

ANNUAL REPORT 2019



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 - Ceased to be a Director w.e.f. 20.06.2020
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

Secretarius (Private) Limited
No. 40, Galle Face Court 2,
Colombo 03.
Tel. No: 233343/2399090

Registrars

P W Corporate Secretarial (Pvt) Ltd.
3/17 Kynsey Rd,
Colombo 08
Tel. No: 11 4897733

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
DFCC Bank

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FINANCIAL HIGHLIGHTS

	Company	
	Financial Year Ended	
	31st Dec. 2019	31st Dec. 2018
	12(Months)	12(Months)
	Rs.'000	Rs.'000
Turnover	4,857,372	4,755,030
Gross Profit/(Loss)	(85,579)	173,429
Operating Profit/(Loss)	(111,350)	171,295
Gross Profit on Cost of Sales (%)	-	3.8
Gross Profit on Turnover (%)	-	3.6
Profit/(Loss) Before Tax	(169,564)	136,569
Tax Expenses	58,654	29,845
Profit/(Loss) After Tax	(228,219)	106,724
Fixed Assets	4,575,628	4,366,980
Current Assets	1,659,648	1,839,277
Current Liabilities	1,699,217	1,385,244
Shareholders Funds	2,953,529	3,317,619
Capital Expenditure	175,000	149,395
Earnings Per Share (Rs.)	(1.02)	0.48
Net Assets Per share (Rs.)	13.24	14.87
Dividend Per Share (Rs.)	-	-
Stated Capital	373,000	373,000
Capital Employed	3,259,390	3,960,016
Net Assets	2,953,529	3,317,619
Return on Capital Employed (%)	-	4
Market Capitalisation	1,338,315	1,660,752

CHAIRMAN'S REVIEW

To the Shareholders of Malwatte Valley Plantations PLC.

What a Year! Commencing from a wage increase in February to a decline in Global demand for both Tea and Rubber, which saw Prices taking a nose dive and remaining low throughout.

This attributed to your Company making a loss of Rs. 228.2 M for the year after Tax, from a profit of Rs. 106.7M, the year before.

The reasons for the decline in prices will be elaborated on in the Sector Reviews, that follow.

Corporate Performance

The Annual Turnover during the year was Rs. 4.857 Billion, compared to Rs. 4.755 Billion in 2018, recording a 2% increase mainly due to the increase of direct tea export turnover.

The Tea Turnover was Rs. 2.361 Billion; Rubber Rs. 254 Million; Coconut Rs. 3 Million and other activities including export generated, a Turnover of Rs. 2.239 Billion.

Gross Profits decreased from Rs. 173 Million in 2018 to a Gross Loss of Rs. 85 Million in 2019.

The Net Loss after Tax in 2019 was Rs. 228.2 Million in comparison to a Net Profit of Rs. 106.7 Million in 2018.

In spite of this, your Company has invested a sum of Rs. 175 Million on Capital Expenditure for Field and Factory Development with the intention of improving the Company's bottom line in the years ahead.

Tea Sector Performance

Sri Lanka's total Tea Production decreased by 1% over the corresponding year.

The temporary suspension of Tea Exports to Russia, Shipments to Japan and the EU being constrained due to MRL issues brought about by the ban of Glyphosate coupled with the US sanctions on Iran and the international conflicts in the Middle East, brought down the overall NSAs by over Rs. 37/-, in comparison to the previous year.

Rubber Sector

Rubber production, which has been on a declining trend, further reduced by 9.5 per cent to 74.8 million kilogrammes in 2019, reporting the lowest annual output in history. This decline was reflected in both smallholder and plantation sectors, and was mainly driven by disruptions to tapping operations due to rain in the latter part of the year and abandonment of tapping operations due to low remunerative prices by small holders.

Lower output in the rubber sector during 2019 in turn reduced the volume exported. Accordingly, export performance rubber and rubber products weakened by 32.74 percent to 610.01 USD Million in comparison to the year 2018.

Moreover, both international and domestic demand for natural rubber was low under the slowing down of global economies and relatively low petroleum prices.

Crop Diversification

Our crop diversification continues in spite of the obstacles we are facing.

The land we had prepared for the planting of 600 hectares of Oil Palm went back into secondary bush, due to the change of Government policy, which precluded us from planting the plants we had nurtured in our nurseries.

This has cost your Company around Rs. 75 Million and the matter is now under litigation.

The land in question is now being diversified into other crops. The company continues to increase its cultivating extents in Pepper, Mandarin, Avocado, Rambutan, Durian & Cinnamon. We are confident that this would bring in remunerative returns to the Company in future.

The Uva Ketawela Tea Factory, which was converted into a Spice Processing Factory commenced its operations during the latter half of the year. The Company intends branding its products during 2020 to increase on its profitability in the spice sector.

Acknowledgement

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 your Company.

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



Mr. F Bogtstra
Chairman
29th May 2020.

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)

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 its 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 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 its 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 Ceased to be a Director w.e.f. 20.06.2020

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 Accountants 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 Accountant (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 Plantations 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/CEO)

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 and as CEO on 01st August 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 organizational performance optimized. 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 eight (08) Directors including the Chairman Managing Director and the Chief Executive Officer. Mr K A S Gunasekera ceased to be a Director with effect from 20th June, 2020 under section 210 of the Companies Act, No.07 of 2007. A resolution will be placed before the shareholders pertaining to the appointment of Mr Gunasekera under section 211 of the Act. 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 Secretaries 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 that 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 familiarize themselves with its activities and to meet and engage with staff.

Board Composition

The Board currently comprises of the Chairman, four Executive Directors including MD and CEO, one Non- Executive Director and two Independent Non- Executive Directors. Mr K A S Gunaseker who ceased to be a Director with effect from 20th June, 2020 was also an Independent Non-Executive Director. 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 judgment. 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. Piyyaratne	√									
8. Mr. K.A.S. Gunasekera (Ceased to be a Director w.e.f. 20.06.2020)			√	√	√		√			√
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 and CEO play 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 Secretaries, who ensure 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 Secretaries 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 Secretaries are 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.

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, 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 22 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.

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 throughout the year 2019. Other members of the committee are Mr. Chamindra Silva,

CORPORATE GOVERNANCE

Mr. Lucas Bogtstra, Mr. M. Piyaratne, Mr. S. D. Samaradivakara and Mr. T. R. Gerlach.

Key management personnel are invited to participate regularly on performance related subjects.

SUB COMMITTEES TO THE BOARD

1. Audit Committee

The Audit Committee consists of the following members:

Mr. G. C. de Silva
 Mr. A. N. de Silva
 Mr K A S Gunasekera - Ceased to be a Director w.e.f, 20th June, 2020
 Mr Frits Bogtstra - Appointed w.e.f. 20th June, 2020

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 an 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.

The Audit Committee held 04 meetings for the financial year ended 31st December, 2019. The Audit Committee Report on page 15 describes the activities carried out during the financial year ended 31st December, 2019.

2. Remuneration Committee

The Remuneration Committee ensures that the Company has well-established, formal and transparent procedures in place for developing an effective remuneration policy for both Executive and Non-Executive Directors. No Director is involved in deciding his/her own remuneration to avoid potential conflicts of Interest. The Committee is also responsible for setting up the remuneration policy and providing guidelines to the Board on the overall remuneration framework (including setting performance incentives and targets) to ensure that remuneration levels are sufficient to attract and retain the caliber of professionals required for the successful management and operations of the Company. The Remuneration Committee consists of the following three Non-Executive Directors two of whom are Independent:

Mr. G. C. de Silva
 Mr. A. N. de Silva
 Mr K A S Gunasekera - Ceased to be a Director w.e.f, 20th June, 2020
 Mr Frits Bogtstra - Appointed w.e.f. 20th June, 2020

The Remuneration Committee held 02 meetings for the financial year ended 31st December, 2019. The report on the Remuneration Committee is on page 17 of this report.

CORPORATE GOVERNANCE

3. Related Party Transactions Review Committee

The Related Party Transactions Review Committee ensures that the interest of shareholders as a whole is taken into account when engaging in transactions with related parties. The Related Party Transactions Review Committee consists of the following three Non-Executive Directors two of whom are Independent:

Mr. G. C. de Silva

Mr. A. N. de Silva

Mr K A S Gunasekera - Ceased to be a Director
w.e.f, 20th June, 2020

Mr Frits Bogtstra - Appointed w.e.f. 20th June, 2020

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.

Each of the non-executive Directors have submitted a declaration of their independence / non-independence pursuant to Rule 7.10.2(b) of the Listing Rules of the Colombo Stock Exchange and the Board of Directors have made an annual determination as to the independence / non-independence of each non-executive Director based on their declaration pursuant to Rule 7.10.3(a) of the Listing Rules of the Colombo Stock Exchange. Accordingly, the following Directors are determined to be Independent Non-Executive Directors:

Mr. G. C. de Silva

Mr. A. N. de Silva

Mr K A S Gunasekera - Ceased to be a Director
w.e.f, 20th June, 2020

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 company has considered the importance of cash flow management and planned more controls over this activity such as strict monitoring of its cash flows to mitigate the adverse impacts which could affect the liquidity of the company by COVID-19 pandemic.

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 Interest Rate Risk (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.

The Company also applied for the relief loan package introduced by the Central Bank if granted to meet short-term cash deficits and meet financial commitments.

3.4 Foreign Exchange Risk (Rating MODERATE)

This affects Company'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 three members, Mr G. C. De Silva, Mr A.N. De Silva and Mr K.A.S Gunasekera all 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 operational 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/ 2019 the committee held four comprehensive meetings. The Managing Director and the Director Finance attended all audit committee meetings by invitation. Since August 2019 CEO/Director also participated 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 the appointment of 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. During this year a comprehensive audit was also carried out with regard to the stores complex of the company and the audit committee reviewed this internal audit submission.

Additionally, as discussed under No.4 of this report, opportunity is also taken wherever applicable to discuss and follow-up internal audit related issues in the 'Financial and Administration Monitoring Committee' (FAMCOM) 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 chaired by the independent Director, Mr A.N. De Silva attended by the core of the top management team including the Managing Director at monthly intervals, that provides a valuable contribution in strengthening the internal controls and decision making in the area of financial and operating controls. Detailed discussions are held with regard to the functioning of the different strategic business units of the company and their divisional performances, at these FAMCOM meetings.

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.

AUDIT COMMITTEE REPORT

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.

The Audit Committee has recommended to the board that Ernst & Young be re- appointed as statutory auditors for the financial year ending 31 December 2020 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

29th May 2020.

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 2019

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 structured 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
29th May 2020

REPORT OF THE COMMITTEE ON RELATED PARTY TRANSACTIONS

The committee comprises Mr. Chamindra de Silva (Chairman), Mr. K A S Gunasekera, Mr. Nilanth de Silva all being independent, non-executive directors. Mr. Lucas Bogtstra (Managing Director/CEO), Mr. Mahinda Piyaratne (Director Finance) 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.

IDENTIFICATION 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.

Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 December 2018 audited financial statements, which required additional disclosures in the 2019 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Company as per 31 December 2018 audited financial Statements, which required additional disclosures in the 2019 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transaction under the Securities and Exchange Commission Directive issued under Section 13(c) of the Securities and Exchange Commission Act.

