ANNUAL REPORT 2018

malwatte
VALLEY PLANTATIONS PLC

VISION

Our vision is to become the Model Plantation Company in the World through innovation, diversification and highest quality standards

MISSION

Malwatte Valley Plantations PLC is committed to achieving excellence and the highest quality standards in every sphere of activity by optimising productivity and developing its employees. We will become an increasingly profitable, stable and growth oriented Model in the Plantation Sector securing an acceptable return on investment through its core business as well as by diversification into other sectors, whilst affording the highest priority for environmental and social needs

CORPORATE INFORMATION

Name of the Company

Malwatte Valley Plantations PLC
(PQ 111)

Date of incorporation

22nd June 1992

Board of Directors

Mr. Frits Bogtstra MBA, BSc (Hon) (UK) - Chairman
Mr. Lucas Bogtstra - Managing Director
Mr. T. R. Gerlach
Ms. C. A. Gerlach
Mr. K. A. S. Gunasekara BA (Cey), SLAS
Mr. G. Chamindra de Silva MBA, FCA, FCMA(UK), FCCA (UK), CA (SD)
Mr. K. G. M. Piyaratne FCA, ACMA(UK), CPA(Canada), FSCMA, MSc (Mgt&IT)
Mr. A. N. de Silva
Mr. S. D. Samaradivakara NDPM

Secretaries

Management Applications (Pvt) Ltd.
12, Rotunda Gardens,
Colombo – 03.
Tel. No: 2445751/2327595

Registered office

No. 280, Dam Street,
Colombo – 12, Sri Lanka.
Tel. No: 5388800

Auditors

Ernst & Young
Chartered Accountants
No. 201, De Saram Place,
Colombo - 10.

Bankers

Hatton National Bank PLC
Union Bank of Colombo PLC
People’s Bank
Indian Overseas Bank
NDB Bank

CONTENTS

FINANCIAL HIGHLIGHTS

	Company Financial Year Ended	
	31st Dec. 2018 12(Months) Rs.'000	31st Dec. 2017 12(Months) Rs.'000
Turnover	4,755,030	4,601,252
Gross Profit	173,429	558,864
Operating Profit	171,295	594,744
Gross Profit on Cost of Sales (%)	3.8	14
Gross Profit on Turnover (%)	3.6	12
Profit/(Loss) Before Tax	136,569	559,851
Tax Expenses	29,845	6,165
Profit/(loss) After Tax	106,724	553,686
Fixed Assets	4,356,980	4,266,154
Current Assets	1,849,277	1,685,620
Current Liabilities	1,385,244	816,431
Shareholders Funds	3,317,619	3,496,652
Capital Expenditure	149,395	200,753
Earnings Per Share (Rs.)	0.48	2.50
Net Assets Per share (Rs.)	14.87	15.68
Dividend Per Share (Rs.)	-	0.15
Stated Capital	373,000	373,000
Capital Employed	3,960,016	4,280,270
Net Assets	3,317,619	3,496,652
Return on Capital Employed (%)	4	16
Market Capitalisation	1,660,752	2,417,021

CHAIRMAN'S REVIEW

In the year under review, 2018, your Company was able to achieve a profit, albeit a lower profit than in 2016 and 2017. Because of declining NSA's in both Tea and Rubber (your company's main crops) the profit came down to Rs.106.7 Million from Rs. 553.7 Million in 2017, which constitutes a decrease of 81%, in spite of the hard work of Management and Employees and your Company's very effective cost management.

The Company does not compromise on the inputs that contribute to its quality. All necessary agricultural work is meticulously undertaken, as the Company realizes that compromising on these agricultural inputs would automatically result in the loss of quality and quantity of its end products. Details will be given in the Sector reviews below.

Overview

Your Company manages approximately 5,000 Ha of Tea and 2,000 Ha of Rubber, and has a workforce of approximately 6,000.

Corporate Performance

The annual turnover during the year was Rs. 4.755 Billion compared to Rs. 4.601 Billion in 2017, recording a 3% increase. The Tea turnover was Rs. 2.459 Billion; the Rubber turnover was Rs. 271 Million; the Coconut turnover was Rs. 2.40 Million and other activities generated a turnover of Rs. 2.022 Billion.

Gross Profits decreased from Rs. 559 Million in 2017 to Rs. 173 Million in 2018.The Gross Profit Margin moved downwards by 69%.

Net Profit after Tax in 2018 decreased to Rs. 106.7 Million compared to Rs. 553.7 Million in 2017. The Net Profit margin in 2018 decreased to 2.2% from 12% in the year 2017.

Tea sector performance

The Country's total Tea production decreased by 1.0 percent to 303.8 million kgs in 2018 from 307.1 million kgs in 2017. The Low Grown Tea production, which accounts for 63.2% of the total Production, decreased by 2.7% to 192 million kgs, while the production of High Grown Tea and Medium Grown Tea increased by 1.3% to 64.8 million kgs and 3% to 47 million kgs respectively.

A declining trend in Tea prices was recorded from early 2018 and continued till the end of the year. The average Auction prices of High, Medium and Low Grown Teas at the Colombo Tea Auction (CTA) were significantly lower than the corresponding prices that were observed in 2017. During 2018 the average price of Tea decreased to Rs. 581.58 per kg from Rs. 620.44 per kg in 2017. The highest year-on-year decrease in Tea prices at the CTA was observed for Medium Grown Tea (8%), followed by High Grown Tea (6.3%) and Low Grown Tea (5.9%). The average export price (FOB) recorded a decrease of 4.4% to USD. 5.06 per kg in 2018, compared with USD 5.29 per kg in 2017.

The total Tea exports decreased by 2.3% to 282.4 million kgs in 2018 compared to 289 million kgs in the previous year.

Rubber sector

The Rubber production of the Country declined by 0.6% to 82.6 million kgs in 2018 from 83.1 million kgs produced in 2017. Continuous rain prevailing in Plantation areas during tapping days contributed considerably to the drop in total Rubber production in 2018.

The production of Sheet Rubber, which accounts for about a 50% share of the total Rubber production, declined by 0.5% to 41.3 million kgs from 41.5 million kgs in 2017. The Crepe Rubber production recorded a considerable growth of 26.2% to 14.5 million kgs. The production of other categories of Rubber, which accounts for 32.4% of the total Rubber production, declined by 11.1% to 26.8 million kgs, in comparison to the previous year's production of 30.1 million kgs.

At the Colombo Rubber Auction, the average price of Ribbed Smoked Sheet No.1 (RSS1) declined by 8.2% to Rs. 309.09 per kg, while prices of Latex Crepe declined by 8.5% to Rs. 321.70 per kg. Low Rubber prices in the international market and lower domestic production resulted in an increase of Raw Rubber imports from 61.8 million kgs in 2017 to 65.8 million kgs during 2018 to meet the requirements of the Rubber based Industries in the country.

Other Crops

The diversification into core business related activities is progressing satisfactorily. We are gradually increasing the areas under Spices and Fruit. We have now 192.5 Ha. of Pepper, 15 Ha. of Cardamom, 50 Ha. of Mandarin, 15 Ha. of Avocado, 10 Ha. of Rambutan and 1 Ha. of Cinnamon. All these crops are growing well, and in due course will contribute considerably to the company's income.

We are arguably still the largest grower of Pepper in the country, a fact for which we were awarded by the International Pepper Community in Jakarta already in 2015.

CHAIRMAN'S REVIEW

Last year in my report to you I made special mention of our Oil Palm Planting Program. In 2017 the Ministry Of Plantation Industries gave our company in writing the permission to cultivate 1,000 Ha. of Oil Palm in areas that contained ageing and unproductive Rubber.

Your company imported Oil Palm Seeds from Malaysia and grew them in Nurseries in several Estates. Land preparation was undertaken and when almost all the preliminary work had been finished, the Authorities put a ban on the planting of Oil Palm island wide.

Discussions with the Authorities on the lifting of the ban have been fruitless so far, and your company is weighing all the options at its disposal to mitigate the loss on this investment, including litigation.

Further Diversification

As I informed you in last year's Annual Report the company is setting a Modern Processing Factory for its Spices in Hali Ela. Completion of this Factory is expected to be in August 2019. This Factory will have State of the Art equipment to process, clean, grade and pack the Spices. It will not only serve the company's own harvest but also that of the Smallholders in the area.

The branding of the range of Spices for sale to the international market is nearly completed. Special packaging has been developed and the introduction to the market will take place during the year 2019.

Acknowledgments

I wish to thank our employees for their tireless work during the year under review. Their contribution is of immense importance to the ongoing success of our company.

I also wish to thank our Buyers, Brokers, Bankers and all other stakeholders for their continued support and my fellow Directors on the Board in managing our company during this year.

Mr. F Bogtstra
Chairman
25 May 2019

BOARD OF DIRECTORS

Mr. Frits Bogtstra
(Chairman)

Mr. Frits Bogtstra completed a degree in Electrical and Electronic Engineering at King's College University of London in 1978. In 1998 he finished a Master's degree in Business Administration with a focus on Competitive Strategy, International Enterprise and Corporate Financial Strategy.

He was active in the field of software development relating to engine test benches for manufacturing quality control and R&D, medical equipment and internal and external ballistics.

He has been working as a manager for a reputed German car manufacturer since 1986, with responsibilities throughout the field of software development and engineering, data centre management, supplier management and outsourcing of IT operations.

In the field of Corporate Financial Controlling, he developed controlling systems and processes for the efficient and cost optimised assembly of engines and associated logistics using "Just in Time" and "Just in Sequence" supply methods to minimise cost of capital bound by material in work.

He currently manages an international project dealing with the standardisation and rollout of business and IT processes for automobile sales and financial services worldwide.

He was appointed as Chairman on 4 December 2015

Mr. Lucas Bogtstra
(Managing Director/CEO)

Mr. Lucas Bogtstra commenced his career in the Private Sector in 1978.

He has served on many Private Sector Boards since then and has been actively involved in the Import, Export, Manufacturing and Agricultural fields.

He joined the Company in 1998 and was appointed to the Boards of Malwatte Valley Plantations PLC and it's Holding Company – Wayamba Plantations (Pvt) Limited, in 2003.

Mr. Bogtstra acted as the Director – Operations of the Company from 2003. In December 2015, he was appointed as the Managing Director/CEO of the Company.

During his tenure as Director – Operations, the Tea Sector of the Company came under his purview. He was also responsible for setting up and managing the Export Arm of the Company in 2008 and it's modern Warehousing Complex in Wattala in 2009.

Mr. Thomas Randolph Gerlach
(Director)

Mr. Thomas Randolph Gerlach has had his law studies at the University of Utrecht-Netherlands. He served a period of five years, up to 1986 as a Legal Aid Consultant in Legal Aid Association in the Hague, Netherlands. He has worked as Project Manager, Orveco B.V. Holland a company manufacturing Organic fertilizer for a period of eight years up to 1994.

He took over as Managing Director Dutch Plantin B.V. Holland a company marketing coir fibre dust worldwide. He is also a Director since 1994 of Seilaani Ltd, Sri Lankan company producing processed coir fibre dust "Cocopeat".

During 2003 he joined Malwatte Valley Plantations PLC and is currently the Group Executive Director. He is also the Group Executive Director of Wayamba Plantations (Pvt) Ltd, the holding company of Malwatte Valley Plantations PLC.

Mr. K. A. S. Gunasekera
(Director)

Mr. K. A. S. Gunasekera joined the Sri Lanka Administrative Services in 1970 and has more than 38 years of experience in holding Public Sector Senior Management positions out of which twenty five years as Secretary to eight Ministries covering subject areas of Public Utilities, Housing, Justice, Plantation Management, Environment, Forestry, Natural Resources, Urban Development, Sports Parliamentary Affairs, Youth, Cultural, Information and Broadcasting. After retirement in 2004 from Public Service he was appointed as Chairman of Public Utilities Commission for a period of four years.

BOARD OF DIRECTORS

He has assisted for more than 30 years in Policy Development; Regulatory and Institutional Reform and development in the field of Public Utilities, Urban Infrastructure, Environmental Management and Public Administration in Sri Lanka. Provided leadership and guidance in initiating Rural Water Supply Policy and Institutional Framework and Legal and Institutional Reform in the Water Sector introducing community and private sector partnerships. Involved in setting up of the Environmental Impact Assessment (EIA) Process and Environment Protection Licensing (EPL) System, making an amendment to the National Environmental Act and developing National Environmental Policy, Cleaner production Policy and Strategy, Solid Waste Management Strategy, Air Quality Monitoring program, Environmental NGO Forum, School Environmental Societies and Environmental Pioneering Brigade.

He also provided leadership in developing and managing World Bank funded environmental projects, legal and judicial reforms as well as ADB and JBIC funded Plantations Reform project and Plantation Development Project. He was appointed to the Board of Malwatte Valley Plantations PLC as a Director from 2009.

He resigned during the year on 15/03/2015 and rejoined on 23/09/2015. Mr Gunasekara chairs the Board Remuneration Committee and is also a member the Board's Related Party Transactions Committee.

Mr. Chamindra de Silva
(Director)

Mr. Chamindra de Silva is a Senior Chartered Accountant with over thirty years of post qualifying experience in industry and commerce. Currently he is the Chief Financial Officer at Alliance Finance Company PLC and immediately prior to joining the Alliance Finance Company, over a long period, he functioned as the Group Finance Director of Swedish Trading Group of Companies, a leading business conglomerate in the country. He is the Chairman of the Board Audit Committee and Board Related Party Transaction Review Committee and a Member of the Finance and Administration Monitoring Committee of Malwatte Valley Plantations PLC.

Mr. Chamindra de Silva has been a former Vice-President of the ACCA (UK)- Sri Lanka Branch and a Member of the Council of CIMA Sri Lanka Branch, having completed both CIMA and ACCA examinations in the late 1970s. He has also been a Member of the Institute of Marketing UK, the Institute of Management Services-UK and a recipient of the CIMA award for the Accounting & Information Systems in the Colombo University's MBA program 1989/90.

He has extensive experience in the field of managerial education specialising in the fields of Finance and Strategy and has functioned for over a decade as the Course Director for Financial Management in the prestigious MBA program University of Colombo. He has also been the Chief Examiner for Financial Management at the Country's Premier Accounting Body, the Institute of Chartered Accountant's of Sri Lanka and currently an active participant in the ICASL's Graduate and Post Graduate Management Education Programme.

Ms. Claudia A. Gerlach
(Director)

A national of the Netherlands, Ms. Claudia Gerlach obtained a Bachelor Degree in Hotel Management and Tourism from the Klessheim College of Tourism in Salzburg, Austria. From 1977 onwards, Ms. Gerlach has been active for 30 years in international freight forwarding and logistics. She held several Managing Director positions for international logistic service providers based in Europe. Since 2009 Ms. Gerlach owns her own Management Consulting Company, offering Management Consulting and Interim Management Services. Her field of expertise is business strategy, general management and international logistics/supply chain management.

BOARD OF DIRECTORS

Mr. K. G. M. Piyaratne
(Director)

Mr. Piyaratne is a fellow member of the Institute of Chartered Accountants of Sri Lanka, member of the Institute of Chartered Management Accountants of UK, Chartered Professional Accountatnt (CPA) of Canada and Masters degree holder of Management and information Technology from University of Kelaniya. He is a Senior Chartered Accountant with over twenty five years Experience in Industry and Commerce. He was reappointed to the Board as Director Finance of Malwatte Valley Plantions PLC in 2015. Prior to joining the Company he served as an Accountant, Mahaweli Engineering & Construction Agency. Manager, Someswaran Jayawickrama & Co. He has also served as Director Finance Sri Lanka Broadcasting Corporation, Chief Accountant, Ceylinco Cisco Security Corporation (Pvt) Ltd., and Ernst & Young, Doha, State of Qatar as Audit/Tax Accountant.

Mr. A. N. de Silva
(Director)

Mr. A. N. de Silva is a senior banker counting over four decades of experience in commercial banking with Hatton National Bank PLC & Union Bank of Colombo PLC. He also currently serves as an Independent Non Executive Director of Hatton National Bank PLC. He was elected an Associate of the Chartered Institute of Bankers, London, UK, on completion of the Institute's Examinations in 1978 and has received training in Banking & Management from several local & overseas institutions. He is also a Director of Holco Ceylon (Pvt) Ltd.

He joined the Board of Malwatte Valley Plantations PLC as an Independent Non Executive Director with effect from 2nd April 2015 & is the Chairman of the Company's Finance & Administration Monitoring Committee, and also a member of the Company's Board Audit, Remuneration and Related Party Transactions Review Committees .

Mr. S. D. Samaradivakara
(Director)

Mr. Shanaka D. Samaradiwakara commenced his career in the Private Sector in 1989 and joined the Plantation Sector in 1992 with JEDB.

He is a Senior Planter with over 27 years' experience in plantation management, and holds a Diploma in Plantation Management from National Institute of Plantation Management. He possesses extensive experience Tea Manufacture and Cultivation, Processing & Packaging of major Export agricultural crops.

He joined Malwatte Valley Plantations in 2014, having worked for Hayleys Plantations for two decades, and was appointed to the Board on 01st April 2019.

CORPORATE GOVERNANCE

Corporate Governance is about the way in which the Board oversees the managing of a Company by its managers, and how Board Members are in turn accountable to shareholders and the Company.

Corporate Governance influences how the objectives of the Company are set and achieved, risks identified and managed and organisational performance optimised. The Board of Directors ensures that all activities of the Board are conducted upholding the highest standards of transparency, accountability and ethics.

The Company is primarily guided by the Code of best practices on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the Listing Rules of the Colombo Stock Exchange on Corporate Governance. This report sets out the Company's Corporate Governance practices.

