



From Resilience to Progress

LANKA INDUSTRIAL ESTATES LTD
Annual Report 2020/21

From Resilience to Progress

Moving ahead in an extraordinarily challenging business terrain, Lanka Industrial Estates Limited demonstrated its resilience by enhancing profitability levels. Despite the unsurmountable challenges encountered we persevered to optimize profitability levels, whilst ensuring the continuity of our operations. With the local manufacturing sector geared for expansion we are poised to cater the increased demand by expanding our operations further. With a stable and profitable platform, we are confident and optimistic to carve progress in the years ahead whilst delivering long term sustainable value to our stakeholders.



WHO WE ARE

Lanka Industrial Estates Ltd., referred to as LINDEL, a subsidiary Company of DFCC Bank PLC was incorporated in 1992 to set up, operate and manage industrial estates in Sri Lanka. Setting up the LINDEL Industrial Estate at Sapugaskanda, upgrading and making use of the remaining infrastructure facilities of the defunct State Fertilizer Manufacturing Corporation

was the pioneering project the Company undertook. LINDEL takes pride in providing a superior set of infrastructure and allied services to all its clients and the continuous improvement of all its services to exceed the highest industry standards available anywhere in Sri Lanka. LINDEL Industrial Estate is Sri Lanka's first private sector owned and operated industrial estate. The Company is a joint venture arrangement between the DFCC Bank PLC and the Government of Sri Lanka and is an example of a successful public-private partnership. The industrial estate, which is 125 acres in extent, is fully developed and

tenanted by several leading enterprises including a number of Fortune 500 companies.

LINDEL's sole subsidiary Lindel Industrial Laboratories Limited (LILL) was set up in 1997 to monitor the drinking water quality and the quality of effluents discharged by the factories within LINDEL. By today, LILL has expanded testing facilities to other industries as well.

OUR PARENT



DFCC Bank PLC

Established in 1955 as the first development bank in Sri Lanka and one of the oldest in the region, DFCC Bank has been the lender of choice for trailblazing Sri Lankan entrepreneurs and continues to be the preferred lender for "Green" development projects including waste-to-energy, hydro, wind, and solar energy projects. Having honed its expertise in project lending for over six decades, the Bank turned to commercial banking in 2015. Today, DFCC Bank provides comprehensive development and commercial banking services and is at the forefront of pioneering digitally-enabled products and services, offering customers unparalleled service, convenience, and value.

Reach

DFCC Bank delivers its services through 139 branches island-wide. Customers have access to over 4,500 ATMs across the country via the LankaPay ATM network and can avail themselves of the Bank's services via online and mobile banking and DFCC MySpace, the Bank's self-banking solution.

Portfolio

DFCC Bank's primary lines of business include Consumer Banking, Corporate Banking, Treasury and Resource Mobilization, Branch Banking, International Banking, Card Operations, and Bancassurance.



Chairman's Message | page 10

"Our relentless commitment to corporate stewardship and best practices has further strengthened our strategic management capabilities and our ability to comply with operational risk management requirements."



CEO's Review | page 12

"Weathering the storms in the second successive year of turbulence in the world economy, LINDEL displayed resilience to record an impressive performance during the year under review"

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Vision

To be the most admired Company in the country in providing industrial space and infrastructure

Mission

To assist in Sri Lanka's economic progress by providing industries excellent infrastructure facilities within an enclave that protects both the industry and the environment

Our Values

Integrity | Learning | Quality |
Teamwork | Accountability

MILESTONES

1992

Incorporation of Lanka Industrial Estates Limited (LINDEL) as a public Company.

1994

Initial development work of the site and infrastructure completed.

Agreements were signed with companies such as Unilever (Ceylon) Limited , Grip Engineering (Pvt) Ltd , Shin Kwang Lanka (Pvt) Ltd and Neil Fernando & Company.

1996

Received approval from the Central Environmental Authority for the issuance of environmental licenses for industries located within LINDEL.

Commissioned a 200-line telephone exchange for the exclusive use of the Industrial Estate.

1997

Subsidiary of LINDEL, Lindel Industrial Laboratories Limited (LILL), was incorporated as state-of-the-art industrial laboratory.

A 10 MW electric power sub-station funded by LINDEL was completed.

1999

Bulk urea storage building of the State Fertilizer Manufacturing Corporation was converted to a 50,000 sq. ft warehouse.

2001

Solid waste yard was converted to a proper solid waste disposal yard introducing a land fill site and converted solid waste in to revenue generating source.

2003

Total number of lessees increased to 20 for the first time with 92% occupancy. These tenants included Fortune 500 companies.

2005

LILL was accredited by Accreditation Scheme for Testing Laboratories (ASTEL) for water and fuel testing.

2006

LILL became one of the first industrial labs to obtain ISO 17025 standard.

2007

LINDEL surpassed Rs. 100 Mn in revenue for the first time in its history.

2012

Chevron Lubricants Lanka PLC reached an agreement with LINDEL to setup a state-of-the-art lubricant blending facility in a 4-acre block within the industrial estate.

Natural water spring at backyard of LINDEL was designed and converted to a spring water treatment plant which has a drawing capacity of water up to 20,000 Cu.m per month.

2014

The first 20kW net metering solar project was implemented at LINDEL office and followed by another two net metering projects of 20kW and 22 kW capacities.

2015

Surpassed the Rs. 200 Mn in revenue for the first time.

2018

Five-acre land plot was leased out to Diesel and Motor Engineering PLC together with a 50,000 Sq.ft building space.

First solar net plus project with a capacity of 432kW was commissioned at LINDEL.

2019

Surpassed Rs. 300 Mn in revenue for the first time.

2020

Surpassed Rs. 200 Mn Profit after tax for the first time.

Another solar net plus project with a capacity of 470kW was commissioned at LINDEL.

ABOUT THIS REPORT

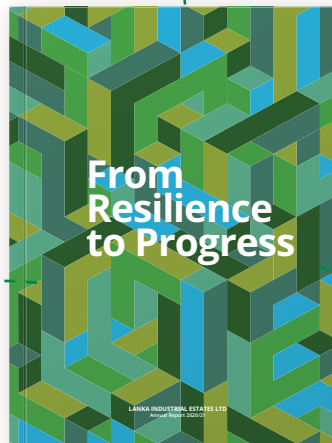
The Report

This is the second Integrated Annual Report of Lanka Industrial Estates Limited. (LINDEL)

The report presents a detailed yet concise account of LINDEL's value creation process over the short, medium, and long term towards its stakeholders. It offers a detailed view of strategy, governance, and capital management; and detailed information about the financial performance in the context of the surrounding operating environment in 2020/21. The Report addresses all queries pertaining to making sound decisions about the Group and its activities.

Report Structure

The Annual Report of the Company covers the period of twelve months from 1st April 2020 to 31st March 2021 which represents the annual reporting cycle. The most recent Annual Report covered the 12 month period from 1st of April 2019 to 31st March 2020. The Company creates value through the Business Model, which takes inputs from the six capitals and transforms through business activities to produce outputs and outcomes that create value over time for its diverse stakeholders.



Scope and Boundary

This Report considers the financial performance and non-financial performance of the Company. This Report represents a balanced review of LINDEL's financial, environmental and social performance, governance framework and how it has managed risks. There have been no changes in the scope of reporting and accounting policies from the previous year. Non-financial information in this report pertaining to the previous year has not been restated unless otherwise stated.

Queries

Any queries or questions regarding this report should be addressed to:

Financial Controller

Lanka Industrial Estates Limited
Pattiwila Road, Sapugaskanda, Makola
e-mail: lindel@itmin.net
Tel: +94 11 2400318

Compliance

The Financial Statements of LINDEL have been prepared in accordance with the Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka. The Company has followed additional guidelines as established by the Companies Act No. 07 of 2007 and "Guidelines for the presentation of Annual Reports 2021" published by the Institute of Chartered Accountants of Sri Lanka.

For governance-related matters, where applicable, LINDEL voluntarily comply with the Code of Best Practice on Corporate Governance issued jointly by The Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

For integrated and sustainability reporting, LINDEL has complied with Integrated Reporting Framework of International Integrated Reporting Council and United Nations Sustainability Development Goals.

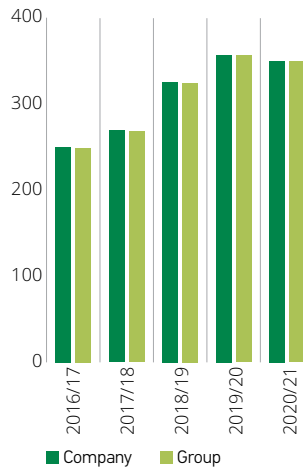
External assurance for the sustainability reporting has not been obtained for this year.

FINANCIAL HIGHLIGHTS

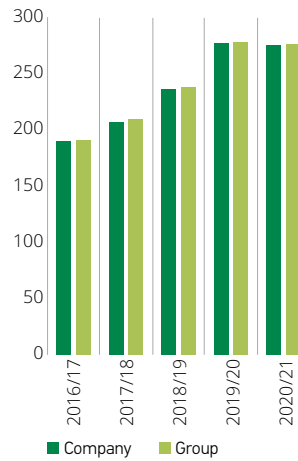
| Year ended/ As at | Group | | | Company | | |
|--|-----------|-----------|----------|-----------|-----------|----------|
| | 31-Mar-21 | 31-Mar-20 | Change % | 31-Mar-21 | 31-Mar-20 | Change % |
| Financial Performance | | | | | | |
| Revenue (Rs.'000) | 349,583 | 355,326 | (1.6) | 350,660 | 356,460 | (1.6) |
| Other operating income (Rs.'000) | 18,896 | 18,851 | 0.2 | 9,356 | 11,416 | (18.0) |
| Operating profit (Rs.'000) | 251,120 | 246,390 | 1.9 | 250,641 | 246,415 | 1.7 |
| Profit before tax (Rs.'000) | 276,733 | 278,186 | (0.5) | 275,305 | 277,072 | (0.6) |
| Income tax expense (Rs.'000) | 52,594 | 76,866 | 31.5 | 52,095 | 76,431 | 31.8 |
| Profit after tax (Rs.'000) | 224,139 | 201,320 | 11.3 | 223,210 | 200,641 | 11.2 |
| Financial Position Highlights | | | | | | |
| Stated capital (Rs.'000) | 159,692 | 159,692 | - | 159,692 | 159,692 | - |
| Issued shares ('000) | 15,969 | 15,969 | - | 15,969 | 15,969 | - |
| Reserves and retained earnings (Rs.'000) | 538,508 | 483,379 | 11.4 | 530,953 | 476,395 | 11.4 |
| Current liabilities (Rs.'000) | 183,576 | 154,407 | 18.8 | 182,113 | 153,680 | 18.5 |
| Total liabilities (Rs.'000) | 300,635 | 277,339 | 8.4 | 298,217 | 276,143 | 7.9 |
| Current assets (Rs.'000) | 463,152 | 402,290 | 15.1 | 446,529 | 387,573 | 15.2 |
| Total assets (Rs.'000) | 998,835 | 920,410 | 8.5 | 988,862 | 912,230 | 8.4 |
| Financial Ratios | | | | | | |
| Earnings per share (Rs.) | 14.04 | 12.61 | 11.3 | 13.98 | 12.56 | 11.2 |
| Dividend per share (Rs.) | - | - | - | 10.50* | 10.50 | - |
| Operating profit margin (%) | 71.83 | 69.34 | 3.5 | 71.48 | 69.13 | 3.4 |
| Net profit margin (%) | 64.12 | 56.66 | 13.1 | 63.65 | 56.29 | 13.0 |
| Return on shareholder funds (%) | 32.10 | 31.31 | 2.5 | 32.32 | 31.54 | 2.4 |
| Return on assets (%) | 22.43 | 21.87 | 2.5 | 22.57 | 21.99 | 2.6 |
| Net assets per share (Rs.) | 43.72 | 40.27 | 8.5 | 43.25 | 39.83 | 8.5 |
| Total asset turnover (Times) | 0.35 | 0.39 | (9.3) | 0.35 | 0.39 | (9.3) |
| Current ratio (Times) | 2.52 | 2.61 | (3.2) | 2.45 | 2.52 | (2.7) |
| Quick asset ratio (Times) | 2.50 | 2.58 | (3.2) | 2.44 | 2.51 | (2.7) |
| Dividend payout ratio (%) | - | - | - | 75.12 | 83.57 | (10.1) |
| Dividend cover (Times) | - | - | - | 1.33 | 1.20 | 11.2 |

* Proposed Dividend

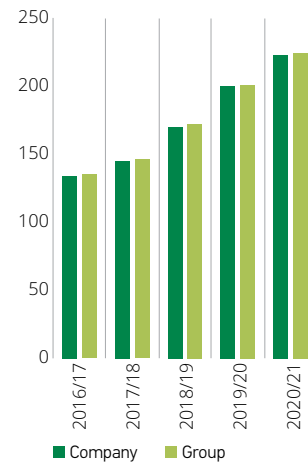
Total Revenue (Rs.Mn)



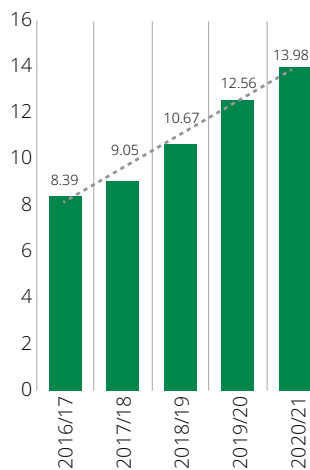
Profit Before Tax (Rs.Mn)



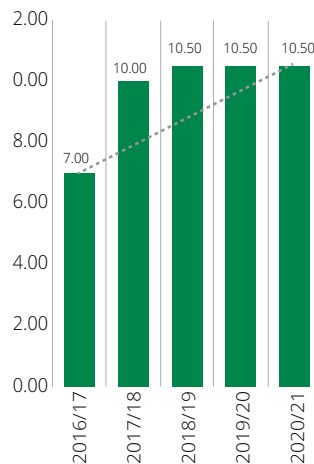
Profit After Tax (Rs.Mn)



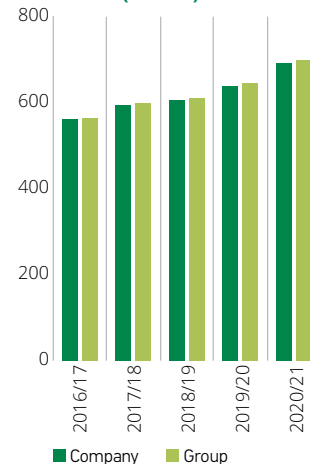
Earnings Per Share (Rs.)



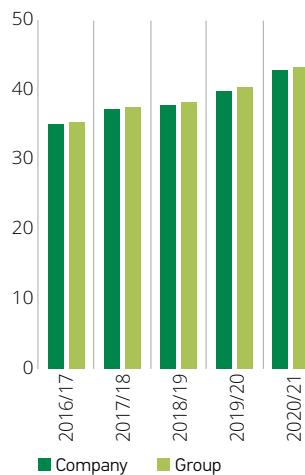
Dividend Per Share (Rs.)



Total Shareholder Funds (Rs.Mn)



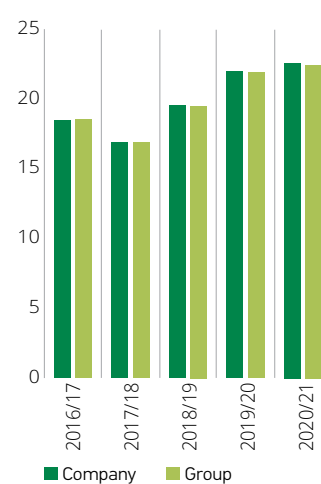
Net Assets Per Share (Rs.)



Total Asset Turnover (Times)



Return On Assets (%)



OPERATIONAL HIGHLIGHTS

Manufactured Capital

Renovation of

50,000 Sq.ft

warehouse with an investment over

Rs. 50 Mn



Intellectual Capital

Fully digitalized payment invoicing and collection platform

60% of Employees with over **10 years** of experience



DFCC iCONNECT

Natural Capital

Seven fully fledged

Solar Systems



Human Capital

Expenses on employees

Rs. 25 Mn



Social and Relationship Capital

8 Land plots converted to Investment Properties during the year

Customer satisfaction ratio of

95%





Stewardship

Chairman's Message



Dear Shareholders,

It is my pleasure to present to you the Annual Report of Lanka Industrial Estates Limited (LINDEL) for the financial year 2020/21 and welcome you to the 29th Annual General Meeting of the Company. This Annual Report sets out the performance of the LINDEL Group, which comprises of LINDEL and its wholly owned laboratory services provider Lindel Industrial Laboratories Limited.

Macro-Economic Overview

The last financial year will go down in history as one of the most difficult years for the global economy mainly due to the COVID-19 pandemic. The shockwaves emanating from the pandemic impacted the progress of many economies worldwide throughout

the year and continues to so at present. According to the World Economic Outlook published by the International Monetary Fund, the global economy declined by 3.3% in 2020 compared to a growth of 2.8% in 2019. The Sri Lankan economy too contracted by 3.6% compared to the growth of 2.3% in 2019. The vulnerability of the economy further hampered the ability of the country to effectively fight the pandemic. The unemployment rate in Sri Lanka rose to 5.5% during the year from 4.8% in 2019 while per capita income dropped from USD 3,852 in 2019 to USD 3,652 in 2020. Global travel restrictions resulted in the tourism industry facing one of the most difficult years which significantly reduced the foreign cash inflow into the country.

However, the import restrictions imposed by Sri Lanka and reduced global petroleum prices resulted in a reduction in the trade deficit towards the latter part of the year. Accordingly, the external current account deficit improved to 1.3% of GDP in 2020 from 2.2% of GDP in 2019. During the year, the government took many policy decisions to strengthen the ailing economy which included the reduction of the Statutory Reserve Ratio (SRR) which infused more liquidity to the market resulting in low policy rates. In addition, concessions were offered to small and medium businesses for loans obtained from Commercial Banks and Licensed Finance Companies.



Strong Financial Performance

I am happy to report that despite extremely adverse economic conditions and challenging operating environment, LINDEL recorded a profit after tax of Rs. 223.2 Mn which is a 11.2% growth over the previous financial year. A slight reduction was recorded in the revenue of the Company to Rs. 350.6 Mn from Rs. 356.4 Mn in 2019/20 resulting from losing a key tenant and the reduction of the annual rental increment rates this year to support our tenants during a difficult period. However, excellent cost management techniques that were implemented helped to reduce the total operating expenses by 14.3%. Group profit before tax stood at Rs. 276.7 Mn for the financial year while profit after tax stood at Rs. 224.1 Mn. The financial position of the Company and Group grew during the year supported by capital expenditure and cash inflows. Accordingly total assets of the Group increased to Rs. 998.8 Mn representing a growth of 8.5% while total liabilities grew by 8.4% to Rs. 300.6 Mn.

"I am happy to report that despite extremely adverse economic conditions and challenging operating environment, LINDEL recorded a profit after tax of Rs. 223.2 Mn which is a 11.2% growth over the previous financial year"

Corporate Governance

LINDEL is proud to be a model corporate citizen and is committed in upholding the highest standards of corporate governance. In all aspects of our business operations, we diligently

comply with applicable regulations, regulatory directives and industry best practices and adhere to all guidelines by the governing institutions in Sri Lanka. Our relentless commitment to corporate stewardship and best practices has further strengthened our strategic management capabilities and our ability to comply with operational risk management requirements.

"Our relentless commitment to corporate stewardship and best practices has further strengthened our strategic management capabilities and our ability to comply with operational risk management requirements. "

Dividends

I wish to announce that the Board of Directors has recommended a first and final dividend of Rs. 10.50 per share amounting to Rs. 167.6 Mn.

The Way Forward

The strategies formulated for the last financial year could not be implemented due to the prevailing situation in the country resulting from the global pandemic. Expanding the portfolio of properties would be the main short-term objective of LINDEL in the next financial year. We will intensify our efforts to secure a suitable location for a new industrial estate. Despite the uncertainties associated with the short- and medium-term plans of the Company arising from the third wave of the COVID- 19 pandemic, we strongly believe that LINDEL has the ability to navigate through these challenges and achieve sustainable growth. We are confident that continuous engagement with authorities and negotiations with potential investors will result in the Company achieving its strategic goals in the near future.

Appreciation

Energetic and loyal employees at all levels have contributed immensely to weather the storms of the last financial year. I wish to thank all staff members for their determination and hard work during a difficult year which has enabled LINDEL to conclude a successful year against all odds. I also wish to sincerely thank our loyal customers for the continuing trust they have placed in the Company. We are committed to provide them with exceptional service in the future as well. I thank the Treasury, Government Agencies and other authorities for the continuous cooperation and assistance extended over the years. To my colleagues in the Board, I am thankful for steering and guiding the Company in the right path during a turbulent year. To our valued shareholders, I express my appreciation and thanks for your continued trust and confidence in the Company. We look forward to better times in the future and assure you of our commitment to take the Company from strength to strength.

Lakshman Silva
Chairman

09th July 2021

CEO's Review



The financial year 2020/2021 was more challenging than the previous year due to the adverse repercussions of the continuing global Covid 19 pandemic. However, despite these global uncertainties and adverse impacts with tenacious economic winds, Lanka Industrial Estates Ltd (LINDEL), demonstrated strong resilience, recording robust profits and strong investor wealth accretion. Company successfully created opportunities out of the challenges. The initiatives we took will enable us to look forward to the next year and towards a post-pandemic era with greater confidence.

Significant achievements

Early anticipation of our customers' requirements enabled us to provide uninterrupted service to all our clients during the lockdown period. We succeeded in signing eight fresh agreements with clients for vacant areas for the past 27 years, thus increasing

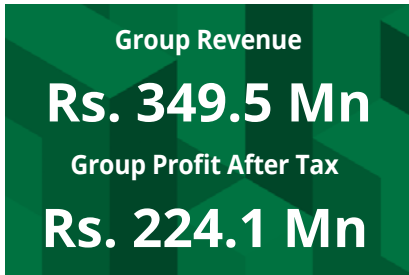
our resource utilization and revenue. The cost re-engineering initiative, where an in-depth analysis of operational cost was carried out resulted in a significant reduction in operating cost whilst maintaining the revenue constant. We take pride in the fact that our industrial zone was the only one in the country that managed the pandemic's challenges with minimum effect to clients.

Financial Performance

Weathering the storms in the second successive year of turbulence in the world economy, LINDEL displayed resilience to record an impressive performance during the year under review. LINDEL Group recorded a revenue of Rs. 349.5 Mn for the year ended March 31, 2021. The Group delivered a profit before tax of Rs. 276.7 Mn during the financial year and a profit after tax of Rs. 224.1 Mn. This is a remarkable performance achieved by the Group against heavy odds. LINDEL's revenue stood at Rs. 350.6

Mn during the year showing a decline of 1.6%. The decline in the revenue was mainly attributed to the loss of a key tenant at beginning of the year. The biggest contributors to the revenue were the lease and floor rentals from tenants, which was 85.8% of the total revenue. Lease rental income declined by 14.3%, while floor rental income grew by 23.2% during the year, supplemented by new tenants with whom new agreements were signed. Other operating income, which mainly consists of interest income from investments, declined as policy rates were dropped throughout the year. In addition to its revenue growth, LINDEL reduced its operational expenses by 9.9% as a Company and managed to keep Group operational expenses under control at Rs. 117.0 Mn. LINDEL's profit before tax stood at Rs. 275.3 Mn while profit after tax grew by 11.2% compared with last year and stood at Rs. 223.2 Mn.

"Weathering the storms in the second successive year of turbulence in the world economy, LINDEL displayed resilience to record an impressive performance during the year under review"



Performance Highlights

The solar power project launched in 2020 generated an increased revenue of Rs. 10.2 Mn over the previous year. With increased emphasis on solar power envisaged in the future, we are well-positioned to improve or expand our current projects. A 23.2% increase in floor rent over the previous year contributed significantly towards the bottom line. The Company successfully converted and transformed the second-largest fertilizer warehouse into a brand-new manufacturing plant to cater to the requirement of a leading conglomerate.

Business Continuity

The Company pro-actively analyzed and identified the requirements of our clients and allocated the available resources prudently to cater to the needs of every single client. Continuous follow-up and regular surveys provided us with the information required to re-arrange the operations to have a positive impact on the requirements of our clients. These initiatives and measures taken places us in an advantageous position to grab post-pandemic opportunities under a new normal.

"The Company pro-actively analyzed and identified the requirements of our clients and allocated the available resources prudently to cater to the needs of every single client"

We facilitated remote working facilities for employees whose physical presence is not required every day, to work from home. We also added value to our operations by automating the invoicing and payment functions. This has contributed immensely to greater efficiency and the smooth functioning of the industrial estate.

Challenges as Opportunities

The recorded worsening of the country's Current Account deficit will result in more emphasis placed on manufacturing-related industries than importation. Hence true to the saying that "every dark cloud has a silver lining", a vast potential for manufacturing industries to grow in the country has been identified by us. This will create gigantic opportunities for the manufacturing industry-related service sector in which we operate.

As a result of the high cost of energy and the likelihood of further increases in the future, solar power generation is increasingly becoming an attractive option. Our early foray into this area since 2016 will enable the Company to speedily expand utilization in the future and achieve competitive energy costs.

New Initiatives

In addition to signing eight new agreements and converting the fertilizer warehouse into a manufacturing facility (detailed under Performance Highlights), the security of the industrial estate was consolidated by installing a new CCTV system with 32 cameras to better monitor the overall security measures in place.

HR Initiatives

To streamline our Human Resource activities, a new HR Policy document was drafted. When adopted, the HR Policy will provide a comprehensive guideline to the Management and employees of policies, rules and regulations under which the Company operates and provide information on rewards and benefits available. New Job Descriptions were developed for all employees, which will enable the Company to evaluate performance against objectives and reward appropriately.

New staff identity cards were issued during the period ensuring better access control for the Company. In times of travel restrictions, Company identity cards assisted employees to travel to and from work with the least hassle. The branded T-Shirts given to employees enable them to take pride in working for LINDEL while providing visibility to the Company in public places. During the review period, we enhanced staff welfare facilities with

special emphasis on Covid related health and safety measures by providing sanitiser facilities at all locations.

Despite the challenges due to the COVID-19 situation and the concern for the safety and health of our employees, we carried out few activities under Corporate Social Responsibility (CSR) during the period under review.

Looking Ahead

In keeping with the notion that "tough times never last", LINDEL has pursued and planned to start the second industrial estate project to be in the forefront in our sector when tough times cease. Having hands-on experience in adopting solar power generation, we are geared to enhance solar power generation in a post-pandemic scenario. Our successful efforts to maximize revenue generation from vacant areas will continue relentlessly. Leveraging our proficiency displayed during the period, we will continue to convert and transform our warehousing operations into manufacturing plant operations to cater to a growing requirement in this area. This will contribute positively towards boosting revenue generation.

Appreciation

Our success during a challenging period would not have been possible if not for the dedication of every single member of staff who worked diligently to maintain our service levels. I take this opportunity to sincerely thank every staff member. The Management team who helped me in steering the ship in a turbulent environment owes my special gratitude. It was indeed a pleasure to work with such a committed team. To all Board of Directors, I say thank you for the guidance and support always given unhesitatingly. You were a tower of strength to the Company and me personally. Our loyal customers and suppliers have been incredibly supportive during a challenging period. I thank them for their unwavering support. Finally, I extend my appreciation and thanks to our shareholders for the trust and confidence they continue to place in us.

B. R. C. Cooray
Chief Executive Officer

09th July 2021

BOARD OF DIRECTORS



Mr. L. H. A. L. Silva

Chairman

Mr. Lakshman Silva was appointed to the Board of Lanka Industrial Estates Ltd in 2017. He was appointed to the Board of DFCC Bank PLC in October 2015 and functions as the Chief Executive Officer of DFCC Bank PLC since August 2017. Mr. Silva held the position of Deputy Chief Executive Officer at DFCC Bank PLC since October 2015. He was the Chief Executive Officer and Executive Director of DFCC Vardhana Bank PLC from January 2010 to September 2015.

Mr. Silva started his professional career with the Department of Inland Revenue of Sri Lanka and joined the DFCC Banking Group in 1987. He was seconded to the service of DFCC Vardhana Bank in 2003 and functioned as the Chief Operating Officer of DFCC Vardhana Bank until his appointment as the Chief Executive Officer in January 2010. Mr. Silva is the Chairman of DFCC Consulting (Pvt) Limited and Synapsys Limited, other subsidiary companies of DFCC Bank PLC. He is the current Chairman of Lanka Ventures Limited, LVL Energy Fund PLC, as well as Lanka Financial Services Bureau Limited. He is also a Director of Acuity Partners (Pvt) Limited, the joint venture Company of DFCC Bank PLC. Furthermore, he is a member of the Board of Directors of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP). He also serves as the Chairman of Lanka Financial Services Bureau Limited and Sri Lanka Banks' Association (Guarantee) Limited.

Mr. Silva holds a BCom (Sp.) from the University of Kelaniya and an MBA from the Postgraduate Institute of Management of the University of Sri Jayewardenepura.



Mr. A. D. Tudawe

Mr Amal Tudawe was appointed to the Board of Lanka Industrial Estates Limited in 1992.

Mr Tudawe has over 39 years of experience in the field of Mechanical and Electrical Engineering, inclusive of 5 Years in UK and 3 Years in Australia. He has served Tudawe Brothers (Pvt) Ltd as Director Engineering for over 34 years. The key Strategic Business Unit responsible for the Mechanical (Heat, Ventilation, Air Conditioning and Fire Detection and Protection Systems) and Electrical Engineering of the Tudawe Group, Tudawe Engineering Services (Pvt) Ltd was established under his stewardship and he heads it currently as its Managing Director.

He has served as an Electrical Engineering Consultant for Norman Disney & Young and Barry Webb & Associates of NSW, Sydney, Australia during the period 1994 to 1996.

His qualifications include BSc (Hons) Lond, MSc (Elect.Eng.) Lond, MIEE (UK) CP Eng (Aust), MIE (Aust), MIESL and C.Eng.



Mr. T. W. de Silva

Mr. Tyrone de Silva was appointed to the Board of Lanka Industrial Estates Limited in 2005. Mr. de Silva served at DFCC Bank from 1989 until his retirement as Executive Vice President in December 2019. During his thirty-year career, he was active in the Bank's Corporate Finance and Capital Markets businesses and took part in several notable

Initial Public Offerings, Debt Arrangements & Issuances and Financial Advisory assignments. He also participated in DFCC's corporate structuring transactions including the set up and acquisition of Subsidiaries and Associates of the DFCC Group.

In the latter part of his career, Mr. de Silva was placed in charge of the DFCC's Corporate Banking business and subsequently was appointed as Head of Lending for the Bank in the capacity of Executive Vice President. Following on, he changed roles and assumed responsibilities for DFCC Group's Strategic Planning and Subsidiaries. Mr. de Silva was also appointed to serve on the Boards of DFCC subsidiaries and associates, and companies in which the Bank had a significant interest. He is presently the Chairman of Lindel Industrial Laboratories Ltd. and a Director of DFCC Consulting (Pvt) Ltd. and Synapsys Ltd.

Prior to his career at DFCC, Mr. de Silva was employed as a foreign exchange and money broker for a period of seven years. Here he gained in-depth exposure to foreign exchange and fixed income trading, structuring of swap deals and other hybrid transactions.

Mr. de Silva holds a Master of Business Administration degree from the University of Warwick (UK). He is also a Graduate Member of the Institute of Mechanical Engineers (UK). He has extensive international training in various aspects of management, banking and finance.



Dr. A. Saarrankan

Dr. Saarrankan was appointed to the Board of Lanka Industrial Estates Limited in 2018. He currently functions as a Director at Department of Fiscal Policy Ministry of Finance, Economic and Policy Development. He is also a Director of Postgraduate Institute of Medicine and Elkaduwa Plantations Ltd.

He has previously worked as a Director at Manpower Planning, Development and Research Department of Manpower and Employment Ministry of Labour and Trade

Union Relations and Rural Development Training and Research Institute (RDTRI) Ministry of Economic Development. Dr. Saarrankan started his career at KPMG Maldives before working in various public and private entities. He holds a Ph.D. in Economics from Ryukoku University, Kyoto, Japan. He is also a member of Sri Lanka Administrative Service (SLAS-1).



Dr. R. M. K. Ratnayake

Dr. R. M. K. Ratnayake was appointed to the Board of Lanka Industrial Estates Limited in 2002. He is a Fellow of the United Nations University, Tokyo. He served as an Assistant lecturer, Colombo University, before joining the public service in 1972. He served as Director Nutrition Policy, Ministry of Policy Planning and concurrently Senior Assistant Secretary to the Ministry of Janasaviya. He also served as Additional Secretary Ministry of Finance and Planning, Secretary to a number of Cabinet Ministers since 1994 and Immediately prior to his retirement in 2008, he served as Secretary to the Ministry of Trade, Commerce, Consumer Affairs, Marketing Development and Cooperatives.

Dr. Ratnayake was appointed as a member to the Presidential Commission on Cooperatives. He was a Commissioner of the SAARC Poverty commission. He served as a Director in the Boards of the Peoples Bank, National Savings Bank and Sanasa Development Bank. He also served in as the Chairman of Strike, Riot and Civil Commotion and Terrorism (SRCC&T) Fund and National Wealth Corporation. He was the Chairman of CWE, Lanka Sathosa and Consumer Affairs Authority. He is also a Director of SANASA Campus and SANASA International Ltd.

Dr. Ratnayake Graduated with a BA degree from University of Ceylon, Peradeniya in 1970, a MSc (Econ) from University of Wales UK in 1979 and received a PhD from the School of Hygiene and Tropical Medicine, University of London in 1989.

BOARD OF DIRECTORS



Mr. R. A. Dassanayake

Mr. Ravi Dassanayake was appointed to the Board of Lanka Industrial Estates Limited in 2019. Mr. Dassanayake is the Vice President Strategic Planning and Subsidiaries of DFCC Bank PLC. He counts over 28 years of experience in banking, accounting and auditing, consulting and advisory services. He is a Director of several subsidiaries and associate companies of DFCC and is also a member of several management committees.

He has held positions as the Head of Budgeting and Planning of DFCC Vardhana Bank PLC, Chief Executive Officer and Chief Risk and Operations Officer of Lankaputhra Development Bank and Partner, Audit Assurance and Consulting of BDO Partners Sri Lanka. He holds his Masters from PIM, University of Sri Jayewardenepura and his first degree in Accountancy from the same university. He is also a Fellow member of CA Sri Lanka and an Associate of CIMA UK.

He holds Director positions at National Asset Management Ltd, Lanka Ventures PLC, Lindel Industrial Laboratories Ltd, LVL Energy Fund Limited, DFCC Consulting (Pvt) Limited and Acuity Securities Ltd.



Ms. S. Kariyawasam

Company Secretary

Ms. Samathri Kariyawasam was appointed as the Company Secretary of Lanka Industrial Estates Limited in August 2017. She has over 20 years of experience in banking and finance. Ms. Kariyawasam is the Vice President General Legal of DFCC Bank PLC. Before her current position, she has worked as the Senior Manager Legal of DFCC Vardhana Bank PLC, Assistant Vice President Business Legal of DFCC Bank PLC and Vice President Business Legal of DFCC Bank PLC. She is also the Company Secretary of DFCC Consulting (Pvt) Limited and Lindel Industrial Laboratories Limited.

Ms. Kariyawasam obtained her BA Business Administration from University of Colombo. She is also an Attorney at Law and holds a LL.M. specialising in Corporate & Commercial Law (Distinction) from Queen Mary, University of London, United Kingdom.

SENIOR MANAGEMENT



Mr. B. R. C. Cooray

CEO

Mr. Rasika Cooray brings over 27 years of experience to the business at LINDEL from his key roles across several different industries. He holds an MBA from the Cardiff Metropolitan University of UK and he is a member of the Institute of Certified Management Accountants (CMA), Australia, where he is an executive committee member of the local institute.