The Committee will continue to conduct their reviews on a quarterly basis during the financial year commencing 1st January 2020.



Chamindra de Silva
Chairman - Committee on Related Party Transactions

29 May 2020

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Directors of Malwatte Valley Plantations PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st December, 2019.

General

Malwatte Valley Plantations PLC is a public limited liability company which was incorporated under the Companies Act, No. 17 of 1982 as a private limited company on 22nd June, 1992, converted to a public limited liability company on 22nd June, 1997 and listed on the Colombo Stock Exchange on 26th July, 2000 and re-registered as per the Companies Act, No.7 of 2007 on 26th December, 2007 under Registration Number PQ 111.

Principal activities of the Company and review of performance during the year

The Principal activities of the Company are processing and selling of Tea & Rubber.

A review of the business and performance of the Company during the year, with comments on financial results, future strategies and prospects are contained in the Chairman's review which form an integral part of this Report.

Financial Statements

The Financial Statements of the Company duly signed by two Directors on behalf of the Board are given on pages 27 to 81.

Auditors' Report

The Report of the Independent Auditors on the Financial Statements of the Company is given on pages 23 to 26.

Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 34 to 81 to the Financial Statements. There were no significant changes to the accounting policies used by the Company during the year under review.

Directors

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 6 to 8

Mr. Frits Bogtstra	– Chairman
Mr. Lucas Bogtstra	– Managing Director
Mr. S. D. Samaradiwakara	– 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

- Mr. S. D. Samaradiwakara was appointed to the Board on 1st April, 2019.

- Mr K A S Gunasekera who is 78 years of age was re-appointed to the Board at the last AGM held on 21st June, 2019 and according to section 211 (1) of the Companies Act, No. 07 of 2007 such re-appointment is valid for one year, i.e. only up to 21st June, 2020. Therefore, the Directors have recommended appointing Mr. K. A. S. Gunasekera, as a Director of the Company; and accordingly a resolution will be placed before the shareholders in terms of Section 211 of the Companies Act, with regard to the appointment of Mr. Gunasekera.

Directors Interest in Contracts

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

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

The Directors' Interest register is maintained by the Company. Related Party Disclosures of the Company are disclosed in Note No 33 to the Financial Statements.

Directors' Remuneration

The Directors' remuneration is disclosed under Note 33.2 to the Financial Statements on page 78.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 22.

Auditors

Messrs Ernst & Young, Chartered Accountants served as the Auditors during the year under review and also provided non audit/ consultancy services. They do not have any interest in the Company other than that of Auditor and provider of other non-audit/ consultancy services.

A total amount of Rs. 3.577 Million is payable by the Company to the Auditors for the year under review.

The Auditors have expressed their willingness to continue in office. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Stated Capital

The Stated Capital of the Company as at 31st December 2019 consists of Voting Shares amounting to Rs.350,000,010/- and Non-Voting Shares amounting to Rs. 23,000,000/-.

Directors Direct and Indirect Shareholdings

The relevant interests of Directors in the shares of the Company as at 31st December 2019 and 31st December 2018 are as follows:

	Shareholding as at 31.12.2019	Shareholding as at 31.12.2018
Mr. Frits Bogtstra	Nil	Nil
Mr. Lucas Bogtstra	100,000	100,000
Mr. S. D. Samaradiwakara	Nil	Nil
Mr. T. R. Gerlach	Nil	Nil
Mr. K. G. M. Piyaratne	Nil	Nil
Ms. C. A. Gerlach	Nil	Nil
Mr. G. Chamindra De Silva	Nil	Nil
Mr. A. N. de Silva	Nil	Nil
Mr. K. A. S. Gunasekera (ceased to be a Director w.e.f. 20.06.2020)	Nil	Nil
Mr. T. R. Gerlach	Nil	Nil

*Mr Frits Bogtstra, Mr. T. R. Gerlach, Ms. C. A. Gerlach and Late W L Bogtsta are the shareholders of M/s Bogtstra and Gerlach (Pvt) Ltd which holds 69.14% of Wayamba Plantations (Pvt) Ltd. The said Wayamba Plantations (Pvt) Ltd is the major shareholder of the Company and holds 135,839,160 ordinary voting shares constituting 66.98% of the shares representing the stated capital of the Company.

Shareholders

There were 19,707 shareholders registered as at 31st December 2019 (18,793 shareholders as at 31st December 2018).

Major Shareholders, Distribution Schedule and Other Information

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, public holding as per the Listing Rules of the Colombo Stock Exchange are given on pages 83-87 under Shareholder and Investor information.

Employment Policy

The Company's employment policy is totally non-discriminatory which respects individuals and provides career opportunities irrespective of gender, race or religion.

As at 31st December 2019, 5631 persons were in employment (5992 persons as at 31st December 2018).

Reserves

The reserves of the Company with the movements during the year are given in page 31.

Fixed Assets

The Company has invested Rs. 175 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.

Land Holdings

The Company's land holdings are referred to in pages 87-89.

Property, Plant & Equipment

Details and movements of property, plant and equipment are given under Note 15 to the Financial Statements on pages 60-64.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Investments

Details of the Company's quoted and unquoted investments as at 31st December 2019 are given in Note 15 to the Financial Statements on page 66.

Donations

No Donations have been made during the year under review.

Dividends

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

Risk Management

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Audit Committee.

Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management on pages 13-14.

Statutory Payments

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of, and in respect of employees of the Company and all other known statutory dues as were due and payable by the Company as at the Reporting date have been paid or, where relevant provided for, except for certain assessments where appeals have been lodged.

Contingent Liabilities

Except as disclosed in Note 26 to the Financial Statements on page 73 there were no material Contingent Liabilities as at the Reporting date.

Events Occurring after the Reporting Date

There are no material events as at the date of the Auditors' Report which require adjustment to, or disclosure in the Financial Statements.

Corporate Governance

The Board of Directors confirm that the Company is compliant with Section 7.10 of the Listing Rules of the Colombo Stock Exchange.

The corporate governance of the Company is reflected in its strong belief in protecting and enhancing stakeholder value in a sustainable manner, supported by a sound system of policies and practices. Prudent internal controls ensure professionalism, integrity and commitment of the Board of Directors, Management and employees.

The Corporate Governance Statement on pages 11 to 12 explains the measures adopted by the Company during the year.

Board Sub-Committees

An Audit Committee, Remuneration Committee and a Related Party Transactions Review Committee function as Board sub committees, with Directors who possess the requisite qualifications and experience. The composition of the said Committees is reflected on pages 11 to 12 under Corporate governance.

Corporate Social Responsibility

The Company continued its Corporate Social Responsibility Programmes, details of which are set out on page 12 of this Report.

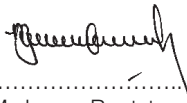
Going concern


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.

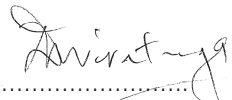
Annual General Meeting

The Notice of the Twenty Sixth (26th) Annual General Meeting and Supplementary Notice to the Shareholders appear on page 90.

This Annual Report is signed for and on behalf of the Board of Directors by:


.....
Mr. Lucas Bogtstra


.....
Mr. T. R. Gerlach


.....
Secretarius (Private) Limited
Secretaries
7th July, 2020


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 Act No. 15 of 1995 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 regard 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 carried 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. 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 statement of financial position date have been either duly paid or appropriately provided for in the financial statements.

By Order of the Board

Malwatte Valley Plantations PLC



Secretarius (Private) Limited
Secretaries

7th July, 2020

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
Chartered Accountants
201 De Saram Place
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Colombo 10
Sri Lanka

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BW/NKMS/TN

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

Report on the audit of the financial statements

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 2019, 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 2019, 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.

Partners: W R H Fernando FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W R H De Silva ACA ACMA W K B S P Fernando FCA FCMA
Mr K R M Fernando FCA ACMA Ms. L K H L Fonseka FCA A P A Gunasekara FCA FCMA A Hearth FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA Ms. P V K N Sajeewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA ACMA
Principal G B Goudian ACMA A A J R Perera ACA ACMA T P M Ruberu FCMA, FCCA

A member firm of Ernst & Young Global Limited

Key audit matters

Key audit matter	How our audit addressed the key audit matter
Valuation of Consumable Biological Assets	
<p>As at 31 December 2019, 21% of the total assets of the company consisted of consumable biological assets amounting to Rs.1,298 MN which are carried at fair value and the fair value Gain of Rs. 94 Mn on such valuation has included in the current year performance of the company.</p> <p>The valuation of consumable biological assets involves use of significant assumptions, technical expertise, and discounted cash flow model. Changes in the key assumptions used such as discount rate and expected timber volume 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.</p>	<p>Our audit procedures focused on the valuation performed by the Management's external valuer, which included among others the following procedures;</p> <ul style="list-style-type: none"> • We evaluated the competence, capability and objectivity of the external valuer engaged by the company. • We assessed the tree census records maintained by the company and cross checked whether the number of trees as per valuation report are consistent with that of the census records. • We read the external valuer's report and understood the fair value methodology and inputs used (such as discount rate and expected timber volume) 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. <p>We evaluated the adequacy of the related disclosures given in Notes 3.6.6.3 and 14.2 in the financial statements.</p>
Bearer Biological Assets	
<p>As at 31 December 2019, 19% of the total assets of the company consisted of bearer biological assets amounting to Rs. 1,167 MN of which during the financial year company capitalised an amount of Rs 92 Mn relating to immature plantations while transfers out to mature plantations amounted to Rs. 88 Mn. Management's identification of capitalizable portion of the cost incurred relating to immature plantations, identification of the point at which transfer out to mature plantation to be made and the assessment of if the indicators of impairment are present, are significant in arriving at the value of such plantations. Due to the above factors and the magnitude of the amounts involved, we considered this area as a key audit matter.</p>	<p>Our audit procedures to address this area of focus included (amongst others) the following:</p> <ul style="list-style-type: none"> • We assessed the processes and controls in place to ensure; proper capitalisation of the expenses incurred relating to immature plantations, timely transfer of matured plants to respective matured plantation categories and triggers of impairment (if any) are on a timely basis. • We validated the significant amounts capitalised (including capitalized labor and other acceptable costs) by examining related invoices, capital expenditure authorizations and other corroborative evidences. • We inspected the ageing profile of the immature biological assets as of the reporting date as well as at the points of transfers out to ensure appropriate and timely transfers are made to respective matured plantation. <p>We evaluated the adequacy of the related disclosures given in Notes 3.6.6.1 and 14.1 in the financial statements.</p>

Other Information included in the Company's 2019 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- 2440.