The Board of Directors

The Board of Directors comprise of nine Directors including the Chairman and Managing Director / CEO. The Company believes that the present composition of the Board has at its disposal, a vast reservoir of knowledge and experience in all areas of the Company's operations and the names of the Directors are given in the Directors report.

The Board meets at least nine times each year and in addition a regular update takes place in the months when no formal meeting is scheduled. The agenda for each Board Meeting is set by the Company Secretary in consultation with the Chairman. Board members receive a monthly report of the Company's activities which incorporate updates on progress against objectives and the management of business risks.

The Board of Directors are responsible for;

- Providing direction and guidance to the Company in the formulation of its strategies, with emphasis on the medium and long term in the pursuance of its operational and financial goals
- Implementing and monitoring of such strategies.
- Reviewing and ratifying systems in operation relating to risk management, internal control, codes of conduct and compliance with the laws, statutes and regulations.
- Reviewing monitoring and ratifying all capital expenditure, acquisitions and divestitures.
- Monitoring senior management performance
- Overseeing Systems of Internal Control and Risk Management
- Ensuring that due attention is given to annual and interim financial statements prior to Publication
- Determining the quantum of the final dividend for approval by the shareholders.
- Approving and monitoring Financial and other Reporting
- Monitoring Systems of Governance and Compliance

The Board in discharging its duties seeks independent professional advice from external parties when necessary at the Company's expense.

The Company Secretaries advise the Board on matters relating to the Companies Act, Colombo Stock Exchange regulations and other applicable rules and regulations and ensures appropriate, timely and accurate information is submitted to the Board and its committees.

All company directors bring independent judgment to bear on issues of strategy, performance, resources, key appointments and standards.

New directors receive a full introduction to the Company. This consists of information covering the operations of the Board as well as meetings with the Board, Chief Executive and other Executive Directors. All Non-Executives have direct contact with the Company's senior executives between Board meetings and also visit the Company's operations in order to familiarise themselves with its activities and to meet and engage with staff.

Board Composition

The Board currently (2019) comprises of the Chairman four Executive Directors including MD/CEO, one Non- Executive Director and three Independent Non- Executive Directors. The Board functions effectively and efficiently and is considered to be of an appropriate size. The Directors provide the Company with the knowledge, mix of skills, experience and networks of contacts required. The Board Committees comprise of directors with a variety of relevant skills and experience so that no undue reliance is placed on any individual.

The Non-Executive Directors combine broad business and commercial experience with independent and objective judgement. The balance between Non-Executive and Executive Directors enables the Board to provide clear and effective

CORPORATE GOVERNANCE

leadership and maintain the highest standards of integrity across the Company's business activities.

Name of the Director	Nature of Directorship			Remuneration Committee		Audit Committee			RPT Review Committee	
	Executive	Non - Executive Non-Independent	Non - Executive Independent	Chairman	Member	Chairman	Member	Finance Professional	Chairman	Member
1. Mr. Frits Bogtstra		√								
2. Mr. Lucas Bogtstra	√									
3. Mr. T.R. Gerlach	√									
4. Mrs. C. A. Gerlach		√								
5. Mr. G. Chamindra de Silva			√		√	√	√	√	√	√
6. Mr. A. N. de Silva			√		√		√			√
7. Mr. K.G.M. Piyaratne	√									
8. Mr. K.A.S. Gunasekera			√	√	√					√
9. Mr. S. D. Samaradivakara	√									

Company Information

The Board recognizes that the decision making process is highly dependent on the quality of information furnished. As such, all Directors have full and unrestricted access to any information pertaining to Malwatte Valley Plantations PLC.

The Managing Director/CEO plays a key role in ensuring that all Directors have full and timely access to information relevant to matters that will be deliberated at the Board meeting. The agenda and set of Board papers are circulated in advance of the Board meetings. A comprehensive balance of financial and nonfinancial information is encapsulated in the papers covering strategic, operational, financial, regulatory and marketing issues.

All Directors have access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information for its decision-making, that Board procedures are followed and the statutory and regulatory requirements are met. The Secretary also assists the Chairman in ensuring that all Directors are properly briefed on issues arising at Board meetings. The Board believes that the current Company Secretary is capable of carrying out the appropriate duties to ensure the effective functioning of the Board while the terms of appointment permit the removal and appointment by the Board as a whole.

Appointment of Directors

There is a clear and transparent procedure for the appointment of Directors to the Board. The Articles of Association of the Company empower the Board of Directors to either fill a casual vacancy in the directorate or appoint additional directors. In terms of the Articles of Association any Director appointed by the Board holds office until the next Annual General Meeting at which he seeks election by the shareholders.

Management Committee

The Board of Directors devotes adequate time to the fulfillment of their duties as Directors of the Company. The Board has delegated the day to day operations of the Company and the group to the Management Committee. The Management Committee is chaired by the Managing Director who is also the Chief Executive Officer, and meets once a month. The committee comprises of Heads of Divisions such as Plantation, Finance, Marketing and Legal.

The functions of the Management Committee are to innovate, develop, implement and review the strategies in order to achieve the corporate objectives and discuss matters in relation to the operational activities of the Company.

Directors Remuneration

The total remuneration of the Directors is disclosed in Note 9 to the Financial Statements.

Accountability and Audit

The Statement of Director 's Responsibilities are presented on Page 20 of the Annual Report.

The Board has implemented a sound system of internal control and Risk Management to safeguard the shareholders investment and the Company's assets. The details of the Company's Risk Management system are provided on Page 13 and 14 of this Annual Report.

CORPORATE GOVERNANCE

With a view to having Board oversight on the company's financial performance and administrative affairs, a separate Finance and Administration Monitoring Committee has been formed chaired by Non-Executive Director Mr. A. N. de Silva. This Committee functioned through out the year 2018.

Other members of the committee are Mr. Chamindra Silva, Mr. Lucas Bogtstra, Mr. M. Piyaratne, Mr. S. D. Samaradivakara and Mr. T. R. Gerlach.

Key management personnel are invited to make regular participation on performance related subjects.

Board Audit Committee

The Audit Committee consists of the following members:
Mr. G. C. de Silva
Mr. A. N. de Silva

Two of the above Non-Executive Directors of the company have a wide experience in Commerce and Finance enabling them to have a sound control over operations as well as finance.

Objectives of the Board Audit Committee

Audit Committee was set up with the following objectives while keeping in line with the objectives defined by the Securities and Exchange Commission.

To evaluate internal control procedure with close liaison with internal auditors and ensure smooth operation with a sound control over the operations.

- Continuous implementation of improvements and corrective action on deviations observed by internal auditors and monitoring the success of implementation.
- Analytical review of the business risks towards the Company and making sure sufficient risk management techniques are in operation based on observations.
- To ensure that the Company adheres to all statutory compliance and carries out the operation in accordance with commercially and ethically accepted management practices.
- Enhancing the public confidence in the credibility and objective of financial statements.
- Ensure the greater independence of internal and external auditors and providing autonomous reporting system.
- The Audit Committee also assists the Board of Directors to maintain the stewardship responsibilities towards shareholders.

Activities of the Board Audit Committee

- Review the compliance with Corporate Governance requirements.
- Advising and suggesting scope and responsibilities of Internal Audits.
- Assisting in conducting investigations.
- Liaison with Internal and External Auditors.
- Assessing and commenting on all financial reports internal and external, audit findings.
- Communication with Directors and Managers on further investigations on audit findings before corrective action.
- Implementation of corrective action required and follow-up on success of implementation.

Compliance

The Board is conscious of its responsibility to shareholders, the Government and the Society in which it operates and is unequivocally committed to upholding ethical behavior in conducting its business. The Board strives to ensure that the Company complies with the laws and regulations of the Country.

RISK MANAGEMENT

The Company operates in an evolving environment which exposes it to different types of risks especially being in the Agricultural Sector which is very sensitive to Weather patterns. An effective risk management system is an important area of business management which would attempt to prevent many events which would otherwise have adverse effects on the business.

Risk Management Process

The Risk Management Process is designed to ensure identification of any circumstances that would adversely affect the goals of the Company. Our Risk Management Process ensures that we accept or manage unavoidable risks and uncertainties are minimised. The Company has a systematic process of risk management that is aligned with its strategy. The Main Risk factors falls into three categories namely Strategic Risk, Financial Risk and Operational Risk

1. Strategic Risks

1.1 Wage Structure (Rating HIGH)

Trade Unions Play an active role in determining wages. The wage structure is not aligned to worker productivity. Every two years when wages are revised as per the collective agreement it affects the cost of production and gratuity liability substantially there by the competitiveness and profitability. Risk management strategies in place are as follows;

Increase land and worker productivity

Optimise labour deployment and maximise productivity

Motivate employees through better HR practices

Continuous dialogue with Trade Unions and workers in order to bring wage structure in line with productivity

1.2 Impact of Climate Change (Rating HIGH)

Crops are seasonal and subject to changes in weather. The loss of crop and quality of the harvest affect the market share, earnings and profitability. In order to mitigate this risk, the Company has adopted soil and soil moisture conservation methods, soil improvement, intercropping, crop diversification and establishment and management of shade trees, selection of suitable lands for new planting or replanting, use of drought and heat tolerant cultivars.

1.3 Business Risk (Rating MODERATE)

Non implementation of Revenue enhancing and Cost saving measures, Strategic Plans and Initiatives on profitable investments results in reducing future growth of the Company reducing revenue, cash flow and profitability.

In order to mitigate business risks the Board of Directors and the management committee hold regular meetings to formalise strategies and plans for the future. The use of Best Practices in Agriculture and Company Diversification Policy also contributes in mitigating business risks.

1.4 Political and Environmental Risks (Rating HIGH)

Political and Economic upheaval in key markets and volatility of the world economy causes rapid fluctuations in Tea prices.

The main risk factor is that fluctuating prices affect profitability and reduce profit margins.

In order to mitigate these risks the Company focuses mainly on producing quality Teas and has been very successful in the Uva Regions where Malwatte Valley Plantations obtains the highest averages on a continuous basis and also its factories output is maintained at high volumes with the increased market high prices in the Uva Region.

In order to mitigate risks further the Company converts low yielding Tea lands to cultivate subsidiary crops.

2. Operational Risk

2.1 Product Quality (Rating HIGH)

Non maintenance of product Quality lowers Demand
This results in buyers curtailing purchases and looking for new suppliers. This will drop market prices and erode market share.

In order to mitigate these risks the Company maintains a regular dialogue with buyers and brokers to obtain feedback, and take prompt and corrective action on Broker Reports.

Also the Company on a continuous basis improves its manufacturing processes both in Tea and Rubber to produce quality products.

RISK MANAGEMENT

2.2 Human Resource (Rating MODERATE)

Reduction in resident manpower, low productivity, immobility within estates / between estates and difficulty in retaining management / supervisory staff.

Lack of Human Resources will make it difficult for the Company in achieving the targeted crops. If there are work disruptions to operations and performance it will affect productivity and profitability.

In order to mitigate these risks, the Company maintains a close Dialogue with employees, staff training and development programmed are in place to improve performance, determine remuneration in line with the Industry Several programs are in place to uplift the living standards of employees and their families. These have resulted in a better relationship with the workforce. The Company has performance oriented reward schemes to motivate staff and labour force. This helps high performers to improve earnings which motivate them further.

2.3 Reputation Risk (Rating MODERATE)

Reputation risk refers to compliance of legal and statutory requirements and ethical practices as well as maintaining loyalty and trust worthiness among stakeholders.

These risks will result in the Company losing of reputation, fines and even litigation.

In order to mitigate these losses, the Company ensures highest standards of business conduct in adopting a code of Corporate Governance by all employees, senior management and Board of Directors. Seek expert legal advice to incorporate risk mitigatory clauses in drafting legal contracts and agreements. Maintain effective Internal Control Systems to minimise fraud and error. Close dialogue with Golden Shareholder. Membership in Employers Federation, Ceylon Chamber of Commerce and Planters Association of Ceylon.

2.4 Risk of Land Acquisitions (Rating LOW)

The Company is exposed to the risk of acquisition of productive land for public purposes. These are as far as possible resolved by discussion and negotiation to minimise losses. Compensation claims are lodged for any lands acquired.

3. Financial Risk

3.1 Liquidity (Rating MODERATE)

Sufficient working capital including readily available funds is crucial for the Industry.

The risk arises in the event of inadequacy of funds that affect sustainability of operations, leading to funding at higher costs or postponement of other important investments.

In order to mitigate these liquidity risks the Company maintains cash flow and budgetary controls system for effective monitoring, priorities capital investments and borrowings are planned within the Company's ability to repay.

3.2 Credit Risk (Rating MODERATE)

The Company sells most of its produce through the auction mechanism. There is satisfactory system to control and maximise the recovery of debts arising from direct sales as there are stipulated settlement dates for auction produce. Direct exports are usually covered by letters of credit or bank drafts.

3.3 Finance Costs (Rating MODERATE)

This mainly refers to high finance costs resulting from fluctuating Interest rates.

Finance costs have a direct impact on profitability and cash flows.

In order to mitigate these losses the Company has resorted to concessionary funding from available sources. The Company fully utilised the ADB credit Line and E-Friends scheme of HNB,at lower interest cost. The Company also obtained multi facilities from various banks so as to ensure maximum advantage from varying terms offered by different financial Institutions.

3.4 Foreign Exchange Risk (Rating HIGH)

This affects Companie's profitability with fluctuating exchange rates.

This affects the Companies exports.

In order to mitigate the losses, exchange rate movement are monitored and outlook is closely followed in respect of currencies in which the company carries exposure. Tea Exports have a direct exposure in respect of this risk which the Company closely monitors.

AUDIT COMMITTEE REPORT

1. Composition

The Board appointed Audit Committee of Malwatte Valley Plantations PLC consists of two members, Mr G. C. De Silva and Mr. A.N. De Silva both of whom are independent Non-Executive Directors. Mr. G. C. de Silva, the Chairman of the committee is a Fellow member of the Institute of Chartered Accountants of Sri Lanka.

2. Role of the Committee

The role and functions of the committee are regulated by the 'Rules on Corporate Governance' of the listing rules of the Colombo Stock Exchange. The key objective of the committee is to assist the Board of Directors in discharging its responsibilities towards all stakeholders and to ensure that sound Internal Audit practices are carried out covering all aspects of the company activities. The committee is empowered among other things to examine any matters relating to the financial affairs and activities within the company and further review the adequacy of internal controls as well as adherence to statutory and regulatory requirements.

3. Internal Audit and Meetings

During the financial year ended 31 /12/ 2018 the committee held four comprehensive meetings. The Managing Director and the Director Finance attended all audit committee meetings by invitation. When required, other senior officers of the Company were invited to attend these meetings and to clarify any observations by the internal auditors arising from issues that may concern their respective sphere of activities. The committee also noted the detailed studies, reviews and follow up action by the Managing Director in regard to matters that arise out of the Internal Audit findings and recommendations. The Internal Audit function was largely strengthened by appointing an experienced professional from the Plantation industry, as Head of Internal Audit, in February 2018. The Head of Internal Audit submits comprehensive audit reports under each estate that are further reviewed at the Audit Committee. The Head of Internal audit follows up implementation of the recommendations until completion.

Additionally, as discussed under No.4 of this report, opportunity is also taken to discuss internal audit related issues that arise in the 'Financial and Administration Monitoring Committee' meetings that is held at monthly intervals.

4. Financial Reporting

The management has the primary responsibility for the financial statements and the reporting process. The Audit Committee oversees the Company's financial reporting process to ensure the reliability of the information provided to the stakeholders. In this context, the committees receive, discuss and reviews with the management the quarterly financial statements and the Annual Report and financial statements prior to their issuance. The committee focuses on the key judgments and estimates, appropriateness of significant accounting policies adopted in preparation of the financial statements and the extent of compliance with the Sri Lanka Accounting Standards and applicable disclosure requirements.

It is relevant to mention the continuance of the effective functioning of the Financial and Administration Monitoring Committee (FAMCOM) meeting at monthly intervals that provides a valuable contribution in strengthening the internal controls and decision making in the area of financial and operating controls.

5. Statutory and Regulatory Compliance

A procedure has been laid down for reporting on the applicable statutory compliances of the company. Such reported exceptions are followed up to ensure appropriate corrective action. Due compliance with all requirements is monitored through this process.

6. Corporate Governance

The committee also reviewed the level of compliance with corporate governance rules as per Sec. 7.10 of the Listing Rules of the Colombo Stock Exchange and is satisfied that the Company has complied with all mandatory requirements of this.

7. External Audit

The external auditors were given adequate access by the committee to ensure they had no cause to compromise their independence and objectivity, prior to commencement of the Annual audit.

The Audit Committee also reviewed the external auditor's management letter of the previous year together with the management's responses thereto. The committee has also received a declaration from the external auditors as required by the Companies Act No. 07 of 2007. Confirming that they do not have any relationship or interest in the Company which may have a bearing on their independence.

AUDIT COMMITTEE REPORT

The Audit Committee has recommended to the board that Ernst & Young be re- appointed as statutory auditors for the financial year ending 31 December 2019 subject to the approval by the shareholders at the forthcoming Annual General Meeting.

8. Conclusion

Based on the review of reports submitted by the external and internal auditors and the information received during the deliberations, the committee is satisfied that the internal controls and procedures in place are adequately designed and have been operating effectively to provide reasonable assurance that the Company's assets are safeguarded and that steps are being taken to continuously improve the Internal control environment maintained within the Company. The committee is also satisfied that the financial position of the Company is regularly monitored and that the Company has adopted appropriate accounting policies and that the financial statements of the Company are reliable.

Chamindra de Silva
Chairman - Audit Committee

24 May 2019

REMUNERATION COMMITTEE REPORT

The Remuneration Committee consists of three Independent Non- Executive Directors including the Chairman of the committee. Mr. K.A.S. Gunasekera who counts more than 38 years of experience in the Sri Lanka Administrative Services and has worked in many Government Ministries as the Secretary.

