Balangoda
PLANTATIONS PLC
A MEMBER OF MELSTACORP

ANNUAL REPORT 2019

Content

Notice of Meeting

Notice is hereby given that the Twenty Seventh Annual General Meeting of Balangoda Plantations PLC will be held as a "Virtual Meeting" on Tuesday, 15 September 2020 at the "Mini Auditorium" of DCSL, #110, Norris Canal Road, Colombo 10, Sri Lanka at 11.00 a.m. for the following purposes :

1. To receive and consider the Report of the Directors and the Financial Statements of the Company for the year ended 31st December 2019 together with the Auditor's Report thereon.
2) To re-elect Mr D H S Jayawardena who is above the age of 70 years as a Director of the Company in terms of Sections 210 and 211 of the Companies Act No. 7 of 2007.
3) To re-elect Dr A Shakthevale who is above the age of 70 years as a Director of the Company in terms of Sections 210 and 211 of the Companies Act No. 7 of 2007.
4) To re-elect Mr D Hasitha S Jayawardena who retires by rotation at the Annual General Meeting in terms of Article 92 of the Articles of Association as a Director of the Company.
5) To re-elect Mr D S K Amarasekera who retires by rotation at the Annual General Meeting in terms of Article 92 of the Articles of Association as a Director of the Company.
6) To re-appoint KPMG as Auditors and to authorize the Directors to determination their remuneration.

By order of the Board of Balangoda Plantations PLC
Pradeep A Jayatunga
Secretary

Colombo
20 August 2020

Note :

1. In the interest of protecting public health and facilitating compliance with the Health and Safety guidelines issued by the Government of Sri Lanka, the Twenty Seventh (27th) Annual General Meeting of Balangoda Plantations PLC will be a virtual meeting held by participants joining in person or proxy and through audio or audio visual means in the manner specified below:

   i. Attendance of the Chairman and the Board of Directors

   The Chairman/Managing Director, Board of Directors, certain Key Management Personnel, the Company Secretary, and the External Auditors will be present at the **"Mini Auditorium" DCSL, 110, Norris Canal Road, Colombo 10,Sri Lanka at 11.00 a.m. on Tuesday, 15 September 2020.**

   ii) Shareholder participation

   a) The shareholders are encouraged to appoint a Director of the Company as their proxy to represent them at the meeting.

   b) The shareholders may also appoint any other persons other than a Director of the Company as their proxy and the proxy so appointed shall participate at the meeting through audio or audio visual means only.

   c) The shareholders who wish to participate at the meeting will be able to join the meeting through audio or audio visual means. To facilitate this process, the shareholders are required to furnish the details of the shareholder and proxyholder, if any, by perfecting Annexure II to the circular to shareholders and forward same to bplmplcompanysecretary@gmail.com or by facsimile on +94 11 2540333, to reach the Secretary not less than five (05) days before the date of the meeting so that the meeting login information could be forwarded to the e-mail address as provided. The circular to the shareholders will be posted to all the shareholders along with the Notice of Meeting and the Form of Proxy.

   d) To facilitate the appointment of proxies, the Form of Proxy is attached hereto and the duly filled Forms of Proxy should be sent to reach the Company Secretary via e-mail to bplmplcompanysecretary@gmail.com or facsimile on +94 11 2540333 or by post to the registered address of the Company No. 110, Norris Canal Road, Colombo 10, Sri Lanka, not less than forty eight (48) hours before the time fixed for the meeting.

   iii. Shareholders' queries

   The shareholders are hereby advised that if they wish to raise any queries, such queries should be sent to reach the Company Secretary, via e-mail to bplmplcompanysecretary@gmail.com or facsimile on +94 11 2540333 or by post to the registered address of the Company No. 110, Norris Canal Road, Colombo 10, Sri Lanka, not less than five (5) days before the date of the meeting. This is in order to enable the Company Secretary to compile the queries and forward same to the attention of the Board of Directors so that same could be addressed at the meeting.

2. The Annual Report of the Company for the year 2019 will be available for perusal on the Company website http://melsta.com/our-core-sectors/plantation-services and the Colombo Stock Exchange website on www.cse.lk.

Our Vision

To achieve excellence in the production & marketing of tea and rubber both locally and internationally

Our Mission

- To increase productivity.
- To encourage team work and motivation amongst the employees and provide for career development.
- To generate adequate return on capital.
- To achieve excellence in every sphere of activity towards becoming a model in the Private Sector corporate entity.

Historical Background

The Company was originally incorporated as Balangoda Plantations Ltd on 11th June 1992 by Certificate of Incorporation issued in terms of Section 15 (1) of the Company's Act No. 17 of 1982 read with Section 2 (2) of the Conversion of Public Corporation or Government owned Business Undertakings into Public Company's Act. No.23 of 1987 and the order published in the Gazette Extra Ordinary of the Democratic Socialist Republic of Sri Lanka dated 11th June 1992. The Company was thereafter reregistered under the Company's Act No.07 of 2007 as Company No. PQ 165 and a fresh certificate of incorporation issued under the provision of Section 485 (6) of the Company's Act No.7 of 2007 with the Corporate name changed by operation of law to Balangoda Plantations PLC.

The first tranche of 51% of the issued share capital of the Company was sold by the Secretary to the Treasury through the Colombo Stock Exchange on an "all or nothing" basis and was purchased by Distilleries Company of Sri Lanka Limited (DCSL). The convertible Debentures held by Milford Exports (Ceylon) Limited were converted into 3,636,363 shares.

As per decision of the Government 10% of the Shares of the Company belonging to the Secretary to the Treasury on behalf of the Government were distributed among the eligible employees of the Company.

20% of the Shares of the Company belonging to the Secretary to the Treasury on behalf of the Government were sold to the public through the Colombo Stock Exchange and the balance 19% of the shares belonging to the Secretary to the Treasury were also sold on an "all or nothing" basis through the Colombo Stock Exchange.

Corporate Information

Company

Balangoda Plantations PLC

Legal Form

Quoted Public Company

Date of Incorporation

11th June 1992

Company Registration No.

P Q 165

Registered Office

110, Norris Canal Road,
Colombo 10

Board of Directors

Mr. D H S Jayawardena	-	Chairman/MD
Mr. C R Jansz	-	Non Executive Director
Mr. A L Gooneratne	-	Non Executive Director
Mr. D Hasitha S Jayawardena	-	Non Executive Director
Mr. Anusha S Perera	-	Executive Director
Dr. A Shakthevale	-	Independent Director
Mr. D S K Amarasekera	-	Independent Director

Secretary
Mr. P A Jayatunga,
833, Sirimavo Bandaranaike Mawatha,
Colombo 14.
Telephone : 2524734/2522871

Registrars
P W Corporate Secretarial (Pvt) Ltd,
3/17 Kynsey Road,
Colombo 8.
Telephone : 4640360-3

Auditors
Messrs. KPMG
Chartered Accountants,
32A Sir Mohamed Macan Markar Mawatha
Colombo 3

Bankers
Hatton National Bank PLC

City Office
16, Janadhipathi Mawatha
Colombo 01

Managing Agents
Melstacorp PLC
110, Norris Canal Road
Colombo 10

Senior Management Team

Mr. A S Perera	Executive Director
Mr. R Weerakoon	Chief Executive Officer - Tea
Mr. D Wekunagoda	Chief Executive Officer - Rubber (W.I.F 04/08/2020)
Mr. R Kodikara	General Manager - Finance & Adm.
Mr. M I A Ansar	Chief Accountant
Mr. P A Jayatunga	Legal Officer/Company Secretary

