

# ANNUAL REPORT 2021





## **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. 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. S. D. Samaradivakara FIPM, MBA  
Mr. G. Z. A. Chitty

## **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  
Seylan Bank  
Public Bank

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# FINANCIAL HIGHLIGHTS

	Company	
	Financial Year Ended	
	31st Dec. 2021	31st Dec. 2020
	12(Months)	12(Months)
	Rs.'000	Rs.'000
Turnover	4,712,945	5,068,575
Gross Profit/(Loss)	446,248	342,965
Operating Profit/(Loss)	437,210	317,972
Gross Profit on Cost of Sales (%)	10	7.25
Gross Profit on Turnover (%)	9	6.8
Profit/(Loss) Before Tax	371,382	262,525
Tax Expenses	88,628	35,084
Profit/(Loss) After Tax	282,754	227,440
Fixed Assets	5,282,633	5,130,575
Current Assets	1,811,004	1,669,806
Current Liabilities	1,709,877	1,719,911
Shareholders Funds	3,507,989	3,419,941
Capital Expenditure	206,000	318,000
Earnings Per Share (Rs.)	1.27	1.02
Net Assets Per share (Rs.)	15.74	15.33
Dividend Per Share (Rs.)	0.12	0.10
Stated Capital	373,000	373,000
Capital Employed	5,383,760	5,080,471
Net Assets	3,507,989	3,419,941
Return on Capital Employed (%)	7	5
Market Capitalisation	6,046,747	2,599,535

## CHAIRMAN'S REVIEW

The year has been complex with the Government's paradigm shift to organic agriculture. The ban on agrochemicals and chemical fertilizer saw a cascading effect in the agricultural sector.

In spite of reduced yields and turnover, your Company managed to improve its group profit after tax to Rs. 298.7 million in comparison to Rs. 197.9 million a year before.

Despite the challenges in the agricultural sector our vision is clear and our direction is focused on diversifying our portfolio into other export-oriented crops.

Our strategy as a grower, manufacturer and exporter is paying off. Currently our dollar export revenue amounts to around 32% of our Company's total turnover. Although travelling overseas and marketing with covid has been restricted, we will keep on striving to improve our export business.

In spite of a very challenging year, the Company spent a sum of Rs. 162 million on replanting and maintaining its Rubber, Cinnamon and Avocado. These replanting programs will continue, irrespective of the current economic conditions.

### Dividends

Your Company has decided to recommend a dividend of 12 cents per share taking into consideration the increase in performance and profits.

### Challenges

The challenges that lie ahead for your Company are demanding but not insurmountable. The strong, young and loyal talent pool in your company is capable of facing up to any situation and will continue to move forward. Our training programs are ongoing to further develop our talent pool and at the same time attract fresh recruits into the Company.

The current environment and conditions require new strategies. With the commitment and support of our shareholders, we can leverage on our assets and accelerate our growth.

The support and guidance of our diverse Board is another source of strength to the Company.

On this note I would like to recall the unexpected loss of two of our Board Directors, Messrs A Nilanth de Silva and Thomas Gerlach and extend my deepest condolences to their bereaved families. Their work with Malwatte Valley Plantations lives on, and we will no doubt build on their valuable contributions.

I wish to welcome Mr. Zal Chitty who was invited to join the Board of Directors in December 2021. Mr. Chitty is no stranger to the Tea Industry and brings with him a wealth of knowledge. He has more than 40 years of experience in the Tea and Shipping Industries.

I am proud to be steering Malwatte Valley Plantation's future and look forward to moving ahead with a remarkable board of directors and a team of dedicated Managers, loyal workforce and supportive Shareholders.

Thank you,



**Mr. F Bogtstra**

Chairman  
31st May, 2022





## 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 test benches for manufacturing quality control and R&D, medical equipment and internal and external ballistics.

He worked as a manager for a reputed German car company from 1986 to 2021 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 lines and associated logistics using "Just in Time" and "Just in Sequence" supply methods to minimise cost of capital bound by material in work.

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 it's Holding Company – Wayamba Plantations (Pvt) Limited, in 2003.

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

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

### **Mr. 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 retired from Alliance Finance Company PLC with effect from 1st July, 2020.

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

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

### **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

# BOARD OF DIRECTORS

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. Shanaka D Samaradiwakara FIPM, MBA (Director/CEO)**

Mr. Shanaka D Samaradiwakara commenced his career in the private sector in 1989 concluding his secondary education at Royal College, and joined the Plantation sector in 1992 with JEDB.

He is a senior planter with over 3 decades of experience, managing plantations and is a Fellow member of the National Institute of Plantation Management and holds a Diploma In Plantation Management from the NIPM, and a MBA from Horizons University, France.

He possesses an extensive experience in the manufacture, Cultivation, Processing, Packaging, Warehousing & exporting key crops such as Tea, spices, & other export agricultural crops

Having joined Malwatte Valley Plantations in 2014, was appointed the Director, Chief Executive Officer on 01st August 2019.

Currently he is serving as the Deputy Chairman, Plantation Services group & Council Member of the Employers Federation of Ceylon.

He is also serving as a Board Director of the Plantation Human Development Trust ( PHDT) & as a member of the Plantation sector wages board, of the Ministry of Labour.

## **Mr. Zal Chitty (Director)**

Mr. Zal Chitty was educated at Royal College Colombo and is a professional in the Tea Industry counting 40 years' experience as a Tea Broker.

He has also been extensively involved in Shipping, Logistics and Agriculture holding positions of responsibility at Senior Management levels.

As a Director of Colombo Shipping Company Ltd, Sea Land Colombo (Pvt) Ltd and Lloyd Serendib Ltd he has in past years handled the Sri Lankan and Indian Sub-Continent interests of major international Shipping Lines such as Sea Land Service USA and CGM France, accounting for some of the largest volumes of export, import and container transshipment through the Port of Colombo.

He is a keen sportsman having represented Sri Lanka in Shooting and Golf. He competed in the Olympic Games in 1988.

# 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 comprises of six (06) Directors including the Chairman, Managing Director and the Chief Executive Officer. 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 ten (10) 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 and the Managing Director. 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 Four (04) Executive Directors including the Chairman, MD, CEO and Director Finance, and two Independent Non- Executive Directors. The Board functions effectively and efficiently and is considered to be of an appropriate size. The Directors provide the Company with the knowledge, mix of skills, experience and networks of contacts required. The Board Committees comprise of directors with a variety of relevant skills and experience so that no undue reliance is placed on any individual.

The Non-Executive Directors combine broad business and commercial experience with independent and objective judgment. The balance between Non-Executive and Executive Directors enables the Board to provide clear and effective leadership and maintain the highest standards of integrity across the Company's business activities.

# CORPORATE GOVERNANCE

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 Passed away on 10.11.2021	√									
4. Mr. G. Chamindra de Silva			√	√	√	√	√	√	√	√
5. Mr. A. N. de Silva Passed away on 29.09.2021			√	√		√				√
6. Mr. K.G.M. Piyaratne	√									
7. Mr. S. D. Samaradivakara	√									
8. Mr. G Z A Chitty - Appointed 10.12.2021			√	√	√	√				√

## 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 the Company.

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 assist 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 34.2 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 Independent Non-Executive Director Mr. G.C. de Silva. This Committee functioned throughout the year 2021. Other members of the Committee are Mr. G. Z. A. Chitty, Mr. Lucas Bogtstra, Mr. M. Piyaratne and Mr. S. D. Samaradivakara.

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

# CORPORATE GOVERNANCE

## 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 – Passed away on 29th September, 2021.  
 Mr. G. Z. A. Chitty – Appointed on 10th December, 2021.

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

The 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 objectivity of financial statements.
- Ensuring 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

- Reviewing compliance with Corporate Governance requirements.
- Advising and suggesting scope and responsibilities of Internal Audits.
- Assisting in conducting investigations.

- Liaising 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 met four (04) time during the financial year ended 31st December, 2021. The Audit Committee Report on page 15 - 16 describes the activities carried out during the financial year ended 31st December, 2021.

### 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 all of whom are independent.

Mr. G. C. de Silva  
 Mr. A. N. de Silva – Passed away on 29th September, 2021.  
 Mr. G. Z. A. Chitty – Appointed on 10th December, 2021.

The report on the Remuneration Committee is on page 17 of this report.

### 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 all of whom are independent

Mr. G. C. de Silva  
 Mr. A. N. de Silva – Passed away on 29th September, 2021.  
 Mr. G. Z. A. Chitty – Appointed on 10th December, 2021.

# CORPORATE GOVERNANCE

## 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.

Mr. G. Z. A. Chitty qualifies against the criteria for independence as per Rule 7.10.4 of the Listing rules and the Board, based on the declaration submitted by the said Director, has determined that Mr. Chitty is an Independent Director.

Period of service of Mr. Chamindra De Silva exceeds nine years. However, the Board is of the view that the period of service of Mr. De Silva does not compromise his independence and objectivity in discharging his functions as Director and therefore based on the declaration submitted by the said Director, has determined that the Director shall nevertheless be 'Independent' as per the Listing Rules.

# 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 HIGH)

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 HIGH)

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 HIGH)

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. 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 consisted of two members, Mr. G. C. De Silva and Mr. A. N. De Silva both of whom were 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.

With profound sadness the Committee reports the demise of Mr. Nilanth De Silva on 29th September, 2021, a valued member of this Committee. The Committee will miss his presence as an experienced and an eminent professional with a profound knowledge especially in the financial and banking sector.

Mr. Zal Chitty, an experienced professional in the tea industry coupled with extensive experience in shipping and agriculture industries as well was appointed on 10th December 2021 replacing Mr. A. N De Silva, as an Independent Non-Executive Director of the Company, and since then functions as a member of the Company's Audit Committee.

## 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, operational activities within the Company and further to review the adequacy of systems and internal controls as well as adherence to statutory and regulatory requirements.

## 3. Internal Audit and Meetings

During the financial year ended 31 /12/ 2021 the Committee held Five Meetings. The Chairman, the Managing Director, Director Finance, and the CEO/Director Operations attended all audit Committee meetings by invitation. When required, other senior officers of the Company are 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 is largely strengthened by the appointment of an experienced professional from the Plantation

industry, as Head of Internal Audit, in 2018. The Head of Internal Audit submits comprehensive audit reports under each estate and other operating units that are further reviewed at the Audit Committee.

Additionally, as discussed under No. 4 of this report, opportunity is also taken, wherever applicable and needs attention, to discuss and follow-up internal audit related issues in the 'Financial and Administration Monitoring Committee' (FAMCOM) meetings that are held at monthly intervals.

The Committee also strengthened follow up action mechanism by the interlocution of an 'action tracker' that contains a structured summary of all cumulative outstanding issues that are grouped under Operations and Finance related issues.

## 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 Committee receives, discusses 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) meetings chaired by the independent Director, Mr. A. N. De Silva (until his untimely demise) attended by the core of the top management team including the Chairman and Managing Director at monthly intervals, that provide 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.

# AUDIT COMMITTEE REPORT

## 6. Corporate Governance

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

## 7. External Audit

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

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

The Audit Committee has recommended to the Board that Ernst & Young be re-appointed as statutory auditors for the financial year ending 31 December 2022 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

31st May, 2022

## REMUNERATION COMMITTEE REPORT

At the commencement of the year under review, the Remuneration Committee comprised the Independent non- executive Directors and the Chairman of Malwatte Valley Plantations PLC. Mr. Frits Bogtstra stepped down as the Chairman and Committee member in February, 2021 and Mr. Nilanth De Silva was appointed the Chairman of the Committee. Following the demise of Mr. Nilanth De Silva, Mr. Zal Chitty was appointed as an Independent Non-Executive Director of the Company on 10th December, 2021 and replaced Mr. De Silva as the Chairman of the Remuneration Committee.

The Committee had a meeting during the year 2021 to consider and approve all applicable changes in remuneration structures and the salary increments/adjustments for the following year.

The Managing Director and the Finance Director assisted the Committee by providing relevant information and participating in its analyses and deliberations, except when their own compensation packages were reviewed.

The Committee is responsible for determining the compensation packages of the executive Directors and the Key Management personnel. In addition, they also lay down guidelines and parameters for the compensation structure of the management staff of Malwatte Valley Plantations PLC.

The Company's reward policy on remuneration structures and changes thereof is with a view to attract, retain and motivate competent professionals and an experienced workforce, operating in a competitive industry, in challenging times. The policies in particular are designed towards the achievement of the Company's challenging performance initiatives and to encourage and reward superior performance.



Zal Chitty  
Chairman of the Remuneration Committee

Colombo  
31st May, 2022

# REPORT OF THE COMMITTEE ON RELATED PARTY TRANSACTIONS

The Related Party Transactions Review Committee in the year 2021 comprised of Mr. Chamindra de Silva (Chairman) and Mr. Nilanth de Silva both being independent, non-executive directors. The Chairman, Managing Director, Director Finance and CEO/ Director Operations participate by invitation.

With profound sadness the Committee reports the demise of Mr. Nilanth De Silva on 29th September, 2021, a valued member of this Committee. The Committee will miss his presence as an experienced and an eminent professional with a profound knowledge especially in the financial and banking sector.

Mr. Zal Chitty, an experienced professional in the tea industry coupled with extensive experience in shipping and agriculture industries as well was appointed on 10th December 2021 replacing Mr. A. N De Silva, as an Independent Non-Executive Director of the Company, and since then functions as a member of the Company's Related Party Transactions Review Committee.

The Committee reviewed the related party transactions during the period under review and has identified the relevant related parties. The Committee has conducted Two meetings during the year under review.

## 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, a senior Chartered Accountant, informs on a quarterly basis any changes in the Related Parties to the Committee, and also reports changes that have taken place in each quarter as well as during the year.

The Company Secretary under supervision of the Director Finance, has sent declaration forms specifying the details required by the regulators to all directors and have obtained the filled declaration forms.

## ACTIVITIES DURING THE YEAR

The Committee reviewed the recurrent related party transactions entered into by the Company, related party transactions as at the end of every quarter and an affirmative statement by the Director

Finance, re-assuring that all transactions entered into during the quarter were recurrent transactions, which have been entered into on an arms-length basis where no favorable terms have been offered to related parties and that there had not been any non-recurrent related party transactions during the year under review.

Also none of the recurrent related party transactions entered into by the Company fall under the category where aggregate value of such transactions exceeds 10% of the gross revenue / income as per the latest Audited Financial Statements.

All Related party transactions entered into by the Company during the year under review have been disclosed on page 82.

## DECLARATION

The Directors have also disclosed transactions, if any, that could be classified as related party transactions in terms of LKAS 24. With effect from December 2016, all proposed recurrent and non-recurrent related party transactions have been placed before the Related Party Transactions Review Committee formed under the Listing Rules of the Colombo Stock Exchange, for its review and recommendations. The aggregate value of transactions of related parties (as defined in LKAS 24 – 'Related Parties Disclosure') with the Company are set out in Note 34.1 to the Financial Statements on pages 82.

The Board confirms that the Company has not engaged in transactions with any related party in a manner that would grant such party 'more favorable treatment' than that accorded to other similar constituents of the Company. The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the financial year ended 31st December, 2021.

The Committee will continue to conduct their reviews on a quarterly basis during the financial year commencing 1st January 2022.



Chamindra de Silva  
*Chairman - Committee on Related Party Transactions*  
31st May, 2022

# 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, 2021.

## 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 and Spices.

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 85.

## 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 50 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 7 to 8.

Mr. Frits Bogtstra	– Chairman
Mr. Lucas Bogtstra	– Managing Director
Mr. S. D. Samaradiwakara	– Director/CEO
Mr. K. G. M. Piyaratne	– Director Finance
Mr. G. Chamindra De Silva	– Independent Non-Executive Director
Mr. G. Z. A. Chitty	– Independent Non-Executive Director appointed on 10th December, 2021.

