaries

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

	Marawila Resorts PLC		Colombo Fort Hotels Ltd.		C.W. Mackies PLC		ACME Printing & Packaging PLC		Other Individually Immaterial Subsidiaries	
	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000	2026 Rs. '000	2025 Rs. '000
Total assets	2,142,993	2,254,854	3,448,147	3,644,427	13,015,127	12,259,488	1,948,312	1,863,027	6,450,517	6,203,450
Total Liabilities	1,010,316	1,141,071	106,331	212,682	8,426,891	7,803,524	1,430,035	2,381,501	2,748,659	2,655,305
Net assets	1,132,677	1,113,783	3,341,816	3,431,745	4,588,236	4,455,964	518,277	(518,474)	3,701,858	3,548,145
Carrying amount of NCI	827,647	813,841	1,569,985	1,612,234	2,164,730	2,038,604	256,547	(388,337)	2,279,044	2,173,563
Revenue	883,192	960,194	-	-	24,103,566	24,282,171	909,292	1,196,433	2,027,287	1,834,717
Profit/(loss) after tax	51,527	152,662	(89,542)	869,068	433,339	490,313	(452,827)	(405,923)	67,362	179,254
Total Comprehensive Income	54,087	238,158	(89,929)	869,941	429,009	575,396	(388,248)	(389,629)	229,341	1,238,086
Profit/(loss) allocated to NCI	37,651	111,550	(42,067)	408,288	204,449	224,318	(224,149)	(304,036)	38,598	111,606
Cash flows from operating activities	28,920	227,078	(193,420)	481	549,117	(398,155)	(244,567)	(14,191)		
Cash flows from/(used in) investing activities	(20,076)	(82,291)	157,820	64,305	(343,298)	(287,928)	(3,453)	(77,169)		
Cash flows from financing activities	(72,555)	(147,385)	-	-	(151,349)	658,729	755,623	44,732		
NCI percentage (%)	73.07%	73.07%	46.98%	46.98%	45.75%	47.18%	49.50%	74.90%		
Principal place of business	Thalwilawella, Thoduwawa, Marawila.		8-5/2, Layden Bastian Road, York Arcade Building, Colombo 1		No. 36, D.R. Wijewardena Mawatha, Colombo 10		306, Minuwangoda Road, Kotugoda			

42.1 Following sales/purchase transactions of Non controlling interest during the year ended 31st March 2026 has resulted in an impact to the total equity of the Group.

Name of the Company	Consolidated
	31.03.2026 Increase/ (Decrease) of Non controlling Interest Rs.'000
Changes in percentage of Subsidiaries	
Disposal of 0.02% in Beruwala Resorts PLC	52
Net Investment of 25.40% in ACME Printing & Packaging PLC	(135,524)
Disposal of 2.67% in Imperial Hotels Ltd.	17,102
Disposal of 1.43% in CW Mackie PLC	59,423
Disposal of 10.00% York Arcade Holdings PLC	21,512
Dilution of ownership by 0.01% in BOT Hotel Services (Pvt) Ltd. by the disposal of Beruwala Resorts PLC	56
	(37,379)

