LANKA INDUSTRIAL ESTATES LTD

ANNUAL REPORT 2019/20

DEVELOPING POSSIBILITIES

DEVELOPING POSSIBILITIES

Moving ahead with steadfast performance levels we have been successful in creating a platform for new possibilities. With ambitious plans set for expansion we are confident that we will be able to drive the nation's development through our infrastructure.

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.

OUR PARENT

DFCC Bank PLC

Incorporated in 1955 under an Act of Parliament as Sri Lanka's pioneer development bank, DFCC Bank PLC was one of the first development banks to be setup in Asia and following the acquisition and subsequent amalgamation with DFCC Vardhana Bank it is now a fully-fledged commercial bank.

In 1956, DFCC Bank became the first bank to be listed on the Colombo Brokers' Association, the precursor to the Colombo Stock Exchange, and has been a listed company ever since.

As the first development bank in the Nation, DFCC Bank has been the financier behind trailblazing Sri Lankan entrepreneurs, particularly during their early stages. The Bank continues to be the preferred lender of choice for "Green" development projects including waste-to-energy, hydro, wind, and solar energy projects, in addition to other large start-up projects.

Honed over the course of six decades, the expertise of the Bank's project lending teams is unmatched in the industry. Today, DFCC Bank is at the forefront of pioneering digitally-enabled products and services, offering customers unmatched values and benefits.

Through subsidiaries; DFCC Consulting, Lanka Industrial Estates, Synapsys, and joint venture Acuity Partners, the DFCC Group offers a host of financial solutions that include investment banking, wealth management, information technology, industrial estate management, and consultancy.

DFCC Bank is rated A+ (lka) stable by Fitch Ratings Lanka Limited.

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 through DFCC MySpace, the self-banking solution and digital service delivery space. Through the adoption of the latest technology, the Bank also offers a range of alternate delivery channels, and continues to expand its branch network.

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.

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"LINDEL IS COMMITTED TO UPHOLD THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE BY COMPLYING WITH ALL APPLICABLE REGULATIONS, REGULATORY DIRECTIVES AND INDUSTRY BEST PRACTICES IN ALL ASPECTS OF OUR BUSINESS OPERATIONS."

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CEO's REVIEW

"EVEN IN THE MIDST OF TURBULENT ECONOMIC CONDITIONS,LINDEL MANAGED TO PUNCH ABOVE ITS WEIGHT WITH A RECORD BREAKING PERFORMANCE IN THE HISTORY OF THE COMPANY"

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ABOUT US

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 with excellent infrastructure facilities within an enclave that protects both the industry and the environment.

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

2008
LILL's profit after tax surpassed Rs. 1 Mn for the first time.

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

ABOUT THIS REPORT

The Report

This is the first 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 2019/20. 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 2019 to 31st March 2020 which represents the annual reporting cycle. 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 our financial, environmental and social performance, our governance framework and how we manage 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.

Compliance

The Financial Statements of LINDEL has 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.

For governance-related matters, where applicable, we 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

Queries

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

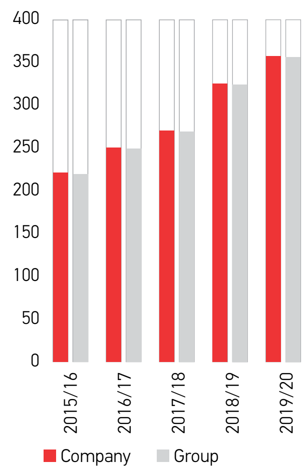
Financial Controller
Lanka Industrial Estates Limited
Pattiwila Road, Sapugaskanda, Makola
e-mail: hof@itmin.net
Tel: +94 11 2400318

FINANCIAL HIGHLIGHTS

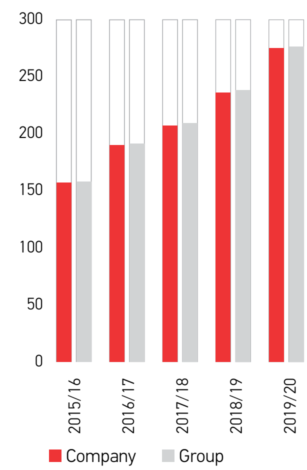
	Group			Company		
As at	**31-Mar-20**	31-Mar-19	Change %	**31-Mar-20**	31-Mar-19	Change %
Financial Performance						
Revenue (Rs.'000)	**355,326**	323,756	9.7	**356,460**	324,921	9.7
Other operating income (Rs.'000)	**18,851**	9,141	106.2	**11,416**	2,084	447.8
Profit before tax (Rs.'000)	**278,186**	238,221	16.7	**277,072**	236,374	17.2
Income tax expense (Rs.'000)	**(76,866)**	(66,667)	15.3	**(76,431)**	(65,951)	15.8
Profit after tax (Rs.'000)	**201,320**	171,554	17.3	**200,641**	170,423	17.7
Financial Position Highlights						
Stated capital (Rs.'000)	**159,692**	159,692	-	**159,692**	159,692	-
Issued shares	**15,969**	15,969	-	**15,969**	15,969	-
Reserves and retained earnings (Rs.'000)	**483,379**	450,252	7.3	**476,395**	443,943	7.3
Current liabilities (Rs.'000)	**154,407**	168,900	(8.5)	**153,680**	167,899	(8.4)
Total liabilities (Rs.'000)	**277,339**	270,389	2.5	**276,143**	268,881	2.7
Current assets (Rs.'000)	**402,290**	320,284	25.6	**387,573**	306,417	26.4
Total assets (Rs.'000)	**920,410**	880,333	4.5	**912,230**	872,516	4.5
Financial Ratios						
Earnings per share (Rs.)	**12,61**	10.74	17.7	**12.56**	10.67	17.7
Dividend per share (Rs.)	**-**	-	-	**10.50***	10.00	5.0
Net profit margin (%)	**56.66**	52.99	6.9	**56.13**	52.45	7.0
Return on shareholder funds (%)	**31.31**	28.13	11.3	**31.54**	28.23	11.7
Return on assets (%)	**21.87**	19.83	10.2	**21.99**	19.53	12.6
Net assets per share (Rs.)	**40.27**	38.20	5.4	**39.83**	37.80	5.3
Total asset turnover (Times)	**0.39**	0.37	4.9	**0.39**	0.37	4.9
Current ratio (Times)	**2.61**	1.90	37	**2.52**	1.83	37.7
Dividend payout ratio (%)	**-**	-	-	**83.60**	93.72	(6.2)

* Proposed Dividend

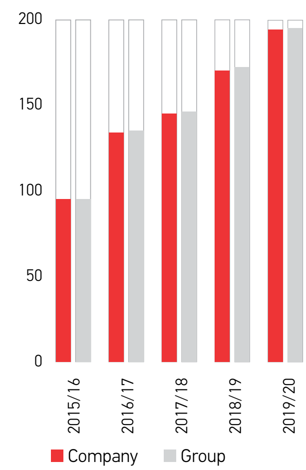
Total Revenue **(Rs.Mn)**



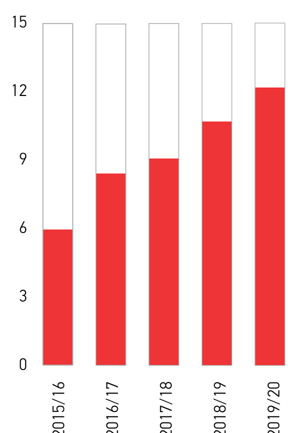
Profit Before Tax **(Rs.Mn)**



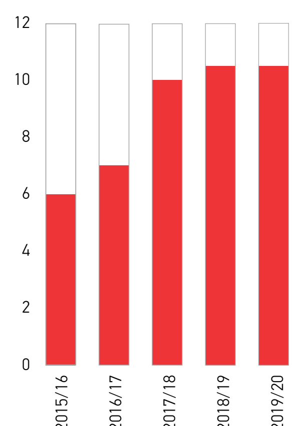
Profit After Tax **(Rs.Mn)**



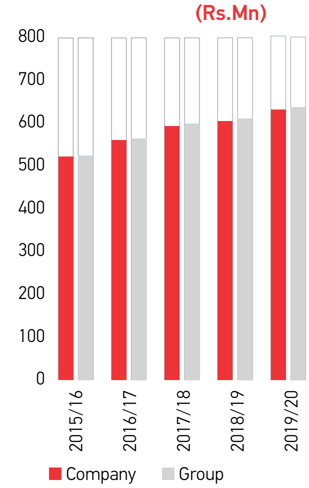
Earnings per share **(Rs.)**



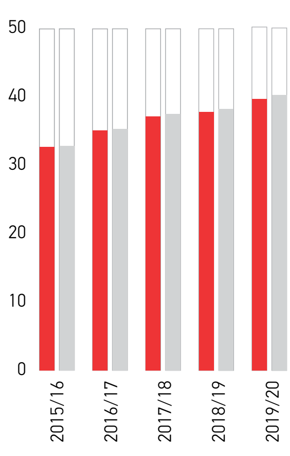
Dividend per share **(Rs.)**



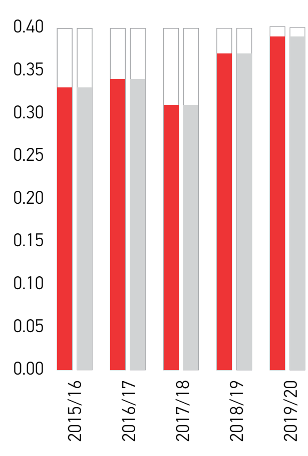
Total Shareholder Funds **(Rs.Mn)**



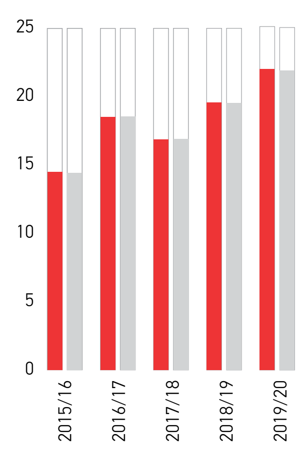
Net Assets per Share **(Rs.)**



Total Asset Turnover **(Times)**

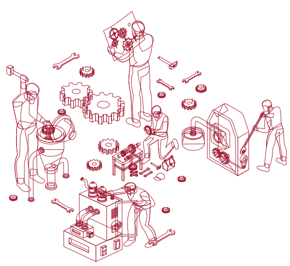


Return on Assets **(Times)**



OPERATIONAL HIGHLIGHTS

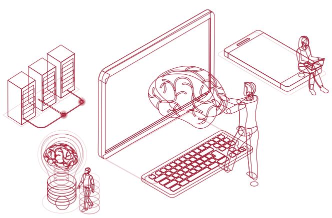
Manufactured Capital



40,000

Sq.Ft Warehouses added to Investment Properties

Intellectual Capital



Reaffirmation of ISO 17025 for Lindel Industrial Laboratories Limited

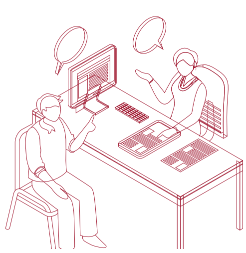
75% of Employees with over 10 years of experience

Natural Capital

Two fully fledged

Solar Systems

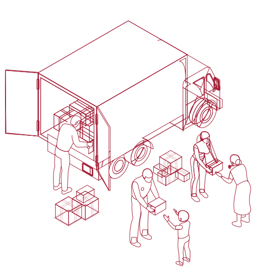
Human Capital



Employee Retention Ratio of **100%**

Investment in Employees **Rs. 27 Mn**

Social and Relationship Capital



4 New Lease Agreements during the year

Service Level Satisfaction Ratio **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 2019/20 and welcome you to the twenty eighth 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

According to the World Bank Economic Outlook, the global economy grew 2.3% in 2019, a significant drop from 2018. This was a result of protracted trade disputes and slowdown in domestic investment. Further rising trade and geopolitical tensions have increased uncertainty about the future of the global trading system and international cooperation, severely affecting business confidence, investment decisions, and global trade. The global business environment remains precarious according to the recent IMF reviews.

The year 2019 was a turbulent year for Sri Lanka marked by a multitude of challenges which had a direct impact on the nation's economic performance. The financial year commenced with the Easter Sunday attacks followed by internal instability which curtailed consumption level and dampened capital investment and investor confidence. With several other challenging factors emerging during the first half of the year, the last quarter of the financial year was further affected by the COVID-19 outbreak and the consequent lockdown. Given the severity of these negative headwinds, Sri Lanka's growth rate declined by 1% over the last year to 2.3% which signifies a record low in the last 18 years.

The tourism sector was severely affected due to these events. These externalities also had an impact on the agriculture sector which was further compounded by the unfavourable weather conditions that prevailed. Interest rates continued to decline during the year, while the CCPI inflation rate was recorded at 4.8%.

Financial Performance

I am pleased to report that LINDEL performed well by delivering an impressive performance during the year, recording the highest ever revenue and profitability levels

" I AM PLEASED TO REPORT THAT LINDEL PERFORMED WELL BY DELIVERING AN IMPRESSIVE PERFORMANCE DURING THE YEAR, RECORDING THE HIGHEST EVER REVENUE AND PROFITABILITY LEVELS SINCE ITS INCEPTION."

"LINDEL IS COMMITTED TO UPHOLD THE HIGHEST STANDARDS OF CORPORATE GOVERNANCE BY COMPLYING WITH ALL APPLICABLE REGULATIONS, REGULATORY DIRECTIVES AND INDUSTRY BEST PRACTICES IN ALL ASPECTS OF OUR BUSINESS OPERATIONS."

9.7%

YOY Revenue Growth

17.7%

YOY Profit After Tax Growth

since its inception. It is commendable that the Company recorded a profit after tax of Rs. 200.6 Mn for the financial year ended 2018/19 reaching this mark for the first time. The Company's revenue increased to Rs. 356.4 Mn representing a growth of 9.7% compared to the previous financial year. Consolidated revenue showed a growth of 9.7% at Rs. 355.3 Mn compared to Rs. 323.7 Mn achieved in the last financial year. Group profit after tax also surpassed the Rs. 200 Mn milestone.

Corporate Governance

LINDEL is committed to uphold the highest standards of corporate governance by complying with all applicable regulations, regulatory directives and industry best practices in all aspects of our business operations. We strictly adhere to all the guidelines issued by the governing institutions of Sri Lanka. Our commitment to corporate stewardship and best practices has further strengthened our strategic, operational and compliance of risk management capabilities.