Estate Managers

Mr. P K Ekanayake	Balangoda Estate, Balangoda
Mr. N M P C Nawaratne	Cecilton Estate, Balangoda
Mr. P M A Pathirana	Meddakande Estate, Balangoda
Mr. P A S H Dissanayake	Non Pareil Estate, Belihuloya
Mr. A. I. Wedisinghe	Pettiagalla Estate, Balangoda
Mr. E M K Abanpola	Rasagalla Estate , Balangoda
Mr. D A V R Priyadarshana	Walaboda Estate, Balangoda
Mr. I K A B Ellepola	Rye/Wikiliya Estate, Balangoda
Mr. R A Alahakoon	Galatura Estate, Kiriella
Mr. W H M P W C B Dharmakirthi	Mahawela Estate, Ratnapura
Mr.W.H.M.P.W.C.B. Dharmakirthi(Overlooking)	Millawitiya Estate, Ratnapura
Mr. K H R P Jayasinghe (Acting)	Mutwagalla Estate, Kiriella
Mr. S S. Kurruppu	Palmgarden Estate, Ratnapura
Mr. S. Bulumulla	Rambukkande Estate, Ratnapura
Mr. S B Ranawaka	Cullen Estate, Badulla
Mr. M Pilapitiya	Glen Alpin Estate, Badulla
Mr. C Wanigasekera	Gowerakelle Estate, Badulla
Mr. B M Amunugama	Spring Valley Estate, Badulla
Mr. P K Senanayake	Telbedde Estate, Badulla
Mr. A.P.S. Vishawanath	Ury Estate, Badulla
Mr. A G Gomesz	Wewesse Estate, Badulla

Chairman's Review

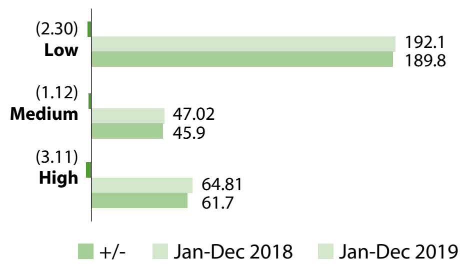
On behalf of the Board of Directors I am pleased to present a detailed review of operations and the performance of Balangoda Plantations PLC as reflected in the Audited Financial Statements for the year ended 31st December 2019

Tea Industry

The year under review presented multiple challenges for the Sri Lanka Tea Industry which was fundamentally impacted by fluctuations in supply and demand, currencies, political upheavals in importing countries, policy inconsistency etc. The Industry has increasingly felt the implications of climate change with erratic rainfall, natural disasters and rising temperatures impacting volumes and yields in recent years. Although the export revenue depicted a growth in comparison to year 2018 backed by weakened rupee, production volumes and Auction Averages demonstrate a declining trend over previous year. The Sector continued to grapple with the financial ill effects of the trading losses experienced by most Regional Plantation Companies with the rising cost of production and the increase in the basic wage rate for estate workers applicable from October 2018 which inserted further pressure on profitability margins.

Sri Lanka's Tea Production			
Year	**Production Mn kg**	**Annual Increase/ Decrease** Mn kg	**Annual Increase/ Decrease** %
2015	328.96	(9.07)	(2.68)
2016	292.57	(36.39)	(11.06)
2017	307.72	15.15	5.18
2018	303.84	(3.88)	(1.26)
2019	300.13	(3.71)	(1.22)

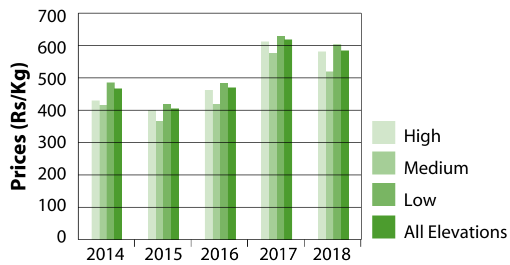
Production - Low, Medium, High Elevations - Mn kgs



Sri Lanka's tea production declined marginally to 300.13 Mn Kgs reflecting a decrease of 1.22%. Unfavourable weather conditions and prolonged actions by workers trade unions demanding a wage increase led to lower production volumes.

Tea – Colombo Auction Average Prices Rs/kg				
Year	**High**	**Medium**	**Low**	**All Elevations**
2015	400.30	362.93	417.41	405.33
2016	457.58	420.67	487.16	470.85
2017	606.59	565.85	637.95	620.17
2018	579.54	524.21	602.01	584.50
2019	518.35	473.16	577.68	548.15

Average Prices Rs/Kg



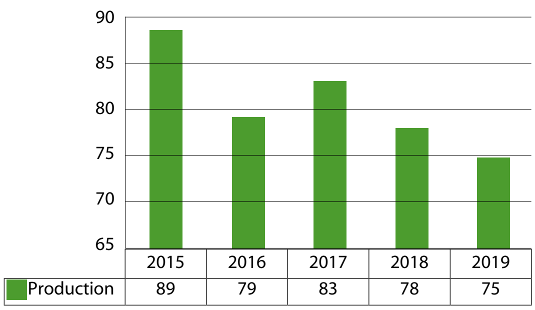
Total auction average of Rs.584.50 showed a decrease of Rs.36.35 with Mediums recording the highest decrease followed by High Grown and Low Grown. Subdued demand conditions and increase in global supply exerted downward pressure on tea prices throughout the year. On the domestic front imbalances in macro fundamentals and political instability towards the end of 2018 resulted a lackluster performance in terms of prices obtained in 2019. Despite the removal of ban on Glyphosate the impacts of same to be felt by the Industry with demand from certain buying destinations failing to pick up due to continued concerns regarding residue levels of MCPA weedicide in Ceylon Tea.

Chairman's Review

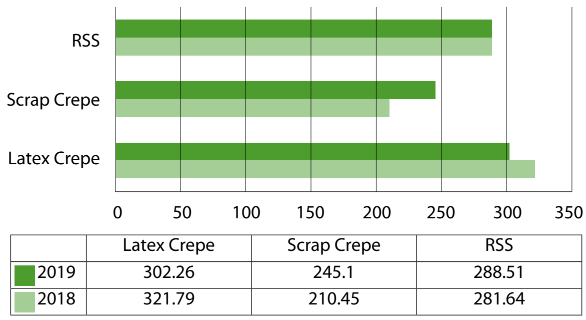
Rubber Industry

The Rubber Sector continued to incur losses due to subdued demand conditions arising from slower global growth and Oil Price movements. The NR market is also heavily influenced by the volatile global economy. The national auction rubber price movement which closely reflects international market prices did not augur well during 2019 which had an inevitably depressive impact on the local rubber market.

Sri Lanka Rubber Production (Mn kg)



National Average Prices - Rubber (Rs kg)



Performance of the Company Tea Sector

	2019	2018	2017	2016	2015
Production ('ooo kg)	4,744	4,211	4,829	5,147	6,386
Yield kg/ha	752	772	815	769	867
Turnover (Rs.Mn)	2,336	2,123	2,811	2,054	2,236
NSA (Rs/kg)	492.41	504.32	564.89	399.40	350.12
COP (Rs./kg)	674.24	607.40	578.00	457.46	435.64
Profit/(Loss) (Rs./kg)	(181.83)	(103.08)	(13.11)	(58.06)	(85.52)

The overall tea production of the Company increased by 12.66% against the pervious year due to weather being favourable to undertake the estimated plucking rounds together with the increased intake of bought leaf and continued strategic focus on best agricultual practices. The Company NSA is Rs.492.41 against Rs.504.32 per kg in 2018, the decline attributable to a falling off of global tea prices. The sector margins are increasingly pressured by the escalating Cost of Production (COP) due to exorbitant price increases in input material with the depreciation of the Sri Lankan Rupee. Labour wage negotiations during the year resulted in the daily basic wage rate increased by 40% exerting further pressure on already tight margins. However turnover from the Tea segment increased by 10.29% due to increase in production volumes.

Noteworthy Performance - Tea

Various grades of Tea manufactured by Balangoda, Cecilton, Meddekande, Pettiagalla, Glen Alpin, Spring Valley, Telbedde & Wewesse Estates obtained all island top prices on 165 occasions at the Colombo Auctions.

Performance of Company's Rubber Sector

	2019	2018	2017	2016	2015
Production ('ooo kg)	855	917	767	951	764
Yield kg/ha	721	846	667	834	647
Turnover (Rs.Mn)	237	234	245	212	177
NSA (Rs/kg)	277.19	255.59	316.14	224.53	231.90
COP (Rs./kg)	451.51	409.76	408.30	314.10	365.49
Profit/(Loss) (Rs./kg)	(174.32)	(154.17)	(92.16)	(89.57)	(133.59)

Chairman's Review

Margins in the Rubber Sector continue to be pressured by increasing cost of production. The Company's Rubber production decreased due to weather being unfavourable to undertake the budgeted tapping days.
Although the Net Sale Average reflects a marginal increase compared to previous year the sector continuing to incur losses amidst subdued demand conditions and escalating cost of production.