The other members are
Mr. Chamindra De Silva
Mr. A. N. de Silva

The Committee had one meeting during 2018

The Managing Director assists the Committee by providing all relevant information and participating in its analysis and deliberations, except when his own compensation package is reviewed.

The Committee is responsible for determining the compensation packages of the Director/CEO as well of the key management personnel. In addition, they lay down guidelines and parameters for the compensation structure of the management staff of Malwatte Valley Plantations PLC.

The Company Policy on remuneration packages is to attract and retain competent professionals and an experienced workforce, and motivate, encourage and reward high performers. The Company's structed performance evaluation methodology ensures provision of compensation appropriate for the Company and commensurate with each employee's level of expertise and contribution bearing in mind the performance of the business and Shareholder returns.

In carrying out its tasks the committee reviewed data concerning all categories of staff among comparable companies.

The committee will meet from time to time and review the Company's compensation structure to ensure alignment with strategic priorities and with compensation offered by comparable companies.

K.A.S. Gunasekera
Member – Remuneration Committee

Colombo
25th May 2019

REPORT OF THE COMMITTEE ON RELATED PARTY TRANSACTIONS

The committee comprises Mr. Chamindra de Silva Chairman), Mr. K A S Gunasekera, Mr. A. N. de Silva. Mr. Lucas Bogtstra (Managing Director/CEO), Mr. Mahinda Piyaratne (Director Finance & Audit) will participate by invitation. The committee has reviewed the related party transactions during the period under review and has identified the relevant related parties. The committee has conducted four meetings during the year under review, having commenced their meetings in December 2016.

OBJECTIVE

To ensure that the related party transactions are done and related disclosures are made in compliance with the requirements of the laws and regulations of Securities and Exchange Commission, Companies Act, Colombo Stock Exchange, Central Bank of Sri Lanka, and Accounting Standards.

IDENTIFICAITON OF RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The Director Finance of the company inform on a quarterly basis any changes in the Related Parties to the Committee. The company secretary under supervision of the Director Finance, have sent declaration form specifying the details required by the regulators to all directors, to shareholders who owns shares exceeding 10% of the paid-up capital and their close family members as well as KMPS and have obtained the filled declaration forms.

As per Section 9 of CSE rules

In the case of Non-recurrent Related Party Transactions, if aggregate value of the non-recurrent Related Party Transactions exceeds 10% of the Equity or 5% of the Total Assets, whichever is lower, of the Listed Entity as per the latest Audited Financial Statements, the following information will be presented in the Annual Report.

Name of the RP	Relationship	Value of the RPTs entered into during the financial year	Value of RPTs as a % of Equity and as a % of Total Assets	Terms and Conditions of the RPT	The rationale for entering into the transaction

In the case of Recurrent Related Party Transactions, if the aggregate value of the recurrent RPTs exceeded 10% of the gross revenue / income (or equivalent term in the Income Statement and in the case of group entity consolidated revenue) as per the latest Audited Financial Statements, the company will disclose the aggregate value of recurrent RPTs entered into during the financial year in its Annual Report. The name of the RP and the corresponding aggregate value of the RPTs entered into with the same RP will be presented in the following format:

Name of the RP	Relationship	Nature of the transaction	Aggregate value of RPTs entered during the financial year	Aggregate value of RPTs as a % of Net Revenue / Income	Terms and Conditions of the RPTs

The Committee will continue to conduct their reviews at least once a quarter during the financial year commencing 1st January 2019.

Chamindra de Silva
Chairman - Committee on Related Party Transactions

24 May 2019

DIRECTORS REPORT

General

The Directors have pleasure in presenting to the Shareholders their Report together with the Audited Financial Statements for the year ended 31st December 2018.

Stated Capital

The total issued and paid-up Ordinary Shares of the Company as at 31st December 2018 consists of Voting Shares amounting to Rs.350,000,010/- and Non-Voting Shares amounting to Rs. 23,000,000/-.

Major Shareholders

The names of the 20 largest shareholders of the Company as at 31st December 2018 together with an analysis of shareholders are given in the shareholder and investor information pages of the Report.

Fixed Assets

The Company has invested Rs. 149 million on acquisition of fixed assets during the year which includes acquisition of plant and machinery, motor vehicles, land improvements, land and buildings etc. Information relating to the movements of fixed assets is given in the notes to the accounts.

Donations

No Donations have been made during the year under review.

Directors

The following Directors held Office during the period under review:

Mr. Frits Bogtstra	- Chairman
Mr. Lucas Bogtstra	- Managing Director/CEO
Mr. T. R. Gerlach	- Executive Director
Mr. K. G. M. Piyaratne	- Executive Director
Ms. C. A. Gerlach	- Non-Executive Director
Mr. G. Chamindra De Silva	- Independent Non-Executive Director
Mr. A. N. de Silva	- Independent Non-Executive Director
Mr. K. A. S. Gunasekera	- Independent Non-Executive Director
Mr. T. R. Gerlach	- Alternate Director to Ms. C.A. Gerlach

Following Director was appointed on 01/04/2019

Mr. S. D. Samaradiwakara

Directors Direct and Indirect Shareholdings

Details pertaining to Directors shareholdings as required under the Colombo Stock Exchange Rules are given in the shareholder and Investor information pages of this report.

Interest Register - Particulars of entries made during the year Related Party Disclosures of the Company are disclosed in Note No's 35 and 35.1 to tine Financial Statements.

Taxation

According to the Inland Revenue Act, the Company is liable to pay income tax on its taxable income at the rate of 14% (First Schedule - Inland Revenue Act).

Contingent Liabilities

During the period under review, except as in the Notes given to the Financial statements no known contingent liabilities exist.

Directors Interest in Contracts

During the period under review, except as in the notes given to the financial statements, no Director of the company has a direct or indirect interest in any other contract entered into by the Company.

Auditors

The Accounts for the year under review have been audited by M/s. Ernst and Young who are eligible to other themselves for re-appointment the remuneration paid to them for the year 2018 was Rs.3,215,000/-.A resolution relating to their re-appointment and authorizing the directors to determine their remuneration will be proposed at the Annual General Meeting. As far as the Directors are aware, the auditors do not have any relationship (other than as auditors) with the company.

Dividends

The Directors have not recommended a dividend for this financial year.

Going concern

The Board being satisfied that the Company has adequate resources to continue its operation in the foreseeable future has adopted the going concern basis in preparing the financial statements.

Management Applications (Private) Limited
Secretaries
Colombo Dated 24th May 2019

DIRECTORS' RESPONSIBILITIES

The Companies Act requires the Directors to prepare Financial Statements for each financial year giving a true and fair view of the State of Affairs of the Company as at the end of the financial year and of the Profit and Loss of the Company for the financial year. In preparing the financial statements, appropriate accounting policies have been selected and applied consistently, reasonable and prudent judgment and estimates have been made, and applicable accounting standards have been followed.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and for ensuring that the Financial Statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards and provide the information required by the Companies Act No.7 of 2007 and the Rules of the Colombo Stock Exchange. They are also responsible for taking reasonable measures to safeguard the assets of the Company, and in that context to have proper to the establishment of appropriate systems of internal control with a view to the prevention and detection of frauds and other irregularities. The Auditors have earned out reviews and sample checks on the system of internal controls as they considered appropriate and necessary for expressing their opinion on the financial statements. The Directors have extended full co-operation to the Auditors and have provided them with every opportunity to carry out their statutory obligation of expressing an opinion on the financial statements.

Compliance Report

The Directors also confirm that to the best of their knowledge all taxes and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees and all other known statutory obligations as were due as at the Balance Sheet date have been either duly paid or appropriately provided for in the financial statements.

By Order of the Board

Management Applications (Private) Limited
Secretaries

Colombo
24th May 2019

INDEPENDENT AUDITOR'S REPORT

Building a better working world

Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : + 94 11 2463500
Fax Gen : + 94 11 2697369
Tax : + 94 11 5578180
eysl@lk.ey.com
ey.com

MPDC/NKMS/TN

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MALWATTE VALLEY PLANTATIONS PLC

Opinion

We have audited the financial statements of Malwatte Valley Plantations PLC ("the Company"), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss, statement of 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.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters

Key audit matter	How our audit addressed the key audit matter
Valuation of Consumable Biological Assets	
The company has consumable biological assets carried at fair value amounting to Rs.1,209 MN as at the reporting date. The valuation of consumable biological assets requires significant levels of judgement and technical expertise, including the use of discounted cash flow models and selecting appropriate assumptions. Changes in the key assumptions used such as discount rate and available timber quantity to value the company's consumable biological asset could have a material impact on the statement of profit or loss and the value of consumable biological asset. Accordingly, valuation of consumable biological assets has been considered as a Key Audit Matter.	Our audit procedures focused on the valuation performed by the Management's external valuer, which included among others the following procedures; • We evaluated the competence, capability and objectivity of the external valuer engaged by the company. • We read the external valuer's report and evaluated the fair value methodology and inputs used in the valuations. • We engaged our internal specialised resources to assist us in evaluating the appropriateness of the valuation method and discount rate used by the external valuer. We evaluated the adequacy of the related disclosures given in Note 14.2 in the financial statements
Retirement Benefit Obligation	
The retirement benefit obligation of the company is significant (Rs.800 MN) in the context of the total liabilities of the Company. The valuation of the Company's retirement benefit obligation requires significant judgment and estimation to be applied across numerous assumptions, including salary increases and discount rate. Small changes in those assumptions could have a significant effect on the financial performance and financial position of the company. Accordingly, actuarial valuation of retirement benefit obligation is considered to be a key audit matter.	We evaluated the assumptions made in relation to the actuarial valuation of the retirement benefit obligation. In particular: • We assessed the assumption for salary increases against the company's historic trend and expected future outlook. • We agreed the discount rate used, to our internally developed benchmarks. • We validated the key data used by the actuary to the underlying data held by the Company. We evaluated the adequacy of the related disclosures given in Note 26 in the financial statements.

Other Information included in the Company's 2018 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is M- 1518.

21 May 2019
Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

As at 31 December 2018	Notes	2018 Rs.	2017 Rs.
Revenue	6.	**4,755,030,402**	4,601,252,278
Cost of sales		**(4,581,601,421)**	(4,042,388,288)
Gross profit /(loss)		**173,428,981**	558,863,990
Gain on change in fair value of biological assets	17.2	**88,110,481**	55,205,403
Other income	7.	**173,571,611**	158,097,088
Administrative expenses		**(263,816,572)**	(177,422,400)
Results from operating activities		**171,294,501**	594,744,082
Finance Income	8.1	**94,259,640**	82,819,982
Finance expenses	8.2	**(98,409,586)**	(88,903,495)
Interest paid to Government on finance lease	8.3	**(30,575,482)**	(28,809,394)
Net finance cost		**(34,725,428)**	(34,892,907)
Profit/ (Loss) before tax	9.	**136,569,073**	559,851,175
Tax (expense) /Reversal	10.	**(29,845,264)**	(6,165,301)
Profit / (Loss) for the year		**106,723,809**	553,685,874
Basic earnings/ (loss) per share (Rs.)	11	**0.48**	2.48

The accounting policies and notes on pages 31 through 76 form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

As at 31 December 2018	Notes	2018 Rs.	2017 Rs.
Profit for the year		**106,723,809**	553,685,874
Other comprehensive income for the year, net of tax			
Net other comprehensive income/(Loss) not be reclassified to profit or Loss in subsequent period			
Net (loss) / gain on financial assets at fair value through OCI	15.2	**(20,120)**	25,705
Tax effect	10.2	-	-
Actuarial gains/ (losses) on defined benefit plans	26.	**(293,350,099)**	48,207,669
Tax effect	10.2	**41,069,014**	(6,749,074)
Reavaluation of Land & Building	13	-	243,452,513
Tax effect	10.2	-	(127,427,936)
Total Net other comprehensive income/(Loss) not be reclassified to profit or Loss in subsequent period		**(252,301,205)**	157,508,878
Total Other comprehensive income for the year, net of tax		**(252,301,205)**	157,508,878
Total comprehensive income for the year, net of tax		**(145,577,396)**	711,194,751

The accounting policies and notes on pages 31 through 76 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 Rs.	2017 Rs.
ASSETS			
Non-current assets			
Lease hold property, plant & equipment	12.	**244,562,716**	262,117,458
Freehold Property, plant & equipment	13.	**1,788,533,082**	1,818,288,102
Bearer biological assets	14.1	**1,115,301,526**	1,064,562,329
Consumable biological assets	14.2	**1,208,521,313**	1,121,104,611
Other non current financial assets	15.	**61,720**	81,840
Total non-current assets		**4,356,980,357**	4,266,154,340
Current assets			
Produce on Bearer Bialogical Assets	16.	**2,885,265**	3,261,556
Inventories	17.	**617,313,141**	567,255,242
Trade and other receivables	18.	**272,518,008**	268,464,002
Income Tax Recoverable		**26,770,802**	5,374,045
Amounts due from related companies	19.	**32,238,031**	43,174,016
Short - term investments	20.1	**701,491,961**	697,238,585
Cash and cash equivalents	20.2	**196,059,981**	100,852,275
Total current assets		**1,849,277,189**	1,685,619,721
Total assets		**6,206,257,546**	5,951,774,060
EQUITY AND LIABILITIES			
Equity			
Stated capital	21.	**373,000,010**	373,000,010
Timber reserve		**1,107,471,020**	1,020,601,433
Fair Value Reserve of financial Assets at FVOCI		-	66,050
Revaluation reserve	22.	**661,326,144**	661,326,144
Retained earnings		**1,175,821,357**	1,441,658,741
Total equity		**3,317,618,531**	3,496,652,378
Non-current liabilities			
Interest-bearing borrowings	23.	**252,231,376**	412,651,769
Deferred income	24.	**123,508,943**	117,971,172
Deferred tax liability	25.	**191,534,499**	196,334,428
Retirement benefit obligations	26.	**800,541,481**	773,111,013
Liability to make lease payment after one year	27.	**135,578,493**	138,622,589
Total non-current liabilities		**1,503,394,792**	1,638,690,971

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 Rs.	2017 Rs.
Current liabilities			
Trade and other payables	28.	**632,510,425**	314,280,082
Liability to make lease payment within one year	27.	**3,044,096**	2,927,016
Interest-bearing borrowings payable within one year	23.	**390,166,020**	370,967,272
Dividend payables		**2,918,502**	403,656
NBT payables		**566,209**	282,433
VAT Payable		**154,022**	144,582
WHT Payable		**26,625**	-
Bank overdraft	20.3	**355,858,323**	127,425,671
Total current liabilities		**1,385,244,222**	816,430,712
Total liabilities		**2,888,639,014**	2,455,121,683
Total equity and liabilities		**6,206,257,546**	5,951,774,060

These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007

Chief Financial Officer

The Board of Directors is responsible for these Financial Statements.

Approved and signed for and on behalf of the Board of Directors of Malwatte Valley Plantations PLC

DIRECTOR

DIRECTOR

The accounting policies and notes on pages 31 through 76 form an integral part of the financial statements.

21 May 2019

Colombo

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Stated Capital Rs.	Timber Reserve Rs.	Fair Value Reserve of Financial Assets at FVOCI Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 1 January 2017	373,000,010	965,444,974	40,345	545,301,567	901,670,731	2,785,457,627
Profit for the year	-	-	-	-	553,685,874	553,685,874
Total Other comprehensive income for the year, net of tax	-	-	25,705	116,024,577	41,458,596	157,508,878
Transferred to the Timber Reserve	-	56,594,537	-	-	(56,594,537)	-
Realised gain on harvested timber trees	-	(1,438,078)	-	-	1,438,078	-
Dividends	-	-	-	-	-	-
Balance as at 31 December 2017	373,000,010	1,020,601,433	66,050	661,326,144	1,441,658,741	3,496,652,378
Profit for the year	-	-	-	-	106,723,809	106,723,809
Total Other comprehensive income for the year, net of tax	-	-	-	-	(252,301,205)	(252,301,205)
Transferred to the Timber Reserve	-	88,486,772	-	-	(88,486,772)	-
Transfer of fair value reserve of equity instruments designated at FVOCI	-	-	(66,050)	-	66,050	-
Realised gain on harvested timber trees		(1,617,185)			1,617,185	-
Dividends	-	-	-	-	(33,456,451)	(33,456,451)
Balance as at 31 December 2018	373,000,010	1,107,471,020	-	661,326,144	1,175,821,357	3,317,618,531

The accounting policies and notes on pages 31 through 76 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 Rs.	2017 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit before Taxation		136,569,073	559,851,175
ADJUSTMENTS FOR			
Dividend Income	7.	(4,249)	(2,083)
Interest Income	8.1	(94,259,640)	(82,819,982)
Depreciation/Amortisation	12/13/14	132,574,245	125,996,806
Provision for overgrown oil palm nursaries	14.1	10,000,000	-
Provision for Defined Benefit Plan	26.	114,821,937	131,961,163
Amortisation of Grants	24.	(6,972,557)	(9,689,271)
Finance Costs	8.2/8.3	128,985,068	117,712,889
Profit on disposal of Property, Plant & Equipments	7.	(2,445,343)	(13,207,228)
Gain on change in fair value of biological assets	14	(88,110,481)	(55,205,403)
Written off of amount due to related parties		-	14,372,316
Provision for related parties		11,082,991	-
Profit from sale of timber trees	7	(5,734,166)	(16,524,889)
Impairment on investment in subsidiary		-	(1,742,023)
Operating Profit before Working Capital Changes		336,506,878	770,703,470
(Increase)/Decrease in Trade and other receivables		19,331,989	(99,665,128)
(Increase)/Decrease in Inventories		(50,057,899)	(161,339,098)
Increase/(Decrease) in Trade and other payables		62,239,125	(42,081,297)
(Increase)/Decrease in amounts due from Related Parties		(147,006)	7,677,515
Increase/(Decrease) in amounts due to Related Parties		-	(20,039,657)
Cash Generated from Operations		367,873,087	455,255,805
Finance Costs Paid		(98,409,586)	(88,903,495)
ESC/ Income Tax Paid		(38,358,930)	(11,372,285)
Defined Benefit Plan Costs paid	26.	(124,842,679)	(114,358,066)
Net Cash from Operating Activities		106,261,892	240,621,959

STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Notes	2018 Rs.	2017 Rs.
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Investment in Short - term Investments		(4,253,376)	(79,213,712)
Dividend Income Received	7.	4,249	2,083
Grants Received	25	12,510,328	3,503,452
Proceeds from Sale of Property, Plant & Equipments		5,289,160	24,580,231
Field Development Expenditure		(104,796,502)	(102,191,055)
Expenditure on Timber Cultivation		(547,114)	(150,227)
Cash received on harvested timber trees		7,351,350	17,962,967
Purchase of Property, Plant & Equipment		(44,050,995)	(98,562,580)
Interest Income	8	94,259,640	82,819,982
Net Cash used in Investing Activities		(34,233,260)	(151,248,859)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Payment of Government lease rentals		(30,575,482)	(28,809,394)
Proceeds from loans		1,678,150,526	1,360,040,764
Payment of loans		(1,819,372,183)	(1,265,554,837)
Divident Payment		(33,456,451)	-
Net Cash from (used in) Financing Activities		(205,253,590)	65,676,533
Net Increase/(Decrease) in Cash & Cash Equivalents		(133,224,958)	155,049,633
Effect of Exchange Rate differences		-	-
A. Cash & Cash Equivalents at the beginning of the year		(26,573,396)	(181,623,028)
B. Cash & Cash Equivalents at the end of the year		(159,798,342)	(26,573,396)
NOTE A			
Cash & Bank Balances		100,852,275	168,817,660
Bank Overdrafts		(127,425,671)	(350,440,688)
		(26,573,396)	(181,623,028)
NOTE B			
Cash & Cash Equivalents at the end of the year			
Cash & Bank Balances		196,059,981	100,852,275
Bank Overdrafts		(355,858,323)	(127,425,671)
		(159,798,342)	(26,573,396)

The accounting policies and notes on pages 31 through 76 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. REPORTING ENTITY

1.1 Domicile and legal form

Malwatte Valley Plantations PLC (the Company) was incorporated and domiciled in Sri Lanka, under the Companies Act. No. 17 of 1982 (The Company was re-registered under the Companies Act No. 07 of 2007), in terms of the provisions of the Conversion of Public Corporation and Government Owned Business Undertakings into Public Companies Act No. 23 of 1987.

The registered office of the Company is located at No. 280, Dam Street, Colombo 12, and Plantations are situated in the planting areas of Bandarawela, Badulla and Awissawella.

The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

The Financial Statements of the Company, comprise the Statement of Profit or Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes to the Financial Statements.

1.2 Principal activities and nature of operations

During the year, the principal activities of the Company were cultivation, manufacture and sale of Black Tea, Rubber and other crops.

1.3 Ultimate Parent enterprise

The Company's ultimate parent undertaking is Wayamba Plantations (Pvt) Ltd.

1.4 Date of authorization for issues

The Financial Statements of Malwatte Valley Plantations PLC for the year ended 31 December 2018 were authorized for issue in accordance with a resolution of the Board of Directors on 21 May 2019.

1.5 Responsibility for Financial Statements

The responsibility of the directors in relation to the Financial Statements is set out in the Statement of Directors' responsibility report in the Annual Report.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Financial Statements of the Malwatte Valley Plantations PLC have been prepared in accordance with Sri Lanka Accounting Standards promulgated by The Institute of Chartered Accountants of Sri Lanka (CASL), and with the requirements of the Companies Act. No. 07 of 2007.

2.2 Basis of measurement

These Financial Statements have been prepared on a historical cost basis, except for consumable biological assets, produce on bearer biological asset, Land & buildings and financial instruments that have been measured at fair value and where appropriate specific policies are explained in the succeeding notes.

No adjustments have been made for inflationary factors in the Financial Statements.

2.3 New accounting standards, interpretations and amendments adopted by the company

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements in the previous financial year, except for the adoption of new standards effective as of 1st January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company applies, for the first time, SLFRS 15, Revenue from Contracts with Customers and SLFRS 9, Financial Instruments, that require restatement of previous financial statements.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company.

2.3.1 SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 supersedes LKAS 11, Construction Contracts, LKAS 18, Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new Standard establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS

15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company adopted SLFRS 15 using the full retrospective method of adoption. Based on the assessment performed, the Company concluded that SLFRS 15 does not have a material impact on the Company's financial statements. The revised policies as per SLFRS 15 are indicated in the Note 3.18.1.

2.3.2 SLFRS 9 Financial Instruments

SLFRS 9 Financial Instruments replaces LKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company adopted SLFRS 9 using the full retrospective method of adoption. Based on the assessment performed, the Company concluded that SLFRS 9 does not have a material impact on the Company's financial statements, except for following classification changes occurred.

Classification and measurement

Except for certain trade receivables, under SLFRS 9, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under SLFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business models was made as of the date of initial application, 1st January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1st January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The new classification and measurement of the Company's debt financial assets are as follows:

Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Company's Trade and other receivables. (These financial assets were classified as loans and receivables under LKAS 39 in the previous financial statements).

No any other classification changes were identified due to the adoption of SLFRS 9.

The accounting for the Company's financial liabilities remains largely the same as it was under LKAS 39.

Impairment

The adoption of SLFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing LKAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

SLFRS 9 requires the Company to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade and other receivables, the Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2.4 Functional and presentation currency

The Financial Statements are presented in Sri Lankan Rupees (LKR) which is the Company's functional and presentation currency. All financial information presented in Sri Lankan Rupees has been given to the nearest rupee, unless stated otherwise.

2.5 Materiality and aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Comparative information

The presentation and classification of the financial statements of the current year are comparable with those of the previous year.

3.2 Going concern

The financial statements have been prepared on the assumption that the company is a going concern. The Directors have made an assessment of the Company's ability to continue as a going concern in the foreseeable future, and they do not foresee a need for liquidation or cessation of trading, to justify adopting the going concern basis in preparing these financial statements.

3.3 Current versus non-current classification

The company presents assets and liabilities in the statement of financial position based on current/non -current classification. An asset as current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting period.

  Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period.

  Or
- There is no right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax liabilities are classified as non-current liabilities.

3.4 Fair Value Measurement

The Company measures financial instruments and non-financial assets indicated below at fair value at each statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarized in the following notes:

- Land and Buildings - Note 13
- Consumable biological assets - Note 14.2
- Produce on bearer biological asset - Note 16
- Financial Instrument (including those carried at amortized cost)

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as consumable biological assets, and significant liabilities, such as retirement benefit obligation. Involvement of external valuers is decided upon annually by the Management Committee after discussion with and approval by the Company's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Management Committee decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.5 Foreign currencies

The Company's financial statements are presented in Sri Lankan Rupees. For the Company determines the functional currency and items included in the financial statements of the Company is measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the company net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

3.6 Property, plant and equipment

The Company applies the requirements of LKAS 16 on “Property Plant and Equipment” in accounting for its owned assets which are held for and use in the supply of goods, for rental to other or for administration purpose and are expected to be used for more than one year.

3.6.1 Recognition and measurement

Property, Plant and Equipment is recognized if it is probable that future economic benefit associated with the assets will flow to the Company and cost of the asset can be reliably measured.

Items of property, plant and equipment are measured at cost (or at fair value in the case of consumable biological asset and land & building), less accumulated depreciation and accumulated impairment losses, if any.

3.6.2 Owned assets

The cost of property, plant and equipment includes expenditures that are directly attributable to the acquisition of the asset. Such costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials and direct labor, any other cost directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as a part of that equipment.

When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is preformed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. The company’s policy is to revalue Land and Buildings once in every four years. Other property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Capital work in progress is transferred to the respective asset accounts at the time, the asset is ready for utilization or at the time the asset is commissioned.

3.6.3 Leased assets

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

3.6.4 De-recognition

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized and gains are not classified as revenue.

3.6.5 Land improvement cost

Permanent land improvement costs are those costs incurred in making major infrastructure development and building new access roads on leasehold lands.

These costs have been capitalized and amortized over the remaining lease period.

Permanent impairments to land development costs are charged to the Statement of Profit or Loss in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.6.6 Biological Assets

Biological assets are classified in to mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, rubber, other plantations and nurseries are classified as biological assets.

Biological assets are further classified as bearer biological assets and consumable biological assets. Bearer biological asset includes tea and rubber trees, those that are not intended to be sold or harvested, however used to grow for harvesting agricultural produce from such biological assets. Consumable biological assets include managed timber trees those that are to be harvested as agricultural produce or sold as biological assets.

The entity recognizes the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

3.6.6.1 Bearer Biological Asset

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – Property Plant & Equipment.

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets (Tea, Rubber) which comes into bearing during the year, is transferred to mature plantations.

3.6.6.2 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling have been capitalized to the relevant mature field, only where the number of plants per hectare exceeded 3,000 plants and, also if it increases the expected future benefits from that field, beyond its pre-infilling performance assessment. Infilling costs so capitalized are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation, or the unexpired lease period, whichever is lower.

Infilling costs that are not capitalized have been charged to the Profit or Loss Statement in the year in which they are incurred.

3.6.6.3 Consumable Biological Asset

Consumable biological assets include managed timber trees those that are to be harvested as agricultural produce or sold as biological assets. Expenditure incurred on consumable biological assets (managed timber trees) is measured on initial recognition and at the end of each reporting period at its fair value less

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees is measured using DCF method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer. All other assumptions and sensitivity analysis are given in Note 14.2.

The gain or loss arising on initial recognition of consumable biological assets at fair value less cost to sell and from a change in fair value less cost to sell of consumable biological assets are included in profit or loss for the period in which it arises.

Impairments to Biological Asset are charged to the Profit or Loss Statement in full and reduced to the net carrying amounts of such asset in the year of occurrence after ascertaining the loss.

3.6.6.4 Nursery Plants

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

3.6.6.5 Produce on Bearer Biological Assets

In accordance with LKAS 41, company recognize agricultural produce growing on bearer plants at fair value less cost to sell. Change in the fair value of such agricultural produce recognized in profit or loss at the end of each reporting period.

For this purpose, quantities of harvestable agricultural produce ascertained based on harvesting cycle of each crop category by limiting to one harvesting cycle based on last day of the harvest in the immediately preceding cycle. Further, 50% of the crop in that harvesting cycle considered for the valuation.

For the valuation of the harvestable agricultural produce, the company uses the following price formulas.

Tea – Bought Leaf rate (current month) less cost of harvesting & transport.
Rubber – latex Price (95% of current RSS1 Price) less cost of tapping & transport.

3.6.7 Depreciation and amortization

(a) Depreciation

Depreciation is recognized in Statement of Profit or Loss on a straight-line basis over the estimated useful economic lives of each part of an item of Property, Plant & Equipment. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Company will have ownership by the end of the lease term. Lease period of land acquired from JEDB/SLSPC will be expired in year 2045. The estimated useful lives for the current and comparative periods are as follows:

	No. of years	Rate (%)
Building & Roads	40	2.50
Plant and other machinery	20/13.33	5.00/7.50
Motor vehicles – Supervisory	5	20.00
Motor vehicles – Utility	10	10.00
Equipment	8	12.50
Land Improvements	10	10.00
Furniture and fittings	10	10.00
Sanitation water supply & Electricity	20	5.00

Mature plantations (Replanting and new planting)	No. of years	Rate (%)
Tea	33 1/3	3.00
Rubber & Other	20	5.00

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date on which the asset classified as held for sale or is derecognized. Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted prospectively, if appropriate. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is lower.

No depreciation is provided for immature plantations.

(b) Amortization

The leasehold rights of assets taken over from JEDB/SLSPC are amortized in equal amounts over the shorter of the remaining lease periods and the useful lives as follows:

	No. of years	Rate (%)
Right to use of land	53	1.89
Improvements to land	30	3.33
Buildings	25	4.00
Machinery	15	6.67
Mature plantations (Tea & Rubber)	30	3.33

3.8 Financial instruments

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

3.8.1 Financial assets

3.8.1.1 Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, investments, trade and other receivables, available for sale financial assets.

3.8.1.2 Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

a) Financial assets at amortized cost (debt instruments)

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial instrument at amortized cost comprise of trade receivables, amounts due from related parties, deposits, advances and other receivables.

b) Financial assets at fair value through OCI (debt instruments)

The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.

And

- The contractual terms of the financial asset give rise on specified dates to cash flows that are

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company's debt instruments at fair value through OCI includes investments in quoted debt instruments included under other non-current financial assets.

c) Financial assets at fair value through OCI

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument- by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

d) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

3.8.1.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired

Or

- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

3.8.1.4 Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

3.8.2 Financial liabilities

3.8.2.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

3.8.2.2 Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the statement of profit or loss.

b) Financial instrument at amortized cost

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the Profit or Loss Statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process.

Financial liabilities comprise interest bearing loans and borrowings, trade payables, other payables, income tax payables and amounts due to related parties.

3.8.2.3 Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3.8.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Financial risk management objectives and policies have been disclosed under Note 34.

3.9 Inventories

Finish goods manufactured from agricultural produce of biological assets

These are valued at the lower of cost and estimated net realizable value. Net realizable value is the estimated selling price at which stocks can be sold in the ordinary course of business after allowing for cost of realization and/or cost of conversion from their existing state to saleable condition.

Input materials, Spares and consumables

At actual cost on weighted average basis.

Agricultural produce harvested from biological assets

Agricultural produce harvested from its biological assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi-finished inventories from agriculture produce are valued by adding the cost of conversion to the fair value of the agricultural produce.

3.10 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form and integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.11 Impairment of Non-Financial Assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or company of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated.

These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

3.12 Liabilities and provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Profit or Loss Statement net of any reimbursement.

3.13 Employees' benefits

(a) Defined contribution plans – Employees' Provident Fund and Employees' Trust Fund

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 recognized as an expense in profit and loss in the periods during which services are rendered by employees.

The Company contributes 12% on consolidated salary of the employees to Ceylon Planters' Provident Society (CPPS) / Estate Staff Provident Society (ESPS) / Employees' Provident Fund (EPF)

All the employees of the Company are members of the Employees Trust Fund to which the Company contributes 3% on the consolidated salary of such employees.

(b) Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The liability recognised in the Financial Statements in respect of defined benefit plan is the present value of the defined benefit obligation at the Reporting date. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in Other Comprehensive Income in the period in which they arise. Actuarial gains & losses recognised in other comprehensive income are recognised immediately in retained earnings and are not reclassified to profit or loss. Past service costs are recognised immediately in the Statement of Profit or Loss.

The 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 is not externally funded.

The key assumptions used in determining the retirement benefit obligations are given in Note 26.

3.14 Capital commitments and contingencies

Capital commitments and contingent liabilities of the Company have been disclosed in the respective Notes to the Financial Statements.

3.15 Events occurring after the reporting period

All material events after the Statement of Financial Position date have been considered where appropriate; either adjustments have been made or adequately disclosed in the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3.16 Earnings per share

The Company presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent by the weighted average number or ordinary shares outstanding during the period.

3.17 Deferred income - Grants and subsidies

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is recognized as deferred income and released to income in equal amounts over the expected useful life of the related asset.

When the Company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual instalments.

3.18 Statement of Profit or Loss

For the purpose of presentation of Statement of Profit or Loss, the function of expenses method is adopted as it represents fairly the elements of the Company's performance.

3.18.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Under SLFRS 15, revenue is recognised upon satisfaction of performance obligations.

The Company is in the business of cultivation, manufacture and sale of black tea, rubber and other crops (Plantation Produce). Revenue from contracts with customers is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to customer.

Revenue from contract with customers

- **Sale of Plantation produce**
  Revenue from sale of plantation produce is recognized at the point in time when the control of the goods is transferred to the customer. Black tea and Rubber produce are sold at the Colombo tea/rubber Auction and the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of the hammer, at which point control is transferred to the customer. Revenue from other crops are recognized at the point in time when the control of the goods has been transferred to the customer generally upon delivery of the goods to the location specified by the customer and the acceptance of the goods by the customer.

  There is no element of financing present as the Company's sale of plantation produce are either on cash terms (Immediate payment or advance payment not exceeding 30 days) or on credit terms ranging from 7 to 15 days.

- **Export sales**
  Control transition point to recognize the revenue on export sales is determined based on the international commercial terms applicable for the respective transactions.

3.18.2 Other Source of Revenue

Revenue recognition criteria for the other source of income as follows;

- **Rental Income**

Rental income is recognized on an accrual basis in accordance with the substance of the relevant agreement.

- **Dividend Income**

Dividend income is recognized when the right to receive payment is established.

- **Interest Income**

Interest income is recognized based on effective interest method.

Interest income on financial assets at FVTPL is recognized as part of net gains or losses on these financial instruments.

Interest income of financial assets at amortized cost is calculated by using the effective interest method and is recognized as other income.

3.18.3 Expenses

All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency is charged to revenue in arriving at the profit for the year.

3.18.4 Financing income and expenses

Finance income comprises interest income on funds invested. Interest income is recorded using the effective interest rate (EIR) method. Interest income is included in finance income in the statement of profit or loss.

Finance expenses comprise interest payable on borrowing. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

The interest expense component of finance lease payment is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Foreign currency gains and losses are reported on a net basis.