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

In the coming years, LINDEL will focus on expanding its portfolio of properties. The Company will look to acquire sites at locations conducive for industrial development.

However, infrastructure management and market expansion will be affected in the short to medium term in the post COVID-19 era which will be marked by greater uncertainty and volatility in the business environment. Nonetheless, we are confident that given our successful business model, we could navigate these challenges to achieve sustainable progress.

To achieve its strategy LINDEL is actively engaged with Government agencies and private investors. We are confident that these ongoing discussions will materialize into viable partnerships during the coming years.

Appreciation

I wish to conclude this message by thanking our staff for their determination, commitment and hard work which has brought LINDEL to this level and enabled conclusion of a successful year. I must also thank our loyal customers for the trust they have placed in the Company and wish to assure our commitment to provide them with exceptional service. I thank the Treasury, Government agencies and other authorities for the continuous cooperation and assistance extended over the years. I extend my heartfelt appreciation to my colleagues on the Board for steering and guiding the Company on the right path. I also thank all of you, our valued shareholders for the continued trust placed in us.

Lakshman Silva
Chairman

31st July 2020

CEO'S REVIEW

The year under review has been far more challenging due to many external factors such as the Easter sunday attack and disruptions during the latter part of the financial year caused by the COVID-19 pandemic. These events had varying levels of impact on the performance of the group during the year.

Financial Performance

Even in the midst of turbulent economic conditions, LINDEL managed to punch above its weight with a record-breaking performance in the history of the company. LINDEL group recorded a revenue of Rs. 355.3 Mn for the year ended March 31, 2020, registering a YoY revenue growth of 9.7%. The Group delivered a profit before tax of Rs. 278.1 Mn during the financial year and a profit after tax of Rs. 201.3 Mn. This is the highest profit after tax ever achieved by the group.

LINDEL's revenue stood at Rs. 356.4 Mn during the year showing a growth of 9.7%. Biggest contributors to the revenue were the lease and floor rentals from tenants, which were 82.1% of the total revenue. Lease rental income grew by 3.1% while floor rental income grew by 12.4% during the year supplemented by new tenants came on board. Other operating income, which mainly consists of interest income from investments, declined during the year as policy rates were dropped throughout the year. In addition to its revenue growth, LINDEL reduced its operational expenses by 1.2% as a company and managed to keep Group operational expenses static at Rs.127.7 Mn. LINDEL's profit before tax stood at Rs. 277.0 Mn, which was 17.2% higher than the previous financial year. Profit after tax grew by 17.7% compared to the previous year and stood at Rs. 200.6 Mn.

Performance of the Subsidiary

LINDEL's subsidiary, Lindel Industrial Laboratories Limited (LILL) operates as an Industrial Laboratory, was initially set up to monitor the quality of the potable water supply and the quality of effluents discharged by the factories operating in the Industrial estate. The Laboratory has now expanded its clientele to include several leading companies in a diversity of industrial activities. LILL is now capable of analysing of potable water, effluents, emissions, solid waste, fuel oils, fertilizers, soils and metal alloys. It has now expanded to microbiological and food testing facilities. The next phase is to expand its food testing services to include products such as tea, spices etc., for the local and export markets. Meanwhile, LILL has tied-up with a marketing partner to expand its footprint in the local market and initiate to expand its footprint in the region.

Despite the adverse economic conditions, LILL's performance showed an impressive trend during the year. However, in March 2020 due to the closure of the operations due to lockdown, LILL suffered a loss of revenue and thus resulting in a decline in profits. Accordingly, LILL's Revenue grew only by 3.2% to Rs. 9.8 Mn while profit before tax was Rs. 1.7 Mn, which was a drop of 33% and profit after tax was Rs. 1.2 Mn which was a drop of 30%.

Employee Development

We are committed to investing in our people through training and development opportunities to grow both professionally and personally.

Way Forward

While the economic situation is expected to be mixed both locally and globally, we remain cautiously optimistic about the prospects for growth in the commercial property sector for next year. LINDEL will continue to enhance the service level to its clients, thereby improving

"EVEN IN THE MIDST OF TURBULENT ECONOMIC CONDITIONS,LINDEL MANAGED TO PUNCH ABOVE ITS WEIGHT WITH A RECORD BREAKING PERFORMANCE IN THE HISTORY OF THE COMPANY"

their ability to develop and grow further. The company will focus on maintaining its high levels of productivity and efficiency while maximising the utilisation of its resources through innovative and streamlined workflows. We will also continue to foster a dynamic and adoptive culture that will provide for significant growth in the future.

The industrial estate in sapugaskanda is fully tenanted at present and therefore we are planning to set-up another industrial estate in a suitable location. In this regard, we will look for support from government agencies and if required to partner with suitable investors. This will support the growth of our business and provide opportunities to local and foreign investors. We expect that the new administration will facilitate the process of procuring a suitable site for development as our second industrial estate. We will also look at optimising the space and land utilisation in the industrial estate. Besides new industrial estates, LINDEL will also look to enhance its water sales business. In this context, we will explore the prospect of connecting the Biyagama export processing zone to our water treatment plant. With regard to LILL, the company has planned to market its existing business to foreign customers. It will also expand its services by providing testing of new parameters.

RS. 355.3 Mn

Group Revenue

RS. 201.3 Mn

Group Profit After Tax

Appreciation

I take this opportunity to thank all employees of the Group, for their passion and commitment towards delivering consistent results year-on-year. I also wish to express my sincere thanks to our Chairman and Board of Directors for their continuous support and invaluable advice at all times. Our loyal customers and suppliers have played a special role in our journey of success and I thank them for their steadfast support. Finally, I extend a special word of thanks to our shareholders for the trust and confidence placed in us.

B R C Cooray
Chief Executive Officer

31st July 2020

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, and the Chairman of Lanka Ventures Limited, LVL Energy Fund PLC, as well as Lanka Financial Services Bureau Limited. He is 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). Mr. Silva was recently appointed as a member of the Board of Sustainable Energy Authority by the Governor of the Central Bank of Sri Lanka to represent the development finance banks.

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. 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 involved in the Bank's Corporate Finance and Capital Markets businesses. 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 Bank's Corporate Banking business and subsequently was appointed as Head of Lending 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 presently is a Director of DFCC Consulting (Pvt) Ltd., Synapsys Ltd., Agrithmics (Pvt) Ltd. and Lindel Industrial Laboratories 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.

Mr. A D Tudawe

Mr. Amal Tudawe was appointed to the Board of Lanka Industrial Estates Limited in 1992. Mr. Tudawe is a Director and Engineer at Tudawe Brothers Ltd. and has worked as a Project Director for 30 years. He is the Head of the Mechanical and Electrical Engineering (M&E) division - one of the key Strategic Business Units of the Group.

He has 16 years of experience in Mechanical and Electrical Engineering in the UK, Sri Lanka and Australia. He is also the Head of the Maintenance and Engineering division, which comprises air conditioning, fire protection, electrical and building maintenance systems.

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

His qualifications include Bsc (Hons) Lond, MSc (ElecEng) Lond, MIEE (UK), CP Eng (Aust), MIE (Aust) and C Eng (UK).

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.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. 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 Affair's Authority.

He is also a Director of SANASA Campus and SANASA International Ltd.

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 27 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.

SENIOR MANAGEMENT TEAM

Mr. B R C Cooray – CEO

Mr. Rasika Cooray brings over 26 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 a member of the Certified Management Accountant (CMA), Australia, where he is an executive committee member of the local institute of CMA Australia.

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, Rasika 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 years of successful career 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 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

Operations Manager

Mr. Upul Senanayake started his professional career at National Water Supply and Drainage Board and joined LINDEL in 1999. As the Operations manager of LINDEL, Mr. Senanayake handles engineering related operational functions, infrastructure development and maintenance, project implementation and management, marketing of lands and buildings and other related corporate management functions.

Mr. Senanayke 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.

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 10 years of experience in Auditing , Financial Accounting ,Management Accounting and Taxation.

He 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 - LILL

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.

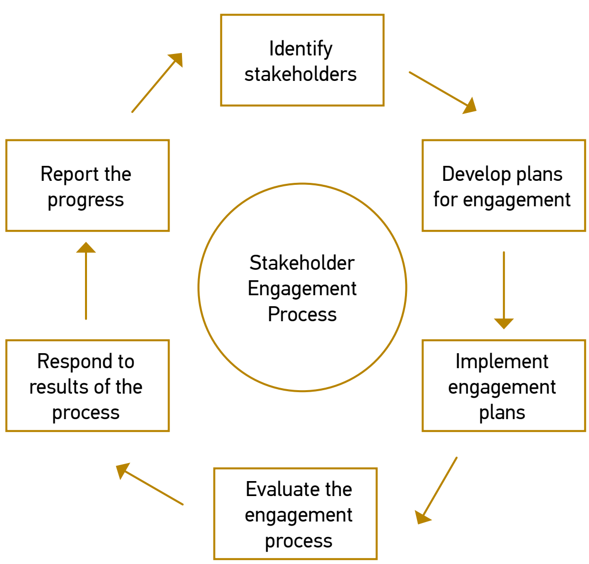
He holds a Bachelors degree in Chemistry from the College of Chemical Science (Ceylon) and post Graduate Diploma in Analytical Chemistry from the University of Colombo. He is the current Vice president of the Sri Lanka Association of Testing Laboratories (SLATL).

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 ability of 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 is 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 us to enable powerful business strategies and reach overall strategic goals during the year. Our 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.



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

Our Stakeholders

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

Stakeholder Engagement at LINDEL

Stakeholder	Engagement Methods	Stakeholder Interest	Management Approach
Shareholders	- Annual General Meeting - Company website	- Return on investment - Ethical corporate conduct and Good Governance - Risk Management	- LINDEL commits to fulfil shareholder concerns and maintains robust dividend policy. - Transparent disclosures
Customers	- One to one meetings - Company website - Customer satisfaction surveys	- After sales service - Continued access to facilities - Value for money	- Enhanced customer service - Fair and reasonable pricing - Improved Customer complaint handling procedure
Suppliers	- Meetings - Written communications	- Prompt settlement of payments	- LINDEL ensures payment to suppliers on or before due dates
Employees	- Regular meetings - Written communications - Training programmes	- Skill development and career progression - Job security - Health and safety - Attractive reward schemes	- LINDEL offers a range of financial and non financial benefits to employees - Continues training opportunities - Annual increments and bonuses
Government	- Meetings - Written communications	- Compliance with rules and regulations - Payment of taxes on due dates	- Continues monitoring of compliance with regulations - Internal controls to ensure timely payment of taxes
Community	- Meetings	- Minimized impact on environment - Job opportunities	- LINDEL's practices ensure the impact to the environment is minimal - Every new tenant creates more job opportunities for the surrounding community

OUR VALUE CREATION MODEL

Delivering our stakeholders value for their input is one of our main goals. We use our capitals in order to create value for our stakeholders. We strive to allocate our six capitals and other resources effectively and efficiently to assure that we continue to increase the value for all our stakeholders.

Our Inputs

Financial Capital
Total equity of Rs. 637 Mn
Net operating cash flow of Rs. 265 Mn

22 - 24

Manufactured Capital
Warehousing facilities of over 950,000 Sq ft
Water treatment plants
Buildings and other assets

25 - 27

Intellectual Capital
Knowledge , loyalty and skills of employees
Ethics and values
Backing of a strong parent company

28 - 30

Natural Capital
Over 100 acres of land
Renewable and non renewable energy consumption

31 - 32

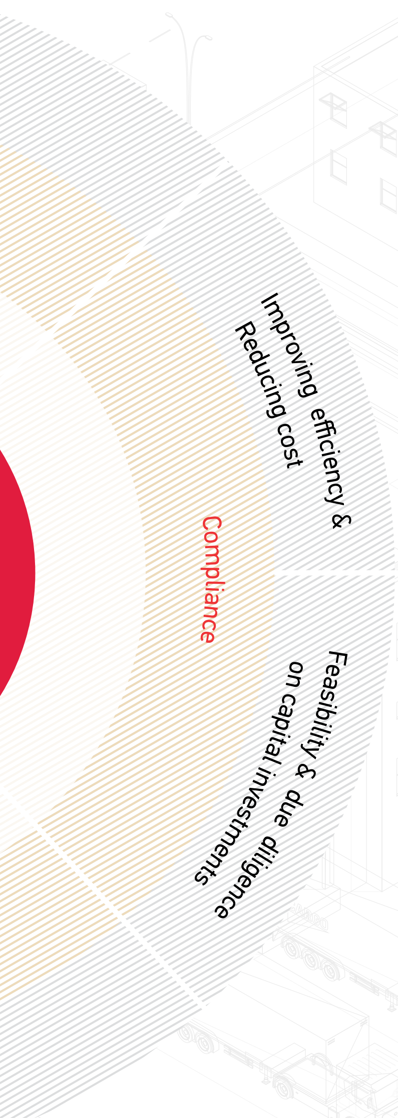
Human Capital
Long-serving employees
Engagement with employees
Continues training opportunities
Employee health and safety

33 - 36

Social and Relationship Capital
Customer and supplier engagement
Contribution to communities
Communication with shareholders

37 - 38

Value Creation Process



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
Settlement of supplier payments on time
Community development
Consistency in the supply chain

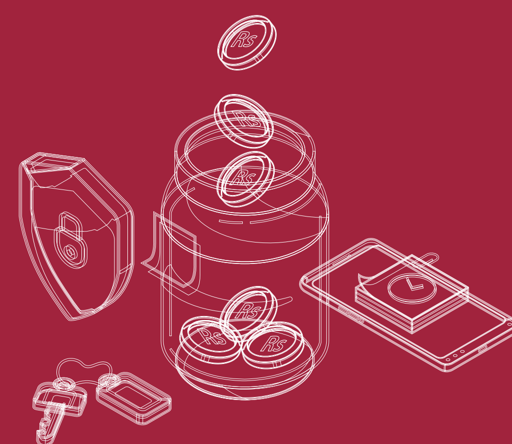
Value Delivered

Shareholders	- PAT growth - 17.7%
	Earnings per share - 12.56
	Dividend per share - Rs. 10.50
	Dividend paid – Rs. 167 Mn
Customers	- New warehouses of 40,000 Sq. Ft
Suppliers	- Payments to suppliers Rs. 80 Mn
Government	- Taxes paid Rs. 100 Mn
Employees	- Salaries and other payments made Rs. 27 Mn
Community	- Donations made Rs. 0.2 Mn

CAPITAL REPORTS

Financial Capital

This section explains how LINDEL has put Financial Capital to optimal use to create and deliver sustainable value to the stakeholders and how it has progressed in the process during the financial year.