29 May 2020
Colombo

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 Rs.	2018 Rs.
Revenue from contract with customer	6.	4,857,372,453	4,755,030,402
Cost of sales		(4,942,952,038)	(4,581,601,421)
Gross profit /(loss)		(85,579,585)	173,428,981
Gain on change in fair value of biological assets	16.2	93,422,282	88,110,481
Other income	7.	133,172,696	173,571,611
Administrative expenses		(252,366,078)	(263,816,572)
Results from operating activities		(111,350,686)	171,294,501
Finance income	8.1	84,714,674	94,259,640
Finance expenses	8.2	(108,083,614)	(98,409,586)
Interest paid to government lease	8.3	(34,845,313)	(30,575,482)
Net finance cost		(58,214,253)	(34,725,428)
Profit/ (Loss) before tax	9.	(169,564,938)	136,569,073
Tax (expense) /Reversal	10.1	(58,654,128)	(29,845,264)
Profit / (Loss) for the year		(228,219,066)	106,723,809
Basic earnings/ (loss) per share (Rs.)	11	(1.02)	0.48

The accounting policies and notes on pages 34 through 81 form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 Rs.	2018 Rs.
Profit for the year		(228,219,066)	106,723,809
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	8,506	(20,120)
Tax effect	10.2	-	-
Actuarial gains/ (losses) on defined benefit plans	26.	(110,637,897)	(293,350,099)
Tax effect	10.2	15,489,306	41,069,014
Total Net other comprehensive income/(Loss) not be reclassified to profit or Loss in subsequent period		(95,140,085)	(252,301,205)
Total Other comprehensive income for the year, net of tax		(95,140,085)	(252,301,205)
Total comprehensive income for the year, net of tax		(323,359,152)	(145,577,396)

The accounting policies and notes on pages 34 through 81 form an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 Rs.	2018 Rs.
Non-current assets			
Right-of-use assets	12.	365,755,854	244,562,717
Freehold Property, plant & equipment	13.	1,745,145,142	1,788,533,082
Bearer biological assets	14.1	1,167,199,701	1,125,301,526
Consumable biological assets	14.2	1,297,457,530	1,208,521,313
Other non current financial assets	15.	70,226	61,720
Total non-current assets		4,575,628,453	4,366,980,358
Current assets			
Produce on Bearer Biological Assets	16.	1,929,028	2,885,264
Inventories	17.	640,176,924	607,313,141
Trade and other receivables	18.	249,554,682	272,518,008
Income Tax Recoverable		33,346,208	26,770,802
Amounts due from related companies	19.	12,244,194	32,238,031
Short - term investments	20.1	651,252,105	701,491,961
Cash and cash equivalents	20.2	71,145,563	196,059,981
Total current assets		1,659,648,704	1,839,277,188
Total assets		6,235,277,157	6,206,257,546
EQUITY AND LIABILITIES			
Equity			
Stated capital	21.	373,000,010	373,000,010
Timber reserve		1,196,358,679	1,107,471,020
Revaluation reserve	22.	661,326,144	661,326,144
Retained earnings		722,844,230	1,175,821,357
Total equity		2,953,529,063	3,317,618,531
Non-current liabilities			
Interest-bearing borrowings	23.	16,510,138	252,231,376
Deferred income	24.	131,793,186	123,508,943
Deferred tax liability	25.	234,699,322	191,534,499
Retirement benefit obligations	26.	910,176,390	800,541,481
Lease liabilities	27.	289,351,615	135,578,493
Total non-current liabilities		1,582,530,651	1,503,394,792

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 Rs.	2018 Rs.
Current liabilities			
Trade and other payables	28.	689,613,996	633,257,281
Lease liabilities	27.	28,477,877	3,044,096
Interest-bearing borrowings payable within one year	23.	404,812,269	390,166,020
Dividend payables		2,889,104	2,918,502
Bank overdraft	20.3	573,424,197	355,858,323
Total current liabilities		1,699,217,443	1,385,244,222
Total liabilities		3,281,748,093	2,888,639,014
Total equity and liabilities		6,235,277,157	6,206,257,546

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


Director Finance

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 34 through 81 form an integral part of the financial statements.

29 May 2020

Colombo

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Stated Capital Rs.	Timber Reserve Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 1 January 2018	373,000,010	1,020,601,433	661,326,144	1,441,724,791	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)	-
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
Effect of adoption of SLFRS 16 Leases (Note 27.1.1)	-	-	-	(40,730,316)	(40,730,316)
Balance as at 1 January 2019 (adjusted)	373,000,010	1,107,471,020	661,326,144	1,135,091,041	3,276,888,215
Profit for the year	-	-	-	(228,219,066)	(228,219,066)
Total Other comprehensive income for the year, net of tax	-	-	-	(95,140,085)	(95,140,085)
Transferred to the Timber Reserve	-	94,378,518	-	(94,378,518)	-
Realised gain on harvested timber trees	-	(5,490,860)	-	5,490,860	-
Balance as at 31 December 2019	373,000,010	1,196,358,679	661,326,144	722,844,230	2,953,529,063

The accounting policies and notes on pages 34 through 81 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 Rs.	2018 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit before Taxation		(169,564,938)	136,569,073
ADJUSTMENTS FOR			
Dividend Income	7.	(3,468)	(4,249)
Interest Income	8.1	(84,714,674)	(94,259,640)
Depreciation/Amortisation	12/13/14	138,231,995	132,574,245
Provision for overgrown oil palm nurseries		-	10,000,000
Provision for Defined Benefit Plan	26.	141,029,136	114,821,937
Amortisation of Grants	24.	(8,284,660)	(6,972,557)
Finance Costs	8.2/8.3	142,928,927	128,985,068
Profit on disposal of Property, Plant & Equipments	7.	(90,964)	(2,445,343)
Gain on change in fair value of biological assets	16.2	(93,422,282)	(88,110,481)
Provision for related parties		20,158,682	11,082,991
Provision for obsolete stock		3,409,510	-
Profit from sale of timber trees	7	(6,221,063)	(5,734,166)
Written off of abandoned Mature Area		3,938,824	-
Operating Profit before Working Capital Changes		87,395,024	336,506,878
(Increase)/Decrease in Inventories		(36,273,293)	(50,057,899)
(Increase)/Decrease in Trade and other receivables		44,963,802	19,331,989
Increase/(Decrease) in Trade and other payables		15,889,889	62,239,125
(Increase)/Decrease in amounts due from Related Parties		(164,845)	(147,006)
Cash Generated from Operations		111,810,577	367,873,087
Finance Costs Paid		(108,083,614)	(98,409,586)
ESC/ Income Tax Paid		(24,867,822)	(38,358,930)
Defined Benefit Plan Costs paid	26.	(125,104,287)	(124,842,679)
Net Cash from Operating Activities		(146,245,146)	106,261,892

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 Rs.	2018 Rs.
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES			
Investment in Short - term Investments		50,239,856	(4,253,376)
Dividend Income Received	7.	3,468	4,249
Grants Received	24	16,568,903	12,510,328
Proceeds from Sale of Property, Plant & Equipments		5,227,734	5,289,160
Field Development Expenditure		(91,748,047)	(104,796,502)
Expenditure on Timber Cultivation		(48,559)	(547,114)
Cash received on harvested timber trees		11,711,923	7,351,350
Purchase of Property, Plant & Equipment		(83,149,397)	(44,050,995)
Interest Income	8	84,714,674	94,259,640
Net Cash used in Investing Activities		(6,479,444)	(34,233,260)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Payment of Government lease rentals		(34,845,313)	(30,575,482)
Proceeds from loans		1,830,613,629	1,678,150,526
Payment of loans		(1,985,524,020)	(1,819,372,183)
Dividend Payment		-	(33,456,451)
Net Cash from (used in) Financing Activities		(189,755,704)	(205,253,590)
Net Increase/(Decrease) in Cash & Cash Equivalents		(342,480,294)	(133,224,958)
Effect of Exchange Rate differences		-	-
A. Cash & Cash Equivalents at the beginning of the year		(159,798,342)	(26,573,396)
B. Cash & Cash Equivalents at the end of the year		(502,278,634)	(159,798,341)
NOTE A			
Cash & Bank Balances		196,059,981	168,817,660
Bank Overdrafts		(355,858,323)	(350,440,688)
		(159,798,342)	(181,623,028)
NOTE B			
Cash & Cash Equivalents at the end of the year			
Cash & Bank Balances		71,145,563	196,059,981
Bank Overdrafts		(573,424,197)	(355,858,323)
		(502,278,634)	(159,798,342)

The accounting policies and notes on pages 34 through 81 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 2019 were authorized for issue in accordance with a resolution of the Board of Directors on 29 May 2020.

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 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company applies, SLFRS 16 – Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company.

2.3.1 SLFRS 16 Leases

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

Company has adopted SLFRS 16 using the modified retrospective method from 1 January 2019, without restating comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRS 16 does not have an impact for leases where the Company is the lessor.

On adoption of SLFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of LKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate (Note 4.5) as of the transition date.

As per the Janatha Estate Development Board/ Sri Lanka State Plantations Corporation (JEDB/SLSPC) lease agreement which entered with the Government in 1992, Lease rentals were payable on Right of use asset -land and other depreciable assets. As the lease rentals applicable to other depreciable assets have been fully settled considering the values of those assets, Management believes that the remaining lease rental payables are purely applicable to Right of Use asset – Land.

The effect of adoption SLFRS 16 as at 1 January 2019 is disclosed in Note 27.1.1 to the Financial Statements.

Leases previously classified as finance leases

For leases previously classified as finance leases, the entity recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The requirements of SLFRS 16 was applied to these leases from 1 January 2019.

2.3.2 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgement in identifying uncertainties over income tax treatments. The Company assessed whether the Interpretation had an impact on its financial statements. Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions. The Company determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities (Refer Note 4.1).

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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.

Impact on COVID-19 and Going Concern Assessment

The management has considered the current and future effects of COVID -19 on the operational activities of the company and its effect to the going concern. The management has considered wide range of factors including cash flows, current and expected profitability, temporarily defer capital payments, debt repayments and negotiating financial facilities required to continue the business as it is. The Directors are of the view that that the company has adequate resources to continue the business for the foreseeable future and rationalize following the going concern basis in preparing these financial statements.

Liquidity Risk and Interest Rate Risk Management

The company has considered the importance of cash flow management and planned more controls over this activity such as strict monitoring of its cash flows to mitigate the adverse impacts which could affect the liquidity of the company by COVID-19 pandemic. Further, the Company also applied for the relief loan package introduced by the Central Bank if granted to meet short-term cash deficits and meet financial commitments.

Impact on Assets & Impairments

The company got back to its operations when the Plantation sector was declared as an essential service and with the relaxation of curfew rules in the plantation districts. The measures the company has taken to

mitigate the impact of COVID 19 on crop intake, revenue from the month of April 2020 is successful and therefore no requirement to impair of Biological Assets, Debtors and Other Assets of the company.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 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 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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3.6.4 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 the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a) Right-of-use assets

The company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Motor vehicle	5 years
Machinery	13.33 years

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	26	3.85
Improvements to land	30	3.33
Buildings	25	4.00
Machinery	15	6.67
Mature plantations (Tea & Rubber)	30	3.33

If ownership of the leased asset transfers to the company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

b) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate (i.e. for an example JEDB/SLSPC Government lease rentals linked with GDP Deflator), and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in Note 27 to the financial statements.

c) Short-term leases and leases of low-value assets

The Company does not contain the short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and low values assets.

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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, 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 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.

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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 right to use 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.

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

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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 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.

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.

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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.

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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

3.8.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the 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 an 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.

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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.

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(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.

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 of 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

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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 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.

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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.

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.

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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 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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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.

4.4 Bearer Biological Assets

A mature plantation is an area of land developed with crops such as tea, rubber and other crops which has been brought into bearing ready for commercial harvesting. Hence, transfer of immature plantations to mature plantation fields happens at the point of commencement of commercial harvesting which depends on growth of plants, weather patterns and soil condition. Therefore, immature to mature transfer require significant management judgment in determining the point at which a plant is deemed ready for commercial harvesting.