## Resignations / Cessations / Appointments

Mr. A. N. de Silva	– Independent Non-Executive Director passed away on 29th September, 2021.
Mr. T. R. Gerlach	– Executive Director passed away on 10th November, 2021.
Mr. G. Z. A. Chitty	– Independent Non-Executive Director appointed on 10th December, 2021.

## Directors Interests 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. 34 to the Financial Statements.

## Directors' Remuneration

The Directors' remuneration is disclosed under Note 34.2 to the Financial Statements on page 82.

## 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.

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

## 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. 4.266 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 2021 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 2021 and 31st December 2020 are as follows:

	Shareholding as at 31.12.2021	Shareholding as at 31.12.2020
Mr. Frits Bogtstra	-	-
Mr. Lucas Bogtstra	100,000	100,000
Mr. S. D. Samaradiwakara	-	-
Mr. T. R. Gerlach (Deceased on 10th November, 2021)	-	-
Mr. K. G. M. Piyaratne	-	-
Mr. G. Chamindra De Silva	-	-
Mr. A. N. de Silva (Deceased on 29th September, 2021)	-	-
Mr. G. Z. A. Chitty (Appointed on 10th December, 2021.)	-	-

\* Mr. Frits Bogtstra and Mr. Lucas Bogtstra are 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 18,849 shareholders registered as at 31st December 2021 (19,442 shareholders as at 31st December 2020).

## 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 and public holding as per the Listing Rules of the Colombo Stock Exchange are given on pages 86 to 90 under Shareholder and Investor information.

## Employment Policy

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

As at 31st December 2021, 5,076 persons were in employment (5,235 persons as at 31st December 2020).

## Reserves

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

## Fixed Assets

The Company has invested Rs. 206 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 on pages 91 to 93.

## Property, Plant & Equipment

Details and movements of property, plant and equipment are given under Note 13 to the Financial Statements on pages 60 to 63.

## Investments

Details of the Company's quoted and unquoted investments as at 31st December 2021 are given in Note 15 to the Financial Statements on page 66.

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

## Donations

No Donations have been made during the year under review.

## Dividends

As required by Section 56(2) of the Companies Act No. 7 of 2007, the Board of Directors have confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act No. 7 of 2007, and has obtained a certificate from the auditors, prior to declaring all dividends. The Board of Directors have proposed a final dividend payment of Rs. 0.12 per share for the financial year under review.

## 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 to 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 33.1 to the Financial Statements on page 81 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 9 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 10 to 11 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.

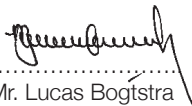
## Going concern

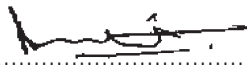
The Board being satisfied that the Company has adequate resources to continue its operation in the foreseeable future has adopted the going concern basis in preparing the financial statements.

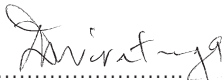
## Annual General Meeting

The Notice of the Twenty-Eighth (28th) Annual General Meeting and Supplementary Notice to the Shareholders appear on page 97.

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

  
.....  
Mr. Lucas Bogtstra

  
.....  
Mr. S. D. Samaradiwakara

  
.....  
Secretarius (Private) Limited  
Secretaries

31st May, 2022



# 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

31st May, 2022



# INDEPENDENT AUDITOR'S REPORT



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

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Fax Gen : + 94 11 2697369  
Tax : + 94 11 5578180  
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ey.com

BW/NG/MRH

## 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") and the consolidated financial statements of the Company and its subsidiary ("the Group"), which comprise the statement of financial position as at 31 December 2021, 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 and the Group give a true and fair view of the financial position of the Company and the Group as at, 31 December 2021, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for opinion

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

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our 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 A A J R Perera ACA ACMA Ms. P V K N Sajewani FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA ACMA

Principal G B Goudian ACMA T P M Ruberu FCMA, FCCA

A member firm of Ernst & Young Global Limited

## Key audit matters common to both Group and Company

<b>1. Valuation of Consumable Biological Assets</b>	
<p>As at 31 December 2021, Group consumable biological assets carried at fair value in accordance with its accounting policy disclosed in note 3.6.6.3 amounted to Rs.1,479 Mn, while gain on such valuation for the year amounted to Rs.96 Mn.</p> <p>This was a key audit matter due to:</p> <ul style="list-style-type: none"> <li>• Magnitude of the balance and its significance to total assets (21%) of the Group; and</li> <li>• Complexity of the valuation process and degree of judgments and estimates involved in the valuation, as disclosed in Note 14.2.1 to the financial statements.</li> </ul> <p>Key areas of significant judgments, estimates and assumptions included the following:</p> <ul style="list-style-type: none"> <li>• Discount Rate</li> <li>• Expected timber volume</li> <li>• Price per cubic foot</li> </ul>	<p>Our audit procedures included the following amongst others;</p> <ul style="list-style-type: none"> <li>• We evaluated the competence, capability and objectivity of the external valuer engaged by the group.</li> <li>• We read the external valuer's report and understood the key estimates made and the approach taken by the valuer in determining the fair value of consumable biological assets.</li> <li>• We assessed the completeness and accuracy of the key data used by the external valuer, by tracing those to the underlying books and records maintained by the group. This also included assessing the appropriateness &amp; consistency of the application of the formula used for deriving the expected timber volume.</li> <li>• We assessed the reasonableness of the key assumptions used, in particular the discount rate, expected timber volume and price per cubic foot by comparing that with the industry practices that are generally used in determining fair value of consumable biological assets.</li> </ul> <p>We have also assessed the adequacy of the disclosures made in Notes 14.2.1 to the financial statements</p>
<b>2. Measurement of Bearer Biological Assets</b>	
<p>The Bearer Biological Asset is a significant non-current asset of the Group representing 19% of the total assets consisting with Rs. 886 Mn as Mature Plantations and Rs. 465 Mn as Immature Plantations as at 31 December 2021.</p> <p>Assessing the valuation of Bearer Biological asset in the financial statements is a key audit matter due to following factors:</p> <ul style="list-style-type: none"> <li>• Magnitude of the balance and its significance to total assets (19%) of the group.</li> <li>• Identification of costs to be capitalised as immature plantations, Involvement of management judgement regarding the point at which transfers to be made from immature plantations to mature plantations and for the identification of triggers of impairment (if any)</li> </ul>	<p>Our audit procedures were based on the latest available information up to the date of our report and included the following:</p> <ul style="list-style-type: none"> <li>• We assessed the processes and controls in place to ensure; proper identification of the expenses incurred relating to immature plantations</li> <li>• We validated the significant amounts capitalised (including capitalized labour and other acceptable costs) by examining related invoices, capital expenditure authorizations and other corroborative evidence.</li> <li>• Assessed timely transfer of matured plants to respective matured plantation categories by examining ageing profile of immature plantations.</li> <li>• Assessed the adequacy of depreciation provided on the matured plantations by performing independent computation.</li> <li>• We inspected the ageing profile of the immature biological assets as of the reporting date to ensure that triggers of impairment (if any) are identified on a timely basis, assessed for probable impairment charges/losses and duly accounted for in the financial statements.</li> </ul> <p>We also assessed the adequacy of the related disclosures given in Notes 3.6.6.1 and 14.1 in the financial statements.</p>



### 3. Valuation of Retirement benefit obligations

<p>The retirement benefit obligation as at 31 December 2021 of the Group is based on the actuarial valuations carried out by an external valuer engaged by the Group.</p> <p>Measurement of the retirement benefit obligation was a key audit matter due to following reasons:</p> <p>Key areas of significant judgments, estimates and assumptions included the following:</p> <ul style="list-style-type: none"> <li>• The retirement benefit obligation of the Group is significant (Rs. 1,071 Mn) in the context of the total liabilities of the Group (15% of total liabilities).</li> <li>• The actuarial valuation involves making significant assumptions about discount rate. Further, the valuation and the changes in underlying significant assumptions are highly sensitive in assessing the value of retirement benefit obligation.</li> </ul> <p>The determination of the base salary/wage rate and the future salary/wage growth rates are sensitive for the purpose of measuring retirement benefit obligation as of year-end. Required significant management judgments are disclosed under note 27 &amp; 33 to the financial statements</p>	<p>Our audit procedures were based on the latest available information up to the date of our report and included the following:</p> <ul style="list-style-type: none"> <li>• We assessed the competency, capability and objectivity of the external actuary engaged by the Group.</li> <li>• We read the external actuary's report and understood the key estimates made and the approach taken by the valuer in determining the present value of retirement benefit obligation.</li> <li>• We assessed the assumption for salary increases against the historical collective agreements.</li> <li>• We agreed the discount rate used, to our internally developed benchmarks.</li> <li>• We validated the key data used by the actuary to the underlying data held by the Group.</li> <li>• We evaluated the impact on retirement benefit obligation resulting from wage negotiations and assessed the adequacy of disclosures given in note 33 to the financial statements.</li> </ul> <p>We have also assessed the adequacy of the disclosures made in notes 26 to the financial statements relating to the significant judgements and estimates.</p>
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### Other Information included in the 2021 Annual Report

Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information. Other information is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

### Responsibilities of the management and those charged with governance

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


We also provide those charged with governance with a statement that we have complied with 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.



31st May, 2022  
Colombo

# STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	Group		Company	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Revenue</b>	6	<b>4,791,647,719</b>	5,106,438,893	<b>4,712,944,734</b>	5,068,575,039
Cost of sales		<b>(4,308,955,300)</b>	(4,778,847,637)	<b>(4,266,696,714)</b>	(4,725,609,970)
<b>Gross profit /(loss)</b>		<b>482,692,418</b>	327,591,256	<b>446,248,020</b>	342,965,069
Gain on change in fair value of biological assets	17.2	<b>94,433,323</b>	98,540,526	<b>94,433,323</b>	98,540,526
Other income	7	<b>183,024,606</b>	157,572,295	<b>182,750,000</b>	157,561,344
Selling and distribution expenses		<b>(11,930,387)</b>	(11,670,242)	-	-
Administrative expenses		<b>(294,248,248)</b>	(283,321,545)	<b>(286,221,273)</b>	(281,094,909)
<b>Results from operating activities</b>		<b>453,971,713</b>	288,712,291	<b>437,210,070</b>	317,972,030
Finance Income	8.1	<b>40,715,978</b>	70,773,743	<b>40,715,978</b>	70,773,743
Finance expenses	8.2	<b>(71,821,094)</b>	(91,428,968)	<b>(70,971,611)</b>	(91,200,967)
Interest paid to government lease	8.3	<b>(35,571,987)</b>	(35,019,695)	<b>(35,571,987)</b>	(35,019,695)
<b>Net finance cost</b>		<b>(66,677,103)</b>	(55,674,920)	<b>(65,827,620)</b>	(55,446,919)
<b>Profit/ (Loss) before tax</b>	9	<b>387,294,610</b>	233,037,370	<b>371,382,450</b>	262,525,111
Tax (expense) /Reversal	10	<b>(88,628,474)</b>	(35,084,646)	<b>(88,628,474)</b>	(35,084,646)
<b>Profit / (Loss) for the year</b>		<b>298,666,136</b>	197,952,724	<b>282,753,976</b>	227,440,465
<b>Attributable to:</b>					
Equity holders of the parent		<b>298,666,136</b>	197,952,724	<b>282,753,976</b>	227,440,465
Non - Controlling interest		-	-	-	-
<b>Profit/ (Loss) for the year</b>		<b>298,666,136</b>	197,952,724	<b>282,753,976</b>	227,440,465
<b>Basic earnings/ (loss) per share (Rs.)</b>	11	1.34	0.89	1.27	1.02

The accounting policies and notes on pages 34 through 85 form an integral part of the financial statements.

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	Group		Company	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Profit/(Loss) for the year</b>		<b>298,666,136</b>	197,952,724	<b>282,753,976</b>	227,440,465
<b>Other comprehensive income for the year, net of tax</b>					
<b>Net other comprehensive income/(Loss) not be reclassified to profit or Loss in subsequent period</b>					
Net (loss) / gain on financial assets at fair value through OCI	15.2	<b>127,255</b>	48,214	<b>127,255</b>	48,214
Tax effect	10.2	-	-	-	-
Actuarial gains/ (losses) on defined benefit plans	27	<b>(200,620,270)</b>	46,386,112	<b>(200,620,270)</b>	46,386,112
Tax effect	10.2	<b>28,086,838</b>	(6,494,056)	<b>28,086,838</b>	(6,494,056)
Revaluation of Land & Building	13	-	230,498,821	-	230,498,821
Tax effect	10.2	-	(31,467,835)	-	(31,467,835)
<b>Total Net other comprehensive income/(Loss) not be reclassified to profit or Loss in subsequent period</b>		<b>(172,406,177)</b>	238,971,256	<b>(172,406,177)</b>	238,971,256
<b>Total Other comprehensive income for the year, net of tax</b>		<b>(172,406,177)</b>	238,971,256	<b>(172,406,177)</b>	238,971,256
<b>Total comprehensive income for the year, net of tax</b>		<b>126,259,959</b>	436,923,979	<b>110,347,798</b>	466,411,721

The accounting policies and notes on pages 34 through 85 form an integral part of the financial statements.

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	Group		Company	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>ASSETS</b>					
<b>Non-current assets</b>					
Right-of-use assets	12	350,191,293	379,679,133	350,191,293	379,679,133
Freehold Property, plant & equipment	13	2,079,516,917	2,096,175,676	2,078,520,777	2,095,566,924
Bearer biological assets	14.1	1,352,044,998	1,248,114,847	1,352,044,998	1,248,114,847
Consumable biological assets	14.2	1,479,464,332	1,384,930,361	1,479,464,332	1,384,930,361
Other non current financial assets	15.3	245,695	118,440	245,695	118,440
Investment in Subsidiary	16	-	-	22,165,980	22,165,980
Goodwill	16.1	22,165,980	22,110,634	-	-
<b>Total non-current assets</b>		<b>5,283,629,216</b>	<b>5,131,129,091</b>	<b>5,282,633,076</b>	<b>5,130,575,685</b>
<b>Current assets</b>					
Produce on Bearer Biological Assets	17	2,010,311	3,667,903	2,010,311	3,667,903
Inventories	18	460,620,257	473,912,346	422,386,336	443,971,459
Trade and other receivables	19	719,044,508	319,327,428	700,547,488	304,929,361
Income Tax Recoverable		34,573,492	34,573,492	34,573,492	34,573,492
Amounts due from related companies	20	828,267	828,234	62,216,474	74,290,360
Short - term investments	21.1	413,687,894	700,268,506	413,687,894	700,268,506
Cash and cash equivalents	21.2	179,590,789	139,082,536	175,582,083	108,105,272
<b>Total current assets</b>		<b>1,810,355,518</b>	<b>1,671,660,446</b>	<b>1,811,004,077</b>	<b>1,669,806,353</b>
<b>Total assets</b>		<b>7,093,984,735</b>	<b>6,802,789,537</b>	<b>7,093,637,153</b>	<b>6,800,382,038</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Stated capital	22	373,000,010	373,000,010	373,000,010	373,000,010
Timber reserve		1,374,651,241	1,280,117,270	1,374,651,241	1,280,117,270
Revaluation reserve	23	860,357,130	860,357,130	860,357,130	860,357,130
Retained earnings		886,404,621	876,978,633	899,980,202	906,466,374
<b>Total equity</b>		<b>3,494,413,002</b>	<b>3,390,453,043</b>	<b>3,507,988,583</b>	<b>3,419,940,784</b>