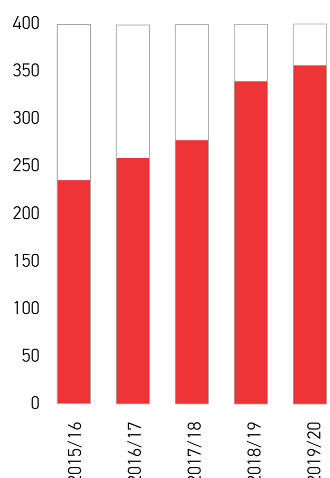


Following discussion and analysis should be read in conjunction with the Audited Consolidated Financial Statements of the Group and the Company for the period ended 31st March 2020.

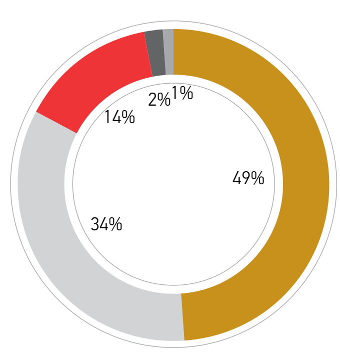
Revenue

During the financial year under review, LINDEL Group witnessed significant growth in its revenue, a 9.7% increase compared to the previous year. This revenue growth was supported by the increase in lease rentals and high occupancy levels throughout the year. LILL which is the sole subsidiary of LINDEL also witnessed impressive growth in its revenue by 26.2% prior to falling behind due to the impact of Covid-19 in the latter part of the year.

Revenue Growth **(Rs.Mn)**



Revenue Composition **(%)**



The Company's lease and floor rental income, the biggest contributors to the Company's revenue, increased by 7.3% cumulatively compared to the previous year. Income from water sales increased by 22.4% due to the high demand for potable water during prolonged drought where the Company expanded the operation by adding an extra line for pumping the water. The solar power project which was a significant investment of LINDEL commenced with two new connections to national electricity supply with the intention of giving back higher returns during the year. This resulted in staggering 140.3% increase in its solar power income.

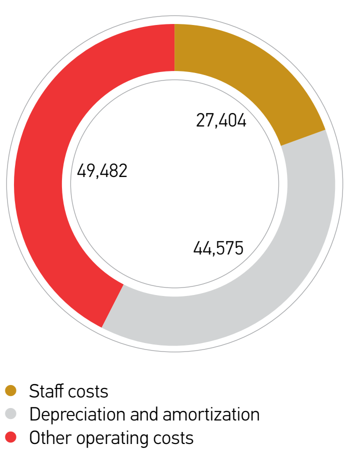
Other Operating Income

LINDEL Group's other operating income also observed a significant increase supported by the disposal of two vehicles during the year which resulted in a disposal profit of Rs. 9.5 Mn. Further, the laboratory arm of the Group performed exceptionally well during the year by growing its revenue to Rs. 9.8 Mn owing to the aggressive marketing campaign backed by management's vision to take the Lab operations to a new level. However, the interest income of the Group slightly decreased as a result of the drop in interest rates during the year.

Expenses

The Group's total expenses marginally decreased to Rs. 127.7 Mn during the year compared to last year as a result of the decrease in other operating expenses. However, the staff expenses were reduced compared to the previous year with the retirements of some members of the senior management. Group's effort to control and reduce the operational expenses including supply and services and repair maintenance costs resulted in reduced operational expenses. Our 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.

Overhead Cost **(Rs.'000)**



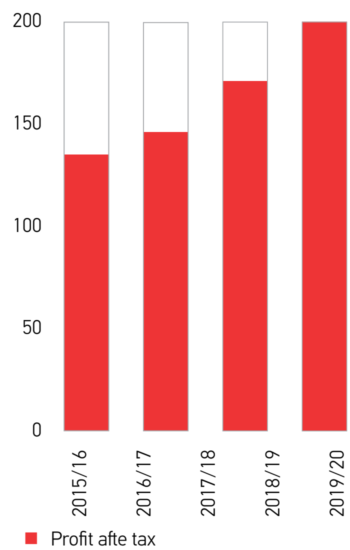
Operating Profit

The Group's operating profit grew by 20.0% amounting to Rs. 246.3 Mn for the twelve-month period ended 31st March 2020. This growth was supported by the revenue growth and the cost controlling measures carried out by the management. In a dynamic business environment, managing costs remains a challenge and hence the Company adopts a balanced approach on maintaining operational efficiency while catering to the growth of business prospects. Therefore, both the group and the company is mindful of carefully managing costs without sacrificing business expansion and opportunities.

Profit After Tax

The Group recorded a stellar Rs. 201.3 Mn profit for the year ended 31st March 2020. This is an impressive 17.3% increase in PAT compared to last year profit of Rs. 171.5 Mn. This is the highest profit ever achieved in the history of the Group. The Company's profit after tax stood at Rs. 200.6 Mn while LILL recorded a profit of Rs. 1.2 Mn.

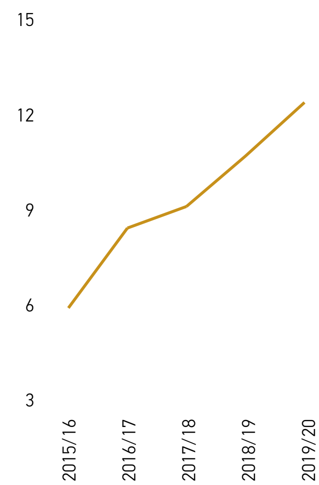
Profitability Trend **(Rs.Mn)**



Earnings Per Share

The Group's Earnings Per Share (EPS) for the twelve months period under review was Rs. 12.61 compared to Rs. 10.74 for the twelve months period in 2018/19. Earnings per share of the Company was Rs. 12.56 compared to Rs. 10.67 in year 2018/19.

Earnings Per Share Trend **(Rs.)**



Financial Position

Total Assets

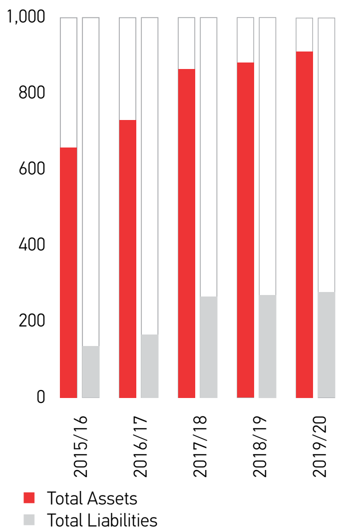
Total assets of the Group further strengthened by 4.5% to Rs. 920.4 Mn in 2019/20 compared to the year 2018/19 where Property, plant and equipment, and investment properties accounted for 56.1% of the total assets. The Group's total current assets grew by 25.6% during the year due to increase cash and cash equivalents from Rs. 271.1 Mn to Rs. 340.9 Mn.

Total Liabilities

Total liabilities of the Group represented 44.1% (37.4% in 2018/19) of long-term liabilities and 55.9% (62.6% in 2018/19) of current liabilities. Long-term liabilities of the Group have increased by Rs. 21.5 Mn to Rs. 122 Mn which was mainly attributed to the increase in long-term refundable deposits despite a decrease in provision for employee benefits and reversal in differed tax liability. The Group and the Company's current liabilities have decreased slightly compared to the previous year due to the decrease in short term deposits.

CAPITAL REPORTS

Total Assets and Total Liabilities **(Rs.Mn)**



Total Equity

Equity funded Group's assets amount to 69% and during the year equity attributed to shareholders increased by 5% amounting to Rs. 643 Mn driven by the increase in retained earnings.

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 declared a sum of Rs. 167.6 Mn from the profit of the year 2018/19 as dividends which amounted to Rs. 10.50 per share.

A solvency test was conducted as required under the Companies Act 07 of 2017 which was approved by the Auditors and the Board.

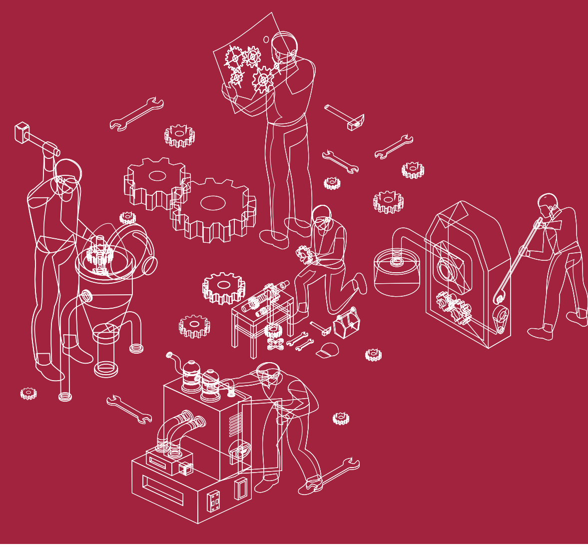
Cash Flow

As a result of the increase in operational activity during the year, net cash flow from operating activities increased by 23.7% to Rs. 206.7 Mn during the year. Net cash outflow from investing activities amounted to Rs. 30.4 Mn during the year reflecting disposal of motor vehicles. Net cash outflow from financing activities amounted to Rs. 167.6 Mn which reflected the dividend paid for the last financial year. Overall, the Group's cash and cash equivalent increased by Rs. 69.4 Mn during the year under review.

CAPITAL REPORTS

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 2019/2020

- Have in place 3 treatment facilities
- Building and warehouses
- Solar power project

Outcome

- Capacity to cater to the water requirement of all the clients
- 15 warehouses with a total capacity of 950,000 Sq. ft
- Increased utilisation of renewable energy within the premises

Challenges

- Difficulties in meeting deadlines owing to the prevailing situation of the country
- Finding correct suppliers and materials
- Increased prices of 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 our clientele's efficient and uninterrupted operations within the premises. Besides, these assets play a significant role in our success by directly contributing to the Company's operational efficiency thereby contributing towards our overall profitability.

Enhancing Manufactured Capital

During the year, the Group invested an amount of Rs. 7.2 Mn in strengthening its manufactured capital, of which 92.5% was directed towards enhancing the Group's investment properties. Since 2017 the Group has invested close to Rs. 325.6 Mn in upgrading its manufactured capital and these investments were funded exclusively through cash generated from our operations and retained earnings.

During the year, manufactured capital enhancements include,

- Upgrading the security fencing
- Electric post and wiring of transformers
- Building of fire line
- Cabling for 400KW solar net plus connection
- Repairing of roofs and roads
- Installation of automated gate barrier

CAPITAL REPORTS

Water Treatment Plant (WTP)

The Company's water treatment plant is one of our most significant assets as it is used to produce the water required for our entire clientele for their respective manufacturing and industrial requirements. Over the years, we have 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, we have set up a wastewater plant in our 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.

Solar Panels

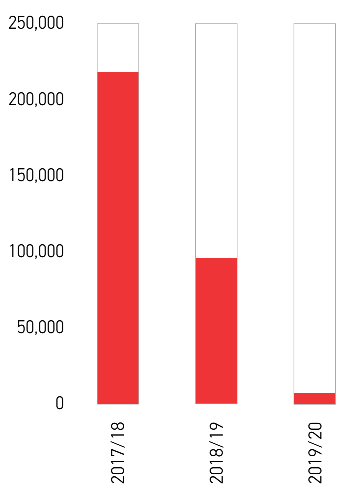
LINDEL's solar power initiative was one of the flagship projects of the Company, as it was the biggest initiative carried out towards increasing the utilisation of renewable energy within our premises. We currently have two connections; Net plus and Net metering which generate 45,000 kWh and 9000 kWh respectively. The solar panels which are connected to the CEB grid, provides an additional revenue for the Company.

Operation method: Collection of Spring Water → Pre-Settling Tank of WTP → Coagulation → Flocculation → Filtration → Disinfection → Storage → Distribution for Consumers

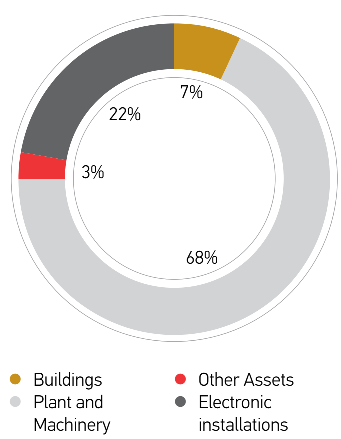
Warehouses

The Company possesses 15 warehouses with a total capacity of 950,000 Sq.ft. Of these, 95.2% of the warehouses are occupied by tenants until the end of the financial year. Our clients use these warehouses for various purposes including storage of fertilizer, spare parts, tyres and chemicals.

Capital Expenditure Trend (Rs.'000)



Net Book Value (%)

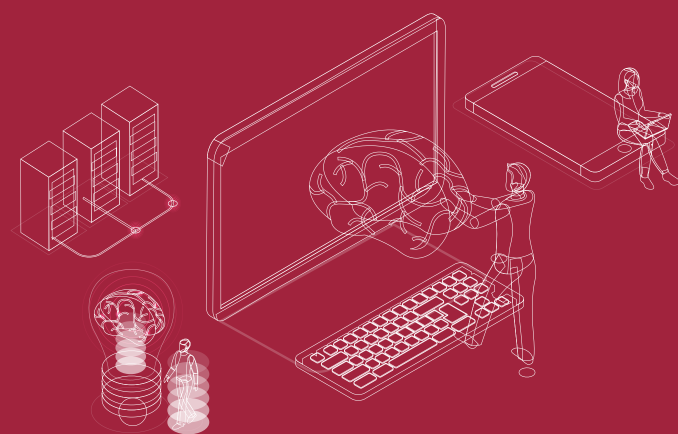


Plans for the Future

As we move on, we will continue to invest in enhancing the facilities that we provide to our clientele while also focusing on the full utilisation of the existing plants and machinery. We also look forward to increasing the capacity of our water treatment plants in the near term.