He started his professional career in Hemas Group in 1996 and 1998; he joined the National Prawn Company (NPC) in Saudi Arabia. NPC is the largest vertically integrated desert coastal shrimp cultured project in the world. After completing the initial assignment at NPC, Mr. Cooray joined MacBertan (Private) Limited in 2000, which is part of a leading conglomerate in Sri Lanka and also the very first heat insulation manufacturing plant.

After eight successful years in MacBertan, he moved to McLarens Lubricants Limited as the Head of Finance. While at McLarens Lubricants Limited, he worked with the world's second-largest Company – Exxon Mobil Corporation. During this time, he was instrumental in many turnarounds and award-winning achievements for McLarens Lubricant Cluster.

He has participated in many programs both locally and overseas in addition to the years of working experience. Before joining LINDEL, he was the General Manager of the Property cluster of McLarens Group, which includes Property management, project management and building construction.



Mr. U. J. Senanayake

Senior Operations Manager

Mr. Upul Senanayake started his professional career as an Assistant Engineer at National Water Supply and Drainage Board and also worked as civil/site engineer at several engineering companies before joining LINDEL in 1999. As the Senior Operations Manager with more than 21 years of experience working at LINDEL,

Mr. Senanayake handles engineering related operational and management functions, infrastructure development and maintenance, project implementation and management, marketing of lands and buildings and other related corporate management functions.

Mr. Senanayake has a Bachelors degree in Mechanical Engineering from University of Peradeniya and National Diploma In Technology in Civil Engineering.

He completed his MBA in Business Administration from University of Colombo and a life time member of the MBA Alumni of Colombo University. He is currently reading for his Ph.D in Business Administration and an associate member of Doctor of Business Administration Alumini of Kelaniya University (DBAAKU).

SENIOR MANAGEMENT



Mr. W. A. R. Hewage

Financial Controller

Mr. Asintha Hewage Started his career at KPMG Sri Lanka and then moved to Corporate sector where he worked in various industries including Finance , Stock Brokering and Telecommunication and He has over 11 years of experience in Auditing , Financial Accounting, Management Accounting and Taxation.

Mr. Hewage is a Fellow member of Institute of Chartered Accountants of Sri Lanka and an Associate member of Chartered Institute of Management Accountants (UK). He is also, a passed finalist of Association of Accounting Technicians of Sri Lanka and has a Bachelor's Degree in Accounting (Special) from University of Sri Jayewardenepura.



Mr. S. D. Jayasuriya

Technical and Quality Manager – Lindel Industrial Laboratories Limited

Mr. Sulakshana Jayasuriya is Heading the operations in Lindel Industrial Laboratories Limited. He has over 12 years of experience in the industry. Mr. Jayasuriya joined LILL in 2008 and was promoted to his current position in 2018.

He holds a Bachelor's degree in Chemistry from the College of Chemical Science (Ceylon) and Post Graduate Diploma in Analytical Chemistry from the University of Colombo. He is the current Vice president of the Sri Lanka Association of Testing Laboratories (SLATL).



Management Review and Capital Management

STAKEHOLDER ENGAGEMENT

LINDEL's stakeholders are those individuals or entities who can be expected to be significantly affected by LINDEL's business activities, output or outcome, or whose actions can affect the LINDEL's ability to create value over time. All stakeholders would relate to the Company through being concerned with its performance in either one or more economic, social and environmental aspects.

Engaging with stakeholders is given the highest priority at LINDEL, as it significantly impacts all the business activities. Also, the LINDEL's image depends on the stakeholder perceptions and the behaviour, therefore their understanding, the changing behaviour and different reactions of the perceptions will guide LINDEL to enable powerful business strategies and reach overall strategic goals during the year. LINDEL's stakeholder mechanisms are reviewed regularly to ensure the most effective mechanisms are in place to engage with different stakeholder groups. LINDEL's process of engaging with stakeholders is given below.









LINDEL maintain regular stakeholder engagement through a formal and transparent mechanism that facilitates continuous communication, dialogue and feedback from its many and varied stakeholder groups while raising awareness of the need for sustainable resource consumption and sustainable practices. LINDEL also continue to seek new methods of communication that would help its stakeholders to give more feedback to improve its sustainability efforts.

LINDEL's Stakeholders

| | |
|--------------|-------------|
| Shareholders | Suppliers |
| Customers | Communities |
| Employees | Government |

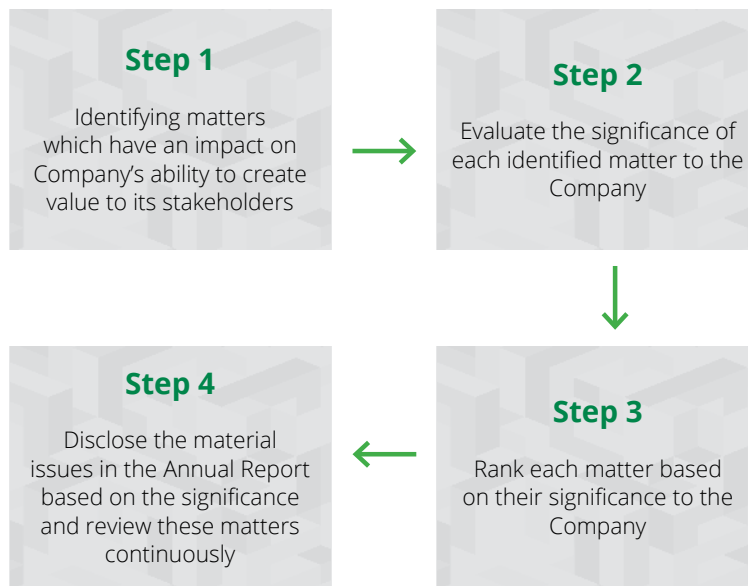
Stakeholder Engagement at LINDEL

| Stakeholder | Importance to LINDEL | Engagement Methods | Frequency of Engagement | Stakeholder Interest | Management Approach |
|--|---|---|---|--|---|
| Shareholders  | <ul style="list-style-type: none"> - Provide required capital for growth. | <ul style="list-style-type: none"> - Annual Report - Annual General Meeting - Monthly management accounts - Company website | <ul style="list-style-type: none"> - Annually - Annually - Monthly - As necessary | <ul style="list-style-type: none"> - Return on investment - Ethical corporate conduct and good governance - Risk management | <ul style="list-style-type: none"> - LINDEL commits to fulfil shareholder concerns and maintains a robust dividend policy - Transparent disclosures |
| Customers  | <ul style="list-style-type: none"> - Understanding customer needs and preferences is a prerequisite for retaining the customer. | <ul style="list-style-type: none"> - Customer survey - Company website - Meetings | <ul style="list-style-type: none"> - Annually - As necessary - As necessary | <ul style="list-style-type: none"> - After sales service - Continued access to facilities - Value for money | <ul style="list-style-type: none"> - Enhanced customer service - Fair and reasonable pricing - Improved customer complaint handling procedure |
| Suppliers  | <ul style="list-style-type: none"> - Suppliers and other partners enable LINDEL to deliver consistent customer services. | <ul style="list-style-type: none"> - Meetings - Written communications | <ul style="list-style-type: none"> - As necessary - As necessary | <ul style="list-style-type: none"> - Prompt settlement of payments - Long-lasting relationship | <ul style="list-style-type: none"> - LINDEL makes payments to suppliers on or before due dates - Maintaining effective relationship |
| Employees  | <ul style="list-style-type: none"> - Employees play a crucial role in delivering a quality service and achieving the strategic objectives. | <ul style="list-style-type: none"> - Staff meetings - Performance appraisals - Memo's | <ul style="list-style-type: none"> - As necessary - Annually - As necessary | <ul style="list-style-type: none"> - Skill development and career progression - Job security - Health and safety - Attractive reward schemes | <ul style="list-style-type: none"> - LINDEL offers a range of financial and non-financial benefits to employees - Continues training opportunities - Annual increments and bonuses |
| Government  | <ul style="list-style-type: none"> - Provides an enabling environment for LINDEL to operate. | <ul style="list-style-type: none"> - Meetings - Written communications | <ul style="list-style-type: none"> - As necessary - As necessary | <ul style="list-style-type: none"> - Compliance with rules and regulations - Payment of taxes on due dates | <ul style="list-style-type: none"> - Continues monitoring of compliance with regulations - Internal controls to ensure timely payment of taxes |
| Community  | <ul style="list-style-type: none"> - Strong ties with local communities is essential for the sustainability of our operations. | <ul style="list-style-type: none"> - Meetings - CSR initiatives | <ul style="list-style-type: none"> - As necessary - Annually | <ul style="list-style-type: none"> - Minimised impact on environment - Job opportunities | <ul style="list-style-type: none"> - LINDEL's practices ensure the impact to the environment is minimal - Every new tenant creates more job opportunities for the surrounding community |

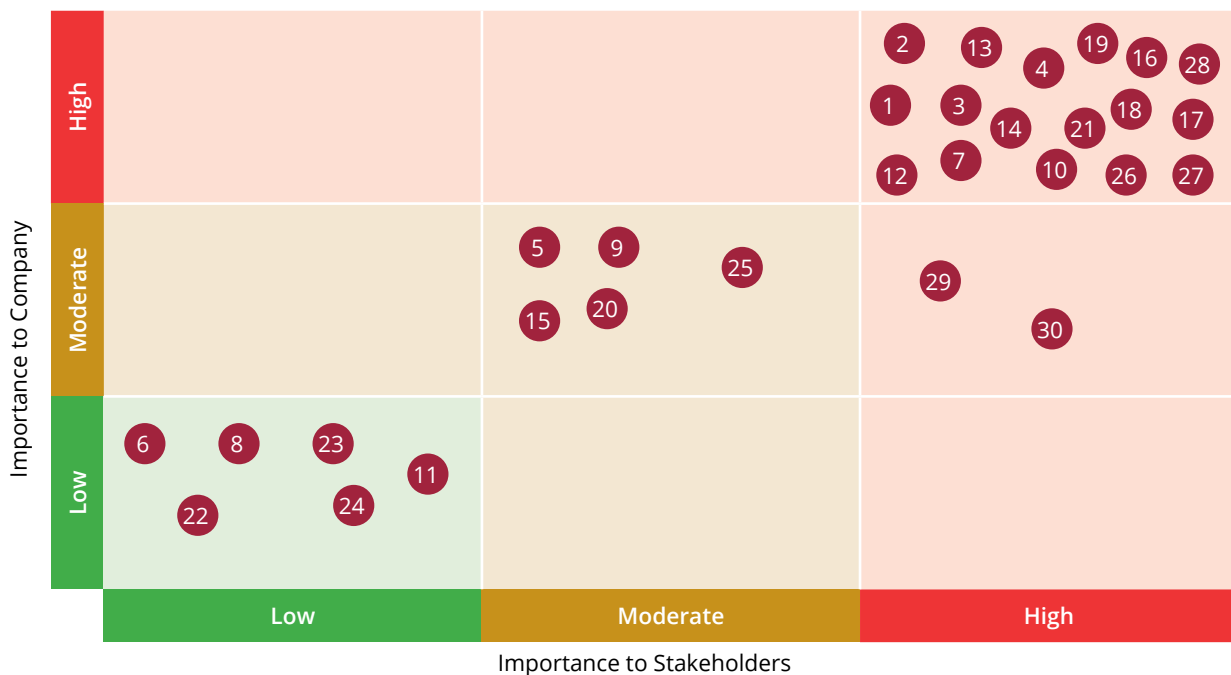
MATERIALITY

Material issues can be considered as issues which have a significant impact on Group or Company's Value Creation Process in the short, medium or long term. LINDEL identifies material issues by finding out whether the aspect has the ability to impact its operations, reputation, commercial viability, organizational goals, and the relationships with its stakeholders. After the identification, LINDEL continues to monitor the issues closely and measure the impact overall. The materiality analysis assists the Company to identify issues identified as material aspects from the perspective of stakeholders thereby enabling the creation of capital values while safeguarding the sustainability of business operations.

LINDEL's process of identifying and action plan for material issues is given below.



Identified material matters are mapped as per below two-dimensional matrix:



| | Matter | GRI Index Number | Impact to Company | Impact to Stakeholders | Relevant SDG |
|-----|--|------------------|-------------------|------------------------|--|
| | Economic | | | | |
| 1. | Economic Performance | 201 | ● | ● |    |
| 2. | Market Presence | 202 | ● | ● | |
| 3. | Indirect Economic Impacts | 203 | ● | ● | |
| 4. | Procurement Practices | 204 | ● | ● | |
| 5. | Anti-Corruption | 205 | ● | ● | |
| 6. | Anti-Competitive Behaviour | 206 | ● | ● | |
| 7. | Tax | 207 | ● | ● | |
| | Environmental | | | | |
| 8. | Materials | 301 | ● | ● |      |
| 9. | Energy | 302 | ● | ● | |
| 10. | Water and Effluents | 303 | ● | ● | |
| 11. | Bio Diversity | 304 | ● | ● | |
| 12. | Emissions | 305 | ● | ● | |
| 13. | Waste | 306 | ● | ● | |
| 14. | Environmental Compliance | 307 | ● | ● | |
| 15. | Supplier Environmental Assessment | 308 | ● | ● | |
| | Social | | | | |
| 16. | Employment | 401 | ● | ● |       |
| 17. | Labour/Management Relations | 402 | ● | ● | |
| 18. | Occupational Health and Safety | 403 | ● | ● | |
| 19. | Training and Education | 404 | ● | ● | |
| 20. | Diversity and Equal Opportunity | 405 | ● | ● | |
| 21. | Non Discrimination | 406 | ● | ● | |
| 22. | Freedom of Association and Collective Bargaining | 407 | ● | ● | |
| 23. | Child Labour | 408 | ● | ● | |
| 24. | Forced or Compulsory Labour | 409 | ● | ● | |
| 25. | Security Practices | 410 | ● | ● | |
| 26. | Local Communities | 413 | ● | ● | |
| 27. | Public Policy | 415 | ● | ● | |
| 28. | Customer Health and Safety | 416 | ● | ● | |
| 29. | Customer Privacy | 418 | ● | ● | |
| 30. | Socio-Economic Compliance | 419 | ● | ● | |

- High
- Moderate
- Low

VALUE CREATION AT LINDEL

Delivering its stakeholders value for their input is one of LINDEL's main goals. LINDEL use its capitals in order to create value for stakeholders. LINDEL strives to allocate its six capitals and other resources effectively and efficiently to assure that it continues to increase the value for all stakeholders.

Our Inputs



Financial Capital

- Total equity of **Rs. 690.6 Mn**
- Net operating cash flow of **Rs. 280.7 Mn**



Manufactured Capital

- Warehousing facilities of over **350,000 Sq ft**
- Water and wastewater treatment plants
- Buildings and other assets



Intellectual Capital

- Knowledge , loyalty and skills of employees
- Ethics and values
- Backing of a strong parent Company



Natural Capital

- Over **100** acres of land
- Renewable energy sources



Human Capital

- Long-serving employees
- Engagement with employees
- Continuous training opportunities
- Employee health and safety measures

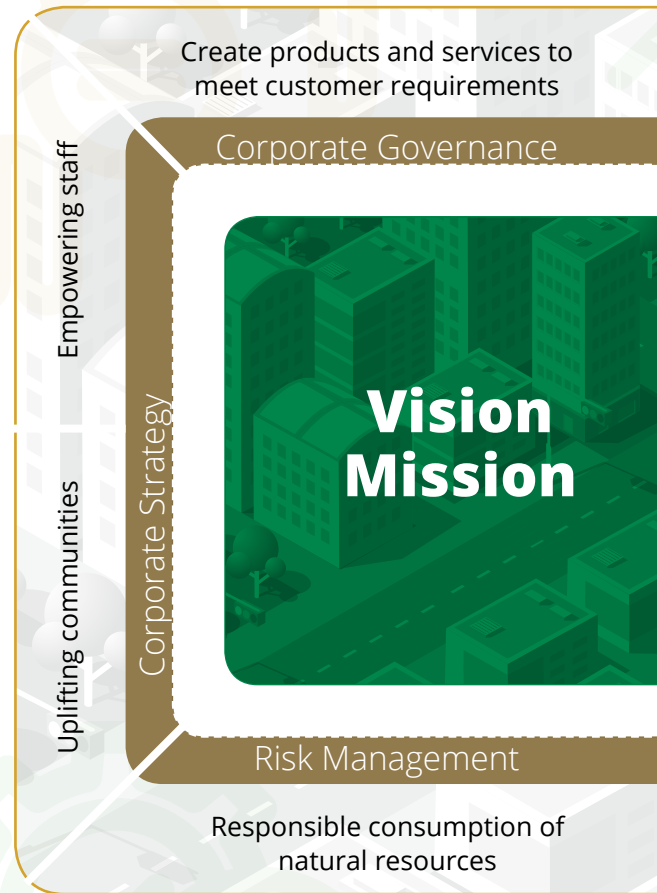


Social and Relationship Capital

- Customer and supplier engagement
- Contribution to communities
- Communication with shareholders



Value Creation Process



Rs

Compliance

Improving efficiency & reducing cost

Feasibility & due diligence on capital investments

Output

Financial Capital

- Increased shareholder value
- Financial stability and growth
- Increased returns

Manufactured Capital

- Increased asset base
- Cost reduction

Intellectual Capital

- Strong brand name
- New service lines
- Reaffirmed accreditations

Natural Capital

- Environmental sustainability
- Efficient resource management

Human Capital

- Higher retention ratio
- Employee satisfaction
- Improved productivity

Social and Relationship Capital

- Higher customer satisfaction rate
- Community development
- Consistency in the supply chain

Value Delivered

Shareholders - PAT growth - **11.2%**
Earnings per share - **13.98**
Dividend per share - **Rs. 10.50**
Dividend paid - **Rs. 167 Mn**

Customers - Warehouses with improved facilities

Suppliers - Payments to suppliers **Rs. 80 Mn**

Government - Taxes paid **Rs. 70 Mn**

Employees - Salaries and other payments made **Rs. 25 Mn**

Community - Donations made **Rs. 0.3 Mn**

OPERATING ENVIRONMENT

Global Economy

The year 2020 was by far one of the most challenging years for the global economy as COVID-19 pandemic created a huge impact on the growth of economies in almost all the countries, witnessing the worst recession in decades. As per the World Economic Outlook (WEO) of the International Monetary Fund (IMF), global economy contracted by 3.3% in 2020 against the growth of 2.8% in 2019. During 2020, advanced economies were estimated to have contracted by 4.7% while a contraction of 2.2% was estimated for emerging markets and developing economies. Meanwhile, in China, where the COVID-19 pandemic originated, the economy recorded a growth of 2.3 per cent in 2020. Unparalleled policy support on several fronts, including health, fiscal, monetary, and social facilitated an upturn in most economies towards the second half of 2020. (CBSL Report – 2020)

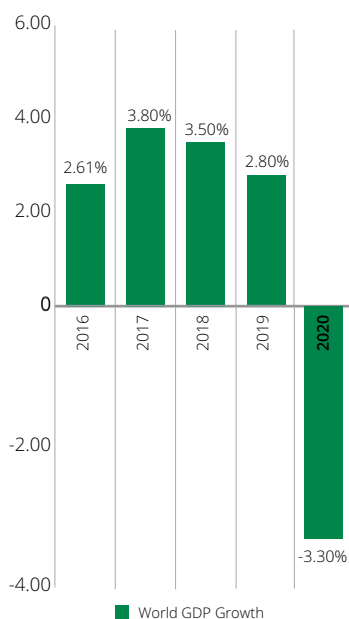
Furthermore, it is estimated that more than 100 Mn jobs were lost during the year 2020 while 80 Mn to 115 Mn people around the world falling into extreme poverty due to the pandemic. However, supported by momentum in the second half of the year and vaccination programs taking place in most part of the world, IMF is estimating a rebound of the world economy with an impressive growth rate of 6% in 2021. Questions will be raised again on achieving these targets in the context of discovering new variants of the COVID-19 leading most of the countries to battle against the pandemic again in 2021.

Global Economic Developments and Outlook

| | 2019 (Revised) | 2020 (Provisional) | 2021 (Projected) | 2022 (Projected) |
|---|-------------------|-----------------------|---------------------|---------------------|
| World Output | 2.8 | -3.3 | 6.0 | 4.4 |
| Advanced Economies | 1.6 | -4.7 | 5.1 | 3.6 |
| USA | 1.3 | -6.6 | 4.4 | 3.8 |
| Euro Area | 2.2 | -3.5 | 6.4 | 3.5 |
| United Kingdom | 1.4 | -9.9 | 5.3 | 5.1 |
| Japan | 0.3 | -4.8 | 3.3 | 2.5 |
| Emerging Markets and Developing Economies | 3.6 | -2.2 | 6.7 | 5.0 |
| Emerging and Developing Asia | 5.3 | -1.0 | 8.6 | 6.0 |
| China | 5.8 | 2.3 | 8.4 | 5.6 |
| India | 4.0 | -8.0 | 12.5 | 6.9 |

Source – World Economic Outlook – (IMF April 2021)

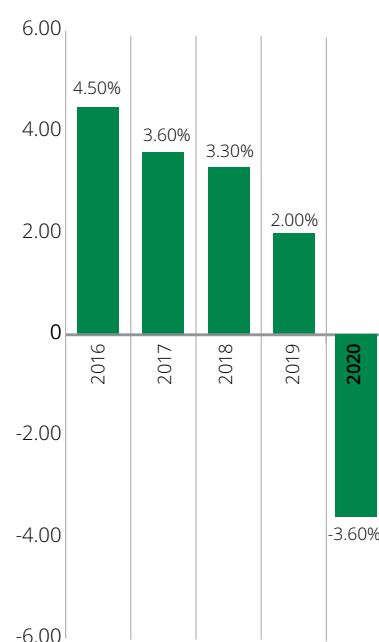
World GDP Growth %



Sri Lankan Economy

According to the Central Bank Report for the year 2020, Sri Lankan economy contracted by 3.6% in real terms in 2020, recording the deepest recession since independence. Island wide lockdowns imposed during the year to lower the spread of COVID-19 pandemic impacted all the economic activities across all the sectors.

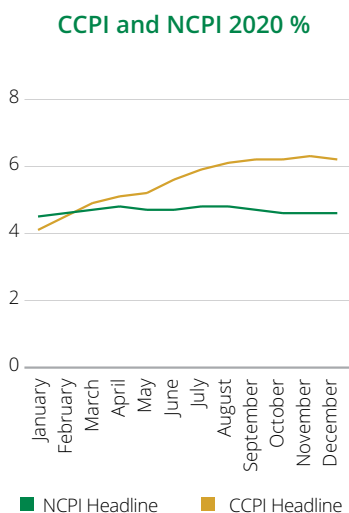
GDP Growth Sri Lanka %



Both the industry and services sectors declined during the financial year. The significant decline in the industry activities in 2020 was driven by the drop in manufacturing and construction activities. Services industry also demonstrated a notable contraction owing to the pandemic which curtailed transportation, other personal services, accommodation, including food and beverages services. The agriculture sector, too, recorded a decline during the year as the impact of the pandemic outweighed the positive effects of timely policy support and favorable weather conditions. Unemployment rate of the country rose to 5% for the first time since 2009 while GDP per capita declined to US dollars 3,682 in 2020 from US dollars 3,852 in the previous year.



Headline inflation, as measured by the year-on-year change in the Colombo Consumer Price Index (CCPI, 2013=100) went down and stood at 4.2% at the end of 2020. The National Consumer Price Index (NCPI) stood at 4.6% YoY significantly lower than 6.2% in 2019.



Subdued inflation provided the Central Bank the space to ease its monetary policy measures and as a result there were multiple reductions of policy rates and Statutory Reserve Ratio (SRR) during the year. This led to a borrowing cost decline resulting in a significant liquidity in the market. Country's foreign reserves which were dampened by the impact of the subdued performance of the tourism industry in the years following Easter Sunday attacks, received a boost from the foreign worker remittances which surpassed USD 7 Bn and restrictions on imports.

The Central Bank of Sri Lanka expects Sri Lankan economy to rebound in 2021 and sustain the high growth momentum over the medium term. Many policies were introduced to boost the domestic production to support narrowing the fiscal deficit while successful vaccination program will remain key to mitigate the risk of economy slumping further sustaining the growth momentum.

Real Estate Market and Industrial Property Market in Sri Lanka

As in most of the sectors, real estate market also saw significant drop in demand during 2020. Industrial property market also saw a drop in demand forced by economic conditions and loss of major customers. Across the industry, concessions were offered to tenants as well as extensions to meet the payment deadlines. Further, drop in demand forced real estate companies to put down the rates and therefore losing a substantial amount of revenue during the year. Meanwhile, island wide lockdown made it difficult to find new tenants leading to further vulnerability of the business. Some of the tenants were exposed to going concern risk as government-imposed import restrictions which led to the significant curtailment of their operations. Subsequently, rate deductions were offered to most of the tenants and annual rate increments were not imposed during the year. Although providing relevant services and uninterrupted service to the tenants was the biggest challenge for real estate companies during the

lockdown periods, LINDEL continuously gave utmost priority to maintain the quality of service while safeguarding the employees during the year.

However, unlike in the real estate market, Industrial property market had the advantage of continuation of businesses of tenants as most of the businesses are export oriented. On the positive side, after the first wave of COVID-19, the global demand for products such as rubber gloves and personal protective equipments brought new hope to the country's export market as some of the local companies bagged the opportunity to export these products in large scale to various markets. This was a silver lining for industrial property sector as in the latter part of the year these companies sought the space to expand their operations and thus resulting in demand inside industrial estates. Further, government's policy to restrict the imports had some kind of positive impact on industrial property market as local manufactures saw an increase in demand for their products, which resulted in expansion of production.

The government opened few industrial estates during the year in various places in the country to support the expansion of local manufactured products.

Future Outlook

Though uncertainties over the COVID-19 pandemic still looms, there are many positive points to look forward to in the coming year for industrial property market. Colombo Port City will be a major breakthrough project which can transform the real estate as well as industrial property market in Sri Lanka towards new heights. With the continuation of government policies to restrict imports further, growth in local production can be expected in coming years. Providing industrial space and infrastructure remains a vital factor for the sustainability of these operations. Therefore, industrial property market expects to play a major role in the path to achieve monetary and fiscal goals of the country.

FINANCIAL CAPITAL



Financial Performance Review

This section explains how LINDEL Group has utilized its Financial Capital to optimal in creating and delivering sustainable value to the stakeholders demonstrating progress during the financial year.

Please note that the following discussion and analysis should be read in conjunction with the Audited Consolidated Financial Statements of the Group and the Company for the period ended 31st March 2021.

Executive Summary

This financial year was remarkably difficult for the country as a whole, and as well as for the economy. However, LINDEL showed great resilience throughout the year with additional focus given to the cost optimization which ultimately guided the Company towards recording a steady progress at the end of the year. Revenue stagnated during the year owing to losing a key

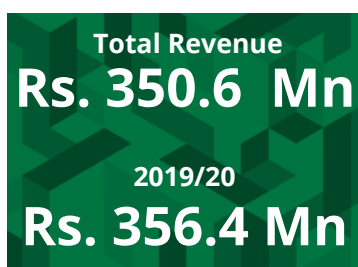
tenant which resulted in a loss of revenue and LINDEL was unsuccessful in finding a suitable tenant during year due to the prevailing situation of the country. However, the Company's strategy of cost management was a profound success as total cost of the Company declined by 9.9% to Rs. 109.3 Mn. LINDEL made few significant investments during the year to enhance the capacity of its investment properties. This includes the notable

renovation of igloo building which is the largest building in the industrial estate that was built more than 50 years ago. This building was used to store fertilizer for a prolonged time and required a significant renovation of about Rs. 50.0 Mn.

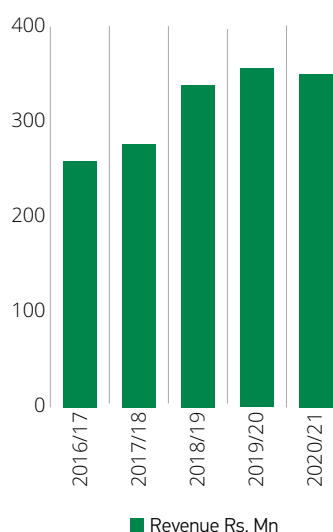
| | Group | | | Company | | |
|------------------------|----------|----------|----------|----------|----------|----------|
| | 2020/21 | 2019/20 | Change % | 2020/21 | 2019/20 | Change % |
| Revenue | 349,583 | 355,326 | (1.6) | 350,660 | 356,460 | (1.6) |
| Other operating income | 18,896 | 18,851 | 0.2 | 9,356 | 11,416 | (18.0) |
| Total expenses | 117,359 | 127,787 | (8.4) | 109,375 | 121,461 | (9.9) |
| Profit from operations | 251,120 | 246,390 | 2.0 | 250,641 | 246,415 | 1.7 |
| Net finance income | 25,613 | 31,796 | (20.4) | 24,664 | 30,657 | (19.5) |
| Profit before taxation | 276,733 | 278,186 | (0.5) | 275,305 | 277,072 | (0.6) |
| Income tax expense | (52,594) | (76,866) | 31.5 | (52,095) | (76,431) | 31.8 |
| Profit after tax | 224,139 | 201,320 | 11.3 | 223,210 | 200,641 | 11.2 |

Revenue

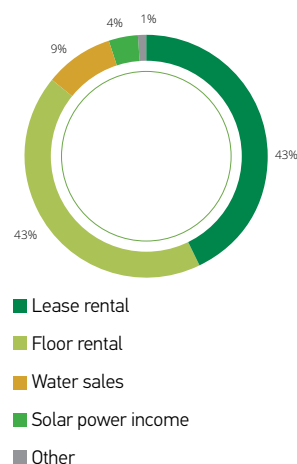
LINDEL's main income source is the lease and floor rental income generated from leasing and renting out the investment properties to its tenants. During the financial year under review, LINDEL witnessed a slight drop in revenue by 1.6% to Rs. 350.6 Mn from Rs. 356.4 Mn recorded in the previous year. This drop was a result of the subdued lease rental income for the year and the decline in water sales. Lease rental income showed a decline of 14.3% owing to the loss of income from igloo building which was under renovation. Similarly, Group revenue also dropped by 1.6% and stood at Rs. 349.5 Mn. However, floor rental income and solar income increased by 23.2% and 160.2% respectively.



Revenue Growth Rs. Mn



Revenue Composition



| | Group | | | Company | | |
|------------------------------|----------------|----------------|------------|----------------|----------------|------------|
| | 2021 | 2020 | Change % | 2021 | 2020 | Change % |
| Major product /service lines | Rs.'000 | Rs.'000 | | Rs.'000 | Rs.'000 | |
| Lease rentals | 149,001 | 173,886 | (14.3) | 149,001 | 173,886 | (14.3) |
| Floor rentals | 150,149 | 121,595 | 23.4 | 151,186 | 122,692 | 23.2 |
| Treated water sales | 32,078 | 50,739 | (36.7) | 32,114 | 50,776 | (36.7) |
| Solid waste disposal | 2,504 | 2,479 | 1.0 | 2,509 | 2,479 | 1.0 |
| Pressurized water | 157 | 345 | (54.4) | 157 | 345 | (54.4) |
| Common waste water treatment | 458 | 428 | 7.0 | 458 | 428 | 7.0 |
| Solar Power | 15,236 | 5,854 | 160.2 | 15,236 | 5,854 | 160.2 |
| | 349,583 | 355,326 | (2) | 350,660 | 356,460 | (2) |

The Company's lease rental income, the biggest contributor to the Company's revenue, decreased by 14.3% compared to the previous year. Floor rental income saw a growth of 23.2% boosted by new tenants that came on board and due to annual rate increments. Income from water sales dropped by 36.7% due to the decline in demand and closure of the operations during the year. The solar power project which was a significant investment of LINDEL

added another connection to national electricity supply and it resulted in a staggering 160.2% increase in solar power income.

Other Operating Income

Group's other operating income also observed a significant increase supported by the disposal of one vehicle during the year which brought a disposal profit of Rs. 7.3 Mn. Further,

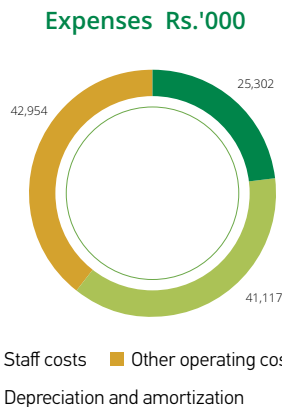
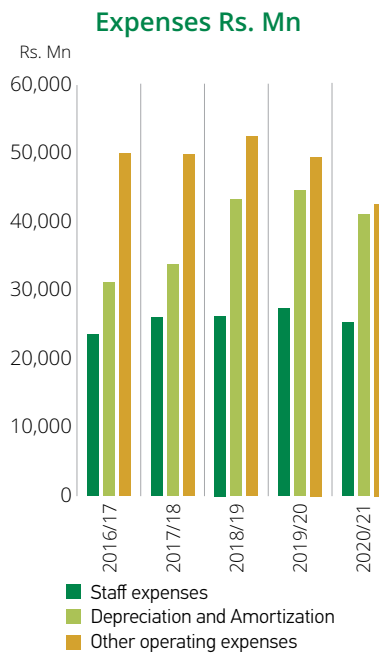
the laboratory arm of the Group performed exceptionally well during the year by growing its revenue to Rs. 12.1 Mn owing to the aggressive marketing campaign backed by the management's vision to take the Lab operations to the next level. However, the interest income of the Group slightly decreased as a result of low policy rates.

Group Other Income
Rs. 18.8 Mn
 2019/20
Rs. 18.5 Mn

Expenses

The Company's total expenses significantly decreased to Rs. 109.3 Mn during the year compared to last year as a result of the decrease in other operating expenses and depreciation. Staff expenses also saw a slight drop due to the retirement of senior staff during the year. The Company's effort to control and reduce the operational expenses including supply and services and repair maintenance costs resulted in reduced operational expenses. LINDEL's focus on driving cost efficiencies and productivity improvements together with the normalisation of costs enabled the Company to reduce the cost levels during the year.

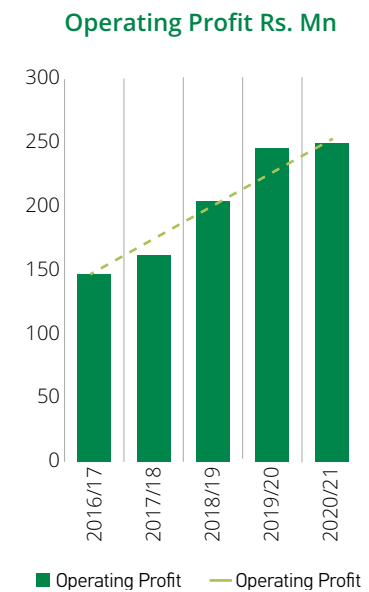
Total Expenses
Rs. 109.3 Mn
 2019/20
Rs. 121.4 Mn



Operating profit

The Company's operating profit grew by 1.7% amounting to Rs. 250.6 Mn for the twelve month period ended 31st March 2021. This growth was mainly supported by the cost controlling measures carried out by the management. In a dynamic business environment, managing costs remains a challenge and hence the Company adopted a balanced approach on maintaining operational efficiency while catering to the growth of business prospects. Therefore, both the Group and the Company were mindful in carefully managing costs without sacrificing business expansion and opportunities.

Operating Profit
Rs. 250.6 Mn
 2019/20
Rs. 246.4 Mn



Net Finance Income

Net finance income of the Company for the year 2020/21 dropped by 19.5% to Rs. 24.6 Mn from Rs. 30.6 in previous year as a result of reduced interest income from fixed deposits. Main reason for the subdued interest income was the reduced policy rates by Central Bank of Sri Lanka.