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	Group		Company	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Non-current liabilities</b>					
Interest-bearing borrowings	24	4,500,000	69,189,868	4,500,000	56,689,868
Deferred income	25.	128,699,065	125,506,041	128,699,065	125,506,041
Deferred tax liability	26.	368,287,495	307,745,858	368,287,495	307,745,858
Retirement benefit obligations	27.	1,071,539,030	854,251,090	1,071,539,030	854,251,090
Lease liabilities	28.	302,745,926	316,337,153	302,745,926	316,337,153
<b>Total non-current liabilities</b>		<b>1,875,771,517</b>	<b>1,673,030,011</b>	<b>1,875,771,517</b>	<b>1,660,530,011</b>
<b>Current liabilities</b>					
Trade and other payables	29.	716,374,925	755,177,978	714,951,762	748,282,738
Lease liabilities	28.	20,084,201	28,237,726	20,084,201	28,237,726
Interest-bearing borrowings payable within one year	24.	635,052,749	462,819,997	622,552,749	450,319,997
Dividend payables		3,961,741	2,889,104	3,961,741	2,889,104
Bank overdraft	21.3	348,326,600	490,181,677	348,326,600	490,181,677
<b>Total current liabilities</b>		<b>1,723,800,216</b>	<b>1,739,306,483</b>	<b>1,709,877,054</b>	<b>1,719,911,243</b>
<b>Total liabilities</b>		<b>3,599,571,733</b>	<b>3,412,336,494</b>	<b>3,585,648,570</b>	<b>3,380,441,254</b>
<b>Total equity and liabilities</b>		<b>7,093,984,735</b>	<b>6,802,789,537</b>	<b>7,093,637,153</b>	<b>6,800,382,038</b>

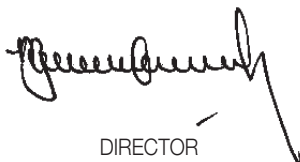
These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



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

31st May, 2022

Colombo



# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Stated Capital Rs.	Timber Reserve Rs.	Group Revaluation Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
<b>Balance as at 1 January 2020</b>	373,000,010	1,196,358,679	661,326,144	722,844,230	2,953,529,063
Profit for the year	-	-	-	197,952,723	197,952,723
Total Other comprehensive income for the year, net of tax	-	-	199,030,986	39,940,270	238,971,256
Transferred to the Timber Reserve	-	96,801,651	-	(96,801,651)	-
Realised gain on harvested timber trees	-	(13,043,060)	-	13,043,060	-
<b>Balance as at 31 December 2020</b>	373,000,010	1,280,117,270	860,357,130	876,978,633	3,390,453,043
Profit for the year	-	-	-	298,666,136	298,666,136
Total Other comprehensive income for the year, net of tax	-	-	-	(172,406,177)	(172,406,177)
Transferred to the Timber Reserve	-	96,090,915	-	(96,090,915)	-
Realised gain on harvested timber trees	-	(1,556,945)	-	1,556,945	-
Dividend Declared				(22,300,000)	(22,300,000)
<b>Balance as at 31 December 2021</b>	373,000,010	1,374,651,241	860,357,130	886,404,621	3,494,413,002

	Stated Capital Rs.	Timber Reserve Rs.	Company Revaluation Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
<b>Balance as at 1 January 2020</b>	373,000,010	1,196,358,679	661,326,144	722,844,230	2,953,529,063
Profit for the year	-	-	-	227,440,465	227,440,465
Total Other comprehensive income for the year, net of tax	-	-	199,030,986	39,940,270	238,971,256
Transferred to the Timber Reserve	-	96,801,651	-	(96,801,651)	-
Realised gain on harvested timber trees	-	(13,043,060)	-	13,043,060	-
<b>Balance as at 31 December 2020</b>	373,000,010	1,280,117,270	860,357,130	906,466,374	3,419,940,784
Profit for the year	-	-	-	282,753,976	282,753,976
Total Other comprehensive income for the year, net of tax	-	-	-	(172,406,177)	(172,406,177)
Transferred to the Timber Reserve	-	96,090,915	-	(96,090,915)	-
Realised gain on harvested timber trees	-	(1,556,945)	-	1,556,945	-
Dividend Declared				(22,300,000)	(22,300,000)
<b>Balance as at 31 December 2021</b>	373,000,010	1,374,651,241	860,357,130	899,980,202	3,507,988,583

The accounting policies and notes on pages 34 through 85 form an integral part of the financial statements.

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	Group		Company	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net Profit / (Loss) before Taxation		<b>387,294,610</b>	233,037,370	<b>371,382,450</b>	262,525,111
<b>ADJUSTMENTS FOR</b>					
Dividend Income	7	<b>(12,789)</b>	(6,341)	<b>(12,789)</b>	(6,341)
Interest Income	8.1	<b>(40,715,978)</b>	(70,773,743)	<b>(40,715,978)</b>	(70,773,743)
Depreciation	12/13/14	<b>155,149,253</b>	149,350,721	<b>154,974,588</b>	149,314,992
Provision for Defined Benefit Plan	27	<b>116,373,716</b>	136,049,120	<b>116,373,716</b>	136,049,120
Amortisation of Grants	25	<b>(8,548,287)</b>	(8,348,691)	<b>(8,548,287)</b>	(8,348,691)
Finance Costs	8.2/8.3	<b>107,393,081</b>	126,448,663	<b>106,543,598</b>	126,220,662
Profit on disposal of Property, Plant & Equipments	7	<b>(18,132,113)</b>	(1,183,014)	<b>(18,132,113)</b>	(1,183,014)
Gain on change in fair value of biological assets	17.2	<b>(94,433,323)</b>	(98,540,526)	<b>(94,433,323)</b>	(98,540,526)
Provision for related parties		-	9,075,674	-	9,075,674
Written back of Amount Due from related party		-	(22,165,980)	-	(22,165,980)
Provision for inventories	18	<b>655,719</b>	34,677,741	<b>655,719</b>	34,677,741
Profit from sale of timber trees	7	<b>(39,505,055)</b>	(17,267,740)	<b>(39,505,055)</b>	(17,267,740)
Write off Opening Balance		<b>274,740</b>	-	-	-
Write Back of Long Outstanding		<b>(246,776)</b>	-	-	-
Unclaimable ESC write-off		-	3,665,650	-	3,665,650
Write off of Bearer Biological assets (Immature/Mature)		-	5,396,938	-	5,396,938
<b>Operating Profit before Working Capital Changes</b>		<b>565,546,798</b>	479,415,844	<b>548,582,526</b>	508,639,854
(Increase)/Decrease in Inventories		<b>12,636,371</b>	131,586,836	<b>20,929,403</b>	161,527,723
(Increase)/Decrease in Trade and other receivables		<b>(399,991,820)</b>	(73,165,250)	<b>(395,618,127)</b>	(59,040,329)
Increase/(Decrease) in Trade and other payables		<b>(38,182,067)</b>	35,273,546	<b>(32,901,382)</b>	28,624,293
(Increase)/Decrease in amounts due from Related Parties		-	2,340,282	<b>12,073,887</b>	(71,121,841)
<b>Cash Generated from Operations</b>		<b>140,009,282</b>	575,451,257	<b>153,066,307</b>	568,629,700
Finance Costs Paid		<b>(66,832,823)</b>	(84,354,334)	<b>(65,983,340)</b>	(84,126,333)
ESC/ Income Tax Paid		-	(1,227,284)	-	(1,227,284)
Defined Benefit Plan Costs paid	27	<b>(121,263,002)</b>	(115,543,856)	<b>(121,263,002)</b>	(115,543,856)
<b>Net Cash from Operating Activities</b>		<b>(48,086,543)</b>	374,325,782	<b>(34,180,035)</b>	367,732,226

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	Group		Company	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>					
Investment in Short - term Investments		286,580,612	(49,016,401)	286,580,612	(49,016,401)
Dividend Income Received	7	12,789	6,341	12,789	6,341
Grants Received	25	11,741,311	2,061,546	11,741,311	2,061,546
Proceeds from Sale of Property, Plant & Equipments		18,132,113	1,800,000	18,132,113	1,800,000
Field Development Expenditure		(162,964,617)	(143,010,850)	(162,964,617)	(143,010,850)
Cash received on harvested timber		41,062,000	30,310,800	41,062,000	30,310,800
Purchase of Property, Plant & Equipment		(43,591,829)	(174,876,915)	(43,029,776)	(174,250,266)
Interest Income	8.1	40,715,978	70,773,743	40,715,978	70,773,743
<b>Net Cash used in Investing Activities</b>		<b>191,688,357</b>	<b>(261,951,736)</b>	<b>192,250,410</b>	<b>(261,325,087)</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>					
Payment of Government lease rentals		(68,781,371)	(71,892,369)	(68,781,371)	(71,892,369)
Proceeds from loans		1,928,747,131	2,504,933,685	1,928,747,131	2,479,933,685
Payment of loans		(1,821,204,247)	(2,394,246,227)	(1,808,704,247)	(2,394,246,227)
<b>Net Cash from (used in) Financing Activities</b>		<b>38,761,513</b>	<b>38,795,089</b>	<b>51,261,513</b>	<b>13,795,089</b>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>182,363,327</b>	<b>151,169,136</b>	<b>209,331,888</b>	<b>120,202,230</b>
A. Cash & Cash Equivalents at the beginning of the year		(351,099,141)	(502,268,278)	(382,076,405)	(502,278,634)
B. Cash & Cash Equivalents at the end of the year		(168,735,812)	(351,099,140)	(172,744,518)	(382,076,405)
<b>NOTE A</b>					
Cash & Bank Balances		139,082,536	71,155,919	108,105,272	71,145,563
Bank Overdrafts		(490,181,677)	(573,424,197)	(490,181,677)	(573,424,197)
		(351,099,141)	(502,268,278)	(382,076,405)	(502,278,634)
<b>NOTE B</b>					
Cash & Cash Equivalents at the end of the year					
Cash & Bank Balances		179,590,789	139,082,536	175,582,083	108,105,272
Bank Overdrafts		(348,326,600)	(490,181,677)	(348,326,600)	(490,181,677)
		(168,735,812)	(351,099,141)	(172,744,518)	(382,076,405)

The accounting policies and notes on pages 34 through 85 form an integral part of the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 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 Consolidated Financial Statement of Malwatte Valley Plantations PLC as at and for the year ended 31 December 2021 comprise the company and its subsidiary namely Malwatte Species (Pvt) Ltd which incorporated in Sri Lanka (together referred to as the 'Group').

The Financial Statements of the Company and the Group 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.

The Financial Statement of all companies in the Group are prepared for a common financial year, which ends on 31 December.

### 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 2021 were authorized for issue in accordance with a resolution of the Board of Directors on 31st May 2022.

### 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 Company and the Group 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 Functional and presentation currency

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

### 2.4 Materiality and aggregation

Each material class of similar items is presented separately in the Consolidated 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 2021

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

### 3.3 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

### 3.3.1 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and the amount of any Non-Controlling Interest in the acquiree. For each business combination, the Group elects whether to measure the Non-Controlling Interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 09 Financial Instruments, is measured at fair value with the changes in fair value recognized in the statement of profit or loss in accordance with IFRS 09. Other contingent consideration that is not within the scope of IFRS 09 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed

operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

## 3.4 Current versus non-current classification

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

- Expected to be realized or intended to 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 terms of the liability that could, at the option of the counterparty, results in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

## 3.5 Fair Value Measurement

The Group measures financial instruments and non-financial assets indicated below at fair value at each statement of financial position date. Fair value related

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarized in the following notes:

- Land and Buildings - Note 13
- Consumable biological assets - Note 14.2
- Produce on bearer biological asset - Note 17
- 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 Group.

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 Group 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 Group 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 Group's Audit Committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Management Committee decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Group 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.

## 3.6 Property, plant and equipment

The Group 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 Group and cost of the asset can be reliably measured.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 performed, 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 Group'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.

## 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.

### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes 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 Group 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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 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 Group 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 Group 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 Group 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 Group's lease liabilities are included in Note 28 to the financial statements.

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

The Group 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.

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 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.

## 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, Group 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 Group 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 Group will have ownership by the end of the lease term.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

## 3.7 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.

### 3.7.1 Financial assets

#### 3.7.1.1 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 Group's business model for managing them.

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

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

#### 3.7.1.2 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 Group 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

The Group 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 Group 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 Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

## d) Financial assets at fair value through profit or loss

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

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

### 3.7.1.4 Impairment of financial assets

The Group 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 Group 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).

## 3.7.2 Financial liabilities

### 3.7.2.1 Initial recognition and measurement

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

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

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

### 3.7.2.2 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.

### 3.7.2.3 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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss

## 3.7.3 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 35.

## 3.8 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.

## 3.9 Cash and cash equivalents

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

## 3.10 Impairment of Non-Financial Assets

The Group 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 Group 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 group 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 Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group'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 Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

## 3.11 Liabilities and provisions

Provisions are recognised when the Group 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 Group 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.

## 3.12 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 Group 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 Group are members of the Employees Trust Fund to which the Group contributes 3% on the consolidated salary of such employees.

### (b) Defined benefit plan

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

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

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

The Liability is not externally funded.

The key assumptions used in determining the retirement benefit obligations are given in Note 27.

## 3.13 Capital commitments and contingencies

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

## 3.14 Events occurring after the reporting period

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 3.15 Earnings per share

The Group 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.

## 3.16 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 Group 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.

## 3.17 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 Group's performance.

### 3.17.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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 Group is in the business of cultivation, manufacture and sale of black tea, rubber and other crops (Plantation Produce). Revenue from contracts with customers is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group 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 Group'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.

### 3.17.2 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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.

### 3.17.3 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.

### 3.17.4 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.

### 3.17.5 Taxes

#### 3.17.5.1 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 Group operates and generates taxable income.

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

#### 3.17.5.2 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. Unrecognized deferred tax assets are re-

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 realized 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.

## 3.18 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.

## 3.19 Segment reporting

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

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 utilization, 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 Group 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 Group 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 realized 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

# NOTES TO THE FINANCIAL STATEMENTS

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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 26 to the Financial Statements.

## 4.2 Retirement benefit obligations

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

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

Further details about Retirement benefit obligations are provided in Note 27.

## 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 Group 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 Group 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 Group '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 Group 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 Group'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 Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

### 5.1 SLFRS 17 – Insurance contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once

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effective, SLFRS 17 will replace SLFRS 4 Insurance Contracts (SLFRS 4) that was issued in 2005. SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of SLFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SLFRS 4, which are largely based on grandfathering previous local accounting policies, SLFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of SLFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

SLFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies SLFRS 9 and SLFRS 15 on or before the date it first applies SLFRS 17. The amendments are not expected to have a material impact on the Group.

## 5.2 Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The amendments are not expected to have a material impact on the Group.

## 5.3 Amendments to LKAS 16 Property, Plant & Equipment: Proceeds before Intended Use

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued LKAS 16 Property, Plant and

Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

## 5.4 Amendments to SLFRS 3 Business Combinations: Updating a reference to conceptual framework

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 3 Business Combinations - Updating a Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

An exception was also added to the recognition principle of SLFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of LKAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, it was decided to clarify existing guidance in SLFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

The amendments are not expected to have a material impact on the Group.