3.18.5 Taxes

3.18.5.1 Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3.18.5.2 Deferred Tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.19 Statement of cash flow

The Statement of Cash Flow has been prepared using the “Indirect Method”. Interest paid is classified as operating cash flows, interest and dividends received are classified as investing cash flows while dividends paid and Government grants received are classified as financing cash flows, for the purpose of presenting the Cash Flow Statement.

3.20 Segment reporting

Segmental information is provided for the different business segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components.

Since the individual segments are located close to each other and operate in the same industrial environment, the need for geographical segmentation has no material impact. The activities of the segments are described on Note 6 in the Notes to the Financial Statements.

Revenue and expenses directly attributable to each segment are allocated to the respective segments. Revenue and expenses not directly attributable to a segment are allocated on the basis of their resource utilisation, wherever possible.

Assets and liabilities directly attributable to each segment are allocated to the respective segments. Assets and liabilities, which are not directly attributable to a segment, are allocated on a reasonable basis wherever possible. Unallocated items comprise mainly interest-bearing loans, borrowings, and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

All operating segments’ operating results are reviewed regularly to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements of the Company in conformity with Sri Lanka Accounting Standards requires the 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 estimate is revised and in any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on the amounts recognised in the Financial Statements of the Company are as follows:

4.1 Taxation

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. As per the

Inland Revenue Act no 24 of 2017 (ACT), in the case of a company predominantly conducting an agricultural business, the applicable income tax rate is 14%. As per the above ACT "Predominantly" is defined as 80% or more calculated based on gross income. The "Agriculture business" is defined in section 195 (1) as business of producing agricultural, horticultural or any animal produce and includes an undertaking for the purpose of rearing livestock or poultry.

Based on the legal expert opinion obtained, the management is of the view that the company is predominantly engaged in agricultural business.

Further, Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The details of deferred tax computation is given in Note 25 to the Financial Statements.

4.2 Retirement benefit obligations

The present value of the retirement benefit obligation determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka government bonds with maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rate and expected future salary increase rates of the Company.

Further details about Retirement benefit obligations are provided in Note 26.

4.3 Fair Valuation of Consumable Biological Assets

The fair value of managed timber depends on number of factors that are determined on a discounted cash flow method using various different financial and non-financial assumptions. The growth of the trees is determined by various biological factors that are highly unpredictable. Any change to the assumptions will impact the fair value of biological assets. All assumptions are reviewed at each reporting period. Key assumptions and sensitivity analysis of the biological assets are given in Note 14.2.

5. SRI LANKA ACCOUNTING STANDARDS (SLFRS / LKAS) ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

SLFRS 16 –Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model similar to the accounting for finance leases, under LKAS 17 except for few exemptions for leases for "low value" assets and short-term leases with a lease term of 12 months or less. This standard is effective for the annual periods beginning on or after 01 January 2019.

Pending the detailed review of such standards and interpretations, the extent of the impact has not been determined by the management.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

6 REVENUE

		2018 Rs.	2017 Rs.
6.1	**Industry Segment Revenue**		
	Tea	**2,459,520,456**	2,789,109,088
	Rubber	**271,293,820**	295,384,040
	Coconut	**2,444,592**	2,987,343
	Tea Export	**1,886,152,486**	1,371,129,044
	Others	**135,619,048**	142,642,764
	Total	**4,755,030,402**	4,601,252,278

		2018 Rs.	2017 Rs.
6.2	**Segment Information**		
a)	**Segment Revenue**		
	Tea		
	Revenue	**2,459,520,456**	2,789,109,088
	Revenue Expenditure	**(2,173,282,428)**	(2,177,148,707)
	Depreciation	**(61,532,685)**	(61,496,359)
	Other Non Cash Expenditure	**(100,595,827)**	(116,714,660)
	Segment Results	**124,109,516**	433,749,362
	Rubber		
	Revenue	**271,293,820**	295,384,040
	Revenue Expenditure	**(269,924,997)**	(241,048,018)
	Depreciation	**(34,430,304)**	(31,206,002)
	Other Non Cash Expenditure	**(13,128,534)**	(9,532,957)
	Segment Results	**(46,190,015)**	13,597,063
	Coconut		
	Revenue	**2,444,592**	2,987,343
	Revenue Expenditure	**(997,064)**	(709,206)
	Depreciation	**-**	-
	Other Non Cash Expenditure	**-**	-
	Segment Results	**1,447,528**	2,278,137

6 REVENUE (Contd.)

	2018 Rs.	2017 Rs.
Tea Export		
Revenue	**1,886,152,486**	1,371,129,044
Revenue Expenditure	**(1,856,212,469)**	(1,371,914,732)
Depreciation	**(1,532,874)**	(1,477,244)
Other Non Cash Expenditure	-	-
Segment Results	**28,407,143**	(2,262,932)
Others		
Revenue	**135,619,048**	142,642,764
Revenue Expenditure	**(69,964,238)**	(31,140,403)
Depreciation	**-**	-
Other Non Cash Expenditure	**-**	-
Segment Results	**65,654,810**	111,502,361
Total		
Revenue	**4,755,030,402**	4,601,252,278
Revenue Expenditure	**(4,370,381,197)**	(3,821,961,066)
Depreciation	**(97,495,863)**	(94,179,605)
Other Non Cash Expenditure	**(113,724,361)**	(126,247,617)
Segment Results	**173,428,981**	558,863,990
Gains on fair value of biological assets	**88,110,481**	55,205,403
Other Income and Gains	**173,571,611**	158,097,088
Finance Income	**94,259,640**	82,819,982
Administrative Expenses	**(263,816,572)**	(177,422,400)
Government Lease Interest	**(30,575,482)**	(28,809,394)
Finance Cost	**(98,409,586)**	(88,903,495)
Operating Profit / (Loss) of the Company	**136,569,073**	559,851,175

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

6 REVENUE (Contd.)

	2018 Rs.	2017 Rs.
b) Segment Assets		
Non Current Assets		
Tea	**2,267,002,607**	2,367,640,248
Rubber	**628,849,980**	949,321,499
Coconut	**-**	-
Tea Export	**14,007,791**	15,540,664
Unallocated	**1,447,119,979**	933,651,929
	4,356,980,357	4,266,154,340
Current Assets		
Tea	**403,107,130**	371,382,301
Rubber	**105,358,814**	91,945,056
Coconut	**337,531**	5,108
Tea Export	**304,481,225**	260,881,039
Unallocated	**1,035,992,489**	961,406,216
	1,849,277,189	1,685,619,720
Total Assets	**6,206,257,546**	5,951,774,060
c) Segment Liabilities		
Non Current Liabilities and Deferred Income		
Tea	**1,405,641,391**	1,527,264,249
Rubber	**84,554,292**	91,870,336
Tea Export	**-**	-
Unallocated	**13,199,109**	19,556,385
	1,503,394,792	1,638,690,970
Current Liabilities		
Tea	**529,494,440**	237,497,753
Rubber	**73,866,146**	50,367,781
Tea Export	**-**	-
Unallocated	**781,883,636**	528,565,178
	1,385,244,222	816,430,712
Total Liabilities	**2,888,639,014**	2,455,121,682

6 REVENUE (Contd.)

	2018 Rs.	2017 Rs.
d) Segment Capital Expenditure		
Field Development		
Tea	**6,949,702**	4,327,514
Rubber	**11,662,074**	21,638,465
	18,611,776	25,965,979
Property, Plant & Equipment		
Tea	**28,724,155**	86,542,326
Rubber	**103,051**	2,046,180
	28,827,206	88,588,506
Unallocated	**101,955,629**	86,199,150
	101,955,629	86,199,150
Total Capital Expenditure	**149,394,611**	200,753,634

7 OTHER INCOME

	2018 Rs.	2017 Rs.
Profit on disposal of property, plant & equipment	**2,445,343**	13,207,228
Dividend income	**4,249**	2,083
Profit on sale of other trees	**135,254,974**	76,280,378
Profit from sale of timber trees	**5,734,166**	16,524,889
Amortisation of Government grants	**6,972,557**	9,689,270
Sundry income	**23,160,322**	42,393,240
Total	**173,571,611**	158,097,088

8. FINANCE EXPENSES

8.1 Finance Income

	2018 Rs.	2017 Rs.
Interest income	**94,259,640**	82,819,982
Total	**94,259,640**	82,819,982

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

8.	FINANCE EXPENSES (Contd.)	2018 Rs.	2017 Rs.
8.2	**Finance Expenses**		
	Interest on Overdraft	**34,697,681**	28,467,472
	Interest on Finance Lease	**10,686,904**	6,495,998
	Interest on Term Loan	**40,867,139**	45,589,280
	Bank Charges & Others	**859,034**	2,867,638
	Interest on Packing Credit	**9,681,980**	5,454,858
	Interest on short term borrowing	**1,616,848**	28,249
	Total	**98,409,586**	88,903,495
8.3	Interest paid to Government on finance lease	**30,575,482**	28,809,394
	Total	**30,575,482**	28,809,394

9. PROFIT / (LOSS) BEFORE TAXATION

	2018 Rs.	2017 Rs.
Profit/ (Loss) before tax is stated after charging all expenses including the following:		
Directors' emoluments	**30,990,000**	19,990,000
Auditors' fees	**3,472,000**	3,215,000
Depreciation /Amortisation		
Leasehold Property, Plant & Equipment	**17,554,742**	19,803,232
Freehold Property, Plant & Equipment	**70,962,198**	65,996,857
Immature/Mature Plantations	**44,057,305**	40,196,717
Personnel Cost		
Defined Benefit Plan Costs - Gratuity	**114,821,937**	131,961,163
Salaries and Wages	**1,115,705,960**	1,099,938,645
Defined Contribution Plan Costs - EPF & ETF	**152,340,933**	199,306,332

10. INCOME TAX EXPENSE

		2018 Rs.	2017 Rs.
10.1	**Statement of Profit or Loss**		
	(I) Current Tax Expense		
	Income taxes on current year's profit (10.3)	**-**	32,823,111
	Under / (Over)provision in respect of previous years	**(6,423,822)**	485
		(6,423,822)	32,823,596
	(II) Deferred Tax Expense		
	Deferred Tax Charge or (Reversal)	**36,269,086**	(26,658,295)
		36,269,086	(26,658,295)
	Net Tax Charge or (Reversal) reported in Statement of Profit or Loss	**29,845,264**	6,165,301

10. INCOME TAX EXPENSE (Contd...)

	2018 Rs.	2017 Rs.

10.2 Statement of Other Comprehensive Income

	2018 Rs.	2017 Rs.
Tax Effect on Actuarial gains/ (losses) on defined benefit plans	**(41,069,014)**	6,749,074
Tax Effect on Reavaluation of Land & Building	**-**	127,427,936
Net Tax Charge directly to Other Comprehensive Income	**(41,069,014)**	134,177,010

The Company is liable to income tax at the rate of 14% on its business profits and 28% on other sources of income earned during the year.

10.3 Reconciliation of Accounting Profit to Income Tax Expense

	2018 Rs.	2017 Rs.
Profit/ (Loss) before tax	**136,569,073**	559,851,175
Effective tax rate %	14%	10%
Tax effect on profit before tax	**19,119,670**	55,985,117
Tax effect on deductible expenses for tax purposes	**(87,077,311)**	(57,233,979)
Tax effect on non-deductible expenses for tax purposes	**38,612,198**	28,973,657
Tax effect on Total statutory income	**(29,345,443)**	27,724,796
Tax effect on other sources of income	**13,196,350**	19,339,933
Tax effect on Tax exempt Income	**29,345,443**	-
Tax effect on Utilisation of tax losses	**(13,196,350)**	(14,241,618)
Income Tax on current year profits	-	32,823,111
Under / (Over)provision in respect of previous years	**(6,423,822)**	485
Income Tax charge for the year	**(6,423,822)**	32,823,596
Deferred tax charge/ (reversal)	**36,269,086**	(26,658,295)
Total income tax expense	**29,845,264**	6,165,301

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

11 EARNINGS / (LOSS) PER SHARE

Basic earnings/ (loss) per Share

The calculation of the basic earnings /(loss) per share is based on after tax profit for the year divided by the weighted average number of ordinary shares outstanding during the period and calculated as follows.

	2018 Rs.	2017 Rs.
Amount used as the Numerator		
Profit / (Loss) attributable to ordinary shareholders (Rs.)	**106,723,809**	553,685,874
Amount used as the Denominator		
Weighted average number of ordinary shares	**223,042,992**	223,042,992
Basic earnings / (loss) per share (Rs.)	**0.48**	2.48

12 LEASEHOLD PROPERTY, PLANT & EQUIPMENT

		2018 Rs.	2017 Rs.
Right-to-use of Land	12.1	179,352,905	186,128,288
Immovable Leased Bearer Biological Assets	12.2	63,039,372	73,193,467
Immovable Leased assets (other than leasehold right to bear land and bearer biological assets)	12.3	2,170,440	2,795,703
		244,562,716	262,117,458

12.1 Right-to-use of Land

"Right-To-Use of Land on Lease" as above was previously titled "Leasehold Right to Bare Land". The change is in order to comply with Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka dated 21 August 2013. Such leases have been executed for all estates for a period of 53 years.

This right-to-use land is amortized over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. The Statement of Alternative Treatment (SoAT) for right-to-use of land does not permit further revaluation of right-to-use land. . The values taken into the Statement of Financial Position as at 22 June 1992 and amortization of the right to use of land up to 31 December 2018 are as follows.

	Revaluation as at 22.06.92 Rs.	Accumulated Amortization as at 01.01.18 Rs.	Amortization for the year Rs.	Amortization 31.12.18 Rs	2018 Rs.	2017 Rs.
Right-to-use of Land	359,095,312	172,967,024	6,775,383	179,742,407	179,352,905	186,128,288

The leasehold property is being amortised by equal amounts over a 53 year period and the unexpired period of the lease as at the Statement of Financial Position date is 27 years.

12 LEASEHOLD PROPERTY, PLANT & EQUIPMENT (Contd...)

12.2 Immovable Leased Assets

In terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka prevailed at the time of privatisation of plantation estates, all immovable assets in these estates under finance leases have been taken into the books of the Company retroactive to 22nd June 1992. For this purpose the Board decided at its meeting on March 8, 1995 that these assets would be taken at their book values as they appear in the books of the JEDB/SLSPC,on the day immediately preceding the date of formation of the Company. These assets are taken into the 22nd June 1992 balance sheet and amortised as follows:

12.2.1 Immovable Leased Bearer Biological Assets

	Mature Plantations			
	Tea	Rubber	2018	2017
	Rs.	Rs.	Rs.	Rs.
Capitalised Value (18th June, 1992)	176,688,366	127,934,487	304,622,853	304,622,853
Amortisation				
As at 1st January	134,234,446	97,194,940	231,429,386	221,275,291
Amortisation for the year	5,889,612	4,264,483	10,154,095	10,154,095
As at 31st December	140,124,058	101,459,423	241,583,481	231,429,386
Carrying amount	36,564,308	26,475,064	63,039,372	73,193,467

Investment in plantation assets which were immature at the time of handing over to the company by way of estate leases are shown under immature plantation (revalued as at 22nd June 1992). all of which have been transferred to mature Plantations as at Statement of Financial Position date.

However, since then all such investments in Immature Plantations attributable to JEDB/SLSPC period have been transferred to Mature Plantations. These mature tea and rubber were classified as bearer biological assets in terms of LKAS 41 - Agriculture. The carrying value of the bearer biological assets leased from JEDB/SLSPC is recognised at cost less amortisation. Further investments in such plantations to bring them to maturity are shown in Note 14.1.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

12 LEASEHOLD PROPERTY, PLANT & EQUIPMENT (Contd...)

12.2.2. Immovable Leased assets (other than leasehold right to bear land and bearer biological assets)

	Land Development	Buildings	Machinery	2018	2017
	Rs.	Rs.	Rs.	Rs.	Rs.
Capitalised Value					
(18 June, 1992)	18,757,900	113,171,583	16,503,578	148,433,061	148,433,061
Amortisation	-				
As at 1 January	15,962,198	113,171,582	16,503,578	145,637,358	142,763,604
Amortisation for the year	625,263	-	-	625,263	2,873,754
As at 31 December	16,587,461	113,171,582	16,503,578	146,262,621	145,637,359
Carrying amount	2,170,439	-	-	2,170,440	2,795,703

13 FREEHOLD PROPERTY, PLANT & EQUIPMENT

Group/Company	Land At Valuation Rs.	Buildings At Valuation Rs.	Building Improvements Rs.	Motor Vehicles Rs.	Plant & Machinery Rs.	Furniture & Fittings
Cost or valuation						
Balance as at 01 January	**1,045,182,375**	**339,317,625**	**247,941,971**	**117,457,598**	**193,305,124**	**31,320,334**
Additions	-	-	231,460	11,774,040	11,262,200	466,068
Revaluation recognised in OCI	-	-		-	-	-
Disposals	-	-		(4,603,380)	-	-
Transfers In / (Out)	-	-	-	-	-	-
Balance as at 31 December	**1,045,182,375**	**339,317,625**	**248,173,431**	**124,628,258**	**204,567,324**	**31,786,402**
Accumulated Depreciation						
Balance as at 01 January	**-**	**-**	**77,505,261**	**81,739,958**	**137,710,602**	**26,185,798**
Charge for the year	-	8,482,941	5,612,349	12,105,853	9,460,927	2,001,439
On Disposals	-	-	-	(4,371,155)	-	-
Transfers In / (Out)	-	-	-	-	-	-
Balance as at 31 December	**-**	**8,482,941**	**83,117,610**	**89,474,656**	**147,171,529**	**28,187,237**
Carrying Value						
As at 31 December 2018	1,045,182,375	330,834,684	165,055,821	35,153,602	57,395,795	3,599,165
As at 31 December 2017	1,045,182,375	339,317,625	170,436,710	35,717,640	55,594,522	5,134,536

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

						Assets acquired on finance Lease			
		Equipments Rs.	Land Improvement Rs.	Water & Sanitation and Others Rs.	Capital Work in Progress Rs.	Motor Vehicles Rs.	Machinery Rs.	Total 2018 Rs.	Total 2017 Rs.
		125,659,760	**39,662,578**	**67,728,746**	**8,120,617**	**136,464,316**	**119,513,416**	**2,471,674,460**	**2,194,477,937**
		7,189,246	100,000	-	7,053,389	16,211,900	-	54,288,303	98,562,580
-		-	-	-	-	-	-	-	243,452,513
-	-	-	-	-	-	(4,017,834)	-	(8,621,214)	(29,440,292)
-	-	-	-	-	(10,237,308)	-	-	(10,237,308)	(35,378,278)
		132,849,006	**39,762,578**	**67,728,746**	**4,936,698**	**148,658,382**	**119,513,416**	**2,507,104,241**	**2,471,674,460**
		98,880,955	**34,914,634**	**50,267,576**	**-**	**75,975,849**	**70,205,725**	**653,386,358**	**641,187,961**
		3,739,753	1,505,201	2,639,187	-	20,026,277	5,388,271	70,962,198	65,996,857
-	-	-	-	-	-	(1,406,242)	-	(5,777,397)	(18,420,182)
-	-	-	-	-	-	-	-	-	(35,378,278)
		102,620,708	**36,419,835**	**52,906,763**	**-**	**94,595,884**	**75,593,996**	**718,571,159**	**653,386,358**
		30,228,298	3,342,743	14,821,983	4,936,698	54,062,498	43,919,420	1,788,533,082	1,818,288,102
		26,778,805	4,747,944	17,461,170	8,120,617	60,488,467	49,307,691	1,818,288,102	

13.1 The assets shown above are those movable assets vested in the Company by gazette notification at the date of formation of the company (22nd June 1992) and all additions to tangible assets by the company since its formation. The assets taken over by way of estate leases are set out in notes 12.1 & 12.2.