Intellectual Capital

Intellectual capital is the intangible value of a business that includes expertise of its people, the values of its relationships, and the organisational processes that determine the organisation's competitive advantage which ensures the Company's future earning potential.



Value creation activities during 2019/2020

- Offer training and development opportunities for employees
- Strengthening processes, systems & procedures
- Complying with industry standards

Outcome

- 10 trainings conducted for 15 employees
- Improved processes, systems & procedures
- Complied with 2 certifications

Challenges

- Retention of experienced employees
- Striking a balance between adopting to new technology and cost reduction

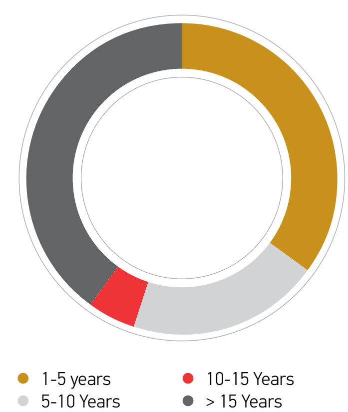
At LINDEL, our Intellectual Capital makes us a unique force backed by a strong parent company (DFCC Bank PLC) and the strength of Government shareholding. On the other hand, our competencies, innovation, and willingness to adopt to change have made us a strong contender in the Industry. We possess an 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 organizational knowledge that drives value creation for the stakeholders in the form of service excellence.

Knowledge and Skills

The capabilities of our highly skilled human resources are the backbone of our success and thus we continue to enhance individual knowledge, skills, experience, know-how through providing them exposure to various capacity development opportunities.

During the year, we carried out 10 training sessions targeting 15 employees in addition to being concentrated on acquiring the best skills and talent to our workforce. We 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 we have introduced over the years have allowed us to carry out our 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 we will continue to uphold these processes, systems and procedures while adjusting them to suit the changing customer requirements.

Certifications

We 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

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

We keep ethics and values at the forefront of our business decision making and in our operations, and emphasise integrity, fairness and respect in all our business undertakings. We are committed to serving all clients in the best possible manner where we give priority to ensuring their convenience over short term gains. We understand that our reputation and the value of our brand is impacted by the way we encounter our 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.

DFCC BANK
Keep Growing

Plans for the Future

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

Natural Capital

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 2019/2020

- "Give Back" project
- Wastewater management
- Solid waste management
- Paperless environment
- Energy management
- Water management
- Solar power project

Outcome

- 20 trees planted
- Have in place a wastewater management system
- Have in place a solid waste management system
- Utilising online tools to make transactions/payments
- Awareness building on water and energy consumption
- Continuous monitoring of water consumption
- Have two fully fledged solar systems

Challenges

- Increased water pollution levels
- Fluctuations of water levels

As a responsible business entity, we understand the impact of our business operations that could have on the eco system and hence we have been steadfast in adopting appropriate environmental practices to minimise the negative impact including formulation of policies for the same thereby wisely managing the environmental issues towards long-term sustainability and success of our business. We at LINDEL, have consistently maintained policies to optimize the usage of energy, water and other natural resources.

Give Back Project

For the first time, we initiated a tree planting project within the LINDEL premises at the beginning of 2020. The initiative which was called "Give Back Project" commenced on the first working day of the year 2020 where all employees planted trees. Each employee in the Group was given a tree to plant and given the responsibility of taking care of the plant for the rest of the year.

This first-time initiative that commenced with planting 20 trees was intended to make employees more engaged with the environment.

Wastewater Management

Being an industrial estate that caters to a clientele in different manufacturing and industrial sectors, we fully comprehend the responsibility that lies with us to eliminate wastewater in an environmentally friendly manner. To this end, LINDEL has established its own wastewater management system inside the industrial estate. We accept only the pre-treated wastewater from our tenants' premises through the pipe lines 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.

CAPITAL REPORTS

Solid Waste Disposal Management

An industrial estate disposes high amounts of industrial waste regularly in which solid waste comprises a considerable percentage. These waste may pose a potential hazard to human health and to the environment when they are improperly treated, stored, transported or disposed off 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, we have focused on reducing the paper usage in the Group and have continuously encouraged our customers to use online transfer methods to make payments while LINDEL employees were also encouraged to utilise online tools to make payments and other bank transactions. The payment of utility bills through online transactions have immensely contributed to this purpose and currently, we are in the process of converting the invoicing module to an e-module where we can use e-invoices instead of paper invoices in the near future.

Energy Management

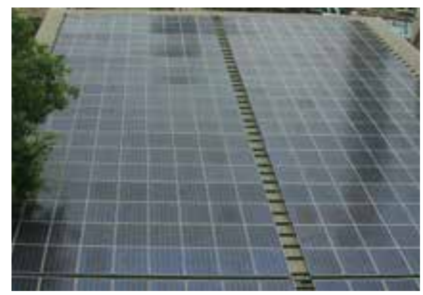
Prudent energy management is crucial for achieving improved energy efficiency. In this respect, LINDEL has taken several steps such as awareness building on energy management which has contributed greatly to reduce the electricity consumption at workplace. Our employees are constantly encouraged to use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

Water Consumption

Water is one of the most valuable resources for our 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.

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 two net plus solar systems have contributed 56 MWhrs per month and 680 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. We intend to expand the solar panel system to other areas of the industrial estate subject to the availability and completion of the other requirements.

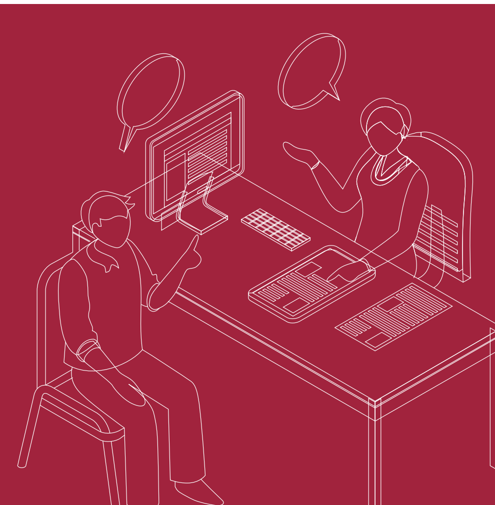


Plans for the Future

As a responsible corporate citizen, we aim to enhance the capacity of renewable energy usage in all areas of the Company in the future in order to reduce the environmental impact.

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, at LINDEL, we are dedicated to investing in the development of our 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 2019/2020

- Employee training and development opportunities
- Compensation and benefits
- Unbiased recruitment and retention strategies
- Encouraging work-life balance
- Robust grievance handing mechanism

Outcome

- 10 trainings covering 15 employees
- Increased benefits including medical and health insurance
- Long-standing loyal workforce with skills and knowledge
- Work-life balance initiatives (staff trip)

Challenges

- Retention of staff in our subsidiary, Lindel Industrial Laboratories Limited

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.

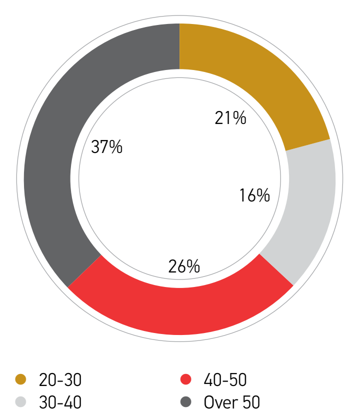
The Human Resource Policy focuses on developing a competent team who can make a significant impact on our business outcome. Industrial estate, solely being a service-oriented industry, we believe it is essential to build a skilled workforce with required competencies, capabilities, experience as well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

Employee Profile

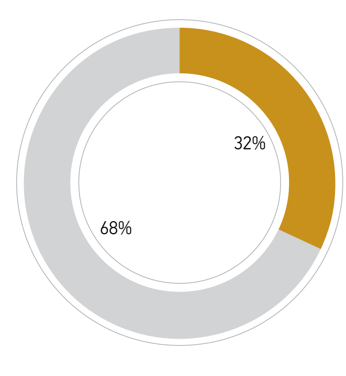
As a company which aspires to punch above the weight, LINDEL has accumulated a talented and a loyal group of employees over the years that has played a significant role in its success.

Currently, LINDEL has a total of 19 employees in its workforce that accounts for 6 Executive staff and 13 Non-Executive staff members.

Age Analysis of Employees (%)



Composition of Employees (%)



Recruitment Process

An effective recruitment and selection process ensures discovering quality candidates. As an industrial estate, a distinct industry segment, we are mindful of selecting a talent base that fits into the work environment of such nature. Hence, we have a well-planned formal recruitment process in place to identify and select the appropriate candidates for the relevant positions. Once selected, new recruits are once again subjected to Board approval. 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 three employees were recruited while another three employees retired from our workforce.

Employee Retention

We have been able to maintain an impressive record in employee retention and have in our ranks a high percentage of staff members with long years of service. Our ability to retain a large number of skilled and experienced staff members have consistently contributed to building our organisational knowledge that has been beneficial in increasing efficiency, better decision making, and nurturing innovative employees.

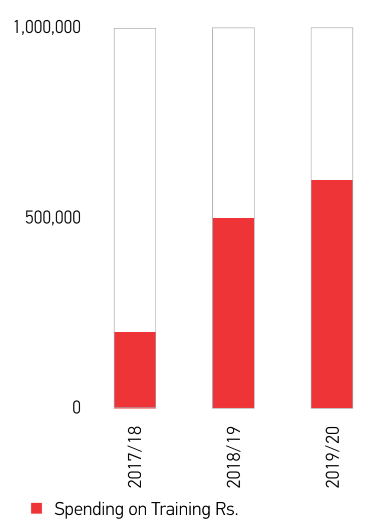
Capacity Development

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 our 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, we have been able to reap the benefit of our skilled and knowledgeable workforce, that has encouraged us to invest more on capacity enhancement. As a result, during the past three years our spending on capacity building increased significantly with expenditure on trainings amounting to Rs. 580,000 during the year under review.

We value and recognize everyone's contribution to the success of the Company despite the small size of our team. Hence, we have put in place a performance management system to identify training needs of our workforce along with a skill mapping process to identify their specialized skill requirements. During the year, 10 training sessions were carried out targeting fifteen employees.

Key Training Initiatives carried out during Year 2019/2020
Risk Management in conformity assessment services – Organized by Sri Lanka Accreditation Board (SLAB)
Introduction to air quality monitoring – Organized by Green Building Council of Sri Lanka
Tax implication on new Inland Revenue Act Amendments – Organized by KPMG Sri Lanka
Internal auditing of laboratory management systems - Organized by Sri Lanka Accreditation Board (SLAB)

Spending on Training (Rs.)



Diversity and Equal Opportunity

We are committed to promoting diversity and equal opportunity in the workplace in order to encourage an atmosphere where all staff embrace the benefits of working in a diverse community and to provide a framework for the 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 our 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, we have put in place a structured remunerations policy to ensure fair and competitive compensation for all our 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.

We provide an array of benefits to all our permanent employees including standard benefits, insurance, monetary donations, bonuses, and vehicle loans.

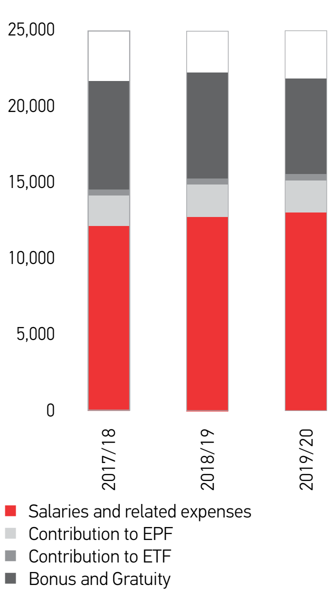
Standard Benefits
- Gratuity for employees with more than 5 years' service equals to half month salary for each year of service - Maternity leave of 84 working days - Company contribution of 15% to EPF from gross salary - Company contribution of 3% ETF from gross salary

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	2019/20 Rs.'000	2018/19 Rs.'000
Salaries and other related expenses	13,030	12,750
Employer's contribution to EPF	2,107	2,116
Employer's contribution to ETF	421	423
Staff bonus	5,381	5,710
Other staff cost	5,495	4,063
Gratuity	970	1,224

Staff Related Expenses



Commencement of work for 2020

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. Apart from that, 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, we have 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

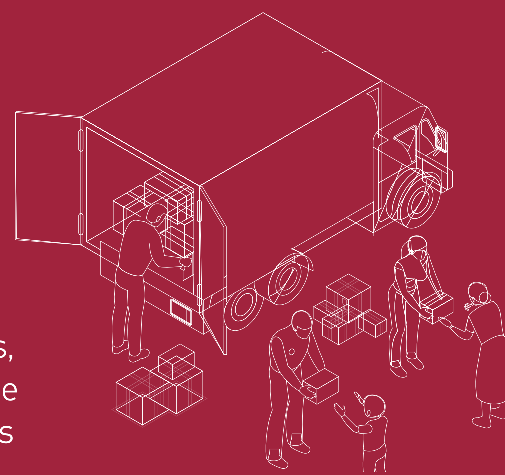
LINDEL's human resource practices fully comply with the Shop and Office Employees Act No. 15 of 1954 and other statutory requirements which are applicable to the Group.

Plans for the Future

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

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, at LINDEL, we continue to improve our 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 2019/2020

- Customer centric approach
- Customer satisfaction survey
- Customer complaint mechanism
- Community development activities
- Quality infrastructure and service

Outcome

- 95% customers satisfied with service levels
- Obtaining customer feedback
- Immediate corrective measures to customer complaints
- Job creation for neighbourhood community
- Monetary donations and road development
- Ensure consistent supply of utilities

Challenges

- Retaining customers due to the economic downturn
- Retaining the suppliers and having to bargain for better prices owing to Covid-19 situation

Customers | Suppliers

Social and Relationship Capital

Community

Customers

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

Steps in our 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.

We have consistently strived to gauge a better understanding of our customer requirements and their financial as well as social needs, thus delivering to fulfil those customer requirements in an effective and efficient manner. Our prompt response to customer complaints has enabled us to take necessary corrective actions on a timely manner by referring those complaints to the relevant department heads. Moving forward,

CAPITAL REPORTS

we will continue to improve relationships with our existing customers whilst actively venturing out to gain and secure new clients.