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For the year ended 31 December 2021

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>6 REVENUE</b>				
<b>6.1 Industry Segment Revenue</b>				
Tea	2,663,106,470	2,521,535,925	2,663,106,470	2,521,535,925
Rubber	389,814,023	352,287,207	389,814,023	352,287,207
Coconut	4,859,338	3,221,949	4,859,338	3,221,949
Export	1,450,236,641	2,011,163,670	1,450,236,641	2,011,163,670
Others	283,631,247	218,230,141	204,928,262	180,366,287
<b>Total</b>	<b>4,791,647,719</b>	<b>5,106,438,893</b>	<b>4,712,944,734</b>	<b>5,068,575,039</b>
<b>6.2 Segment Information</b>				
<b>a) Segment Revenue</b>				
<b>Tea</b>				
Revenue	2,663,106,470	2,521,535,925	2,663,106,470	2,521,535,925
Revenue Expenditure	(2,227,076,063)	(2,089,507,270)	(2,227,076,063)	(2,089,507,270)
Depreciation	(58,181,711)	(73,149,688)	(58,181,711)	(73,149,688)
Other Non Cash Expenditure	(98,879,919)	(112,919,984)	(98,879,919)	(112,919,984)
Segment Results	278,968,777	245,958,983	278,968,777	245,958,983
<b>Rubber</b>				
Revenue	389,814,023	352,287,207	389,814,023	352,287,207
Revenue Expenditure	(256,239,136)	(297,967,901)	(256,239,136)	(297,967,901)
Depreciation	(41,410,567)	(31,390,508)	(41,410,567)	(31,390,508)
Other Non Cash Expenditure	(12,468,837)	(15,828,177)	(12,468,837)	(15,828,177)
Segment Results	79,695,484	7,100,621	79,695,484	7,100,621
<b>Coconut</b>				
Revenue	4,859,338	3,221,949	4,859,338	3,221,949
Revenue Expenditure	(1,950,672)	(2,566,405)	(1,950,672)	(2,566,405)
Segment Results	2,908,665	655,544	2,908,665	655,544

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For the year ended 31 December 2021

## 6 REVENUE (Contd.)

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Export</b>				
Revenue	1,450,236,641	2,011,163,670	1,450,236,641	2,011,163,670
Revenue Expenditure	(1,403,435,486)	(2,039,952,906)	(1,403,435,486)	(2,039,952,906)
Depreciation	(1,532,874)	(1,532,874)	(1,532,874)	(1,532,874)
Segment Results	45,268,281	(30,322,110)	45,268,281	(30,322,110)
<b>Others</b>				
Revenue	283,631,247	218,230,141	204,928,262	180,366,287
Revenue Expenditure	(197,684,441)	(114,031,923)	(155,425,854)	(60,794,256)
Depreciation	(9,964,801)	-	(9,964,801)	-
Other Non Cash Expenditure	(130,794)	-	(130,794)	-
Segment Results	75,851,211	104,198,218	39,406,813	119,572,031
<b>Total</b>				
Revenue	4,791,647,719	5,106,438,893	4,712,944,734	5,068,575,039
Revenue Expenditure	(4,086,385,798)	(4,544,026,406)	(4,044,127,211)	(4,490,788,739)
Depreciation	(111,089,953)	(106,073,071)	(111,089,953)	(106,073,071)
Other Non Cash Expenditure	(111,479,550)	(128,748,161)	(111,479,550)	(128,748,161)
Segment Results	482,692,418	327,591,256	446,248,020	342,965,069
Gains on fair value of biological assets	94,433,323	98,540,526	94,433,323	98,540,526
Other Income	183,024,606	157,572,295	182,750,000	157,561,344
Finance Income	40,715,978	70,773,743	40,715,978	70,773,743
Administrative Expenses	(294,248,248)	(283,321,545)	(286,221,273)	(281,094,909)
Interest paid on government lease	(35,571,987)	(35,019,695)	(35,571,987)	(35,019,695)
Finance expenses	(71,821,094)	(91,428,968)	(70,971,611)	(91,200,967)
Selling and distribution expenses	(11,930,387)	(11,670,242)	-	-
<b>Operating Profit / (Loss) of the Company</b>	<b>387,294,610</b>	<b>233,037,370</b>	<b>371,382,451</b>	<b>262,525,111</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 6 REVENUE (Contd.)

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>6.2 Segment Information (Contd..)</b>				
<b>b) Segment Assets</b>				
<b>Non Current Assets</b>				
Tea	2,213,080,817	2,203,536,342	2,213,080,817	2,203,536,342
Rubber	772,004,842	788,744,700	772,004,842	788,744,700
Export	12,474,924	12,474,924	12,474,924	12,474,924
Unallocated	2,286,068,633	2,126,373,124	2,285,072,493	2,125,819,717
	<b>5,283,629,216</b>	<b>5,131,129,091</b>	<b>5,282,633,076</b>	<b>5,130,575,685</b>
<b>Current Assets</b>				
Tea	496,928,513	403,866,297	496,928,513	403,866,297
Rubber	85,126,726	69,184,631	85,126,726	69,184,631
Coconut	228,546	32,290	228,546	32,290
Export	460,961,616	197,925,514	460,961,616	197,925,514
Unallocated	767,758,676	1,000,651,714	767,758,676	998,797,622
	<b>1,810,355,518</b>	<b>1,671,660,446</b>	<b>1,811,004,077</b>	<b>1,669,806,353</b>
<b>Total Assets</b>	<b>7,093,984,735</b>	<b>6,802,789,537</b>	<b>7,093,637,153</b>	<b>6,800,382,038</b>
<b>c) Segment Liabilities</b>				
<b>Non Current Liabilities and Deferred Income</b>				
Tea	1,700,978,728	1,505,794,390	1,700,978,728	1,505,794,390
Rubber	87,186,161	77,181,701	87,186,161	77,181,701
Unallocated	87,606,628	90,053,920	87,606,628	77,553,920
	<b>1,875,771,517</b>	<b>1,673,030,011</b>	<b>1,875,771,517</b>	<b>1,660,530,011</b>
<b>Current Liabilities</b>				
Tea	506,656,683	509,629,931	506,656,683	509,629,931
Rubber	90,335,582	90,865,705	90,335,582	90,865,705
Unallocated	1,126,807,951	1,138,810,847	1,112,884,788	1,119,415,607
	<b>1,723,800,216</b>	<b>1,739,306,483</b>	<b>1,709,877,054</b>	<b>1,719,911,243</b>
<b>Total Liabilities</b>	<b>3,599,571,733</b>	<b>3,412,336,494</b>	<b>3,585,648,570</b>	<b>3,380,441,254</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 6 REVENUE (Contd.)

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>d) Segment Capital Expenditure</b>				
<b>Field Development</b>				
Tea	1,501,503	2,682,726	1,501,503	2,682,726
Rubber	43,389,545	41,365,772	43,389,545	41,365,772
	<b>44,891,048</b>	<b>44,048,499</b>	<b>44,891,048</b>	<b>44,048,499</b>
<b>Property, Plant &amp; Equipment</b>				
Tea	36,530,036	173,012,766	36,530,036	173,012,766
Rubber	4,104,770	1,237,500	4,104,770	1,237,500
	<b>40,634,806</b>	<b>174,250,266</b>	<b>40,634,806</b>	<b>174,250,266</b>
<b>Unallocated</b>	<b>121,030,592</b>	<b>99,588,999</b>	<b>120,468,539</b>	<b>98,962,350</b>
	<b>121,030,592</b>	<b>99,588,999</b>	<b>120,468,539</b>	<b>98,962,350</b>
<b>Total Capital Expenditure</b>	<b>206,556,446</b>	<b>317,887,764</b>	<b>205,994,393</b>	<b>317,261,115</b>

## 7 OTHER INCOME

Profit on disposal of property, plant & equipment	18,132,113	1,183,015	18,132,113	1,183,014
Dividend income	12,789	6,341	12,789	6,341
Sale of other trees	54,271,905	78,147,178	54,271,905	78,147,178
Profit from sale of timber trees	39,505,055	17,267,740	39,505,055	17,267,740
Amortisation of government grants	8,548,287	8,348,691	8,548,287	8,348,691
Items written back	1,557,913	1,340,918	1,557,913	1,340,918
Foreign exchange gain	5,822,666	-	5,822,666	-
Provision written back	-	22,165,982	-	22,165,982
Sundry income	55,173,878	29,112,431	54,899,273	29,101,481
<b>Total</b>	<b>183,024,606</b>	<b>157,572,295</b>	<b>182,750,000</b>	<b>157,561,344</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
<b>8 NET FINANCE INCOME/ (EXPENSES)</b>				
<b>8.1 Finance Income</b>				
Interest income	40,715,978	70,773,743	40,715,978	70,773,743
<b>Total</b>	<b>40,715,978</b>	<b>70,773,743</b>	<b>40,715,978</b>	<b>70,773,743</b>
<b>8.2 Finance Expenses</b>				
Interest on Overdraft	29,736,405	46,502,446	29,736,405	46,502,446
Interest on lease liability	4,988,267	7,074,630	4,988,267	7,074,630
Interest on Term Loan	6,823,100	14,660,128	5,989,767	14,435,127
Bank Charges & Others	2,679,655	1,771,108	2,663,505	1,768,108
Interest on Packing Credit Loans	12,458,493	8,582,556	12,458,493	8,582,556
Interest on short term borrowings	15,135,174	12,838,100	15,135,174	12,838,100
<b>Total</b>	<b>71,821,094</b>	<b>91,428,968</b>	<b>70,971,611</b>	<b>91,200,967</b>
<b>8.3 Interest paid to Government on lease liability</b>	<b>35,571,987</b>	<b>35,019,695</b>	<b>35,571,987</b>	<b>35,019,695</b>
<b>Total</b>	<b>35,571,987</b>	<b>35,019,695</b>	<b>35,571,987</b>	<b>35,019,695</b>
<b>8.4 Net Finance Income/ (Expenses)</b>	<b>(66,677,103)</b>	<b>(55,674,920)</b>	<b>(65,827,620)</b>	<b>(55,446,919)</b>
<b>9. PROFIT / (LOSS) BEFORE TAXATION</b>				
Profit/ (Loss) before tax is stated after charging all expenses including the following:				
	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Directors' emoluments	65,248,800	48,399,861	65,248,800	48,399,861
Auditors' fees	4,266,900	3,879,000	4,156,900	3,779,000
<b>Depreciation /Amortisation</b>				
Right-of-use-asset	35,964,200	42,620,147	35,964,200	42,620,147
Freehold Property, Plant & Equipment	60,150,588	53,728,215	59,975,923	53,710,318
Immature/Mature Plantations	59,034,465	52,984,527	59,034,465	52,984,527
<b>Personnel Cost</b>				
Defined Benefit Plan Costs - Gratuity	116,373,716	136,049,120	116,373,716	136,049,120
Salaries and Wages	1,289,596,973	1,159,759,723	1,289,596,973	1,159,759,723
Defined Contribution Plan Costs - EPF & ETF	196,478,786	178,815,218	196,478,786	178,815,218

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>10 INCOME TAX EXPENSE</b>				
<b>10.1 Statement of Profit or Loss</b>				
<b>(I) Current Tax Expense</b>				
Income taxes on current year's profit (10.3)	-	-	-	-
Under / (Over)provision in respect of previous years	-	-	-	-
<b>(II) Deferred Tax Expense</b>				
Deferred Tax Charge or (Reversal)	<b>88,628,474</b>	35,084,646	<b>88,628,474</b>	35,084,646
	<b>88,628,474</b>	35,084,646	<b>88,628,474</b>	35,084,646
<b>Net Tax Charge or (Reversal) reported in Statement of Profit or Loss</b>	<b>88,628,474</b>	35,084,646	<b>88,628,474</b>	35,084,646
<b>10.2 Statement of Other Comprehensive Income</b>				
Tax Effect on Actuarial gains/ (losses) on defined benefit plans	<b>(28,086,838)</b>	6,494,056	<b>(28,086,838)</b>	6,494,056
Tax Effect on Reevaluation of Land & Building	-	31,467,835	-	(31,467,835)
<b>Net Tax Charge directly to Other Comprehensive Income</b>	<b>(28,086,838)</b>	37,961,891	<b>(28,086,838)</b>	(24,973,779)
The Company is liable to income tax at the rate of 14% on its business income earned during the year.				
<b>10.3 Reconciliation of Accounting Profit to Income Tax Expense</b>				
Profit/ (Loss) before tax	<b>387,294,610</b>	233,037,370	<b>371,382,450</b>	262,525,111
Effective tax rate %	<b>14%</b>	0%	<b>14%</b>	14%
Tax effect on profit before tax	<b>54,221,245</b>	32,625,232	<b>51,993,543</b>	36,753,515
Tax effect on deductible expenses for tax purposes	<b>(80,232,451)</b>	(96,675,215)	<b>(80,107,121)</b>	(96,549,885)
Tax effect on non-deductible expenses for tax purposes	<b>44,147,169</b>	57,810,329	<b>44,111,440</b>	57,774,599
Tax effect on Business income	<b>18,135,963</b>	(6,239,654)	<b>15,997,862</b>	(2,021,772)
Tax effect on tax exempt income	<b>(18,135,963)</b>	6,239,654	<b>(15,997,862)</b>	2,021,772
Tax effect on Investment Income	<b>9,516,970</b>	9,908,324	<b>9,516,970</b>	9,908,324
Tax effect on Utilisation of tax losses	<b>(9,516,970)</b>	(9,908,324)	<b>(9,516,970)</b>	(9,908,324)
Income Tax on current year profits	-	-	-	-
Under / (Over) provision in respect of previous years	-	-	-	-
Income Tax charge for the year	-	-	-	-
Deferred tax charge/ (reversal)	<b>88,628,474</b>	35,084,646	<b>88,628,474</b>	35,084,646
Total income tax expense	<b>88,628,474</b>	35,084,646	<b>88,628,474</b>	35,084,646

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 10 INCOME TAX EXPENSE (Contd.)

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>10.4 Tax losses carried forward</b>				
Tax losses brought forward	1,544,808,757	1,539,727,854	1,544,808,757	1,539,727,854
Adjustments on finalisation of liability	-	61,413,432	-	61,413,432
Tax losses arising during the year	-	14,441,213	-	14,441,213
Utilisation of tax losses	(41,284,355)	(70,773,743)	(41,284,355)	(70,773,743)
Tax losses carried forward	1,503,524,402	1,544,808,757	1,503,524,402	1,544,808,757

## 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 which attributable to the ordinary shareholders of the parent divided by the weighted average number of ordinary shares outstanding during the period and calculated as follows.

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Amount used as the Numerator</b>				
Profit / (Loss) attributable to ordinary shareholders of the parent (Rs. )	298,666,136	197,952,724	282,753,976	227,440,465
<b>Amount used as the Denominator</b>				
Weighted average number of ordinary shares	223,042,992	223,042,992	223,042,992	223,042,992
<b>Basic earnings / (loss) per share (Rs. )</b>	<b>1.34</b>	0.89	<b>1.27</b>	1.02

## 12 RIGHT-OF-USE ASSETS

	Notes	Group/ Company	
		2021 Rs.	2020 Rs.
Right-of-use asset -Land	12.1	265,966,858	270,573,464
Right-of-use asset- immovable bearer biological assets	12.2.1	32,577,087	42,731,182
Right-of-use asset-other property, plant and equipments	12.2.2	294,651	919,914
Right -of-use asset- motor vehicles & machineries	12.3	51,352,697	65,454,573
		<b>350,191,293</b>	379,679,133

### 12.1 Right-to-use of Land

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 2020 has been reassessed under the provisions of SLFRS 16 and both "Right-of-use asset- Land" and "Lease Liability" has been enhanced. "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 25 years.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

12 RIGHT-OF-USE ASSETS (Contd...)	Group/ Company	
	2021	2020
<b>Cost</b>		
At the beginning of the year	281,396,403	252,764,629
Transferred in due to reassessment of lease liability	(10,822,939)	(9,361,653)
Adjustment on reassessment of lease liability	6,476,360	37,993,427
At the end of the year	277,049,824	281,396,403
<b>Depreciation</b>		
At the beginning of the year	10,822,939	9,361,653
Transferred out due to reassessment of lease liability	(10,822,939)	(9,361,653)
Deprecation for the year	11,082,966	10,822,939
At the end of the year	11,082,966	10,822,939
<b>Written Down Value</b>	265,966,858	270,573,464

## 12.2 Right-of-use-assets 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. These assets have accounted in accordance with SLFRS 16 - Leases.