Noteworthy Performance – Rubber

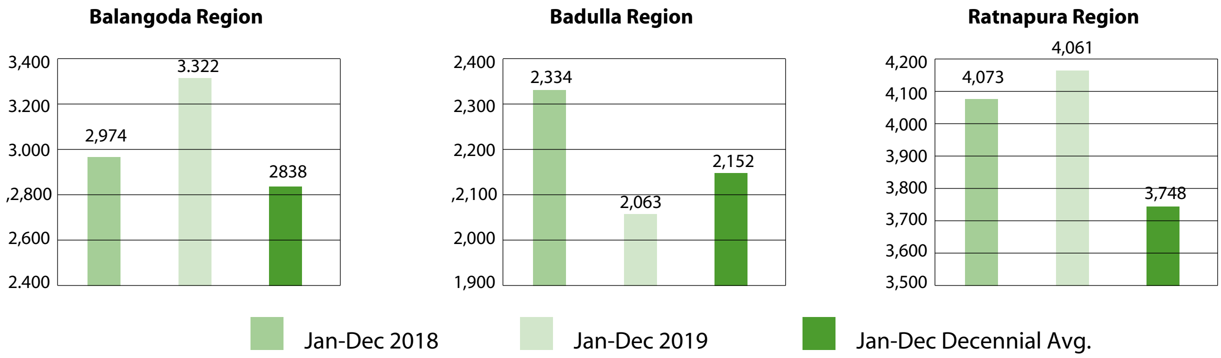
Various grades of Rubber obtained top prices on 90 occasions from Galatura, Mahawela, Rambukkande & Ury Estates.

Company Performance

2019 proved to be a difficult year amidst unfavourable global and domestic economic, polititcal and climatic dynamics, labour/staff wage increase that impacted negatively on company performance. Company turnover for the year under review increased by Rs. 3 Mn mainly due to the increase in production volumes from Tea Segment. However, the Company recorded a loss of Rs.174.32 Mn against a loss of Rs. 154.17 Mn recorded in the previous year due to the combined effect of the increase in cost of sales, erratic weather conditions, escalation in finance cost and impact of wage increase on Retiring Gratuity Provision and utility costs.

Effect of the Weather on Performance

Rainfall (mm)



The rainfall reflects an increase of 10.47% in Balangoda Region and a decrease of 13.14% in Badulla Region. Favourable weather patterns experienced in Tea growing areas has resulted in increse in Tea production during the year under review. The impact of the extreme weather conditions prevailent in Ratnapura Region have had its toll on the Company's Rubber Production which reflects a negative variance over last year. Agriculture production depends largely on environmental factors such as temperature rise and variation in pattern of rainfall distribution which change crop growth and yield.

Capital Investments

The total capital expenditure on Tea & Rubber Replanting, Diversification (Fuel wood & Timber), Machinery, Buildings, Equipment, Vehicles, Furniture & Fittings & Water Sanitation for the year under review was Rs. .180.91 Mn. Despite adverse external conditions and increased production costs within the Tea an Rubber Sectors the company has invested Rs. 80.46 Mn on Field Development during the year under review.

Capital Investments 2019	Amount Mn Rs
Tea Replanting	9.94
Rubber Replanting	70.52
Diversification	7.16
Buildings	19.93
Motor Vehicles	39.65
Machinery	15.15
Equipment	18.43
Furniture & Fittings	0.09
Water & Sanitation	0.05
Total	180.91

Chairman's Review

Social Development Work – 2019

Activity	Estate	Total Allocation (Rs.)
Indian Housing	Wewesse(50), Spring Valley(35), Telbedde(50),	135,000,000.00
World Bank Funded ECD Projects		
Renovation of CDC	Balangoda, Spring Valley	9,582,191.00
Renovation of Existing Play Area	Cecilton, Non Pareil, Balangoda	900,000.00
Construction of New Play Areas	Rye/Wikiliya, Mutwagalla, Pettiagalla	1,050,000.00
Special Project		
Community Hall	Wewesse	3,909,000.00

Strikes and their effect – 2019
There were strikes on Balangoda Cecilton, Walaboda, Rye/Wikiliya, Gowerakelle, Glen Alpin, Ury & Wewesse Estates demanding a higher wage increase in late January/February 2019. This resulted in a loss of 1628 Man days and an estimated loss crop valued at Rs.2,611,765.16. In addition a protest carried out by Ury Estate on 23rd January 2019 resulted in a loss of Rs.421,501.08 to the company.

Prospects for 2020
The outbreak of Coronavirus hit the global economy drastically, but however in April the Colombo Tea Auction Prices rose sharply as global tea supply continued to tumble due to labour deployment issues as a result of Covid 19 pandemic and adverse weather. Higher demand induced by the perceived health benefits of black tea and higher tea consumption amidst lockdowns have also helped the Ceylon Tea prices to stay buoyant. The emerging market economies for 2020 could be expected to reflect positive sentiments if trade tensions could mitigate uncertainty, a decline in downturns in major economies, reduced financial disruptions after the Covid 19 pandemic.

It is equally important that due consideration be given to climate change and its adverse impact whilst monitoring the supply and demand equation. The lower growth pattern would emanate primarily due to climate change and its ill effects.

The uplifting of the Government ban on Glyphosate and more liberal policy on Fertilizer is expected to contribute favourably to the Sector although it will take a considerable amount of time to normalize the prolonged impact of the ban.

Whilst Tea prices are expected to be buoyant in the next quarters as well, for long term sustainability the Industry needs re-engineering to achieve global competitiveness. Cost of producing a kilo of Tea in Sri Lanka is amongst the highest in the world. Rising input costs, steadily diminishing work force, declining productivity, economic age profile in tea bushes have led to declining profits which is further compounded by the absence of a broad-based national policy on wage increases without concomitant productivity improvements. It is imperative that the Industry strives towards a strategic approach in order to determine the wage increases forced upon on RPCS, which should be mutually beneficial to both, the Industry and the worker.

In the above context, initiating strategic approaches aimed at counteracting these challenges is a must to optimize operational efficiencies towards achieving long term sustainable development in the Industry and an integrated approach is essential to identify the possible strategies for the Sri Lanka Tea Industry to improve Global competitiveness of 'Ceylon Teas'.

Margins in the Rubber Sector will continue to be pressured by increasing cost of production, but however we will continue to seek ways to reduce Sector losses through productivity and efficiency gains in existing Rubber lands.

We have commenced value adding to the processed Rubber with the introduction of Sole Crepe which will help to enhance the NSA.

Dividends
I regret very much to inform you that your Directors are not recommending a dividend for the year ended 31st December 2019.

Acknowledgements
On behalf of the Board of Directors I wish to thank our Buyers, Brokers and Suppliers for their patronage. I would also like to place on record the dedication, commitment and loyalty of the Management team, Executives, Staff and Workers of the Company and take this opportunity to thank each and every one of them. I also express my deep gratitude to all our shareholders who have continued to place their trust and confidence.

Sgd.
D H S Jayawardena
Chairman/Managing Director

20 August 2020

Sustainability Report

ENVIRONMENTAL

- Energy Efficiency
- Land Management
- Water Management
- Bio Diversity

SOCIAL

- Enhancing the dignity of lives of our employees and inspiring them to overcome challenges

ECONOMIC

- Increase productivity and innovation
- Value Addition
- International Certifications

Moving towards sustainability is a social challenge and our Company as a corporate entity endeavoured to maintain its responsibility for the sake of wellbeing of the community and the environment together with our stakeholders. The Company is firmly of the view that sustainability is not only improving the quality of human life, but also living within the carrying capacity of supporting eco-systems. Over the years we have invested in material resources, time and capacity to improve the living standards of our workforce and the report reveals the constructive measures taken by Balangoda Plantations PLC in its endeavour to achieve a sustainable business model with all aspects of sustainability in our business practices

ENVIRONMENT

We have made a conscientious effort to identify key environmental aspects towards environmental responsibility which is focused on land, water, energy and habitat impacts. As a part of its pledge to continually improve the environmental and social sustainability performance we remain committed and comply with all the guidelines laid out by the Central Environmental Authority and are aligned with the code of ethics of the Rain Forest Alliance coupled with many initiatives launched by the Company to protect and conserve the natural environment.