SUPPLEMENTARY INFORMATION



Ten Year Summary

Consolidated	2025/26 Rs.'000	2024/25 Rs.'000	2023/24 Rs.'000	2022/23 Rs.'000
Statement of Profit or Loss				
Revenue	41,138,683	40,334,070	33,601,738	33,754,554
Share of (Loss)/Profit of Associate	(74,162)	(281,626)	(729,253)	(502)
Share of Profit / (Loss) of Joint Venture	43,978	168,829	1,002	(165,413)
Profit/(Loss) Before Income Tax	115,692	257,778	(590,103)	2,966,825
Income Tax (Expense) / Reversal	(478,618)	(583,299)	(271,952)	(631,381)
Profit/(Loss) for the Year	(362,926)	(325,521)	(862,055)	2,335,444
Profit/(Loss) Attributable to Non-Controlling Interests	(34,195)	137,275	(23,905)	129,352
Profit/(Loss) Attributable to Owners of the Company	(328,731)	(462,796)	(838,150)	2,206,092
Statement of Financial Position				
Equity				
Stated Capital	2,483,681	1,282,697	1,282,697	1,282,697
Capital Reserves	4,833	4,833	4,833	4,833
FVTOCI Reserves	109,226	36,343	46,443	46,443
Revenue Reserves	(1,793,778)	(1,589,317)	270,659	270,659
Revaluation Reserves	3,929,519	3,909,580	1,913,390	1,913,390
Non-Controlling Interests	6,559,770	5,196,393	3,791,681	3,791,681
Total Equity	11,293,250	8,840,528	7,309,703	7,309,703
Assets				
Non-Current Assets	18,501,576	17,210,978	14,381,951	12,138,029
Current Assets	20,293,635	18,659,856	15,085,070	13,940,660
Total Assets	38,795,211	35,870,834	29,467,021	26,078,689
Liabilities				
Non-Current Liabilities	7,414,110	7,266,312	6,373,446	6,234,071
Current Liabilities	20,087,850	19,763,993	15,547,460	12,534,915
Total Liabilities	27,501,960	27,030,305	21,920,906	18,768,986
Cash Flow Statement				
Net Cash Flow (Used in) /Generated from Operating Activities	(989,541)	(1,239,775)	(40,274)	(705,594)
Net Cash Flow (Used in) /Generated from Investing Activities	(1,393,621)	(951,686)	(986,148)	23,363
Net Cash Flow Generated From/ (Used in) Financing Activities	2,438,918	2,550,282	1,045,150	372,154
Net Increase/(Decrease) in Cash And Cash Equivalents	55,756	358,821	18,728	(310,077)
Key Indicators				
Earnings/ (Loss) Per Share (Rs.)	(2.91)	(4.23)	(16.28)	42.86
Net Assets Per Share (Rs.)	41.96	33.29	58.15	68.35
Market Capitalisation (Rs. Million)	5,627	4,221	3,500	3,986
Current Ratio (No.of Times)	1.01	0.94	0.97	1.11
Interest Cover (No.of times)	1.10	1.22	1.07	2.27
Price Earnings Ratio (No.of Times)	(28.14)	(19.40)	(4.18)	1.77
Return on Equity (%)	(0.03)	(0.04)	0.11	0.32
Gearing (%)	76.17	80.95	80.73	75.63

	2021/22 Rs.'000	2020/21 Rs.'000	2019/20 Rs.'000	2018/19 Rs.'000	2017/18 Rs.'000	2016/17 Rs.'000
	21,191,341	17,468,490	15,423,082	17,659,156	18,479,195	17,261,207
	3,814	(537)	(7,926)	(334,521)	(97,602)	(75,280)
	(127,808)	(50,516)	7,963	46,659	(20,697)	-
	263,157	(779,441)	(1,182,563)	(1,049,956)	(349,155)	(613,132)
	(266,706)	(266,679)	157,040	165,676	(127,949)	(118,332)
	(3,549)	(1,046,120)	(1,025,523)	(884,280)	(477,104)	(731,464)
	(48,474)	(180,727)	(138,263)	98,284	106,253	58,272
	44,925	(865,393)	(887,260)	(982,564)	(583,357)	(789,736)
	1,282,697	930,346	930,346	930,346	930,346	536,218
	4,833	4,833	4,833	4,833	4,833	4,833
	(13,996)	(18,584)	(19,182)	(4,706)	12,734	1,750
	(1,711,409)	(2,254,731)	(1,280,004)	(380,822)	608,907	1,340,938
	2,290,499	2,341,192	1,700,657	1,679,064	-	-
	3,268,392	2,898,540	2,597,099	2,793,360	2,129,658	2,237,370
	5,121,016	3,901,596	3,933,750	5,022,075	3,686,478	4,121,109
	12,514,992	11,161,531	10,893,861	10,808,244	8,308,176	8,198,896
	10,073,282	9,007,059	7,462,630	7,765,060	8,254,873	8,149,165
	22,588,274	20,168,590	18,356,491	18,573,304	16,563,049	16,348,061
	4,719,337	5,023,159	4,523,769	4,814,961	3,084,613	2,820,406
	12,747,921	11,243,835	9,898,973	8,736,268	9,791,958	9,406,546
	17,467,258	16,266,994	14,422,742	13,551,229	12,876,571	12,226,952
	(228,416)	60,688	(766,962)	(183,813)	(151,346)	256,358
	17,968	(26,816)	(132,244)	(112,936)	(75,404)	(831,756)
	386,171	229,141	717,735	(7,388)	715,965	1,160,724
	175,723	263,013	(181,471)	(304,137)	489,215	585,326
	0.94	(23.81)	(26.21)	(29.02)	(25.45)	(32.91)
	35.99	29.63	39.48	65.84	45.99	78.49
	1,390	917	579	745	1,263	1,056
	0.79	0.80	0.79	0.89	0.84	0.87
	1.42	0.28	0.02	0.22	0.71	0.36
	29.03	(1.06)	(0.65)	(0.76)	(1.49)	(1.34)
	-	(0.27)	(0.26)	(0.47)	(0.22)	(0.33)
	73.12	78.25	71.92	65.84	72.55	68.24