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

	Group/Company			
	Mature Plantations		2021	2020
	Tea	Rubber		
	Rs.	Rs.	Rs.	Rs.
<b>Cost</b>	176,688,366	127,934,487	304,622,853	304,622,853
<b>Depreciation</b>				
As at 1st January	151,903,282	109,988,389	261,891,671	251,737,576
Depreciation for the year	5,889,612	4,264,483	10,154,095	10,154,095
As at 31st December	157,792,894	114,252,872	272,045,766	261,891,671
Carrying amount	18,895,472	13,681,615	32,577,087	42,731,182

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 2021

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

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

	Group/Company				
	Land	Buildings	Machinery	2021	2020
	Development Rs.	Rs.	Rs.	Rs.	Rs.
<b>Cost</b>	18,757,900	113,171,583	16,503,578	<b>148,433,061</b>	148,433,061
<b>Depreciation</b>					
As at 1st January	17,837,986	113,171,583	16,503,578	<b>147,513,147</b>	146,887,884
Depreciation for the year	625,263	-	-	<b>625,263</b>	625,263
As at 31st December	18,463,249	113,171,583	16,503,578	<b>148,138,410</b>	147,513,147
Carrying amount	294,651	-	-	<b>294,651</b>	919,914

	Group /Company			
	Motor Vehicles	Machinery	2021	2020
	Rs.	Rs.	Rs.	Rs.

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

<b>Cost</b>					
As at 1st January		108,049,212	41,329,000	<b>149,378,212</b>	130,828,212
Transferred from freehold property, plant and equipments (Note 13)		-	-	-	-
Disposal During the Year		(5,400,000)	-	<b>(5,400,000)</b>	
Additions		-	-	-	18,550,000
As at 31st December		102,649,212	41,329,000	<b>143,978,212</b>	149,378,212
<b>Depreciation</b>					
As at 1st January		75,878,401	8,045,238	<b>83,923,639</b>	62,905,788
Transferred from freehold property, plant and equipments (Note 13)		-	-	-	-
Disposals During the year		(5,400,000)	-	<b>(5,400,000)</b>	-
Depreciation during the year		11,002,201	3,099,675	<b>14,101,876</b>	21,017,851
As at 31st December		81,480,602	11,144,913	<b>92,625,515</b>	83,923,639
<b>Written Down Value</b>		21,168,610	30,184,087	<b>51,352,697</b>	65,454,573

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 13 FREEHOLD PROPERTY, PLANT & EQUIPMENT

Group	Land At Valuation Rs.	Buildings At Valuation Rs.	Building Improvements Rs.	Motor Vehicles Rs.	Plant & Machinery Rs.
<b>Cost or valuation</b>					
<b>As at 1st January</b>	1,242,376,000	347,174,000	272,372,125	186,806,849	489,700,142
Additions	-	-	-	964,951	21,323
Disposals	-	-	-	(12,782,885)	-
Revaluation	-	-	-	-	-
Transferred due to revaluation	-	-	-	-	-
Transferred from capital working progress	-	-	7,500,000	-	4,164,677
<b>As at 31st December</b>	<b>1,242,376,000</b>	<b>347,174,000</b>	<b>279,872,125</b>	<b>174,988,915</b>	<b>493,886,142</b>
<b>Accumulated Depreciation</b>					
<b>As at 1st January</b>	-	-	95,653,396	159,781,148	254,223,496
Charge for the year	-	8,679,350	7,469,648	11,493,834	23,343,510
Provision over/under adjustment	-	-	-	-	-
On Disposals	-	-	-	(12,782,885)	-
Transferred due to revaluation	-	-	-	-	-
<b>As at 31st December</b>	<b>-</b>	<b>8,679,350</b>	<b>103,123,044</b>	<b>158,492,096</b>	<b>277,567,006</b>
<b>Carrying Value</b>					
<b>As at 31st December 2021</b>	1,242,376,000	338,494,650	176,749,081	16,496,819	216,319,136
<b>As at 31st December 2020</b>	1,242,376,000	347,174,000	176,718,729	27,025,701	235,476,646
Company	Land At Valuation Rs.	Buildings At Valuation Rs.	Building Improvements Rs.	Motor Vehicles Rs.	Plant & Machinery Rs.
<b>Cost or valuation</b>					
<b>Balance as at 01st January</b>	1,242,376,000	347,174,000	272,372,125	186,806,849	489,700,142
Additions	-	-	-	964,951	21,323
Disposals	-	-	-	(12,782,885)	-
Revaluation	-	-	-	-	-
Transferred due to revaluation	-	-	-	-	-
Transferred from capital working progress	-	-	7,500,000	-	4,164,677
<b>Balance as at 31st December</b>	<b>1,242,376,000</b>	<b>347,174,000</b>	<b>279,872,125</b>	<b>174,988,915</b>	<b>493,886,142</b>
<b>Accumulated Depreciation</b>					
<b>Balance as at 01st January</b>	-	-	95,653,396	159,781,148	254,223,496
Charge for the year	-	8,679,350	7,469,648	11,493,834	23,343,510
On Disposals	-	-	-	(12,782,885)	-
Transferred due to revaluation	-	-	-	-	-
<b>Balance as at 31st December</b>	<b>-</b>	<b>8,679,350</b>	<b>103,123,044</b>	<b>158,492,096</b>	<b>277,567,006</b>
<b>Carrying Value</b>					
<b>As at 31st December 2021</b>	1,242,376,000	338,494,650	176,749,081	16,496,819	216,319,136
<b>As at 31st December 2020</b>	1,242,376,000	347,174,000	176,718,729	27,025,701	235,476,646

Furniture & Fittings Rs.	Equipments Rs.	Land Improvement Rs.	Water & Sanitation and Others Rs.	Capital Work in Progress Rs.	Total 2021 Rs.	Total 2020 Rs.
33,366,772	159,161,572	39,995,911	67,728,746	4,725,614	2,843,407,731	2,465,182,846
459,325	2,590,398		-	39,555,833	43,591,829	174,876,915
-	-	(100,000)	-	-	(12,882,885)	(1,702,030)
-	-	-	-	-	-	230,498,821
-	-	-	-	-	-	(25,448,821)
-	92,700	-	-	(11,757,377)	(0)	-
<b>33,826,097</b>	<b>161,844,670</b>	<b>39,895,911</b>	<b>67,728,746</b>	<b>32,524,070</b>	<b>2,874,116,675</b>	<b>2,843,407,731</b>
30,788,191	112,187,868	37,824,893	56,773,064	-	747,232,055	720,037,704
424,625	7,299,796	464,203	975,622	-	60,150,588	53,728,215
-	-	-	-	-	(12,782,885)	(1,085,043)
-	-	-	-	-	-	(25,448,821)
<b>31,212,816</b>	<b>119,487,664</b>	<b>38,289,096</b>	<b>57,748,686</b>	<b>-</b>	<b>794,599,758</b>	<b>747,232,055</b>
2,613,280	42,357,006	1,606,815	9,980,060	32,524,070	2,079,516,917	2,096,175,676
2,578,581	46,973,704	2,171,019	10,955,682	4,725,614	2,096,175,676	-
Furniture & Fittings Rs.	Equipments Rs.	Land Improvement Rs.	Sanitation and Others Rs.	Work in Progress Rs.	Total 2021 Rs.	Total 2020 Rs.
<b>33,366,772</b>	<b>158,534,923</b>	<b>39,995,911</b>	<b>67,728,746</b>	<b>4,725,614</b>	<b>2,842,781,082</b>	<b>2,465,182,846</b>
437,285	2,050,385			39,555,832.76	43,029,776	174,250,266
		(100,000)			(12,882,885)	(1,702,030)
					-	230,498,821
					-	(25,448,821)
	92,700.00			(11,757,377)	(0)	-
<b>33,804,057</b>	<b>160,678,007</b>	<b>39,895,911</b>	<b>67,728,746</b>	<b>32,524,070</b>	<b>2,872,927,973</b>	<b>2,842,781,082</b>
30,788,191	112,169,971	37,824,893	56,773,064	-	747,214,158	720,037,704
422,788	7,126,968	464,203	975,622		59,975,923	53,710,318
					(12,782,885)	(1,085,043)
					-	(25,448,821)
<b>31,210,979</b>	<b>119,296,939</b>	<b>38,289,096</b>	<b>57,748,686</b>	<b>-</b>	<b>794,407,196</b>	<b>747,214,158</b>
2,593,077	41,381,069	1,606,815	9,980,060	32,524,070	2,078,520,777	2,095,566,924
2,578,581	46,364,952	2,171,019	10,955,682	4,725,614	2,095,566,924	

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 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 30 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 31st December 2021.

The Freehold Lands and Building on freehold lands were revalued by Mr. G.J. Sumanasena, Incorporated Valuer as of 31st December 2021. 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 or 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.

The valuations as of 31st December 2021 contained a higher estimation of uncertainty as there were fewer market transactions which are ordinarily a strong source of evidence regarding fair value. The value reflected represents the best estimate based on the market conditions that prevailed, which in valuers' considered opinion, meets the requirements in SLFRS-13 Fair Value Measurement.

Information on fair value measurement on land and building as at 31st December 2021 using significant unobservable inputs (level 3) is given below.

Type of Asset	Location	Fair Value as at 31st December 2021	Method of Valuation	Significant Unobservable Inputs	Estimates for Unobservable Inputs (Weighted Average)	Sensitivity of Fair Value to Unobservable Inputs
Land	Bopitiya, Wattala	42,350,000	Market Approach	Estimated price per perch	Rs 550,000/- per perch	Positively correlated sensitivity
Land	Vakarai, Batticallo	47,200,000	Market Approach	Estimated price per perch	"Rs.4,800,000/- to Rs.5,600,000/- per acre"	Positively correlated sensitivity
Land	Dam Street, Colombo 02	794,850,000	Market Approach	Estimated price per perch	Rs.7,000,000/- per perch	Positively correlated sensitivity
Buildings	Dam Street, Colombo 02	130,150,000	Cost Approach	Estimated price per square foot	Rs. 2,200/- to Rs. 6,500/- per square foot	Positively correlated sensitivity
Land	Hendala, Wattala	357,976,000	Market Approach	Estimated price per perch	Rs.700,000/- to Rs. 1,200,000/- per perch	Positively correlated sensitivity
Buildings	Hendala, Wattala	217,024,000	Cost Approach	Estimated price per square foot	Rs.2,800/- to Rs.5,200/- per square foot	Positively correlated sensitivity

**1,589,550,000**

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

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	42,350,000	Market Approach	Estimated price per perch	Rs.325,000/- per perch	Positively correlated sensitivity
Land	Vakarai, Batticallo	47,200,000	Market Approach	Estimated price per perch	Rs.5,000,000/- per acre	Positively correlated sensitivity
Land	Dam Street, Colombo 02	794,850,000	Market Approach	Estimated price per perch	Rs.6,250,000/- per perch	Positively correlated sensitivity
Buildings	Dam Street, Colombo 02	130,150,000	Cost Approach	Estimated price per square foot	Rs.3,325/- per square foot	Positively correlated sensitivity
Land	Hendala, Wattala	357,976,000	Market Approach	Estimated price per perch	Rs.716,667/- per perch	Positively correlated sensitivity
Buildings	Hendala, Wattala	217,024,000	Cost Approach	Estimated price per square foot	Rs.4,044/- per square foot	Positively correlated sensitivity
		<b>1,589,550,000</b>				

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

	Group/Company	
	2021 Rs.	2020 Rs.
Cost	883,239,312	883,239,312
Accumulated depreciation	(145,668,685)	(135,815,730)
Carrying value	737,570,627	747,423,582

13.5 The cost of fully depreciated and still in use assets of the company amounts to Rs. 400 Mn as of 31st December 2021. (2020 - 400 Mn ).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 14 BIOLOGICAL ASSETS

### 14.1 Bearer Biological Assets

Group/Company	Immature Plantations				Mature Plantations				2021 Rs.	2020 Rs.
	Tea Rs.	Rubber Rs.	Other Rs.	Total Rs.	Tea Rs.	Rubber Rs.	Other Rs.	Total Rs.		
<b>Cost</b>										
As at 1st January	16,293,423	184,176,960	244,332,774	444,803,158	486,257,709	607,705,342	251,392,018	1,345,355,069	<b>1,790,158,227</b>	1,656,258,555
Additions during the year	1,501,503	43,389,545	118,073,568	162,964,616		130,336,117	11,716,269	142,052,386	<b>305,017,003</b>	288,985,344
Transfers (from)/to		(130,336,117)	(11,716,269)	(142,052,386)				-	<b>(142,052,386)</b>	(149,688,735)
Written-off				-				-	-	(5,396,938)
As at 31st December	17,794,926	97,230,388	350,690,074	465,715,388	486,257,709	738,041,459	263,108,287	1,487,407,456	<b>1,953,122,844</b>	1,790,158,227
<b>Depreciation</b>										
As at 1st January	-	-	-	-	229,909,618	271,990,158	40,143,605	542,043,381	<b>542,043,381</b>	489,058,854
Charge for the year	-	-	-	-	10,392,096	34,101,035	14,541,334	59,034,465	<b>59,034,465</b>	52,984,527
Written-back	-	-	-	-	-	-	-	-	-	-
As at 31st December	-	-	-	-	240,301,714	306,091,193	54,684,939	601,077,846	<b>601,077,846</b>	542,043,381
Carrying amount	17,794,926	97,230,388	350,690,074	465,715,388	245,955,995	431,950,266	208,423,348	886,329,609	<b>1,352,044,998</b>	1,248,114,847

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 capitalised during the year under Immature Plantations.

### 14.2 Consumable Biological Assets

	Group/Company	
	2020 Rs.	2019 Rs.
As at 1st January	<b>1,384,930,361</b>	1,297,457,530
Increase due to development		3,714,240
Gain/(loss) arising from changes in fair value less cost to sell	<b>96,090,915</b>	96,801,651
Cost of Harvested Timber trees	<b>(1,556,945)</b>	(13,043,060)
As at 31st December	<b>1,479,464,332</b>	1,384,930,361

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 14 BIOLOGICAL ASSETS (Contd)

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.

### 14.2.1 Information About Fair Value Measurements Using Significant Unobservable Input (Level3)

Non Financial Assets	Valuation Technique	Unobservable Inputs	Range of Unobservable Inputs		Relation of Unobservable Inputs to Fair Value
			2021	2020	
Consumable Biological Assets	Discounted Cash Flow Method	Discounted Rate	13.00%	12.50%	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 price per cu. Meter. the higher the fair value
		Price per cu. Meter	Rs.1,500/= to Rs.27,000/=	Rs.2,000/= to Rs.24,000/=	The higher the price per cu. Meter. the higher the fair value

### 14.3 Consumable Biological Assets - Managed Trees

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.

#### 14.3.1 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 31st December 2021	(147,946,433)	147,946,433
As At 31st December 2020	(138,493,036)	138,493,036

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 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 31st December 2021	10,462,747	(9,748,820)
As At 31st December 2020	10,488,511	(9,648,247)

The carrying amount of biological assets pledged as securities for liabilities are nil for year 2021 (2020 - nil).

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

## 15 OTHER NON CURRENT FINANCIAL ASSETS

15.1 Financial assets at fair value through OCI	No. of Shares	2021 Rs.	2020 Rs.
<b>Investment in quoted companies</b>			
Agalawatte Plantation PLC	100	5,370	2,810
Balangoda Plantation PLC	100	3,030	1,610
Bogawantalawa Plantation PLC	150	3,375	2,190
Hapugasthenne Plantation PLC	100	4,490	1,830
Horana Plantation PLC	100	3,010	2,240
Kahawatte Plantation PLC	100	2,760	3,100
Kegalle Plantation PLC	100	16,800	8,900
Kotagala Plantation PLC	150	1,155	1,350
Kelani Valley Plantation, PLC	100	17,580	7,910
Madulsima Plantation PLC	100	1,260	1,000
Namunukula Plantation PLC	100	38,975	18,400
Talawakelle Plantation PLC	100	10,440	7,300
Udapussellawa Plantation PLC	100	6,020	3,200
Watawala Plantation PLC	1,000	131,430	56,600
Total Financial Assets at fair value through OCI	2,400	245,695	118,440
15.2 Net (loss) / gain on financial assets at fair value through OCI		127,255	48,214

### 15.3 Fair Value Hierarchy for Financial

Financial Asset Type	Date of Valuation	Level 1	Level 2	Level 3
		“(Quoted prices in active markets) Rs.	(Significant observable inputs) Rs.	(Significant unobservable inputs) Rs.
Investment in quoted equity shares	31-Dec-21	245,695	-	-
	31-Dec-20	118,440	-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 16 INVESTMENT IN SUBSIDIARY

	Percentage of Holding	Group		Company	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Malwatte Species (Pvt) Ltd	100%	-	-	<b>22,165,980</b>	22,165,980
		-	-	<b>22,165,980</b>	22,165,980

The Group has invested in Malwatte Species (Pvt) Ltd (Formally known as Bloemendal Flower Company (Pvt) Ltd), which is involved in the business of manufacturing and sale of spices. With effect from 26 May 2020, Malwatte Species (Pvt) Ltd became a fully owned subsidiary of Malwatte Valley Plantations PLC.