- *Efficient utilization of resources*
- *Effective waste management practices*
- *Promotion of environmental awareness and sensitivity amongst the plantation community*
- *Sustainable agricultural practices*

SOCIAL

Housing & Infrastructure

In our efforts to provide proper living standards to our worker community the Company initiated several projects during the year 2018 as well with the assistance of the Plantation Human Development Trust and the Ministry of Hill Country New Villages Infrastructure & Community Development. Details of activities undertaken are disclosed in Page No……

Health & Safety

Occupational health and workplace safety is of high priority in our estates. During the year under review the Company conducted a series of Health related activities, awareness programmes and training sessions to provide a healthy and safe working environment for the Estate Community. ISO 22000 and the Rain Forest Alliance Certification obtained by the Company carry features which specifically protect workers from process related risks. Given below are some of the activities continuously undertaken.

- Awareness Programmes on Tobacco & Alcohol Prevention Programme
- Awareness Programmes on increase healthiness and life standard of Estate community
- Special Mobile Clinics on screening of Oral Cancers
- Health Camps, Clinics
- Nutri Bar Awareness programme

Community Development

The Company encourage a happy work culture and foster relationship with our employees to bring about improvements in the organization towards the achievement of the common goals described in our vision and mission statements. Believing that our employees are our most valuable asset we always make an effort to develop the ability and productivity of our worker community at all levels. Easy payment schemes for facilities such as obtaining goods and equipment, distress loans, death benefit welfare scheme, medical insurance, sports and recreational activities, religious programmes, are some of the welfare measures the Company undertakes.

Easy payment schemes for facilities such as obtaining goods and equipment, distress loans, death benefit welfare scheme, medical insurance, sports and recreational activities, religious programmes, are some of the welfare measures the Company undertakes.

Employment Opportunities

Whenever an employment opportunity arises on our Estates it is the policy of the Company to give priority to the children of the existing employees before outside recruitments are made.

Employee Skill Development on Estates

During the period under review the Company conducted a series of training sessions for employees on quality manufacture & agricultural practices, teamwork, career growth and development etc.

Sustainability Report

- Training Programme on Rubber Grading conducted by M/s Forbes & Walker Commodity Brokers – Rambukkande, Galatura & Mahawela Estates
- Training Programme on improving tapping skills and related work conducted by Rubber Development Department – Ratnapura
- Training on quality Rubber Manufacture by Rubber Research Institute – Rambukkande Estate
- Training session conducted by Indian Technicians to introduce Rubber harvesting with a machine instead of the conventional Rubber tapping knife
- Night tapping operations have been introduced in order to increase the crop intakes
- Introduction of Indian Hat Type Rain Guards as a pilot project on Palmgarden Estate

With a view to encouraging youth to remain on Estates and also discourage premature retirement and residents working outside the Estates, outsourcing has been introduced and presently commenced and working well on Tebedde, Glen Alpin & Spring Valley Estates in the Badulla Region and Balangoda, Cecilton, Meddakande, Pettiagalla, Non Pariel, Rasagalla, Rye/Wikiliya and Walaboda Estates in the Balangoda Region.

ECONOMIC

Our activities are planned in keeping with our commitment towards economic dimension of sustainability. Amidst threatening global challenges we continue to focus on re-figuring and integrating our dynamic capabilities in order to create a better demand for our produce.

Value Addition

International Certifications and Accreditations

Certifications awarded confirm our commitment to preservation of the environment and our processes pertaining to the quality of the end product. These certifications benchmark our policies, agricultural practices, rejuvenation and protection of the environment with international best standards.

ISO 22000

Quality Management risks are addressed by this certification.

Estates certified

Cecilton Estate
Balangoda Estate
Meddakande Estate
Pettiagalla Estate
Palmgarden Estate
Glen Alpin Estate
Telbedde Estate
Ury Estate
Wewesse Estate

Report of the Board of Directors on the affairs of the Company

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

Principal Activities
The principal activity of the Company is the cultivation and processing of Tea and Rubber. The Company has 06 Tea Estates, 12 Tea cum Rubber Estates and 04 Rubber Estates in two Districts – Badulla and Ratnapura. The cultivated land consists of 4,112.57 Ha under Tea and 2,247.72 Ha under Rubber.

Parent Company
The Company's parent undertaking and controlling party is Melstacorp PLC, which is incorporated in Sri Lanka as a Public Limited Company.

Review of Performance
The review of the Company's performance during the year is given in the Chairman's Review and Management Discussion & Analysis in this Annual Report.

Development and Diversification
Development and Diversification are covered in the Chairman's Review in this Annual Report.

Financial Statements
The Financial Statements of the Company are given on pages 29 to 81 of this Annual Report.

Auditor's Report
The Auditor's Report on the financial statements is given on pages 25 to 28 of this Annual Report.

Accounting Policies
The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 33 to 81 of this Annual Report.

Financial Results

	2019 **Rs.'000**	2018 (Restated) Rs.'000
Revenue	2,572,830	2,358,252
Loss before Tax	(902,576)	(479,489)
Income Tax(Expense)/Reversal	(128,474)	(165,992)
Loss After Tax	(1,031,050)	(645,481)
Net Comprehensive Expense	(22,356)	(25,610)
Accumulated Losses Brought Forward	(1,146,872)	(385,018)
Transferred to Timber Reserve	(102,197)	(90,763)
Transferred to Available for sales reserves	5	-
Adjustment Due to Initial Application of SLFRS 16	(73,685)	-
Available for Appropriation	(2,376,155)	(1,146,872)
Proposed Dividend - Final (2019-Rs. ,2018-Nil)	-	-
Accumulated Losses Carried Forward	(2,376,155)	(1,146,872)

	2019	2018
Profitability Ratios		
Gross Profit Ratio	(0.20)	(0.11)
Net Profit Ratio	(0.35)	(0.20)
Asset Ratios		
Current Ratio	0.41	0.41
Acid Ratio	0.18	0.14
Performance Ratios		
Return on Investment	(374.66)	(54.11)
Return on Share Capital	(257.88)	(137.00)
Leverage Ratios		
Debt/Equity Ratio	(14.84)	2.96
Interest Coverage	(1.17)	(0.91)
Investor Ratios		
Price Earnings Ratio	(0.28)	(0.47)

Report of the Board of Directors on the affairs of the Company

Number of Buildings, Hectarage & Value

Estates	Hect	Number of Building	Value (Rs.)
Balangoda	45.13	667	16,673,154
Cecilton	11.43	352	31,006,592
Meddekande	14.01	409	12,436,376
Non Pareil	28.68	317	26,314,443
Pettiagalla	12.05	343	9,879,064
Rasagalla	43.11	639	14,030,900
Rye / Wikiliya	28.25	517	11,845,366
Walaboda	16.77	261	4,102,172
Galatura	28.31	375	18,038,900
Mahawale	16.78	487	17,478,501
Millawitiya	12.94	221	6,441,536
Mutwagalla	19.21	430	9,523,690
Palmgarden	36.67	667	22,865,263
Rambukkande	18.77	203	21,515,077
Cullen	3.03	308	4,816,026
Glen Alpin	41.05	1349	20,167,350
Gowerekelle	13.51	322	54,154,615
Spring Valley	42.49	928	15,803,972
Telbedde	69.79	906	19,561,456
Ury	36.12	703	12,673,350
Wewesse	9.89	561	12,865,652
Head office	4.00	2	12,570,600
Total	**552.00**	**10,967**	**374,764,055**

Dividend
The Directors are not recommending a dividend for the year ended 31st December 2019.

Remuneration and Other Benefits of the Directors
The Directors did not receive any remuneration or other benefit during the accounting period.

Donations
The Company did not make any donation during the year.

Taxation
Our computation confirms the Deferred Tax Liabilities of Rs. 402,633,106 is adequate.

Capital Expenditure
The Company incurred a capital expenditure of Rs. 202 million, of which Rs. 87 million has been spent on field development.