13.2 Details on assets pledged under facilities are given under the Note 29 of the financial statements.

13.3 Revaluation of land and buildings

The company measures land and building at revalued amounts with changes in fair value being recognised in other comprehensive income and in the statement of changes in equity. The company engaged independent valuation specialist to determine fair value of land and buildings as at 31 December 2017.

The Freehold Lands and Building on freehold lands were revalued by Mr. G.J. Sumanasena, Incorporated Valuer as of 31 December 2017. The results of such valuation have been incorporated in these financial statements as at that date. Such assets were valued on the basis of Land and Building Method, Contractors' Test Method. Fair value is determined by reference to market-based evidence. The surplus arising from the revaluation has been transferred to the revaluation reserve.

Information on fair value measurement on land and building as at 31 December 2017 using significant unobservable inputs (level 3) is given below.

Type of Asset	Location	Fair Value as at 31 December 2017	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable Inputs (Weighted Average)	Sensitivity of Fair Value to Unobservable Inputs
Land	Bopitiya, Wattala	25,000,000	Market Approach	Estimated price per perch	Rs.325,000/- per perch	Positively correlated sensitivity
Land	Vakarai, Batticallo	44,500,000	Market Approach	Estimated price per perch	Rs.5,000,0000/- per acre	Positively correlated sensitivity
Land	Dam Street, Colombo 02	700,182,375	Market Approach	Estimated price per perch	Rs.6,250,000/- per perch	Positively correlated sensitivity
Buildings	Dam Street, Colombo 02	124,817,625	Cost Approach	Estimated price per square foot	Rs.3,325/- per square foot	Positively correlated sensitivity
Land	Hendala, Wattala	275,500,000	Market Approach	Estimated price per perch	Rs.716,667/- per perch	Positively correlated sensitivity
Buildings	Hendala, Wattala	214,500,000	Cost Approach	Estimated price per square foot	Rs.4,044/- per square foot	Positively correlated sensitivity
		1,384,500,000				

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

13.4 If land and buildings were measured using the cost model, the carrying amounts would be as follows:

	2018 Rs.	2017 Rs.
Cost	854,736,391	854,504,931
Accumulated depreciation	(116,109,820)	(106,256,865)
Carrying value	738,626,571	748,248,066

13.5 The cost of fully depreciated and still in use assets of the company amounts to Rs. 388 Mn as of 31 December 2018. (2017 - 333 Mn).

14 BIOLOGICAL ASSETS

14.1 Bearer Biological Assets

Group/Company	Immature Plantations				Mature Plantations					
	Tea Rs.	Rubber Rs.	Other Rs.	Total Rs.	Tea Rs.	Rubber Rs.	Other Rs.	Total Rs.	2018 Rs.	2017 Rs.
Cost										
As at 1 January	51,397,043	231,060,132	164,919,912	447,377,087	435,317,649	493,257,617	88,281,109	1,016,856,375	1,464,233,462	1,362,042,407
Additions during the year	6,949,702	11,662,074	86,184,726	104,796,502	-	74,155,091	28,747,365	102,902,456	207,698,958	102,191,055
Transfers (from)/to	-	(74,155,091)	(28,747,365)	(102,902,456)	-	-	-	-	(102,902,456)	-
Impairment of Oil Palm Nurseries	-	-	(10,000,000)	(10,000,000)	-	-	-	-	-	-
As at 31 December	58,346,745	168,567,115	212,357,273	439,271,133	435,317,649	567,412,708	117,028,474	1,119,758,831	1,559,029,964	1,464,233,462
Depreciation										
As at 1 January	-	-	-	-	188,096,548	188,773,535	22,801,050	399,671,133	399,671,133	359,474,416
Charge for the year	-	-	-	-	13,059,529	27,450,508	3,547,268	44,057,305	44,057,305	40,196,717
As at 31 December	-	-	-	-	201,156,077	216,224,043	26,348,318	443,728,438	443,728,438	399,671,133
Carrying amount	58,346,745	168,567,115	212,357,273	439,271,133	234,161,572	351,188,665	90,680,156	676,030,393	1,115,301,526	1,064,562,329

These are investments in immature/mature plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are set out in Notes 12.2.1 and 12.2.2. Further investment in immature plantations taken over by way of these leases are shown in the above note. When such plantations become mature, the additional investments since take over to bring them to maturity, will be moved from immature to mature under this note.

The Company has elected to measure the bearer biological assets at cost using LKAS 16 - Property, Plant & Equipment.

Specific borrowings have not been obtained to finance the planting expenditure. Hence, borrowing costs were not capitalized during the year under Immature Plantations.

14 BIOLOGICAL ASSETS (Contd)

14.2 Consumable Biological Assets

	2018 Rs.	2017 Rs.
As at 1 January	**1,121,104,611**	1,065,797,925
Increase due to development	**547,114**	150,227
Gain/(loss) arising from changes in fair value less cost to sell	**88,486,772**	56,594,537
Cost of Harvested Timber trees	(1,617,185)	(1,438,078)
As at 31 December	**1,208,521,313**	1,121,104,611

Managed trees include commercial timber plantations cultivated on estates. The cost of immature trees is treated as approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material. When such Plantations become mature, the additional investments since taken over to bring them to maturity are transferred from Immature to Mature.

The fair value of managed trees was ascertained since the LKAS 41 is only applicable for managed agricultural activities in terms of the ruling issued by The Institute of Chartered Accountants of Sri Lanka. The valuation was carried by Messers Perera Sivaskantha & Company, incorporated valuers, using Discounted Cash Flow (DCF) methods.

14.3 INFORMATION ABOUT FAIR VALUE MEASUREMENTS USING SIGNFICANT UNOBSERVABLE INPUT (LEVEL3)

Non Financial Assets	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs (Probability weighted average)	Relation of Unobservable Inputs to Fair Value
Consumable Biological Assets	Discounted Cash Flow Method	Discounted Rate Optimum rotation (Maturity) Volume at rotation Price per cu. Meter	14.00% 25 years 0.06- 22.06 cu' Meter Rs.1,375/= to Rs.21,750/=	The higher the discount rate, the lesser the fair value Lower the rotation period, the higher the fair value The higher the volume, the higher the fair value The higher the price per cu. Meter. the higher the fair value

14.3.1 Consumable Biological Assets - Managed Trees Continued

The valuations, as presented in the external valuation models based on net present values, take into account the long term exploitation of the timber plantations. The market rates applied has been arrived at after discounting. The commodity markets are inherently volatile and that long term price projection are highly unpredictable. The sensitivity analysis regarding selling price and discount rate variations every investor to reasonably challenge the financial impact of the assumptions used in the LKAS 41 against his own assumptions.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

14.3.2 Sensitivity Analysis

Sensitivity variation sales price

Values as appearing in the Statement of Financial Position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

	Impact on Consumable Biological Assets	
	Rs.	Rs.
	-10%	+10%
As at 31 December 2018	(120,852,132)	120,852,131
As At 31 December 2017	(112,131,289)	112,131,289

Sensitivity variation discount rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber trees show that a rise or decrease by 1% of the estimated future discount rate has the following effect on the net present value of biological assets:

	Impact on Consumable Biological Assets	
	Rs.	Rs.
	-1%	+1%
As at 31 December 2018	7,438,523	(6,880,364)
As At 31 December 2017	6,797,680	(6,922,717)

The carrying amount of biological assets pledged as securities for liabilities are nil for year 2018 (2017 - nil).

There are no commitments for the development or acquisition of biological assets .

15 OTHER NON CURRENT FINANCIAL ASSETS

15.1 Financial assets at fair value through OCI

	No. of Shares	2018 Rs.	2017 Rs.
Investment in quoted companies			
Agalawatte Plantation PLC	100	**1,400**	2,000
Balangoda Plantation PLC	100	**1,270**	3,020
Bogawantalawa Plantation PLC	150	**1,425**	2,550
Hapugasthenne Plantation PLC	100	**1,630**	3,000
Horana Plantation PLC	100	**1,500**	2,600
Kahawatte Plantation PLC	100	**3,990**	3,890
Kegalle Plantation PLC	100	**5,500**	7,000
Kotagala Plantation PLC	150	**1,005**	1,220
Kelani Valley Plantation, PLC	100	**9,970**	9,040
Madulsima Plantation PLC	100	**630**	1,370
Namunukula Plantation PLC	100	**6,380**	8,700
Talawakelle Plantation PLC	100	**4,920**	5,500
Udapussellawa Plantation PLC	100	**3,000**	4,250
Watawala Plantation PLC	1,000	**19,100**	27,700
Total financial assets at fair value through OCI	2,400	**61,720**	81,840

	2018	2017
15.2 Net (loss) / gain on financial assets at fair value through OCI	**(20,120)**	25,705

15.3 Fair Value Hierarchy for Financial Assets as at 31 December 2018

Financial Asset Type	Date of Valuation	Level 1 " (Quoted prices in active markets) Rs.	Level 2 (Significant observable inputs) Rs.	Level 3 (Significant unobservable inputs) Rs.
Investment in quoted equity shares	31-Dec-18	61,720	-	-
Total		61,720	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

16 PRODUCE ON BEARER BIOLOGICAL ASSETS

	2018 Rs.	2017 Rs.
As at 1st January	**3,261,556**	4,650,691
Change in fair value less cost to sell	**(376,291)**	(1,389,134)
As at 31st December	**2,885,265**	3,261,556

16.1 Fair Value Hierarchy for Non Financial Assets As at 31 December 2017

Non Financial Asset Type	Date of Valuation	Level 1 (Quoted prices in active markets) Rs.	Level 2 (Significant observable inputs) Rs.	Level 3 (Significant unobservable inputs) Rs.
Produce on Bearer Biological assets	31-Dec-18	-	2,885,265	-
	31-Dec-17		3,261,556	

16.2 Gain/(Loss) on Fair Value of Biological Assets

	2018 Rs.	2017 Rs.
Consumable Bialogical Assets - Gain/(loss) arising from changes in fair value less cost to sell - Note No 14.2	**88,486,772**	56,594,537
Produce on Bearer Biologal Assets - Gain/(Loss) arising from changes in fair value less cost to sell - Note No 16	**(376,291)**	(1,389,134)
Total Change in Fair Value of Biological Assets	**88,110,481**	55,205,403

17 INVENTORIES

	2018 Rs.	2017 Rs.
Input Materials	**30,431,382**	36,359,324
Nurseries	**40,338,380**	18,994,095
Consumables & Spares	**21,332,170**	20,058,417
Harvested Crops	**530,122,532**	496,754,729
	622,224,464	572,166,565
Less: Provision for Obsolete Stocks	**(4,911,323)**	(4,911,323)
	617,313,141	567,255,242

18 TRADE AND OTHER RECEIVABLES

	2018 Rs.	2017 Rs.
Produce debtors	**134,640,242**	111,821,291
Advances & Prepayments	**23,875,644**	31,760,574
Other debtors	**46,997,690**	81,017,611
Staff Debtors	**48,257,360**	40,951,629
WHT Recoverable	**7,370,618**	7,551,820
ESC Recoverable	**16,015,377**	-
	277,156,931	273,102,925
Less: Provision for Impairment	**(4,638,923)**	(4,638,923)
	272,518,008	268,464,002

18.1 Movement In The Provision For Impairment

	Individually Impaired Rs.	Collectively Impaired Rs.	Total Rs.
As At 01 January 2017	-	4,638,923	4,638,923
Charge for the year	-	-	-
As At 31 December 2017	-	4,638,923	4,638,923
Charge for the year	-	-	-
As At 31 December 2018	-	4,638,923	4,638,923

19 AMOUNTS DUE FROM RELATED PARTIES

	2018 Rs.	2017 Rs.
Uva Resorts & Residencies (Pvt)Ltd	**18,151,383**	18,114,483
Bloemendal Flower Company (Pvt) Ltd	**22,165,983**	22,159,083
Bogtstra & Gerlach (Pvt) Ltd	**2,468,269**	2,468,269
Malwatte Leisure (Pvt) Ltd	**535,387**	432,181
	43,321,022	43,174,016
Less: Provision for impairment		
Bloemendal Flower Company (Pvt) Ltd	**(11,082,991)**	-
	32,238,031	43,174,016

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

20 CASH AND CASH EQUIVALENTS

	2018 Rs.	2017 Rs.
20.1 Short term deposits		
Short term fixed deposits	**701,491,961**	697,238,585
Total	**701,491,961**	697,238,585

	2018 Rs.	2017 Rs.
20.2 Favorable balances		
Cash at bank	**195,329,026**	99,483,133
Cash in hand	**140,993**	164,053
Cash in transits	**580,845**	1,199,086
Stamps	**9,119**	6,003
Total	**196,059,981**	100,852,275

	2018 Rs.	2017 Rs.
20.3 Unfavorable balances		
Bank overdraft	**355,858,323**	127,425,671
Total	**355,858,323**	127,425,671

Short-term deposits are made for varying periods between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

The securities pledged have been disclosed in Note 29 to the financial statements.

21. STATED CAPITAL

	2018 Number	2017 Number
Issued and Fully Paid Number of Shares		
No. of Voting Ordinary Shares including one Golden Share held by the Treasury which has special rights	**202,792,332**	202,792,332
No. of Non- Voting Ordinary Shares	**20,250,660**	20,250,660
	223,042,992	223,042,992

	2018 Rs.	2017 Rs.
Stated Capital including one Golden Share held by the	**350,000,010**	350,000,010
Treasury which has special rights	-	-
Non - Voting Ordinary Shares	**23,000,000**	23,000,000
	373,000,010	373,000,010

Stated capital represents the amount paid to the company in respect of issuing 202,792,332 Ordinary Shares including one Golden Share which has special rights and 20,250,660 Non-Voting Ordinary Shares.

22 REVALUATION RESERVE

	2018 Rs.	2017 Rs.
At the beginning of the year	**661,326,144**	545,301,567
Transfers through Other Comprehensive Income, net of tax	**-**	116,024,577
At the end of the year	**661,326,144**	661,326,144

The above revaluation reserve consists of net surplus resulting from the revaluation of property, plant and equipment as described in Note 12 and 13 to these financial statements.

23 INTEREST BEARING LOANS AND BORROWINGS

	Repayable within 1 year Rs.	Repayable After 1 year less than 5 years Rs.	Total as at 31.12.2018 Rs.	Total as at 31.12.2017 Rs.	Facility Details
23.1 Long-term Loans (ADB)					
National Development Bank PLC	109,620,000	109,620,000	219,240,000	275,400,000	I
Indian Overseas Bank PLC	36,540,007	45,673,164	82,213,171	99,449,081	II
National Development Bank PLC	22,363,200	29,821,600	52,184,800	74,548,000	III
Sri Lanka Tea Board - Loan I	10,333,333	6,027,780	16,361,113	26,694,444	IV
Sri Lanka Tea Board - Loan II	17,526,048	6,039,057	23,565,105	40,238,130	V
23.2 Short term Loans - Packing Credit Loans					
Hatton National Bank PLC (USD)	128,435,250	-	128,435,250	101,298,113	VI
Union Bank PLC	-	-	-	76,683,435	VII
Hatton National Bank PLC (LKR)	40,000,000	-	40,000,000	-	VIII
23.3 Lease Creditors	25,348,181	55,049,776	80,397,957	89,307,838	
Total	390,166,020	252,231,376	642,397,396	783,619,041	

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

23 INTEREST BEARING LOANS AND BORROWINGS (Contd)

23.3.1 Lease Creditors

Hatton National Bank PLC	Repayable within 1 year Rs.	Repayable After 1 year less than 5 years Rs.	Total as at 31.12.2018 Rs.	Total as at 31.12.2017 Rs.
Motor Vehicles				
Gross Liability	33,469,229	63,711,143	97,180,372	111,001,444
Less: Finance charges allocated to future periods	(8,121,048)	(8,661,367)	(16,782,415)	(21,693,608)
Net Liability	25,348,181	55,049,776	80,397,957	89,307,838

23.4 Details of the interest bearing loans and borrowing facilities

Facility details	Rate of interest	Terms of repayment
I	6 (Months) LIBOR + 6%	After an initial grace period of 24 months, by 60 installments commenced from January 2016
II	6 (Months) LIBOR + 5.25%	After an initial grace period of 24 months, by 60 equal monthly installments commencing from 1 May 2016
III	One month AWPLR+1.5	59 equal monthly installments
IV	12 (months) AWPLR+1%	36 equal monthly installments
V	5% per annum	36 equal monthly installments
VI	03 (Months) LIBOR + 2.75%	This loan has been provided for 3 months. After completion of 3 months that will be renewed again
VII	03 (Months) LIBOR + 3%	This loan has been provided for 4 months. After completion of 4 months that will be renewed again.
VIII	AWPLR + 1.5%	This loan has been provided for 6 months. After completion of 6 months that will be renewed again.