### 16.1 Assets acquired and liabilities assumed;

	2021 Rs.
<b>Value of shares issued to Malwatte Valley Plantations PLC</b>	<b>22,165,980</b>
<b>Less: Assets and liabilities acquired;</b>	
Property, plant and equipment	
Trade and other receivables	
Cash and bank balances	
Trade and other payables	
<b>Goodwill on acquisition of subsidiary</b>	<b>22,165,980</b>

16.2 Goodwill	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
At cost				
As at 1 January		-		
Acquisition of operations (Note 16.1)	<b>22,165,980</b>	22,110,634	-	-
As at 31 December	<b>22,165,980</b>	22,110,634	-	-
Accumulated amortisation and impairment	-	-	-	-
	-	-	-	-
Carrying amount	<b>22,165,980</b>	22,110,634	-	-

The recoverability amount of goodwill is determined with reference to the value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering five year periods. The key assumptions used are given below;

Business growth - Based on the long term average growth rate used in consistent with the forecast included in industry reports.

Inflation rate - Based on current inflation rate.

Discount rate - Risk free rate adjusted for the specific risk relating to the industry.

Margin - Based on past performance and budgeted expectations.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 16.3 The Summarized Financial Information of Malwatte Spices (Pvt) Ltd are set out below.

	Company	
	2021 Rs.	2020 Rs.
Current assets, including cash and cash equivalents Rs. 4,008,705.78/- (2020 - Rs. 30,977,262/-)	60,739,646	75,316,218
Non current assets	996,140	608,752
Current liabilities, including tax payable. Rs. Nil/- (2020 - Nil)	(75,311,369)	(92,857,346)
Non current liabilities	-	(12,500,000)
<b>Total Equity</b>	<b>(13,575,582)</b>	<b>(29,432,376)</b>
<b>Summarised statement of profit or loss of Malwatte Spices (Pvt) Ltd</b>		
Revenue	78,702,985	37,863,854
Cost of sales	(42,258,587)	(53,237,668)
Other income	274,605	10,950
Administration expenses including depreciation Rs. 174,665/- (2020- Rs.35,729/- )	(8,082,341)	(2,226,613)
Selling and Distribution expenses	(11,930,387)	(11,670,242)
Finance cost	(849,483)	(228,001)
<b>Profit Before Tax</b>	<b>15,856,793</b>	<b>(29,487,719)</b>
Income tax expense	-	-
<b>Profit for the year</b>	<b>15,856,793</b>	<b>(29,487,719)</b>
<b>Total comprehensive income for the year</b>	<b>15,856,793</b>	<b>(29,487,719)</b>

## 17 PRODUCE ON BEARER BIOLOGICAL ASSETS

	Group/ Company	
	2021 Rs.	2020 Rs.
As at 1st January	3,667,903	1,929,028
Change in fair value less cost to sell	(1,657,592)	1,738,875
As at 31st December	2,010,311	3,667,903

### 17.1 Fair Value Hierarchy for Non financial asstes

Non Financial Asset Type	Date of Valuation	Level 1	Level 2	Level 3
		(Quoted prices in active markets) Rs.	(Significant observable inputs) Rs.	(Significant unobservable inputs) Rs.
Produce on Bearer Biological assets	31-Dec-21	-	2,010,311	-
	31-Dec-20		3,667,903	

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 17.2 Gain/(Loss) on Fair Value of Biological Assets

	Note	Group/ Company	
		2021 Rs.	2022 Rs.
Gain/(Loss) arising from Consumable Biological Assets	14.2	96,090,915	96,801,651
Gain/(Loss) arising from Produce on Bearer Biological Assets	17	(1,657,592)	1,738,875
<b>Total Change in Fair Value of Biological Assets</b>		<b>94,433,323</b>	<b>98,540,526</b>

## 18 INVENTORIES

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Input Materials	48,000,876	25,863,313	48,000,876	25,863,313
Nurseries	57,800,004	50,255,882	57,800,004	50,255,882
Consumables & Spares	4,021,925	13,729,412	4,021,925	13,729,412
Harvested Crops	361,339,933	391,249,667	361,339,933	391,249,667
Spices Stock	39,708,722	43,720,996	1,474,801	13,780,108
	510,871,461	524,819,269	472,637,540	494,878,382
Less: Provision for Inventories	(50,251,204)	(50,906,923)	(50,251,204)	(50,906,923)
	<b>460,620,257</b>	<b>473,912,346</b>	<b>422,386,336</b>	<b>443,971,459</b>

## 19 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Produce debtors	476,813,273	139,585,713	476,813,273	139,585,713
Trade receivables	17,234,499	14,083,017	-	-
Advances & Prepayments	25,474,360	15,099,127	24,211,839	15,099,127
Other debtors	115,761,419	62,240,778	115,761,419	61,925,728
Staff Debtors	37,818,674	41,561,247	37,818,674	41,561,247
WHT Recoverable	4,709,661	4,709,661	4,709,661	4,709,661
ESC Recoverable	42,047,886	42,047,886	42,047,886	42,047,886
	719,859,772	319,327,428	701,362,752	304,929,361
Less: Provision for Impairment	(815,264)	-	(815,264)	-
	<b>719,044,508</b>	<b>319,327,428</b>	<b>700,547,488</b>	<b>304,929,361</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 20 AMOUNTS DUE FROM RELATED PARTIES

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Uva Resorts & Residencies (Pvt)Ltd	18,151,383	18,151,383	18,151,383	18,151,383
Malwatte Leisure (Pvt) Ltd	828,233	828,233	828,233	828,233
Malwatte Spices (Pvt) Ltd	-	-	61,388,207	73,462,127
	18,979,616	18,979,616	80,367,823	92,441,743
<b>Less: Provision for impairment</b>				
Bloemendal Flower Company (Pvt) Ltd	-	-	-	22,165,982
Provision written back during the year	-	-	-	(22,165,982)
Uva Resorts & Residencies (Pvt)Ltd	18,151,349	18,151,383	18,151,349	18,151,383
	18,151,349	18,151,383	18,151,349	18,151,383
	828,267	828,234	62,216,474	74,290,360

## 21 CASH AND CASH EQUIVALENTS

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>21.1 Short term deposits</b>				
Short term fixed deposits	413,687,894	700,268,506	413,687,894	700,268,506
<b>Total</b>	<b>413,687,894</b>	<b>700,268,506</b>	<b>413,687,894</b>	<b>700,268,506</b>
<b>21.2 Favorable balances</b>				
Cash at bank	177,811,560	137,955,887	173,802,854	106,981,560
Cash in hand	144,940	96,257	144,940	93,322
Cash in transits	1,624,899	1,018,572	1,624,899	1,018,572
Stamps	9,390	11,819	9,390	11,819
<b>Total</b>	<b>179,590,789</b>	<b>139,082,534</b>	<b>175,582,083</b>	<b>108,105,272</b>
<b>21.3 Unfavorable balances</b>				
Bank overdraft	348,326,600	490,181,677	348,326,600	490,181,677
<b>Total</b>	<b>348,326,600</b>	<b>490,181,677</b>	<b>348,326,600</b>	<b>490,181,677</b>

Short-term deposits are made for varying periods between three months and twelve 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 30 to the financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 22. STATED CAPITAL

	Group/ Company	
	2021 Number	2020 Number
<b>Issued and Fully Paid Number of Shares</b>		
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
	Group/ Company	
	2021 Rs.	2020 Rs.
Stated Capital including one Golden Share held by the Treasury which has special rights	350,000,010	350,000,010
Issue of 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.

## 23 REVALUATION RESERVE

	Group/ Company	
	2021 Rs.	2020 Rs.
At the beginning of the year	860,357,130	661,326,144
Transfers through Other Comprehensive Income, net of tax	-	199,030,986
At the end of the year	860,357,130	860,357,130

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. This unrealised amount cannot be distributed to shareholders.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 24 INTEREST BEARING LOANS AND BORROWINGS

	Repayable within One year Rs.	2021 Repayable After 1 year less than 5 years Rs.	Total payable Rs.	Payable within One year Rs.	2020 Payable After 1 year less than 5 years Rs.	Total Payable Rs
<b>24.1 Group</b>						
Term loan facilities (Note 24.2.1 and Note 24.2.2)	635,052,749	4,500,000	639,552,749	462,819,997	69,189,868	532,009,865
	635,052,749	4,500,000	639,552,749	462,819,997	69,189,868	532,009,865
<b>24.2 Company</b>						
Term loan facilities (Note 24.2.1)	622,552,749	4,500,000	627,052,749	450,319,997	56,689,868	507,009,865
	622,552,749	4,500,000	627,052,749	450,319,997	56,689,868	507,009,865

### 24.2.1 Term loan facilities

Company	Repayable within One year Rs.	Repayable After 1 year less than 5 years Rs.	Repayable after 05 years Rs.	Total as at 31.12.2021 Rs.	Total as at 31.12.2020 Rs.	Facility Details
<b>Long-term Loans</b>						
National Development Bank PLC	-	-	-	-	18,672,000	I
Indian Overseas Bank PLC	-	-	-	-	9,332,637	II
National Development Bank PLC	-	-	-	-	7,458,400	III
Seylan Bank Loan I	52,529,863	-	-	52,529,863	99,189,868	IV
Seylan Bank Loan II	5,000,000	-	-	5,000,000	35,000,000	V
Hatton National Bank PLC	6,000,000	4,500,000	-	10,500,000	16,000,000	VI
<b>Short term Loans - Packing Credit Loans</b>				-		
Hatton National Bank PLC (USD)	158,642,132	-	-	158,642,132	100,257,680	VII
DFCC Money Market Loan	50,000,000	-	-	50,000,000	100,000,000	VIII
Hatton National Bank PLC Money Market Loan	140,000,000	-	-	140,000,000	-	IX
Hatton National Bank PLC (LKR)	-	-	-	-	40,000,000	X
DFCC Bank PLC(USD)	-	-	-	-	81,099,280	XI
Union Bank PLC Packing Credit Loans	119,380,754	-	-	119,380,754	-	XII
Public Bank	50,000,000	-	-	50,000,000	-	XIII
Hatton National Bank Solar Loan	41,000,000	-	-	41,000,000	-	XIV
<b>Total Term Loan Facilities</b>	622,552,749	4,500,000	-	627,052,749	507,009,865	

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 24.2.2 Other term loan facilities

	Repayable within One year Rs.	Repayable After 1 year less than 5 years Rs.	Repayable after 05 years Rs.	Total as at 31.12.2021 Rs.	Total as at 31.12.2020 Rs.	Facility details
<b>Company- Malwate Spices (pvt) Limited</b>						
National Development Bank PLC	12,500,000	-	-	12,500,000	25,000,000	XV
	12,500,000	-	-	12,500,000	25,000,000	

## 24.3 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	6.93% P.a	After an initial grace period of 12 months, by 13 installments commenced from February 2021
V	6.93% P.a	23 consecutive monthly installments
VI	AWPLR + 2% (Monthly Review)	To be repaid over a period of 03 Years in 36 equal monthly installments of Rs.500,000/- each plus interest.
VII	06 (Months) LIBOR + 3.25%	This loan has been provided for 3 months. After completion of 3 months that will be renewed again
VIII	AWPLR + 1.25%	This loan has been provided for 3 months. After completion of 3 months that will be renewed again
IX	AWPLR + 0.5%	This loan has been provided for 3 months. After completion of 3 months that will be renewed again.
X	AWPLR + 1.5%	This loan has been provided for 6 months. After completion of 6 months that will be renewed again.
XI	03 (Months) LIBOR + 2.75%	This loan has been provided for 1 months. After completion of 1 months that will be renewed again
XII	AWPLR + 0.5%	This loan has been provided for 5 months. After completion of 5 months that will be renewed again
XIII	AWPLR + 0.75%	This loan has been provided for 3 months. After completion of 3 months that will be renewed again
XIV	AWPLR + 0.75%	To be paid over a period of 5 years in fifty monthly installment of Rs.804,000/= plus interest after an initial grace period of 9 months.
XV	4%	This is a term loan obtained for working capital purposes of Malwate Spices (PVT) Ltd for a two year repayment period (with six month grace) .

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 24.5 Changes in Liability arising from financing activities

	1-Jan-21 Rs.	Cash flows Rs.	New leases Rs.	Others Rs.	31-Dec-21 Rs.
<b>Group</b>					
Current interest-bearing loans and borrowings (excluding items listed below)	450,319,997	184,732,752	-	-	635,052,749
Current obligations under finance leases	28,237,726	(8,153,525)	-	-	20,084,201
Non-current interest-bearing loans and borrowings (excluding items listed below)	56,689,868	(52,189,868)	-	-	4,500,000
Non-current obligations under finance leases	316,337,153	(20,067,587)	-	6,476,360	302,745,926
<b>Total liabilities from financing activities</b>	<b>851,584,744</b>	<b>104,321,772</b>	<b>-</b>	<b>6,476,360</b>	<b>962,382,876</b>

	1-Jan-21 Rs.	Cash flows Rs.	New leases Rs.	Others Rs.	31-Dec-21 Rs.
<b>Company</b>					
Current interest-bearing loans and borrowings (excluding items listed below)	450,319,997	172,232,752	-	-	622,552,749
Current obligations under finance leases	28,237,726	(8,153,525)	-	-	20,084,201
Non-current interest-bearing loans and borrowings (excluding items listed below)	56,689,868	(52,189,868)	-	-	4,500,000
Non-current obligations under finance leases	316,337,153	(20,067,587)	-	6,476,360	302,745,926
<b>Total liabilities from financing activities</b>	<b>851,584,744</b>	<b>91,821,772</b>	<b>-</b>	<b>6,476,360</b>	<b>949,882,876</b>

## 25 DEFERRED INCOME

	Group/ Company	
	2021 Rs.	2020 Rs.
<b>Deferred Grants and Subsidies</b>		
As at 1 January	125,506,041	131,793,186
Add : Grants received during the year	11,741,311	2,061,546
Less : Amortisation for the year	(8,548,287)	(8,348,691)
As at 31 December	128,699,065	125,506,041

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 2021

## 25 DEFERRED TAX LIABILITY

	Group/Company			
	2021		2020	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
<b>As at 1 January</b>	2,203,913,275	307,745,858	1,676,423,726	234,699,322
Amount originated during the year transferred to Statement of Profit or Loss	627,331,959	88,628,474	250,604,616	35,084,646
Amount originated during the year transferred to Other Comprehensive Income	(200,620,270)	(28,086,838)	276,884,933	37,961,891
<b>As at 31 December</b>	<b>2,630,624,964</b>	<b>368,287,495</b>	<b>2,203,913,275</b>	<b>307,745,858</b>
Right-of-use assets	288,243,969	40,354,156	341,591,183	47,822,766
Property, Plant and Equipment	1,922,364,458	269,131,024	1,352,036,518	188,483,112
Biological assets	2,715,450,711	380,163,099	2,636,713,111	369,139,836
Retirement benefit obligation	(1,071,539,030)	(150,015,464)	(854,251,090)	(119,595,153)
Lease liabilities	(298,754,327)	(41,825,606)	(287,759,436)	(40,286,321)
Provision for Inventories	(50,251,204)	(7,035,169)	(50,906,923)	(7,126,969)
Provision for impairment of amounts due from balances	(815,264)	(114,137)	(18,151,383)	(2,541,194)
Carried forward tax losses	(874,074,349)	(122,370,409)	(915,358,705)	(128,150,219)
<b>As at 31 December</b>	<b>2,630,624,964</b>	<b>368,287,495</b>	<b>2,203,913,275</b>	<b>307,745,858</b>

The effective tax rate used to calculate deferred tax liability for all the Temporary Differences as at 31 December, 2021 is 14% (2020 - 14%) for the company.