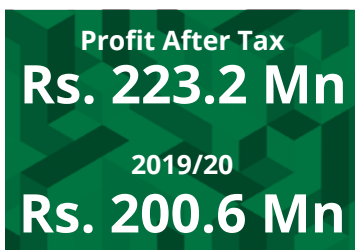
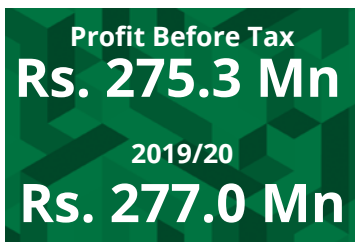
Net Finance Income
Rs. 24.6 Mn
 2019/20
Rs. 30.6 Mn

Tax

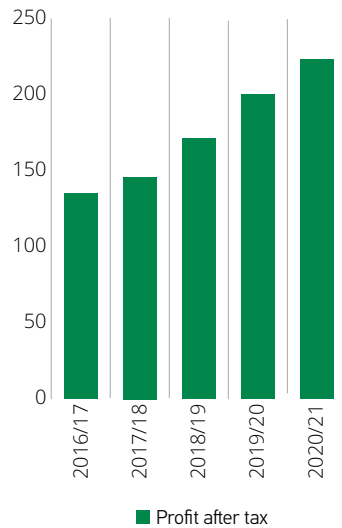
The Company's Income tax expense saw a decline of 31.8% to Rs. 52.0 Mn supported by the savings from corporate tax rate amendments brought by Government budget proposals and deferred tax adjustments.

Profitability

LINDEL recorded a Profit before tax of Rs. 275.3 Mn for the financial year ended 31st March 2021. This was similar to the previous year Profit before tax with a drop of 0.6%. The Company recorded a Profit after tax of Rs. 223.2 Mn for the year ended 31st March 2021. This is an impressive 11.2% increase in compared to last year net profit of Rs.200.6 Mn. This is the highest profit ever achieved in the history of the Company.



Profit After Tax Rs. Mn



Earnings Per Share

The Company's Earnings Per Share (EPS) for the year ended was Rs. 13.98 compared to Rs. 12.56 recorded in previous year.

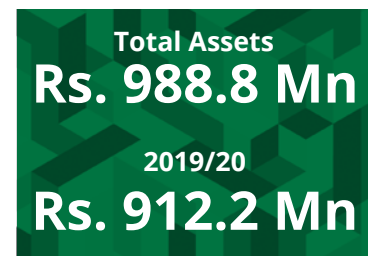
EPS Trend



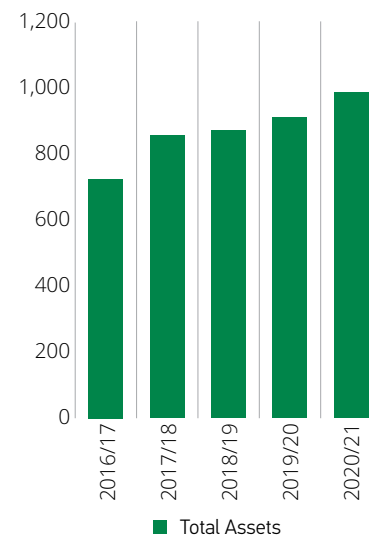
Financial Position

Total Assets

Total assets of the Group further strengthened by 8.5% to Rs. 998.8 Mn in 2020/21 compared to the year 2019/20 Property, plant and equipment, and investment properties accounted for 53.6% of the total assets. The Company's total current assets grew by 15.2% during the year mainly due to the increase in cash and cash equivalents from Rs.328.2 Mn to Rs. 415.2 Mn.

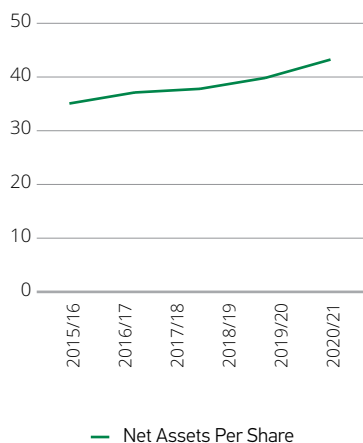


Total Assets Rs. Mn

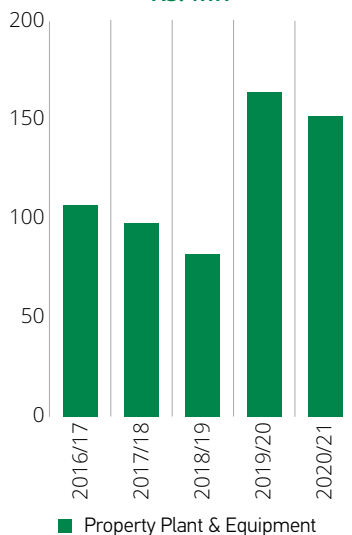


FINANCIAL CAPITAL

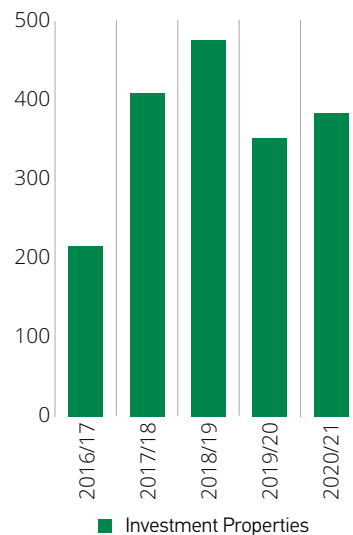
Net Assets Per Share Rs.



Property Plant & Equipment Rs. Mn



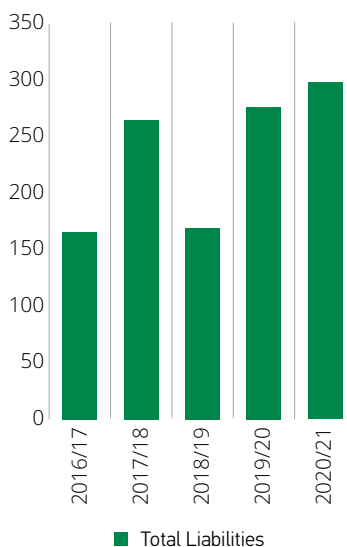
Investment Properties Rs. Mn



Total Liabilities

Total liabilities of the Group represented 38.9% (44.3% in 2019/20) of long-term liabilities and 61.1% (55.6% in 2019/20) of current liabilities. Long-term liabilities of the Company have slightly decreased to Rs. 116.1 Mn which was mainly attributed to the decrease in Differed tax liability. The Company's current liabilities increased by Rs. 28.4 Mn compared to the previous year due to the increase in other liabilities, accruals, advances and deposits.

Total Liabilities Rs. Mn

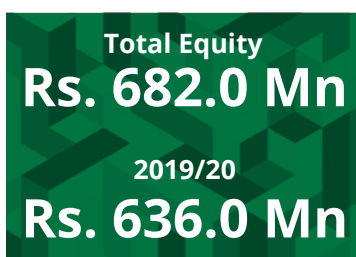


| As at 31 March | Group | | | Company | | |
|-------------------------------|----------------|----------------|-------------|----------------|----------------|-------------|
| | 2021 | 2020 | Change % | 2021 | 2020 | Change % |
| | Rs.'000 | Rs.'000 | | Rs.'000 | Rs.'000 | |
| Assets | | | | | | |
| Property, plant and equipment | 152,489 | 165,265 | (7.7) | 152,139 | 164,802 | (7.7) |
| Investment properties | 383,194 | 352,855 | 8.6 | 383,194 | 352,855 | 8.6 |
| Investment in subsidiary | - | - | - | 7,000 | 7,000 | - |
| Total non current assets | 535,683 | 518,120 | 3.4 | 542,333 | 524,657 | 3.4 |
| | | | - | | | |
| Inventories | 3,912 | 3,328 | 17.5 | 2,261 | 2,027 | 11.6 |
| Trade and other receivables | 30,312 | 58,054 | (47.8) | 28,190 | 56,803 | (50.4) |
| Amount due from related party | - | - | - | 847 | 445 | 90.3 |
| Cash and cash equivalents | 428,928 | 340,908 | 25.8 | 415,231 | 328,298 | 26.5 |
| Total current assets | 463,152 | 402,290 | 15.1 | 446,529 | 387,573 | 15.2 |
| Total assets | 998,835 | 920,410 | 8.5 | 988,862 | 912,230 | 8.4 |
| | | | - | | | |

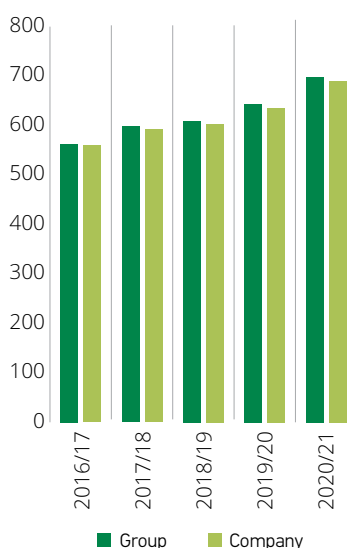
| As at 31 March | Group | | | Company | | |
|--|----------------|----------------|--------------|----------------|----------------|--------------|
| | 2021 | 2020 | Change % | 2021 | 2020 | Change % |
| | Rs.'000 | Rs.'000 | | Rs.'000 | Rs.'000 | |
| Equity and liabilities | | | | | | |
| Stated capital | 159,692 | 159,692 | - | 159,692 | 159,692 | - |
| Reserves | 538,508 | 483,379 | 11.4 | 530,953 | 476,395 | 11.5 |
| Total equity | 698,200 | 643,071 | 8.6 | 690,645 | 636,087 | 8.6 |
| Deferred taxation | 49,605 | 57,961 | (14.4) | 49,959 | 58,084 | (14.0) |
| Refundable deposits | 60,864 | 60,453 | 0.7 | 60,864 | 60,453 | 0.7 |
| Employee benefits | 6,590 | 4,518 | 45.9 | 5,281 | 3,926 | 34.5 |
| Total non-current liabilities | 117,059 | 122,932 | (4.8) | 116,104 | 122,463 | (5.2) |
| Accruals, deposits and advances received | 125,905 | 98,248 | 28.1 | 125,274 | 97,845 | 28.0 |
| Other liabilities | 33,268 | 13,227 | 151.5 | 32,779 | 13,165 | 149.0 |
| Current taxation | 24,235 | 41,816 | (42.0) | 23,957 | 41,798 | (42.7) |
| Bank overdraft | 168 | 1,116 | (84.9) | 103 | 872 | (88.2) |
| Total current liabilities | 183,576 | 154,407 | 18.9 | 182,113 | 153,680 | 18.5 |
| Total liabilities | 300,635 | 277,339 | 8.4 | 298,217 | 276,143 | 8.0 |
| Total equity and liabilities | 998,835 | 920,410 | 8.5 | 988,862 | 912,230 | 8.4 |

Total Equity

Total equity in the Company as at 31st March 2021 amounted to Rs. 690.6 Mn showing a noteworthy increase of 8.6% compared to the previous year due to the increased profit in the current year.



Total Equity Rs. Mn



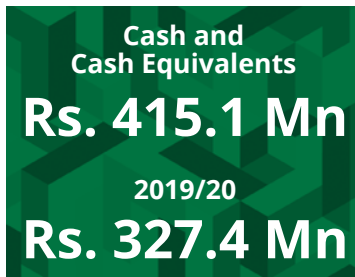
Return to Shareholders

The Company's dividend policy sought to find the correct balance between short term shareholder returns and supporting business expansion in the long term. Accordingly, the Company paid a sum of Rs. 167.6 Mn from the profit of the year 2019/20 as dividends which amounted to Rs. 10.50 per share. A solvency test was conducted as required under the Companies Act of 2017 which was approved by the Auditors and the Board of Directors.

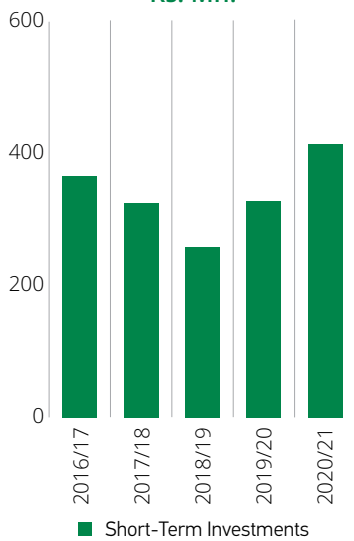
Short-Term Investments

Short-Term Investments in the Company grew by 26.3% to Rs. 415.2 from Rs. 328.2 Mn in 2019/20. Short-Term Investments mainly consist of Fixed Deposits.

FINANCIAL CAPITAL



Short-Term Investments Rs. Mn.



Cash flow

As a result of the increase in operational activity during the year, net cash flow from operating activities increased by 36.3% to Rs. 280.7 Mn during the year. Net cash outflow from investing activities amounted to Rs. 25.9 Mn during the year reflecting investments in investment properties. Net cash outflow from financing activities amounted to Rs. 167.0 Mn which reflected the dividend paid for the last financial year. Overall, the Group's cash and cash equivalent increased by Rs. 88.9 Mn during the year under review.

Subsidiary Company Performance

Lindel Industrial Laboratories Limited (LILL)

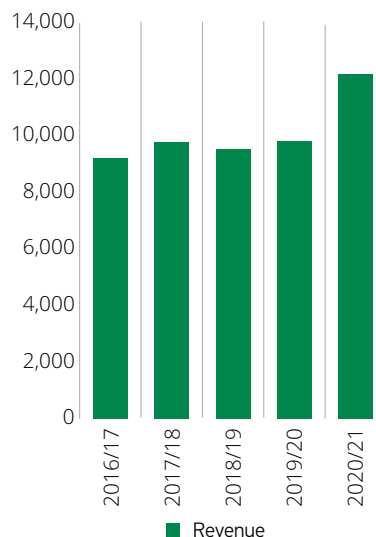
Lindel Industrial Laboratories Limited is the fully owned sole subsidiary of Lanka Industrial Estates Limited,

operates as an industrial laboratory which provides various kinds of testing services to a larger clientele including LINDEL's tenants. LILL also coped with many challenges during the financial year as island wide lockdown hampered the efforts to increase the revenue as operations were interrupted on several occasions. However, the Company showed an immense recovery in the latter part of the year by achieving substantial growth in revenue.

Revenue

LILL's revenue for the year stood at Rs. 12.1 Mn which was an impressive 24.1% growth from previous year. Increase in revenue was boosted by marketing campaigns as well as growing demand for testing as a result of prevailed situation. The Company focused on retaining outside customers during the year while enhancing testing capabilities by adding extra capacity.

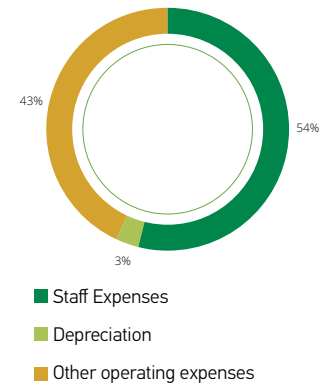
Revenue Rs. '000



Expenses

Total expenses of LILL for the year 2020/21 were Rs. 10.9 Mn which was an increase of 19.2% from the previous year. Staff expenses was the major contributor of expenses with Rs. 5.9 Mn while other operating expenses stood at Rs. 4.6 Mn.

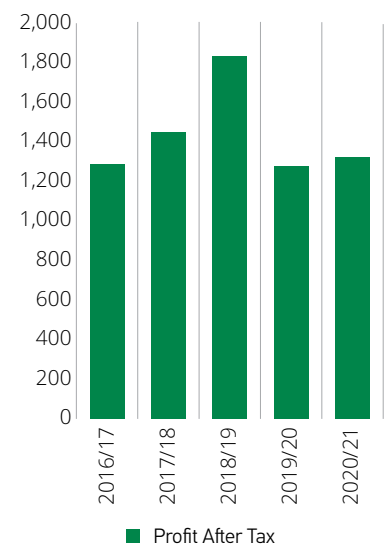
Composition of Expenses



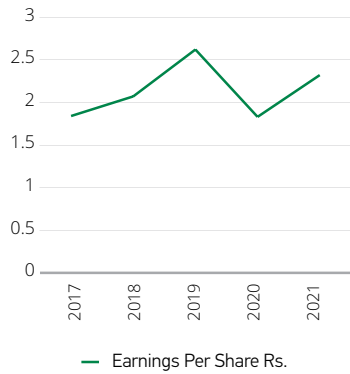
Profitability

LILL recorded an Operating profit of Rs. 1.1 Mn for the year which is an increase of 104.8% compared to last year. Increase in operating profit mainly attributed to the increase in revenue which eroded the effect of increased expenses. Profit before tax also saw an increase of 24.0% and stood at Rs. 2.1 Mn while the Company recorded a profit after tax of Rs. 1.6 Mn. Earnings per share stood at Rs. 2.32 as at 31st March 2021.

Profit After Tax Rs. '000



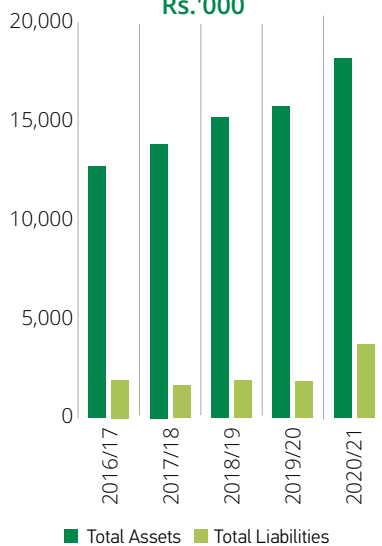
Earnings Per Share Rs.



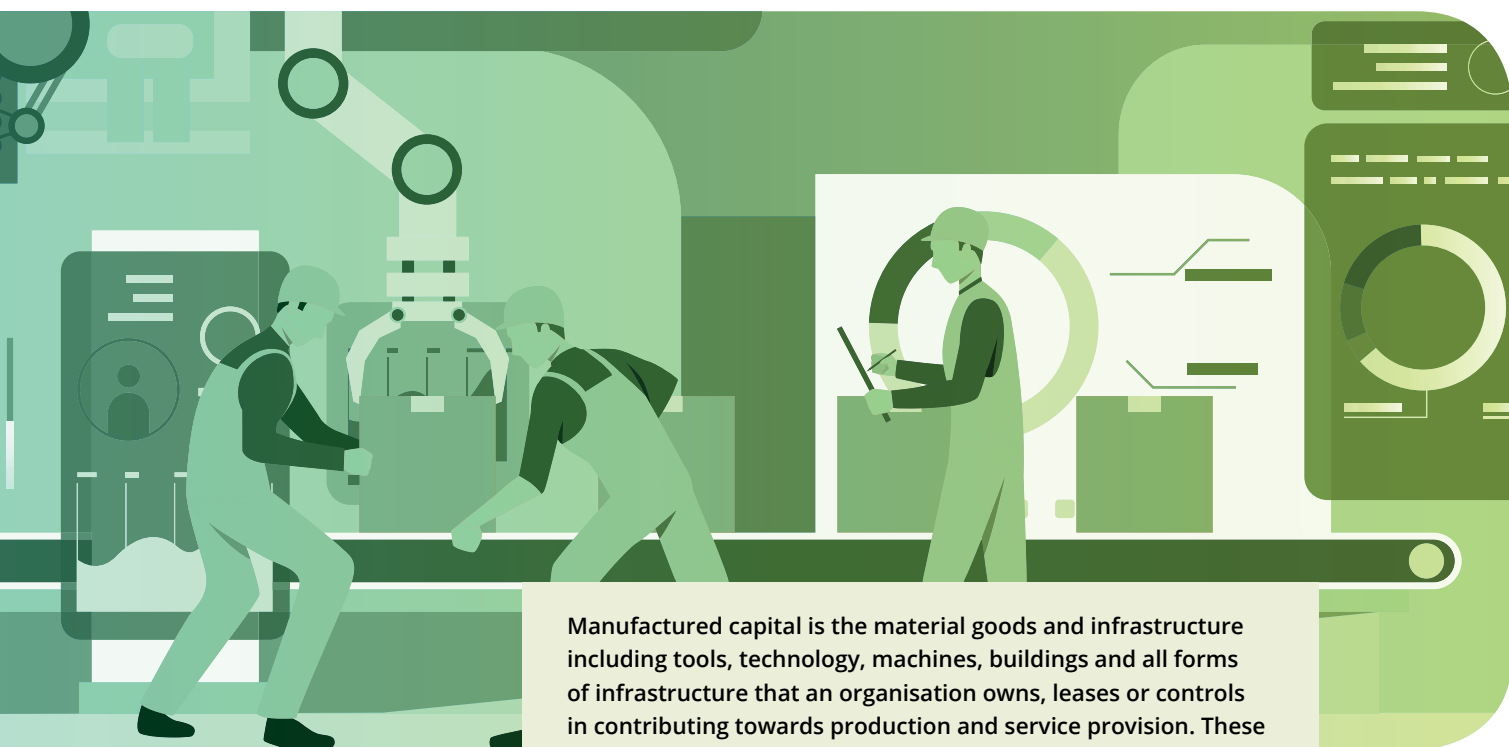
Total Assets and Liabilities

The Company achieved a total asset growth of 15.4% compared to the previous year. The year closed with the Company's total assets recording Rs. 18.1 Mn compared to Rs. 15.7 Mn recorded at 31st March 2020. Current assets which is the biggest portion of assets stood at Rs. 17.8 Mn at the end of the year. Total liabilities grew by 99.5 % compared to the previous year and stood at Rs. 3.7 Mn.

Total Assets and Liabilities Rs.'000



MANUFACTURED CAPITAL



Manufactured capital is the material goods and infrastructure including tools, technology, machines, buildings and all forms of infrastructure that an organisation owns, leases or controls in contributing towards production and service provision. These tangible assets play an important role in the sustainability of an organisation where it supports an organisation to be flexible, responsive to market or societal needs, innovative and faster in getting its products and services to market while encouraging the effective resource usage for enhanced productivity.

Value creation activities during 2020/21

- Improvements in water plants
- Renovation of warehouses
- New solar power connection

Outcome

- Capacity to cater to the water requirement of all the clients
- 15 warehouses with a total capacity of 350,000 Sq. ft
- Increased utilisation of renewable energy within the premises

Challenges

- Difficulties in meeting deadlines owing to the prevailing situation of the country
- Finding suitable suppliers and materials
- Increased prices of construction materials

At LINDEL, Manufactured Capital includes plant and machinery (three water treatment facilities), buildings and warehouses and other technological facilities (mainly solar panels). These assets have been vital in ensuring LINDEL's clientele's efficient and uninterrupted operations within the premises. Besides, these assets play a significant role in LINDEL's success by directly contributing to the Company's operational efficiency thereby contributing towards overall profitability.



Enhancing Manufactured Capital

During the year, the Group invested an amount of Rs. 58.7 Mn in strengthening its manufactured capital, of which 90.8% was directed towards enhancing the Group's investment properties. Since 2017, the Group has invested close to Rs. 384.7 Mn in investment properties. LINDEL's Net Book Value of PPE stood at Rs. 152.3 Mn and Net Book Value of investment properties stood at Rs. 384.5 Mn. Upgrading the manufactured capital of LINDEL was funded exclusively through cash generated from its operations and retained earnings.

Capital Expenditure
Rs. 58.7 Mn

Renovation of Igloo Building

Igloo building is the largest investment property building that LINDEL possesses in terms of sq. ft. With a capacity over 50,000 sq. ft this building was a key contributor to the LINDEL's rental income over the years. Since the previous tenant who vacated the building in March 2020, used this building to store fertilizer, the management decided to renovate the building with a significant investment over Rs. 50 Mn. By end of the financial year, LINDEL completed 75% of the renovation and look forward to hand over the building to the new tenant by July 2021.

NBV of PPE
Rs. 152.1 Mn



During the year, manufactured capital enhancements include,

- New vehicle park for LINDEL
- Renovation of igloo building
- Renovation of the roof of JSF warehouse
- Construction of new building for LILL



Water Treatment Plant (WTP)

Company's water treatment plant is one of its most significant assets as it is used to produce the water required for its entire clientele for their respective manufacturing and industrial requirements. Over the years, LINDEL has carried out several modifications to the plant and thus, it now has the capacity to purify 9,000. Cu.m per day.

The plant was originally built during the 90's for then owners of the property, Fertilizer Corporation, which was later acquired and refurbished by National Water Supply and Drainage Board (NWS & DB) in 2001 by spending nearly Rs. 40.0 Mn.

The operations of the water treatment plant mainly consists of the following components.

1. Raw water intake & pump house
2. 3.5 km long 14" Diameter steel pipeline
3. 9000 Cu.m /day capacity WTP including , 02 Settling tanks, 02 clarifloculators, 04 filters, 04 dosing pumps, chemical tanks, 02 underground sumps, 04 high lift pumps, 03 No of storage tanks (total capacity 28,500 Cu.m) and 8" diameter distribution main tank.



Wastewater Treatment Plant

As it is a compulsory and a mandatory infrastructure requirement to operate an Industrial Estate, LINDEL has set up a wastewater plant in the industrial estate. The plant has a retaining capacity of 6000 Cu.m industrial effluent and has a treatment capacity of nearly 3000 Cu.m per day. Operation method of the plant is biological and chemical treatment.



Spring Water Treatment Plant

The spring water plant is built in 2012 and is used to pump water to the main plant for purification. This has a capacity of producing 4500-9000 Cu.m of water per month.

Warehouses

The Company possesses 15 warehouses with a total capacity over 350,000 Sq.ft. Of these, 98% of the warehouses are occupied by tenants at the end of the financial year. LINDEL's clients use these warehouses for various purposes including storage of fertilizer, spare parts, tyres and chemicals.



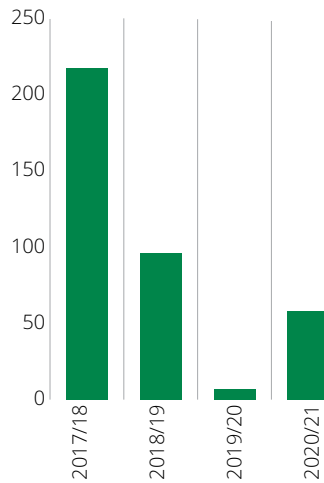
Solar Panels

LINDEL’s solar power initiative was one of the flagship projects of the Company, as it was the biggest initiative carried out towards increasing the utilisation of renewable energy within its premises. LINDEL currently has 07 solar connections. The solar panels which are connected to the CEB grid, provides an additional revenue for the Company.

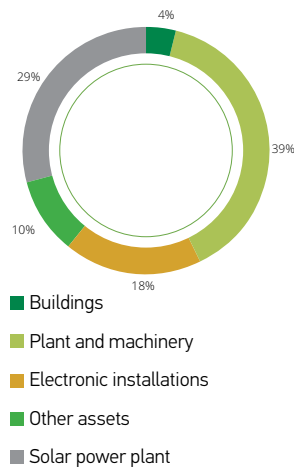


NBV of Investment Properties
Rs. 383.1 Mn

Capital Expenditure Rs. Mn



Net Book Value



Plans for the Future

As LINDEL moves on, it will continue to invest in enhancing the facilities that it provide to its clientele while also focusing on the full utilisation of the existing plants and machinery. LINDEL is also looking forward to increasing the capacity of its water treatment plants in the near term.

HUMAN CAPITAL



Human Capital is one of the most important intangible assets of an organisation that comes in the form of skills, knowledge, capacities, and attributes of its labour force. It is this aptitude that shapes the future of the Company gaining it the sustainable competitive advantage and efficiency in ushering future progress. Therefore, LINDEL is dedicated to investing in the development of its people’s capabilities and capacities in order to make them stronger individuals who are productive, innovative and adaptive to the changing business environment.

Value creation activities during 2020/21

- Employee training and development opportunities
- Compensations and benefits to employees
- Unbiased recruitment and retention strategies
- Encouraging work-life balance
- Providing necessary facilities to work from home

Outcome

- 5 trainings programmes
- Increased benefits including medical and health insurance
- Long-standing loyal workforce with skills and knowledge
- Work-life balance initiatives

Challenges

- Changing the employee mindset to adopt to work from home culture
- Safeguard employees from Covid 19 pandemic

HR Policy at LINDEL

LINDEL, as a subsidiary of DFCC Group aligns its Human Resource Policy with the DFCC Group HR Policy. The DFCC Group HR team is responsible for managing the key HR functions of the Company.

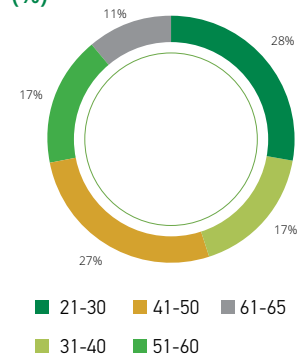
The Human Resource Policy focuses on developing a competent team who can make a significant impact on business outcome. Industrial estate, solely being a service-oriented industry, LINDEL believes it is essential to build a skilled workforce with required competencies, capabilities, experience as well as motivation to innovate in achieving the Company’s long- term strategic objectives.

Employee Profile

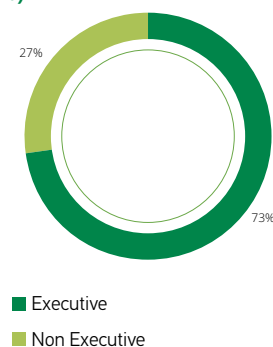
As a Company which aspires to punch above the weight, LINDEL has accumulated a talented and a loyal group of employees over the years that has played a significant role in its success.

Currently, LINDEL has a total of 19 employees in its workforce that accounts for 14 Executive staff and 5 Non-Executive staff members.

Age Analysis of Employees (%)



Composition of Employees (%)



COVID-19 Pandemic

As most of the business entities, LINDEL prioritized the health and safety of its employees during the year in the backdrop of COVID-19 pandemic. LINDEL introduced new measures including allowing the employees to work from home providing necessary facilities for online operations. Besides, within the industrial estate premises LINDEL implemented safety measures to prevent the spread of the virus and as a result, there were no COVID-19 positive cases reported from employees during the year. The staff meetings and most of the training programmes were also conducted virtually during the year.



Recruitment Process

An effective recruitment and selection process ensures uncovering of competent candidates. As an industrial estate, a distinct industry segment, LINDEL is mindful of selecting a talent base that fits into the work environment of such nature. Hence, LINDEL has a well-planned formal recruitment process in place to identify and select the appropriate candidates for the relevant positions. However, due to the low turnover of the employees over the past few years, the new recruitments were at minimal. During the year under review, only one employee was recruited while three employees retired from the workforce.

Employee Retention

LINDEL has been able to maintain an impressive record in employee retention and have in its ranks a high percentage of staff members with long years of service. LINDEL's ability to retain a large number of skilled

and experienced staff members have consistently contributed to building its organisational knowledge that has been beneficial in increasing efficiency, better decision making, and nurturing innovative employees.

LINDEL value and recognize everyone's contribution to the success of the Company despite the small size of the team at a time of unprecedented situation. Hence, LINDEL recurrently invest on the capacity enhancement of its employees for which it has put in place a performance management system to identify their training needs along with a skill mapping process to identify their specialized skill requirements. During the year, five training sessions were carried out for employees.



Capacity Development

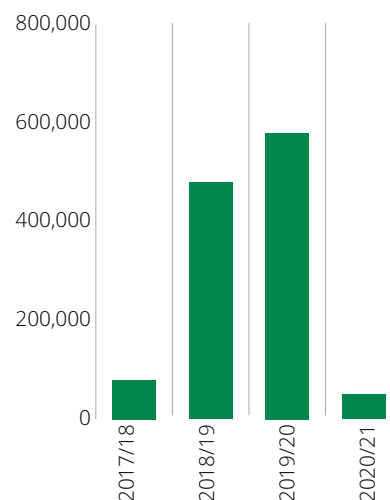
Capacity building of employees leads to enhanced productivity and performance which in turn consolidates the Company's stability and sustainability. Hence, at LINDEL, continuous measures were taken to improve the quality of its employee cadre through providing them with exposure to various training and skill development opportunities thereby supporting them in their professional and personal growth.

Over the years, LINDEL has been able to reap the benefit of its skilled and knowledgeable workforce, that has encouraged the Company to invest more on capacity enhancement. As a result, during the past three years its spending on capacity building increased significantly with expenditure on trainings amounting to Rs. 50,000 during the year under review. Due to the Covid 19 pandemic, LINDEL had to limit the trainings offered for employees as part of safety measures taken.

Some of the key training initiatives carried out during Year 2020/21

- Risk Management in conformity assessment services - Organised by Sri Lanka Accreditation Board (SLAB)
- Webinar on Budget 2021-Organised by CA Sri Lanka Virtual series to update the technical skills on financial reporting
- Tax implication on new Inland Revenue Act Amendments – Organized by KPMG Sri Lanka
- Workshop on 7 habits conducted by Halcyon (Pvt) Ltd

Spending on Training Rs.



Diversity and Equal Opportunity

LINDEL is committed to promoting diversity and equal opportunity in the workplace in order to encourage an

atmosphere where all staff embrace the benefit of working in a diverse community. This also provides a framework for fair and equitable treatment of all employees irrespective of their individual differences or any personal characteristics. While the Group consistently emphasises this fact on employee cadre, the aspects of discrimination based on gender, religion, age, cast and origin has been totally eradicated when dealing with its human capital.

Benefits & Rewards

Providing employees with adequate benefits helps in retaining employees, while enhancing the focus and productivity at workplace as a result of heightened satisfaction in the workplace. Subsequently, LINDEL has put in place a structured remunerations policy to ensure fair and competitive compensation for all employees. The remuneration is regularly revised in response to market conditions and trends, following which these revisions are evaluated by the Board of Directors prior to approval. Besides, a separate mechanism is also available to evaluate the periodic progress of employees on probation.



LINDEL provides an array of benefits to all its permanent employees including standard benefits, insurance, monetary donations, bonuses, and vehicle loans.

Standard Benefits

- Gratuity for employees with more than 5 years' service equals to half month salary for each year of service

Standard Benefits

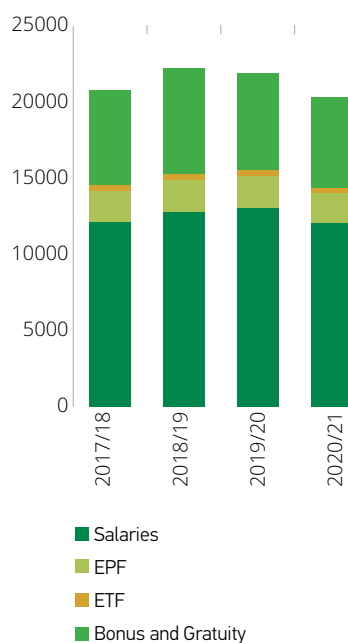
- Maternity leave of 84 working days
- Company contribution of 15% to EPF from gross salary
- Company contribution of 3% ETF from gross salary

Additional Benefits

- Donation on death of immediate family members
- Insurance covers for surgical and hospitalization needs
- Vehicle loans from parent company on concessionary rates
- Awarding of gold sovereigns for long standing employees

| Employee benefits | 2020/21 Rs.'000 | 2019/20 Rs.'000 |
|-------------------------------------|--------------------|--------------------|
| Salaries and other related expenses | 12,025 | 13,030 |
| Employer's contribution to EPF | 1,972 | 2,107 |
| Employer's contribution to ETF | 394 | 421 |
| Staff bonus | 5,232 | 5,381 |
| Other staff cost | 4,958 | 5,495 |
| Gratuity | 720 | 970 |

Staff Related Expenses Rs.'000



Commencement of work for 2021

Work-Life Balance

As a responsible business entity, LINDEL is committed to encouraging sound mental health of the employees in maintaining their work life balance. To this end, the Group organises activities such as annual staff trip for the employees and their families in promoting fellowship and team bonding. However, due to the prevailing situation in the country, staff trip was not organised during the year.

Work life balance practices are deliberately integrated within the organisational culture to minimise work-life conflicts thereby enable employees to be more effective in their roles at work.