23 INTEREST BEARING LOANS AND BORROWINGS (Contd)

23.5 Changes in Liability arising from financing activities

	1-Jan-17 Rs.	Cash flows Rs.	Foreign Exchange Movement Rs.	New leases Rs.	31-Dec-18 Rs.
Current interest-bearing loans and borrowings (excluding items listed below)	349,751,112	15,066,727	-	-	364,817,839
Current obligations under finance leases	21,216,160	(21,216,160)	-	25,348,181	25,348,181
Non-current interest-bearing loans and borrowings (excluding items listed below)	344,560,091	(147,378,491)	-	-	197,181,600
Non-current obligations under finance leases	68,091,678	(3,905,634)	-	(9,136,281)	55,049,763
Total liabilities from financing activities	**783,619,041**	**(157,433,558)**	**-**	**16,211,900**	**642,397,383**

24 DEFERRED INCOME

Deferred Grants and Subsidies	2018 Rs.	2017 Rs.
As at 1 January	117,971,172	124,156,991
Add : Grants received during the year	12,510,328	3,503,452
Less : Amortisation for the year	(6,972,557)	(9,689,271)
As at 31 December	123,508,943	117,971,172

The Company has received funding from the Plantation Housing and Social Welfare Trust and Asian Development Bank for the development of workers facilities such as re-roofing of line rooms, latrines, water supply and sanitation etc. The amounts spent are included under the relevant classification of property, plant & equipment and the grant component is reflected under Deferred Grants and Subsidies.

25 DEFERRED TAX LIABILITY

	2018		2017	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
As at 1 January	1,402,388,768	196,334,428	1,321,202,216	88,815,713
Amount originated during the year,	(34,285,202)	(4,799,928)	81,186,552	32,063,290
Amount originated due to the Income Tax rate change to 14%	-	-	-	75,455,425
As at 31 December	1,368,103,566	191,534,499	1,402,388,768	196,334,428
Property, Plant and Equipment	1,088,967,426	152,455,440	1,118,119,559	156,536,738
Biological assets	2,326,708,104	325,739,134	2,188,928,496	306,449,989
Retirement benefit obligation	(800,541,481)	(112,075,807)	(773,111,013)	(108,235,542)
Carried forward tax losses	(1,247,030,483)	(174,584,268)	(1,131,548,274)	(158,416,758)
As at 31 December	1,368,103,566	191,534,499	1,402,388,768	196,334,428

The effective tax rate used to calculate deferred tax liability for all the Temporary Differences as at 31 December, 2018 is 14% (2017 - 14% other than to Biological Assets (10%)) for the company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

26 RETIREMENT BENEFIT OBLIGATIONS

	2018 Rs.	2017 Rs.
As at 1 January	**773,111,013**	803,715,585
Interest Cost	**77,311,101**	96,445,870
Current Service Cost	**37,510,836**	35,515,293
Actuarial (Gain) / Loss due to changes in financial assumptions	**(111,024,036)**	-
Actuarial (Gain) / Loss due to experience adjustment	**404,374,135**	(48,207,669)
Payments / Payable for the year	**(380,741,568)**	(114,358,066)
As at 31 December	**800,541,481**	773,111,013

LKAS 19 requires the use of actuarial techniques to make a reliable estimate of the amount of retirement benefit that employees have earned in return for their service in the current and prior periods using the Projected Unit Credit Method and discount that benefit in order to determine the present value of the retirement benefit obligation and the current service cost. This require an entity to determine how much benefit is attributable to the current and prior periods and to make estimates about demographic variables and financial variables that will influence the cost of the benefit. The following key assumptions were made in arriving at the above figure.

According to the actuarial valuation report issued by Actuarial & Management Consultants (Pvt) Limited, a firm of professional actuaries as at 31 December 2018 the actuarial present value of promised retirement benefits amounted to Rs.800,541,481/=. If the company had provided for gratuity on the basis of 14 days wages & half months salary for each completed year of service, the liability would have been Rs. 1,181,965,347/=. Hence, there is a contingent liability of Rs. 381,423,866/=, which would crystallise only if the company ceases to be a going concern.

The following payments are expected from the defined benefit plan obligation in future years.

	Monthly Paid Staff Rs.	Daily paid Staff Rs.	2018 Rs.	2017 Rs.
Within the next 12 months	18,255,664	130,703,105	**148,958,769**	151,253,343
Between 2 and 5 years	18,506,898	199,807,496	**218,314,394**	202,571,717
Beyond 5 years	11,898,875	421,369,443	**433,268,318**	419,285,953
	48,661,437	751,880,044	**800,541,481**	773,111,013

The weighted average duration of the Defined Benefit plan obligation at the end of the reporting period is 3.81 years and 7.39 Years for staff and workers respectively.

26 RETIREMENT BENEFIT OBLIGATIONS (Contd...)

The key assumptions used by Actuarial & Management Consultants (Pvt) Limited include the following;

		2018	2017
(i)	Rate of Interest	12%	10%
(ii)	Rate of Salary Increase		
	Workers	15% (every two years)	15% (every two years)
	Staff - Executives	5% (per annum)	5% (per annum)
	Staff - Estate Staff and Non Executives	15% (every three years)	15% (every three years)
(iii)	Retirement Age		
	Workers	60 years	60 years
	Staff	60 years	60 years
(iv)	Daily Wage Rate	Rs. 700/-	Rs. 500/-

26.1 Sensitivity Analysis

Values appearing in the financial statements are very sensitive to the changes in financial and non-financial assumptions used. A sensitivity was carried out as follows:

	Impact on Retirement Benefit Obligation	
	Rs.	Rs.
A one percentage point change in the discount rate.	+1%	-1%
As at 31 December 2018	(48,717,490)	55,191,792
As at 31 December 2017	(48,628,200)	55,530,217
A one percentage point change in the salary / wage increment rate.	+1%	-1%
As at 31 December 2018	24,942,646	(23,754,803)
As at 31 December 2017	24,531,721	(23,302,945)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

27 LIABILITY TO MAKE LEASE PAYMENT

	2018 Rs.	2017 Rs.
Gross Liability		
As at 31 December	**227,196,699**	235,785,699
Finance cost allocated to future periods	**(88,574,110)**	(94,236,094)
Net Liability	**138,622,589**	141,549,605
Payable within one year		
Gross liability	**8,589,000**	8,589,000
Finance cost allocated to future periods	**(5,544,904)**	(5,661,984)
Net liability transferred to current liabilities	**3,044,096**	2,927,016
Payable within two to five years		
Gross liability	**34,356,000**	34,356,000
Finance cost allocated to future periods	**(20,912,288)**	(21,429,354)
Net liability	**13,443,712**	12,926,646
Payable after five years		
Gross liability	**184,251,699**	192,840,699
Finance cost allocated to future periods	**(62,116,918)**	(67,144,756)
Net liability	**122,134,781**	125,695,943
Net liability payable after one year	**135,578,493**	138,622,589

The lease of the estates have been amended, with effect from 22nd June 1996 to an amount substantially higher than the previous lease rental of Rs. 500/= per estate per annum. The first rental payable under the revised basis is Rs. 8.59 million from 22nd June 1996. This amount is to be inflated annually by the Gross Domestic Product (GDP) deflator, and is in the form of a contingent rental.

The Statement of Alternative Treatment (SoAT) for Right-to-use of Land on Lease was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on on 21st August 2013. The Company has not reassessed the Right-to-use of Land because this is not a mandatory requirement. However, if the liability is reassessed according to the alternative treatment (SoAT) on the assumption that the lease rent is increased constantly by GDP deflator of 4% and discounted at a rate of 12% ,liability would be as follows.

	2018 Rs.
Gross Liability	**1,608,502,656**
Finance Charges	**(1,020,515,004)**
Net Liability	**587,987,652**

The above reassessed liability is not reflected in these Financial Statements.

28 TRADE AND OTHER PAYABLES

	2018 Rs.	2017 Rs.
Trade Creditors	**115,433,077**	134,261,716
Employee Related Creditors	**382,193,737**	139,551,394
Accrued Expenses	**16,306,439**	10,476,273
Others	**118,577,172**	29,990,700
	632,510,425	314,280,082

29 SECURITIES PLEDGED

Following assets have been pledged as security for liabilities.

Nature of Liability	Loan/Facility Rs.	Security	Balance outstanding of facility 2018 Rs.	 2017 Rs.
Overdraft				
Hattion National Bank	254,000,000	Primary mortgage over leasehold rights of Dikwella, Ellawa, Sarnia, Attampitiya, Uva Ketawala, Chalse, Warwick, Hakgalla, Ledgerwatte, Unugalla, Keenakelle, Downside & Queentown Estates.	**201,609,167**	67,692,233
Union Bank	USD 160,000,000	Primary mortgage over leasehold rights of Dyraba & Aislaby Estates.	**154,249,156**	59,733,469
Long term Loan				
National Developemnt Bank PLC	USD 3,000,000	Primary mortgage over leasehold rights of Land, Buildings and immovable Machinery of Neluwa & Uva Highlands	**219,240,000**	275,400,000
Indian Overseas Bank PLC	USD 1,000,000	Primary mortgage over leasehold rights of Land, Buildings and immovable Machinery of St James Estate	**82,213,171**	99,449,081
National Developemnt Bank PLC	Rs.111,820,000	Primary mortgage over leasehold rights over Land, Plantations, buildings and Plant & Machinery of Moralioya Estate Further mortgage over Lease hold rights over land, Plantations, Buildings, and Plant & Machinery of Neluwa and Uva Highlands Estates	**52,184,800**	74,548,000
Sri Lanka Tea Board	Rs. 31,000,000	Broker proceeds	**16,361,113**	26,694,444
Sri Lanka Tea Board	Rs. 50,900,164	Broker proceeds	**23,565,105**	40,238,130

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

30 CAPITAL COMMITMENTS

	2018 Rs.	2017 Rs.
Followings are the capital commitments as at the Statement of Financial Position date.		
Contracted , but not provided for	**Nill**	Nil
Total	**Nil**	Nil

31 CONTINGENCIES

There are no known contingent liabilities exist as at the Statement of Financial Position date.

32 EVENTS AFTER THE REPORTING PERIOD

There have been no material events occurring after the Statement of Financial Position date that require adjustment to or disclosure in the Financial statements.

33 RELATED PARTY DISCLOSURES

33.1 Details of Significant Related Party Disclosures are as follows.

Transactions with the parent and related entities

				Amount Charged/ (Credited)	
Nature of the Company	Relationship	Name of Director	Nature of Transaction	2018 Rs.	2017 Rs.
Oreocromis Dynamics (Pvt) Ltd.	Related Company	Mr. Lucas Bogtstra Mr.T. R. Gerlach	Amounts written off	-	5,968,586
Bloemendal Flower Company (Pvt) Ltd.	Related Company	Mr. Lucas Bogtstra Mr.T. R. Gerlach	Amount provided	11,082,992	
			Advances	(6,900)	(51,825)
Malwatte Hotel and Resort (Private) Ltd.	Related Company	Mr. Lucas Bogtstra Mr.T. R. Gerlach	Amounts written off	-	8,403,730
Uva Resorts & Residencies (Pvt) Ltd	Related Company	Mr. Lucas Bogtstra Mr.T. R. Gerlach	Advances	(36,900)	(6,210,795)
Malwatte Leisure (Pvt) Ltd.	Related Company	Mr. Lucas Bogtstra Mr.T. R.Gerlach	Advances	(103,206)	(432,181)

33.2 Transactions with the key management personnel of the company or parent

There were no material transactions with the Key Management Personnel of the Company and its parent other than those disclosed in Notes 19, 33.1 and 33.2 to the Financial Statements.

	Rs.
Directors Fee	23,540,000
Directors Incentive	7,450,000
	30,990,000

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Company operations. The Company has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. Accordingly the Company has exposure to namely Credit Risk, Liquidity Risk, Currency Risk and Interest Rate Risk from its use of financial instruments. This note presents information about the Company exposure to each of the above risks, the Company objectives, policies and processes for measuring and managing risk.

Credit risk

This is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the Company receivable from customers.

Liquidity risk

Liquidity risk arises when the Company is unable to meets its financial obligations due to insufficient cash flow situations. The Company 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 reputation.

Currency risk

The Company is exposed to currency risk on sales and purchases and long term loan obligations that are denominated in a currency other than the respective functional currency of the Company. The currency in which these transactions primarily denominated is in USD.

Interest rate risk

Interest Rate Risk is the potential for losses that may arise due to adverse movement of interest rates, mainly on floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Company has not engaged in any interest rate swap agreements.

34.1 Financial Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the Company financial risk management framework which includes developing and monitoring the Company financial risk management policies. The Company financial risk management policies are established to identify, quantify and analyze the financial risks faced by the Company, to set appropriate risk limits and controls and to monitor financial risks and adherence to limits. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Audit Committee of the Company oversees how management monitors compliance with the Company financial risk management policies and procedures and reviews the adequacy of the financial risk management framework in relation to the risks faced by the Company.

34.2 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the Company's receivable from customers and from its financing activities including deposits with banks and financial institutions foreign exchange transactions and other financial instruments.

34.2.1 Trade and Other Receivables

The Company's exposure to credit risk is influenced by the individual characteristics of each customer. The Company's credit policy is monitored at the Board level. The new customers are analysed individually for credit worthiness before Company's standard payment and delivery terms and conditions are offered. Company review includes external ratings, when available and in some cases, bank references, purchases limit etc. which also subject to under review on quarterly basis. The past experience of the Management is considered when revisions are made to terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.

The maximum exposure to credit risk for trade receivables of the company at the reporting date is Rs.134.6 Mn. The Comapny has a minimal credit risk of its trade receivables as the repayment is guaranteed within seven days by the Tea and Rubber auction systems.

34.2.2 Investments

Credit risks from invested balance with the financial institutions are managed by the Board of Directors. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to them. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure.

34.2.3 Cash and Cash Equivalents

The Company held cash and Cash Equivalents of Rs.196 Mn as at 31st December 2018 (2017 – Rs.100.8Mn) which represents its maximum credit exposure on these assets.

34.3 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 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 reputation.

The Company does not concentrate on a single financial institution, thereby minimizing the exposure to liquidity risk through diversification of funding sources. The Company aims to fund investment activities of the individual and Company level by funding the long-term investment with long term financial sources and short term investment with short term financing. Where necessary the Company consults the Treasury Department and Strategic Business Development Unit in Parent Company for scrutinizing the funding decisions.

The Table below summarizes the maturity profile of the Groups financial liabilities based on contractual undiscounted payments.

As at 31st Dec 2018	Less than 3 Months (Rs.)	3 to 12 Months (Rs.)	2 to 5 years (Rs.)	>5 years (Rs.	Total (Rs.)
Interest bearing loans & borrowing	189,383,981	212,487,018	259,798,318	-	661,669,317
Trade payables	115,433,077	-	-	-	115,433,077
	304,817,058	212,487,018	259,798,318	-	777,102,394

34.4 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 prices comprise four types of risk: interest rate risk, currency risk & other price risk such as equity price risk. Financial instrument affected by market risk include loans & borrowings, deposits & derivative financial instruments.

34.4.1 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Company has not engaged in any interest rate swap agreements.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the group's Profit Before Tax is affected through the impact on floating rate borrowings as follows:

	Increase/ decrease in Interest rate	Effect on profit before tax
		Rs.
2018	+1%	5,163,296
	-1%	(5,163,296)
2017	+1%	5,783,572
	-1%	(5,783,572)

34.4.2 Foreign Currency Risk

The Company is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Company. The Company is exposed to currency risk on sales, purchases and borrowings. These currency primarily is USD.