During the year 2021, the company has tax losses carried forward amounting to Rs. 1504 Mn (Refer Note 10.4) that are available for offsetting against future taxable profits of the Company. However, deferred tax asset (i.e. Rs. 88 Mn) has not been recognised in respect for Rs. 630 Mn losses out of Rs. 1504 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 2021

## 27 RETIREMENT BENEFIT OBLIGATIONS

	Group/ Company	
	2021 Rs.	2020 Rs.
<b>As at 1 January</b>	<b>854,251,090</b>	910,176,390
Interest Cost	<b>59,797,576</b>	91,017,639
Current Service Cost	<b>56,576,140</b>	45,031,481
Actuarial (Gain) / Loss due to changes in financial assumptions	<b>36,738,530</b>	72,823,229
Actuarial (Gain) / Loss due to experience adjustment	<b>163,881,740</b>	(119,209,341)
Payments / Payable for the year	<b>(99,706,047)</b>	(145,588,307)
<b>As at 31 December</b>	<b>1,071,539,030</b>	854,251,090

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 2021 the actuarial present value of promised retirement benefits amounted to Rs.1,071,539,030/=. 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. 998,810,305/=

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

	Monthly Paid Staff Rs.	Daily paid Staff Rs.	2021 Rs.	2020 Rs.
Within the next 12 months	26,837,076	157,387,945	<b>184,225,021</b>	141,131,617
Between 2 and 5 years	14,548,176	243,186,651	<b>257,734,827</b>	201,389,204
Beyond 5 years	17,154,450	612,424,730	<b>629,579,180</b>	511,730,269
	58,539,703	1,012,999,326	<b>1,071,539,030</b>	854,251,089

The weighted average duration of the Defined Benefit plan obligation at the end of the reporting period is 3.99 years and 8.59 Years for staff and workers respectively (2020 - 5.06 years and 8.67 years or staff and workers respectively).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

	2021	2020
(i) Rate of Interest	11%	7%
(ii) Rate of Salary Increase		
Workers	10% (per annum)	5.68% (per annum)
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

## 27.1 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.
<b>A one percentage point change in the discount rate.</b>	+1%	-1%
As at 31 December 2021	(75.90)	87.10
As at 31 December 2020	(62.81)	72.46
<b>A one percentage point change in the salary / wage increment rate.</b>	+1%	-1%
As at 31 December 2021	78.90	(70.00)
As at 31 December 2020	64.93	(57.40)

## 28 LEASE LIABILITY

	Note	2021 Rs.	2020 Rs.
Lease liability on right-of-use asset- land	27.1	292,058,399	287,759,436
Lease liability on right-of-use asset - motor vehicles and machineries	27.2	30,771,727	56,815,443
		322,830,126	344,574,879

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

	2020 Rs.	2019 Rs.
<b>28.1 Lease liability on right-of-use asset- land</b>		
<b>As at 1 January</b>	<b>287,759,436</b>	251,664,930
Adjustment on reassessment of lease liability	6,476,360	37,993,427
Accretion of interest	35,571,987	35,019,695
Payments	(37,749,384)	(36,918,616)
<b>As at 31 December</b>	<b>292,058,399</b>	287,759,436
Current	2,439,524	2,128,500
Non - Current	289,618,876	285,630,936
<b>28.1.2 Maturity analysis of lease liabilities are as follows;</b>		
<b>Payable within one year</b>		
Gross liability	37,749,384	36,918,616
Finance cost allocated to future periods	(35,309,860)	(34,790,116)
Net liability transferred to current liabilities	2,439,524	2,128,500
<b>Payable within two to five years</b>		
Gross liability	188,746,920	184,593,080
Finance cost allocated to future periods	(171,344,209)	(169,409,102)
Net liability	17,402,711	15,183,978
<b>Payable after five years</b>		
Gross liability	679,488,912	701,453,704
Finance cost allocated to future periods	(407,272,747)	(431,006,746)
Net liability	272,216,165	270,446,958



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

	2021	2020
	Rs.	Rs.
<b>As at 1 January</b>	<b>56,815,443</b>	66,164,562
Additions	-	18,550,000
Accretion of interest	4,988,271	7,074,634
Payments	<b>(31,031,987)</b>	(34,973,753)
<b>As at 31 December</b>	<b>30,771,727</b>	56,815,443
Current	17,644,677	26,109,226
Non - Current	13,127,050	30,706,217

## 29 TRADE AND OTHER PAYABLES

	Group		Company	
	2021	2020	2021	2020
	Rs.	Rs.	Rs.	Rs.
Trade Creditors	64,253,628	119,965,530	64,253,628	119,965,530
Employee Related Creditors	212,539,125	177,726,438	212,539,125	177,726,438
Gratuity Payable	287,920,321	291,616,552	287,920,321	291,616,552
Provision for Gratuity Surcharge	80,204,705	82,082,273	80,204,705	82,082,273
Accrued Expenses	18,925,056	11,151,372	18,925,056	11,151,372
Others	52,532,091	72,635,791	51,108,928	65,740,573
	<b>716,374,925</b>	755,177,956	<b>714,951,762</b>	748,282,738

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 30 SECURITIES PLEDGED

Following assets have been pledged as security for liabilities.

Nature of Liability	Loan/Facility Rs.	Security	Balance outstanding of facility	
			2021 Rs.	202- Rs.
<b>30.1 Group</b>				
(a) Malwatte Species (Pvt) Ltd				
National Development Bank PLC	25,000,000	Corporate guarantee of Malwatte Valley Plantations PLC	12,500,000	25,000,000
<b>30.2 Company</b>				
Hattion National Bank PLC	358,000,000	Primary mortgage over leasehold rights of Dickwella, Ellawa, Sarnia, Attempitiya, Uva Ketawala, Chalse, Warwick, Hakgalla, Ledgerwatte, Unugalla, Keenakelle, Downside & Queentown Estates.	117,696,611	266,997,412
Union Bank PLC	200,000,000	Primary mortgage over leasehold rights of Dyraba & Aislaby Estates.	185,086,692	194,862,685
DFCC Bank PLC	50,000,000	Primary mortgage over leasehold rights of Welimada Estate	45,089,779	28,321,580
<b>Long term Loan</b>				
National Development Bank PLC	USD 3,000,000	Primary mortgage over leasehold rights of Land, Buildings and immovable Machinery of Neluwa & Uva Highlands	-	18,672,000
Indian Overseas Bank PLC	USD 1,000,000	Primary mortgage over leasehold rights of Land, Buildings and immovable Machinery of St James Estate	-	9,332,637
National Development Bank PLC	Rs. 111,820,000	Primary mortgage over leasehold rights over Land, Plantations, buildings and Plant & Machinery of Moraliyoa Estate Further mortgage over Lease hold rights over land, Plantations, Buildings, and Plant & Machinery of Neluwa and Uva Highlands Estates	-	7,458,400
Seylan Bank Loan I	Rs.240,000,000	Leasehold rights of Hugoland estate and mortgage over machineries purchased through term loan obtained from Seylan bank	52,529,863	55,000,000
Seylan Bank Loan I	Rs. 60,000,000		5,000,000	35,000,000
Hattion National Bank PLC	Rs. 16,000,000	Secondary mortgage of existing leasehold rights of estates given as collaterals	10,500,000	16,000,000

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 31 CAPITAL COMMITMENTS

	2021 Rs.	220 Rs.
Followings are the capital commitments as at the Statement of Financial Position date.		
Contracted , but not provided for	<u>Nil</u>	<u>Nil</u>
Total	<u>Nil</u>	<u>Nil</u>

## 32 CONTINGENCIES

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

## 33. EVENTS AFTER THE REPORTING PERIOD

### 33.1 Court of Appeal Case No CA WRIT 143/2021

Wages of Plantation workers are negotiated between Trade Unions and Regional Plantation Companies (RPCs) once in every two years and signed a Collective Agreement between the parties. However, recent wage negotiations between the parties were not successful and therefore, the matter was referred to the Wages Board by the Minister of Labour. The Wages Board decided the daily wage rate of Tea / Rubber workers as Rs 1,000/- per day and gazetted its decision on 05th March 2021.

Therefore, a “Writ Application” was instituted by the RPCs in the Court of Appeal seeking an interim order, staying and /or suspending the operation of the decision of the Wages Board, but the Hon Judges of the Court of Appeal was not inclined to issue an interim order but directed the respondents to file objections and the RPCs (Petitioners) to file Counter Objections. As at the statement of financial position date, the above matter is under the preview of the Court of Appeal and therefore the final decision is pending.

Having discussed with independent legal experts and based on information available, the Directors are of the view that in the event of a unfavorable decision to the Company/Group from the above court case, the retirement benefit obligation liability would be increased by Rs. 64 Mn resulting amounts of Rs. 3 Mn charge on Profit or Loss and Rs. 61 Mn charge on Other Comprehensive Income for the year ended 31 December 2021 and no provisions have been made in the financial statements for the year ended 31 December 2021 in this regard.

### 33.2 Dividend Declaration

On 30th May 2022, the Directors of the Company have recommended the payment of final dividend of Rs. 0.12 per share for the year ended 31st December 2021, subject to approval of the shareholders at the Annual General Meeting to be held on 27th June 2022.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 34 RELATED PARTY DISCLOSURES

### 34.1 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)	
				2021 Rs.	2020 Rs.
Malwatte Spices (Pvt) Ltd	Subsidiary	Mr. Lucas Bogtstra	Sale of Spices	61,388,207	-
		Mr.T.R.Gerlach			
		Mr. S. D. Samaradivakara	Advances	-	34,759,737
		Mr. K. G. M. Piyaratne	Written back	-	22,165,980
Uva Resorts & Residencies (Pvt)Ltd	Related Company	Mr. Lucas Bogtstra	Advances	-	-
		Mr.T.R.Gerlach			
Malwatte Leisure (Pvt) Ltd	Related Company	Mr. Lucas Bogtstra	Advances	-	(128,000)
		Mr.T.R.Gerlach			

\* Mr. T. R. Gerlach (Deceased on 10th November, 2021)

### 34.2 Transactions with the key management personnel of the company or parent

There were no material transactions with the Key Management Personnel of the Company and its parent other than those disclosed in Notes 20, 34.1 and 34.2 to the Financial Statements.

	Group		Company	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Directors Fee	63,655,076	43,179,500	63,655,076	43,179,500
Directors Incentive	6,353,322	3,720,361	6,353,322	3,720,361
Gratuity provision	2,500,000	1,500,000	2,500,000	1,500,000
	72,508,398	48,399,861	72,508,398	48,399,861

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. Accordingly the Group 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 Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk.

#### Credit risk

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

#### Liquidity risk

Liquidity risk arises when the Group is unable to meet its financial obligations due to insufficient cash flow situations. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)

### Currency risk

The Group 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 Group. 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 Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group has not engaged in any interest rate swap agreements.

### 35.1 Financial Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the group's financial risk management framework which includes developing and monitoring the Group's financial risk management policies. The Group financial risk management policies are established to identify, quantify and analyze the financial risks faced by the Group, 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 Group's activities. .

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

### 35.2 Credit Risk

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

#### 35.2.1 Trade and Other Receivables

The Group's exposure to credit risk is influenced by the individual characteristics of each customer. The Group's credit policy is monitored at the Board level. The new customers are analysed individually for credit worthiness before Group's standard payment and delivery terms and conditions are offered. Group 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.

The Group 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.139 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.

#### 35.2.2 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)

### 35.2.3 Cash and Cash Equivalents

The Group held cash and Cash Equivalents of Rs.179 Mn as at 31st December 2021 (The Company 2020 – Rs.139 Mn) which represents its maximum credit exposure on these assets.

### 35.2.4 Amounts due from related parties

The Group held amounts due from related parties of Rs.0.8 Mn as at 31st December 2021 (The Company 2020 – Rs..8Mn) which represents its maximum credit exposure on these assets.

### 35.3 Liquidity Risk

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

The Group does not concentrate on a single financial institution, thereby minimizing the exposure to liquidity risk through diversification of funding sources. The Group aims to fund investment activities of the individual and Group level by funding the long-term investment with long term financial sources and short term investment with short term financing.

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

As at 31st Dec 2020	Group				
	Less than 3 Months (Rs.)	3 to 12 Months (Rs.)	2 to 5 years (Rs.)	>5 years (Rs.)	Total (Rs.)
Interest bearing loans & borrowing	228,126,071	650,604,331	4,635,000		883,365,403
Lease Liabilities	5,021,050	15,063,150	30,529,761	272,216,165	322,830,127
Trade payables	64,253,628	-	-		64,253,628
Bank overdraft	348,326,600	-	-		348,326,600
	297,400,750	665,667,482	35,164,761	272,216,165	1,270,449,158

As at 31st Dec 2020	Company				
	Less than 3 Months (Rs.)	3 to 12 Months (Rs.)	2 to 5 years (Rs.)	>5 years (Rs.)	Total (Rs.)
Interest bearing loans & borrowing	225,001,071	641,229,331	4,635,000	-	870,865,403
Lease Liabilities	5,021,050	15,063,150	30,529,761	272,216,165	322,830,127
Trade payables	64,253,628	-	-	-	64,253,628
Bank overdraft	348,326,600	-	-	-	348,326,600
	642,602,350	656,292,482	35,164,761	272,216,165	1,606,275,758

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)

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	354,564,942	99,623,947	58,390,564	-	512,579,453
Lease Liabilities	7,059,431	21,178,294	45,890,195	270,446,958	344,574,879
Trade payables	119,965,530	-	-	-	119,965,530
Bank overdraft	490,181,677	-	-	-	490,181,677
	971,771,581	120,802,241	104,280,759	270,446,958	1,467,301,539

### 35.4 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.

#### 35.4.1 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 Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group has not engaged in any interest rate swap agreements.