Commitments & Contingencies
Capital commitments and Contingent liabilities are disclosed in the Notes to the Financial Statements Nos 36 & 37

Directorate
The following Directors held office during the year under review :

Mr. D H S Jayawardena	-	Chairman/Managing Director
Mr. C R Jansz	-	Non Executive Director
Mr. A L Gooneratne	-	Non Executive Director
Mr. D Hasitha S Jayawardena	-	Non Executive Director
Mr. A S Perera	-	Executive Director
Dr. A Shakthevale	-	Independent Director
Mr. D S K Amarasekera	-	Independent Director

In terms of Article 92 of the Articles of Association Mr. D Hasitha S Jayawardena and Mr. D S K Amarasekera retires by rotation and being eligible offer himself for re-election.

Report of the Board of Directors on the affairs of the Company

Directors' Interest in Shares

None of the Directors of the Company, their spouses or dependants held any shares in the Company during the year ended 31st December 2019.

Directors' Interest in Contracts with the Company

Directors interests in contracts with the Company are disclosed in Note 35 to the Financial Statements and have been declared at a Meeting of the Directors. The Directors have no direct or indirect interest in any other contracts or proposed contracts of the Company.

Shareholder and Investor Information

Distribution of Shareholdings as at 31st December 2019 Analysis Report of Shareholders, Market Statistics of Company's shares and the list of 25 major shareholders are given on pages 82 and 83 of this Annual Report.

Matters pertaining to the Golden Share

1. The Golden Share shall only be held by the Secretary to the Treasury in his official capacity and not in his own name, for and on behalf of the State of the Democratic Socialist Republic of Sri Lanka, or by a company in which the State of the Democratic Socialist Republic of Sri Lanka owns 99% or more of the issued share capital.
2. The Company shall obtain the written consent of the golden Shareholder prior to sub-leasing, ceding or assigning its rights in part or all of the lands set out in Section 3A(1) of the Memorandum of Association.
3. The Articles of the Company as originally framed may from time to time be altered by special resolution, provided that the concurrence of the Golden Shareholder in writing shall be first obtained to amend the definition of the words Golden Share and Golden Shareholder and Articles 2A, 2B, 3(c), 3(c)(i), 3(c)(ii), 25A, 127A, 127B, 127C and 128.
4. The Golden Share may be converted into an ordinary share with the concurrence of the Golden Shareholder and the concurrence of a majority of the shareholders.
5. The Golden Shareholder shall be entitled to call upon the Board of Directors of the Company once in every three month period if desired to meet with the Golden Shareholder and or his nominees, and the Directors if so called upon shall meet with the Golden Shareholder and or his nominees to discuss matters of the Company of interest to the State of the Democratic Socialist Republic of Sri Lanka.
6. The Golden Shareholder and or his nominee shall be entitled to inspect the books of accounts of the Company after giving two weeks written notice to the Company.
7. The Company shall submit to the Golden Shareholder, within 60 days of the end of each quarter, a quarterly report relating to the performance of the Company during the said quarter in a pre-specified format agreed to by the Golden Shareholder and the Company.
8. The Company shall submit to the Golden Shareholder, within 90 days of the end of each fiscal year, information relating to the Company in a pre-specified format agreed to by the Golden Shareholder and the Company.

Events after reporting date

Details of Events after reporting date have been disclosed in Note 39 to the Financial Statements.

Security Exchange Commission - Disclosure - Serious Loss of Capital

The Board of Directors of Balangoda Plantations PLC, having become aware at the meeting held on 30th July 2020 that the net assets of the company are less than half its stated capital, resolved to call an Extraordinary General Meeting of shareholders for the purpose of the section 220 (1) of the Companies Act 07 of 2007.

Auditors

The Financial Statements of the year have been audited by M/s KPMG, Chartered Accountants who offer themselves for re-appointment.

Fees paid to the Auditors are disclosed in Note 11 to the Financial Statements.

As far as the Directors are aware, the Auditors do not have any relationship (other than as Auditors) with the Company other than those disclosed above. The Auditors do not have any interest in the Company.

Sgd.
D H S Jayawardena
Chairman/Managing Director

Sgd.
A S Perera
Executive Director

Sgd.
P A Jayatunga
Secretary

20 August 2020

Board of Directors

MR D H S JAYAWARDENA – CHAIRMAN/MANAGING DIRECTOR

Mr D H S Jayawardena is one of the most successful and prominent business magnates in Sri Lanka. He heads many successful ventures in diversified fields of business.

Chairman

Aitken Spence PLC, Browns Beach Hotels PLC, Aitken Spence Hotel Holdings PLC, Aitken Spence Hotel Managements Asia (Pvt) Ltd., Negombo Beach Resorts (Pvt) Ltd., Lanka Power Projects (Pvt) Ltd., Stassen Exports (Pvt) Ltd., Milford Holdings (Pvt) Ltd., C B D Exports (Pvt) Ltd, Stassen International (Pvt) Ltd., Stassen Natural Foods (Pvt) Ltd., Stassen Foods (Pvt) Ltd., Milford Exports (Ceylon) (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., Milford Developers (Pvt) Ltd., Lanka Milk Foods (CWE) PLC, Lanka Dairies (Pvt) Ltd., Ambewela Livestock Company Ltd., Ambewela Products (Pvt) Ltd., Pattipola Livestock Company Ltd., United Dairies Lanka (Pvt) Ltd.,Timpex (Pvt) Ltd., Texpro Industries Ltd., Distilleries Company of Sri Lanka PLC, Periceyl (Pvt) Ltd., Melstacorp PLC, Bellvantage (Pvt) Ltd., Madulsima Plantations PLC, Indo Lanka Exports (Pvt) Ltd., Bogo Power (Pvt) Ltd., Telecom Frontier (Pvt) Ltd., Lanka Bell Ltd., Bell Solutions (Pvt) Ltd.

Managing Director

Stassen Real Estate Developers (Pvt) Ltd

Director

Stassen Plantations Management Services (Pvt) Ltd., Melsta Health (Pvt) Ltd., Melsta Gama (Pvt) Ltd., Hospital Management Melsta (Pvt) Ltd., DCSL Brewery (Pvt) Ltd

Others

Consul General for Denmark in Sri Lanka

MR C R JANSZ -NON EXECUTIVE DIRECTOR

Mr Jansz holds a Diploma in Banking and Finance from the London Metropolitan University (Formerly London Guildhall University) – UK. He is a Chevening Scholar and a UN – ESCAP Certified Training Manager on Maritime Transport for Shippers.

He is a former Chairman of DFCC Bank PLC and Sri Lanka Shippers Council and a former member of the National Trade Facilitation Committee of Sri Lanka. He has many years' experience in logistics and in documentation, insurance, banking, and finance relating to international trade.

Director

Ambewela Livestock Company Ltd.,Ambewela Products (Pvt) Ltd., Melstacorp PLC., Distilleries Company of Sri Lanka PLC., Lanka Bell Ltd., Lanka Dairies (Pvt) Ltd., Lanka Milk Foods (CWE) PLC., Lanka Power Projects (Pvt) Ltd., Milford Holdings (Pvt) Ltd., Pattipola Livestock Company Ltd., Periceyl (Pvt) Ltd., Indo Lanka Exports (Pvt) Ltd., United Dairies Lanka (Pvt) Ltd., Stassen Exports (Pvt) Ltd., Milford Exports (Ceylon) (Pvt) Ltd., Milford Developers (Pvt) Ltd., C B D Exports (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., Stassen Foods (Pvt) Ltd., Stassen International (Pvt) Ltd., Stassen Natural Foods (Pvt) Ltd., DCSL Brewery (Pvt) Ltd.

MR A L GOONERATNE – NON EXECUTIVE DIRECTOR

(FCA (SL), FCA (Eng & Wales)

Mr Amitha Gooneratne, has held several senior positions at Commercial Bank of Ceylon PLC and served as the Managing Director from 1996 to April 2012. He is a Fellow Member of the Institute of Chartered Accountants, United Kingdom and Wales and a Fellow member of the Institute of Chartered Accountants, Sri Lanka. He was the Founder Chairman of the Financial Ombudsman Sri Lanka (Guarantee) Ltd and former Chairman of the Sri Lanka Banks' Association (Guarantee) Ltd. He was also the Managing Director of Commercial Development Company PLC, a Public Quoted Company listed in the CSE and was the Chairman of Commercial Insurance Brokers (Pvt) Ltd. He was also nominated to the Board of Sri Lankan Airlines during 2002-2004 by the Government of Sri Lanka.