Share Information

Twenty Major Shareholders

Name of the Shareholder	31.03.2026		31.03.2025	
	No. of Shares	%	No. of Shares	%
1. The Colombo Fort Land and Building PLC	60,386,082	44.00	28,423,233	55.22
2. Amana Bank PLC/Darley Butler & Company PLC	18,029,544	13.14	-	-
3. Sampath Bank PLC / Senthilverl Holdings (Pvt) Ltd.	13,841,891	10.08	1,185,239	2.30
4. Darley Butler & Co Ltd.	7,459,456	5.43	547,296	1.06
5. C.M. Holdings PLC	5,833,534	4.25	2,716,767	5.28
6. Associated Electrical Corporation Ltd.	3,847,538	2.80	1,442,772	2.80
7. Colombo Fort Investments PLC	3,806,794	2.77	1,290,673	2.51
8. Commercial Bank of Ceylon PLC/ The Colombo Fort Land & Building PLC	2,573,538	1.88	-	-
9. Hatton National Bank PLC/Sri Dhaman Rajendram Arudpragasam	1,847,336	1.35	250,000	0.49
10. Colombo Investment Trust PLC	1,635,000	1.19	495,000	0.96
11. E.B. Creasy & Company PLC	1,036,178	0.75	388,567	0.75
12. HNB Investment Bank (Pvt) Ltd./ Colombo Investment Trust PLC	964,000	0.70	-	-
13. Guardian Asset Management Ltd.	800,600	0.58	400,300	0.78
14. Nuwara Eliya Property Developers (Pvt) Ltd.	796,544	0.58	-	-
15. Mr. Rasiah Ranjith Leon	761,892	0.56	187,750	0.36
16. Capital Investments Ltd.	710,000	0.52	274,000	0.53
17. Sri Lanka Insurance Corporation Ltd-General Fund	612,338	0.45	306,169	0.59
18. Union Investments (Pvt) Ltd.	594,132	0.43	222,800	0.43
19. HNB Investment Bank (Pvt) Ltd./ Colombo Fort Investments PLC	525,000	0.38	-	-
20. Assetline Finance PLC / H Shanmuga Sharma	513,892	0.37	166,642	0.32
Total	126,575,289	92.22	38,297,208	74.41

Distribution of Shares

No. of Shares Held	As At 31st March 2026			As At 31st March 2025		
	No. of Shareholders	Total Holding	Holding %	No. of Shareholders	Total Holding	Holding %
1 - 1,000	1,739	398,792	0.30	1,685	369,451	0.72
1,001 - 10,000	662	2,018,991	1.47	355	1,098,419	2.14
10,001 - 100,000	161	5,022,942	3.66	68	1,736,212	3.37
100,001 - 1,000,000	23	9,517,736	6.93	15	4,196,912	8.15
1,000,000	11	120,296,891	87.64	6	44,069,763	85.62
	2596	137,255,352	100.00	2,129	51,470,757	100.00

Analysis of Ordinary Shareholders

No. of Shares Held	As At 31st March 2026			As At 31st March 2025		
	No. of Shareholders	Total Holding	Holding %	No. of Shareholders	Total Holding	Holding %
Individuals	2,431	7,630,288	5.56	1,980	2,862,888	5.56
Institutions	165	129,625,064	94.44	149	48,607,869	94.44
	2,596	137,255,352	100.00	2,129	51,470,757	100.00

The Market Value of the Company's ordinary shares was

Market Value	31.03.2026	31.03.2025
Highest	117.00	95.50
Lowest	31.10	64.00
Market Value as at the Year End	41.00	86.90

Public Holding

The percentage of shares held by the public as at 31st March 2026 was 22.32% (31st March 2025 - 14.15%)

The applicable option under Colombo Stock Exchange Rule 7.13.1 (i)(b) on Minimum Public Holding is Option 2 and the Float Adjusted Market Capitalisation as at 31.03.2026 was Rs. 1,256,051,177.22 (31.03.2025 - Rs. 632,902,442.84).