Currently, our 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

During the year under review, we successfully conducted a customer survey with our clients in order to gauge their satisfaction on the services provided by the us. According to the survey findings, over 95% of our producer clients are well satisfied with our service provision.

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

Currently, we work with over 15 suppliers with whom we have 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 we maintain relevant documentation of any new suppliers who come on board with us, we also uphold complete transparency in our 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

We strengthen our community relations through empowering the communities in which we operate. We are obligated to give back to the community of the surrounding areas in our industrial estate in several ways. A key contribution is the creation of job opportunities for the people living in the neighbourhood, in the 25 companies within LINDEL premises. Currently, of over 3500 employees who work for our tenants in the industrial estate, a significant proportion of the workforce is recruited from the local communities.

Furthermore, over the years we have initiated several projects and programmes on community development focusing on healthcare, sanitation, infrastructure development and education.

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

- Donation of chairs to Sapugaskanda police station
- Donation of thermometers to public health inspector of Sapugaskanda
- Development of roads in surrounding area
- Donation to the Old Boys Union of Bandaranayake College, Gampaha

Plans for the Future

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

Corporate governance report

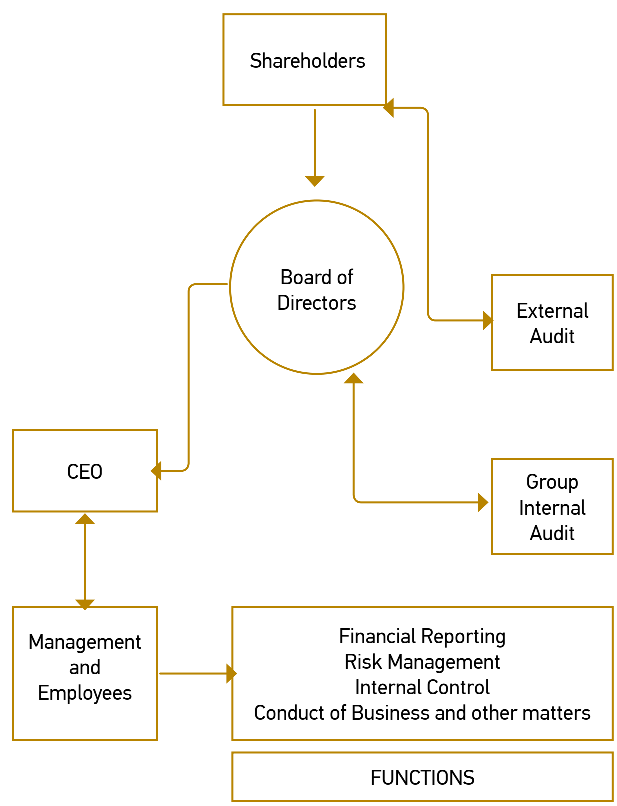
Corporate Governance

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 LINDEL 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 public company, LINDEL and its subsidiary has continued to apply high corporate governance standards aimed at assuring the Company's ongoing sustainability. The organisation'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 number 24 of 2017.

The Company has satisfied all requirements as per accepted labour 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

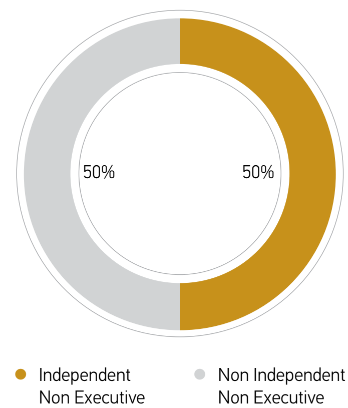
Board of Directors

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 shareholder interest.

Mr. L.H.A.L Silva	Non-Executive Chairman	Appointed on 09 August 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 (%)



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 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.

Board Meetings and Attendance

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 to a meeting to review Board papers. Information provided covers with 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	Attendance
Mr. L.H.A.L Silva	4/4
Mr. T.W De Silva	4/4
Dr. A. Saarrankan	2/4
Dr. R.M.K Ratnayake	4/4
Mr. R.A Dassanayake *	2/4
Mr. H.A Samarakoon **	1/4
Mr. A.Tudawe	3/4

*Mr. R.A Dassanayake was appointed to the Board on 26/09/2019

** Mr. H.A Samarakoon resigned from the Board on 30/06/2019

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 Lakshman 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 the relationship between the non-executive and executive directors. The role of the CEO Mr. Rasika 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.

Financial Acumen

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

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 a 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.

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 well-being. The Company fosters an open-door culture for its employees across all levels.

Major and Material Transactions

There is no materially significant related party transactions or relationships between the Company and the Directors, subsidiary companies or related parties except for those disclosed in the Financial Statements for the year ended 31st March 2020.

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	✓	N/A
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	N/A	N/A
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

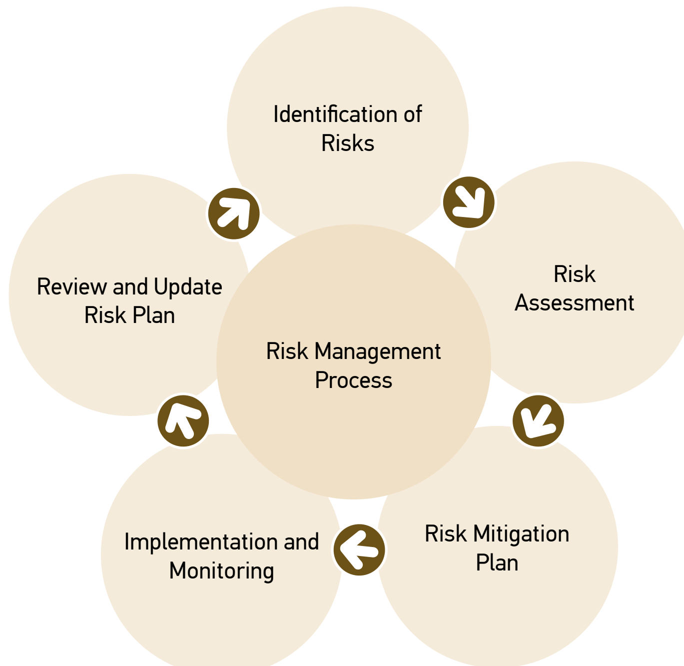
Voluntary Provisions

Rule	Requirement	Complied	Reference
(i)	Names of persons who were Directors of the Entity	✓	Board of Directors
(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	N/A	N/A
(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	N/A	N/A
(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	N/A	N/A
(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

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.



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 organization'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 create 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.

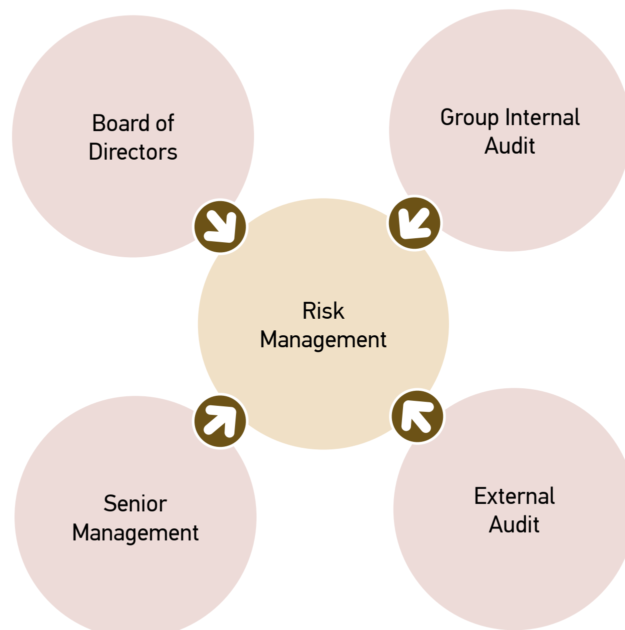
5. Review And Update Risk Plan

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	Risk Assessment	Impact	Mitigation Actions
Competitor risk	Moderate	Loss of new businesses due to competition and new entrants	- Improving service accessibility and expanding customer reach. - Increased marketing
Credit risk	Moderate	Debtors defaulting payments	- Continuous and close follow up with debtors - Impose of penal interest on late payments
Liquidity risk	Moderate	Inability to meet financial commitments	- Planned capital investments to ensure working capital requirements are met
Fraud risk	Low	Financial frauds due to inadequate internal controls	- Regular review of controls and changes are being made to the processes
Safety risk	Low	Risk for health and safety of staff, tenants and public	- Complying with all industrial safety standards

RISK MANAGEMENT REPORT

Risk	Risk Assessment	Impact	Mitigation Actions
Price risk	Moderate	Increase in raw material prices will result in higher costs	- Securing low prices through long term relationships with suppliers
Compliance risk	Low	Environmental and other applicable laws causing disruption to operations.	- Complying with all the laws applicable and closely monitor any deviations throughout the year
Human resources risk	Low	Loss of employees for better career aspects	- Continuous engagement and hosting social and welfare events. - Training and development.
Socioeconomic risk	Moderate	Political and economic policies may have an adverse impact on sales and new businesses	- Continuous review of prices and negotiations with clients to ensure minimal impact to the revenue
Reputation risk	Low	Negative impact on corporate image and brand which will ultimately lead to loss of business.	- Maintenance of highest ethical conduct in all business activities
Investment risk	Moderate	Failure of major investments to give expected returns	- Conduct feasibility studies and obtain Board approval for all the major investments.
Fire and natural disaster risk	Moderate	Fire or natural disasters can affect the company properties and assets	- Obtaining comprehensive insurance policies covering all assets

Financial Information

STATEMENT OF DIRECTOR'S 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 2020 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,

Samath Kariyawasam

Samathri Kariyawasam
Company Secretary

31st July 2020

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 2020. 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 and Mission

Company's vision and mission 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 2020 and future business developments of the Company and the Group, are provided in the Chairman's Review, CEO's review and Management Discussion and Analysis of Operations .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 52 to 86 and the Auditor's Report on the Financial Statements is provided on page 51 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 2020.

Financial Results

The Company recorded a Profit After Tax of Rs. 200 Mn for the year (2018/19 - Rs. 170 Mn) whilst the Consolidated Profit After Tax was Rs. 201 Mn (2018/19 Rs. 171 Mn). A synopsis of the Company's consolidated performance is presented below

	Group (Rs.'000)		Company (Rs.'000)	
	2019/20	2018/19	2019/20	2018/19
Profit from operations	246,390	205,182	246,415	204,518
Net finance income	31,796	33,039	30,657	31,856
Profit before tax	278,186	238,221	277,072	236,374
Income tax expense	(76,866)	(66,667)	(76,431)	(65,951)
Profit after tax	201,320	171,554	200,641	170,423
Other comprehensive income for the year	(516)	(15)	(511)	4
Total comprehensive income for the year	200,804	171,539	200,130	170,427
Earnings per share (Rs.)	12.61	10.74	12.56	10.67

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 56 to 67 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. 165 Mn (Rs. 83 Mn 2018/19) and Rs. 353 Mn (Rs. 476 Mn 2018/19) 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.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Stated Capital and Reserves

The Stated Capital of the Company as at 31st March 2020 was Rs. 159,692,050/- consisting of Rs. 15,969,205 ordinary voting shares. The total Group equity was Rs. 643,070,602/- as at 31st March 2020.

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 39 to 43 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 review in pages 10 to 11 of this report.

Directors of the Company

Names and profiles of the Board of Directors given on pages 14 to 15.

Directors' Remuneration and Other Benefits

Directors' remuneration and other benefits of Directors are given at Note 23 to the Financial Statements at page 76 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 2020 and 31st March 2019 are as follows.

Director	Shareholding as at 31March 2020	Shareholding as at 31March 2019
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

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

Information relating to earnings, dividend and net assets is available on Investor information on page 87 and Financial Highlights on page 06 of the Annual Report.

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 51 of this Annual Report.

Auditors

The Financial Statements for the year have been audited by Messrs. KPMG Chartered Accountants. The retiring Auditor, Messrs. KPMG has intimated their willingness to continue in office and a resolution to re-appoint them as auditors and authorizing the Directors to fix their remuneration; will be proposed at the Annual General Meeting.

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.

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.

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.

For and on behalf of the Board

Lakshman Silva
Chairman

R A Dassanayake
Director

Ms. Samathri Kariyawasam
Company Secretary

31st July 2020

INDEPENDENT AUDITOR'S REPORT

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

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

TO THE SHAREHOLDERS OF 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 subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 52 to 86.

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

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the 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 auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we will 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. 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 Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

31 July 2020

STATEMENT OF FINANCIAL POSITION

		Group		Company	
As at 31 March		**2020**	2019	**2020**	2019
	Note	LKR '000	LKR '000	LKR '000	LKR '000
Assets					
Property, plant and equipment	6	165,265	83,519	164,802	82,569
Investment properties	7	352,855	476,530	352,855	476,530
Investment in subsidiary	8	-	-	7,000	7,000
Total non current assets		518,120	560,049	524,657	566,099
Inventories	9	3,328	3,380	2,027	2,063
Trade and other receivables	10	58,054	45,726	56,803	44,900
Amount due from related party	11	-	-	445	396
Cash and cash equivalents	12	340,908	271,178	328,298	259,058
Total current assets		402,290	320,284	387,573	306,417
Total assets		920,410	880,333	912,230	872,516
Equity and liabilities					
Stated capital	13	159,692	159,692	159,692	159,692
Reserves	14	483,379	450,252	476,395	443,943
Total equity		643,071	609,944	636,087	603,635
Deferred taxation	15	57,961	61,418	58,084	61,344
Refundable deposits	16	60,453	32,949	60,453	32,949
Employee benefits	17	4,518	7,122	3,926	6,689
Total non current liabilities		122,932	101,489	122,463	100,982
Accruals, deposits and advances received	18	98,248	105,626	97,845	105,285
Other liabilities	19	13,227	20,954	13,165	20,786
Current taxation	20	41,816	41,446	41,798	40,992
Bank overdraft	12	1,116	874	872	836
Total current liabilities		154,407	168,900	153,680	167,899
Total liabilities		277,339	270,389	276,143	268,881
Total equity and liabilities		920,410	880,333	912,230	872,516

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

R A Dassanayake
Director

Colombo.
31 July 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Group		Company	
For the year ended 31 March		2020	2019	2020	2019
	Note	LKR '000	LKR '000	LKR '000	LKR '000
Revenue	21	355,326	323,756	356,460	324,921
Other operating income	22	18,851	9,141	11,416	2,084
Staff expenses		(32,207)	(30,134)	(27,404)	(26,286)
Depreciation and amortisation		(45,090)	(44,010)	(44,575)	(43,341)
Other operating expenses		(50,490)	(53,571)	(49,482)	(52,860)
Profit from operations	23	246,390	205,182	246,415	204,518
Net finance income	24	31,796	33,039	30,657	31,856
Profit before taxation		278,186	238,221	277,072	236,374
Income tax expense	25	(76,866)	(66,667)	(76,431)	(65,951)
Profit for the year		201,320	171,554	200,641	170,423
Other comprehensive income					
Item that will not be reclassified to profit or loss					
Actuarial (loss) / gain on defined benefit plans	17	(716)	(22)	(710)	5
Related tax	15	200	7	199	(1)
Total other comprehensive income for the year		(516)	(15)	(511)	4
Total comprehensive income for the year		200,804	171,539	200,130	170,427
Basic earnings per share (Rs.)	26	12.61	10.74	12.56	10.67

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.

Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020	Stated Capital	General Reserve	Retained Earnings	Total
Group	LKR '000	LKR '000	LKR '000	LKR '000
Balance as at 1 April 2018	159,692	40,000	398,405	598,097
Comprehensive income for the year				
Profit for the year	-	-	171,554	171,554
Other Comprehensive Loss for the Year	-	-	(15)	(15)
Total comprehensive income for the year	-	-	171,539	171,539
Transaction with owners of the Company, recognized directly in equity				
Dividend paid	-	-	(159,692)	(159,692)
Balance as at 31 March 2019	159,692	40,000	410,252	609,944
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	-	-	200,804	200,804
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
Company				
Balance as at 1 April 2018	159,692	40,000	393,208	592,900
Comprehensive income for the year				
Profit for the year	-	-	170,423	170,423
Other Comprehensive Income for the Year	-	-	4	4
Total comprehensive income for the year	-	-	170,427	170,427
Transaction with owners of the Company, recognized directly in equity				
Dividend paid	-	-	(159,692)	(159,692)
Balance as at 31 March 2019	159,692	40,000	403,943	603,635
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 Loss 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

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

Figures in brackets indicate deductions

STATEMENT OF CASH FLOWS

	Group		Company	
For the year ended 31 March	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Cash flow from operating activities				
Profit before taxation	278,186	238,221	277,072	236,374
Adjustments for:				
Depreciation	23,319	17,966	22,802	17,297
Amortisation	21,771	26,044	21,771	26,044
Dividend income	-	-	(602)	(700)
Reversal of provision for doubtful debts	(1,754)	(2,451)	(1,754)	(2,451)
Provision for employment benefit	1,124	1,348	970	1,224
Profit on disposal of property, plant and equipment	(9,532)	-	(9,532)	-
Write off of property, plant and equipment	-	218	-	218
Write off of investment property	4,156	1,089	4,156	1,089
Amortisation of prepaid rent and security deposits	(7,258)	(2,883)	(7,258)	(2,883)
Interest expense on rent and security deposits	4,817	1,773	4,817	1,773
Interest income	(28,216)	(31,498)	(28,216)	(30,315)
Operating profit before working capital changes	286,613	249,827	284,226	247,670
Increase in trade and other receivables	(33,882)	(28,258)	(34,136)	(28,562)
Decrease / (increase) in inventories	52	(121)	36	(104)
Decrease in accruals, deposits and advances received	(7,378)	(3,026)	(7,440)	(2,960)
Increase in refundable deposits	29,945	8,550	29,945	8,550
Decrease in other liabilities	(7,727)	(32,172)	(7,620)	(32,301)
(Decrease) / Increase in amounts due from related party	-	-	(49)	46
Net cash generated from operations	267,622	194,800	264,962	192,339
Employee benefits paid	(4,444)	(1,162)	(4,444)	(1,162)
Income tax paid	(56,444)	(26,542)	(54,701)	(25,990)
Net cash generated from operating activities	206,734	167,096	205,817	165,197
Cash flow from investing activities				
Interest received	28,216	31,498	28,216	30,315
Purchase of property, plant and equipment	(2,258)	(2,715)	(2,227)	(2,505)
Purchase of investment Property	(5,059)	(93,691)	(5,059)	(93,691)
Proceeds received on disposal of property, plant and equipment	9,532	-	9,532	-
Net cash generated from (used in) investing activities	30,431	(64,908)	30,462	(65,881)
Cash flow from financing activities				
Dividend received	-	-	602	700
Dividend paid	(167,678)	(159,692)	(167,678)	(159,692)
Net cash used in financing activities	(167,678)	(159,692)	(167,075)	(158,992)
Net increase (decrease) in cash and cash equivalents	69,488	(57,504)	69,204	(59,686)
Cash and cash equivalents at the beginning of the year	270,304	327,808	258,222	317,909
Cash and cash equivalents at the end of the year (Note 12)	339,792	270,304	327,426	258,222

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 2020 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 industries. The principal activities of the Lindel Industrial Laboratories Limited are providing support services such as water and effluent testing facilities to industries.

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 2020 was 13. (2019: 11)

Group

Employees as at 31 March 2020 was 20. (2019: 18)

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

3 SIGNIFICANT ACCOUNTING POLICIES

The Company has initially applied SLFRS 16 and IFRC 23 from 1st April 2019. But they do not have a material effect on the Group's financial statements.

Except for the above, 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 losses 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 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 exits 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 labour, 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.

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 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

Policy applicable from 1 January 2019

The Group has applied SLFRS 16 from 1st April 2019. However, it does not have material impact on the Group's financial statements.

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 (see Note 45(R)(i)). 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'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SLFRS 16.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

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 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 12% and 8% 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 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.

5. CHANGES IN ACCOUNTING POLICIES

The Company has initially applied SLFRS 16 and IFRIC 23 from 1 April 2019.

5.1 SLFRS 16 Leases

Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, in accordance with SLFRS 16.

As a lessor

The Group leases out its investment property. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group does not have sub-leases.

5.2 IFRIC 23 Interpretation Uncertainty over Income Tax Treatment

IFRIC 23 applies for annual periods beginning on after 1 January 2019. The interpretation addresses the accounting for income taxes when there is uncertainty over tax treatments. It clarifies that an entity must consider the probability that the tax authorities will accept a treatment retained in its income tax filings, assuming that they have full knowledge of all relevant information when making their examination. In such a case, the income taxes shall be determined in line with the income tax filings. The Group reviewed its income tax treatments in order to determine whether IFRIC 23 interpretation could have an impact on the financial statements. Accordingly, concluded that the Group's existing accounting policy for uncertain tax treatments is consistent the requirements in IFRIC 23 uncertainty Tax Treatments.

NOTES TO THE FINANCIAL STATEMENTS

6 Property, plant and equipment

Group	Office buildings	Electricity installations	Solar Power project	Furniture and fittings	Plant Machinery and telecom installations	Lab and other equipment	Motor vehicles	Computers	Lab glassware	Office/data processing equipment	Total 2020	Total 2019
Cost	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1 April	13,192	68,994	-	1,861	153,200	17,467	40,029	1,909	1,460	4,211	302,323	299,826
Additions	-	-	1,334	46	-	279	-	244	-	355	2,258	2,715
Reclassified from investment property	-	-	108,210	-	-	-	-	-	-	-	108,210	-
Disposals	-	-	-	-	-	-	(11,252)	-	-	-	(11,252)	-
Written off during the year	-	-	-	-	-	-	-	-	-	-	-	(218)
Balance as at 31 March	13,192	68,994	109,544	1,907	153,200	17,746	28,777	2,153	1,460	4,566	401,539	302,323
Accumulated Depreciation												
Balance as at 1 April	8,166	53,841	-	1,696	97,762	16,554	34,275	1,456	1,460	3,594	218,804	200,838
Charge for the year	498	891	5,443	98	10,450	509	4,841	205	-	384	23,319	17,966
Reclassified from investment property-depreciation offset	-	-	5,403	-	-	-	-	-	-	-	5,403	-
Disposals	-	-	-	-	-	-	(11,252)	-	-	-	(11,252)	-
Balance as at 31 March	8,664	54,732	10,846	1,794	108,212	17,063	27,864	1,661	1,460	3,978	236,274	218,804
Carrying amount												
As at 31 March 2020	4,528	14,262	98,698	113	44,988	683	913	492	-	588	165,265	
As at 31 March 2019	5,026	15,153	-	165	55,438	913	5,754	453	-	617		83,519

Company	Office buildings	Electricity installations	Solar Power project	Furniture and fittings	Plant Machinery and telecom installations	Lab and other equipment	Motor vehicles	Computer	Lab glassware	Office/data processing equipment	Total 2020	Total 2019
Cost	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 1 April	13,192	68,994	-	1,078	153,200	2,701	40,029	1,909	-	3,366	284,469	282,182
Additions	-	-	1,334	46	-	249	-	244	-	355	2,228	2,505
Disposals	-	-	-	-	-	-	(11,252)	-	-	-	(11,252)	-
Reclassified from investment property	-	-	108,210	-	-	-	-	-	-	-	108,210	-
Written off during the year	-	-	-	-	-	-	-	-	-	-	-	(218)
Balance as at 31 March	13,192	68,994	109,544	1,124	153,200	2,950	28,777	2,153	-	3,721	383,655	284,469
Accumulated Depreciation												
Balance as at 1 April	8,166	53,841	-	958	97,757	2,641	34,275	1,456	-	2,806	201,900	184,603
Charge for the year	498	891	5,443	69	10,450	40	4,841	205	-	365	22,802	17,297
Disposals	-	-	-	-	-	-	(11,252)	-	-	-	(11,252)	-
Reclassified from investment property-depreciation offset	-	-	5,403	-	-	-	-	-	-	-	5,403	-
Balance as at 31 March	8,664	54,732	10,846	1,027	108,207	2,681	27,864	1,661	-	3,171	218,853	201,900
Carrying amount												
As at 31 March 2020	4,528	14,262	98,698	97	44,993	269	913	492	-	550	164,802	
As at 31 March 2019	5,026	15,153	-	120	55,443	60	5,754	453	-	560		82,569

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

During the year 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.

7 Investment properties

Group/Company	Land	Buildings	Site Improvement	Buildings Improvement	Solar Power Project	Capital work in progress	Total 2020	Total 2019
Cost	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 April	64,282	342,132	37,312	50,157	108,210	50,566	652,659	560,057
Additions	-	-	2,541	2,518	-	-	5,059	93,691
Reclassified to property plant and equipment	-	-	-	-	(108,210)	-	(108,210)	-
Capitalised during the year	-	46,410	-	-	-	(46,410)	-	-
Written off during the year	-	-	-	-	-	(4,156)	(4,156)	(1,089)
Balance as at 31 March	64,282	388,542	39,853	52,675	-	-	545,352	652,659
Accumulated Depreciation								
Balance as at 01 April	-	119,589	17,597	33,540	5,403	-	176,129	150,085
Charge for the year	-	15,036	3,325	3,410	-	-	21,771	26,044
Transfers to property plant and equipment-depreciation offset	-	-	-	-	(5,403)	-	(5,403)	-
Balance as at 31 March	-	134,625	20,922	36,950	-	-	192,497	176,129
Carrying amount								
As at 31 March 2020	64,282	253,917	18,931	15,725	-	-	352,855	
As at 31 March 2019	64,282	222,543	19,715	16,617	102,807	50,566		476,530

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.

7.2 **Rental income earned from investment property during the year ended 31 March 2020 amounted to Rs.296,577,905/- (2019: Rs. 277,767,269/-).**

As at 31 March	Company 2020 LKR '000	Company 2019 LKR '000
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 2020. Based on the assessment no provision was required as at the reporting date in respect of the investments in subsidiary.

As at 31 March	Group 2020 LKR '000	Group 2019 LKR '000	Company 2020 LKR '000	Company 2019 LKR '000
9 Inventories				
Chemicals	1,608	1,744	307	427
Spare parts	1,507	1,396	1,507	1,396
Stationeries	118	137	118	137
Consumables	95	103	95	103
	3,328	3,380	2,027	2,063
10 Trade and other receivables				
Trade receivable	38,050	27,041	37,061	26,430
Less: Provision for doubtful debts (Note 10.1)	(8,209)	(9,963)	(8,209)	(9,963)
	29,841	17,078	28,852	16,467
Advances, deposits and prepayments	9,068	9,933	8,849	9,775
WHT receivable (Note 10.2)	19,145	18,715	19,102	18,658
	58,054	45,726	56,803	44,900
10.1 Provision for doubtful debts				
Balance at the beginning of the year	9,963	12,414	9,963	12,414
Reversal during the year	(1,754)	(2,451)	(1,754)	(2,451)
Balance at the end of the year	8,209	9,963	8,209	9,963

10.2 With the introduction of the Inland Revenue Act No 24 of 2017 which became effective from 1 April 2018, withholding tax is charged on rent income and accordingly WHT receivable as at reporting date was Rs. 19 Mn (2019: 18.6 Mn). However, as per 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. The said notice is pending formal amendments to the Inland Revenue act no 24 of 2017.