On his retirement, Mr Gooneratne, assumed duties as Managing Director of Melstacorp PLC. He is the Chairman of Melsta Logistics (Pvt) Ltd and Bellvantage (Pvt) Ltd, Board Member of Periceyl (Pvt) Ltd, Lanka Bell Ltd, Telecom Frontier (Pvt) Ltd., Bell Solutions (Pvt) Ltd. Timpex (Pvt) Ltd., Texpro Industries Ltd., Bogo Power Ltd., Melsta Towers (Pvt) Ltd., Melsta Healthcare Services and Melsta Hospital Management Services, Melsta Pharmaceuticals (Pvt) Ltd., Continental Insurance Ltd., Browns Beach Hotel PLC which are subsidiary companies of Melstacorp PLC.

He is an independent Director of Lanka IOC, Teejay Lanka PLC and Commercial Development Company Ltd.,

He is also an Alternate Director on the Board of Distilleries Company of Sri Lanka and Aitken Spence PLC.

Board of Directors

MR D HASITHA S JAYAWARDENA – NON EXECUTIVE DIRECTOR

Mr Hasitha Jayawardena holds a Bachelor's Degree in Business Administration BBA (Hons) from the University of Kent in the United Kingdom.

Mr Jayawardena has also worked as an Intern at the Clinton Global Initiative Programme (CGI) in New York in 2007.

Director

Stassen Exports (Pvt) Ltd., Milford Exports (Ceylon) (Pvt) Ltd., Stassen International (Pvt) Ltd., Stassen Natural Foods (Pvt) Ltd., Stassen Foods (Pvt) Ltd., Ceylon Garden Coir (Pvt) Ltd., Milford Developers (Pvt) Ltd., C B D Exports (Pvt) Ltd., Distilleries Company of Sri Lanka PLC, Periceyl (Pvt) Ltd., Melstacorp Ltd., Lanka Milk Foods (CWE) PLC, Lanka Dairies (Pvt) Ltd., Ambewela Livestock Company Ltd., Pattipola Livestock Company Ltd., Ambewela Products (Pvt) Ltd., Zahra Exports (Pvt) Ltd., Mcsen Range (Pvt) Ltd., United Dairies Lanka (Pvt) Ltd., Madulsima Plantations PLC., Melsta Gama (Pvt) Ltd., Melsta Health Pvt) Ltd., DCSL Brewery (Pvt) Ltd.

MR A S PERERA – EXECUTIVE DIRECTOR

(FIPM, MIPM, MIM, CMIPM-SL)

Mr Anusha S Perera counts over 38 years' experience in the Plantation Industry. He is a fellow of the Institute of Plantation Management of Sri Lanka, a Member of the Chartered Institute of Personal Management of Sri Lanka, and a Member of the Institute of Management of Sri Lanka. Mr Perera serves an elected Committee Member of the Ceylon Rubber Trader's Association (CRTA) and has served as Committee Member of the Ceylon Tea Trader's Association (CTTA) and as Vice Chairman of Spices and Allied Products Producers and Traders' Association (SAPPTA). He is a Director of Rubber Research Board of Sri Lanka. Mr Perera has served as a Director of AEN Oil Palm Processing (Pvt) Ltd, Mackply Industries (Pvt) Ltd, Director of Agalawatte Plantations PLC and as the Chief Operating Officer – Rubber of Pussellawa & Mathurata Plantations Ltd.

DR A SHAKTHEVALE – INDEPENDENT NON – EXECUTIVE DIRECTOR

Dr A Shakthevale is a retired Additional Secretary (Livestock), Ministry of Agriculture and Livestock in 2002, and served as the Secretary, Ministry of Rehabilitation and Social Services in the Northeast Provincial Council and as a member of the Independent Finance Commission for two terms from July 2004 – July 2009. He works as a freelance Consultant in the field of livestock. He has also worked for FAQ, as the National Consultant – Veterinary Production Specialist, UNDP, GTZ UNHABITAT, Land O'Lake Oxfom GB and several local livestock organizations.

Director

Lanka Milk Foods (CWE) PLC, Madulsima Plantations PLC, and United Dairies Lanka (Pvt) Ltd

MR D S K AMRASEKERA – INDEPENDENT NON – EXECUTIVE DIRECTOR

Mr D S K Amarasekera is an eminent Tax Consultant and the Senior Tax and Legal Partner of Amarasekera & Company, a leading tax consultancy firm in the country. He is a Member of the Institute of Chartered Accountants of Sri Lanka and is an Attorney-at-Law of the Supreme Court of Sri Lanka.

Director

Browns Investments PLC, Eden Hotel Lanka PLC, Browns Capital PLC, Kelani Tyres PLC, Lanka Milk Foods (CWE) PLC, Madulsima Plantations PLC, Palm Garden Hotels PLC, Central Services (Pvt) Ltd., Ceylon Cinema Holdings (Pvt) Ltd., Excel Global Holding (Pvt) Ltd., Excel Restaurants (Pvt) Ltd., Foton Lanka (Pvt) Ltd., Browns Capital Properties (Pvt) Ltd., Free Lanka Plantations Co. (Pvt) Ltd., Millennium Development (Pvt) Ltd., Samudra Beach Resorts (Pvt) Ltd, Sierra Holdings Ltd., Southern Cleaners (Pvt) Ltd., The Tea Leaf Resort Holdings (Pvt) Ltd., Tropical Villas (Pvt) Ltd., Business Process Outsourcing (Pvt) Ltd., The Colombo Land Exchange Ltd., Morningside Estate (Pvt) Ltd., Ceylon Hotel Holdings (Pvt) Ltd., Suisse Hotel Kandy (Pvt) Ltd., Ceylon Roots (Pvt) Ltd., Green Paradise (Pvt) Ltd., BG Air Services (Pvt) Ltd., Browns Tours (Pvt) Ltd., Sun & Fun Resorts Ltd., NPH Holdings (Pvt) Ltd., Bodufaru Beach Resorts (Pvt) Ltd., Don & Don Holdings (Pvt) Ltd.

Audit Committee Report

Composition
With effect from 20 th March 2020, the audit committee of the parent company commenced to function as the audit committee of the company. Chairman of the Committee is Mr R Seevaratnam , a fellow member of Chartered Accountants of England & Wales. The other members of the Audit Committee comprise of Dr A N Balasuriya, Mr N de S Deva Aditya and Mr D Hasitha S Jayawardena.

Meetings
Audit Committee of the holding company reviewed the financials during the year. The Executive Senior Management Team was present at discussions, as required.

Terms of Reference
The Audit Committee Charter approved and adopted by the Board clearly sets out the terms of reference governing the Audit Committee ensuring highest compliance with the Corporate Governance rules applicable to listed companies in accordance with the Rules of the CSE and the Code of Best practice on Corporate Governance.

Activities and Responsibilities

Financial Reporting
The Committee reviewed and discussed the financial reporting system adopted by the Company in the preparation of its quarterly and annual Financial Statements with the Management and the External Auditors to ensure reliability of the process and the consistency of the Accounting Policies adopted and its compliance with the Sri Lanka Accounting Standards and the provisions of the Companies Act No. 7 of 2007.

Risks and Controls
The Committee obtained and reviewed the major business risks and mitigatory action taken or contemplated for each business sector of the Company. In particular, the Committee deliberated on the financial implications to the Company arising from the world market prices for Tea and Rubber, labour issues, wage increases etc., and appraised the Board as appropriate.

Internal Audit
The internal audit function of the company was carried out by the Internal Audit Division. The Committee reviewed the effectiveness of the internal audit plan to ensure that it has been designed to provide reasonable assurance that the financial reporting system adopted by the Company can be relied on in the preparation and presentation of the financial statements. The Committee also reviewed the findings of the Internal Auditors and their recommendations together with the management responses and regularly followed up the progress of the implementation of such recommendations in order to enhance the overall control environment.

External Audit
The Audit Committee met with the External Auditors to discuss the scope and the audit strategy. The Committee also reviewed and discussed the Report of the Auditors and Management Letters issued by them to ensure that no limitations have been placed on their scope of work and conduct of the audit.

The Committee carried out an annual evaluation of the External Auditors to establish their independence and objectivity and also obtained a written declaration from the Auditors in this regard.

The Audit Committee has recommended to the Board of Directors that Messrs KPMG be reappointed as the External Auditors for the financial year ending 31st December 2020.