Occupational Health and Safety Measures

The Company has taken all the necessary precautions to avoid any accidents or health related issues to the employees in the working environment. However, it is important to highlight that given the nature of work at LINDEL, it does not pose any significant health risk for the employees. Hence, during the year under review, there were no reported incidents pertaining to injuries or occupational health.



DFCC Group's Grievance Handling Process

A grievance process is designed to give employees and employers a fair and objective system to raise and review serious issues and complaints without bias. Hence, LINDEL has a robust

grievance handling mechanism, and a formal grievance policy that documents a clearly defined process of grievance management which is available to all staff members. In addition, a Grievance Committee was set up comprising of cross functional staff from across the network for employees to raise concerns and seek redress. Similarly, the Reach Out Committee was established a few years back with the objective of providing a dedicated avenue for female employees to surface personal or professional issues that they may be experiencing and to seek advice or redress.

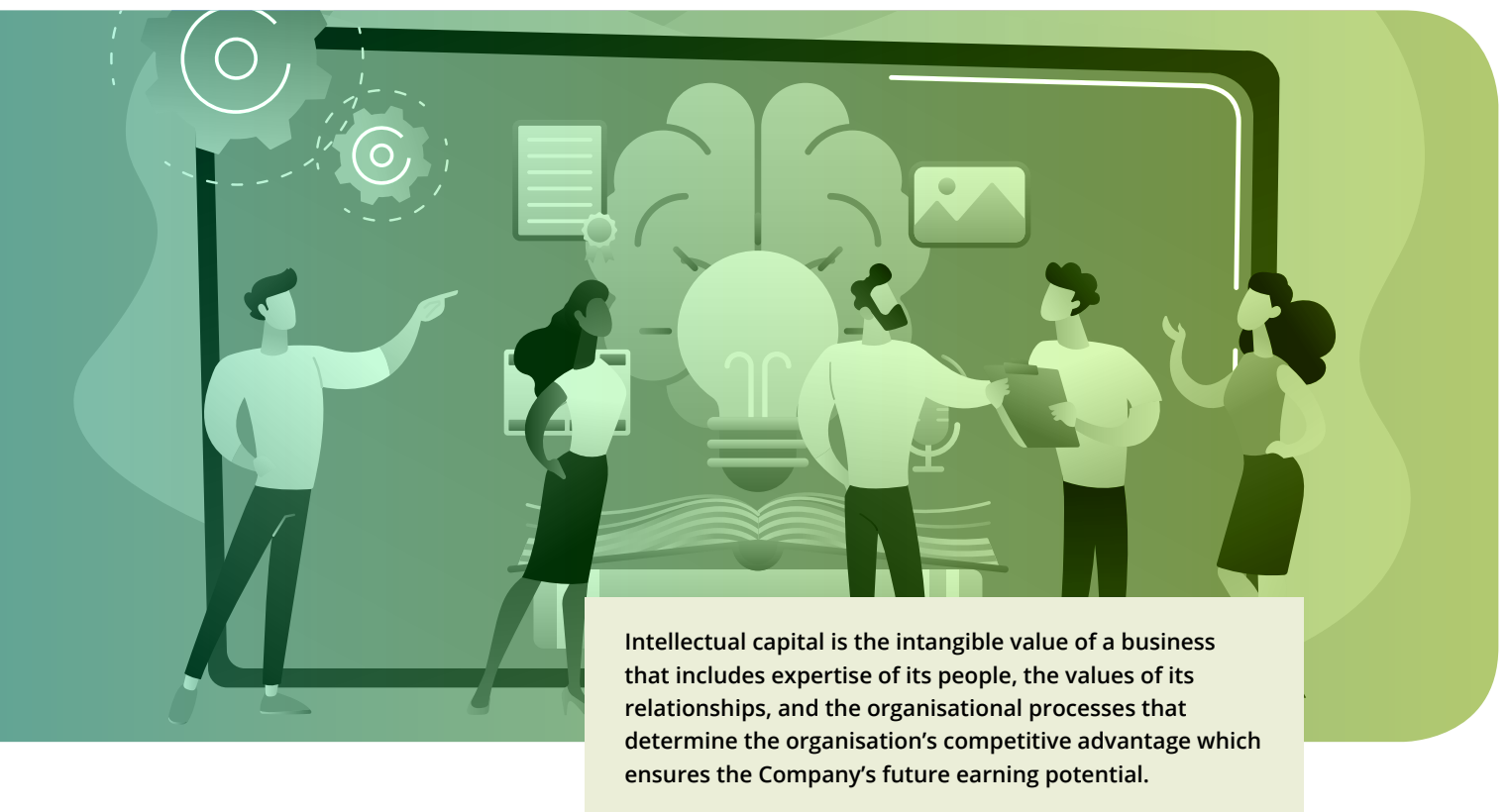
Labour Law

LINDEL's human resource practices fully comply with the Shop and Office Employees Act No. 15 of 1954 and other statutory requirements which are applicable to the Group.

Plans for the Future

Going forward, LINDEL will focus on enhancing the competencies of both the management and operational teams, with emphasis on developing leadership skills and operational excellence. LINDEL will also conduct numerous engagement initiatives targeted towards embedding the living values to its organisational culture.

INTELLECTUAL CAPITAL



Value creation activities during 2020/21

- Offer training and development opportunities for employees
- Adopting to work from home culture
- Complying with industry standards
- Implementing a digital payment platform

Outcome

- 5 trainings programmes
- Improved processes, systems & procedures
- Continuous business operations during the pandemic

Challenges

- Retention of experienced employees
- Striking a balance between adopting to a new work culture and cost optimization

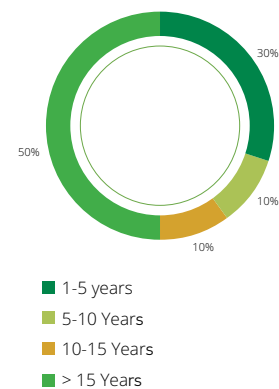
At LINDEL, its Intellectual Capital makes it a unique force backed by a strong parent Company (DFCC Bank PLC) and the strength of Government shareholding. On the other hand, its competencies, innovation, and willingness to adopt to change have made it a strong contender in the industry. LINDEL possesses an organizational knowledge that is unique to the Group, which has been accumulated over the years with extensive experience in wastewater management practices, infrastructure management and production of water. It is this organisational knowledge that drives value creation for the stakeholders in the form of service excellence.

Knowledge and Skills

The capabilities of highly skilled human resources are the backbone of LINDEL's success and thus it continue to enhance individual knowledge, skills, experience, know-how through providing them exposure to various capacity

development opportunities. During the year, LINDEL carried out 5 training sessions for employees in addition to being concentrated on acquiring the best skills and talent to its workforce. LINDEL also continue to invest on employee capacity development to keep them up to date on relevant knowledge and skills that are important to their job roles.

Service Period of Employees



Processes, Systems and Procedures

The Company's prudently designed processes, systems and procedures ensures efficient business operations, in turn assuring a high quality service to all its clientele. The process and procedure manuals, management and accounting systems, and financial controls that LINDEL has introduced over the years have allowed to carry out its business operations according to the required legal and statutory frameworks of the industry. It is these systems that have enabled the Company and the Group to sustain in the industry for nearly three decades and thus, moving ahead it will continue to uphold these processes, systems and procedures while adjusting them to suit the changing customer requirements.

New Work Culture

Due to the Covid-19 pandemic, LINDEL had to seek novel ways of continuing its operations to ensure undisruptive service to its tenants and other stakeholders. The Company adopted a 'work from home' model where employees continued to work from home with necessary facilities provided to maintain their productivity levels.

Following steps were taken during the year to adopt to the new working culture.

1. Implementation of DFCC iConnect platform

DFCC iCONNECT

DFCC iConnect platform is a fully integrated Payments and Cash Management System that deliver distinctive advantages to its Corporate clients. It also offers enhanced security features that enable real time Viewing of account balances, making local and cross border payments 24/7,365 days of the year.

With this implementation, LINDEL made sure the suppliers are paid on time via bank transfers which further reduced the face to face interactions with employees.

2. Digitalized collections methods

To further reduce any physical contact with outside parties, LINDEL changed its invoicing and collection methods. Invoices were sent via emails to its tenants and they were asked to make the payments via fund transfers to LINDEL bank accounts. A significant improvement in recovery of debtors was evident after this implantation.

3. Implementation of a new CCTV system

In order to serve its tenants better, LINDEL established a new CCTV system within the industrial estate premises. Operations division monitored the footage from remote locations and incidents spotted were instantly rectified.

4. Virtual Board/Staff meetings

Most of the Board and staff meetings were conducted online due to the prevailed situation of the country.

Certifications

LINDEL complied with two industry standards during the year under review which were mainly related to the Company's subsidiary, Lindel Industrial Laboratories Limited's product quality, health and safety, and sustainable business practices.

The certifications include;

1. ISO/IEC 17025:2017 Technical and Quality Management System

Lindel Industrial Laboratories Limited first obtained this certification in 2006 and continue to renew it every year. The scope of this certification includes quality processes, management practices, process improvements, risks and opportunities, and process integration.

Validity Period – 3 years

2. Central Environment Authority Certification (CEA) for Lindel Industrial Laboratories Limited

CEA certificate is required every 2 years after an inspection on laboratory environment, quality control and competence.

Validity Period- 2 years



Corporate Culture

LINDEL's corporate culture comprises of the values, ethics and the policies of the Company that determines the way its management and the staff interact and handle the variable factors in the environment. It is this unique environment that has enabled LINDEL to be more innovative and differentiates against its competitors. Over the years, LINDEL has fostered an employee friendly culture that has been encouraging in delivering a customer friendly service.

LINDEL keeps ethics and values at the forefront of its business decision making and, in its operations, and emphasize integrity, fairness and respect in all its business undertakings. LINDEL is committed to serving all clients in the best possible manner where it gives priority to ensuring their convenience over short term gains. LINDEL understands that its reputation and the value of its brand is impacted by the way it encounter its current and potential customers and all other stakeholders.

Being a subsidiary of DFCC Bank PLC

Established as a fully-fledged commercial bank at present, DFCC Bank was Sri Lanka's pioneer development bank, incorporated in 1955 under an Act of Parliament, and is one of the first development banks to be instituted in Asia. Honed over the course of six decades, the expertise of the Bank's project lending team is unmatched in the industry and currently, DFCC Bank is at the forefront of pioneering digitally enabled products and services, offering customers unparalleled value and benefits.

LINDEL as a subsidiary of DFCC Group, is backed by the Group's extensive knowledge and know-how in the industry, spanning over 60 years in the development and commercial banking sector in Sri Lanka.



Plans for the Future

The Company looks forward to investing in improving the intellectual capital to achieve a sustainable growth through further strengthening its control measures, systems and procedures and quality of its services which will ultimately add value to its brand.

SOCIAL AND RELATIONSHIP CAPITAL



Social and Relationship capital entails the mutually beneficial relationships and networks that the Company has nurtured with a variety of stakeholders in ensuring its long-term stability. These intangibles (shared values, commitments, and knowledge) form the basis of the Company's reputation and trust that was developed over the years. Hence, LINDEL, continue to improve its relationships with clients, business partners, shareholders, and the community given the significant role they play in enhancing the Company's business operations towards ushering sustainable growth.

Value creation activities during 2020/21

- Customer centric approach
- Customer satisfaction survey
- Improved customer complaint mechanism
- Improved infrastructure and service levels

Outcome

- 95% customers satisfied with service levels
- Immediate corrective measures to customer complaints
- Creation of jobs for surrounding community
- Ensure consistent supply of infrastructure

Challenges

- Retaining customers due to the economic downturn
- Providing uninterrupted service during lockdown period
- Retaining the suppliers and having to bargain for better prices owing to Covid-19 situation



Customers

Customers are the most important element of LINDEL's business operations and hence, LINDEL remains committed to deliver to customer expectations. Over the years, it is these loyal customers who have placed their trust in LINDEL that has enabled the LINDEL to create and deliver sustainable value to all its stakeholders. In line with the Corporate Governance requirements, LINDEL utilises a strategic and integrated approach to building relationships with its customers.

Steps in LINDEL's approach include;

1. LINDEL advertises the vacant lands or buildings.
2. Customer approaches LINDEL and inform their requirement or

willingness to lease out a land or a warehouse and their rates.

3. LINDEL negotiates the rates with the customer and come to an agreement on the rates, lease period and other terms.
4. Both parties sign the agreements and payment is received from the tenant.

Since its inception, LINDEL has been deploying all the six capitals to deliver value to its customers in the best possible manner. Although the Company began its business operations by offering lands and infrastructure, it has expanded to offer other services such as solid waste disposal and waste water disposal facilities, industrial laboratory services through the subsidiary, as well as fire water (water used for fire safety by tenants) which is provided through a separate pipeline.

LINDEL has consistently strived to gauge a better understanding of its customer requirements and their financial as well as social needs, thus delivering to fulfil those customer requirements in an effective and efficient manner. LINDEL's prompt response to customer complaints has

enabled it to take necessary corrective actions on a timely manner by referring those complaints to the relevant department heads. Moving forward, LINDEL will continue to improve relationships with its existing customers whilst actively venturing out to gain and secure new clients.

Currently, LINDEL's clientele include;

- Hayleys Agro Fertilizers (Pvt) Ltd
- Hayleys Agriculture Holdings (Pvt) Ltd
- BASF Lanka (Pvt) Ltd
- Chevron Lubricants Lanka PLC
- LTL Galvanizers (Pvt) Ltd
- Ceylon Oxygen Ltd
- Diesel and Motor Engineering PLC
- Dutch Lanka Engineering (Pvt) Ltd
- Innovative Pesticides Marketing Ltd
- JBF Industries Lanka (Pvt) Ltd
- Lanka Special Steels Ltd
- Mac Seeds (Pvt) Ltd
- Pan Asia Colored Yarn (Pvt) Ltd
- R.M Chemicals Ceylon (Pvt) Ltd
- Shinkwang Lanka (Pvt) Ltd
- St. Regis Packaging Lanka (Pvt) Ltd
- S & D Chemicals (Pvt) Ltd
- Alumex PLC



During the year under review, LINDEL successfully conducted a customer survey with its clients to gauge their satisfaction on the services provided by the Company. According to the survey findings, over 95% of its clients are well satisfied with its service levels.

Suppliers

The Company's supplier base is a highly important component of its operations in ensuring that it meets the expected quality standards and customer requirements.



Hence, LINDEL has been mindful of partnering with suppliers who comply with relevant quality standards to provide high quality infrastructure to its clients. LINDEL consider supplier selection, development, and integration as vital elements of its business model, including their input, cooperation and trust which are critical to the Company's success.

Currently, LINDEL works with over 15 suppliers with whom it has cultivated long-standing relationships. The Company constantly engages with them through regular meetings to update them on its quality expectations and the scope of work. While LINDEL maintain relevant documentation of any new suppliers who come on board with Company, it also uphold complete transparency in its tender process with the assistance from the DFCC Bank's procurement division.

Supplier selection Process

1. LINDEL maintains a pool of registered suppliers and every year new suppliers are called for registration
2. Registered suppliers are called for tenders and quotations for a task or for product purchase
3. Suppliers are selected based on price, quality and other factors but not limited to lowest quotation

Community

LINDEL strengthens its community relations through empowering the communities in which it operates. LINDEL is obligated to give back to the community of the surrounding areas

in its industrial estate in several ways. A key contribution is the creation of job opportunities for the people living in the surrounding community in the companies within LINDEL premises. Currently of over 3500 employees who work for its tenants in the industrial estate, a significant proportion of the workforce is recruited from the local communities.

Furthermore, over the years LINDEL has initiated several projects and programs on community development focusing on healthcare, sanitation, infrastructure development and education.

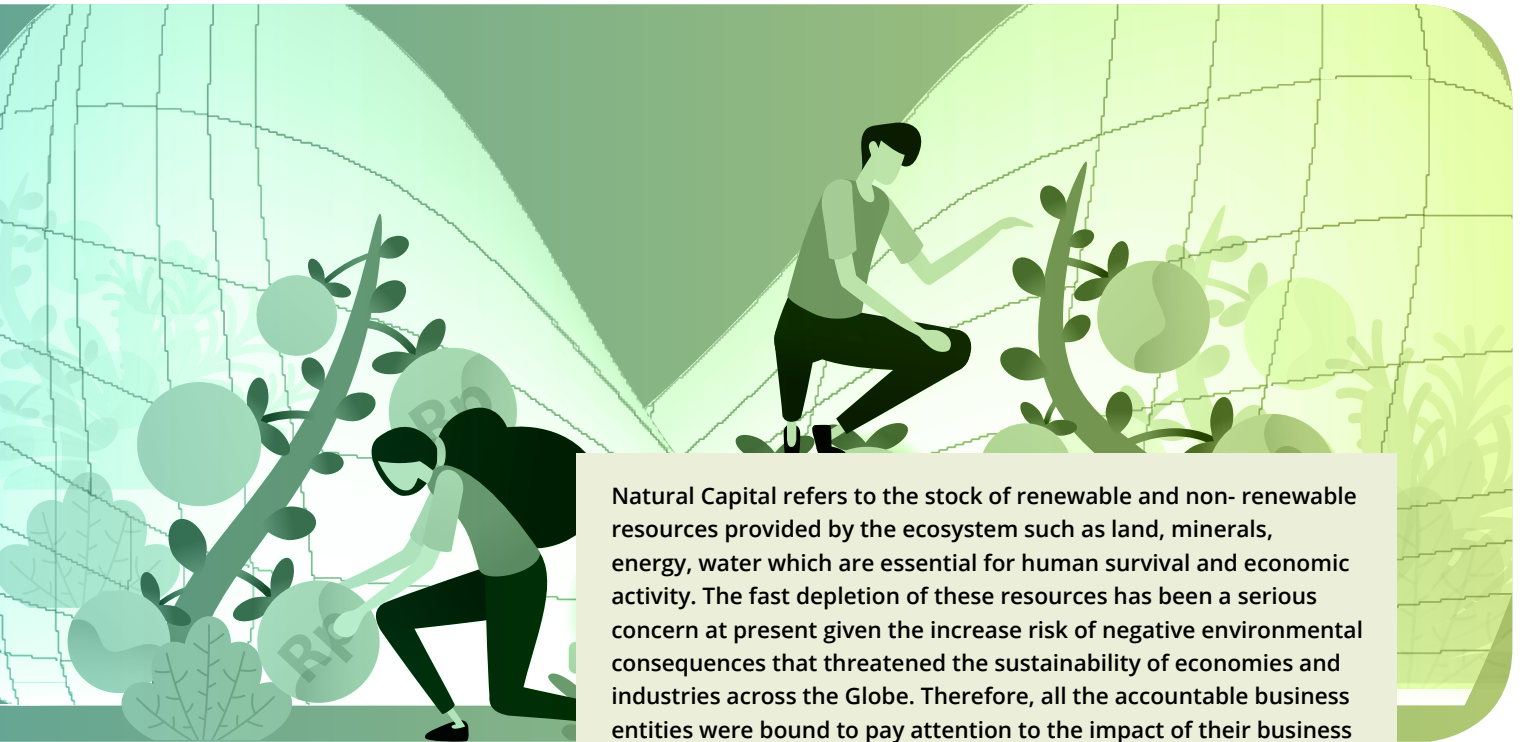
During the year under review, LINDEL carried out the following community assistance activities;

- Donation of thermometers to public health inspector of Sapugaskanda
- Cash donation to one of the employees for a surgery of his spouse
- Development of roads in surrounding areas



Plans for the Future

LINDEL will continue to foster its healthy relationship with all its stakeholders in the period ahead by upholding its values and delivering maximum output to meet their expectations.



Natural Capital refers to the stock of renewable and non-renewable resources provided by the ecosystem such as land, minerals, energy, water which are essential for human survival and economic activity. The fast depletion of these resources has been a serious concern at present given the increase risk of negative environmental consequences that threatened the sustainability of economies and industries across the Globe. Therefore, all the accountable business entities were bound to pay attention to the impact of their business operations on the overall eco system and take measures where necessary to minimise any harmful impact on the environment.

Value creation activities during 2020/21

- “Give Back” project
- Improvements to wastewater management system
- Improvements to solid waste management system
- Moving to a paperless environment
- Improved energy management
- New solar connection

Outcome

- 20 Trees planted
- Sophisticated wastewater management system
- Sophisticated solid waste management system
- Digitalized payment and invoicing process
- Over Rs. 15.2 Mn income from solar

Challenges

- Adopting to a digitalised environment

As a responsible business entity, LINDEL understands the impact of its business operations on the eco system and have resolutely adopted appropriate environmental practices to minimize the negative impact. This includes formulation of policies for better management of environmental issues towards long-term sustainability and success of its business. LINDEL has consistently maintained policies to optimize the usage of energy, water, and other natural resources.

Give Back Project

For the second consecutive year, LINDEL initiated a tree planting project within the LINDEL premises at the beginning of year 2021. This initiative, “Give Back Project” first commenced in year 2020 with all employees planting a tree on their first working day of the year which LINDEL continued for the second year in 2021.



Wastewater Management

Being an industrial estate that caters to a clientele in different manufacturing and industrial sectors, LINDEL fully comprehend the responsibility that lies with it to eliminate wastewater in an environmentally friendly manner. To this end, LINDEL has established its own wastewater management system inside the industrial estate. LINDEL accepts only the pre-treated wastewater from its tenants’ premises through the pipelines and then carry out the final treatment to meet the standards stipulated by the Central Environmental Authority (CEA), before releasing it to the Kelani river.



Solid Waste Disposal Management

An industrial estate disposes high amounts of industrial waste regularly in which solid waste comprises a considerable percentage. These wastes may pose a potential hazard to human health and to the environment when they are improperly treated, stored, transported, or disposed of or managed. In comprehending this critical fact, the Company has put in place a sophisticated Solid Waste Disposal Management System to ensure that all the solid waste (Non-Toxic, Non-Hazardous, and Biodegradable) collected from the premises of tenants are properly separated into recyclable waste and non-recyclable waste and then disposed accordingly. This process has been outsourced to a third-party contractor who has the necessary competency and experience in this area of work.

Paperless Environment

Transforming towards a paperless environment not only brings positive environmental implications but also enhances the security of valuable information. In this respect, LINDEL has focused on reducing the paper usage in the Group and has continuously encouraged its customers to use online transfer methods to make payments

while LINDEL employees were also encouraged to utilise online tools to make payments and for other bank transactions. The payment of utility bills through online transactions have immensely contributed to this purpose. Moreover, given the Covid-19 backdrop, the Company was compelled to terminate invoice delivery by post or hand and instead had to use emails for sending invoices further reducing the paper usage.

Energy Management

Prudent energy management is crucial for achieving improved energy efficiency. In this respect, LINDEL has taken several steps such as awareness building on energy management which has contributed greatly to reduce the electricity consumption at workplace. Employees are constantly encouraged to use electricity carefully and to switch off unnecessary lights, ACs and other electrical equipment's.

Water Consumption

Water is one of the most valuable resources for LINDEL operations and thus, LINDEL has its own water treatment plant which produces 1500 Cu.m water per day which is meant for the use of in-house tenants. While the treated water is pumped to tenants through pipelines, LINDEL has taken several measures to reduce the waste of water through continuous monitoring to prevent any defects of pipelines due to leakages.

1500 Cu.m
Daily Water Production Capacity



Solar Power Project

In 2014, LINDEL started the functioning of its first Net metering solar power project (20kW) with an investment of Rs. 4.9 Mn and later completed another three (22kW, 40kW and 10kW) more net metering systems. By 2018, the Company owned two net plus solar systems of capacities 128kW and 304kW (Value Rs.108.2 Mn). At present the three net plus solar systems have contributed 108 MWhrs per month and 1300 MWhrs annually to the national grid, which has reduced the cost of electricity of the Company by 50% while generating an extra revenue of Rs. 15.0 Mn per annum. LINDEL intend to expand the solar panel system to other areas of the industrial estate subject to the availability and completion of the other requirements.

1300 MWh
Annual Energy Generation From Solar Panels



Plans for the Future

As a responsible corporate citizen, LINDEL aims to enhance the capacity of renewable energy usage in all areas of the industrial estate in the future to reduce the Company's environmental impact.

CORPORATE GOVERNANCE REPORT

The Chairman's Statement on Corporate Governance



On behalf of the Board of Lanka Industrial Estates Limited (LINDEL), I am pleased to present our Corporate Governance Report for the financial year ended 31st March 2021.

Good corporate governance practices are imperative for the growth and sustainability of any entity. Further we at Lanka Industrial Estates Limited strongly believe that corporate governance helps us to maintain the trust kept on us by our stakeholders. The report below demonstrates how the Company has complied with the Corporate Governance Regulations and the Best Practices during the financial year ended 31st March 2021.

Lanka Industrial Estates Ltd's Board includes professionals from various disciplines, who guide the Company to achieve the goals and objectives while ensuring highest standards of ethical conduct. During the year under review, Board of Director's collective efforts and experiences were crucial in navigating the Company through the various challenges Company had to cope with.

Governance framework of LINDEL is designed to strengthen the Board of Directors of the Company and Group, which will ultimately ensure the accountability and transparency in their roles to provide sustainable returns to our Stakeholders. Furthermore,

we strive to improve our corporate governance practices by benchmarking industry leaders and international entities to ensure LINDEL's corporate governance practices are on par with industry's best standards. Our Stakeholder engagement methods are structured to provide valuable insights into Stakeholder concerns and enabling us to provide appropriate responses while balancing various interests of Stakeholders.

We will continue to improve our corporate governance practices by complying with all the relevant rules and regulations while enhancing the sustainable value creation for our Stakeholders. We are committed to investing in and supporting our people so that the Company maintains an appropriate balance of management skills and capabilities as it grows and develops.

I together with the Board of Directors hereby confirm that, we are not aware of any material violations of the provisions of the Code of Business Conduct and Ethics as the case maybe by any Director or any member of the Senior Management of LINDEL.

A handwritten signature in black ink, appearing to read 'Lakshman Silva'. The signature is stylized and fluid.

Lakshman Silva
Chairman

Corporate Governance

Corporate Governance signifies the manner in which Companies are directed and controlled. Good governance is an essential ingredient in corporate success and sustainable economic growth. The Board of Directors of Lanka Industrial Estates Limited is committed to maintain high standards of integrity, accountability, transparency and business ethics in the governance of the Group.

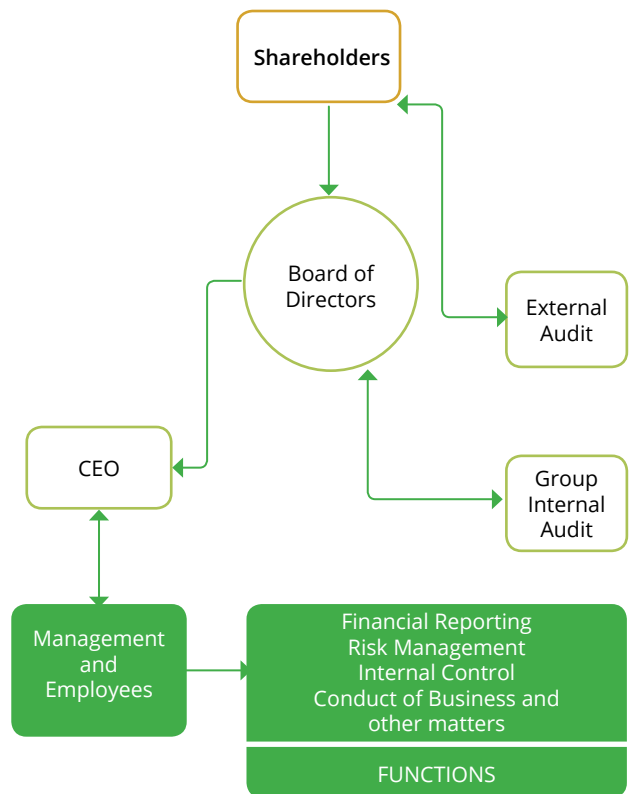
From the beginning and even being a Limited Liability Company, Lanka Industrial Estates Limited and its subsidiary has continued to apply high corporate governance standards aimed at assuring the Company's ongoing sustainability. The organization's governance structure demonstrates its ability to create value in the short, medium-and long-term to its Stakeholders. Headed by the Board of Directors, the Company's governance framework ensures sound corporate

governance principles that reflect LINDEL's mission and core values and promote good governance practices across the business.

Corporate Governance Framework



Corporate Governance Structure



CORPORATE GOVERNANCE REPORT

Statement of Compliance

The Board of Directors wishes to confirm to the best of their knowledge and belief that the Company has complied with all requirements in terms of regulations and statutory payments under the Companies Act No. 7 of 2007 and Inland Revenue Act No. 24 of 2017.

The Company has satisfied all requirements as per accepted labor regulations and financials are prepared according to the standards of SLFRSs and LKASs.

The Company's governance framework is based on the following key internal and external steering instruments;

| External Instruments | Internal Instruments – Mandatory |
|--|---|
| Companies Act No.7 of 2007 – Mandatory | Group Code of Ethics |
| Listing Rules of the Colombo Stock Exchange (CSE) – Voluntary | Articles of Association |
| Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987 (as amended)- Voluntary | Human Resources Policies |
| Sri Lanka Accounting and Auditing Standards Act No.15 of 1995 – Mandatory | Health and Safety Policies |
| Inland Revenue Act No. 24 of 2017 - Mandatory | Environmental Policies |
| Code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka – 2017 – Voluntary | Internal control processes and procedures |
| Integrated Reporting Framework – Voluntary | Risk Management Framework |

Board of Directors

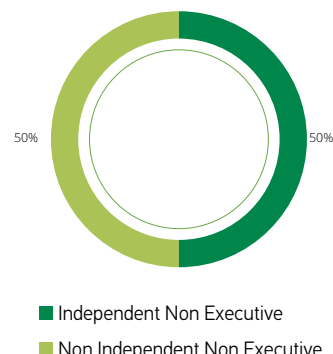
The Board of Directors are responsible for charting the strategic direction of the Company. The Board promotes a culture of openness, constructive dissent and productive dialogue in its Board Meetings.

Board comprises of professionals who have many years of experience in the corporate world. The Board gives leadership in setting the strategic direction and establishing a sound control framework and is accountable for the governance of the Company. The Board's composition reflects a sound balance of independence and anchors shareholder commitment.

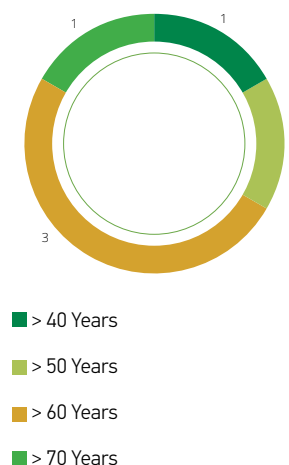
Composition of the Board of Directors

| | | |
|--------------------|------------------------------------|--------------------------------|
| Mr. L.H.A.L Silva | Non-Executive Chairman | Appointed on 14 June 2017 |
| Mr.T.W De Silva | Independent Non-Executive Director | Appointed on 16 March 2005 |
| Mr.R.A Dassanayake | Non- Executive Director | Appointed on 26 September 2019 |
| Mr. A Saarrankan | Non- Executive Director | Appointed on 10 April 2018 |
| Dr.R.K Ratnayake | Independent Non-Executive Director | Appointed on 30 April 2002 |
| Mr.A. Tudawe | Independent Non-Executive Director | Appointed on 06 April 1992 |

Composition of Directors



Age Diversity



Responsibilities of the Board

The Board is responsible for the formulation and implementation of sound business strategies and is responsible for ensuring that the Company adheres to the relevant laws and regulations of the country, regulatory authorities and professional institutes.

Role of the Board of Directors

1. Providing direction and guidance to the Company in the formulation of sustainable high-level medium and long-term strategies
2. Reviewing and approving annual plans and strategic plans.

3. Approving and monitoring financial and other reporting practices adopted by the Group.
4. Reviewing HR processes with emphasis on top management succession planning.
5. Appointing and reviewing the performance of CEO
6. Monitoring systems of governance and compliance
7. Overseeing systems of internal control, risk management.
8. Determining discretions / authorities delegated from the Board to the executive levels.

Compliance with Laws and access to Professional Advice

The Board acts in conformity with the laws of the country and the Board is tabled a compliance statement on statutory requirements on quarterly basis at the Board meeting.

The Board of Directors are provided with the opportunity of seeking professional advice at the expense of the Company, whenever it is necessary; with regard to certain technical matters and other business affairs ensuring that the Directors possess sufficient

knowledge and experience in making high quality and independent decisions

Company Secretary

Ms. Samathri Kariyawasam acts as the Company Secretary to the Board of Lanka Industrial Estates Limited. All Directors have independent and joint access to the Company Secretary who acts in a professional manner. The Company Secretary advises the Board on matters relating to the Companies Act and other applicable rules and regulations and ensure that appropriate, timely and accurate information is submitted to the Board.

Directors' Independence

Directors are experienced leaders in their respective fields and exercise independent and unfettered judgment, promoting constructive Board deliberations and objective evaluation of matters set before them.

Performance Evaluation of CEO

The Board, in consultation with the CEO, sets reasonable Financial and Non-Financial targets in line with the short-, medium- and long-term objectives of the Company, which are to be achieved by the CEO every year. Performance of the CEO is evaluated by the Board at

the end of each year, based on agreed objectives. The variable component of the CEO's remuneration is determined based on the achievement of these set targets.

Board Meetings and Attendance

The Board Meetings are held at least once a quarter. Sufficient time is allocated at every meeting to ensure all responsibilities are discharged satisfactorily. Timely information is provided before a meeting with the Agenda and Board Papers. Directors dedicate adequate time prior a meeting to review Board Papers. Information provided covers the monthly accounts and comparison of performance against budget and previous year results, with remedial Acton taken when necessary. Senior Managers make presentations on the performance in their respective area on request. When the Board requests additional information, that is also provided.

Attendance for Board Meetings

The Board held four Board meetings during the year. Attendance of Directors at Board meetings is summarized below.

| Name of the Director | 17/06/2020 | 17/09/2020 | 22/12/2020 | 17/03/2021 | Attendance |
|----------------------|------------|------------|------------|------------|------------|
| Mr. L.H.A.L Silva | √ | √ | √ | √ | 4/4 |
| Mr.T.W De Silva | √ | √ | √ | √ | 4/4 |
| Dr. A.Saarrankan | x | √ | x | √ | 2/4 |
| Dr.R.M.K Ratnayake | √ | √ | √ | √ | 4/4 |
| Mr.R.A Dassanayake * | √ | √ | √ | √ | 4/4 |
| Mr.A.Tudawe | √ | √ | √ | √ | 4/4 |

Chairman and CEO

The roles of the Chairman and the CEO are clearly demarcated with clear distinction of responsibilities between them to ensure balance, accountability and authority between running the Board and the executive responsibility for the running of the Group's business.

As the Chairman, Mr. L.H.A.L Silva provides leadership to the Board to ensure that the Board conducts its duties efficiently and that the Board functions to ensure integrity and effectiveness of relationship between the non-executive and executive directors. The role of the CEO, Mr. B.R.C

Cooray is to implement the policies and the strategies approved by the Board and to develop and recommend the business plan and budgets that support the Group's long-term strategy and vision that would lead to generating shareholder value.

CORPORATE GOVERNANCE REPORT

Appointments to the Board and Re-Election

The appointments to the Board are made collectively, with the consent of the Directors taking into consideration the Board composition and the strategic input required.

All Directors should be required to submit themselves for re-election at regular intervals. The Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting (AGM) and one third of the Directors to seek re-appointment by the Shareholders at that meeting.

In terms of Section 210 of the Companies Act No. 7 of 2007, a Director who has reached 70 years of age vacates office at the AGM held after he attains the age of 70 years. A Director who has reached the Age of 70 years may be re-appointed in terms of Section 211 of the Companies Act.