Public Shareholders

The number of Public Shareholders as at 31st March 2026 was 2,570 (31st March 2025 - 2,106).

Stated Capital

The Stated Capital of the Company is Rs. 2,483,681,470/- represented by 137,255,352 Ordinary Shares. (31.03.2025 - Stated Capital Rs. 1,282,697,140/- represented by 51,470,757 Ordinary Shares.)

Notes

Notice of Meeting

Notice is hereby given that the Sixty First Annual General Meeting of Lankem Ceylon PLC will be held on 30th September 2026 at 10.00 a.m. and conducted as a Virtual Meeting from 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 1, for the following purposes, namely:

1. To receive and consider the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st March, 2026 with the Report of the Auditors thereon.
2. To re-elect as a Director, Mr. K. G. Punchihewa who retires in accordance with Articles 84 and 85 of the Articles of Association.
3. To reappoint Mr. A. Hettiarachchy who is over seventy years of age as a Director. Special Notice has been received from a shareholder of the intention to pass a Resolution which is set out below in relation to his reappointment (see Note No.5).
4. To reappoint Mr. S.D.R. Arudpragasam who is over seventy years of age as a Director. Special Notice has been received from a shareholder of the intention to pass a Resolution which is set out below in relation to his reappointment (see Note No.6).
5. To authorize the Directors to determine donations to charities.
6. To reappoint as Auditors, Messrs. KPMG Chartered Accountants and to authorize the Directors to determine their remuneration.

By Order of the Board,



Corporate Managers & Secretaries (Private) Limited
Secretaries

Colombo
31st August 2026

Notice of Meeting

Notes:

1. Any member of the Company who is entitled to attend and vote at this meeting may appoint a proxy to attend and vote instead of him or her. A proxy need not be a member of the Company.

2. A Form of Proxy is enclosed in this Report. The instrument appointing a proxy must reach the Registered Office of the Company's Secretaries, Corporate Managers & Secretaries (Private) Limited, No. 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01, not less than forty eight (48) hours before the time appointed for the holding of the meeting.

3. Members are encouraged to vote by Proxy through the appointment of a member of the Board of Directors to represent them and vote on their behalf. Members are advised to complete the Form of Proxy and their voting preferences on the specified resolutions to be taken up at the meeting and submit the same to the Company in accordance with the instructions given on the reverse of the Form of Proxy.

4. Please refer the CSE website and the "Circular to Shareholders" dated 31st August 2026 for further instructions relating to the Annual General Meeting and for joining the Meeting virtually.

5. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:

Resolved –
"That Mr. A. Hettiarachchy who is seventy 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. A. Hettiarachchy."

6. Special Notice has been received by the Company from a shareholder giving notice of the intention to move the following Resolution as an Ordinary Resolution at the Annual General Meeting:

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

Form of Proxy

I/We ..... of

.....

being a member/members of Lankem Ceylon PLC hereby appoint .....

of ..... whom failing

1. Sri Dhaman Rajendram Arudpragasam of Colombo or failing him
2. Ariyawansa Hettiarachchy of Colombo or failing him
3. Peter Suren Goonewardene of Colombo or failing him
4. Anushman Rajaratnam of Colombo or failing him
5. Shrihan Blaise Perera of Colombo or failing him
6. Kamal Gardiye Punchihewa of Colombo

as my/our proxy to represent me/us and to speak and vote on my/our behalf at the Annual General Meeting of the Company to be held on 30th September 2026 at 10.00 a.m. and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid meeting.

	For	Against
1. To receive and consider the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st March 2026 with the Report of the Auditors thereon.	☐	☐
2. To re-elect as a Director, Mr. K. G. Punchihewa.	☐	☐
3. To reappoint Mr. A. Hettiarachchy as a Director.	☐	☐
4. To reappoint Mr. S.D.R. Arudpragasam as a Director.	☐	☐
5. To authorize the Directors to determine donations to charities.	☐	☐
6. To reappoint as Auditors, Messrs KPMG, Chartered Accountants, and to authorize the Directors to determine their remuneration.	☐	☐

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

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

.....
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 reasons of the manner in which the instructions contained in the Form of Proxy have been completed) as to the way in which the proxy should vote, the proxy may vote as he/she thinks fit.

Instructions as to completion are noted on the reverse hereof.