Compliance with Laws and Regulations
The Committee reviews the quarterly compliance reports submitted by the compliance officer to ensure that the Company has complied with all statutory requirements.

Conclusion
The Audit Committee is satisfied that the Companies accounting policies, operational controls and risk management processes provide reasonable assurance that the affairs of the Company is managed in accordance with stated policies and that the Company's assets are properly accounted for an adequately safeguarded.

Sgd.
R Seevaratnam
Chairman
Audit Committee

20 August 2020

Remuneration Committee Report

Composition

With effect from 20 March 2020, the Remuneration committee of the parent company commenced to function as the Remuneration Committee of the company. Chairman of the Committee is Dr. A N Balasuriya. The other members of the Remuneration Committee comprise of Mr N de S Deva Aditya and Mr D Hasitha S Jayawardena.

The Remuneration Committee is governed by the Remuneration Committee Charter, which has been approved and adopted by the Board of Directors. It is responsible for determining the Remuneration Policy of the Key Management Personnel of the Company. The Remuneration Policy of the Company is based on evaluation of individual. An annual assessment is carried out and increments and incentives are awarded based on the rating/ranking of each individual.

Sgd.
Dr. A N Balasuriya
Chairman
Remuneration Committee

20 August 2020

Related Party Transactions Review Committee Report

Composition

With effect from 20 th March 2020, the Related Party Transactions Review Committee of the parent company commenced to function as the Remuneration Committee of the company. The Chairman of the Committee is Mr R Seevaratnam. The other members of the Audit Committee comprise of Dr A N Balasuriya, and Mr D Hasitha S Jayawardena.

Purpose of the Committee

The committee's key focus to review all proposed Related Party Transactions prior to entering into or completion of the transaction according to the procedures laid down by Section 9 of the Listing Rules of the Colombo Stock Exchange.

Meetings

Committee of Related Party Transactions of the company reviewed related party transactions as required.

Policies and Procedures

The Company has in place a Related Party Transaction (RPT) Policy whereby the categories of persons who shall be considered as "related parties" has been identified. In accordance with the RPT Policy, self-declarations are obtained from each Director and Key Management Personnel of the Company for the purpose of identifying parties related to them.

As per the existing practice, a detailed report on the related party transactions is submitted to the Board of Directors periodically and such transactions are also disclosed to the shareholders through the Company's financial statements. The RPT Committee reinforces its functions by revisiting the TOR of the Committee and RPT Policy and re-aligning the internal procedures and policies with the requirements thereof.

Review of the Related Party Transactions

The Committee reviewed all related party transactions of the Company for the financial year 2019 and has communicated the comments/observations to the Board of Directors.

Disclosures

During the year 2019, there were no non- recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange. (Refer Note 32.2.1)

Recurrent Related Party Transactions are disclosed in Note No.32.2.2.

Details of other related party transactions entered into by the Company during the above period is disclosed in Notes 17,18, 19, 21, 27 and 32 to the financial statements.

Sgd.
R Seevaratnam
Chairman
Related Party Transactions Review committee

20 August 2020

Management Discussion & Analysis

Tea

The year began with optimism as the good market performance experienced in 2018 continued through the first quarter of 2019. All elevations recorded gains with high and medium elevations gaining more significantly. The momentum however, did not last, and the industry faced many challenges as the year progressed. Commencing March 2019, auction averages in all elevations began sliding in relation to the corresponding periods of 2018. Multiple factors and events contributed to the decline in market performance; higher MCPA levels in some of theSri Lanka teas, US sanctions on Iran, economic instability in Turkey and Russia, political instability in the country, union actions and increase in labour wages are among factors that adversely impacted the industry. Although the weakening of the Sri Lanka Rupee against the US Dollar was expected to make Sri Lanka tea prices more attractive, similar weakening of currencies of buyer countries against the US Dollar dampened that expectation.

Tea production of Balangoda Plantations PLC increased by 4.5% from 4.2 mn Kgs in 2018 to 4.4 Mn Kgs in 2018. The misty and cold weather conditions that prevailed in the Badulla region during the first quarter of 2018 and the overall drop in bought leaf intakes adversely affected production. An indefinite strike demanding a wage hike on the plantations in the month of December led to a loss of estate crop. Also, the ban on Glyphosate impacted production with the required weeding rounds getting delayed and that affecting fertilizer application and consequently a reduction in crop.

Turnover from the tea segment dropped to Rs.2.3 Bn compared to Rs. 2.1 Bn the previous year. The reduced crop coupled with an increase in input material cost due to a depreciation of the Sri Lanka Rupee resulted in a higher cost of production. Decline in tea auction prices significantly contributed to the reduced turnover notwithstanding various grades of teas manufactured by many estates of Balangoda Plantations obtaining 135 all-island top prices at the Colombo Auctions.

Rubber

Sri Lanka rubber production decreased to 75 Mn Kgs in 2019 from 78 Mn kgs in 2018 mainly due to adverse weather experienced during most part of the year and thereby reduced tapping operations. Low natural rubber prices and increases in wages seriously impacted the sector. There were signs of recovery in natural rubber prices in December 2019 influenced by higher crude oil prices and reduction in supplies by three major natural rubber producers.

Balangoda Plantations recorded an increase in rubber turnover when compared with last year due to the continuous improve in auction prices during the year under review. The Company's rubber production decreased by 56,000 Kgs against the previous year due to inclement weather affecting lower tapping rounds and intake.
Enhanced agricultural practices too undertaken by the Company positively impacted the higher production volumes. Escalating costs together with low prices affected the profit potential. Galtura, Rambukkanda,Mahawale & Ury estates obtained 90 top prices during the year.

In the face of the many challenges faced by the industry and companies during the year, the plantation sector reported a loss before tax of Rs.934 Mn. Further, a 40% wage hike resulted in substantial increases in gratuity provisions for company.

Reflecting the Companies' commitment to invest for the future, company invested in upgrading its factories and infrastructure, improving its field conditions and in adopting best agricultural practices, technologies and know-how despite reported losses. The improvements are manifesting in improved quality and the company is well placed to benefit from a future upturn in the sector.

Future Outlook

Global tea consumption is expected to grow, with China and India taking the lead. These two markets are likely to influence price and consumption. China and India are two large tea producers and have high absorption rates which are on the rise. Kenya, which has shown continuous output growth, will be a significant player in assessing the global tea supply.

Weather conditions coupled with the ageing tea bushes, low replanting rates and declining productivity rates would be key influencing factors in output. Migration of plantation workers to other economic sectors is yet another challenge facing the plantation sector. Although mechanization is taking place, it will take time to fully evolve.

Lifting the glyphosate ban is a relieving factor for an industry that is under considerable stress. It would help producers, particularly Regional Plantation Companies to carry out necessary agricultural practices to achieve the optimum potential of plantations. The more liberal policy on fertilizer by the Government is also a positive development.

Market demand for teas would greatly depend on how the global tea industry would progress, however market demand for good quality tea would command a premium, and that is a niche Balangoda Plantations is desirous of exploiting.

Global natural rubber prices are expected to show some recovery in 2020. Plantations is in the process of upgrading its rubber factories and will be expanding its product lines that could be adjusted to suit market changes.

Towards achieving this sole crepe manufacturing has been commenced from September 2019 by value adding to the rubber that will fetch an enhanced Net Sale Average.

Corporate Governance

Corporate Governance is the system by which companies are managed and controlled. Balangoda Plantations PLC is committed to comply with the code of Best Practices of Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) & the Securities Exchange Commission of Sri Lanka (SEC) and the Listing Rules of the Colombo Stock Exchange. A comprehensive view of the Governance System in the Company is given below.

The Board of Directors and its Functions

The Company is governed by its Board of Directors who direct, lead and supervise the business and affairs of the Company on behalf of its shareholders. The Board consists of 02 Executive Directors including Chairman/Managing Director & Executive Director 03 non-Executive Directors and 02 Non-Executive Independent Directors. The composition of the Company's Board has been structured in keeping with principles of good governance and long term strategy and the names of the members of Directors and their brief resumes are given on pages 14 & 15.