Induction and Training for Directors

On appointment, Directors are provided with an orientation pack with all relevant external and internal regulation, documents and a tour of the industrial estate premises. The Board of Directors recognize the need for continuous training and expansion of knowledge and skills required to effectively perform their duties. They undertake training and professional development in their personal capacity as they consider necessary.

Disclosure of Information in respect of Directors

The details of the Directors, nature of expertise in relevant functional areas, attendance at Board Meetings, other directorships and Director's Interest in Contracts are disclosed under the relevant sections in the Annual Report.

Monitoring of Subsidiary Company

The sole subsidiary of Lanka Industrial Estates Limited is managed by its respective Board according to the companies' Articles of Associations and in the best interest of their stakeholders. Lanka Industrial Estates Limited monitors the performance of subsidiary Company.

Financial Acumen

The Board includes directors who possess the necessary knowledge and experience to offer the Board guidance on financial matters.

Risk Management and Internal Controls

The Board of Directors are responsible for formulating and implementing effective risk management and internal control systems to safeguard shareholder interests and the assets of the Company. These systems cover all controls, including financial, operational and compliance and are monitored and regularly reviewed for effectiveness by the Board. The DFCC Group Internal Audit Department supports the Board of Directors, reviewing the adequacy and effectiveness of the internal control systems and reporting to the Board of Directors on a regular basis.

Accountability and Audit

The Board is responsible for presenting a balanced, accurate and understandable assessment of the Company's, performance, financial position and prospects. Monthly performance reports are circulated within 20 days of each month end. The Company's financial statements are prepared in accordance with the Sri Lanka Financial Reporting Standards laid down by the Institute of Chartered Accountants of Sri Lanka and comply with the requirements of the Companies Act, No. 7 of 2007.

The following specialised information requirements are also included in this Annual Report.

- The Annual Report of the Board of Directors on the Affairs of the Company on page 72 to 74 of this Report contains the declarations prescribed by the Code.
- The Statement of Directors' Responsibilities is given on page 70 of this Report.
- The Independent Auditor's Report on page 76 of this Report.

Major and Material Transactions

There is no materially significant related party transactions or relationships between the Company and the Directors, subsidiary Company or related parties except for those disclosed in the Financial Statements for the year ended 31st March 2021.

Financial Reporting

The Board monitors compliance to the regulatory requirements on financial reporting given in the Sri Lanka Accounting Standards (SLFRS & LKAS) issued by the Institute of Chartered Accountants of Sri Lanka, Companies Act No. 7 of 2007 and Listing Rules of the Colombo Stock Exchange.

The Board along with the Management reviewed the Quarterly Financial Statements and Annual Financial Statements for the year ended 31st March 2021 focusing on the quality and accuracy of the Financial Statements including compliance with the relevant regulatory requirements.

External Audit

The scope of the External Audit was assessed and discussed by the Board with the External Auditors and the Management before the

commencement of the Audit. The Management Letter issued by the External Auditors was discussed with the Management and remedial actions were recommended wherever necessary.

The Board having evaluated the performance of the external Auditors, has recommended that Messrs. KPMG, Chartered Accountants of No: 32A Sir Mohamed Macan Markar Mawatha, Colombo 2, to be re-appointed as the External Auditors for the year ending 31st March 2022 subject to the approval of the Shareholders at the Annual General Meeting.

Information to the Board

It is required that the Company's management to provide timely information to the Board in a form and of quality appropriate to enable it to discharge its duties. Procedures exist to ensure that Directors receive timely information on a monthly basis and a clear agenda and papers with guidance on contents. Directors also have open access to the management to obtain further information that could be required.

Relations with Shareholders

The Company strongly believes in engaging with its shareholders in a regular manner. The Annual General Meeting is used as for constructive engagement with shareholders. The Company engages with shareholders through an open and meaningful dialogue in order to understand their expectations. Shareholders are encouraged to be present, participate and vote at the Annual General Meeting. The Annual Report is circulated to the shareholders not less than 15 working days prior to the Annual General Meeting.

Employee Empowerment

The Company has put in place the necessary processes, procedures, systems in place to make sure effective recruitment, development and retention of employees. The Company considers its employees to be a vital force which will drive the Organization towards its objectives. Constant dialogue and facilitation are also maintained ranging from work related issues to matters pertaining to general interest that could affect employee wellbeing. The Company fosters an open-door culture for its employees across all levels.

Corporate Social Responsibility

The Board actively takes part in defining and overseeing the corporate culture and values, particularly in the corporate social responsibility policy. The Board continuously reviews the policies for sustainability, corporate culture and values, and on relations with Stakeholders, especially employees, and customers. The corporate social responsibility policy is structured in line with the business strategy and risk appetite and putting into place mechanisms to ensure that all Group know how they fit into these strategies and that their processes and mechanisms are consistent with those of the policy of the parent.

Shareholder Value

The Board continues to be committed to increasing shareholder value through sound commercial responsibility and sustainable business decisions that deliver steady growth in earnings.

Ethical standards

The Board is committed to maintaining high ethical standards in conducting its business and to communicate its values to its employees and agents and ensure their conduct is based on such values.

Going Concern

The Board of Directors, after reviewing the financial position and the cash flow of the Company are of the belief that the Company has adequate resources to continue operations well into the foreseeable future. Therefore the Board adopts the going concern basis in preparing financial statements

Code of Conduct and Ethics

The Group is committed to conducting its business operations with honesty, integrity and with respect to the rights and interests of all Stakeholders. The Group's Code of Conduct and Ethics articulates the standards of conduct expected of its' employees. The Board is not aware of any material violations of any of the provisions of the Code by any Director or employee of the Group

CORPORATE GOVERNANCE REPORT

Compliance Table

Statement of Compliance pertaining to Companies Act No. 7 of 2007

Mandatory provisions

| Rule | Requirement | Complied | Reference |
|-------------|---|----------|---|
| 168 (1) (a) | The nature of the business together with any change thereof | ✓ | Who We Are |
| 168 (1) (b) | Signed Financial Statements of the Group and the Company | ✓ | Financial Statements |
| 168 (1) (c) | Auditors' Report on Financial Statements | ✓ | Independent Auditors Report |
| 168 (1) (d) | Accounting Policies and any changes therein | ✓ | Notes to the Financial Statements |
| 168 (1) (e) | Particulars of the entries made in the Interests Register | ✓ | Annual Report of the Board of Directors |
| 168 (1) (f) | Remuneration and other benefits paid to Directors of the Company | ✓ | Notes to the Financial Statements |
| 168 (1) (g) | Corporate donations made by the Company | ✓ | Notes to the Financial Statements |
| 168 (1) (h) | Information on the Directorate of the Company and its subsidiaries during and at the end of the accounting period | ✓ | Board of Directors |
| 168 (1) (i) | Amounts paid/payable to the External Auditor as audit fees and fees for other services rendered | ✓ | Notes to the Financial Statements |
| 168 (1) (j) | Auditors' relationship or any interest with the Company and its Subsidiaries | ✓ | Annual Report of the Board of Directors/ Financial Statements |
| 168 (1) (k) | Acknowledgement of the contents of this Report and signatures on behalf of the Board | ✓ | Financial Statements/Annual Report of the Board of Directors |

Statement of Compliance under Section 7.10 of the Listing Rules of the CSE on Corporate Governance

Voluntary Provisions

| Rule | Subject | Requirement | Complied | Reference |
|-----------|----------------------------------|--|----------|-----------------------------|
| 7.10.1(a) | Non-Executive Directors (NED) | At least 2 or 1/3 of the total number of Directors on the Board, whichever is higher, should be NEDs | ✓ | Board of Directors |
| 7.10.2(a) | Independent Directors (ID) | 2 or 1/3 of NEDs, whichever is higher, should be independent | ✓ | Board of Directors |
| 7.10.3(a) | Disclosure relating to Directors | - The Board shall annually determine the independence or otherwise of the NEDs, and - Names of each IDs should be disclosed in the Annual Report (AR) | ✓ | Board of Directors |
| 7.10.3(b) | Disclosure relating to Directors | The basis for the Board's determination of ID, if criteria specified for independence is not met | ✓ | Corporate Governance Report |
| 7.10.3(c) | Disclosure relating to Directors | A brief resume of each Director should be included in the AR including the Director's areas of expertise | ✓ | Board of Directors |
| 7.10.3(d) | Disclosure relating to Directors | Provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a), (b) and (c) to the CSE | ✓ | Board of Directors |
| 7.10.5 | Remuneration Committee (RC) | The Human Resources and Compensation Committee (equivalent of the RC with a wider scope) of the listed parent Company may function as the RC | N/A | N/A |
| 7.10.6 | Audit Committee (AC) | The Company shall have an AC | N/A | N/A |

Statement of Compliance under Section 7.6 of the Listing Rules of the Colombo Stock Exchange (CSE) on Annual Report Disclosure

Voluntary Provisions

| Rule | Requirement | Complied | Reference |
|--------|--|----------|--|
| (i) | Names of persons who were Directors of the Entity | ✓ | Board Directors/ Who We Are |
| (ii) | Principal activities of the entity and its subsidiaries during the year, and any changes therein | ✓ | Management Discussion and Analysis |
| (iii) | The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held | ✓ | Investor Information |
| (iv) | The float adjusted market capitalisation, public holding percentage (%), number of public shareholders and under which option the listed entity complies with the Minimum Public Holding requirement | N/A | N/A |
| (v) | A statement of each Director's holding in shares of the Entity at the beginning and end of each financial year | ✓ | Annual Report of the Board of Directors |
| (vi) | Information pertaining to material foreseeable risk factors of the Entity | ✓ | Risk Management |
| (vii) | Details of material issues pertaining to employees and industrial relations of the Entity | ✓ | Materiality |
| (viii) | Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties | ✓ | Notes to the Financial Statements |
| (ix) | Number of shares representing the Entity's stated capital | ✓ | Notes to the Financial Statements/Investor Information |
| (x) | A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings | ✓ | Investor Information |
| (xi) | Financial ratios | ✓ | Financial Highlights |
| (xii) | Significant changes in the Company's or its subsidiaries' fixed assets, and the market value of land, if the value differs substantially from the book value as at the end of the year | ✓ | Notes to the Financial Statements |
| (xiii) | Details of funds raised through a public issue, rights issue and a private placement during the year | N/A | N/A |
| (xiv) | Information in respect of Employee Share Ownership or Stock Option Schemes | ✓ | Annual Report of the Board of Directors |
| (xv) | Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of Section 7 of the Listing Rules | ✓ | Corporate Governance Report |

Voluntary Compliance with the Code of Best Practice on Corporate Governance 2017 issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka

| Reference to the Code | Governing Principle | Compliance Status | How We Complied |
|-----------------------|---------------------|-------------------|--|
| A. Directors | | | |
| A.1 The Board | | | |
| A.1.1 | Board Meetings | ✓ | The Board has met four times during the year and attendance for the Board Meetings is given in the Corporate Governance Report . |
| A.1.2 | Role of the Board | ✓ | Please refer Corporate Governance Report. |

CORPORATE GOVERNANCE REPORT

| Reference to the Code | Governing Principle | Compliance Status | How We Complied |
|--------------------------|---|-------------------|---|
| A.1.3 | Act in accordance with the laws of the country and obtain professional advice | ✓ | The Board seeks independent professional advice when deemed necessary and Board has made sure that all the Directors have adhered to all applicable laws , rules and regulations. |
| A.1.4 | Access to the Company Secretary | ✓ | Role of Company Secretary is given Corporate Governance Report. |
| A.1.5 | Independent judgment of the Directors | ✓ | The Board includes independent professionals who exercise independent judgement in discharging their duties |
| A1.6 | Dedication of adequate time and effort. | ✓ | Board Meeting dates are informed to all the Directors well in advance to give them sufficient time to review the Board Papers and request any additional information. |
| A1.7 | Calls for resolutions | ✓ | Directors can call for a resolution to be presented to the Board where they feel it is in the best interest to the Group to do so. |
| A1.8 | Training of Directors | ✓ | All of the directors in the Board are professionals with extensive experience and knowledge in their respective fields. Relevant local and foreign training opportunities are made available. |
| A.2 | Chairman and Chief Executive Officer (CEO) | ✓ | Please refer Corporate Governance Report |
| A.3 | Chairman's role | ✓ | Please refer Corporate Governance Report |
| A.4 | Financial Acumen | ✓ | Members of the Board and Management have sufficient financial knowledge and thus are able to provide guidance on financial matters |
| A.5 Board Balance | | | |
| A.5.1 | Non-Executive Directors | ✓ | All the Directors are Non- Executive Directors. |
| A.5.2 | Independent Non-Executive Directors | ✓ | Board comprises more than two Non- Executive Directors |
| A.5.3. | Independence of Non-Executive Directors | ✓ | All Independent Non-Executive Directors have met the criteria set out in the Listing Rules of CSE and this code to be recognising as independent. |
| A.5.4 | Annual Declaration of Non-Executive Directors | ✓ | The Non-Executive Directors have submitted the required declaration, which was used for determining the independence of the Independent Directors. |

| Reference to the Code | Governing Principle | Compliance Status | How We Complied |
|---|---|-------------------|--|
| A.5.5. | Determination of independence of the Directors | ✓ | All of the Independent Directors of the Company meet the criteria for independence specified in this rule |
| A.5.6 | Alternate Director | N/A | N/A |
| A.5.7 | Senior Independent Director | N/A | N/A |
| A.5.9 | Chairman conducting Meetings with Non-Executive Directors | N/A | All the Directors are Non-Executive Directors. |
| A.5.10 | Recording concerns | ✓ | All the Board meeting proceedings are comprehensively recorded in the Board Minutes. |
| A.6 Supply of information | | | |
| A.6.1. | Providing appropriate and sufficient information | ✓ | Please refer Corporate Governance Report |
| A.6.2 | Providing relevant information prior to the Board Meetings | ✓ | Previous Meeting Minutes, Agenda and Papers required for Board Meeting are provided to Directors with adequate time to study them to facilitate its effective conduct. |
| A.7 Appointments to the Board | | | |
| A.7.1 | Formal and transparent procedure for Board appointments | ✓ | Board appointments follow a transparent and formal process |
| A.7.2 | Assessment of the capability of the Board to meet strategic demands of the Company. | ✓ | The Board assess its own capability to meet the strategic demands of the Company. |
| A.7.3 | Disclosure of new Board member | ✓ | Please refer Board of Directors |
| A.8 Re-election | | | |
| A.8.1. / 8.2 | Appointment of Non-Executive Directors | ✓ | Non-Executive Directors are appointed for specified terms subject to re-election and to the provisions in the Companies Act relating to the removal of a Director, and their re-appointment are not automatic. |
| A.8.2 | Re-Election | ✓ | All Directors including the Chairman of the Board are subject to election by Shareholders at the first opportunity after their appointment, and to re-election thereafter are done in accordance with the Articles of Association of the Company |
| A.9 Appraisal of Board Performance | | | |
| A.9.1 and A.9.2 | Annual Performance Evaluation of the Board and its Sub Committees | ✓ | Board performance is reviewed and evaluated on self appraisal basis. |

CORPORATE GOVERNANCE REPORT

| Reference to the Code | Governing Principle | Compliance Status | How We Complied |
|--|---|-------------------|---|
| A.9.3 | The Board should state how such performance evaluations have been conducted | ✓ | Please refer A.9.1 |
| A.10 Disclosure of information in respect of Directors | | | |
| A.10 | Disclosure of information in respect of Directors | ✓ | Please refer Board of Directors |
| B. Directors Remuneration | | | |
| B.1.1 | Remuneration Committee | N/A | Board of Directors are paid a Director fees based on the attendance for Board meetings. |
| B.1.2 | Composition of the Remuneration Committee | N/A | N/A |
| B.1.3 | Chairman and the members of Remuneration Committee | N/A | N/A |
| B.1.4 | Determination of remuneration of Non-Executive Directors | N/A | Board of Directors are paid a Director fees based on the attendance for Board meetings. |
| B.2 The level and make up of Remuneration of Executive Directors | Remuneration of Executive Directors | N/A | There are no Executive Directors in the Board |
| B.3 Disclosure of remuneration | Disclosure of Remuneration | ✓ | Please refer Notes to the Financial Statements |
| C. RELATIONS WITH SHAREHOLDERS | | | |
| C.1 Constructive use of the Annual General Meeting (AGM) and conduct of General Meetings | | | |
| C.1.1. | Notice of the AGM and Related Documents | ✓ | The Notice of Meeting and related documents are dispatched to the Shareholders at least 15 working days prior to the AGM, as per Section 135 of the Companies Act No.07 of 2007 |
| C.1.2 | Separate resolution for all separate issues | ✓ | The Company proposes separate resolutions on each item giving shareholders the opportunity to vote on each issue separately |
| C.1.3. | Use of Proxy Votes | ✓ | As a matter of practice, proxy votes together with the votes of the shareholders present at the AGM are considered for each resolution |
| C.1.4 | Availability of Chairman of the Board Sub Committees to respond to queries at the AGM | ✓ | Chairman and Directors are available at AGM to facilitate shareholder inquiries |
| C.1.5 | Procedures of voting at the Annual General Meeting | ✓ | The Notice of Meeting outlines the procedure relating to voting at the Annual General Meeting. |

| Reference to the Code | Governing Principle | Compliance Status | How We Complied |
|--|---|-------------------|---|
| C.2 Communication with shareholders | | | |
| C.2.1 | Communication Channels | ✓ | Please refer Stakeholder Engagement |
| C.2.2 | Policy and Methodology for Communication | ✓ | Please refer Stakeholder Engagement |
| C.2.3 | Implementation of Policy | ✓ | The implementation of the policy and the methodology is done through the adoption of the above mentioned channels of communication. |
| C.2.4 | Disclose the contact person for shareholder communications | ✓ | The Company Secretary is the contact person for all the matters pertaining to Shareholders |
| C.2.5 | Directors awareness on major issues and concerns of Shareholders | ✓ | Chairman ensures that all Directors are aware of major issues and concerns of Shareholders. Such issues are discussed at Board Meetings |
| C.2.7 | Response to shareholders | ✓ | Board of Directors answer all the queries raised by shareholders at AGM. |
| C.3 Major and Material Transactions | Disclosure of major transactions | ✓ | During the year there were no major transactions which should be disclosed. |
| D. Accountability and Audit | | | |
| D.1 Financial Reporting | | | |
| D.1.1 | The Board should present an Annual Report including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations and any deviation being clearly explained | ✓ | Annual Report is presented including financial statements that is true and fair, balanced and understandable and prepared in accordance with the relevant laws and regulations. |
| D.1.2 | The Board's responsibility in presenting balanced and understandable information | ✓ | The Board of Directors have taken all reasonable steps to ensure accuracy and timeliness of financial information with a view of presenting the true and fair view of the interim and annual financial statements |
| D.1.3 | Declaration from the Chief Executive Officer and Chief Financial Officer | ✓ | Declarations are obtained from the CEO and Financial Controller that in their opinion the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company. |
| D.1.4 | Directors' Report in the Annual Report | ✓ | Please refer Annual Report of the Board of Directors |
| D.1.5. | Statement of Directors' Responsibility | ✓ | Please refer Statement of Directors' Responsibilities |

CORPORATE GOVERNANCE REPORT

| Reference to the Code | Governing Principle | Compliance Status | How We Complied |
|--|--|-------------------|--|
| D.1.6. | Management Discussion and Analysis | ✓ | Please refer Management Discussion and Analysis |
| D.1.7 | Summon an Extraordinary General Meeting to notify serious loss of capital | N/A | N/A |
| D.1.8 | Disclosure of Related Party transactions | ✓ | Please refer Notes to the Financial Statements |
| D.2 Risk Management and Internal Control | | | |
| D.2.1 | Directors to review on Risk Management and Internal Controls | ✓ | The Board has taken the necessary steps to ensure the integrity of the Company's accounting and financial reporting systems and internal control systems remain effective via the review and monitoring of such systems on a periodic basis. |
| D.2.2 | Disclosures in the Annual Report on Risk Management and Internal Controls | ✓ | Please refer Risk Management |
| D.2.3 | Internal Audit | ✓ | Internal Audit function of the Company is handled by DFCC Bank Group Internal Audit team. Internal audit report is reviewed by Board of Directors and recommendations are implemented immediately on yearly basis. |
| D.2.4 | Maintaining sound system of internal control | ✓ | The Internal Auditors review the internal control system including internal control over financial reporting. |
| D.2.5 | Responsibilities of Directors to maintain a sound system of internal control | ✓ | Please refer Directors' Statement on Internal Controls |
| D.3 Audit Committee (AC) | | | |
| D.3.1 | Composition of the Audit Committee | ✓ | Board of Directors overlook the function of the Audit committee |
| D.3.2 | Duties of the Audit Committee and Terms of Reference of the Audit Committee | N/A | N/A |
| D.3.3 | Duties and responsibilities of the Committee | ✓ | The Board of Directors has the overall responsibility for overseeing the preparation of Financial Statements in accordance with the laws and regulations of the country, on the adoption of best accounting policies. The Committee is also responsible for maintaining the relationship with the External Auditors. |
| D.4 Related Party Transactions Review Committee (RPTRC) | | | |
| D.4.1 | A related party and related party transactions | ✓ | Please refer Notes to the Financial Statements |
| D.4.2 | Related Party Transactions Review Committee (RPTRC) | ✓ | The Board overlooks the Related party transactions of the Company. The Board comprises of Non-Executive Directors out of which three are independent. |

| Reference to the Code | Governing Principle | Compliance Status | How We Complied |
|--|---|-------------------|--|
| D.5 Code of Business Conduct and Ethics | | | |
| D.5.1 | Disclosure of Code of Business Conduct & Ethics | ✓ | Group Code of Ethics ensures Business is conducted in ethical manner. |
| D.6 Corporate Governance disclosure | Disclosure of Corporate Governance | ✓ | Please refer Corporate Governance Report |
| E. Institutional Investors | | | |
| E.1 Shareholder Voting | | | |
| E.1.1 | Communication with Shareholders | ✓ | Please refer Stakeholder Engagement |
| E.2 | Evaluation of Governance Disclosures | ✓ | Please refer Corporate Governance Report |
| F. Other Investors | | | |
| F.1 | Investing/Divesting Decisions | ✓ | Please refer Stakeholder Engagement |
| F.2 Shareholder voting | | | |
| F.2.1 | Individual Shareholders should be encouraged to participate in General Meetings of Companies and exercise their voting rights | ✓ | Please refer Stakeholder Engagement |
| G. Internet of Things and Cyber Security | | | |
| G.1 | Identify connectivity and related cyber risks | ✓ | The Group implemented a comprehensive IT policy which covers the security of IT assets and the information assets. The Board of Directors and Senior Management continuously discussed the importance of cyber risk management and implement the ways to identify the risks. |
| G.2 | Appoint a CISO and allocate budget to implement a cybersecurity policy | ✓ | DFCC Group IT division staff attend to all IT related matters and funds have been allocated from the budget. |
| G.3 | Include cybersecurity in the Board Agenda | ✓ | Please refer G.1 |
| G.4 | Obtain periodic assurance to review effectiveness of cybersecurity risk management | ✓ | Any risks identified are reported to the Board by Group IT team on regular basis. |
| G.5 | Disclosures in Annual Report | ✓ | Please refer Corporate Governance Report |
| Environment, Society and Governance (ESG) | Environment, Society and Governance (ESG) | ✓ | Reference is given in Capital reports to different sustainable reporting guidelines. |

RISK MANAGEMENT REPORT

Overview

Risk is associated with the overall operation of a business entity. These are things that impair its ability to provide investors and stakeholders with adequate returns. Therefore, risk management is vital for any entity irrespective of in which industry it operates. As per the Corporate Governance Framework the Board is responsible for ensuring an effective risk management process and a sound system of internal controls to safeguard shareholders' investments and the Company's assets. LINDEL is committed towards continuously rectifying and strengthening risk management framework to reflect changing elements in the operating environment and to ensure alignment to the Company's business strategy.

COVID-19 pandemic forced entities not only in the country but in the world to rethink about their strategies to mitigate various new risks. As a property management Company LINDEL saw significant rise in risks over the last year and adopted to the changes in the environment. LINDEL always believed that managing risk is an evolving process which needs to be relooked with the changes to the operating environment. Success of the entity depends on how fast it can adopt to the changes by mitigating the new risks evolving time to time.

New risks identified during the year

1. COVID-19 Pandemic

Covid 19 pandemic brought whole new level of uncertainty to the world and forced everyone to rethink on their health and safety measures. Most of the industries suffered from loss of income due to lockdowns imposed to contain the virus and business environment changed dramatically with the potential risk of continuity of the business entities.

2. Rapid adoption to technology

Due to the social distancing norms to prevent the spread of Covid 19, businesses had to look for more tech oriented ways to engage with stakeholders. This made employees working from home and remote locations while trying to keep the same efficiency levels. Adopting to new technologies was a risk for entities with increasing cybersecurity concerns over data privacy.

3. Economic stress

During the year economy of the country struggled as many industries were affected significantly. Sri Lankan rupee depreciated vastly due to the lack of USD reserves as income from tourism industry and foreign remittances were subdued throughout the year.

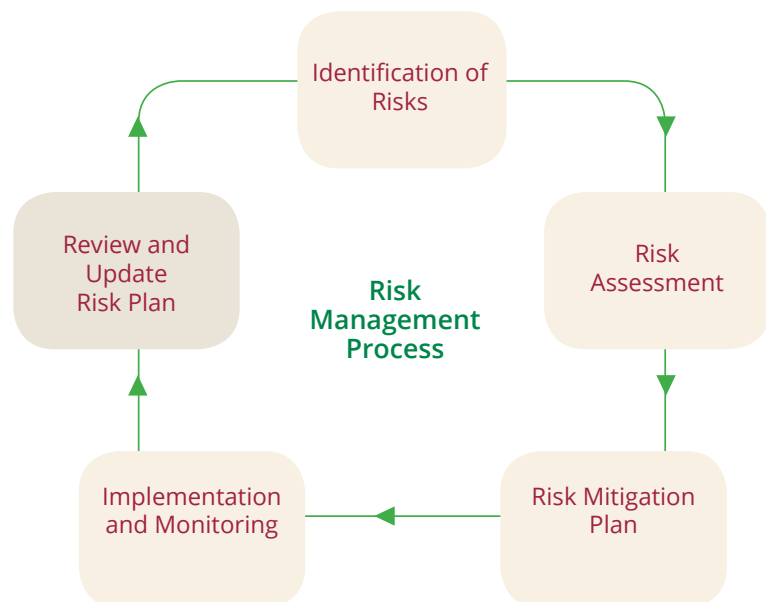
4. Life under new normal

Another impact of pandemic was it changed the lifestyle of the country and world dramatically. People had to socially distance themselves from others and adopt to a culture which

was never been seen before. This caused significant risk on mental well being of the citizens which lacked any sort of physical engagement with society.

Risk Management Process

The Risk Management Process of LINDEL has been designed to ensure the identification of any incident or circumstance that would negatively affect the accomplishment of the Company's objectives. Further Risk Management Process provides a reasonable assurance regarding the achievement of financial and non-financial strategic objectives of the Company. Fanatical and adequate identification, evaluation and management of risks are crucial in the sustainable value creation process of the Group which assures continuity of operations and achievement of financial, operational and social objectives of the entity.



1. Identification of Risks

Identifying possible issues before they occur assures that risk-mitigation activities are planned and initiated when essential in order to mitigate negative impacts that hamper the continuity of a business and prevent it from achieving its objectives. Hence Identifying the correct risks are the fundamental requirement of Risk Management Process.

2. Risk Assessment

After identifying the risks, Company assesses entity's exposure to those risks that could impact its day-to-day operations and estimates the damage those events could have on an organisation's revenue and reputation. Effectively assessing an organization's risks helps protect assets, improve decision making and optimize operational efficiency across the board to save money, time and resources.

3. Risk Mitigation Plan

This is also referred to as Risk Response Planning. After identifying and assessing the risks LINDEL set out a plan to treat or modify these risks to achieve acceptable risk levels. In order to do this LINDEL creates risk mitigation strategies, preventive plans and contingency plans in this step. And also add risk treatment measures for the highest ranking or most serious risks to the Project Risk Register.

4. Implementation and Monitoring

Selected plans and actions then implemented within the Company. Senior Management will be responsible for ensuring that resources are provided, that the proposed actions are taken, and that they are having the desired effect.

5. Review And Update Risk Plan

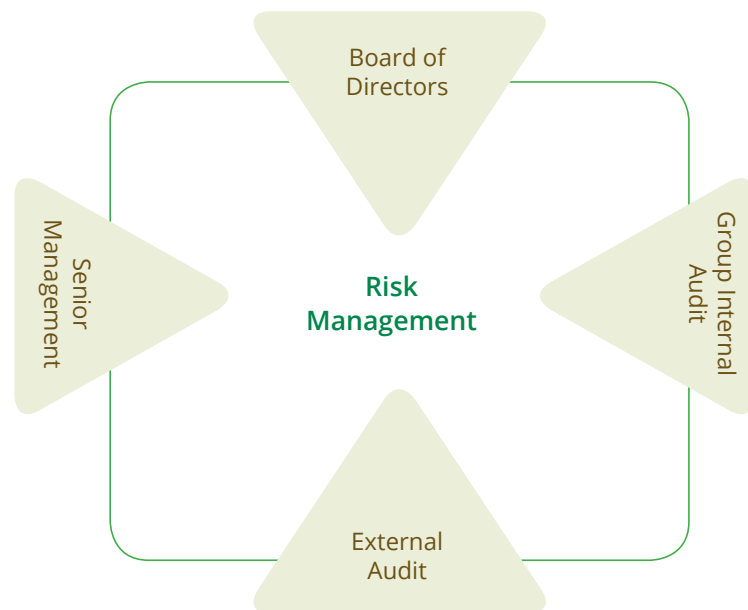
As the final step, Company followup review and update the Risk Plan. Risk analysis results and management plans are updated periodically in order to check the previously selected security controls are still applicable and effective and evaluate the possible risk level changes in the business environment.

Risk Governance

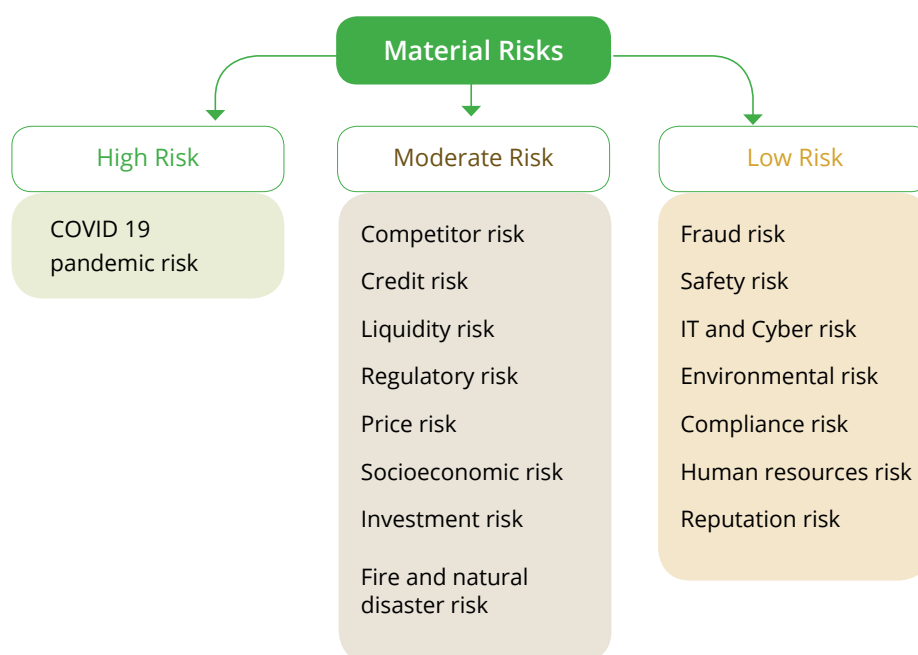
The Board is responsible for risk management of the Group and is assisted by internal auditors of DFCC Bank PLC who conduct risk - based audits annually and submit reports which include risk assessments and an evaluation of the strategies implemented to identify, measure, monitor, manage and mitigate risks. Additionally, the Senior Management team monitors the risk landscape for

emerging risks and communicates the same to the Board of Directors.

Internal and external audits are pivotal in the Risk Management Process. Reports of these audits are reviewed by the Board of Directors and action is taken to manage and mitigate any risks that have been identified. Significant audit findings by the Auditors are immediately reviewed by the Board of Directors. The Company's system of internal controls covers all policies and procedures, enabling significant strategic and operational risks to be managed. The Internal Audit team communicate with the finance department regularly to exchange information and perspectives. Issues identified at these discussions as being a potential risk are immediately subjected to a fuller investigation.



RISK MANAGEMENT REPORT



| Risk | Risk Assessment | Impact | Mitigation Actions |
|-----------------|-----------------|--|--|
| Competitor risk | ● | Loss of new businesses due to competition and new entrants | <ul style="list-style-type: none"> - Improving service accessibility and expanding customer reach. - Increased marketing - Diversifying business operations to look for new income sources - Steps taken to build a long lasting relationship with the customers |
| Credit risk | ● | Debtors defaulting payments | <ul style="list-style-type: none"> - Undertake comprehensive customer evaluation before taking a tenant on board. - Obtaining security deposits from tenants. - Continuous and close follow up with debtors - Impose of penal interest on late payments |
| Liquidity risk | ● | Inability to meet financial commitments | <ul style="list-style-type: none"> - Planned capital investments to ensure working capital requirements are met - Surplus cash are invested in Fixed deposits only with licensed commercial banks - Maintaining a healthy rapport with banks to finance urgent funding requirements |
| Fraud risk | ● | Financial frauds due to inadequate internal controls | <ul style="list-style-type: none"> - Regular review of controls and changes are being made to the processes - Internal audits are carried out periodically and shares the findings with the Board of Directors on any significant deviations of controls. |

| Risk | Risk Assessment | Impact | Mitigation Actions |
|----------------------|-----------------|---|---|
| Safety risk | ● | Risk for health and safety of staff, tenants and public | <ul style="list-style-type: none"> - Complying with all industrial safety standards - Regular maintenance of safety equipment's and tools - Introduction of new procedures for social distancing |
| IT and Cyber risk | ● | Potential loss of data due to a cyber attack | <ul style="list-style-type: none"> - Continuous monitoring of potential threats to the information system by a dedicated 3rd party supplier - Deploying latest cyber security software's to prevent any cyber attack - Making staff aware of any threats and on maintaining information security |
| Regulatory risk | ● | Risk from changes in laws and regulations which can impact the business operations | <ul style="list-style-type: none"> - Maintaining a sound corporate governance practices to keep with industries best standards - Continuous reviewing of changes in laws and regulations - Monthly compliance report sent to Board of Directors for review |
| Environmental risk | ● | Adverse impact to the environment from entity's operations | <ul style="list-style-type: none"> - Making awareness among employees on minimizing the impact to the environment - Strictly adhering to the waste disposal guidelines imposed by relevant authorities |
| Covid 19 pandemic | ● | Risk of the virus spreading in the industrial estate disrupting the operations of the tenants | <ul style="list-style-type: none"> - Continuous communication with tenants on their safety measures taken to prevent the spread of virus - Adhering to all the guidelines issued by the health officials - Maintaining social distance in day today operations and enabling remote working facilities for employees |
| Price risk | ● | Increase in raw material prices will result in higher costs | <ul style="list-style-type: none"> - Securing low prices through long term relationships with suppliers - Calling for competitive quotations |
| Compliance risk | ● | Environmental and other laws causing disruption to operations. | <ul style="list-style-type: none"> - Complying with all the laws applicable and closely monitor any deviations throughout the year |
| Human resources risk | ● | Loss of employees for better career aspects | <ul style="list-style-type: none"> - Continuous engagement and hosting social and welfare events. - Training and development opportunities provided for the employees - Open door policy for employees to express their concerns to their superiors - Remuneration packages are benchmarked to ensure that they remain competitive, including incentive arrangement where appropriate - Regular staff meetings were arranged to convey key management decisions to keep the employees informed on significant changes. |

RISK MANAGEMENT REPORT

| Risk | Risk Assessment | Impact | Mitigation Actions |
|--------------------------------|-----------------|--|--|
| Socioeconomic risk | ● | Political and economic policies may have an adverse impact on revenue and new businesses | <ul style="list-style-type: none"> - Continuous review of prices and negotiations with clients to ensure minimal impact to the revenue - Pre-budget any possible adverse policy changes and account the impact to the business. |
| Reputation risk | ● | Negative impact on corporate image and brand which will ultimately lead to loss of business. | <ul style="list-style-type: none"> - Maintenance of highest ethical conduct in all business activities - Maintaining a strong relationship with key stakeholders and ensuring their needs are satisfied. - Engage in various activities to develop the well being of the surrounding communities. |
| Investment risk | ● | Failure of major investments to give expected returns | <ul style="list-style-type: none"> - Conduct feasibility studies and obtain Board approval for all the major investments. - making accurate project estimates using expertise advise. |
| Fire and natural disaster risk | ● | Fire or natural disasters can affect the Company properties and assets | <ul style="list-style-type: none"> - Obtaining comprehensive insurance policies covering all assets |

● High ● Moderate ● Low

Financial Information

FINANCIAL CALENDAR

Audited Financial Statements

| | |
|------------------------|----------------|
| Financial year 2019/20 | 31st July 2020 |
| Financial year 2020/21 | 09th July 2021 |

Meetings

28th Annual General meeting held on 18th September 2020
29th Annual General meeting to be held on 27th August 2021

Dividends

First and final dividend for the year 2019/20 of Rs. 10.50 per share was paid on 23rd September 2020. First and final dividend for the year 2020/21 of Rs. 10.50 per share is to be paid in September 2021 subject to the approval of shareholders.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

This Statement of Directors' Responsibility is to be read in conjunction with the Report of the Auditors and, is made to distinguish the respective responsibilities of the Directors and of the Auditors, in relation to the Financial Statements contained in this Annual Report.