4.5 Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the company's stand-alone credit rating).

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.

Amendments to SLFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in SLFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

Amendments to LKAS 1 and LKAS 8: Definition of Material

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

6 REVENUE

	2019 Rs.	2018 Rs.
6.1 Industry Segment Revenue		
Tea	2,361,103,786	2,459,520,456
Rubber	254,473,596	271,293,820
Coconut	3,069,734	2,444,592
Tea Export	2,116,720,956	1,886,152,486
Others	122,004,381	135,619,048
Total	4,857,372,453	4,755,030,402
6.2 Segment Information		
a) Segment Revenue		
Tea		
Revenue	2,361,103,786	2,459,520,456
Revenue Expenditure	(2,354,505,573)	(2,173,282,428)
Depreciation	(67,297,332)	(61,532,685)
Other Non Cash Expenditure	(36,621,042)	(100,595,827)
Segment Results	(97,320,160)	124,109,516
Rubber		
Revenue	254,473,596	271,293,820
Revenue Expenditure	(261,152,365)	(269,924,997)
Depreciation	(36,921,127)	(34,430,304)
Other Non Cash Expenditure	(7,774,569)	(13,128,534)
Segment Results	(51,374,465)	(46,190,015)
Coconut		
Revenue	3,069,734	2,444,592
Revenue Expenditure	(1,352,430)	(997,064)
Depreciation	-	-
Other Non Cash Expenditure	-	-
Segment Results	1,717,304	1,447,528

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

6 REVENUE (Contd.)

	2019 Rs.	2018 Rs.
Tea Export		
Revenue	2,116,720,956	1,886,152,486
Revenue Expenditure	(2,113,518,607)	(1,856,212,469)
Depreciation	(1,532,874)	(1,532,874)
Other Non Cash Expenditure	-	-
Segment Results	1,669,474	28,407,143
Others		
Revenue	122,004,381	135,619,048
Revenue Expenditure	(62,276,119)	(69,964,238)
Depreciation	-	-
Other Non Cash Expenditure	-	-
Segment Results	59,728,262	65,654,810
Total		
Revenue	4,857,372,453	4,755,030,402
Revenue Expenditure	(4,792,805,095)	(4,370,381,197)
Depreciation	(105,751,333)	(97,495,863)
Other Non Cash Expenditure	(44,395,610)	(113,724,361)
Segment Results	(85,579,585)	173,428,981
Gains on fair value of biological assets	93,422,282	88,110,481
Other income	133,172,696	173,571,611
Finance income	84,714,674	94,259,640
Administrative expenses	(252,366,078)	(263,816,572)
Interest paid on government lease	(34,845,313)	(30,575,482)
Finance expenses	(108,083,614)	(98,409,586)
Operating Profit / (Loss) of the Company	(169,564,938)	136,569,073

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

6 REVENUE (Contd.)

2019
Rs.

2018
Rs.

b) Segment Assets

Non Current Assets

Tea	2,035,606,881	2,267,002,607
Rubber	737,997,842	628,849,980
Coconut	-	-
Tea Export	12,474,924	14,007,791
Unallocated	1,789,548,806	1,457,119,980
	4,575,628,453	4,366,980,358

Current Assets

Tea	409,702,916	403,107,130
Rubber	111,178,382	105,358,813
Coconut	191,553	337,531
Tea Export	258,311,044	304,481,225
Unallocated	880,264,810	1,025,992,489
	1,659,648,704	1,839,277,188
Total Assets	6,235,277,157	6,206,257,546

c) Segment Liabilities

Non Current Liabilities

Tea	1,439,273,527	1,405,641,391
Rubber	86,577,384	84,554,292
Tea Export	-	-
Unallocated	56,679,740	13,199,109
	1,582,530,650	1,503,394,792

Current Liabilities

Tea	428,866,001	529,494,440
Rubber	59,807,844	73,866,146
Tea Export	-	-
Unallocated	1,210,543,598	781,883,636
	1,699,217,443	1,385,244,222
Total Liabilities	3,281,748,093	2,888,639,014

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

6 REVENUE (Contd.)

2019
Rs.

2018
Rs.

d) Segment Capital Expenditure

Field Development

Tea	6,204,013	6,949,702
Rubber	14,536,707	11,662,074
	20,740,720	18,611,776

Property, Plant & Equipment

Tea	52,417,382	28,724,155
Rubber	8,873,500	103,051
	61,290,882	28,827,206

Unallocated

	92,914,400	101,955,629
	92,914,400	101,955,629

Total Capital Expenditure	174,946,003	149,394,611
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7 OTHER INCOME

Profit on disposal of property, plant & equipment	90,964	2,445,343
Dividend income	3,468	4,249
Sale of other trees	83,645,653	135,254,974
Profit from sale of timber trees	6,221,063	5,734,166
Amortisation of Government grants	8,284,660	6,972,557
Items written back	9,547,567	-
Foreign exchange gain	1,437,518	-
Sundry income	23,941,803	23,160,322
Total	133,172,696	173,571,611

8. FINANCE EXPENSES

8.1 Finance Income

Interest income	84,714,674	94,259,640
Total	84,714,674	94,259,640

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

8. FINANCE EXPENSES (Contd.)

2019
Rs.

2018
Rs.

8.2 Finance Expenses

Interest on Overdraft	53,297,104	34,697,681
Interest on lease liability	9,886,797	10,686,904
Interest on Term Loan	26,168,554	40,867,139
Bank Charges & Others	1,311,491	859,034
Interest on Packing Credit	12,092,185	9,681,980
Interest on short term borrowing	5,327,483	1,616,848
Total	108,083,614	98,409,586

8.3 Interest paid on Government lease

	34,845,313	30,575,482
Total	34,845,313	30,575,482

9. PROFIT / (LOSS) BEFORE TAXATION

Profit/ (Loss) before tax is stated after charging all expenses including the following:

Directors' emoluments	44,459,429	31,647,000
Auditors' fees	3,577,000	3,375,000
Depreciation /Amortisation		
Right-of-use asset	40,361,416	17,554,741
Freehold Property, Plant & Equipment	51,959,525	70,962,198
Immature/Mature Plantations	45,911,054	44,057,305
Personnel Cost		
Defined Benefit Plan Costs - Gratuity	141,029,136	114,821,937
Salaries and Wages	1,149,017,808	1,115,705,960
Defined Contribution Plan Costs - EPF & ETF	175,561,693	152,340,933

10. INCOME TAX EXPENSE

10.1 Statement of Profit or Loss

(I) Current Tax Expense

Income taxes on current year's profit (10.3)	-	-
Under / (Over)provision in respect of previous years	-	(6,423,822)
	-	(6,423,822)

(II) Deferred Tax Expense

Deferred Tax Charge or (Reversal)	58,654,128	36,269,086
	58,654,128	36,269,086
Net Tax Charge or (Reversal) reported in Statement of Profit or Loss	58,654,128	29,845,264

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

10. INCOME TAX EXPENSE (Contd...)

2019
Rs.

2018
Rs.

10.2 Statement of Other Comprehensive Income

Tax Effect on Actuarial gains/ (losses) on defined benefit plans	(15,489,306)	(41,069,014)
Net Tax Charge directly to Other Comprehensive Income	(15,489,306)	(41,069,014)

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

10.3 Reconciliation of Accounting Profit to Income Tax Expense

Profit/ (Loss) before tax	(169,564,938)	136,569,073
Effective tax rate %	14%	14%
Tax effect on profit before tax	(23,739,091)	19,119,670
Tax effect on deductible expenses for tax purposes	(82,266,658)	(87,077,311)
Tax effect on non-deductible expenses for tax purposes	51,758,627	38,612,198
Tax effect on Business Income	(54,247,123)	(29,345,443)
Tax effect on Tax exempt Income	54,247,123	29,345,443
Tax effect on Investment Income	11,860,054	13,196,350
Tax effect on Utilisation of tax losses	(11,860,054)	(13,196,350)
Income Tax on current year profits	-	-
Under / (Over)provision in respect of previous years	-	(6,423,822)
Income Tax charge for the year	-	(6,423,822)
Deferred tax charge/ (reversal)	58,654,128	36,269,086
Total income tax expense	58,654,128	29,845,264

10.4 Tax losses carried forward

Tax losses brought forward	1,247,030,483	1,131,548,274
Adjustments on finalisation of liability	(10,067,410)	131,547
Tax losses arising during the year	387,479,453	209,610,302
Utilisation of tax losses	(84,714,674)	(94,259,640)
Tax losses carried forward	1,539,727,852	1,247,030,483

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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.

	2019 Rs.	2018 Rs.
Amount used as the Numerator		
Profit / (Loss) attributable to ordinary shareholders (Rs.)	(228,219,066)	106,723,809
Amount used as the Denominator		
Weighted average number of ordinary shares	223,042,992	223,042,992
Basic earnings / (loss) per share (Rs.)	(1.02)	0.48

12 RIGHT-OF-USE ASSETS

	Note	2019 Rs.	2018 Rs.
Right-of-use asset- land	12.1	243,402,976	179,352,905
Right-of-use asset- immovable bearer biological assets	12.2.1	52,885,277	63,039,372
Right-of-use asset-other property, plant and equipments	12.2.2	1,545,177	2,170,440
Right -of - use -asset- motor vehicles	12.3	67,922,424	-
		365,755,854	244,562,717

12.1 Right-of-use asset- land

"Right-of-use asset- Land" was previously accounted under Statement of Alternative Treatment (SoAT) issued by the Institute of Chartered Accountants of Sri Lanka dated 21 August 2013. However, SLFRS 16 - Leases was applicable with effect from 01 January 2019, and therefore, above "Right-of-use asset- Land" has accounted in accordance with such standard with effect from 01 January 2019. "Right-of-use asset- Land" have been executed for all estates for a period of 53 years. The unexpired period of the lease as at the Statement of Financial Position date is 26 years.

This Right-of-use asset- Land is amortized over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. An adjustment to the "Right-of-use asset- Land" could be made to the extent that the change relate to the future period on the reassessment of lease liability. The lease liability as at 01 January 2019 has been reassessed under the provisions of SLFRS 16 and both "Right-of-use asset- Land" and "Lease Liability" has been enhanced.

The Company has adopted SLFRS 16 using modified retrospective method from 1 January 2019, without restating comparative information. Instead, it has recognized the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings at the date of initial application, as permitted under the specific transitional provisions in this standard. The effect of adoption of SLFRS 16 to the Retained Earning as of 01 January 2019 is given in Note 27.1.1 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

12 RIGHT-OF-USE ASSETS (Contd...)

	Notes	Group/Company	
		2019	2018
		Rs.	Rs.
Cost			
At the beginning of the year		359,095,312	359,095,312
Transferred in due to initial application of SLFRS 16		(179,742,407)	
Transition adjustment due to initial application of SLFRS 16	27.1.1	73,411,724	-
At the end of the year		252,764,629	359,095,312
Amortisation			
At the beginning of the year		179,742,407	172,967,024
Transferred out due to initial application of SLFRS 16		(179,742,407)	-
Amortisation for the year		9,361,653	6,775,383
At the end of the year		9,361,653	179,742,407
Written Down Value		243,402,976	179,352,905

12.2 Right-of-use asset- immovable assets

At the time of privatisation of plantation estates, all immovable assets in these estates (Note 12.2.1 and Note 12.2.2) have been taken into the books of the Company retroactive to 22nd June 1992 under finance lease. However, SLFRS 16 - Leases was applicable with effect from 01 January 2019, and therefore, these assets have accounted in accordance with such standard with effect from 01 January 2019.