As at 31 March	Group 2020 LKR '000	Group 2019 LKR '000	Company 2020 LKR '000	Company 2019 LKR '000
11 Amount due from related party				
LINDEL Industrial Laboratories Limited	-	-	445	396
	-	-	445	396

		Group		Company	
	As at 31 March	**2020**	2019	**2020**	2019
		LKR '000	LKR '000	LKR '000	LKR '000
12	Cash and cash equivalents				
	Fixed deposits	325,585	255,593	313,897	244,888
	Savings deposits	15,085	15,338	14,218	13,978
	Cash in hand and at bank	238	247	183	192
		340,908	271,178	328,298	259,058
	Bank overdraft	(1,116)	(874)	(872)	(836)
	Cash and cash equivalents for the purpose of statement of cash flows	339,792	270,304	327,426	258,222
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	443,379	410,252	436,395	403,943
		483,379	450,252	476,395	443,943
15	Deferred taxation				
	Deferred tax assets (Note 15.1)	2,449	1,996	2,238	1,873
	Deferred tax liabilities (Note 15.2)	(60,410)	(63,414)	(60,322)	(63,217)
	Net deferred tax liability	(57,961)	(61,418)	(58,084)	(61,344)
15.1	Deferred tax assets				
	Balance as at 01 April	1,996	1,937	1,873	1,857
	Originated during the year - recognised in profit or loss	253	52	166	17
	- recognised in other comprehensive income	200	7	199	(1)
	Balance as at 31 March	2,449	1,996	2,238	1,873
15.2	Deferred tax liabilities				
	Balance as at 01 April	63,414	64,507	63,217	64,276
	Reversed during the year through profit or loss	(3,004)	(1,093)	(2,895)	(1,059)
	Balance as at 31 March	60,410	63,414	60,322	63,217

15.3 **Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

	Group				Company			
As at 31 March	2020		2019		2020		2019	
	Temporary difference	Tax effect	Temporary difference	Tax effect	Temporary difference	Tax effect	Temporary difference	Tax effect
	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
Deferred tax assets								
Employee benefits	4,520	1,266	7,122	1,996	3,926	1,099	6,689	1,873
Bonus payable	4,224	1,183	-	-	4,069	1,139	-	-
	8,744	2,449	7,122	1,996	7,995	2,238	6,689	1,873
Deferred tax liabilities								
Property, plant and equipment	215,749	60,410	226,476	63,414	215,435	60,322	225,775	63,217
	215,749	60,410	226,476	63,414	215,435	60,322	225,775	63,217
Net deferred tax liabilities		(57,961)		(61,418)		(58,084)		(61,344)

15.4 Deferred tax for the year ended 31 March 2020 has been provided at the rate of 28% (refer note 20).

		Group		Company	
	As at 31 March	2020	2019	2020	2019
		LKR '000	LKR '000	LKR '000	LKR '000
16	Refundable deposits				
	Security deposits	57,312	30,245	57,312	30,245
	Rent deposits	3,141	2,704	3,141	2,704
		60,453	32,949	60,453	32,949

Carrying values of the deposits together with their costs;

As at 31 March	2020		2019	
Group/ Company	Cost	Carrying Value	Cost	Carrying Value
	LKR '000	LKR '000	LKR '000	LKR '000
Security deposits	79,050	57,312	69,307	30,245
Rent deposits	8,679	3,141	8,679	2,704
	87,729	60,453	77,986	32,949

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	
	As at 31 March	2020	2019	2020	2019
		LKR '000	LKR '000	LKR '000	LKR '000
	Employees' Provident Fund				
	Employers' contribution	2,481	2,436	2,107	2,116
	Employees' contribution	1,654	1,624	1,405	1,411
	Employees' Trust Fund	496	487	421	423
17.2	**Defined benefit plan**				
	Present value of unfunded obligation (Note 17.2.1)	4,518	7,122	3,925	6,689
		4,518	7,122	3,925	6,689
17.2.1	**Movement in the present value of the employee benefits unfunded obligation**				
	Balance as at 1 April	7,122	6,914	6,689	6,632
	Provision during the year (Note 17.2.1.a)	1,124	1,348	970	1,224
	Actuarial loss/(gain) during the year (Note 17.2.1.b)	716	22	710	(5)
		8,962	8,284	8,369	7,851
	Payments during the year	(4,444)	(1,162)	(4,444)	(1,162)
	Balance as at 31 March	4,518	7,122	3,925	6,689
17.2.1.a	**Provision recognised in profit or loss**				
	Current service cost	702	817	587	719
	Interest on obligation	422	531	383	505
		1124	1,348	970	1,224
17.2.1.b	**Provision recognised in the Statement of other comprehensive income**				
	Actuarial loss/(gain) during the year	716	22	710	(5)

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

As at 31 March	2020	2019
Discount rate	11.00%	11.00%
Salary increment rate	6.86%	6.83%
Staff turnover	7.64%	7.64%

As at 31 March	Group 2020	Group 2019	Company 2020	Company 2019
	LKR '000	LKR '000	LKR '000	LKR '000
18 Accruals, deposits and advances received				
Accruals	18,326	15,940	17,959	15,635
Rent advances	24,418	21,390	24,418	21,390
Prepaid security deposit	43,426	53,941	43,426	53,941
Prepaid rent deposit	2,355	2,709	2,355	2,709
Advances received	6,130	4,076	6,130	4,076
Retention money	3,524	7,439	3,488	7,403
WHT payable	69	131	69	131
	98,248	105,626	97,845	105,285
19 Other liabilities				
Retention money to tenors	10,267	10,373	10,205	10,205
Payable to contractors	2,960	10,581	2,960	10,581
	13,227	20,954	13,165	20,786
20 Current taxation				
Balance as at 1 April	41,446	1,973	40,992	1,630
Provision recognised during the year	79,749	68,951	79,118	68,166
Under/(Over) provision in respect of prior years	374	(1,139)	374	(1,139)
Payments during the year	(55,611)	(26,542)	(54,701)	(25,990)
Set off against withholding tax credits & ESC	(24,142)	(1,797)	(23,985)	(1,675)
Balance as at 31 March	41,816	41,446	41,798	40,992

21 Revenue

Group generates revenue primarily from lease rental, floor rental, treated water sales, waste disposal, supply of pressurised 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.

For the year ended 31 March	Group 2020	Group 2019	Company 2020	Company 2019
	LKR '000	LKR '000	LKR '000	LKR '000
Major product /service lines				
Lease rentals	173,886	168,252	173,886	168,252
Floor rentals	121,595	108,389	122,692	109,516
Treated water sales	50,739	41,483	50,776	41,521
Solid waste disposal	2,479	399	2,479	399
Pressurized water	345	2,258	345	2,258
Common waste water treatment	428	536	428	536
Solar Power	5,854	2,439	5,854	2,439
	355,326	323,756	356,460	324,921

	Group		Company	
For the year ended 31 March	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Timing of revenue recognition				
Products transferred over time	295,481	276,641	296,578	277,768
Products transferred at a point in time	59,845	47,115	59,882	47,153
	355,326	323,756	356,460	324,921
22 Other operating income				
Profit on disposal of fixed assets	9,532	-	9,532	-
Foreign exchange gain	5	12	5	12
Laboratory tests	8,037	7,757	-	-
Sundry income (Note 22.1)	1,277	1,372	1,277	1,372
Dividend received	-	-	602	700
	18,851	9,141	11,416	2,084

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

	Group		Company	
For the year ended 31 March	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
23 Profit from operations				
Profits from operations is stated after charging all expenses including the following;				
Staff costs (Note 23.1)	32,207	30,134	27,404	26,286
Depreciation - Property plant and equipment	23,319	17,966	22,802	17,297
Amortisation - Investment properties	21,771	26,044	21,771	26,044
Directors' fees and emoluments	306	8,793	288	8,763
Auditors' remuneration - audit fees and expenses	575	547	480	460
Reversal of provision for doubtful debts	(1,754)	(2,451)	(1,754)	(2,451)
Write off of Property plant and equipment	-	218	-	218
Write off of Investment property	4,156	1,089	4,156	1,089
23.1 Staff costs				
Salaries and wages	16,114	15,504	13,030	12,750
Contribution to employees' provident fund	2,481	2,436	2,107	2,116
Contribution to employees' trust fund	496	487	421	423
Staff bonus	6,048	5,710	5,381	5,710
Provision for employee benefits	1,124	1,348	970	1,224
Other staff costs	5,944	4,649	5,495	4,063
	32,207	30,134	27,404	26,286

		Group		Company	
	For the year ended 31 March	2020	2019	2020	2019
		LKR '000	LKR '000	LKR '000	LKR '000
24	Net finance income				
	Finance income				
	Interest income on fixed deposits	27,705	30,274	26,624	29,153
	Interest income on savings deposits	1,456	1,224	1,398	1,162
	Amortisation of prepaid rent and security deposits	7,258	2,883	7,258	2,883
	Other finance income	194	431	194	431
		36,613	34,812	35,474	33,629
	Finance expenses				
	Interest expense on rent and security deposits	4,817	1,773	4,817	1,773
		4,817	1,773	4,817	1,773
		31,796	33,039	30,657	31,856
25	Income tax expense				
	Current tax expense				
	Current tax on profits for the year (Note 25.1)	79,749	68,951	79,118	68,166
	Under/(Over) provision in respect of prior year	374	(1,139)	374	(1,139)
		80,123	67,812	79,492	67,027
	Deferred tax expense				
	Deferred tax asset reversal during the year	(253)	(52)	(166)	(17)
	Deferred tax liability reversal during the year	(3,004)	(1,093)	(2,895)	(1,059)
		(3,257)	(1,145)	(3,061)	(1,076)
		76,866	66,667	76,431	65,951
25.1	**Reconciliation of the accounting profit and the income tax expense**				
	Profit before taxation	278,186	238,221	277,072	236,374
	Disallowable expenses	46,267	45,436	45,597	44,644
	Allowable expenses	(37,192)	(37,404)	(37,061)	(36,867)
	Exempt income	(2,441)	(700)	(3,043)	(700)
	Assessable income	284,820	246,255	282,566	243,451
	Less : Setting off against brought forward tax lossess	-	-	-	-
		284,820	246,255	282,566	243,451
	Income tax expense at 28%	79,749	68,951	79,118	68,166

On 12th February 2020, Inland Revenue department issued a notice to the tax payers and withholding agents on “Implementation 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 01 st January 2020. However, the legislation has not been enacted yet with respect to the said notice. Accordingly, income tax and deferred tax for the year ended 31st March 2020 have been provided at 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	
For the year ended 31 March	2020	2019	2020	2019
Profit attributable to the ordinary shareholders (Rs. 000)	201,320	171,554	200,641	170,423
Weighted average number of shares	15,969,205	15,969,205	15,969,205	15,969,205
Earnings per share (Rs.)	12.61	10.74	12.56	10.67

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	
For the year ended 31 March	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Short term employee benefits	306	8,793	288	8,763
Post employment benefits	-	300	-	300

(b) Transactions with related parties

			Transaction amount	
Company	Nature of transaction	Relationship	2020	2019
			(Rs.)	(Rs.)
DFCC Bank PLC	Interest income	Parent company	27,705,013	27,996,158
	Renting of Storage Space		4,175,471	1,598,989
LINDEL Industrial Laboratories Limited	Obtaining of Laboratory Services	Subsidiary Company	1,774,876	1,781,390
	Renting of Office Space		1,096,620	1,126,531
	Sale of Water		37,449	37,881
	Reimbursement of Administration cost		390,000	390,000

Amounts due from related party as at 31 March 2020 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. 274,832,648/- (2019: Rs. 231,541,588/-).

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	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	398,960
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
As at 31 March 2019					
Financial Assets					
Trade and other receivables	45,726	-	-	45,726	45,726
Cash and cash equivalents	271,178	271,178	-	-	271,178
Total financial assets	316,904	271,178	-	45,726	316,904
Financial Liabilities					
Refundable deposits	32,949	-	-	32,949	32,949
Other liabilities	20,954	-	-	20,954	20,954
Bank overdraft	874	874	-	-	874
Total liabilities	54,777	874	-	53,903	54,777
Company					
As at 31 March 2020					
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

Company	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
As at 31 March 2019					
Financial Assets					
Trade and other receivables	44,900	-	-	44,900	44,900
Amount due from related parties	396	-	-	396	396
Cash and cash equivalents	259,058	259,058	-	-	259,058
Total financial assets	304,354	259,058	-	45,296	304,354
Financial Liabilities					
Refundable deposits	32,949	-	-	32,949	32,949
Other liabilities	20,786	-	-	20,786	20,786
Bank overdraft	836	836	-	-	836
Total liabilities	54,571	836	-	53,735	54,571

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

a) 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.

b) Short term deposits - The fair value of short term deposits approximate their carrying amount due to the relatively short maturity of the financial instruments.

c) 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.

d) 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:

1. Credit risk
2. Liquidity risk
3. Market risk
4. 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 analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect 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.

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	
As at 31 March	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Trade receivables	29,841	17,078	28,852	16,467
Amount due from related party	-	-	445	396
Cash and cash equivalents	340,908	271,178	328,298	259,058
	370,749	288,256	357,595	275,921

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.

Genarally 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

As at 31 March	2020		2019	
	Trade Receivables	Provision	Trade Receivables	Provision
	LKR '000	LKR '000	LKR '000	LKR '000
1 - 90 days	29,296,484	-	16,555,564	-
91-180 days	528,754	109,414	7,276	-
181 - 365 days	15,836	7,918	-	-
Above 365 days	234,792	117,396	2,585,593	2,070,253
Late charge interest	7,973,929	7,973,929	7,893,043	7,893,043
	38,049,795	8,208,657	27,041,475	9,963,296

Company

As at 31 March	2020		2019	
	Trade Receivables	Provision	Trade Receivables	Provision
	LKR '000	LKR '000	LKR '000	LKR '000
1 - 90 days	28,307,484	-	15,944,564	-
91-180 days	528,754	132,188	7,276	-
181 - 365 days	15,836	7,918	-	-
Above 365 days	234,792	117,396	2,585,593	2,070,253
Late charge interest	7,973,929	7,973,929	7,893,043	7,893,043
	37,060,795	8,231,432	26,430,475	9,963,296

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.

The following are the remaining contractual maturities of the Company at the end of the reporting period of financial assets;

Group

	Contractual Undiscounted Cash Flows				
	Carrying Amount	Within 6 months	Between 6 - 12 Months	More than one year	Total
As at 31 March 2020	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Liabilities					
Refundable deposits	60,453	-	-	60,453	60,453
Accruals, 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	111,475	60,453	173,044

Group	Contractual Undiscounted Cash Flows				
	Carrying Amount	Within 6 months	Between 6 - 12 Months	More than one year	Total
As at 31 March 2019	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Liabilities					
Refundable deposits	32,949	-	-	32,949	32,949
Other liabilities	20,954	-	20,954	-	20,954
Bank overdraft	874	874	-	-	874
Total liabilities	54,777	874	20,954	32,949	54,777

Company	Contractual Undiscounted Cash Flows				
	Carrying Amount	Within 6 months	Between 6 - 12 Months	More than one year	Total
As at 31 March 2020	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Liabilities					
Refundable deposits	60,453	-	-	33,032	33,032
Accruals, deposits and advances received	97,845	-	105,543	-	105,543
Other liabilities	13,165	-	20,952	-	20,952
Bank overdraft	872	874	-	-	874
Total liabilities	160,401	874	126,495	33,032	160,401

Company	Contractual Undiscounted Cash Flows				
	Carrying Amount	Within 6 months	Between 6 - 12 Months	More than one year	Total
As at 31 March 2019	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Liabilities					
Refundable deposits	32,949	-	-	32,949	32,949
Other liabilities	20,786	-	20,786	-	20,786
Bank overdraft	836	836	-	-	836
Total liabilities	54,571	836	20,786	32,949	54,571

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

	Group			Company		
As at 31 March 2019	USD Converted to Rs.	Rs.'000	Total Rs.'000	USD Converted to Rs.	Rs.'000	Total Rs.'000
Cash and cash equivalents	93	271,085	271,178	93	258,965	259,058
	93	271,085	271,178	93	258,965	259,058

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 2020.