#### Interest rate sensitivity

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

	Increase/ decrease in Interest rate	Group Effect on profit before tax Rs.	Company Effect on profit before tax Rs.
2021	+1%	6,395,527	6,270,527
	-1%	(6,395,527)	(6,270,527)
2020	+1%	6,927,868	6,552,868
	-1%	(6,927,868)	(6,552,868)

#### 35.4.2 Foreign Currency Risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Group. The Group 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 31/12/2021 (Voting)

	No of share Holders	No of share Holders %	Total Holdings	Total Holdings %
1 – 1,000	8,117	44.49%	3,405,570	1.68%
1,001 – 10,000	10,012	54.88%	18,282,229	9.01%
10,001 – 100,000	93	0.51%	3,349,847	1.65%
100,001 – 1,000,000	13	0.07%	2,747,407	1.36%
1,000,001 – & over	9	0.05%	175,007,278	86.30%
Grand Total	18,244	100.00%	202,792,331	100.00%

## Analysis Report of Share Holders as at 31/12/2021

	No of share Holders	No of share Holders %	Total Holdings	Total Holdings %
Local Individual	18,175	99.62%	31,339,850	15.45%
Local Institution	56	0.31%	170,541,460	84.10%
Foreign Individual	11	0.06%	41,021	0.02%
Foreign Institution	2	0.01%	870,000	0.43%
Grand Total	18,244	100.00%	202,792,331	100.00%

## Share Holders Categorized Summary Report as at 31/12/2021 (Non Voting)

	No of share Holders	No of share Holders %	Total Holdings	Total Holdings %
1 – 1,000	451	74.55%	90,344	0.45%
1,001 – 10,000	111	18.35%	469,470	2.32%
10,001 – 100,000	35	5.78%	1,021,447	5.04%
100,001 – 1,000,000	4	0.66%	1,707,757	8.43%
1,000,001 – & over	4	0.66%	16,961,642	83.76%
Grand Total	605	100.00%	20,250,660	100.00%

## Analysis Report of Share Holders as at 31/12/2021

	No of share Holders	No of share Holders %	Total Holdings	Total Holdings %
Local Individual	577	95.37%	2,121,975	10.48%
Local Institution	26	4.30%	18,117,994	89.47%
Foreign Individual	2	0.33%	10,691	0.05%
Foreign Institution	0	0%	0	0.00%
Grand Total	605	100.00%	20,250,660	100.00%



## SHAREHOLDER & INVESTOR INFORMATION

### Top 20 Voting Shareholder's List as at 31st December 2021

No's	Name/Address	No. of Shares	%
1	WAYAMBA PLANTATION (PRIVATE) LIMITED	135,839,160	66.984
2	HATTON NATIONAL BANK PLC/CARLINES HOLDINGS (PVT) LTD	20,800,628	10.257
3	HATTON NATIONAL BANK PLC/ALMAS ORGANISATION(PVT) LTD	6,522,826	3.217
4	AMANA BANK PLC/ALMAS ORGANISATION (PVT) LTD	5,691,288	2.806
5	MR W.D.N.H. PERERA	1,402,554	0.692
6	MR R. MAHESWARAN	1,206,667	0.595
7	MIS A. RADHAKRISHNAN	1,206,667	0.595
8	MIS M.P. RADHAKRISHNAN	1,206,666	0.595
9	DR N.D. GUNAWARDENA	1,130,822	0.558
10	TRANZ DOMINION,L.L.C.	520,000	0.256
11	PERSHING LLC S/A AVERBACH GRAUSON & CO.	350,000	0.173
12	HATTON NATIONAL BANK PLC/RAVINDRA ERLE RAMBUKWELLE	304,000	0.150
13	MR K.C. VIGNARAJAH	233,100	0.115
14	MR M.V. THEAGARAJAH & MRS L. THEAGARAJAH	200,000	0.099
15	J.B. COCOSHELL (PVT) LTD	181,261	0.089
16	MARIAPILLAIS (PRIVATE) LIMITED	180,000	0.089
17	COCOSHELL ACTIVATED CARBON COMPANY (PRIVATE) LIMITED	175,000	0.086
18	MR R.E. RAMBUKWELLE	138,500	0.068
19	MRS S. VIGNARAJAH	129,000	0.064
20	MR K.M.S.M. RAZEEL & MR K.M.S.M. RAJABUDEEN	125,000	0.062

**Public Shareholding % - 32.966**

**No of Voting Share Holders -18,244**

# SHAREHOLDER & INVESTOR INFORMATION

## Top 20 Non-Voting Shareholder's List As At 31st December 2021

No's	Name/Address	No. of Shares	%
1	LANKA MOUNTCASTLE (PRIVATE) LIMITED	7,930,500	39.162
2	HATTON NATIONAL BANK PLC/ALMAS ORGANISATION (PVT) LTD	4,619,282	22.811
3	HATTON NATIONAL BANK PLC/CARLINES HOLDINGS (PVT) LTD	3,117,263	15.393
4	AMANA BANK PLC/ALMAS ORGANISATION (PVT) LTD	1,294,597	6.393
5	HATTON NATIONAL BANK PLC/RAVINDRA ERLE RAMBUKWELLE	855,000	4.222
6	MR R.E. RAMBUKWELLE	644,600	3.183
7	MR M.S.R. SHAMSUDEEN	104,963	0.518
8	MR L.K.R.D. KULAWARDENA	103,194	0.510
9	SEYLAN BANK PLC/JAYANTHA DEWAGE	94,676	0.468
10	PEOPLE'S LEASING & FINANCE PLC/MR.L.K.N.K.KULAWARDENA	84,000	0.415
11	MR P.H.K.U.A. RANASINGHE	67,344	0.333
12	MR W.A.S. CHATHUMADHURA	67,108	0.331
13	MR L.K.N.K. KULAWARDENA	60,000	0.296
14	MERCHANT BANK OF SRI LANKA & FINANCE PLC/G.K.G.L WIJAYATHILAKE	57,460	0.284
15	MR L.K. SEPALAGE	50,000	0.247
16	MR W.G.A. FERNANDO	32,089	0.158
17	MR P.L. SOMARATNE	30,000	0.148
18	MR M.A. AHAMED ZAHVIE	30,000	0.148
19	MR H.M.Z. SHAFEEK	27,500	0.136
20	MR P.V.D.S.S. SAPARAMADU & MRS R.M.A.P. RATHNAYAKE	26,400	0.130

**Public Shareholding % - 100**

**No of Non-Voting Share Holders - 605**

## Directors Shareholdings in the Company - VOTING

Name	As at 31.12.2021	As at 31.12.2020
Mr. Frits Bogtsra	Nil	Nil
Mr. Lucas Bogtsra	100,000	100,000
Mr. S.D. Samaradiwakara	Nil	Nil
Mr. G.C. De Silva	Nil	Nil
Mr. K.G.M. Piyaratne	Nil	Nil
Mr. G.Z.A. Chitty	Nil	Nil

## SHAREHOLDER & INVESTOR INFORMATION

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

Name	As at 31.12.2021	As at 31.12.2020
Mr. Frits Bogtsra	Nil	Nil
Mr. Lucas Bogtsra	Nil	Nil
Mr. S.D. Samaradiwakara	Nil	Nil
Mr. G.C. De Silva	Nil	Nil
Mr. K.G.M. Piyaratne	Nil	Nil
Mr. G.Z.A. Chitty	Nil	Nil

### Stock Exchange

Interim Financial Statements for the forth quarter 31st December 2021 has been submitted to the Colombo Stock Exchange as required by the listing rules.

Market Value	Voting - 2021	Voting -2020	Non Voting - 2021	Non Voting - 2020
Highest	32.00	13.10	19.90	10.70
Lowest	9.10	3.50	7.00	2.00
Year End	28.00	11.90	18.20	9.20

# SHAREHOLDER & INVESTOR INFORMATION

## FIVE YEAR SUMMARY

	12 (Month) Rs.'000 2021	12 (Month) Rs.'000 2020	12 (Month) Rs.'000 2019	12 (Month) Rs.'000 2018	12 (Month) Rs.'000 2017
Turnover	4,712,944	5,068,575	4,857,372	4,755,030	4,601,252
Gross Profit/(Loss)	446,248	342,965	(85,579)	173,429	558,864
Operating Profit/(Loss)	437,210	317,972	(111,350)	171,295	594,744
Gross Profit on Cost of Sales (%)	10	6.8	-	3.8	14
Gross profit on Turnover (%)	9	7.25	-	3.6	12
Profit/(Loss) Before Tax	371,382	262,525	(169,564)	136,569	559,851
Tax expenses	88,628	35,084	58,654	29,845	6,165
Profit/(Loss) After Tax	282,753	227,440	(228,219)	106,724	553,686
Fixed Assets	5,282,633	5,130,575	4,575,628	4,366,980	4,266,154
Current Assets	1,811,004	1,669,806	1,659,649	1,839,277	1,685,620
Current Liabilities	1,709,877	1,719,911	1,699,217	1,385,244	816,431
Shareholders Funds	3,507,988	3,419,940	2,953,529	3,317,619	3,496,652
Capital expenditure	162,000	318,000	175,000	149,395	200,753
Earnings Per Share (Rs.)	1.27	1.02	(1.02)	0.48	2.50
Net Assets Per share (Rs.)	15.74	15.33	13.24	14.87	15.68
Dividend Per Share (Rs.)	0.12	0.10	-	-	0.15
Stated Capital	373,000	373,000	373,000	373,000	373,000
Capital Employed	5,383,760	5,080,471	4,536,059	4,821,013	5,135,343
Net Assets	3,507,988	3,419,940	2,953,529	3,317,619	3,496,652
Return on Capital Employed (%)	7	5	-	4	16
Market Capitalisation	6,046,747	2,599,535	1,338,315	1,660,752	2,417,021

## 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
<b>Total Leasehold Buildings</b>			<b>113,171,583</b>

# 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	130,150,000
STORES	WATTALA	1	217,024,000
<b>Total Freehold Buildings &amp; Building Improvements</b>			<b>347,174,000</b>
AISLABY	BANDARAWELA		11,801,067
DOWNSIDE	WELIMADA		4,973,024
HUGOLAND	LUNUWATTE		3,194,609
NELUWA	BANDARAWELA		4,973,039
UVA HIGHLANDS	BANDARAWELA		11,260,429
ATTAMPITIA	ATTAMPITIYA		10,914,518
WARWICK	AMBEWELA		7,563,142
UNUGALLE	HALI-ELA		7,940,862
DICKWELLA	HALI-ELA		19,296,773
DYRAABA	MIRAHAWATTE		4,104,069
SARNIA	BADULLA		31,916,983
ST JAMES	HALI-ELA		10,249,339
LEDGERWATTE	HALI-ELA		8,616,904
QUEENSTOWN	HALI-ELA		13,413,392
WELIMADA	WELIMADA		19,792,016
UVE KETAWELA	HALI-ELA		20,304,214
MORALIOYA	RUWANWELLA		28,279,904
SUNNYCROFT	WAHARAKA		26,506,629
VINCIT	GONAGALDENIYA		12,887,310
CIRCUIT BUNGLOW	AMBEWELA	1	6,076,599
TALDUA MANOR	TALDUA	1	8,307,302
<b>Total Leasehold Buildings &amp; Building Improvements</b>			<b>272,372,125</b>
<b>Total</b>			<b>619,546,125</b>

## 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
<b>Total Leasehold Lands</b>			<b>359,095,312</b>

### FREEHOLD LANDS

HEAD OFFICE	NO. 280, DAM STREET, COLOMBO 12	0.2872(HA)	794,850,000
STORES	WATTALA	1.0136(HA)	357,976,000
Land	GALBANTHOTAWATTE	77.02 (PERCH)	42,350,000
Land	VAKARAI	9 (ACRE)	47,200,000
<b>Total Freehold Lands</b>			<b>1,242,376,000</b>

# ESTATES & SUPERINTENDANTS

ESTATE	NAME OF EXECUTIVES	DESIGNATION
AISLABY - Bandarawela	Mr L M Ramdhas	Group Manager
ATTAMPETTIA - Ettampitiya	Mr D.W.I.T.Premachandra	Snr. Superintendent
DYRAABA - Bandarawela	Mr S J L Balasooriya	Superintendent
HUGOLAND - Lunuwatte	Mr R M L D S Rajapaksha	Snr. Assistant Superintendent
NELUWA - Bandarawela	Mr D J Edirisinghearachchi	Deputy Manager
ST.JAMES - Haliela	Mr D.T.Gunaratne	Superintendent
UNUGALLA - Haliela	Mr C. L. Edirisinghearachchi	Superintendent
UVA HIGHLANDS - Bandarawela	Mr W.D.G.Wanigasekara	Group Manager
DICKWELLA - Haliela	Mr B.P.C.R.Perera	Regional General Manager
DOWNSIDE - Welimada	Mr V M Prabath	Deputy Manager
LEDGERWATTE - Kandegedara	Mr M.W.A.S.S.Wijesuriya	Superintendent
QUEENSTOWN - Haliela	Mr R S J Arjun Perera	Superintendent
SARNIA - Badulla	Mr K.B.S.Samaradiwakara	Regional General Manager
	Mr D J Edirisinghearachchi	Snr. Asst Superintendent
UVAKETAWELA - Haliela	Mr K G D Sandaruwan	Jnr. Asst. Superintendent
PROCESSING CENTER-UK - Haliela	Mr T Wickramathunga	Manager Operations
WARWICK - Ambewela	Mr C.C.B Dissanayake	Superintendent
WELIMADA - Welimada	Mr D M K C B Dhanapala	Snr Superintendent
VINCIT / TALDUA - Waharaka	Mr A.R.U. Mathavan	Superintendent
MORALIOYA / GLENESK / CHESTERFORD - Ruwawella	Mr R.M.V. Ratnayake	Group Manager
SUNNYCROFT - Ruwanwella	Mr E A G C Athauda	Superintendent





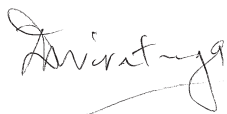
# NOTICE OF MEETING

**NOTICE IS HEREBY GIVEN THAT THE TWENTY-EIGHTH (28TH) ANNUAL GENERAL MEETING OF MALWATTE VALLEY PLANTATIONS PLC, WILL BE HELD ON MONDAY, 27TH JUNE, 2022 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 2021 and the Report of the Auditors thereon.
2. To declare a final dividend at Rs. 0.12 per share for the year ended 31st December, 2021 as recommended by the Directors.
3. To re-appoint M/s. Ernst and Young, Chartered Accountants, as Auditors of the Company and to authorize the Directors to determine their remuneration.
4. To authorize the Directors to determine Donations for the year 2022, and up to the date of the next Annual General Meeting.
5. 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**  
**31st May, 2022**

## 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**

### **28TH ANNUAL GENERAL MEETING**

Dear Shareholder/s

Taking into consideration the prevailing economic constraints in the Country / the travelling difficulties and the guidelines issued by the Colombo Stock Exchange, the Board of Directors of the Company have decided to convene the 28th Annual General Meeting ("AGM") of the Company by way of virtual means by adopting electronic and teleconference mechanisms as per the Article 7 (b) of the Articles of Association of the Company.

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

1. The 28th AGM of the Company shall be convened on Monday, 27th June, 2022 at No. 280, Dam Street, Colombo 12 at 10.30 am.
2. The AGM shall be held in accordance with the Article 7 (b) of the Articles of Association of the Company, by means of audio / audio and visual communication by which all Shareholders participating and constituting a quorum can simultaneously hear each other throughout the Meeting.
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.
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. 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.
6. Voting on the items on the agenda will be registered by using an online platform or a designated ancillary online application. All such procedures will be explained to Shareholders prior to the commencement of the Meeting.
7. Since the postal services are limited in operation due to the prevailing situation of the country, notices pertaining to the 28th 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](http://www.malwattevalley.com)) and on the Colombo Stock Exchange (CSE) web site ([www.cse.lk](http://www.cse.lk)).
8. 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 26th June, 2022.**

E-mail - [kanthi@malwatte.lk](mailto:kanthi@malwatte.lk)

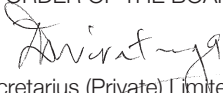
Fax - 011 5388806

By post / By hand - No. 280, Dam Street, Colombo 12.

9. 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 08 of this Notice. The Board will ensure that they are discussed and addressed at the AGM, if relevant.
10. All documents relating to the AGM must be forwarded to [kanthi@malwatte.lk](mailto: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 26th June, 2022 to ensure that they will reach the Company Secretaries on time.

For any queries regarding this Supplementary Notice, please contact us on 0094 11 233431 / 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

31st May, 2022

**MALWATTE VALLEY PLANTATIONS PLC- PQ 111**  
**28TH ANNUAL GENERAL MEETING**  
**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 Proxyholder : .....
6. Proxyholder's NIC No. / Passport No. / Co. Reg No.: .....
7. Proxyholder's Contact No. : (Residence) ..... (Mobile) .....
8. Shareholder's/ Proxyholder'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. K. G. M. Piyaratne or failing him

Mr. G. Chamindra De Silva or failing him

Mr. G. Z. A. Chitty

as \*my/our Proxy to represent me/us and \*to speak/ to vote on \*my/our behalf at the TWENTY EIGHTH (28TH) ANNUAL GENERAL MEETING of the Company to be held on Monday, 27th June, 2022, 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 declare a final dividend at Rs. 0.12 per share for the year ended 31st December, 2021 as recommended by the Directors.



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



3) To authorize the Directors to determine Donations for the year 2022 and up to the date of the next Annual General Meeting.



Signed this .....day of .....Two Thousand and Twenty Two.

- 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 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**