12.2.1 Right-of-use asset- immovable bearer biological assets

	Mature Plantations		2019	2018
	Tea	Rubber		
	Rs.	Rs.	Rs.	Rs.
Cost	176,688,366	127,934,487	304,622,853	304,622,853
Amortisation				
As at 1st January	140,124,058	101,459,423	241,583,481	231,429,386
Amortisation for the year	5,889,612	4,264,483	10,154,095	10,154,095
As at 31st December	146,013,670	105,723,906	251,737,576	241,583,481
Carrying amount	30,674,696	22,210,581	52,885,277	63,039,372

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 2019

12 RIGHT-OF-USE ASSETS (Contd...)

12.2.2. Right-of-use asset-other property, plant and equipments

	Land Development	Buildings	Machinery	2019	2018
	Rs.	Rs.	Rs.	Rs.	Rs.
Cost	18,757,900	113,171,582	16,503,578	148,433,060	148,433,061
Amortisation	-				
As at 1 January	16,587,461	113,171,582	16,503,578	146,262,621	145,637,358
Amortisation for the year	625,263	-	-	625,263.00	625,263
As at 31 December	17,212,724	113,171,582	16,503,578	146,887,884	146,262,621
Written Down Value	1,545,176	-	-	1,545,177	2,170,440

12.3 Right-of-use asset - motor vehicles & machineries

	Motor Vehicles	Machinery	2019	2018
	Rs.	Rs.	Rs.	Rs.
Cost				
At the beginning of the year	-	-	-	-
Transferred from freehold property, plant and equipments (Note 13)	85,099,212	27,000,000	112,099,212	-
Additions	4,400,000	14,329,000	18,729,000	-
At the ending of the year	89,499,212	41,329,000	130,828,212	-
Amortisation				
At the beginning of the year	-	-	-	-
Transferred from freehold property, plant and equipments (Note 13)	40,660,383	2,025,000	42,685,383	-
Depreciation during the year	17,299,842	2,920,563	20,220,405	-
At the ending of the year	57,960,225	4,945,563	62,905,788	-
Written Down Value	31,538,987	36,383,438	67,922,424	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

13 FREEHOLD PROPERTY, PLANT & EQUIPMENT

	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	248,173,431	188,187,428	297,080,740	31,786,402
Additions	-	-	28,734,381	4,400,000	13,967,674	1,422,317
Disposals	-	-	-	(12,880,579)	-	(91,000)
Transfers In / (Out)	-	-	-	-	-	-
Transferred Out to Note 12.3	-	-	-	-	-	-
Balance as at 31 December	1,045,182,375	339,317,625	276,907,812	179,706,849	311,048,414	33,117,719
Accumulated Depreciation						
Balance as at 01 January	-	8,482,941	83,117,610	143,410,157	220,740,525	28,187,237
Charge for the year	-	8,482,940	6,338,614	13,751,173	13,919,082	1,975,276
On Disposals	-	-	-	(7,726,449)	-	(81,142)
Transferred Out to Note 12.3	-	-	-	-	-	-
Balance as at 31 December	-	16,965,881	89,456,224	149,434,881	234,659,607	30,081,371
Carrying Value						
As at 31 December 2019	1,045,182,375	322,351,744	187,451,588	30,271,968	76,388,807	3,036,348
As at 31 December 2018	1,045,182,375	330,834,684	165,055,821	44,777,271	76,340,215	3,599,165

Equipments Rs.	Land Improvement Rs.	Water & Sanitation and Others Rs.	Assets acquired on finance Lease				Total 2019 Rs.	Total 2018 Rs.
			Capital Work in Progress Rs.	Motor Vehicles Rs.	Machinery Rs.			
132,849,006	39,762,578	67,728,746	4,936,698	85,099,212	27,000,000	2,507,104,241	2,471,674,460	
18,748,041	233,333	-	44,383,036	-	-	111,888,782	54,288,303	
-	-	-	-	-	-	(12,971,579)	(8,621,214)	
-	-	-	(28,739,386)	-	-	(28,739,386)	(10,237,308)	
-	-	-	-	(85,099,212)	(27,000,000)	(112,099,212)	-	
151,597,047	39,995,911	67,728,746	20,580,348	-	-	2,465,182,846	2,507,104,241	
102,620,708	36,419,835	52,906,763	-	40,660,383	2,025,000	718,571,159	653,386,358	
4,762,507	724,365	2,005,571	-	-	-	51,959,525	70,962,198	
-	-	-	-	-	-	(7,807,594)	(5,777,397)	
-	-	-	-	(40,660,383)	(2,025,000)	(42,685,386)	-	
107,383,215	37,144,200	54,912,334	-	-	-	720,037,704	718,571,159	
44,213,832	2,851,711	12,816,412	20,580,348	-	-	1,745,145,142	1,788,533,082	
30,228,298	3,342,743	14,821,983	4,936,698	44,438,829	24,975,000	1,788,533,082		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

13 FREEHOLD PROPERTY, PLANT & EQUIPMENT (Contd...)

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.5,000,000/- 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 2019

13 FREEHOLD PROPERTY, PLANT & EQUIPMENT (Contd...)

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

	2019 Rs.	2018 Rs.
Cost	883,239,312	854,504,931
Accumulated depreciation	(125,962,775)	(116,109,820)
Carrying value	757,276,537	738,395,111

13.5 The cost of fully depreciated and still in use assets of the company amounts to Rs. 432 Mn as of 31 December 2019. (2018 - 388 Mn).

14 BIOLOGICAL ASSETS

14.1 Bearer Biological Assets

Group/Company	Immature Plantations				Mature Plantations				2019	2018
	Tea Rs.	Rubber Rs.	Other Rs.	Total Rs.	Tea Rs.	Rubber Rs.	Other Rs.	Total Rs.	Rs.	Rs.
Cost										
As at 1 January	58,346,745	168,567,115	222,357,273	449,271,133	435,317,649	567,412,708	117,028,474	1,119,758,831	1,569,029,964	1,464,233,462
Additions during the year	6,204,013	14,536,707	71,007,326	91,748,046	36,875,989	22,552,425	28,520,433	87,948,847	179,696,895	207,698,958
Transfers (from)/to	(36,875,989)	(22,552,425)	(28,520,433)	(87,948,847)	-	-	-	-	(87,948,847)	(102,902,456)
Write off of abandoned mature area	-	-	-	-	-	-	(4,519,462)	(4,519,462)	(4,519,462)	-
As at 31 December	27,674,769	160,551,397	264,844,166	453,070,339	472,193,638	589,965,133	141,029,445	1,203,188,216	1,656,258,555	1,569,029,964
Depreciation										
As at 1 January	-	-	-	-	201,156,077	216,224,043	26,348,318	443,728,438	443,728,438	399,671,133
Charge for the year	-	-	-	-	14,165,809	27,559,433	4,185,812	45,911,054	45,911,054	44,057,305
Write back of depreciation of abandoned mature area	-	-	-	-	-	-	(580,638)	(580,638)	(580,638)	-
As at 31 December	-	-	-	-	215,321,887	243,783,476	29,953,492	489,058,854	489,058,854	443,728,438
Carrying amount	27,674,769	160,551,397	264,844,166	453,070,339	256,871,751	346,181,657	111,075,953	714,129,362	1,167,199,701	1,125,301,526

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

14 BIOLOGICAL ASSETS (Contd)

14.2 Consumable Biological Assets

	2019 Rs.	2018 Rs.
As at 1 January	1,208,521,313	1,121,104,611
Increase due to development	48,559	547,114
Gain/(loss) arising from changes in fair value less cost to sell	94,378,518	88,486,772
Cost of Harvested Timber trees	(5,490,860)	(1,617,185)
As at 31 December	1,297,457,530	1,208,521,313

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 Significant Unobservable Input (Level3)

Non Financial Assets	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs (Probability weighted average)		Relation of Unobservable Inputs to Fair Value
			2019	2018	
Consumable Biological Assets	Discounted Cash Flow Method	Discounted Rate	14.00%	14.00%	The higher the discount rate, the lesser the fair value
		Optimum rotation (Maturity)	20 -25 years	20 -25 years	Lower the rotation period, the higher the fair value
		Volume at rotation	0.06- 22.06 cu' Meter	0.06- 22.06 cu' Meter	The higher the volume, the higher the fair value
		Price per cu. Meter	Rs.1,375/= to Rs.21,750/=	Rs.1,375/= to Rs.21,750/=	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 2019

14 BIOLOGICAL ASSETS (Contd)

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. -10%	Rs. +10%
As at 31 December 2019	(129,745,753)	129,745,753
As At 31 December 2018	(120,852,132)	120,852,131

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. -1%	Rs. +1%
As at 31 December 2019	5,872,872	(7,958,851)
As At 31 December 2018	7,438,523	(6,880,364)

The carrying amount of biological assets pledged as securities for liabilities are nil for year 2019 (2018 - nil).

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

15 OTHER NON CURRENT FINANCIAL ASSETS

15.1 Financial assets at fair value through OCI	No. of Shares	2019 Rs.	2018 Rs.
Investment in quoted companies			
Agalawatte Plantation PLC	100	1,510	1,400
Balangoda Plantation PLC	100	1,200	1,270
Bogawantalawa Plantation PLC	150	1,560	1,425
Hapugasthenne Plantation PLC	100	1,550	1,630
Horana Plantation PLC	100	2,190	1,500
Kahawatte Plantation PLC	100	3,650	3,990
Kegalle Plantation PLC	100	5,950	5,500
Kotagala Plantation PLC	150	1,080	1,005
Kelani Valley Plantation, PLC	100	8,900	9,970
Madulsima Plantation PLC	100	680	630
Namunukula Plantation PLC	100	8,430	6,380
Talawakelle Plantation PLC	100	4,740	4,920
Udapussellawa Plantation PLC	100	2,500	3,000
Watawala Plantation PLC	1,000	26,286	19,100
Total financial assets at fair value through OCI	2,400	70,226	61,720

15.2 Net (loss) / gain on financial assets at fair value through OCI	8,506	20,120
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15.3 Fair Value Hierarchy for Financial Assets as at 31 December 2019

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-19	70,226	-	-
Total		70,226	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

16 PRODUCE ON BEARER BIOLOGICAL ASSETS

	2019 Rs.	2018 Rs.
As at 1st January	2,885,264	3,261,555
Change in fair value less cost to sell	(956,236)	(376,291)
As at 31st December	1,929,028	2,885,264

16.1 Fair Value Hierarchy for Non Financial Assets As at 31 December 2019

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-19	-	1,929,028	-
	31-Dec-18		2,885,264	

16.2 Gain/(Loss) arising from changes in fair value less cost to sell of Biological Assets

	Note	2019 Rs.	2018 Rs.
Gain/(Loss) arising from Consumable Biological Assets	14.2	94,378,518	88,486,772
Gain/(Loss) arising from Produce on Bearer Biological Assets	16	(956,236)	(376,291)
Total Change in Fair Value of Biological Assets		93,422,282	88,110,481