	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)

	Group		Company	
	Effect on profit or loss	Effect on equity	Effect on profit or loss	Effect on equity
As at 31 March 2019	Rs.'000	Rs.'000	Rs.'000	Rs.'000
LKR Depreciated against USD by 5%	4.63	4.63	4.63	4.63
LKR Appreciated against USD by 5%	(4.63)	(4.63)	(4.63)	(4.63)

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	
As at 31 March	2020	2019	2020	2019
	LKR '000	LKR '000	LKR '000	LKR '000
Fixed rate instruments				
a) Financial assets				
Cash and cash equivalents	340,908	271,178	328,298	259,058
	340,908	271,178	328,298	259,058
b) Financial liabilities				
Bank overdraft	1,116	874	872	836
	1,116	874	872	836

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 behaviour. 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.

Covid 19 Pandemic Situation

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.

33. Comparative figures

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

34. Litigation and claims

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

35. 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 INFORMATION

1. Stated Capital

	2020		2019	
As at 31st March	Number of shares	LKR	Number of shares	LKR
Ordinary Voting Shares	15,969,205	159,692,050	15,969,205	159,692,050

2. Distribution of shareholding

	2020		2019	
As at 31st March	Number of shareholders	Number of shares	Number of shareholders	Number of shares
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

	2020		2019	
As at 31st March	Number of shares	Value LKR	Number of shares	Value LKR
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

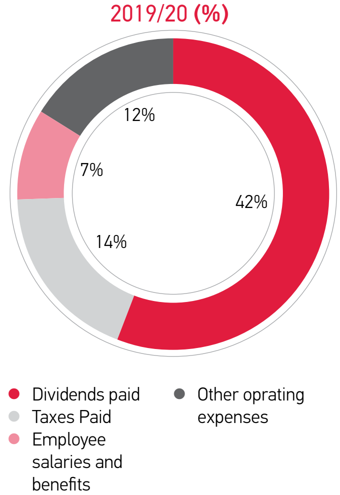
	2020		2019	
As at 31st March	Group	Company	Group	Company
Net Assets per Share (Rs.)	40.27	39.83	38.20	37.80

ECONOMIC VALUE ADDED STATEMENT

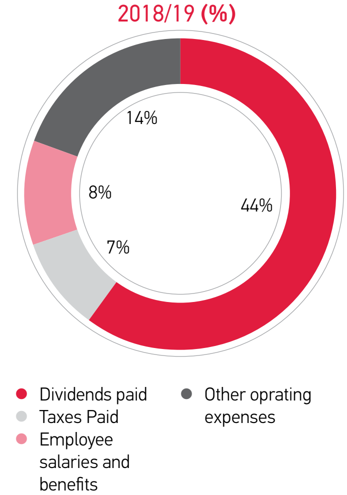
The value added statement highlights the wealth created by the activities of the Company over the last two years and the distribution of this wealth created among its stakeholders.

	2020		2019	
Year Ended 31st March	Rs. '000	%	Rs.'000	%
Direct Economic Value Generated				
Revenue	**356,460**	**89**	324,921	90
Other operating income	**11,416**	**3**	2,084	1
Net Finance Income	**30,657**	**8**	31,856	9
	398,533	**100**	358,861	100
Economic value distributed to employees				
Employee salaries and benefits	**27,404**	**7**	26,286	8
Operating cost				
Other operating expenses	**49,482**	**12**	52,860	14
Payments to Government				
Taxes paid	**54,701**	**14**	25,990	7
Payments to providers of funds				
Dividend payment	**167,677**	**42**	159,692	44
	299,264		264,428	
Economic Value Retained	**99,269**	**25**	94,033	26

Economic Value Distribution 2019/20 **(%)**



Economic Value Distribution 2018/19 **(%)**



FIVE YEAR SUMMARY

Financial Position

Rs.'000	Group					Company				
As at 31st March	**2020**	2019	2018	2017	2016	**2020**	2019	2018	2017	2016
Assets										
Property, plant and equipment	**165,265**	83,519	98,988	109,746	94,933	**164,802**	82,569	97,579	107,583	92,619
Investment properties	**352,855**	476,530	409,972	216,715	180,622	**352,855**	476,530	409,972	216,715	180,622
Investment in subsidiary	**-**	-				**7,000**	7,000	7,000	7,000	7,000
Total non current assets	**518,120**	560,049	508,960	326,461	275,555	**524,657**	566,099	514,551	331,298	280,241
Inventories	**3,328**	3,380	3,260	3,337	3,696	**2,027**	2,063	1,960	1,884	2,071
Trade and other receivables	**58,054**	45,726	16,814	26,482	20,373	**56,803**	44,900	15,566	25,175	19,073
Amount due from related party	**-**	-	-			**445**	396	442	769	1,389
Cash and cash equivalents	**340,908**	271,178	335,192	374,066	359,632	**328,298**	259,058	325,293	366,279	352,427
Total current assets	**402,290**	320,284	355,266	403,885	383,701	**387,573**	306,417	343,261	394,107	374,960
Total assets	**920,410**	880,333	864,226	730,346	659,256	**912,230**	872,516	857,812	725,405	655,201
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	**483,379**	450,252	438,405	404,229	364,437	**476,395**	443,943	433,208	400,440	362,006
Total equity	**643,071**	609,944	598,097	563,921	524,129	**636,087**	603,635	592,900	560,132	521,698
Deferred taxation	**57,961**	61,418	62,570	29,147	22,032	**58,087**	61,344	62,419	29,126	22,179
Refundable deposits	**60,453**	32,949	22,709	17,766	17,598	**60,453**	32,949	22,709	17,766	17,598
Employee benefits	**4,518**	7,122	6,914	6,128	5,448	**3,926**	6,689	6,632	5,763	5,098
Total non current liabilities	**122,932**	101, 489	92,193	53,041	45,078	**122,463**	100, 982	91,760	52,655	44,875

FIVE YEAR SUMMARY

Rs.'000	Group					Company				
As at 31st March	**2020**	2019	2018	2017	2016	**2020**	2019	2018	2017	2016
Accruals, deposits and advances received	**98,248**	105,628	111,464	87,292	65,838	**97,845**	105,285	111,045	86,872	65,588
Other liabilities	**13,227**	20,954	53,116	9,956	6,435	**13,165**	20,786	53,093	9,754	5,886
Current taxation	**41,816**	41,446	1,973	14,704	15,597	**41,798**	40,992	1,630	14,616	15,614
Bank overdraft	**1,116**	874	7,384	1,432	2,179	**872**	836	7,384	1,376	1,540
Total current liabilities	154,407	168,900	173,937	113,384	90,049	153,680	167,899	173,152	112,618	88,628
Total liabilities	277,339	270,390	266,130	166,425	135,127	276,143	268,881	264,912	165,273	133,503
Total equity and liabilities	920,410	880,333	864,227	730,346	659,256	912,230	872,517	857,812	725,405	655,201

Statement of Profit or Loss and Other Comprehensive Income

Rs.'000	Group					Company				
For the year ended 31st March	**2020**	2019	2018	2017	2016	**2020**	2019	2018	2017	2016
Revenue	**355,326**	323,756	268,722	249,154	219,455	**356,460**	324,921	269,877	250299	220591
Other operating income	**18,851**	9,141	9,226	10,524	15,315	**11,416**	2,084	1,623	2269	7366
Total income	**374,177**	332,897	277,948	259,678	234,770	**367,876**	327,005	271,500	252,568	227,957
Staff expenses	**(32,207)**	(30,134)	(28,703)	(27,662)	(27,015)	**(27,404)**	(26,286)	(26,098)	(23,574)	(22,625)
Depreciation and amorti-sation	**(45,090)**	(44,010)	(34,569)	(32,269)	(26,951)	**(44,575)**	(43,341)	(33,807)	(31,226)	(26,131)
Other operating expenses	**(50,490)**	(53,571)	(51,865)	(51,050)	(50,434)	**(49,482)**	(52,860)	(49,884)	(50,059)	(48,887)
Total operating expenses	**(127,787)**	(127,324)	(115,137)	(110,981)	(104,400)	**(121,461)**	(122,108)	(109,789)	(104,859)	(97,643)
Profit from operations	**246,390**	205,182	162,811	148,697	130,370	**246,415**	204,518	161,711	147,709	130,314
Net finance income	**31,796**	33,089	46,620	42,552	27,494	**30,657**	31,856	45,723	41,902	27,088
Profit before taxation	**278,186**	238,221	209,431	191,249	157,864	**277,072**	236,374	207,434	189,611	157,402
Income tax expense	**(76,866)**	(66,667)	(63,384)	(55,919)	(62,819)	**(76,431)**	(65,951)	(62,835)	(55,572)	(62,564)
Profit for the year	**201,320**	171,554	146,047	135,330	95,045	**200,641**	170,423	144,599	134,039	94,838
Other compre-hensive income										
Item that will not be reclassified to profit or loss										
Actuarial gain/ (loss) on defined benefit plans	**(716)**	(22)	(119)	385	516	**(710)**	5	(65)	292	508
Related tax	**200**	7	33	(108)	(142)	**199**	(1)	18	(82)	(142)
Total other comprehensive income for the year	**(516)**	(15)	(86)	277	374	**(511)**	4	(47)	210	366
Total comprehensive income for the year	**200,804**	171,539	145,960	135,607	95,419	**200,130**	170,427	144,552	134,249	95,204
Basic earnings per share (Rs.)	**12.61**	10.74	9.15	8.47	5.95	**12.56**	10.67	9.05	8.39	5.94

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 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.

DEFERRED 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 shareholders' funds.

Working Capital

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

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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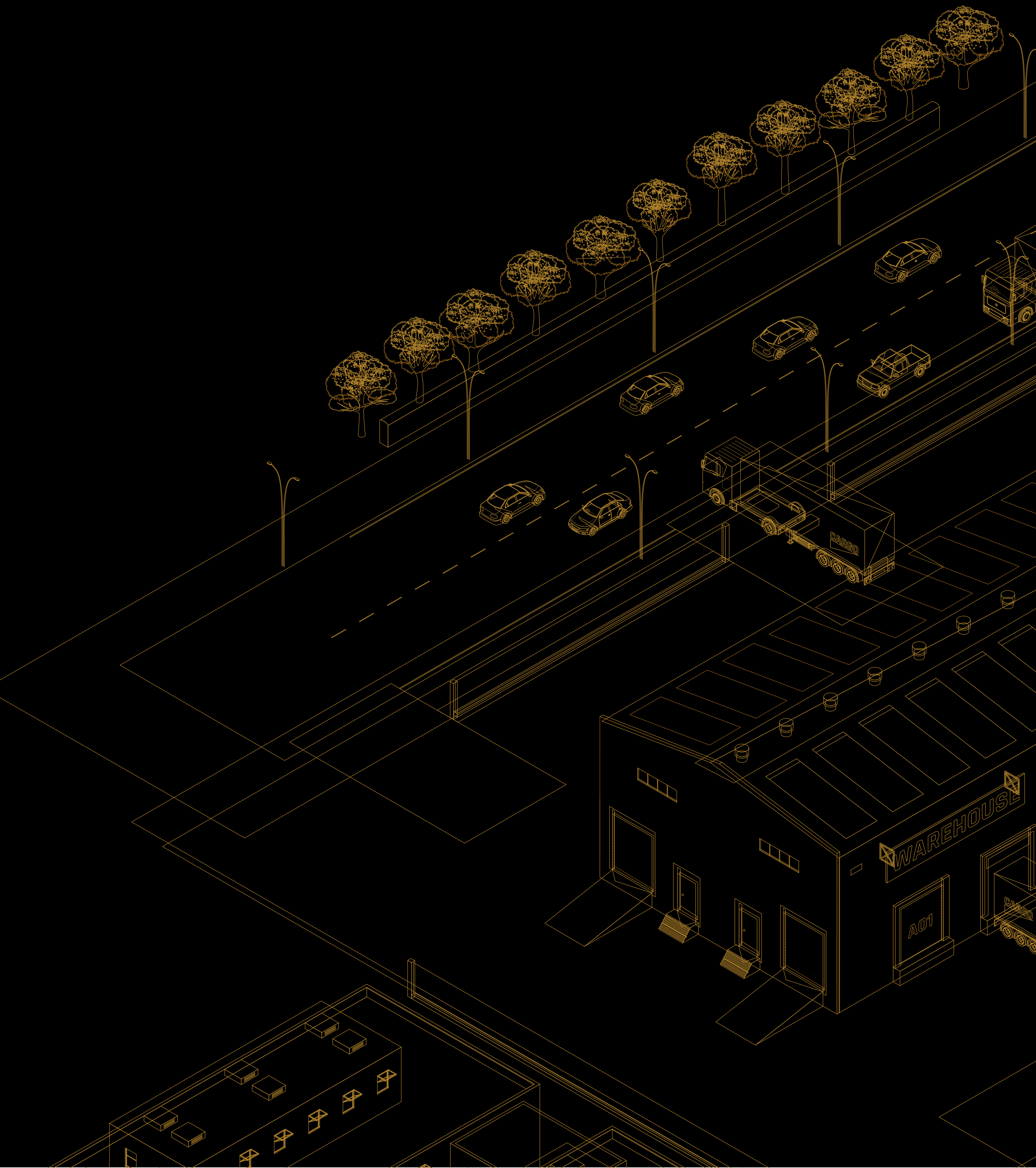
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