The Directors are required by the Companies Act No. 07 of 2007, to prepare Financial Statements for every financial year, which give a true and fair view of the state of affairs of the Company and of the Group at the end of the financial year, and of the income and expenditure of the Company and of the Group for the financial year. The Directors confirm that the Financial Statements of the Company for the year ended 31 March 2021 presented in the report have been prepared in accordance with the Sri Lanka Accounting Standards/SLFRS and the Companies Act No. 07 of 2007. In preparing the Financial Statements, the Directors have selected appropriate accounting policies and have applied them consistently. Reasonable and prudent judgements and estimates have been made and applicable accounting standards have been followed and the Financial Statements have been prepared on a going concern basis.

The Directors are of the view that adequate funds and other resources are available within the Company for the Company to continue in operation for the foreseeable future. The Directors have taken all reasonable steps expected of them to safeguard the assets of the Company and of the Group and to establish appropriate systems of internal controls in order to prevent, deter and detect any fraud, misappropriation or other irregularities. The Directors have also taken all reasonable steps to ensure that the Company and its subsidiaries maintain adequate and accurate accounting books of record which reflect the

transparency of transactions and provide an accurate disclosure of the Company's financial position.

The Directors are required to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspection they consider appropriate for the purpose of enabling them to give their Audit Report. The Directors are of the view that they have discharged their responsibilities in this regard.

COMPLIANCE REPORT

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its Subsidiaries, all contributions, levies and taxes payable on behalf of the employees of the Company and its Subsidiaries, and all other known statutory dues as were due and payable by the Company and its Subsidiaries as at the end of the reporting period have been paid or, where relevant provided for.

By Order of the Board,



Samathri Kariyawasam
Company Secretary

09th July 2021

DIRECTORS' STATEMENT ON INTERNAL CONTROL

Director's Statement on Internal Controls

The following statement issued as per the Code of Corporate Governance issued jointly by CA Sri Lanka and the Securities and Exchange Commission of Sri Lanka (SEC).

Responsibility

The Board is responsible for the adequacy and effectiveness of Lanka Industrial Estates Limited's system of internal controls. It is designed to manage the Company's key risk areas within an acceptable risk profile. In this light, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

Internal Control Process

The Board review the effectiveness of the risk management framework and internal controls, the effectiveness of the audit, review of compliance and internal audit processes. Internal Auditors review the effectiveness of risk management practices and the internal controls of the Company whilst the External Auditors review the internal controls over the financial reporting process.

Confirmation

The Board of Directors of Lanka Industrial Estates Limited confirm 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 in accordance with Sri Lanka Accounting Standards (SLFRSs/LKASs), requirements of the Companies Act No. 7 of 2007 and any other regulatory requirements. The consolidated financial statements for the year ended 31st March 2021 have been audited by Messrs. KPMG, Chartered Accountants.



Lakshman Silva
Chairman



Ravi Dassanayake
Director

09th July 2021

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Lanka Industrial Estates Limited have pleasure in presenting the its report along with the Audited Consolidated Financial Statements for the year ended 31 March 2021. The details set out herein provide the pertinent information required under the Companies Act No. 07 of 2007 and adherence with best accounting practices.

Legal Form

Lanka Industrial Estates Limited is a public Company incorporated on 12th March 1992 and domiciled in Sri Lanka..

Principal Business Activities

Nature of the business of the Company and the Group are described below as required by Section 168 (1) (a) of the Companies Act No. 07 of 2007. There have been no material changes to the activities of the Company or any of its subsidiaries during the period under review, subject to what is stated below.

Company

The main activities of the Lanka Industrial Estates Limited are to lease lands and provide infrastructure facilities to industries.

Subsidiaries

Lindel Industrial Laboratories Limited

The principal activities of LINDEL Industrial laboratories Limited are to provide support services such as water and effluent testing facilities to industries.

Parent Entity

The Company's ultimate Parent and controlling entity is DFCC Bank PLC, which is incorporated in Sri Lanka.

Vision Mission and Values

Company's vision mission and values are available on page 03. The Directors and all the employees conduct their activities with the highest level of ethical standards and integrity in achieving the aspiration and purpose.

Review of Business and Future Outlook

The financial and operational performance, during the year ended

31st March 2021 and future business developments of the Company and the group, are provided in the Chairman's Message, CEO's Review and Management Review and Capital Management. These reports, which form an integral part of the Annual Report of the Board of Directors, together with the Audited Financial Statements, reflect the state of affairs of the Company and group.

Financial Statements

The Financial Statements of the group and the Company duly signed by the Directors are provided on pages 77 to 109 and the Auditor's Report on the Financial Statements is provided on page 76 of this Annual Report. These reports form an integral part of the Annual Report of the Board of Directors and together with the Audited Financial Statements provide a fair review of the

performance of the Company and the Group during the financial year ended 31st March 2021.

Revenue

The Revenue of the Group was Rs. 349.5 Mn (2020 – Rs. 355.3 Mn) and Company was Rs. 350.6 Mn (2020 - Rs. 356.4 Mn) The analysis thereof is given in Note 10 to the Financial Statements.

Financial Results

The Company recorded a profit after tax of Rs. 223.2 Mn for the year (2019/20 - Rs. 200.6 Mn) whilst the Consolidated profit after tax was Rs. 224.1 Mn (2019/20 Rs. 201.3 Mn). A synopsis of the Company's consolidated performance is presented below

| | Group (Rs.'000) | | Company (Rs.'000) | |
|---|-----------------|----------|-------------------|----------|
| | 2020/21 | 2019/20 | 2020/21 | 2019/20 |
| Profit from operations | 251,120 | 246,390 | 250,641 | 246,415 |
| Net finance income | 25,613 | 31,796 | 25,644 | 30,657 |
| Profit before tax | 276,733 | 278,186 | 275,305 | 277,072 |
| Income tax expense | (52,594) | (76,866) | (52,095) | (76,431) |
| Profit after tax | 224,139 | 201,320 | 223,210 | 200,641 |
| Other comprehensive income for the year | (1,332) | (516) | (974) | (511) |
| Total comprehensive income for the year | 222,807 | 200,804 | 222,236 | 200,130 |
| Earnings per share (Rs.) | 14.04 | 12.61 | 13.98 | 12.56 |

Dividends

The Directors recommended a first and final dividend of Rs. 10.50 per share for the year under review to be approved by the shareholders at the forthcoming Annual General Meeting to be held on 21st August 2021. The final dividend will be paid on or before 27th September 2021 to holders of issued and paid-up ordinary shares of the Company. As required by Section 56(3) of the Companies Act, No. 7 of 2007, the Board of Directors have confirmed that the Company satisfies the solvency test immediately after the distribution of the final dividend of Rs. 10.50 and Statement of Solvency prepared by the

Board was audited by External Auditors Messrs. KPMG in terms of Section 56 (2) of the Companies Act, No. 07 of 2007.

Accounting Policies and Changes During the Year

The accounting policies adopted in the preparation of Financial Statements of the Company and the group are given at pages 81 to 92 of this Annual Report as required by Section 168 (1) (d) of the Companies Act. There have been no changes in the accounting policies adopted by the Company during the period under review.

Property Plant and Equipment and Investment Property

The Net book value of Property plant and equipment and Investment property as at the reporting date amounted to Rs. 152.4 Mn (Rs. 165.2 Mn 2019/20) and Rs. 383.1 Mn (Rs. 352.8 Mn 2019/20) for the Company and its subsidiary. The details of Property, plant and equipment and their movements are shown in Note 6 to the Financial Statements. The details of Investment property are shown in Note 7 to the Financial Statements.

Investments

Details of investments held by the Company are disclosed in Note 08 to the financial statements on page 95.

Stated Capital and Reserves

The Stated Capital of the Company as at 31st March 2021 was Rs. 159,692,050/- consisting of Rs. 15,969,205 ordinary voting shares. The total group equity was Rs. 698,200,847/- as at 31st March 2021.

Exposure to Risk , Internal Control and Risk Management

The Directors acknowledge their responsibility for the Company's system of internal control. The systems are designed to provide reasonable assurance that the assets of the Company are safeguarded and to ensure that proper accounting records are maintained. The Board of Directors having reviewed the system of internal control is satisfied with the systems and measures in effect at the date of signing this Annual Report.

Corporate Governance

The Board is committed to maintain high standards of Corporate Governance, the process by which the Company is directed and managed. The Corporate Governance Report is given on page 50 to 63 in this Annual Report.

Future Developments

The outlook for the Company in the short-term and long-term has been discussed in the Chairman's Message in pages 10 to 11 of this report.

Directors of the Company

The names of the persons who held office as Directors of the Company during the financial year ended 31st March 2021 are given below:

Mr. L. H. A. L. Silva
Chairman/ Non-Executive Director

Mr. T. W. de Silva
Independent Non-Executive Director

Mr. A. D. Tudawe
Independent Non-Executive Director

Dr. A. Saarrankan
Non-Executive Director

Dr. R. M. K. Ratnayake
Independent Non-Executive Director

Mr. R. A. Dassanayake
Non-Executive Director

Profiles of the Directors are given on page 14 and 16 of the Annual Report.

Directors' Remuneration and Other Benefits

Directors' remuneration and other benefits of Directors are given at Note 27 to the Financial Statements at page 103 as required by Section 168 (1) (f) of the Companies Act No. 07 of 2007.

Directors Shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2021 and 31st March 2020 are as follows.

| Director | Shareholding as at 31 March 2021 | Shareholding as at 31 March 2020 |
|---------------------|----------------------------------|----------------------------------|
| Mr. L.H.A.L Silva | Nil | Nil |
| Mr. T.W de Silva | Nil | Nil |
| Dr. A. Saarrankan | Nil | Nil |
| Dr. R.M.K Ratnayake | Nil | Nil |
| Mr. R.A Dassanayake | Nil | Nil |
| Mr. A. Tudawe | Nil | Nil |

Directors' Disclosure of Interest

As per requirements of the Companies Act, No. 07 of 2007 an Interest Register is maintained by the Company. Directors have made declarations of their interests in other companies conforming to Sections 192 (1) and

192 (2) of the Companies Act, No. 07 of 2007 and they are recorded in the Directors' Interest Register.

New Appointments and Resignation

There were no new appointments to the Board nor resignations during the financial year 2020/21.

Related Party Transactions

Transactions if any that could be classified as Related Party Transactions in terms of LKAS 24 "Related Party Disclosures" are given in Note 24 to the Financial Statements.

Statutory Payments

The Board of Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company and its subsidiaries, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and its subsidiaries and all other known statutory dues as were due and payable by the Company and its subsidiaries as at year end have been paid or, where relevant provided for.

Share Information and Substantial Shareholding

Information relating to earnings, dividends, net assets and shareholders is available on Investor Information on page 110 and Financial Highlights on page 06 of the Annual Report.

Employee Share Ownership Scheme

The Company did not have any employee share ownership/option scheme during the year.

Environment Protection

Lanka Industrial Estates Limited and its subsidiaries have not engaged in any activities, which have caused detriment to the environment. The activities are carried out in accordance with the Group Environmental Management System to preserve the environment.

Auditor's Report

The Auditors' Report on the Financial Statements is given on page 76 of this Annual Report.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Appointment of Auditors

The Company's Independent External Auditors, Messrs. KPMG, Chartered Accountants, who were appointed by a resolution passed at the 28th Annual General Meeting, have carried out an audit on the Financial Statements of the Company and the Consolidated Financial Statements of the Group for the year ended 31st March 2021 and expressed their opinion which appears on page 76 of this Annual Report. The retiring Auditor, Messrs. KPMG has intimated their willingness to continue in office and a resolution to reappoint them as auditors and authorizing the Directors to fix their remuneration; will be proposed at the Annual General Meeting.

Auditor's Remunerations

The details of fees paid to the Auditors for the Company and its subsidiary are set out in Note 23 to the Financial Statements. As far as the Directors are aware, the Auditors have no other relationship with the Company and its subsidiary.

Donations

The Company has not made any donations during the financial year for charitable or political purposes other than donations disclosed in the Annual Report.

Events After the Reporting Period

Circumstances giving rise to disclosure in the Financial Statements since the reporting date have been disclosed in Note 32 to the financial statements. No circumstances have arisen since the reporting date that would require adjustments in the Financial Statements.

Compliance with the Transfer Pricing Regulations

All transactions entered into with associated persons during the period are on an arm's length basis and are comparable with transactions carried out with non - associated persons.

Compliance with Laws and Regulations

To the best of the knowledge and belief of the Directors, the Company has not engaged in any activities contravening the laws and regulations of the country.

Going Concern

The Board of Directors is satisfied that the Company and its subsidiaries will have adequate resources to continue its operations without any disruption in the foreseeable future. Accordingly, the Directors consider that it is appropriate to prepare Financial Statements on going concern basis.

Annual General Meeting

The 29th Annual General Meeting of the Company will be held at the 3rd floor Board Room, DFCC Bank PLC, 73/5, Galle Road, Colombo 03, on the 27th August 2021 at 3.00 p.m. The notice of the Annual General Meeting is on page 119 of the Annual Report.

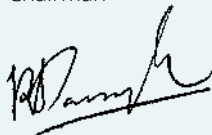
Acknowledgement of the Content of the Report

As required by the Companies Act No. 07 of 2007, the Board of Directors does hereby acknowledge the contents of this Annual Report.

For and on behalf of the Board



Lakshman Silva
Chairman



R. A. Dassanayake
Director



Ms. Samathri Kariyawasam
Company Secretary

09th July 2021

CHIEF EXECUTIVE OFFICER'S AND FINANCIAL CONTROLLER'S STATEMENT OF RESPONSIBILITY

The Financial Statements of Lanka Industrial Estates Ltd (the Company) and the Consolidated Financial Statements of the Company and its subsidiaries (the Group) as at 31 March 2021 are prepared and presented in accordance with the following requirements:

- Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka),
- Companies Act No. 07 of 2007,
- 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.

The significant accounting policies and estimates that involve a high degree of judgement and complexity were discussed with our External Auditors and the Board of Directors. The Board of Directors, the Chief Executive Officer and the Financial Controller of the Company accept responsibility for the integrity and objectivity of these Consolidated Financial Statements.

We confirm that to the best of our knowledge, the Financial Statements, Accounting Policies and other financial information pertaining to as material financial conditions, and cash flows contained in this Annual Report were acquired legitimately. We confirm that the Group has mandatory resources to pursue its operations and have justification to be classified as a going concern basis in formulating these Financial Statements.

The Company and the Group have taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets and for preventing

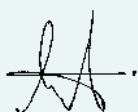
and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis.

The Consolidated Financial Statements of the Company were audited by Messrs KPMG, Chartered Accountants and their report is given on page 42 of the Annual Report. The Board of Directors of the Company meets annually with the internal audit team and the External Auditors to review their audit plans, assess the manner in which these Auditors are performing their responsibilities and to discuss their reports on, internal controls and financial reporting issues.

We confirm that the Company has complied with all applicable laws and regulations and guidelines and that there are no material litigations that are pending against the Company other than those disclosed in the Financial Statements in the Annual Report.



Rasika Cooray
Chief Executive Officer



Asintha Hewage
Financial Controller

09th July 2021

INDEPENDENT AUDITOR'S REPORT



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

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TO THE SHAREHOLDERS OF LANKA INDUSTRIAL ESTATES LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lanka Industrial Estates Limited ("the Company") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at March 31, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 77 to 109.

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 March 31, 2021, and of their financial performance and its 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 ethical requirements of the Code of Ethics issued by CA Sri Lanka (Code of Ethics) that are relevant to our audit of the financial statements, 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.

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 auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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 identified above when it becomes available 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 auditors' 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located at Sri Lanka Accounting and Auditing Standards website at: <http://slaasc.com/auditing/auditorsresponsibility.php>. This description forms part of our auditor's report.

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.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka

09th July 2021

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved

M.R. Mihular FCA
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA

P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel ACA

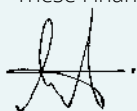
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA
Ms. P. M. K. Sumanasekara FCA, W.A.A. Weerasekara CFA, ACMA, MRICS

STATEMENT OF FINANCIAL POSITION

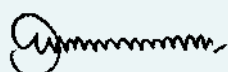
| As at 31 March | Note | Group | | Company | |
|--|------|-----------------|-----------------|-----------------|-----------------|
| | | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| Assets | | | | | |
| Property, plant and equipment | 6 | 152,489 | 165,265 | 152,139 | 164,802 |
| Investment properties | 7 | 383,194 | 352,855 | 383,194 | 352,855 |
| Investment in subsidiary | 8 | - | - | 7,000 | 7,000 |
| Total non current assets | | 535,683 | 518,120 | 542,333 | 524,657 |
| Inventories | 9 | 3,912 | 3,328 | 2,261 | 2,027 |
| Trade and other receivables | 10 | 30,312 | 58,054 | 28,190 | 56,803 |
| Amount due from related party | 11 | - | - | 847 | 445 |
| Cash and cash equivalents | 12 | 428,928 | 340,908 | 415,231 | 328,298 |
| Total current assets | | 463,152 | 402,290 | 446,529 | 387,573 |
| Total assets | | 998,835 | 920,410 | 988,862 | 912,230 |
| Equity and liabilities | | | | | |
| Stated capital | 13 | 159,692 | 159,692 | 159,692 | 159,692 |
| Reserves | 14 | 538,508 | 483,379 | 530,953 | 476,395 |
| Total equity | | 698,200 | 643,071 | 690,645 | 636,087 |
| Deferred taxation | 15 | 49,605 | 57,961 | 49,959 | 58,084 |
| Refundable deposits | 16 | 60,864 | 60,453 | 60,864 | 60,453 |
| Employee benefits | 17 | 6,590 | 4,518 | 5,281 | 3,926 |
| Total non current liabilities | | 117,059 | 122,932 | 116,104 | 122,463 |
| Accruals, deposits and advances received | 18 | 125,905 | 98,248 | 125,274 | 97,845 |
| Other liabilities | 19 | 33,268 | 13,227 | 32,779 | 13,165 |
| Current taxation | 20 | 24,235 | 41,816 | 23,957 | 41,798 |
| Bank overdraft | 12 | 168 | 1,116 | 103 | 872 |
| Total current liabilities | | 183,576 | 154,407 | 182,113 | 153,680 |
| Total liabilities | | 300,635 | 277,339 | 298,217 | 276,143 |
| Total equity and liabilities | | 998,835 | 920,410 | 988,862 | 912,230 |

The annexed notes to the Financial Statements form an integral part of these Financial Statements. These Financial Statements are in compliance with the requirements of Companies Act, No 7 of 2007.




W. A. R. Hewage
Financial Controller

The Directors are responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board.



L. H. A. L. Silva
Chairman
Colombo.



R. A. Dassanayake
Director

09th July 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| For the year ended 31 March | Note | Group | | Company | |
|---|------|-----------------|-----------------|-----------------|-----------------|
| | | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| Revenue | 21 | 349,583 | 355,326 | 350,660 | 356,460 |
| Other operating income | 22 | 18,896 | 18,851 | 9,356 | 11,416 |
| Staff expenses | | (31,296) | (32,207) | (25,302) | (27,404) |
| Depreciation and amortisation | | (41,499) | (45,090) | (41,119) | (44,575) |
| Other operating expenses | | (44,564) | (50,490) | (42,954) | (49,482) |
| Profit from operations | 23 | 251,120 | 246,390 | 250,641 | 246,415 |
| Net finance income | 24 | 25,613 | 31,796 | 24,664 | 30,657 |
| Profit before taxation | | 276,733 | 278,186 | 275,305 | 277,072 |
| Income tax expense | 25 | (52,594) | (76,866) | (52,095) | (76,431) |
| Profit for the year | | 224,139 | 201,320 | 223,210 | 200,641 |
| Other comprehensive income | | | | | |
| Item that will not be reclassified to profit or loss | | | | | |
| Actuarial loss on defined benefit plans | 17 | (1,753) | (716) | (1,283) | (710) |
| Related tax | 15 | 421 | 200 | 309 | 199 |
| Total other comprehensive Expense for the year | | (1,332) | (516) | (974) | (511) |
| Total comprehensive income for the year | | 222,807 | 200,804 | 222,236 | 200,130 |
| Basic earnings per share (Rs.) | 26 | 14.04 | 12.61 | 13.98 | 12.56 |

The annexed notes to the financial statements form an integral part of these financial statements.

Figures in brackets indicate deductions

STATEMENT OF CHANGES IN EQUITY

| Group | Stated Capital | General Reserve | Retained Earnings | Total |
|--|-------------------|--------------------|----------------------|-----------|
| For the year ended 31 March | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Balance as at 1 April 2019 | 159,692 | 40,000 | 410,252 | 609,944 |
| Comprehensive income for the year | | | | |
| Profit for the year | - | - | 201,320 | 201,320 |
| Other Comprehensive Loss for the Year | - | - | (516) | (516) |
| Total comprehensive income for the year | - | - | 200,805 | 200,805 |
| Transaction with owners of the Company, recognized directly in equity | | | | |
| Dividend paid | - | - | (167,678) | (167,678) |
| Balance as at 31 March 2020 | 159,692 | 40,000 | 443,379 | 643,071 |
| Balance as at 1 April 2020 | 159,692 | 40,000 | 443,379 | 643,071 |
| Comprehensive income for the year | | | | |
| Profit for the year | - | - | 224,139 | 224,139 |
| Other comprehensive loss for the year | - | - | (1,332) | (1,332) |
| Total comprehensive income for the year | - | - | 222,807 | 222,807 |
| Transaction with owners of the Company, recognized directly in equity | | | | |
| Dividend paid | - | - | (167,678) | (167,678) |
| Balance as at 31 March 2021 | 159,692 | 40,000 | 498,508 | 698,200 |
| Company | | | | |
| For the year ended 31 March | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Balance as at 1 April 2019 | 159,692 | 40,000 | 403,943 | 603,635 |
| Comprehensive income for the year | | | | |
| Profit for the year | - | - | 200,641 | 200,641 |
| Other Comprehensive Income for the Year | - | - | (511) | (511) |
| Total comprehensive income for the year | - | - | 200,130 | 200,130 |
| Transaction with owners of the Company, recognized directly in equity | | | | |
| Dividend paid | - | - | (167,678) | (167,678) |
| Balance as at 31 March 2020 | 159,692 | 40,000 | 436,395 | 636,087 |
| Balance as at 1 April 2020 | 159,692 | 40,000 | 436,395 | 636,087 |
| Comprehensive income for the year | | | | |
| Profit for the year | - | - | 223,210 | 223,210 |
| Other Comprehensive Loss for the Year | - | - | (974) | (974) |
| Total comprehensive income for the year | - | - | 222,236 | 222,236 |
| Transaction with owners of the Company, recognized directly in equity | | | | |
| Dividend paid | - | - | (167,678) | (167,678) |
| Balance as at 31 March 2021 | 159,692 | 40,000 | 490,953 | 690,645 |

The annexed notes to the Financial Statements form an integral part of these Financial Statements.

Figures in brackets indicate deductions

STATEMENT OF CASH FLOWS

| For the year ended 31 March | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| Cash flow from operating activities | | | | |
| Profit before taxation | 276,733 | 278,186 | 275,305 | 277,072 |
| Adjustments for: | | | | |
| Depreciation | 19,120 | 23,319 | 18,739 | 22,802 |
| Amortisation | 22,380 | 21,771 | 22,380 | 21,771 |
| Dividend income | - | - | (700) | (602) |
| Reversal of provision for doubtful debts | (149) | (1,754) | (149) | (1,754) |
| Provision for employment benefit | 966 | 1,124 | 720 | 970 |
| Profit on disposal of property, plant and equipment | (7,300) | (9,532) | (7,300) | (9,532) |
| Write off of investment property | - | 4,156 | - | 4,156 |
| Amortisation of prepaid rent and security deposits | - | (7,258) | (5,352) | (7,258) |
| Interest expense on rent and security deposits | - | 4,817 | 5,444 | 4,817 |
| Interest income | (25,706) | (28,216) | (24,757) | (28,216) |
| Operating profit before working capital changes | 286,043 | 286,613 | 284,330 | 284,226 |
| Decrease in trade and other receivables | 8,158 | (33,882) | 9,029 | (6,808) |
| Increase in inventories | (584) | 52 | (234) | 36 |
| Increase in accruals, deposits and advances received | 27,657 | (7,378) | 27,429 | 7,440 |
| Increase in refundable deposits | 411 | 29,945 | 411 | (27,504) |
| Increase in other liabilities | 20,042 | (7,727) | 19,614 | 7,620 |
| increase in amount due to related party | - | - | (402) | (49) |
| Net cash generated from operations | 341,727 | 267,622 | 340,177 | 264,961 |
| Employee benefits paid | (646) | (4,444) | (647) | (4,444) |
| Income tax paid | (59,175) | (56,444) | (58,759) | (54,701) |
| Net cash generated from operating activities | 281,906 | 206,734 | 280,771 | 205,817 |
| Cash flow from investing activities | | | | |
| Interest received | 26,505 | 28,216 | 25,502 | 28,216 |
| Purchase of property, plant and equipment | (6,345) | (2,258) | (6,076) | (2,227) |
| Purchase of investment Property | (52,719) | (5,059) | (52,719) | (5,059) |
| Proceeds received on disposal of property, plant and equipment | 7,300 | 9,532 | 7,300 | 9,532 |
| Net cash flow (used in)/generated from investing activities | (25,259) | 30,431 | (25,993) | 30,462 |
| Cash flow from financing activities | | | | |
| Dividend received | - | - | 602 | 602 |
| Dividend paid | (167,678) | (167,678) | (167,678) | (167,677) |
| Net cash used in financing activities | (167,678) | (167,678) | (167,076) | (167,075) |
| Net increase in cash and cash equivalents | 88,969 | 69,487 | 87,702 | 69,204 |
| Cash and cash equivalents at the beginning of the year | 339,791 | 270,304 | 327,426 | 258,222 |
| Cash and cash equivalents at the end of the year (Note 12) | 428,760 | 339,791 | 415,128 | 327,426 |

NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

1.1 Reporting entity

Lanka Industrial Estates Limited, ("the Company") is a public Company incorporated on 12 March 1992 and domiciled in Sri Lanka.

1.2 Consolidated Financial Statements

The Consolidated Financial Statements for the year ended 31st March 2021 comprise of the Company and its subsidiary, Lindel Industrial Laboratories Limited (together referred to as the "Group"). Lindel Industrial Laboratory Limited is a fully owned subsidiary of the Company.

1.3 Principal Activities and Nature of Operations

The main activities of the Company are to lease lands and provide infrastructure facilities to Industrial Clients. The principal activity of the Lindel Industrial Laboratories Limited is providing support services such as water and effluent testing facilities to Industrial Clients.

There were no significant changes in the nature of the principal activities of the Group during the financial year under review.

1.4 Parent Entity and Ultimate Parent Entity

The immediate and ultimate holding Company of Lanka Industrial Estates Limited is DFCC Bank PLC.

1.5 Registered office and place of business

The registered office is situated at 73/5, DFCC Building, Galle Road, Colombo 3. The principal

place of business is situated at Lanka Industrial Estate, Pattiwila Road, Sapugaskanda, Makola.

1.6 Number of employees

Company

Employees as at 31 March 2021 was 10. (2020: 13)

Group

Employees as at 31 March 2021 was 18. (2020: 20)

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group have been prepared in accordance with Sri Lanka Accounting Standards (SLAS) prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS), promulgated by the Institute of Chartered Accountants of Sri Lanka (ICASL) and comply with the requirements of the Companies Act No. 7 of 2007.

2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis and applied consistently which no adjustments being made for inflationary factors affecting the financial statements except for Employee benefits measured at fair value.

2.3 Functional and Presentation Currency

The consolidated Financial Statements are presented in Sri Lankan Rupees, which is the Group's functional currency. Except as indicated, financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee value.

2.4 Comparative Figures

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

2.5 Use of Estimate and Judgments

The preparation of the Financial Statements of the Company and the Group in conformity with SLAS's 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 in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Current taxation (Note 3.2.a)
- Deferred taxation (Note 3.2.b)
- Employee benefits (Note 3.12)
- Impairment of financial and non-financial assets (Note 3.9)
- Provisions (Note 3.10)

2.6 Materiality and aggregation

Each material class of similar items is presented separately in

NOTES TO THE FINANCIAL STATEMENTS

the financial statements. Items of a dissimilar nature of function are presented separately unless they are immaterial.

3 SIGNIFICANT ACCOUNTING POLICIES

A number of amendments are effective from 1st April 2020 that do not have a material effect on Group's financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise indicated.

3.1 Basis of Consolidation

The Group's Financial Statements comprise consolidation of the Financial Statements of the Company and its Subsidiary in terms of the Sri Lanka Accounting Standard-SLFRS 10 on 'Consolidated Financial Statements'.

3.1.1 Business Combination

Business combinations are accounted for using the acquisition method when control is transferred to the Group. 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 gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

3.1.2 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. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an entity.

The cost of an acquisition is measured at fair value of the consideration, including contingent consideration. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Subsequent to the initial measurement the Group continues to recognise the investments in Subsidiary at cost.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

There are no significant restrictions on the ability of Subsidiaries to transfer funds to the Parent (the Company) in the form of cash dividend or repayment of loans and advances.

The subsidiary of the Company has been incorporated in Sri Lanka.

3.1.3 Loss of Control

When the Group loses control over a subsidiary, it derecognises the assets and

liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Subsequently, it is accounted for as an Associate or in accordance with the Group's Accounting Policy for financial instruments depending on the level of influence retained.

3.1.4 Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.1.5 Accounting for investment in subsidiaries

When separated financial statements are prepared, investments in subsidiaries are accounted for using the cost method. Investments in subsidiaries are stated in the Company's Statement of Financial Position at cost less accumulated impairment losses.

3.1.6 Financial Period

The Consolidated Financial Statements are prepared to a common financial year ended 31 March. The accounting policies of Subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

3.2 Income Tax Expense

As per the Sri Lanka Accounting Standards - LKAS 12 on 'Income taxes', tax expense is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxes. Income tax expense is recognized in the profit or loss except to the extent it relates to items recognised directly in Equity through Other Comprehensive Income (OCI).

(a) Current Taxation

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

(b) Deferred Taxation

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.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have

been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to 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.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.3 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the report 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 period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at

the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

ASSETS AND BASES OF VALUATION

Assets classified as current on the Statement of Financial Position are cash or those which are expected to be realised in the normal operating cycle of the Group or within one year from the reporting date, whichever is earlier. Assets other than current assets are those, which the Group intends to hold beyond a period of one year calculated from the reporting date.

3.4 Property, Plant and Equipment

(a) Recognition and measurement

Items of Property Plant and Equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are 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

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bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of Property Plant and Equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When 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.

The gain or loss on disposal of an item of Property Plant and Equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of Property Plant and Equipment, and is recognised in other income/ other expenses in profit or loss.

(b) Subsequent costs

The cost of replacing a component 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.

(c) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

However, there were no borrowing costs in the Group during the financial periods under review.

(d) Depreciation

The Group provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight-line basis over the periods appropriate to the estimated useful lives of the different types of assets.

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

| | |
|---------------------------------|----------|
| Office buildings | 20 Years |
| Electricity installations | 20 Years |
| Solar power project | 20 Years |
| Telecommunication installations | 10 Years |
| Plant and machinery | 10 Years |
| Furniture and fittings | 5 Years |
| Lab and other equipment | 5 Years |
| Data processing equipment | 4 Years |
| Motor vehicles | 4 Years |
| Office equipment | 4 Years |
| Lab glassware | 2 Years |

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

(e) Impairment

The carrying value of the property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount the assets are written down to their recoverable amount. Impairment losses are recognized in the Income Statement unless it reverses a previous revaluation surplus for the same asset.

(f) Capital Work in progress

Capital work-in-progress represents the accumulated cost of the materials and other costs directly related to the construction of an asset. Capital work-in-progress is transferred to the respective asset accounts at the time it is substantially completed and ready for its intended use.

(g) 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 it. The gain or loss arising from the de-recognition of an item of Property, Plant and Equipment is included in the Income Statement 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 inspection is derecognised.

3.5 Investment Property

Basis of Measurement

Investment Property is measured initially at cost, including transaction costs.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labor, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalized borrowing costs.

Subsequent Measurement

The Company subsequently measures its investment property under the cost model at cost less accumulated depreciation less any accumulated impairment losses.

Depreciation is charged on a straight line basis to write off the cost less any estimated residual value of property over its estimated useful lives as follows:

| | |
|-----------------------|----------|
| Buildings | 20 Years |
| Site improvement | 10 Years |
| Buildings improvement | 10 Years |

Derecognition

Investment Property is derecognised when either they have been disposed

of or when the Investment Property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the Income Statement in the period of derecognition.

3.6 Financial Instruments

3.6.1 Financial assets

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 at fair value through profit or loss (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.

Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt investment; fair value through other comprehensive income (FVOCI) - equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial 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.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On 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.

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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.

Financial assets - Business model assessment

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

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

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

Financial assets - 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.

Financial assets - Subsequent measurement and gains and losses

| | |
|------------------------------------|--|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to 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. |

3.6.2 Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3.6.3 Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to

receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement 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.

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.

3.6.4 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal

right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the Weighted Average Cost basis, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

3.8 Fair Value Measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial

NOTES TO THE FINANCIAL STATEMENTS

recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Use of assumptions and estimation uncertainty

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.

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which the valuations should be classified.

Significant valuation issues are reported to the Group's audit committee. When measuring the fair value of an asset or a 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 the inputs used to measure the fair value of an asset or a 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 the reporting period during which the change has occurred.

3.9 Impairment of Assets

3.9.1 Financial instruments and contract assets

Loss allowances for trade receivables is always measured at an amount equal to lifetime Expected Credit Loss (ECL).

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 Group's historical experience and

informed credit assessment and including forward-looking information.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

3.9.2 Non-financial assets

The carrying amounts of the Group's non-financial assets, other than 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. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognised in profit or loss.