17 INVENTORIES

	2019 Rs.	2018 Rs.
Input Materials	24,402,382	30,431,382
Nurseries	52,995,223	40,338,380
Consumables & Spares	17,683,222	21,332,170
Harvested Crops	563,416,929	530,122,532
	658,497,756	622,224,464
Less: Provision for Obsolete Stocks	(18,320,833)	(14,911,323)
	640,176,924	607,313,141

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

18 TRADE AND OTHER RECEIVABLES

	2019 Rs.	2018 Rs.
Produce debtors	113,011,293	134,640,242
Advances & Prepayments	20,441,389	23,875,644
Other debtors	33,290,795	46,997,690
Staff Debtors	37,424,734	48,257,360
WHT Recoverable	5,936,945	7,370,618
ESC Recoverable	39,449,526	16,015,377
	249,554,682	277,156,931
Less: Provision for Impairment	-	(4,638,923)
	249,554,682	272,518,008

18.1 Movement In The Provision For Impairment

	Individually Impaired Rs.	Collectively Impaired Rs.	Total Rs.
As At 01 January 2018	-	4,638,923	4,638,923
Charge for the year	-	-	-
As At 31 December 2018	-	4,638,923	4,638,923
Written off	-	(4,638,923)	(4,638,923)
As At 31 December 2019	-	-	-

19 AMOUNTS DUE FROM RELATED PARTIES

	2019 Rs.	2018 Rs.
Uva Resorts & Residencies (Pvt)Ltd	18,151,383	18,151,383
Bloemendal Flower Company (Pvt) Ltd	22,165,982	22,165,983
Bogtstra & Gerlach (Pvt) Ltd	2,468,268	2,468,269
Malwatte Leisure (Pvt) Ltd	700,234	535,387
	43,485,867	43,321,022
Less: Provision for impairment		
Bloemendal Flower Company (Pvt) Ltd	(22,165,982)	(11,082,991)
Uva Resorts & Residencies (Pvt)Ltd	(9,075,691)	-
	(31,241,673)	(11,082,991)
	12,244,194	32,238,031

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

20 CASH AND CASH EQUIVALENTS

	2019 Rs.	2018 Rs.
20.1 Short term deposits		
Short term fixed deposits	651,252,105	701,491,961
Total	651,252,105	701,491,961
20.2 Favorable balances		
Cash at bank	70,230,059	195,329,026
Cash in hand	220,659	140,993
Cash in transits	686,668	580,845
Stamps	8,177	9,119
Total	71,145,563	196,059,981
20.3 Unfavorable balances		
Bank overdraft	573,424,197	355,858,323
Total	573,424,197	355,858,323

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

	2019 Number	2018 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
	2019 Rs.	2018 Rs.
Stated Capital including one Golden Share held by the Treasury which has special rights	350,000,010	350,000,010
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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

22 REVALUATION RESERVE

	2019 Rs.	2018 Rs.
At the beginning of the year	661,326,144	661,326,144
Transfers through Other Comprehensive Income, net of tax	-	-
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 31.12.2019 Rs.	Total as at 31.12.2018 Rs.	Facility Details
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23.1 Long-term Loans (ADB)

National Development Bank PLC	108,660,000	-	108,660,000	219,240,000	I
Indian Overseas Bank PLC	36,220,724	9,051,738	45,272,462	82,213,171	II
National Development Bank PLC	22,363,200	7,458,400	29,821,600	52,184,800	III
Sri Lanka Tea Board - Loan I	6,027,778	-	6,027,778	16,361,113	IV
Sri Lanka Tea Board - Loan II	6,039,057	-	6,039,057	23,565,105	V

23.2 Short term Loans - Packing Credit Loans

Hatton National Bank PLC (USD)	185,501,510	-	185,501,510	128,435,250	VI
Union Bank PLC (USD)	-	-	-	-	VII
Hatton National Bank PLC (LKR)	40,000,000	-	40,000,000	40,000,000	VIII

23.3 Lease Creditors

	-	-	-	80,397,959	
Total	404,812,269	16,510,138	421,322,407	642,397,398	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

23 INTEREST BEARING LOANS AND BORROWINGS (Contd)

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.

23.5 Changes in Liability arising from financing activities

	1-Jan-19 Rs.	flows Rs.	Cash leases Rs.	Other Rs.	New 31-Dec-19 Rs.
Current interest-bearing loans and borrowings (excluding items listed below)	390,166,020	14,646,249	-	-	404,812,269
Current obligations under leases liabilities	3,044,096	25,433,781	-	-	28,477,877
Non-current interest-bearing loans and borrowings (excluding items listed below)	252,231,376	(235,721,238)	-	-	16,510,138
Non-current obligations under leases liabilities	135,578,493	39,631,082	-	114,142,040	289,351,615
Total liabilities from financing activities	781,019,985	(156,010,126)	-	114,142,040	739,151,899

24 DEFERRED INCOME

Deferred Grants and Subsidies	2019 Rs.	2018 Rs.
As at 1 January	123,508,943	117,971,172
Add : Grants received during the year	16,568,903	12,510,328
Less : Amortisation for the year	(8,284,660)	(6,972,557)
As at 31 December	131,793,186	123,508,943

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

25 DEFERRED TAX LIABILITY

	2019		2018	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
As at 1 January	1,368,103,566	191,534,499	1,402,388,768	196,334,428
Amount originated during the year transferred to Statement of Profit or Loss	418,958,057	58,654,128	259,064,897	36,269,086
Amount originated during the year transferred to Other Comprehensive Income	(110,637,897)	(15,489,306)	(293,350,099)	(41,069,014)
As at 31 December	1,676,423,726	234,699,322	1,368,103,566	191,534,499
Right-of-use assets	350,772,654	49,108,172	-	-
Property, Plant and Equipment	1,031,059,636	144,348,349	1,088,967,426	152,455,440
Biological assets	2,466,586,259	345,322,076	2,326,708,104	325,739,135
Retirement benefit obligation	(910,176,390)	(127,424,695)	(800,541,481)	(112,075,807)
Lease liabilities	(251,664,930)	(35,233,090)	-	-
Provision for Obsolete Stocks	(18,320,833)	(2,564,917)	-	-
Provision for impairment of amounts due from balances	(31,241,673)	(4,373,834)	-	-
Carried forward tax losses	(960,590,997)	(134,482,740)	(1,247,030,483)	(174,584,268)
As at 31 December	1,676,423,726	234,699,322	1,368,103,566	191,534,499

The effective tax rate used to calculate deferred tax liability for all the Temporary Differences as at 31 December, 2019 is 14% (2018 - 14%) for the company.

The company has tax losses carried forward amounting to Rs. 1540 Mn (Refer Note 10.4) that are available for offsetting against future taxable profits of the Company. However, deferred tax asset (i.e. Rs. 81 Mn) has not been recognised in respect for Rs. 580 Mn losses out of Rs. 1540 Mn (i.e. tax losses carried forward) given the uncertainty regarding the availability of taxable profits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

26 RETIREMENT BENEFIT OBLIGATIONS

	2019 Rs.	2018 Rs.
As at 1 January	800,541,481	773,111,013
Interest Cost	96,064,978	77,311,101
Current Service Cost	44,964,158	37,510,836
Actuarial (Gain) / Loss due to changes in financial assumptions	107,858,037	(111,024,036)
Actuarial (Gain) / Loss due to experience adjustment	2,779,860	404,374,135
Payments / Payable for the year	(142,032,124)	(380,741,568)
As at 31 December	910,176,390	800,541,481

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 2019 the actuarial present value of promised retirement benefits amounted to Rs.910,176,390/=. 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. 1,088,512,155/=.

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

	Monthly Paid Staff Rs.	Daily paid Staff Rs.	2019 Rs.	2018 Rs.
Within the next 12 months	23,755,996	139,275,002	163,030,998	148,958,769
Between 2 and 5 years	21,796,252	205,347,617	227,143,869	218,314,394
Beyond 5 years	15,950,763	504,050,759	520,001,523	433,268,318
	61,503,011	848,673,379	910,176,390	800,541,481

The weighted average duration of the Defined Benefit plan obligation at the end of the reporting period is 4.11 years and 8.08 Years for staff and workers respectively (2018 - 3.81 years and 7.39 years respectively).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

26 RETIREMENT BENEFIT OBLIGATIONS (Contd...)

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

	2019	2018
(i) Rate of Interest	10%	12%
(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. 700/-

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.Mn.	Rs.Mn.
A one percentage point change in the discount rate.	+1%	-1%
As at 31 December 2019	(61.11)	69.89
As at 31 December 2018	(48.72)	55.19
A one percentage point change in the salary / wage increment rate.	+1%	-1%
As at 31 December 2019	35.10	(33.27)
As at 31 December 2018	24.94	(23.75)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

27 LEASE LIABILITY

	Note	2019 Rs.	2018 Rs.
Lease liability on right-of-use asset- land	27.1	251,664,930	138,622,589
Lease liability on right-of-use asset - motor vehicles and machineries	27.2	66,164,562	-
		317,829,492	138,622,589

27.1 Lease liability on right-of-use asset- land

Balance as at the beginning of the year		138,622,589	141,549,605
Transition Adjustment due to initial application of SLFRS 16	27.1.1	114,142,040	-
Accretion of interest		34,845,313	30,575,482
Payments		(35,945,011)	(33,502,498)
Balance as at the end of the year		251,664,930	138,622,589
Current		1,251,299	3,044,096
Non - Current		250,413,631	135,578,493

27.1.1 The effect of adoption of SLFRS 16 - Leases as at 1 January 2019

	Lease Liability Rs.	Right-of-Use Asset -Land Rs.	Retained Earnings Rs.
Balance As at 1 January 2019			
Before initial Application of SLFRS 16 Leases)	138,622,589	179,352,905	1,175,821,357
Transition Adjustment due to initial application of SLFRS 16 Leases	114,142,040	73,411,724	(40,730,316)
Adjusted Balance as at 1 January 2019 (at the initial application of SLFRS 16 Leases)	252,764,629	252,764,629	1,135,091,041

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

27 LEASE LIABILITY (Contd...)

27.1.2 Maturity analysis of lease liabilities are as follows;

	2019 Rs.	2018 Rs.
Payable within one year		
Gross liability	35,945,011	8,589,000
Finance cost allocated to future periods	(34,693,712)	(5,544,904)
Net liability transferred to current liabilities	1,251,299	3,044,096
Payable within two to five years		
Gross liability	143,780,044	34,356,000
Finance cost allocated to future periods	(136,795,200)	(20,912,288)
Net liability	6,984,844	13,443,712
Payable after five years		
Gross liability	754,845,231	184,251,699
Finance cost allocated to future periods	(511,416,444)	(62,116,918)
Net liability	243,428,787	122,134,781

27.2 Lease liability on right-of-use asset - motor vehicles and machineries

Balance as at the beginning of the year	-	-
Transferred from interest bearing loans and borrowings	80,397,959	-
Transition Adjustment due to initial application of SLFRS 16	-	-
Accretion of interest	19,235,832	-
Payments	(33,469,229)	-
Balance as at the end of the year	66,164,562	-
Current	27,226,578	-
Non - Current	38,937,984	-

28 TRADE AND OTHER PAYABLES

Trade Creditors	108,900,362	115,433,077
Employee Related Creditors	147,578,572	126,294,848
Gratuity Payable	270,560,695	255,898,889
Provision for Gratuity Surcharge	72,797,801	71,274,551
Accrued Expenses	13,446,737	16,306,439
Others	76,329,829	48,049,477
	689,613,996	633,257,281

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

29 SECURITIES PLEDGED

Following assets have been pledged as security for liabilities.