SHAREHOLDER & INVESTOR INFORMATION

Distribution of Shares (Voting)

No of Shares Held	No of share Holders	No of share Holders %	Total Holdings	Total Holdings %
1 – 1,000	8,290	44.11%	3,519,565	1.74%
1,001 – 10,000	10,251	54.55%	19,430,328	9.58%
10,001 – 100,000	214	1.14%	7,636,700	3.77%
100,001 – 1,000,000	30	0.16%	8,616,295	4.25%
1,000,001 – & over	8	0.04%	163,589,443	80.67%
Grand Total	18,793	100.00%	202,792,331	100.00%

Analysis Report of Share Holders as at 31/12/2018

No of Shares Held	No of share Holders	No of share Holders %	Total Holdings	Total Holdings %
Local Individual	18,682	99.41%	36,489,462	17.99%
Local Institution	92	0.49%	163,100,428	80.43%
Foreign Individual	14	0.07%	132,331	0.07%
Foreign Institution	5	0.03%	3,070,110	1.51%
Grand Total	18,793	100.00%	202,792,331	100.00%

Share Holders Categorized Summary Report as at 31/12/2018 (Non Voting)

No of Shares Held	No of share Holders	No of share Holders %	Total Holdings	Total Holdings %
1 – 1,000	378	50.94%	108,754	0.54%
1,001 – 10,000	224	30.19%	1,025,535	5.06%
10,001 – 100,000	120	16.17%	3,716,861	18.35%
100,001 – 1,000,000	18	2.43%	4,847,945	23.94%
1,000,001 – & over	2	0.27%	10,551,565	52.10%
Grand Total	742	100.00%	20,250,660	99.99%

Analysis Report of Share Holders as at 31/12/2018

No of Shares Held	No of share Holders	No of share Holders %	Total Holdings	Total Holdings %
Local Individual	696	93.80%	7,263,950	35.87%
Local Institution	42	5.66%	12,822,019	63.32%
Foreign Individual	3	0.40%	12,691	0.06%
Foreign Institution	1	0.14%	152,000	0.75%
Grand Total	742	100.00%	20,250,660	100.00%

SHAREHOLDER & INVESTOR INFORMATION

Top 20 Voting Shareholders List as at 31St December 2018

No's	Name/Address	No. of Shares	%
01	Wayamba Plantation (Private) Limited	135,839,160	66.98
02	Amana Bank PLC/ Carlines Holdings (Pvt) Ltd	14,526,281	7.16
03	Amana Bank PLC/Almas Organization (Pvt)Ltd	6,389,864	3.15
04	Peoples Leasing & Finance PLC/M I Samsudeen	2,169,304	1.07
05	Mr. Radhakrishnan Mahswaran	1,206,667	0.60
06	Miss. Radhakrishnan	1,206,667	0.60
07	Miss. MeenambigaiP Radhakrishnan	1,206,666	0.60
08	Dr. Niranjan Deepal Gunawardena	1,044,834	0.52
09	Sezeka Limited	891,708	0.44
10	Employees Provident Fund	792,000	0.39
11	Mellon Bank – Acadian Frontier Markets Equity Fund	708,402	0.35
12	Camille Consulting Crop	600,000	0.30
13	J.B. Cocoshell (Pvt) Ltd	767,685	0.29
14	Tranz Dominion L.L.C.	520,000	0.26
15	Pershing LLC S/A Averbach Grauson & Compny	350,000	0.17
16	Mr. R. E. Rambukwella	319,142	0.16
17	Mr. E. J. B. U. Fernando	306,743	0.15
18	People's Leasing & Finance PLC/Mr.E.J.B.U. Fernando	253,765	0.13
19	Mr. S. D. Divakarage	248,275	0.12
20	Mr. K. C. Vignarajah	237,775	0.12

Public Shareholding % - 33.02
No of Voting Shareholders - 18,793

SHAREHOLDER & INVESTOR INFORMATION

Top 20 Non-Voting Shareholders List as at 31st December 2018

No's	Name/Address	No. of Shares	%
01	Commercial Bank/Lanka Moutcastle (Pvt) Ltd	6,728,001	33.22
02	Lanka Mountcastle (Pvt) Ltd	3,823,564	18.88
03	Mr. R. E. Rambukwella	840,010	4.15
04	Dr. A. R. Mohamad	479,322	2.37
05	Amana Bank PLC/Almas Organization (Pvt) Ltd	478262	2.36
06	Peoples Leasing & Finance PLC/Mr. M I Samsudeen	409,366	2.02
07	A. J. Kahagalage	367,420	1.81
08	Employees Provident Fund	346,000	1.71
09	Mr. J. A. C. C.Jayakody	260,612	1.29
10	Vingrows Business Solutions (Pvt) Ltd.,	233,000	1.15
11	Mr. A. W. A. Lakshman	219,972	1.09
12	Amana Bank PLC/ Carlines Holdings (Pvt) Ltd	206,000	1.02
13	Sezeka Ltd.,	152,000	0.75
14	Mr. J. D. S. Gunasekera	137,028	0.68
15	Mr. N. Raveendran	136,031	0.67
16	Mr. M. L. M. Fahmy	126,770	0.63
17	Mr. L. K. R. D. Kulawardena	123,863	0.61
18	Mr. A. K. Seneviratne	120,490	0.60
19	Mrs. M. Arudpragasam	109,866	0.54
20	Mr. M. N. M. Abdul Caader & Mrs. M.M.A. Caader	101,933	0.50

Public Shareholding % - 66.78
No of Non Voting Shareholders - 742

Directors Shareholdings in the Company - VOTING

Name	As at 31.12.2018	As at 31.12.2017
Mr. Lucas Bogtstra	100,000	100,000
Mr. T. R. Gerlach	Nil	Nil
Mrs. C. A. Gerlach	Nil	Nil
Mr. A. N. de Silva	Nil	Nil
Mr. K. A. S. Gunasekera	Nil	Nil
Mr. G. C. De Silva	Nil	Nil
Mr. Frits Bogtsra	Nil	Nil
Mr. K. G. M. Piyaratne	Nil	Nil

SHAREHOLDER & INVESTOR INFORMATION

Directors Shareholdings in the Company – NON-VOTING

Name	As at 31.12.2018	As at 31.12.2017
Mr. Lucas Bogtstra	Nil	Nil
Mr. T. R. Gerlach	Nil	Nil
Mrs. C. A. Gerlach	Nil	Nil
Mr. A. N. de Silva	Nil	Nil
Mr. K. A. S. Gunasekera	Nil	Nil
Mr. G. C. De Silva	Nil	Nil
Mr. Frits Bogtsra	Nil	Nil
Mr. K. G. M. Piyaratne	Nil	Nil

Stock Exchange

Interim Financial Statements for the forth quarter 31st December 2018 has been submitted to the Colombo Stock Exchange as required by the listing rules.

Market Value	Voting - 2018	Voting -2017	Non Voting - 2018	Non Voting - 2017
Highest	9.00	13.30	5.30	13.00
Lowest	6.90	9.70	4.00	8.50
Year End	7.78	11.00	4.10	9.20

SHAREHOLDER & INVESTOR INFORMATION

FIVE YEAR SUMMARY

	12 (Month) Rs.'000 2018	12 (Month) Rs.'000 2017	12 (Month) Rs.'000 2016	12 (Month) Rs.'000 2015	12 (Month) Rs.'000 2014
Turnover	4,755,030	4,601,252	2,857,081	2,881,044	3,581,342
Gross Profit	173,429	558,864	(6,749)	(114,922)	133,943
Operating Profit	171,295	594,744	124,331	(242,774)	66,258
Gross Profit on Cost of Sales (%)	3.8	14	(0.2)	(4)	4
Gross profit on Turnover (%)	3.6	12	(0.2)	(4)	4
Profit/(Loss) Before Tax	136,569	559,851	72,586	(270,537)	53,246
Tax expenses	29,845	6,165	10,132	8,524	29,186
Profit/(loss) After Tax	106,724	553,686	62,454	(279,062)	24,060
Fixed Assets	4,356,980	4,266,154	3,931,674	3,750,006	3,669,701
Current Assets	1,849,277	1,685,620	1,428,827	1,522,466	1,552,503
Current Liabilities	1,385,244	816,431	904,645	926,528	601,820
Shareholders Funds	3,317,619	3,496,652	2,785,458	2,590,667	2,850,624
Capital expenditure	149,395	200,753	153,396	167,633	219,685
Earnings Per Share (Rs.)	0.48	2.50	0.28	(1.25)	0.11
Net Assets Per share (Rs.)	14.87	15.68	12.48	11.60	12.78
Dividend Per Share (Rs.)	-	0.15	-	-	0.025
Stated Capital	373,000	373,000	373,000	373,000	373,000
Capital Employed	3,960,016	4,280,270	3,439,168	3,235,494	3,565,215
Net Assets	3,317,619	3,496,652	2,785,458	2,590,667	2,850,624
Return on Capital Employed (%)	4	16	2	(8)	2
Market Capitalisation	1,660,752	2,417,021	626,545	752,271	912,565

FREEHOLD AND LEASEHOLD LAND AND BUILDINGS

LEASEHOLD BUILDINGS

ESTATE NAME	LOCATION	NO OF BUILDINGS	BUILDINGS AT VALUATION (RS.)
AISLABY	BANDARAWELA	52	3,438,945
NELUWA	BANDARAWELA	40	5,606,195
UVA HIGHLAND	BANDARAWELA	38	10,731,585
UNUGALLA	HALI-ELA	53	3,403,012
WARWICK	AMBEWELA	20	763,718
HUGOLAND	LUNUWATTE	17	1,438,569
DOWNSIDE	WELIMADA	65	2,217,251
ST JAMES	HALI-ELA	56	10,531,114
ATTAMPITIYA	ATTAMPITIYA	28	22,197,555
DICKWELLA	HALI-ELA	58	2,782,070
LEDGERWATTE	HALI-ELA	43	7,507,444
SARNIA	BADULLA	66	12,235,154
QUEENTOWN	HALI-ELA	81	2,926,380
WELIMADA	WELIMADA	52	4,232,457
DYRABBA	MIRAHAWATTE	69	7,482,764
UVA KETAWELA	HALI-ELA	14	2,586,801
MORALIOYA	RUWANWELLA	52	696,548
SUNNYCROFT	WAHARAKA	53	3,801,242
TALDUA	AVISSAWELLA	44	1,681,283
CHESTERFORD	GONAGALDENIYA	14	673,009
GLENESK	AMITHIRIGALA	10	821,221
VINCIT	GONAGALDENIYA	36	3,755,524
HAKGALLA	BORAGAS	22	1,352,285
REGIONAL OFFICE	BADULLA	1	309,457
Total Leasehold Buildings			**113,171,583**

FREEHOLD AND LEASEHOLD LAND AND BUILDINGS

FREEHOLD BUILDINGS & BUILDING IMPROVEMENT

ESTATE NAME	LOCATION	NO OF BUILDINGS	BUILDINGS AT VALUATION (RS.)
HEAD OFFICE	NO. 280, DAM STREET, COLOMBO 12	1	124,817,625
STORES	WATTALA	1	214,500,000
USWETAKEIYAWA	WATTALA	1	687,590
Total Freehold Buildings & Building Improvements			**340,005,215**
AISLABY	BANDARAWELA		11,801,067
DOWNSIDE	WELIMADA		4,927,864
HUGOLAND	LUNUWATTE		3,194,609
NELUWA	BANDARAWELA		4,973,039
UVA HIGHLANDS	BANDARAWELA		11,260,429
ATTAMPITIA	ATTAMPITIYA		16,467,160
WARWICK	AMBEWELA		7,376,842
UNUGALLE	HALI-ELA		7,940,862
DICKWELLA	HALI-ELA		16,352,570
DYRAABA	MIRAHAWATTE		4,104,070
SARNIA	BADULLA		31,916,983
ST JAMES	HALI-ELA		10,249,338
LEDGERWATTE	HALI-ELA		5,789,590
QUEENSTOWN	HALI-ELA		13,413,392
WELIMADA	WELIMADA		19,792,016
UVE KETAWELA	HALI-ELA		3,924,377
CHESTERFORD	GONAGALDENIYA		6,860,504
GLENESK	AMITHIRIGALA		3,014,107
MORALIOYA	RUWANWELLA		18,405,292
SUNNYCROFT	WAHARAKA		25,282,029
TALDUA	AVISSAWELLA		6,310,433
VINCIT	GONAGALDENIYA		6,576,877
CIRCUIT BUNGLOW	AMBEWELA	1	4,451,681
TALDUA MANOR	TALDUA	1	8,307,302
Total Leasehold Buildings & Building Improvements			**381,247,254**
Total			**587,259,596**

FREEHOLD AND LEASEHOLD LANDS AND BUILDINGS

LEASEHOLD LANDS

ESTATE NAME	LOCATION	LAND EXTENT (HA)	LAND AT VALUATION (RS.)
AISLABY	BANDARAWELA	731	22,768,576
NELUWA	BANDARAWELA	246	8,614,953
UVA HIGHLAND	BANDARAWELA	369	13,155,751
UNUGALLA	HALI-ELA	888	23,737,735
WARWICK	AMBEWELA	450	14,605,197
HUGOLAND	LUNUWATTE	142	5,116,541
DOWNSIDE	WELIMADA	380	12,680,606
ST JAMES	HALI-ELA	356	12,006,097
ATTAMPITIYA	ATTAMPITIYA	565	19,348,427
DICKWELLA	HALI-ELA	604	18,154,521
LEDGERWATTE	HALI-ELA	1134	28,570,074
SARNIA	BADULLA	1015	31,129,334
QUEENTOWN	HALI-ELA	610	18,281,903
WELIMADA	WELIMADA	374	12,517,680
DYRABBA	MIRAHAWATTE	460	14,853,803
UVA KETAWELA	HALI-ELA	268	9,324,075
MORALIOYA	RUWANWELLA	433	11,310,368
SUNNYCROFT	WAHARAKA	726	16,425,745
TALDUA	AVISSAWELLA	795	18,296,178
CHESTERFORD	GONAGALDENIYA	317	8,670,841
GLENESK	AMITHIRIGALA	303	8,324,899
VINCIT	GONAGALDENIYA	911	23,515,798
HAKGALLA	BORAGAS	217	7,686,210
Total Leasehold Lands			**359,095,312**

FREEHOLD LANDS

HEAD OFFICE	NO. 280, DAM STREET, COLOMBO 12	0.2872(HA)	700,182,375
STORES	WATTALA	1.0136(HA)	275,500,000
Land	GALBANTHOTAWATTE	77.02 (PERCH)	25,000,000
Land	VAKARAI	9 (ACRE)	44,500,000
Total Freehold Lands			**1,045,182,375**

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT THE **TWENTY FIFTH (25th) ANNUAL GENERAL MEETING** OF **MALWATTE VALLEY PLANTATIONS PLC,** WILL BE HELD ON **FRIDAY, 21ST JUNE 2019** AT 10.30 A.M. AT THE AT THE AUDITORIUM OF THE SRI LANKA FOUNDATION, NO. 100, INDEPENDENCE SQUARE, COLOMBO 7

AGENDA

1 To receive and consider the Report of the Directors, Statement of Accounts and the Balance Sheet of the Company for the year ended 31st December 2018, and the Report of the Auditors thereon.

2 To pass the following Ordinary Resolution pursuant to Section 211 of the Companies Act, No. 7 of 2007.

*"**Resolved t**hat Mr. K. A. S. Gunasekera who has reached the age of 77 years be and is hereby re-elected a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act, No. 7 of 2007 shall not apply to the said Director".*

3 Re-appointment of Auditors

*"**Resolved** to re-appoint M/s. Ernst and Young, Chartered Accountants as Auditors of the Company, and to authorize the Directors to determine their remuneration".*

4 To authorize the Directors to determine Donations for the year 2019, and up to the date of the next Annual General Meeting.

BY ORDER OF THE BOARD

Management Applications (Private) Limited
Secretaries

Colombo Dated 27/05/2019

Note:

1 A member is entitled to appoint a proxy to attend and vote at the Meeting on his/her behalf. A form of proxy is enclosed for this purpose.

2 A proxy need not be a member of the Company.

3 To be valid the completed Form of Proxy should be lodged at the Registered Office of the Company at No. 280, Dam Street, Colombo 12, not less than 48 hours before the appointed time for holding the meeting.

4 For security reasons Shareholders/Proxy holders attending the Meeting are kindly requested to bring their National Identity Card or Passport.

NOTE

FORM OF PROXY

*I/We ....

of..

being * a shareholder(s)/ member (s) of Malwatte Valley Plantations PLC hereby appoint:

(1)..

of..

or failing him, Mr. Frits Bogtstra, (Chairman of the Company), of Colombo or failing him, one of the Directors of the Company as *my/our Proxy to represent me/us and * ……………………………………to vote on *my/our behalf at the **TWENTY FIFTH (25TH) ANNUAL GENERAL MEETING** of the company to be held on **Friday, 21st June 2019, at 10.30 a.m.** and at every poll which may be taken in consequent of the aforesaid meeting and at any adjournment thereof:

*I/we indicate *my/our vote on the resolutions below as follows:	FOR	AGAINST
1 To receive and consider the Report of the Directors, Statement of Accounts and the Balance Sheet of the Company for the year ended 31st December 2018 and the Report of the Auditors thereon.		
2 To pass the following Ordinary Resolution pursuant to Section 211 of the Companies Act, No. 7 of 2007: "***Resolved*** *that Mr. K. A. S. Gunasekera who has reached the age of 77 years be and is hereby re-elected a Director of the Company and it is hereby declared that the age limit of 70 years referred to in Section 210 of the Companies Act, No. 7 of 2007 shall not apply to the said Director".*		
3 Re-appointment of Auditors *"**Resolved** to re-appoint M/s. Ernst and Young, Chartered Accountants as Auditors of the Company, and to authorize the Directors to determine their remuneration".*		
5 To authorize the Directors to determine Donations for the year 2019 and up to the date of the next Annual General Meeting.		

Signed this ……………………….day of ……………………Two Thousand and Nineteen.

Note: 1. * Please delete the inappropriate words.
2. Instructions as to completion appear on the reverse.
3. If you wish your proxy to speak at the meeting you should interpolate the words "to speak and" at the asterisk immediately before the words "to vote".

....
*Signature/s

Instructions as to Completion

1. To be valid this Form of Proxy should be deposited at the Registered Office of the company No. 280, Dam Street, Colombo 12, not less than forty eight (48) hours before the time fixed for the Meeting.

2. In perfecting the Form of Proxy, ensure that all details are eligible.

3. If you wish to appoint a person other than the Chairman (or failing him, one of the Directors) as your Proxy, please insert the relevant details at (1) overleaf and initial against this entry.

4. Please indicate with an "X" in the space provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote, as he thinks fit.

5. In the case of a Company/Corporation, the Proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.

6. In the case of a proxy signed by an Attorney, the Power of Attorney must be deposited at the Registered Office for Registration, if such power of Attorney has not already been registered with the Company.

malwatte
VALLEY PLANTATIONS PLC