3.10 Liabilities and Provisions

Liabilities classified as Current Liabilities in the statement of financial position are those obligations payable on demand or within one year from the reporting date. Items classified as non-current liabilities are those obligations, which expire beyond a period of one year from the reporting date.

All known liabilities have been accounted for in preparing the Financial Statements. Provision and liabilities are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow

of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.11 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 uses the definition of a lease in SLFRS 16.

As a lessor

At inception or on modification 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 standalone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for

the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SLFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of 'revenue'.

3.12 Employee benefits

3.12.1 Short-term 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

NOTES TO THE FINANCIAL STATEMENTS

as a result of past service provided by the employee and the obligation can be estimated reliably.

3.12.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an expense in profit and loss when incurred.

Employee Provident Fund

All employees of the Group are members of the Employees' Provident Fund (EPF). The Group and employees contribute 15% and 10% respectively of the salary to EPF.

Employees Trust Fund

All employees of the Group are members of the Employees' Trust Fund (ETF). The Group contributes 3% of the salary of each employee to ETF.

3.12.3 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 – Employee Benefits. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability recognised in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date.

The Group measures the present value of retirement benefits of gratuity using an internally generated formula.

The liability is not externally funded nor actuarially valued.

Actuarial gains and losses

The re-measurements of the net defined benefit liability, which comprise actuarial gains and losses are recognised in Other Comprehensive Income.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

3.13 Revenue recognition

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 service to a customer.

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/service | Nature and timing of satisfaction of performance obligations, including significant payment terms | Revenue recognition policies |
|---|--|---|
| Lease rental and Floor rental | This includes rental income earned from renting out investment property owned by the Group. | Revenue is recognized point in time as the rent income is recognized on a straight line basis over the term of the agreement. |
| Treated water sales, Solid waste disposal, Pressurized water, Common waste water treatment, Solar Power and Carrying out industrial laboratory tests. | This includes income earned from waste water treatment, solar power generation, and solid waste disposal by the Group. | Revenue is recognized point in time. |

3.14 Expenditure Recognition

Expenditure is recognised in the financial statements as they are incurred and recognised on an accrual basis.

Operating Expenses

All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to the statement of profit or loss.

3.15 Finance Income and Expenses

Interest income and expenses are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts or payments through the expected life of the financial asset or liabilities (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liabilities. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

3.16 Statement of cash flows

The Cash Flow Statement has been prepared using the Indirect Method of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, Cash Flow Statements.

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in-hand, balances with banks and short term deposits with banks.

For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

4 NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The following SLFRSs have been issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) that have an effective date in the future and have not been applied in preparing these Financial Statements. Those SLFRSs will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future Financial Statements.

4.1 Amendments to LKAS 1 and LKAS 8: Definition of Material

In October 2018, the IASB issued amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. As per the redefined definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments are effective from 1 January 2020 with early adoption permitted. However, amendments to the definition of material is not expected to have a significant impact on the Company's financial statements

4.2 Amendments to references to Conceptual framework in accounting standards

The Conceptual Framework for Financial Reporting is the foundation on which the new accounting standards are developed. The revised framework contains changes that will set a new direction for accounting standards in the future.

The key changes in the framework are;

- New 'bundles of rights' approach to assets
- New 'practical ability' approach for recognising liabilities
- New control-based approach to derecognition

The accounting policies which refer conceptual framework should be reviewed and the new guidance should be applied retrospectively from 1 January 2020. This amendment is not expected to have a significant impact on the Financial Statements of the Company.

4.3 Amendments to SLFRS 3: Definition of a Business

The amendments to the definition of a business in SLFRS 3 "Business Combinations" have been made to help the entities determine whether an acquired set of activities and assets is a business or not. These amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow

NOTES TO THE FINANCIAL STATEMENTS

the definition of a business and of outputs, and introduce an optional fair value concentration test. The amendments are applied prospectively for the annual periods beginning on or after 1st January 2020 with early application permitted.

The Company is assessing the potential impact on its Financial Statements resulting from the application of Amendments to Sri Lanka Accounting Standard - SLFRS 3. This amendment is not expected to have a significant impact on the Financial Statements of the Company.

4.4 Forthcoming effective standards

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

| Effective date | New standards or amendment |
|------------------|---|
| 1st June 20220 | COVID 19 related rent concessions (Amendment to IFRS 16) |
| 1st January 2022 | Onerous Contracts – Cost of Fulfilling a Contract (Amendments to LKAS 37) |
| | Property Plant and equipment : Proceeds before intended use (Amendment to IAS 16) |
| 1st January 2023 | Classification of Liabilities as Current and Non-Current (Amendments to LKAS 1) |

5. CHANGES IN ACCOUNTING POLICIES

5.1 Changes in accounting policy

Company has adopted the following amendments to standards from 1st April 2020 but they do not have material effect on these financial statements.

- Amendments to References to Conceptual Framework in SLFRS Standards; and
- Definition of Material (Amendments to LKAS 1 "Presentation of Financial Statements" and LKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors")

6 PROPERTY, PLANT AND EQUIPMENT

| Group | Office buildings | | Electrical installations | | Power project | | Solar project | | Furniture and fittings | | Plant machinery and telecom installations | | Lab and other equipment | | Motor vehicles | | Computer | | Lab glassware | | Office/data processing equipment | | WIP | | Total | |
|---|------------------|---------|--------------------------|---------|---------------|---------|---------------|---------|------------------------|---------|---|---------|-------------------------|---------|----------------|---------|----------|---------|---------------|---------|----------------------------------|---------|---------|---------|---------|----------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| For the year ended 31 March | 13,192 | 68,994 | 109,544 | 1,907 | 153,200 | 17,746 | 28,777 | 2,153 | 1,460 | 4,566 | 12 | 1,411 | 1,067 | - | - | - | - | - | - | - | - | - | - | - | 401,539 | 302,323 |
| Cost | 768 | - | 2,457 | 82 | - | 548 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 6,345 | 2,258 |
| Reclassified from investment property | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 108,210 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (5,750) | (11,252) |
| Balance as at 31 March | 13,960 | 68,994 | 112,001 | 1,989 | 153,200 | 18,294 | 23,027 | 2,153 | 1,472 | 5,977 | 1,472 | 1,067 | - | - | - | - | - | - | - | - | - | - | - | 402,134 | 401,539 | |
| Accumulated Depreciation | 8,664 | 54,732 | 10,846 | 1,794 | 108,212 | 17,063 | 27,864 | 1,661 | 1,460 | 3,978 | 1,460 | - | - | - | - | - | - | - | - | - | - | - | - | 236,274 | 218,804 | |
| Balance as at 1 April | 507 | 889 | 5,517 | 62 | 10,127 | 413 | 913 | 228 | 12 | 452 | 12 | - | - | - | - | - | - | - | - | - | - | - | - | 19,120 | 23,319 | |
| Charge for the year | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 5,403 |
| Reclassified from investment property-depreciation offset | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (5,750) | (11,252) |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Balance as at 31 March | 9,171 | 55,621 | 16,363 | 1,856 | 118,339 | 17,476 | 23,027 | 1,889 | 1,472 | 4,430 | 1,472 | - | - | - | - | - | - | - | - | - | - | - | - | 249,644 | 236,274 | |
| Carrying amount | 4,789 | 13,373 | 95,638 | 132 | 34,861 | 818 | 0 | 264 | - | 1,547 | - | 1,067 | - | - | - | - | - | - | - | - | - | - | - | 152,489 | - | |
| As at 31 March 2021 | 4,528 | 14,262 | - | 113 | 44,988 | 683 | 913 | 492 | - | 588 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 165,265 | - |

NOTES TO THE FINANCIAL STATEMENTS

| Company | Plant and equipment | | | | | | | | | | Total 2021 Rs.'000 | Total 2020 Rs.'000 |
|--|---------------------|--------------------------|---------------------|------------------------|---|-------------------------|----------------|----------|---------|----------------------------------|--------------------------|--------------------------|
| | Office buildings | Electrical installations | Solar Power project | Furniture and fittings | Plant machinery and telecom installations | Lab and other equipment | Motor vehicles | Computer | Labware | Office/data processing equipment | | |
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| For the year ended 31 March | | | | | | | | | | | | |
| Cost | | | | | | | | | | | | |
| Balance as at 1 April | 13,192 | 68,994 | 109,544 | 1,124 | 153,200 | 2,950 | 28,777 | 2,153 | - | 3,721 | - | 383,655 |
| Additions | 768 | - | 2,457 | 82 | - | 435 | - | - | - | 1,267 | 1,067 | 6,076 |
| Disposals | - | - | - | - | - | - | (5,750) | - | - | - | - | (5,750) |
| Reclassified from investment property | - | - | - | - | - | - | - | - | - | - | - | - |
| Balance as at 31 March | 13,960 | 68,994 | 112,001 | 1,206 | 153,200 | 3,385 | 23,027 | 2,153 | - | 4,988 | 1,067 | 383,981 |
| Accumulated Depreciation | | | | | | | | | | | | |
| Balance as at 1 April | 8,664 | 54,732 | 10,846 | 1,027 | 108,207 | 2,681 | 27,864 | 1,661 | - | 3,171 | - | 218,853 |
| Charge for the year | 507 | 889 | 5,517 | 46 | 10,127 | 84 | 913 | 228 | - | 428 | - | 18,739 |
| Disposals | - | - | - | - | - | - | (5,750) | - | - | - | - | (5,750) |
| Reclassified from investment property- depreciation offset | - | - | - | - | - | - | - | - | - | - | - | - |
| Balance as at 31 March | 9,171 | 55,621 | 16,363 | 1,073 | 118,334 | 2,765 | 23,027 | 1,889 | - | 3,599 | - | 231,842 |
| Carrying amount | | | | | | | | | | | | |
| As at 31 March 2021 | 4,789 | 13,373 | 95,638 | 133 | 34,866 | 620 | 913 | 264 | - | 1,389 | 1,067 | 152,139 |
| As at 31 March 2020 | 4,528 | 14,262 | 98,698 | 97 | 44,993 | 269 | 913 | 492 | - | 550 | - | 164,802 |

6.1 Reclassification of Solar power project from investment property to property plant and equipment

During the year 2019/20 Company's solar power project was reclassified under property plant and equipment as it is an owner occupied property. As the Company adopts cost model for the subsequent measurement of both property plant and equipment and investment property, reclassification does not change the carrying amount and the cost of the transferred asset.

During the year Company has start a project on water treatment plant of installing dosing pumps which not yet been completed as at 3/31/2021.

Further, Total cost of fully depreciated Property plant and equipments as at reporting date is Rs. 124,303,279 /- (2020 - Rs. 123,317,448/-)

Company has disposed a fully depreciated moter vehicle during the year for Rs. 7,300,000 and recognised a disposal gain of Rs. 1,550,000/- .

Company does not have any pledged Assets at at reporting date.

7 INVESTMENT PROPERTIES

| Group/Company | Land | Buildings | Site Improvement | Buildings Improvement | Capital work in progress | Total 2021 | Total 2020 |
|---|---------|-----------|------------------|-----------------------|--------------------------|------------|------------|
| | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| For the year ended 31 March | | | | | | | |
| Cost | | | | | | | |
| Balance as at 01 April | 64,282 | 388,542 | 39,853 | 52,675 | - | 545,352 | 652,659 |
| Additions | - | - | - | 9,143 | 43,576 | 52,719 | 5,059 |
| Reclassified to property plant and equipment | - | - | - | - | - | - | (108,210) |
| Written off during the year | - | - | - | - | - | - | (4,156) |
| Balance as at 31 March | 64,282 | 388,542 | 39,853 | 61,818 | 43,576 | 598,071 | 545,352 |
| Accumulated Depreciation | | | | | | | |
| Balance as at 01 April | - | 134,625 | 20,922 | 36,950 | - | 192,497 | 176,129 |
| Charge for the year | - | 16,157 | 3,465 | 2,758 | - | 22,380 | 21,771 |
| Transfers to property plant and equipment-depreciation offset | - | - | - | - | - | - | (5,403) |
| Balance as at 31 March | - | 150,782 | 24,387 | 39,708 | - | 214,877 | 192,497 |
| Carrying amount | | | | | | | |
| As at 31 March 2021 | 64,282 | 237,760 | 15,466 | 22,110 | 43,576 | 383,194 | |
| As at 31 March 2020 | 64,282 | 253,917 | 18,931 | 15,725 | | | 352,855 |

7.1 Investment properties of the Company are accounted for under cost model.

The Company has determined the fair value of the investment property as at 31 March 2019 as Rs.5,413,750,000 (2018- Rs. 1,096,557,750). However, the management has not taken these amounts to the financial statements. No fair value assessment has been performed during this year as management believe that there is no significant value change from latest fair valued balance.

During the year Company has started to restructure two of their investment property buildings (Igloo and lab building) which has recorded under investment property WIP.

Cost of fully depreciated investment property as at reporting date is Rs. 9,425,939/- (2020 - Rs. 5,770,231/-)

7.2 Rental income earned from investment property during the year ended 31 March 2021 amounted to Rs.300,187,000/- (2020: Rs. 296,577,905/-).

| | Company | |
|------------------|---------|---------|
| | 2021 | 2020 |
| | Rs.'000 | Rs.'000 |
| As at 31st March | | |

8 INVESTMENT IN SUBSIDIARY

| | | |
|---|-------|-------|
| 699,994 ordinary shares in Lindel Industrial Laboratories Limited | 7,000 | 7,000 |
|---|-------|-------|

The Board of Directors has assessed the potential impairment loss of investment in Lindel Industrial Laboratories Limited as at 31 March 2021. Based on the assessment no provision was required as at the reporting date in respect of the investments in subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

| | Group | | Company | |
|---|---|-----------------|-----------------|-----------------|
| | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| As at 31st March | | | | |
| 9 INVENTORIES | | | | |
| Chemicals | 1,906 | 1,608 | 255 | 307 |
| Spare parts | 1,914 | 1,507 | 1,914 | 1,507 |
| Stationeries | 92 | 118 | 92 | 118 |
| Consumables | - | 95 | - | 95 |
| | 3,912 | 3,328 | 2,261 | 2,027 |
| 10 TRADE AND OTHER RECEIVABLES | | | | |
| Trade receivable | 17,966 | 29,841 | 16,007 | 28,852 |
| Advances, deposits and prepayments | 12,346 | 9,068 | 12,183 | 8,849 |
| WHT receivable (Note 10.1) | - | 19,145 | - | 19,102 |
| | 30,312 | 58,054 | 28,190 | 56,803 |
| 10.1 | With the introduction of Inland Revenue Act No 24 of 2007 which became effective from 1st April 2018, withholding tax is charge on rent income and receivable as at reporting date was Rs. Null. (2020 - Rs. 19,102,000), due to the notice issued by Inland Revenue Department on 5th February 2020, WHT on any payments including interest, rent and etc. made to any resident person is removed with effect from January 01, 2020. | | | |
| | Group | | Company | |
| | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| As at 31st March | | | | |
| 11 AMOUNT DUE FROM RELATED PARTY | | | | |
| Lindel Industrial Laboratories Limited | - | - | 847 | 445 |
| | - | - | 847 | 445 |
| 12 CASH AND CASH EQUIVALENTS | | | | |
| Fixed deposits | 407,705 | 325,585 | 396,396 | 313,897 |
| Savings deposits | 20,302 | 15,085 | 17,974 | 14,218 |
| Cash in hand and at bank | 921 | 238 | 861 | 183 |
| | 428,928 | 340,908 | 415,231 | 328,298 |
| Bank overdraft | (168) | (1,116) | (103) | (872) |
| Cash and cash equivalents for the purpose of statement of cash flows | 428,760 | 339,792 | 415,128 | 327,426 |
| 13 STATED CAPITAL | | | | |
| ISSUED AND FULLY PAID | | | | |
| 15,969,205 ordinary shares | 159,692 | 159,692 | 159,692 | 159,692 |
| | 159,692 | 159,692 | 159,692 | 159,692 |
| 14 RESERVES | | | | |
| General reserve | 40,000 | 40,000 | 40,000 | 40,000 |
| Retained earnings | 498,508 | 443,379 | 490,953 | 436,395 |
| | 538,508 | 483,379 | 530,953 | 476,395 |

| | Group | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| As at 31st March | | | | |
| 15 DEFERRED TAXATION | | | | |
| Deferred tax assets (Note 15.1) | 2,614 | 2,449 | 2,252 | 2,238 |
| Deferred tax liabilities (Note 15.2) | (52,219) | (60,410) | (52,211) | (60,322) |
| Net deferred tax liability | (49,605) | (57,961) | (49,959) | (58,084) |
| 15.1 Deferred tax assets | | | | |
| Balance as at 01 April | 2,449 | 1,996 | 2,238 | 1,873 |
| Origination of Temporary difference to profit and loss due to during the year transactions | 110 | 253 | 28 | 166 |
| Reversal of Temporary difference to profit and loss due to income tax rate change | (366) | - | (323) | - |
| Origination of Temporary difference to OCI due to during the year transactions | 491 | 200 | 360 | 199 |
| Reversal of Temporary difference to OCI due to income tax rate change | (70) | - | (51) | - |
| Balance as at 31 March | 2,614 | 2,449 | 2,252 | 2,238 |
| 15.2 Deferred tax liabilities | | | | |
| Balance as at 01 April | 60,410 | 63,414 | 60,322 | 63,217 |
| Origination of Temporary difference to profit and loss due to during the year transactions | 513 | (3,004) | 591 | (2,895) |
| Reversal of Temporary difference to profit and loss due to income tax rate change | (8,703) | - | (8,702) | - |
| Balance as at 31 March | 52,219 | 60,410 | 52,211 | 60,322 |

15.3 Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | Group | | | | Company | | | |
|-------------------------------------|----------------------|-----------------|----------------------|-----------------|----------------------|-----------------|----------------------|-----------------|
| | 2021 | | 2020 | | 2021 | | 2020 | |
| | Temporary difference | Tax effect | Temporary difference | Tax effect | Temporary difference | Tax effect | Temporary difference | Tax effect |
| As at 31st March | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Deferred tax assets | | | | | | | | |
| Employee benefits | 6,591 | 1,582 | 4,520 | 1,266 | 5,281 | 1,268 | 3,926 | 1,099 |
| Bonus payable | 4,301 | 1,032 | 4,224 | 1,183 | 4,100 | 984 | 4,069 | 1,139 |
| | 10,892 | 2,614 | 8,744 | 2,449 | 9,381 | 2,251 | 7,995 | 2,238 |
| Deferred tax liabilities | | | | | | | | |
| Property, plant and equipment | 217,578 | 52,219 | 215,749 | 60,410 | 217,544 | 52,211 | 215,435 | 60,322 |
| | 217,578 | 52,219 | 215,749 | 60,410 | 217,544 | 52,211 | 215,435 | 60,322 |
| Net deferred tax liabilities | | (49,605) | | (57,961) | | (49,959) | | (58,084) |

15.4 Deferred tax for the year ended 31 March 2021 has been provided at the rate of 24% (refer Note 25) (2020; 28%).

NOTES TO THE FINANCIAL STATEMENTS

| | Group | | Company | |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| As at 31st March | | | | |
| 16 REFUNDABLE DEPOSITS | | | | |
| Security deposits | 57,354 | 57,312 | 57,354 | 57,312 |
| Rent deposits | 3,510 | 3,141 | 3,510 | 3,141 |
| | 60,864 | 60,453 | 60,864 | 60,453 |

Carrying values of the deposits together with their costs;

| | 2021 | | 2020 | |
|-------------------|-----------------|------------------------------|-----------------|------------------------------|
| | Cost Rs.'000 | Carrying Value Rs.'000 | Cost Rs.'000 | Carrying Value Rs.'000 |
| Group/ Company | | | | |
| Security deposits | 120,671 | 57,354 | 79,050 | 57,312 |
| Rent deposits | 8,679 | 3,510 | 8,679 | 3,141 |
| | 129,350 | 60,864 | 87,729 | 60,453 |

The long term liabilities includes present value adjustment relating to the security deposits and rent deposits using average weighted lending rate (AWLR).

17 EMPLOYEE BENEFITS

17.1 Defined contribution plans

Following contributions have been made to Employees' Provident Fund and Employees' Trust Fund during the year.

| | Group | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| As at 31st March | | | | |
| Employees' Provident Fund | | | | |
| Employers' contribution | 2,463 | 2,481 | 1,972 | 2,107 |
| Employees' contribution | 1,642 | 1,654 | 1,315 | 1,405 |
| Employees' Trust Fund | 493 | 496 | 394 | 421 |
| 17.2 Defined benefit plan | | | | |
| Present value of unfunded obligation (Note 17.2.1) | 6,590 | 4,518 | 5,281 | 3,925 |
| | 6,590 | 4,518 | 5,281 | 3,925 |
| 17.2.1 Movement in the present value of the employee benefits unfunded obligation | | | | |
| Balance as at 1 April | 4,518 | 7,122 | 3,925 | 6,689 |
| Provision during the year (Note 17.2.1.a) | 966 | 1,124 | 720 | 970 |
| Actuarial loss during the year (Note 17.2.1.b) | 1,753 | 716 | 1,283 | 710 |
| | 7,237 | 8,962 | 5,928 | 8,369 |
| Payments during the year | (647) | (4,444) | (647) | (4,444) |
| Balance as at 31 March | 6,590 | 4,518 | 5,281 | 3,925 |

| | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| As at 31st March | | | | |
| 17.2.1.a Provision recognized in profit or loss | | | | |
| Current service cost | 659 | 702 | 451 | 587 |
| Interest on obligation | 307 | 422 | 269 | 383 |
| | 966 | 1,124 | 720 | 970 |
| 17.2.1.b Provision recognised in the Statement of other comprehensive income | | | | |
| Actuarial loss during the year | 1,753 | 716 | 1,283 | 710 |
| The Company measures the present value of retirement benefits of gratuity based on an internally generated model using formula. | | | | |
| As at 31st March | | | 2021 | 2020 |
| Discount rate | | | 8.00% | 11.00% |
| Salary increment rate | | | 6.80% | 6.86% |
| Staff turnover | | | 12.37% | 7.64% |
| | | | | |
| | Group | | Company | |
| | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| As at 31st March | | | | |
| 18 ACCRUALS, DEPOSITS AND ADVANCES RECEIVED | | | | |
| Accruals | 16,227 | 18,326 | 15,633 | 17,959 |
| Rent advances | 37,859 | 24,418 | 37,859 | 24,418 |
| Prepaid security deposit | 51,942 | 43,426 | 51,942 | 43,426 |
| Prepaid rent deposit | 1,583 | 2,355 | 1,583 | 2,355 |
| Advances received | 6,337 | 6,130 | 6,337 | 6,130 |
| Retention money | 3,208 | 3,524 | 3,171 | 3,488 |
| Security deposit - current | 8,749 | - | 8,749 | - |
| WHT on creditors | - | 69 | - | 69 |
| | 125,905 | 98,248 | 125,274 | 97,845 |
| 19 OTHER LIABILITIES | | | | |
| Retention money to tenors | 32,779 | 10,267 | 32,779 | 10,205 |
| Payable to contractors | 489 | 2,960 | - | 2,960 |
| | 33,268 | 13,227 | 32,779 | 13,165 |
| 20 CURRENT TAXATION | | | | |
| Balance as at 1 April | 41,816 | 41,446 | 41,798 | 40,992 |
| Provision recognised during the year | 68,272 | 79,749 | 67,632 | 79,118 |
| Under/(Over) provision in respect of prior years | (7,051) | 374 | (7,130) | 374 |
| Payments during the year | (59,175) | (55,611) | (58,759) | (54,701) |
| Set off against withholding tax credits & ESC | (19,627) | (24,142) | (19,584) | (23,985) |
| Balance as at 31 March | 24,235 | 41,816 | 23,957 | 41,798 |

NOTES TO THE FINANCIAL STATEMENTS

21 REVENUE

Group generates revenue primarily from lease rental, floor rental, treated water sales, waste disposal, supply of pressurized water, waste water treatment and solar power generation. For performance obligation and revenue recognition policies please refer note 3.13.

21.1 Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by major product/service lines and timing of revenue recognition.

| | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| For the year ended 31 March | | | | |
| Major product/ service lines | | | | |
| Lease rentals | 149,001 | 173,886 | 149,001 | 173,886 |
| Floor rentals | 150,149 | 121,595 | 151,186 | 122,692 |
| Treated water sales | 32,078 | 50,739 | 32,114 | 50,776 |
| Solid waste disposal | 2,504 | 2,479 | 2,509 | 2,479 |
| Pressurized water | 157 | 345 | 157 | 345 |
| Common waste water treatment | 458 | 428 | 458 | 428 |
| Solar Power | 15,236 | 5,854 | 15,236 | 5,854 |
| | 349,583 | 355,326 | 350,660 | 356,460 |
| Timing of revenue recognition | | | | |
| Products transferred over time | 299,150 | 295,481 | 300,187 | 296,578 |
| Products transferred at a point in time | 50,433 | 59,845 | 50,473 | 59,882 |
| | 349,583 | 355,326 | 350,660 | 356,460 |
| 22 OTHER OPERATING INCOME | | | | |
| Profit on disposal of fixed assets | 7,300 | 9,532 | 7,300 | 9,532 |
| Foreign exchange gain | 8 | 5 | 8 | 5 |
| Laboratory tests | 10,240 | 8,037 | - | - |
| Sundry income (Note 22.1) | 1,348 | 1,277 | 1,348 | 1,277 |
| Dividend received | - | - | 700 | 602 |
| | 18,896 | 18,851 | 9,356 | 11,416 |

22.1 Sundry income included proceeds received from third parties in respect of using Company roads for the purpose of transportation.

| | Group | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| For the year ended 31 March | | | | |
| 23 PROFIT FROM OPERATIONS | | | | |
| Staff costs (Note 23.1) | 31,296 | 32,207 | 25,302 | 27,404 |
| Depreciation - Property plant and equipment | 19,120 | 23,319 | 18,739 | 22,802 |
| Ammortisation - Investment properties | 22,380 | 21,771 | 22,380 | 21,771 |
| Directors' fees and emoluments | 234 | 306 | 216 | 288 |
| Auditors' remuneration - audit fees and expenses | 640 | 575 | 530 | 480 |
| Reversal of provision for doubtful debts | (149) | (1,754) | (149) | (1,754) |
| Write off of Investment property | - | 4,156 | - | 4,156 |
| 23.1 Staff costs | | | | |
| Salaries and wages | 15,813 | 16,114 | 12,025 | 13,030 |
| Contribution to employees' provident fund | 2,463 | 2,481 | 1,972 | 2,107 |
| Contribution to employees' trust fund | 493 | 496 | 394 | 421 |
| Staff bonus | 5,948 | 6,048 | 5,232 | 5,381 |
| Provision for employee benefits | 965 | 1,124 | 720 | 970 |
| Other staff costs | 5,615 | 5,944 | 4,958 | 5,495 |
| | 31,296 | 32,207 | 25,302 | 27,404 |
| 24 NET FINANCE INCOME | | | | |
| Finance income | | | | |
| Interest income on fixed deposits | 24,636 | 27,705 | 23,720 | 26,624 |
| Interest income on savings deposits | 1,023 | 1,456 | 991 | 1,398 |
| Amortisation of prepaid rent and security deposits | 5,352 | 7,258 | 5,352 | 7,258 |
| Other finance income | 46 | 194 | 46 | 194 |
| | 31,057 | 36,613 | 30,109 | 35,474 |
| Finance expenses | | | | |
| Interest expense on rent and security deposits | 5,444 | 4,817 | 5,444 | 4,817 |
| | 5,444 | 4,817 | 5,444 | 4,817 |
| | 25,613 | 31,796 | 24,664 | 30,657 |
| 25 INCOME TAX EXPENSE | | | | |
| Current tax expense | 68,177 | 79,749 | 67,632 | 79,118 |
| Current tax on profits for the year (Note 25.1) | (7,136) | 374 | (7,131) | 374 |
| Under/(Over) provision in respect of prior year | 61,041 | 80,123 | 60,501 | 79,492 |
| Deferred tax expense | | | | |
| Deferred tax asset Reversal during the year | (256) | (253) | (295) | (166) |
| Deferred tax liability Reversal during the year | (8,191) | (3,004) | (8,111) | (2,895) |
| | (8,447) | (3,257) | (8,406) | (3,061) |
| | 52,594 | 76,866 | 52,095 | 76,431 |

NOTES TO THE FINANCIAL STATEMENTS

| | Group | | Company | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| For the year ended 31 March | | | | |
| 25.1 Reconciliation of the accounting profit and the income tax expense | | | | |
| Profit before taxation | 276,733 | 278,186 | 275,305 | 277,072 |
| - Other Source of income | - | - | (700) | (700) |
| Disallowable expenses | 44,344 | 46,267 | 43,693 | 45,597 |
| Allowable expenses | (37,006) | (37,192) | (36,906) | (37,061) |
| Exempt income | - | (2,441) | - | (3,043) |
| Business income | 284,070 | 284,820 | 281,392 | 281,865 |
| Investment income | - | - | 700 | 700 |
| Income tax expense at 28% | - | 79,749 | - | 79,118 |
| Income tax expense at 24% | 68,177 | - | 67,534 | - |
| Income tax expense at 14% | 98 | - | 98 | - |
| Total income tax expense | 68,177 | 79,749 | 67,632 | 79,118 |

On 12th February 2020, Inland Revenue department issued a notice to the tax payers and withholding agents on "Implement action of proposed changes to the Inland Revenue Act No. 24 of 2017" by which the income tax rates of corporates have been revised to 24% from 28% with effect from 01st January 2020. As the Bill has been Gazetted and also printed by order of Parliament as of the reporting date, the Institute of Chartered Accountant of Sri Lanka has issued guidance to consider the new amendments as "Substantively enacted" for the financial reporting period end after 26th March 2021. Accordingly, Current tax and deferred tax expenses for the financial year 2020/21 have been computed in accordance with the new amendments of Inland Revenue Act No 24 of 2017 using 24% (2020 ; 28%).

26 BASIC EARNINGS PER SHARE

Basic earnings per share has been calculated by dividing the net profit attributable to the ordinary shareholders by weighted average number of ordinary shares in issue as at reporting date as shown below.

| | Group | | Company | |
|---|-----------------|-----------------|-----------------|-----------------|
| | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| As at 31st March | | | | |
| Profit attributable to the ordinary shareholders (Rs.000) | 224,139 | 201,320 | 223,210 | 200,641 |
| Weighted average number of shares | 15,969,205 | 15,969,205 | 15,969,205 | 15,969,205 |
| Earnings per share (Rs.) | 14.04 | 12.61 | 13.98 | 12.56 |

27 RELATED PARTY TRANSACTIONS

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

(a) Transactions with Key Management Personnel

The Board of Directors of the Company have the authority and responsibility of planning, directing and controlling the activities of the Company. Accordingly, the Board of Directors of the Company have been identified as the key management personnel ("KMP") of the Company. The compensation paid to KMP's is as follows:

As DFCC Bank PLC is the ultimate parent of the Company and the Board of Directors of DFCC Bank PLC has the authority and responsibility of planning, directing and controlling the activities of the Company, the Directors of DFCC Bank PLC have also been identified as KMP of the Company.

| | Group | | Company | |
|------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| As at 31st March | | | | |
| Short term employee benefits | 240 | 306 | 216 | 288 |
| Post employment benefits | - | - | - | - |

(b) Transactions with related parties

| Company | Nature of transaction | | Transaction amount | |
|--|--------------------------------------|--------------------|--------------------|-----------------|
| | | | 2021 Rs.'000 | 2020 Rs.'000 |
| DFCC Bank PLC | Interest income | Parent Company | 23,720 | 27,705 |
| | Renting of Storage Space | | 2,930 | 4,175 |
| Lindel Industrial Laboratories Limited | Obtaining of Laboratory Services | Subsidiary Company | 1,935 | 1,775 |
| | Renting of Office Space | | 1,037 | 1,097 |
| | Sale of Water | | 35 | 37 |
| | Reimbursement of Administration cost | | 390 | 390 |

Amounts due from related party as at 31 March 2021 is disclosed in the Note 11 to the Financial Statements.

The Company has invested in the short term investments and saving deposits held in DFCC Bank PLC as at the reporting date amounting to Rs. 412,125,968/- (2020: Rs. 274,832,-/-).

28 FAIR VALUES OF FINANCIAL INSTRUMENTS

Accounting classification and Fair values

28.1 Fair value of financial instruments carried at amortised cost

The fair values of financial assets and liabilities, together with the carrying amounts of which are shown in the statement of financial position, are as follows.

| Group | Fair Value (Rs.) | | | | |
|--------------------------------|----------------------------|--------------------|--------------------|--------------------|------------------|
| | Carrying Amount Rs.'000 | Level 1 Rs.'000 | Level 2 Rs.'000 | Level 3 Rs.'000 | Total Rs.'000 |
| As at 31 March 2021 | | | | | |
| Financial Assets | | | | | |
| Trade and other receivables | 30,312 | - | - | 30,312 | 30,312 |
| Cash and cash equivalents | 428,928 | 428,928 | - | - | 428,928 |
| Total financial assets | 459,240 | 428,928 | - | 30,312 | 459,240 |
| Financial Liabilities | | | | | |
| Refundable deposits | 60,864 | - | - | 60,864 | 60,864 |
| Deposits and advances received | 125,905 | - | - | 125,905 | 125,905 |
| Other liabilities | 33,268 | - | - | 33,268 | 33,268 |
| Bank overdraft | 168 | 168 | - | - | 168 |
| Total liabilities | 220,205 | 168 | - | 220,037 | 220,205 |

NOTES TO THE FINANCIAL STATEMENTS

| Group | Carrying Amount | Fair Value (Rs.) | | | |
|-------------------------------|-----------------|------------------|----------|---------------|----------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| As at 31 March 2020 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Financial Assets | | | | | |
| Trade and other receivables | 58,054 | - | - | 58,054 | 58,054 |
| Cash and cash equivalents | 340,908 | 340,908 | - | - | 340,908 |
| Total financial assets | 398,962 | 340,908 | - | 58,054 | 398,962 |

| | | | | | |
|--------------------------------|----------------|--------------|----------|----------------|----------------|
| Financial Liabilities | | | | | |
| Refundable deposits | 60,453 | - | - | 60,453 | 60,453 |
| Deposits and advances received | 98,248 | - | - | 98,248 | 98,248 |
| Other liabilities | 13,227 | - | - | 13,227 | 13,227 |
| Bank overdraft | 1,116 | 1,116 | - | - | 1,116 |
| Total liabilities | 173,044 | 1,116 | - | 171,928 | 173,044 |

| Company | Carrying Amount | Fair Value (Rs.) | | | |
|---------------------------------|-----------------|------------------|----------|---------------|----------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| As at 31 March 2021 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Financial Assets | | | | | |
| Trade and other receivables | 28,190 | - | - | 28,190 | 28,190 |
| Amount due from related parties | 847 | - | - | 847 | 847 |
| Cash and cash equivalents | 415,231 | 415,231 | - | - | 415,231 |
| Total financial assets | 444,268 | 415,231 | - | 29,037 | 444,268 |

| | | | | | |
|--|----------------|------------|----------|----------------|----------------|
| Financial Liabilities | | | | | |
| Refundable deposits | 60,864 | - | - | 60,864 | 60,864 |
| Accruals, deposits and advances received | 125,274 | - | - | 125,274 | 125,274 |
| Other liabilities | 32,779 | - | - | 32,779 | 32,779 |
| Bank overdraft | 103 | 103 | - | - | 103 |
| Total liabilities | 219,021 | 103 | - | 218,918 | 219,021 |

| Group | Carrying Amount | Fair Value (Rs.) | | | |
|---------------------------------|-----------------|------------------|----------|---------------|----------------|
| | | Level 1 | Level 2 | Level 3 | Total |
| As at 31 March 2020 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Financial Assets | | | | | |
| Trade and other receivables | 56,803 | - | - | 56,803 | 56,803 |
| Amount due from related parties | 445 | - | - | 445 | 445 |
| Cash and cash equivalents | 328,298 | 328,298 | - | - | 328,298 |
| Total financial assets | 385,546 | 328,298 | - | 57,248 | 385,546 |

| Group | Fair Value (Rs.) | | | | |
|--|------------------|------------|----------|----------------|----------------|
| | Carrying Amount | Level 1 | Level 2 | Level 3 | Total |
| As at 31 March 2020 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| Financial Liabilities | | | | | |
| Refundable deposits | 60,453 | - | - | 60,453 | 60,453 |
| Accruals, deposits and advances received | 97,845 | - | - | 97,845 | 97,845 |
| Other liabilities | 13,165 | - | - | 13,165 | 13,165 |
| Bank overdraft | 872 | 872 | - | - | 872 |
| Total liabilities | 172,335 | 872 | - | 171,463 | 172,335 |

The methods and assumptions used to estimate the fair values of the financial instruments not carried at fair value are as follows:

- Trade and other receivables - The fair value of trade and other receivables approximate their carrying amount due to the relatively short maturity of the financial instruments.
- Short term deposits - The fair value of short term deposits approximate their carrying amount due to the relatively short maturity of the financial instruments.
- Cash and cash equivalents - The fair value of cash and cash equivalents approximate their carrying amount due to the relatively short maturity of the financial instruments.
- Amounts due to related companies - The fair value of amount due to related parties approximate carrying amounts due to the relatively short settlement patterns among the group.