Nature of Liability	Loan/Facility Rs.	Security	Balance outstanding of facility 2019 Rs.	2018 Rs.
Overdraft				
Hattion National Bank	358,000,000	Primary mortgage over leasehold rights of Dikwella, Ellawa, Sarnia, Attampitiya, Uva Ketawala, Chalse, Warwick, Hakgalla, Ledgerwatte, Unugalla, Keenakelle, Downside & Queentown Estates.	327,929,917	201,609,167
Union Bank	200,000,000	Primary mortgage over leasehold rights of Dyraba & Aislaby Estates.	197,110,070	154,249,156
DFCC Bank PLC	50,000,000	Primary mortgage over leasehold rights of Welimada Estate	48,384,210	-
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	108,660,000	219,240,000
Indian Overseas Bank PLC	USD 1,000,000	Primary mortgage over leasehold rights of Land, Buildings and immovable Machinery of St James Estate	45,272,463	82,213,171
National Developemnt Bank PLC	Rs.111,820,000	Primary mortgage over leasehold rights over Land, Plantations, buildings and Plant & Machinery of Moraliya Estate	29,821,600	52,184,800
		Further mortgage over Lease hold rights over land, Plantations, Buildings, and Plant & Machinery of Neluwa and Uva Highlands Estates		
Sri Lanka Tea Board	Rs. 31,000,000	Broker proceeds	6,027,778	16,361,113
Sri Lanka Tea Board	Rs. 50,900,164	Broker proceeds	6,039,057	23,565,105

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

30 CAPITAL COMMITMENTS

Followings are the capital commitments as at the Statement of Financial Position date.

Contracted , but not provided for

Total

2019 Rs.	2018 Rs.
Nil	Nil
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

COVID -19 Pandemic

The government has identified the plantation sector as an essential service and encouraged the stakeholders to continue their operations during the period of lockdown. The company continued its operations in the estates during the curfew days. Since the lockdown, the Colombo Tea Auctions have gone online and have seen an upward trend both in demand and price. This trend still continues and augurs well for the industry. Further the company carried out its export business as usual.

In order to meet the challenges created by the COVID -19 Pandemic, Malwatte Valley Plantations PLC has taken recommended measures to mitigate the effect of the COVID -19 virus on its day to day business operations by following the guidelines issued by the government and health authorities and has been continuing its strategic business continuity plans.

33 RELATED PARTY DISCLOSURES

33.1 Details of Significant Related Party Disclosures are as follows.

Transactions with the parent and related entities

Nature of the Company	Relationship	Name of Director	Nature of Transaction	Amount Charged/ (Credited)	
				2019 Rs.	2018 Rs.
Bloemendal Flower Company (Pvt) Ltd.	Related Company	Mr. Lucas Bogtstra Mr.T. R. Gerlach	Advances	-	(6,900)
Uva Resorts & Residencies (Pvt) Ltd	Related Company	Mr. Lucas Bogtstra Mr.T. R. Gerlach	Advances	-	(36,900)
Malwatte Leisure (Pvt) Ltd.	Related Company	Mr. Lucas Bogtstra Mr.T. R.Gerlach	Advances	(164,846)	(103,206)

33.2 Transactions with the key management personnel of the company

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

	2019 Rs.	2018 Rs.
Directors Fee	39,947,104	23,540,000
Directors Incentive	3,312,325	7,450,000
Gratuity provision	1,200,000	657,000
	44,459,429	31,647,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 meet 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 2019

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.113 Mn. The Company 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.71 Mn as at 31st December 2019 (2018 – Rs.196Mn) which represents its maximum credit exposure on these assets.

34.2.4 Amounts due from related parties

The Company held amounts due from related parties of Rs.12 Mn as at 31st December 2019 (2018 – Rs.32Mn) 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 Company's financial liabilities based on contractual undiscounted payments.

As at 31st Dec 2019	Less than 3 Months (Rs.)	3 to 12 Months (Rs.)	2 to 5 years (Rs.)	>5 years (Rs.)	Total (Rs.)
Interest bearing loans & borrowing	237,239,076	212,487,018	17,005,442	-	466,731,536
Trade payables	108,900,362	-	-	-	108,900,362
Bank overdraft	573,424,197	-	-	-	-
	919,563,635	212,487,018	17,005,442	-	575,631,898

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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 Company'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 Company'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.
2019	+1%	6,847,649
	-1%	(6,847,649)
2018	+1%	5,163,296
	-1%	(5,163,296)

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

Share Holders Categorized Summary Report as at 31/12/2019 (Voting)

	No of share Holders	No of share Holders %	Total Holdings	Total Holdings %
1 – 1,000	8,335	44.18%	3,525,330	1.74%
1,001 – 10,000	10,276	54.46%	19,489,771	9.61%
10,001 – 100,000	218	1.16%	7,778,164	3.83%
100,001 – 1,000,000	31	0.16%	8,088,197	3.98%
1,000,001 – & over	8	0.04%	163,910,869	80.84%
Grand Total	18,868	100.00%	202,792,331	100.00%

Analysis Report of Share Holders as at 31/12/2019

	No of share Holders	No of share Holders %	Total Holdings	Total Holdings %
Local Individual	18,756	99.41%	36,895,878	18.19%
Local Institution	96	0.51%	163,448,074	80.60%
Foreign Individual	12	0.06%	86,671	0.05%
Foreign Institution	4	0.02%	2,361,708	1.16%
Grand Total	18,868	100.00%	202,792,331	100.00%

Share Holders Categorized Summary Report as at 31/12/2019 (Non Voting)

	No of share Holders	No of share Holders %	Total Holdings	Total Holdings %
1 – 1,000	433	51.61%	130,368	0.64%
1,001 – 10,000	270	32.18%	1,226,477	6.06%
10,001 – 100,000	116	13.83%	3,680,909	18.18%
100,001 – 1,000,000	17	2.03%	3,902,245	19.27%
1,000,001 – & over	3	0.36%	11,310,661	55.85%
Grand Total	839	100.00%	20,250,660	100.00%

Analysis Report of Share Holders as at 31/12/2019

	No of share Holders	No of share Holders %	Total Holdings	Total Holdings %
Local Individual	787	93.80%	7,579,875	37.43%
Local Institution	48	5.72%	12,482,125	61.64%
Foreign Individual	3	0.36%	36,660	0.18%
Foreign Institution	1	0.12%	152,000	0.75%
Grand Total	839	100.00%	20,250,660	100.00%

SHAREHOLDER & INVESTOR INFORMATION

Top 20 Voting Shareholder's List as at 31st December 2019

No's	Name/Address	No. of Shares	%
01	Wayamba Plantation (Private) Limited	135,839,160	66.98
02	Seylan Bank PLC/ Carlines Holdings (Pvt) Ltd	14,949,487	7.372
03	Amana Bank PLC/Almas Organization (Pvt)Ltd	6,329,163	3.121
04	Peoples Leasing & Finance PLC/ Mr. M. I. Samsudeen	2,128,225	1.049
05	Miss. A. Radhakrishnan	1,206,667	0.60
06	Mr. R. Maheswaran	1,206,667	0.595
07	Miss. M. P. Radhakrishnan	1,206,666	0.595
08	Dr. N. D. Gunawardena	1,044,834	0.515
09	Sezeka Limited	891,708	0.440
10	Employees Provident Fund	792,000	0.391
11	Camille Consulting Crop	600,000	0.296
12	J. B. Cocoshell (Pvt) Ltd	591,524	0.292
13	Tranz Dominion L.L.C.	520,000	0.256
14	Pershing LLC S/A Averbach Grauson & Compny	350,000	0.173
15	Mr. R. E. Rambukwella	333,842	0.165
16	Mr. E. J. B. U. Fernando	306,743	0.151
17	People's Leasing & Finance PLC/Mr.E.J.B.U. Fernando	253,765	0.125
18	Mr. S.D.Divakarage	249,275	0.123
19	Mr. K.C. Vignarajah	235,775	0.116
20	Cocoshell Activated Carbon Company (Private) Limited.	220,000	0.108

Public Shareholding % - 33.02

No of Voting Share Holders -18,868

SHAREHOLDER & INVESTOR INFORMATION

Top 20 Non-Voting Shareholder's List As At 31st December 2019

No's	Name/Address	No. of Shares	%
01	Commercial Bank of Ceylon / Lanka Mountcastle (Pvt) Ltd	6,728,001	33.224
02	Lanka Mountcastle (Pvt) Ltd	3,575,865	17.658
03	Mr. R. E. Rambukwella	1,006,795	4.972
04	Mr. M. N. M. Abdul Caader & Mrs. M. M. A. Caader	591,560	2.291
05	Amana Bank PLC/Almas Organization (Pvt) Ltd	478,262	2.362
06	Peoples Leasing & Finance PLC/Mr. M. I. Samsudeen	428,929	2.118
07	Employees Provident Fund	346,000	1.709
08	Mr. A. W. A. Lakshman	219,972	1.086
09	Seylan Bank PLC/Carlines Holdings (Pvt) Ltd	206,000	1.017
10	Dr. A. R. Mohamed	205,126	1.013
11	Mr. L. K. R. D. Kulawardena	200,000	0.988
12	Mr. N. Raviendran	176,986	0.874
13	Mr. N. Jeyakumar	165,000	0.815
14	Mr. N. C. Wickramasinghe	157,900	0.780
15	Sezeka Limited	152,000	0.751
16	Mr. M. L. M. Fahmy	126,766	0.626
17	Mrs. M. Arudpragasam	119,866	0.592
18	Mr. A. J. Kahagalage	115,000	0.568
19	Mr. T. C. U. Jayanetti & Dr. A. L. T. P. Amarawickrama	110,730	0.547
20	Mrs. M. J. Nihara	102,148	0.504

Public Shareholding % - 100

No of Non-Voting Share Holders - 839

Director's & CEO's Shareholding in the Company - VOTING

Name	As at 31.12.2019	As at 31.12.2018
Mr. Lucas Bogtstra	100,000	100,000
Mr. T. R. Gerlach	Nil	Nil
Mrs. C. A. Gerlach	Nil	Nil
Mr. A. D. A. N. De Silva	Nil	Nil
Mr. K. A. S. Gunasekera	Nil	Nil
Mr. G. C. De Silva	Nil	Nil
Mr. Frits Bogtstra	Nil	Nil
Mr. K. G. M. Piyaratne	Nil	Nil
Mr. S. D. Samaradiwakara	Nil	Nil

SHAREHOLDER & INVESTOR INFORMATION

Directors & CEO's Shareholding in the Company – NON-VOTING

Name	As at 31.12.2019	As at 31.12.2018
Mr. Lucas Bogtstra	Nil	Nil
Mr. T. R. Gerlach	Nil	Nil
Mrs. C. A. Gerlach	Nil	Nil
Mr. A. D. A. N. De Silva	Nil	Nil
Mr. K. A. S. Gunasekera	Nil	Nil
Mr. G. C. De Silva	Nil	Nil
Mr. Frits Bogtstra	Nil	Nil
Mr. K. G. M. Piyaratne	Nil	Nil
Mr. S. D. Samaradiwakara	Nil	Nil

Stock Exchange

Interim Financial Statements for the forth quarter 31st December 2019 has been submitted to the Colombo Stock Exchange as required by the listing rules.