Form of Proxy

Instructions as to Completion

1. Perfect the Form of Proxy, after filling in legibly your full name and address by signing in the space provided and filling in the date of signature
2. In the case of Corporate Members the Form of Proxy must be under the Common Seal of the Company or under the hand of an Authorised Officer or Attorney.
3. Where the Form of Proxy is signed under a Power of Attorney (POA) which has not been registered with the Company's Secretaries, the original POA together with a photocopy of the same, or a copy certified by a Notary Public must be lodged with the Company's Secretaries, along with the Form of Proxy.
4. The Completed Form of Proxy should be deposited at the Registered Office of the Company's Secretaries, Corporate Managers & Secretaries (Private) Limited, 8-5/2, Leyden Bastian Road, York Arcade Building, Colombo 01. Not less than forty-eight (48) hours before the time appointed for the meeting.

Corporate Information

Board of Directors

Chairman
Mr. S.D.R. Arudpragasam
FCMA (UK)

Deputy Chairman
Mr. A. Hettiarachchy
C. Eng, MIEE, MIProdE, MIChemE

Managing Director
Mr. P.S. Goonewardene
BBA (Aus.) CPA (Aus.), FCMA (SL), FCIM (UK)

Directors
Mr. Anushman Rajaratnam
B.Sc. (Hons.) CPA, MBA

Mr. K.G.Punchihewa
FCA, CPA (Aus.)

Mr. S.B. Perera
FCMA/CGMA(UK), B.Sc. Mech.Eng. (Hons.)

Secretaries

Corporate Managers & Secretaries (Private) Limited

Bankers

Commercial Bank of Ceylon PLC
Bank of Ceylon
Sampath Bank PLC
People's Bank
National Development Bank PLC
Hatton National Bank PLC
PABC Bank PLC
Seylan Bank PLC
Nations Trust Bank PLC
Union Bank of Colombo PLC

Lawyers

Messrs Julius & Creasy, Attorneys-at-Law

Auditors

Messrs KPMG, Chartered Accountants

Name of the Company

Lankem Ceylon PLC

Legal Form

A limited liability company incorporated and domiciled in Sri Lanka

Date of Incorporation

15th September 1964

Company Number

PQ128

Stock Exchange Listing

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

Registered Office

No. 98, Sri Sangaraja Mawatha, Colombo 10.

Principal Activities of the Company

Manufacturing and Distribution of Chemicals, Paints and Consumer Products

Subsidiary Companies and their Principal Activities

Lankem Paints Ltd.
Distribution of Paints

Lankem Consumer Products Ltd.
Distribution of Consumer Products

Lankem Chemical Ltd.
Distribution of Industrial Chemicals

Lankem Agrochemicals Ltd.
Distribution of Agrochemicals

SunAgro Lifescience Ltd.
Import, Marketing and Distribution of Agrochemicals

Lankem Research Ltd.
Research and Development

C.W. Mackie PLC
Manufacturer, Exporter, Importer and Distributor of Consumer, Hardware and Rubber Products.

Lankem Plantations Services Ltd.
Non-Operational

Sigiriya Village Hotels PLC
Owning and Operation of Resort Hotel.

Marawila Resorts PLC
Owning and Operation of Resort Hotel

Colombo Fort Hotels Ltd.
Investment in Hotel Companies

Sherwood Holidays Ltd.
Managing of Bungalows

Beruwala Resorts PLC
Owning and Operation of Resort Hotel

Imperial Hotels Ltd.
Investment in properties

B.O.T. Hotel Services (Pvt) Ltd.
Non Operational

Galle Fort Hotel (Pvt) Ltd.
Owning and Operation of a Boutique Hotel

SunAgro Farms Ltd.
Non Operational

Associated Farms (Pvt) Ltd.
Non Operational

Lankem Technology Services Ltd.
Non Operational

Nature's Link Ltd.
Non Operational

Lankem Exports (Pvt) Ltd.
Non Operational

Ceylon Tapes (Pvt) Ltd.
Manufacturing and Trading of Packing Tape

J.F. Packaging PLC.
Manufacturing of Polymer Packing

Kiffs (Pvt) Ltd.
Manufacturing and Distribution of PET Bottles

Alliance Five (Pvt) Ltd.
Business of Injection Moulding

J.F. Ventures Ltd.
Investment Holding

ACME Printing and Packaging PLC
Packaging

Lankem Minerals Ltd.
Manufacturing of Fertiliser

York Arcade Holdings PLC
Development of Real Estate approved by the Urban Development Authority.

Associates

Consolidated Tea Plantations Ltd.

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