29. FINANCIAL RISK MANAGEMENT

29.1 Overview

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

- Credit risk
- Liquidity risk
- Market risk
- Operational risk.

Introduction and overview

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout this financial statement.

29.2 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

The group's risk management policies are established to identify and analyze 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 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.

NOTES TO THE FINANCIAL STATEMENTS

29.3 Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

29.3.1 Exposure to credit risk

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

| | Group | | Company | |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| As at 31st March | | | | |
| Trade receivables | 17,966 | 29,841 | 16,007 | 28,852 |
| Amount due from related party | - | - | 847 | 445 |
| Cash and cash equivalents | 428,928 | 340,908 | 415,231 | 328,298 |
| | 446,894 | 370,749 | 432,084 | 357,595 |

29.3.1 Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly in the currently deteriorating economic circumstances. However, geographically there is no concentration of credit risk.

Group trade receivables mainly comprises of the receivables from the lease tenants. Generally the credit risk of such customers tend to be very low. Accordingly the group makes loss allowances considering the relative age of the receivables.

The following table provides information on exposure to credit risk and provision for trade receivables.

| | Group | | | |
|----------------------|----------------------|--------------|----------------------|--------------|
| | Trade Receivables | Provision | Trade Receivables | Provision |
| | 2021 Rs.'000 | Rs.'000 | 2020 Rs.'000 | Rs.'000 |
| As at 31st March | | | | |
| 1 - 90 days | 17,536 | - | 29,296 | - |
| 91-180 days | 121 | 7 | 529 | 109 |
| 181 - 365 days | 412 | 97 | 16 | 8 |
| Above 365 days | 13 | 13 | 235 | 117 |
| Late charge interest | 7,944 | 7,944 | 7,974 | 7,974 |
| | 26,026 | 8,060 | 38,050 | 8,208 |

| | Company | | | |
|----------------------|----------------------|--------------|----------------------|--------------|
| | Trade Receivables | Provision | Trade Receivables | Provision |
| | 2021 Rs.'000 | Rs.'000 | 2020 Rs.'000 | Rs.'000 |
| As at 31st March | | | | |
| 1 - 90 days | 15,890 | - | 28,307 | - |
| 91-180 days | 26 | 7 | 529 | 132 |
| 181 - 365 days | 193 | 97 | 16 | 8 |
| Above 365 days | 13 | 13 | 235 | 117 |
| Late charge interest | 7,944 | 7,944 | 7,974 | 7,974 |
| | 24,066 | 8,060 | 37,061 | 8,231 |

29.4. Liquidity risk

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

29.5 Market risk

'Market risk' is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

29.5.1 Currency risk

"Currency risk is the risk that the value of financial instruments will fluctuate due to changes on foreign exchange rates. The Company monitors the fluctuations in foreign currencies with appropriate strategies to minimize risk. The Company's exposure to foreign currency risk is as follows;"

| | Group | | | Company | | |
|----------------------------|---------------------------------------|----------------|------------------|---------------------------------------|----------------|------------------|
| | USD Converted to Rs. Rs.'000 | Rs.'000 | Total Rs.'000 | USD Converted to Rs. Rs.'000 | Rs.'000 | Total Rs.'000 |
| As at 31 March 2021 | | | | | | |
| Cash and cash equivalents | 106 | 428,928 | 429,034 | 106 | 415,231 | 415,336 |
| | 106 | 428,928 | 429,034 | 106 | 415,231 | 415,336 |

| | Group | | | Company | | |
|----------------------------|---------------------------------------|----------------|------------------|---------------------------------------|----------------|------------------|
| | USD Converted to Rs. Rs.'000 | Rs.'000 | Total Rs.'000 | USD Converted to Rs. Rs.'000 | Rs.'000 | Total Rs.'000 |
| As at 31 March 2020 | | | | | | |
| Cash and cash equivalents | 98 | 340,810 | 340,908 | 98 | 328,200 | 328,298 |
| | 98 | 340,810 | 340,908 | 98 | 328,200 | 328,298 |

Foreign Currency Sensitivity

An estimation of the impact of the currency risk with respect of financial instruments with a 5% change in US Dollar exchange rate is given below. In calculation of risk it is assumed that all other variable factors are held constant. The calculation of sensitivity has been performed only on the assets and liabilities denominated in foreign currency of the Company as at 31 March 2021.

| | Group | | Company | |
|-----------------------------------|--|--------------------------------|--|--------------------------------|
| | Effect on profit or loss Rs.'000 | Effect on equity Rs.'000 | Effect on profit or loss Rs.'000 | Effect on equity Rs.'000 |
| As at 31 March 2021 | | | | |
| LKR Depreciated against USD by 5% | 5.28 | 5.28 | 5.28 | 5.28 |
| LKR Appreciated against USD by 5% | (5.28) | (5.28) | (5.28) | (5.28) |

NOTES TO THE FINANCIAL STATEMENTS

29. FINANCIAL RISK MANAGEMENT (CONTD.)

| | Group | | Company | |
|-----------------------------------|--------------------------|------------------|--------------------------|------------------|
| | Effect on profit or loss | Effect on equity | Effect on profit or loss | Effect on equity |
| As at 31 March 2020 | Rs.'000 | Rs.'000 | Rs.'000 | Rs.'000 |
| LKR Depreciated against USD by 5% | 4.90 | 4.90 | 4.90 | 4.90 |
| LKR Appreciated against USD by 5% | (4.90) | (4.90) | (4.90) | (4.90) |

29.5.2 Interest rate risk

Interest rate risk is the risk to the Company's earnings and economic value of equity ("EVE") arising from adverse movements in interest rates.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments were:

| | Group | | Company | |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|
| | 2021 Rs.'000 | 2020 Rs.'000 | 2021 Rs.'000 | 2020 Rs.'000 |
| As at 31st March | | | | |
| Fixed rate instruments | | | | |
| a) Financial assets | | | | |
| Cash and cash equivalents | 428,928 | 340,908 | 415,231 | 328,298 |
| | 428,928 | 340,908 | 415,231 | 328,298 |
| b) Financial liabilities | | | | |
| Bank overdraft | 168 | 1,116 | 103 | 872 |
| | 168 | 1,116 | 103 | 872 |

Variable rate instruments

The Company does not have any variable rate instruments.

29.6 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance when this is effective.

30. CAPITAL COMMITMENTS

There were no material commitments as at the reporting date.

31. CONTINGENT LIABILITIES

There were no material contingent liabilities as at the reporting date.

31.1 Litigation and claims

There are no litigations and claims as at the reporting date.

32. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements.

33. COVID-19 PANDEMIC

In light of ongoing COVID-19 pandemic situation, the Company has assessed its going concern and is satisfied that it has the resources to continue in business for the foreseeable future. COVID - 19 pandemic has resulted in a substantive shift in management's focus towards ensuring the continued safety of people, uninterrupted services to customers, compliance with guidelines issued by various government authorities and continuity of critical business operations in line with the re-assessed business continuity plan. The outbreak and the associated developments impacted the business, our customers and staff due to restrictions on movement and economic slowdown. The current unprecedented situation is yet evolving and the future impact will heavily depend on the duration of current restrictive environment and time taken for economic activity to rebound to pre COVID - 19 levels. The key impact on the outbreak is temporary suspension of business operation, delays in collecting cashflows. After the consideration of risks and outcomes, the Board of Directors have satisfied that the Company has adequate liquidity and business plans to continue to operate the business and mitigate the risks connected to the lockdown for next 12 months from the date of these financial statements.

34. COMPARATIVE FIGURES

Where necessary information has been restated to conform to current year's presentation and classification.

35. LITIGATION AND CLAIMS

There are no litigations and claims as at the reporting date.

36. DIRECTORS' RESPONSIBILITY ON FINANCIAL REPORTING

The Board of Directors is responsible for the preparation and presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards laid down by the Institute of Chartered Accountants of Sri Lanka.

INVESTOR INFORMATIONS

1. Stated Capital

| | 2021 | | 2020 | |
|------------------------|------------------|-------------|------------------|-------------|
| | Number of shares | LKR | Number of shares | LKR |
| As at 31st March | | | | |
| Ordinary voting shares | 15,969,205 | 159,692,000 | 15,969,205 | 159,692,000 |

2. Distribution of shareholding

| | 2021 | | 2020 | |
|------------------|------------------------|------------------|------------------------|------------------|
| | Number of shareholders | Number of shares | Number of shareholders | Number of shares |
| As at 31st March | | | | |
| 1-1000 | 5 | 5 | 5 | 5 |
| 100-1,000,000 | - | - | - | - |
| Over 1,000,000 | 2 | 15,969,200 | 2 | 15,969,200 |
| Total | 7 | 15,969,205 | 7 | 15,969,205 |

3. Shareholding

| | 2021 | | 2020 | |
|---------------------------|------------------|-------------|------------------|-------------|
| | Number of shares | Value LKR | Number of shares | Value LKR |
| As at 31st March | | | | |
| DFCC Bank PLC | 8,169,200 | 81,692,000 | 8,169,200 | 81,692,000 |
| Secretary to the Treasury | 7,800,000 | 78,000,000 | 7,800,000 | 78,000,000 |
| Major D.L.Wijesinha | 1 | 10 | 1 | 10 |
| Mr M.R.Prelis | 1 | 10 | 1 | 10 |
| Mr E.G.P.Kalpage | 1 | 10 | 1 | 10 |
| Mr A. Mahendran | 1 | 10 | 1 | 10 |
| Mr G.T.Galhenage | 1 | 10 | 1 | 10 |
| Total | 15,969,205 | 159,692,050 | 15,969,205 | 159,692,050 |

4. Net Assets Per Share

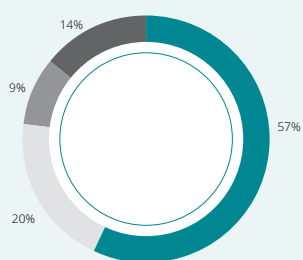
| | 2021 | | 2020 | |
|----------------------------|-------|---------|-------|---------|
| | Group | Company | Group | Company |
| As at 31st March | | | | |
| Net assets per share (Rs.) | 43.72 | 39.73 | 43.25 | 39.83 |

ECONOMIC VALUE-ADDED STATEMENT

The value-added statement highlights the wealth created by the activities of the Company over the last two years and the distribution of this wealth created among its stakeholders.

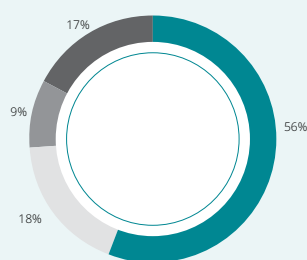
| | 2021 | | 2020 | |
|--|----------|-----|----------|-----|
| | Rs. '000 | % | Rs. '000 | % |
| Direct Economic Value Generated | | | | |
| Revenue | 350,660 | 91 | 356,460 | 89 |
| Other operating income | 9,356 | 2 | 11,416 | 3 |
| Finance income | 24,664 | 7 | 30,657 | 8 |
| | 384,680 | 100 | 398,534 | 100 |
| Economic value distributed to employees | | | | |
| Employee salaries and benefits | 25,302 | 9 | 27,404 | 9 |
| Operating cost | | | | |
| Other operating expenses | 41,119 | 14 | 49,482 | 17 |
| Payments to government | | | | |
| Taxes paid | 58,759 | 20 | 54,701 | 18 |
| Payments to providers of funds | | | | |
| Dividend payment | 167,678 | 57 | 167,678 | 56 |
| | 292,858 | 100 | 299,265 | 100 |
| Economic Value Retained | | | | |
| | 91,822 | | 99,269 | |

**Economic Value Distribution
2020/21**



- Dividends paid
- Taxes Paid
- Employee salaries and benefits
- Other operating expenses

**Economic Value Distribution
2019/20**



- Dividends paid
- Taxes Paid
- Employee salaries and benefits
- Other operating expenses

TEN YEAR SUMMARY

Financial Position

| As at 31st March | Group | | | | | | | | | |
|--|----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Assets | | | | | | | | | | |
| Property, plant and equipment | 152,489 | 165,265 | 83,519 | 98,988 | 109,746 | 94,933 | 85,974 | 79,030 | 69,481 | 66,367 |
| Investment properties | 383,194 | 352,855 | 476,530 | 409,972 | 216,715 | 180,622 | 182,799 | 162,369 | 151,359 | 116,572 |
| Investment in subsidiary | - | - | - | - | - | - | - | - | - | - |
| Deferred taxation | - | - | - | - | - | - | 326 | 495 | 463 | 415 |
| Total non current assets | 535,683 | 518,120 | 560,049 | 508,960 | 326,461 | 275,555 | 269,099 | 241,894 | 221,303 | 183,354 |
| Current Assets | | | | | | | | | | |
| Inventories | 3,912 | 3,328 | 3,381 | 3,260 | 3,337 | 3,696 | 3,568 | 3,152 | 2,928 | 2,688 |
| Trade and other receivables | 30,312 | 58,054 | 45,725 | 16,814 | 26,482 | 20,373 | 24,888 | 28,438 | 20,285 | 11,789 |
| Amount due from related party | - | - | - | - | - | - | - | - | - | - |
| Cash and cash equivalents | 428,928 | 340,908 | 271,178 | 335,192 | 374,066 | 359,632 | 377,227 | 371,512 | 402,188 | 391,891 |
| Total current assets | 463,152 | 402,290 | 320,284 | 355,266 | 403,885 | 383,701 | 405,683 | 403,102 | 425,401 | 406,368 |
| Total assets | 998,835 | 920,410 | 880,333 | 864,226 | 730,346 | 659,256 | 674,782 | 644,996 | 646,704 | 589,722 |
| Equity and liabilities | | | | | | | | | | |
| Stated capital | 159,692 | 159,692 | 159,692 | 159,692 | 159,692 | 159,692 | 159,692 | 159,692 | 159,692 | 159,692 |
| Reserves | 538,508 | 483,379 | 450,252 | 438,405 | 404,229 | 364,437 | 414,921 | 389,221 | 381,979 | 352,618 |
| Total equity | 698,200 | 643,071 | 609,944 | 598,097 | 563,921 | 524,129 | 574,613 | 548,913 | 541,671 | 512,310 |
| Current Liabilities | | | | | | | | | | |
| Deferred taxation | 49,605 | 57,961 | 61,418 | 62,570 | 29,147 | 22,032 | - | - | - | - |
| Refundable deposits | 60,864 | 60,453 | 33,032 | 22,709 | 17,766 | 17,598 | 18,175 | 17,067 | 37,741 | 21,218 |
| Employee benefits | 6,590 | 4,518 | 7,122 | 6,914 | 6,128 | 5,448 | 4,948 | 4,768 | 4,753 | 4,037 |
| Total non current liabilities | 117,059 | 122,932 | 101,572 | 92,193 | 53,041 | 45,078 | 23,123 | 21,835 | 42,494 | 25,255 |
| Current Liabilities | | | | | | | | | | |
| Accruals, deposits and advances received | 125,905 | 98,248 | 105,543 | 111,464 | 87,292 | 65,838 | 65,794 | 64,703 | 46,393 | 44,096 |
| Other liabilities | 33,268 | 13,227 | 20,955 | 53,116 | 9,956 | 6,435 | 6,966 | 4,636 | 11,640 | 5,645 |
| Current taxation | 24,235 | 41,816 | 41,446 | 1,973 | 14,704 | 15,597 | 2,320 | 3,676 | 3,984 | 2,416 |
| Bank overdraft | 168 | 1,116 | 874 | 7,384 | 1,432 | 2,179 | 1,966 | 1,234 | 522 | - |
| Total current liabilities | 183,576 | 154,407 | 168,818 | 173,937 | 113,384 | 90,049 | 77,046 | 74,249 | 62,539 | 52,157 |
| Total liabilities | 300,635 | 277,339 | 270,390 | 266,130 | 166,425 | 135,127 | 100,169 | 96,084 | 105,033 | 77,412 |
| Total equity and liabilities | 998,835 | 920,410 | 880,333 | 864,226 | 730,346 | 659,256 | 674,782 | 644,996 | 646,704 | 589,722 |

| | Company | | | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| | 152,139 | 164,802 | 82,569 | 97,579 | 107,583 | 92,619 | 84,103 | 77,326 | 67,195 | 63,445 |
| | 383,194 | 352,855 | 476,530 | 409,972 | 216,715 | 180,622 | 182,799 | 162,369 | 151,359 | 116,572 |
| | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 | 7,000 |
| | - | - | - | - | - | - | - | - | - | - |
| | 542,333 | 524,657 | 566,099 | 514,551 | 331,298 | 280,241 | 273,902 | 246,695 | 225,554 | 187,017 |
| | 2,261 | 2,027 | 2,063 | 1,960 | 1,884 | 2,071 | 2,129 | 1,912 | 1,712 | 1,480 |
| | 28,190 | 56,803 | 44,900 | 15,566 | 25,175 | 19,073 | 23,856 | 27,172 | 19,253 | 11,003 |
| | 847 | 445 | 396 | 442 | 769 | 1,389 | 559 | 807 | 944 | 941 |
| | 415,231 | 328,298 | 259,058 | 325,293 | 366,279 | 352,427 | 371,306 | 366,457 | 397,605 | 387,882 |
| | 446,529 | 387,573 | 306,417 | 343,261 | 394,107 | 374,960 | 397,850 | 396,348 | 419,514 | 401,306 |
| | 988,862 | 912,230 | 872,516 | 857,812 | 725,405 | 655,201 | 671,752 | 643,043 | 645,068 | 588,323 |
| | 159,692 | 159,692 | 159,692 | 159,692 | 159,692 | 159,692 | 159,692 | 159,692 | 159,692 | 159,692 |
| | 530,953 | 476,395 | 443,943 | 433,208 | 400,440 | 362,006 | 412,633 | 387,997 | 380,849 | 351,713 |
| | 690,645 | 636,087 | 603,635 | 592,900 | 560,132 | 521,698 | 572,325 | 547,689 | 540,541 | 511,405 |
| | 49,959 | 58,084 | 61,344 | 62,419 | 29,126 | 22,179 | - | - | - | - |
| | 60,864 | 60,453 | 32,949 | 22,709 | 17,766 | 17,598 | 18,175 | 17,067 | 37,741 | 21,218 |
| | 5,281 | 3,926 | 6,689 | 6,632 | 5,763 | 5,098 | 4,699 | 4,453 | 4,542 | 3,909 |
| | 116,104 | 122,463 | 100,982 | 91,760 | 52,655 | 44,875 | 22,874 | 21,520 | 42,283 | 25,127 |
| | 125,274 | 97,845 | 105,285 | 111,045 | 86,872 | 63,584 | 65,592 | 64,525 | 46,241 | 43,975 |
| | 32,779 | 13,165 | 20,786 | 53,093 | 9,754 | 7,890 | 6,743 | 4,415 | 11,485 | 5,381 |
| | 23,957 | 41,798 | 40,992 | 1,630 | 14,616 | 15,614 | 2,258 | 3,660 | 3,995 | 2,435 |
| | 103 | 872 | 836 | 7,384 | 1,376 | 1,540 | 1,960 | 1,234 | 522 | - |
| | 182,113 | 153,680 | 167,899 | 173,152 | 112,618 | 88,628 | 76,553 | 73,834 | 62,243 | 51,791 |
| | 298,217 | 276,143 | 268,881 | 264,912 | 165,273 | 133,503 | 99,427 | 95,354 | 104,526 | 76,918 |
| | 988,862 | 912,230 | 872,516 | 857,812 | 725,405 | 655,201 | 671,752 | 643,043 | 645,067 | 588,323 |

TEN YEAR SUMMARY

Financial Results

| For the year ended 31st March | Group | | | | | | | | | |
|---|----------------|-----------|-----------|-----------|-----------|-----------|----------|-----------|----------|----------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Revenue | 349,583 | 355,326 | 323,756 | 268,722 | 249,154 | 219,455 | 210,733 | 189,203 | 166,920 | 157,763 |
| Other operating income | 18,896 | 18,851 | 9,141 | 9,226 | 10,524 | 15,315 | 8,920 | 7,969 | 6,833 | 37,946 |
| Total income | 368,479 | 374,177 | 332,897 | 277,948 | 259,678 | 234,770 | 219,653 | 197,172 | 173,753 | 195,709 |
| Staff expenses | (31,296) | (32,207) | (30,134) | (28,703) | (27,662) | (27,015) | (24,993) | (23,623) | (21,395) | (18,374) |
| Depreciation and amortisation | (41,499) | (45,090) | (44,010) | (34,569) | (32,269) | (26,951) | (24,825) | (21,904) | (20,096) | (18,425) |
| Other operating expenses | (44,564) | (50,490) | (53,180) | (51,865) | (51,050) | (50,434) | (47,915) | (60,552) | (36,920) | (38,495) |
| Total operating expenses | (117,359) | (127,787) | (127,324) | (115,137) | (110,981) | (104,400) | (97,733) | (106,079) | (78,411) | (75,294) |
| Profit from operations | 251,120 | 246,390 | 205,573 | 162,811 | 148,697 | 130,370 | 121,920 | 91,093 | 95,342 | 120,415 |
| Net finance income | 25,613 | 31,796 | 32,648 | 46,620 | 42,552 | 27,494 | 28,248 | 45,231 | 46,901 | (1,997) |
| Profit before taxation | 276,733 | 278,186 | 238,221 | 209,431 | 191,249 | 157,864 | 150,168 | 136,324 | 142,243 | 118,418 |
| Income tax expense | (52,594) | (76,866) | (66,667) | (63,384) | (55,919) | (62,819) | (12,854) | (17,283) | (17,069) | (11,473) |
| Profit for the year | 224,139 | 201,320 | 171,554 | 146,047 | 135,330 | 95,045 | 137,314 | 119,041 | 125,174 | 106,945 |
| Other comprehensive income | | | | | | | | | | |
| Item that will not be reclassified to profit or loss | | | | | | | | | | |
| Actuarial gain/(loss) on defined benefit plans | (1,753) | (716) | (22) | (119) | 385 | 516 | 170 | (16) | - | - |
| Related tax | 421 | 200 | 7 | 33 | (108) | (142) | - | - | - | - |
| Total other comprehensive income for the year | (1,332) | (516) | (15) | (86) | 277 | 374 | 170 | (16) | - | - |
| Total comprehensive income for the year | 222,807 | 200,804 | 171,539 | 145,960 | 135,607 | 95,419 | 137,484 | 119,025 | 125,174 | 106,945 |
| Basic earnings per share (Rs.) | 14.04 | 12.61 | 10.74 | 9.15 | 8.47 | 5.95 | 8.60 | 7.45 | 7.84 | 6.70 |

Company

| 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|------------------|-----------|-----------|-----------|-----------|----------|----------|----------|----------|----------|
| 350,660 | 356,460 | 324,921 | 269,877 | 250,299 | 220,591 | 211,876 | 190,340 | 167,967 | 158,771 |
| 9,356 | 11,416 | 2,084 | 1,623 | 2,269 | 7,366 | 142 | 61 | 21 | 31,066 |
| 360,016 | 367,876 | 327,005 | 271,500 | 252,568 | 227,957 | 212,018 | 190,401 | 167,988 | 189,837 |
| (25,302) | (27,404) | (26,286) | (26,098) | (23,574) | (22,625) | (21,023) | (44,802) | (17,407) | (15,298) |
| (41,119) | (44,575) | (43,341) | (33,807) | (31,226) | (26,131) | (23,766) | (19,275) | (19,045) | (17,486) |
| (42,954) | (49,482) | (52,481) | (49,884) | (50,059) | (48,887) | (46,342) | (20,988) | (36,031) | -37,494 |
| (109,375) | (121,461) | (122,108) | (109,789) | (104,859) | (97,643) | (91,131) | (85,065) | (72,483) | (70,278) |
| 250,641 | 246,415 | 204,897 | 161,711 | 147,709 | 130,314 | 120,887 | 105,336 | 95,505 | 119,559 |
| 24,664 | 30,657 | 31,477 | 45,723 | 41,902 | 27,088 | 27,960 | 44,802 | 46,443 | (1,987) |
| 275,305 | 277,072 | 236,374 | 207,434 | 189,611 | 157,402 | 148,847 | 150,138 | 141,948 | 117,572 |
| (52,095) | (76,431) | (65,951) | (62,835) | (55,572) | (62,564) | (12,439) | (17,234) | (16,998) | (11,486) |
| 223,210 | 200,641 | 170,423 | 144,599 | 134,039 | 94,838 | 136,408 | 132,904 | 124,950 | 106,086 |
| (1,283) | (710) | 5 | (65) | 292 | 508 | 13 | - | - | - |
| 309 | 199 | (1) | 18 | (82) | (142) | - | - | - | - |
| (974) | (511) | 4 | (47) | 210 | 366 | 13 | - | - | - |
| 222,236 | 200,130 | 170,427 | 144,552 | 134,249 | 95,204 | 136,421 | 132,904 | 124,950 | 106,086 |
| 13,98 | 12.56 | 10.67 | 9.05 | 8.39 | 5.94 | 8.54 | 7.45 | 7.82 | 6.64 |

GRI INDEX

| GRI Standard | Disclosure | Reference |
|---|--|-------------------------------------|
| GRI 102 : General Disclosures 2016 | | |
| | 102-1 Name of organisation | Who We Are |
| | 102-2 Activities, brands, products and services | Who We Are |
| | 102-3 Location of headquarters | Corporate Information |
| | 102-4 Location of operations | Corporate Information |
| | 102-5 Ownership and legal form | Corporate Information |
| | 102-6 Markets served | Social and Relationship Capital |
| | 102-7 Scale of the organisation | Who We Are |
| | 102-8 Information on employees and other workers | Human Capital Report |
| | 102-9 Supply chain | Social and Relationship Capital |
| | 102-10 Significant changes to the organisation and supply chain | Social and Relationship Capital |
| | 102-11 Precautionary principle or approach | About This Report |
| | 102-12 External initiatives | CEO's Review |
| | 102-13 Membership of associations | Corporate Information |
| | 102-14 Statement from senior decision maker | Chairman's Message and CEO's Review |
| | 102-15 Key impacts risks and opportunities | CEO's Review |
| | 102-16 Values, principles, norms and standards of behavior | Corporate Governance |
| | 102-18 Governance structure | Corporate Governance |
| | 102-19 Delegating authority | Corporate Governance |
| | 102-22 Composition of the highest governance body and its committees | Board of Directors |
| | 102-23 Chair of highest governance body | Board of Directors |
| | 102-24 Nominating and selecting the highest governance body | Corporate Governance |
| | 102-35 Remuneration policies | Corporate Governance |
| | 102-36 Process of determining remuneration | Corporate Governance |
| | 102-40 List of stakeholder groups | Stakeholder Engagement |
| | 102-41 Collective bargaining agreements | N/A |
| | 102-42 Identifying and selecting stakeholders | Stakeholder Engagement |
| | 102-43 Approach to stakeholder engagement | Stakeholder Engagement |
| | 102-44 Key topics and concerns raised | Stakeholder Engagement |
| | 102-45 Entities included in the consolidated financial statements | Financial Capital |
| | 102-46 Defining report content and topic boundary | About This Report |
| | 102-47 List of material topics | Materiality |

| GRI Standard | Disclosure | Reference |
|---|--|---------------------------------|
| | 102-48 Restatement of information | About This Report |
| | 102-49 Changes in reporting | About This Report |
| | 102-50 Reporting period | About This Report |
| | 102-51 Date of most recent report | About This Report |
| | 102-52 Reporting cycle | About This Report |
| | 102-53 Contact point for questions regarding Report | About This Report |
| | 102-54 Claims of reporting in accordance with GRI Standards | About This Report |
| | 102-54 Claims of reporting in accordance with GRI Standards | About This Report |
| | 102-55 GRI context index | GRI Index |
| | 102-56 External assurance | About This Report |
| GRI 103: Management Approach 2016 | 103-1 Explanation of material topics and its boundaries | Materiality |
| | 103-2 The Management approach and its components | Materiality |
| | 103-2 Evaluation of the management approach | Social and Relationship Capital |
| GRI 201 : Economic Performance 2016 | 201-1 Direct economic value generated and distributed | Economic Value Created |
| | 201-3 Defined benefit plan obligations and other retirement plans | Human Capital |
| GRI 203 : Indirect Economic Impacts 2016 | 203-1 Infrastructure investments and services supported | Manufactured Capital |
| | 203-2 Significant indirect economic impacts | Operating Environment |
| GRI 204 : Procurement Practices 2016 | 204-1 Proportion of spending on local suppliers | Social and Relationship Capital |
| GRI 302 : Energy Consumption 2016 | 302-1 Energy consumption within the organization | Natural Capital |
| GRI 306 Effluents and Waste 2016 | 306-2 Waste by type and disposal method | Natural Capital |
| GRI 307: Environmental Compliance | 307-1 Non-compliance with environmental laws and regulations | Natural Capital |
| GRI 401: Employment 2016 | 401-1 New employee hires and turnover | Human Capital |
| | 401-3 Parental leave | Human Capital |
| GRI 403: Occupational Health and Safety | 403-1 Occupational health and safety management system | Human Capital |
| GRI 404 : Training and Education 2016 | 404-2 Programs for upgrading employee skills and transition assistance programs | Human Capital |
| GRI 405 : Diversity and Equal Opportunity 2016 | 405-1 Diversity of governance bodies and employees | Human Capital |
| GRI 406 : Non-Discrimination 2016 | 406-1 Incidents of discrimination and corrective actions taken | N/A |
| GRI 413 : Local Communities 2016 | 413-1 Operations with local community engagement, impact assessments, and development programs | Social and Relationship Capital |

GLOSSARY

Accounting Policies

Specific principles, bases and procedures adopted by an organization in preparation and presentation of financial statements

Accrual Basis

Recognizing the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalent.

Amortized Cost

Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or uncollectability.

Asset Turnover

Revenue divided by average total assets

Cash Equivalents

Short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Contingent Liabilities

A condition or situation existing as at the date of the report due to past events, where the financial effect is not recognised because:

1. The obligation is crystallised by the occurrence or nonoccurrence of one or more future events or,
2. A probable outflow of economic resources is not expected or,
3. It is unable to be measured with sufficient reliability

Current Ratio

Current assets divided by current liabilities.

Corporate Governance

The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of the entity, the supervision of executive actions and accountability to owners and others

Differed Tax

Sum set aside in the Financial Statements for taxation that may become payable/recoverable in a financial year other than the current financial year (future periods).

Dividend Payout Ratio

Dividend paid as a percentage of Company profits, adjusted for non-cash gain items.

Earnings Per Share (EPS)

Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial Instrument

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity

Financial Assets Measured at Amortised Cost

A financial asset is measured at amortised cost if the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Group

A group is a parent and all its subsidiaries.

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount

Intangible Asset

An intangible asset is an identifiable non-monetary asset without a physical substance.

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity

Net Assets

Total assets minus current liabilities, long term liabilities and non-controlling interests.

Net Assets per Share

Net assets as at a particular financial year end, divided by the number of shares in issue, as at the current financial year end.

Parent

A parent is an entity which has one or more subsidiaries.

Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Return on Assets (ROA)

Profit after tax expressed as a percentage of the assets.

Return on Average Equity (ROE)

Attributable profits divided by average shareholders' funds.

Working Capital

Capital required to finance the day to day operations computed as the excess of current assets over current liabilities.

NOTICE OF AGM

Notice is hereby given that the **Twenty Ninth (29th)** Annual General Meeting of **Lanka Industrial Estates Limited (LINDEL)** will be held on **Friday, 27 August 2021 at 3.00 to 3.30 p.m.** at 73/5, Galle Road, Colombo 03 for the following purposes :-

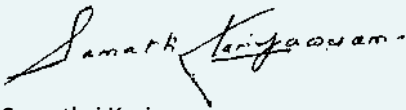
To confirm minutes of the Meeting of the Twenty Eighth (28th) Annual General Meeting held on, **Friday 18th September 2020**

- 1) To Receive and Adopt the Statement of Accounts for the Year Ended 31st March 2021 together with the Annual Report of the Directors on the Affairs of the Company and Auditors' Reports therein
- 2) To Elect Directors in Place of those Retiring
- 3) To Pass the ordinary resolution set out below to re-appoint Dr. R.M.K Ratnayake who is over 70 years of age, as a Director of the Company.

"IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 in the Companies Act No. 07 of 2007 shall not apply to Dr R M K Ratnayake who is over 70 years of age and that he be and is hereby re-appointed a Director of the Company."

- 5) To Appoint an Auditor and Fix Remuneration for the year ending 31st March 2022
- 6) To Declare a Dividend for the year ending 31st March 2021 as recommended by Directors

By Order of the Board



Samathri Kariyawasam
Company Secretary

26 July 2021

FORM OF PROXY

LANKA INDUSTRIAL ESTATES LIMITED

I/We,ofas member/members of LANKA INDUSTRIAL ESTATES LIMITED hereby appointof as my/our proxy to vote and/or speak for me/us and on my/our behalf at the Twenty Ninth Annual General Meeting of the Company to be held on Friday, 27th August 2021 and at any adjournment thereof.

Signed this day of 2021

.....
Signature

- (1) A proxy need not be a member of the Company.
- (2) In order to be valid this form of proxy must be deposited at the registered office of the Company at LINDEL Office, LINDEL Industrial Estate, Pattiwila Road, Sapugaskanda, Makola not later than forty eight hours prior to the time appointed for holding the meeting.
- (3) In the case of a corporate shareholder the proxy must be executed under it's Common Seal or by it's authorized attorney.

Corporate Information

Name of the Company

Lanka Industrial Estates Limited

Legal Form

Public Company (Unlisted)

Company Registration Number

PB 1730

Vat Registration Number

134003278-7000

Registered Office

73/5,DFCC Building,Galle Road,
Colombo 03.

Head Office

Lindel Industrial Estate, Pattiwila Road, Sapugaskanda, Makola

Parent Company

DFCC Bank PLC

Subsidiary

Lindel Industrial Laboratories Limited

Auditors

KPMG
Chartered Accountants

Bankers

DFCC Bank PLC

Commercial Bank of Ceylon PLC

Board of Directors

Mr. L. H. A. L Silva
Mr. T. W. De Silva
Mr. A. D Tudawe
Dr. R. M. K Ratnayake
Dr. A. Saarrankan
Mr. R. A. Dassanayake

Secretary

Ms. Samathri Kariyawasam

Corporate Memberships

National Chamber of Commerce
International Chamber of Commerce

Telephone

(+94)11-2400318

Facsimile

(+94)11-2400321

Website

www.lindel.biz

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