Market Value	Voting - 2019	Voting -2018	Non Voting - 2019	Non Voting - 2018
Highest	9.60	11.80	5.60	10.70
Lowest	5.30	5.40	3.60	4.00
Year End	6.20	7.80	4.00	4.10

SHAREHOLDER & INVESTOR INFORMATION

FIVE YEAR SUMMARY

	12 (Month) Rs.'000 2019	12 (Month) Rs.'000 2018	12 (Month) Rs.'000 2017	12 (Month) Rs.'000 2016	12 (Month) Rs.'000 2015
Turnover	4,857,372	4,755,030	4,601,252	2,857,081	2,881,044
Gross Profit/(Loss)	(85,579)	173,429	558,864	(6,749)	(114,922)
Operating Profit/(Loss)	(111,350)	171,295	594,744	124,331	(242,774)
Gross Profit on Cost of Sales (%)	-	3.8	14	(0.2)	(4)
Gross profit on Turnover (%)	-	3.6	12	(0.2)	(4)
Profit/(Loss) Before Tax	(169,564)	136,569	559,851	72,586	(270,537)
Tax expenses	58,654	29,845	6,165	10,132	8,524
Profit/(Loss) After Tax	(228,219)	106,724	553,686	62,454	(279,062)
Fixed Assets	4,575,628	4,366,980	4,266,154	3,931,674	3,750,006
Current Assets	1,659,649	1,839,277	1,685,620	1,428,827	1,522,466
Current Liabilities	1,699,217	1,385,244	816,431	904,645	926,528
Shareholders Funds	2,953,529	3,317,619	3,496,652	2,785,458	2,590,667
Capital expenditure	175,000	149,395	200,753	153,396	167,633
Earnings Per Share (Rs.)	(1.02)	0.48	2.50	0.28	(1.25)
Net Assets Per share (Rs.)	13.24	14.87	15.68	12.48	11.60
Dividend Per Share (Rs.)	-	-	0.15	-	-
Stated Capital	373,000	373,000	373,000	373,000	373,000
Capital Employed	3,259,390	3,960,016	4,280,270	3,439,168	3,235,494
Net Assets	2,953,529	3,317,619	3,496,652	2,785,458	2,590,667
Return on Capital Employed (%)	-	4	16	2	(8)
Market Capitalisation	1,338,315	1,660,752	2,417,021	626,545	752,271

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

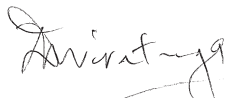
NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT THE TWENTY SIXTH (26TH) ANNUAL GENERAL MEETING OF MALWATTE VALLEY PLANTATIONS PLC, WILL BE HELD ON FRIDAY, 31ST JULY 2020 AT 10.30 A.M AT THE BOARD ROOM OF THE COMPANY AT NO. 280, DAM STREET, COLOMBO 12, ON A VIRTUAL PLATFORM.

AGENDA

1. To receive and consider the Report of the Directors, Statement of Accounts of the Company for the year ended 31st December 2019 and the Report of the Auditors thereon.
2. To elect as Director, Mr. S. D. Samaradiwakara in terms of Article 20(2) of the Articles of Association of the Company.
3. To pass the following Ordinary Resolution pursuant to Section 211 of the Companies Act, No. 7 of 2007.
"THAT Mr. K. A. S. Gunasekera who is 78 years old be and is hereby appointed a Director of the Company and that the age limit of 70 years referred to in Section 210 of the Companies Act, No. 7 of 2007 shall not apply to Mr. Gunasekera."
4. 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 2020, and up to the date of the next Annual General Meeting.
6. To consider any other business of which due notice has been given in accordance with the prevailing rules and regulations.

**BY ORDER OF THE BOARD
MALWATTE VALLEY PLANTATIONS PLC**



SECRETARIUS (PRIVATE) LIMITED
Secretaries

Colombo
7th July, 2020

Note:

1. A member is entitled to appoint a proxy to attend and vote at the virtual 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. Considering the prevailing situation in the country, it is recommended that shareholders appoint any one of the Directors as their proxy.
4. 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 24 hours before the appointed time for holding the Meeting.

MALWATTE VALLEY PLANTATIONS PLC- PQ 111

SUPPLEMENTARY NOTICE TO SHAREHOLDERS

26TH ANNUAL GENERAL MEETING

Dear Shareholder/s

Taking into consideration the prevailing situation in the Country and the guidelines issued by the Colombo Stock Exchange, the Board of Directors of the Company have decided to convene the 26th Annual General Meeting ("AGM") of the Company by way of virtual means by adopting electronic and teleconference mechanisms.

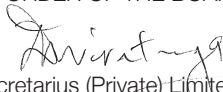
Accordingly, the Board of Directors of the Company will conduct the AGM in the following manner:

1. The 26th AGM of the Company shall be convened on Friday, 31st July, 2020 at No. 280, Dam Street, Colombo 12 at 10.30 am.
2. The AGM shall be held in compliance with the principles set out in the guidelines issued by the Colombo Stock Exchange for the hosting of virtual AGMs.
3. Only the key officials who are required for the administration of formalities at the AGM will be physically present in the Board Room. All others including shareholders will participate via an online meeting platform. These measures are being adopted to adhere to the 'social distancing' requirement necessitated by the prevailing situation in the Country.
4. Adequate arrangements will be made for the shareholders who wish to participate in the AGM via an online meeting platform, with log-in information being forwarded to shareholders well in advance of the meeting. In order to enable such facilities, shareholders who wish to participate in the meeting are required to forward their details to the Company as specified in the attached specimen marked "A".
5. As the number of participants at an online meeting is limited to 500 shareholders requests for online participation will be treated according to the order of receipt of the duly filled document marked "A".
6. Shareholders who participate in the meeting online, will be given the opportunity to raise their questions or comments on the matters listed on the agenda for the AGM.
7. Voting on the items on the agenda will be registered by using an online platform or a designated ancillary online application. All of such procedures will be explained to shareholders prior to the commencement of the meeting.
8. Since the postal services are limited in operation due to the prevailing situation in the Country, Notices pertaining to the 26th AGM of the Company will be published in newspapers/e-newspapers in Sinhala, English and Tamil languages. The Notice of Meeting, Form of Proxy and other related documents will also be made available on the Company's official website (www.malwattevalley.com) and on the Colombo Stock Exchange (CSE) web site (www.cse.lk).
9. Shareholders are also reminded that they have the right to appoint a member of the Board to act as their proxy if they wish to. The shareholders who wish to submit their proxies, must duly complete and forward the same to the Company, via either of the modes specified below, **on or before 10.30 a.m on 28th July, 2020.**

E-mail	-	kanthi@malwatte.lk
Fax	-	011 5388806
By post / By hand	-	No. 280, Dam Street, Colombo 12.
10. Shareholders who are unable to participate at the virtual meeting via the designated online meeting platform are invited to forward their suggestions, questions and concerns (if any) relating to items on the agenda, to the Company in the manner specified under item 09 of this notice. The Board will ensure that they are discussed and addressed at the AGM, if relevant.
11. All documents relating to the AGM must be forwarded to kanthi@malwatte.lk or handed over to the Registered Office of the Company at No. 280, Dam Street, Colombo 12 on or before 10.30 am on 28th July, 2020 to ensure that they will reach the Company Secretaries on time.

For any queries regarding this Supplementary Notice, please contact us on 0094 11 333431 / 0094 11 2399090 during normal office hours. The Board wishes to thank the shareholders of the Company for their unwavering cooperation.

BY ORDER OF THE BOARD


Secretarius (Private) Limited
Secretaries

Colombo
7th July, 2020

MALWATTE VALLEY PLANTATIONS PLC- PQ 111

26TH ANNUAL GENERAL MEETING 2020

REGISTRATION OF SHAREHOLDER DETAILS FOR ONLINE MEETING

To:
 Secretarius (Private) Limited
 Company Secretaries
 Malwatte Valley Plantations PLC
 No. 40, Galle Face Court 2
 Colombo 02.

1. Full Name of the Shareholder :
2. Shareholder's Address :
3. Shareholder's NIC No. / Passport No. / Co. Reg No.:
4. Shareholder's Contact No. : (Residence) (Mobile)
5. Name of the Proxy Holder :
6. Proxy holder's NIC No. / Passport No. / Co. Reg No.:
7. Proxy holder's Contact No. : (Residence) (Mobile)
8. Shareholder's/ Proxy holder's E-mail :
9. Participation in the AGM Via an online platform: YES /NO
10. Name of Joint holder/s (If any): (i)
 (ii)
11. National Identity card number/s of Joint holder/s: (i)
 (ii)

.....
 Shareholder's signature/Date

.....
 1st Joint holder's signature/Date

.....
 2nd Joint holder's signature / Date

Note:

- 1) Shareholders are requested to provide their email address in the space provided in order to forward the web link / user name / password / necessary instruction, if they wish to attend the meeting through an online platform.
- 2) In the case of a Company/Corporation, the Shareholder Details Form must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
- 3) In the case of a Power of Attorney, the Shareholder Details Form signed by the Power of Attorney must be deposited at the Registered Office of the Company for registration.

FORM OF PROXY

*I/We
of.....

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

(1).....
of.....

Or failing him/her

Mr. Frits Bogtstra	or failing him
Mr. Lucas Bogtstra	or failing him
Mr. S. D. Samaradiwakara	or failing him
Mr. T. R. Gerlach	or failing him
Mr. K. G. M. Piyaratne	or failing him
Ms. C. A. Gerlach	or failing her
Mr. G. Chamindra De Silva	or failing him
Mr. A. N. de Silva	

as *my/our Proxy to represent me/us and *to speak/ to vote on *my/our behalf at the TWENTY SIXTH (26TH) ANNUAL GENERAL MEETING of the Company to be held on Friday, 31st July, 2020, at 10.30 a.m. and at every poll which may be taken in consequence 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 of the Company for the year ended 31st December 2019 and the Report of the Auditors thereon.

2) To elect as Director, Mr. S. D. Samaradiwakara in terms of Article 20 (2) of the Articles of Association of the Company.

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

“THAT Mr. K. A. S. Gunasekera who is 78 years of age, be and is hereby appointed a Director of the Company and that the age limit of 70 years referred to in Section 210 of the Companies Act, No. 7 of 2007 shall not apply to Mr. Gunasekera”.

4) 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 2020 and up to the date of the next Annual General Meeting.

Signed thisday ofTwo Thousand and Twenty.

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 at No. 280, Dam Street, Colombo 12, not less than twenty four (24) hours before the time fixed for the Meeting.
2. In perfecting the Form of Proxy, ensure that all details are legible.
3. If you wish to appoint a person other than the Chairman (or failing him, any one of the Independent 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.

NOTE

NOTE