Although the two Independent Non-Executive Directors do not qualify under Rule 7.10.4 (g) of the Colombo Securities Exchange Listing Rules, the Board of Directors, taking account of all the circumstances, has determined that the two Directors are nevertheless independent as per the Rule 7.10.3 (b)

The Board meets as and when required to take all major decisions. Prior to each meeting the Directors are provided with all relevant management information and Board papers are submitted in advance on new investments, capital projects, company performance and other issues which require specific Board approval.

The main functions of the Board :

- Conducting the business and facilitating executive responsibility for management of the Company's affairs,
- Formulate short and long term strategies and monitor implementation,
- Identify the principle risks of the business and ensure adequate risk management policies in place.
- Institute effective internal control systems to safeguard the assets of the Company.
- Ensure compliance with rules and regulations
- Approve the financial statements of the Company.

Executive Committee

The Executive Committee, which consists of the Chairman/Managing Director and the Executive Director is delegated with the responsibility of monitoring the progress and implementing the policies of the Company. The Executive Director reports monthly on the progress of every estate and that of the Company to the Executive Committee.

The Board of Directors has appointed the Remuneration Committee, Audit Committee and Related Party Transaction Committee of the Parent Company, Melstacorp PLC, to function as the Remuneration Committee, Audit Committee and Related Party Transaction Review Committee of Balangoda Plantations PLC, with effect from 02nd March 2020 in place of the existing Committees, as provided for under Sections 7.10.5a, 7.10.6a and 9.2.3 respectively, of the Listing Rules of the Colombo Stock Exchange.

Audit Committee

The Audit Committee as described above assists the Board by overseeing the entity's compliance with financial reporting requirements, Company's internal controls, risk management of the independence and performance of the external auditors. The Company has an Internal Audit Division, which submits its reports on a regular basis to the Audit Committee. The guidelines for the Internal Audit Policy ensure that the assets of the Company are protected against any unauthorized use or misappropriation, proper records are maintained and reliable information is received. Audit Committee Report on page No 16 describes the activities carried out during the financial year.

Remuneration Committee

The Remuneration Committee as described above makes recommendations to the Board on the Company's framework of remunerating Executive Directors. The Remuneration Committee Report appears on Page No 17.

Related Party Transactions Review Committee

The composition of the "Related Party Transactions Review Committee" as described above. All Related Party Transactions except for transactions set out in Rule 9.5 of the CSE Listing Rules are reviewed by the Related Party Transactions Review Committee. The Related Party Transactions Review Committee Report appears on page No 18.

Corporate Governance

Levels of compliance with the CSE Listing Rules on Corporate Governance are as follows.

Rule No.	Applicable Requirement	Compliance Status	Details
7.10.1 (a)	**Non-Executive Directors** ● A t least one-third of the total number of Directors should be Non-Executive Directors	Complied	Five out of seven Directors are Non-Executive Directors
7.10.2.(a) 7.10.2. (b)	**Independent Directors** ● Two or one third of Non-Executive Directors whichever is higher should be independent ● Each Non-Executive Director should submit a declaration of independence/non-independence in the prescribed format	Complied Complied	Two out of five Non-executive Directors are independent. Non-executive Directors have submitted these declarations.
7.10.3 (a) 7.10.3 (b) 7.10.3 (c) 7.10.3 (d)	**Disclosure Relating to Directors** ● Names of Independent Directors should be disclosed in the Annual Report ● The basis for the Board to determine a Director is independent, if criteria specified for independence is not met. ● A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise ● Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (a), (b) and (c) to the CSE.	Complied Complied Complied Complied	Refer Page No 14 and 15. Not applicable
7.10.5 7.10.5 (a) 7.10.5 (b) 7.10.5 (c)	**Remuneration Committee** ● A listed Company shall have a Remuneration Committee ● Composition of Remuneration Committee Shall comprise Non-Executive Directors a majority of whom will be independent ● Functions of Remuneration Committee The Remuneration Committee shall recommend the remuneration of Chief Executive Officer and Executive Directors ● Disclosure in the Annual Report relating to Remuneration Committee The Annual Report should set out : (a) Names of Directors comprising the Remuneration Committee (b) Statement of Remuneration Policy	Complied Complied Complied Complied Complied	Refer Page No 17.
7.10.6 7.10.6 (a)	**Audit Committee** ● The Company shall have an Audit Committee ● Composition of Audit Committee ● Shall comprise of Non-Executive Directors, a majority of who will be independent. ● Non-Executive Director shall be appointed as the Chairman of the Committee ● Chief Executive Officer and Chief Financial Officer should attend Audit Committee Meetings ● The Chairman of the Audit Committee of one member should be a member of a professional Accounting Body	Complied Complied Complied Complied Complied	Refer Page No 16.
9.3.2(a) 9.3.2(b) 9.3.2(c) 9.3.2(d)	**Related Party Transactions** Disclosure – Non-Recurrent Related Party Transactions Disclosure – Recurrent Related Party Transactions Report by the Related Party Transaction Review Committee A declaration by the Board of Directors	Complied Complied Complied Complied	Refer Page No 18.

Statement of Directors' Responsibilities

The Directors select the appropriate accounting policies and apply them consistently, subject to any material departures being disclosed and explained. Further, the Directors are responsible for ensuring that the Company keeps enough accounting records to present, with reasonable accuracy, the financial position of the Company, in a manner that is easily understood by the shareholders. They also ensure that the Financial Statements comply with the Companies' Act and the Sri Lanka Accounting Standards (SLFRS/LKAS). In addition, they are also responsible for taking reasonable steps to safeguard the assets of the Company by the establishment of appropriate systems of internal controls with a view to the prevention and detection of fraud and other irregularities.

The Directors prepare the Financial Statements and provide the External Auditors with every assistance to undertake whatever inspections, they consider to be appropriate for the purpose of enabling them to give their Audit Report in accordance with the Sri Lanka Auditing Standards. The Report of the External Auditors sets out their responsibility in respect of the Financial Statements.

The Directors confirm that, to the best of their knowledge and belief, they have discharged their responsibilities as set out in this statement.

By Order of the Board
Sgd.
P A Jayatunga
Secretary

20 August 2020

Risk Management

Risk is defined as the possibility that an event will occur, which will impact an organization's achievement of objectives. Having a risk management plan is an important part of maintaining a successful, stable and reputed organization. While a variety of different strategies can mitigate or eliminate risk, the process for identifying and managing the risk is fairly standard and consists of five basic steps as follows:

Risk Assessment	Mitigating Strategies	Threat Probability
Business Risk		
Our Principal line of business is cultivation and manufacture of Tea and Rubber. The Company is susceptible to all risks associated with agriculture such as erratic weather, commodity cycle, fl uctuations in global supply & demand, inability to recover the actual costs of sales in a regulated system at the auction, political and trade union infl uence on worker productivity	Close monitoring; Undertake sustainable agricultural practices; adopting prudent policies in infi lling and replanting; crop diversifi cation; value addition; focus on producing quality tea.	High
Environmental Risk		
An agricultural based business face enormous challenges due to the variations in atmospheric temperatures, duration of sunshine hours, wind pattern etc which have a direct impact on production and liquidity of the Company often resulting in loss of crop, quality of the harvest and in turn affecting the market share, earnings and profitability.	Improve skill levels of workers, staff and executives to meet the challenging demand of agriculture; Adoption of sustainable agricultural practices.; Constant examination and review of soil nutrient contents; Undertake effective soil conservation measures; Reservation of forests and watersheds	High
Operational Risk		
Inadequate or failed internal processes and systems, human error, frauds, accidents, natural disasters etc can interfere with achieving business objectives.	Implement a sound internal control system; Preparation and execution of check-lists, monthly & annual budgets reviewing actual results; A monthly re-evaluation process where performance of each plantation is reviewed by Senior Executives of the Head Offi ce; Appropriate advices conveyed to enforce a high degree of situational awareness among the Planting Executives; Compliance audits and standardization procedures; Obtain comprehensive insurance policies to cover operational risks.	Moderate
Human Resource Risk		
Low productivity, reduction in resident manpower, disruption in work due to highly unionized large working community expose the Company to diffi culties in achieving the targeted objectives.	Increase productivity; Train and encourage Plantation Executives to acquire communication skills in resolving labour disputes; Improve employee motivation, commitment, welfare, recognition and appreciation; Abide by the Collective Agreement entered into with the Trade Unions in the Company's capacity	Moderate
Product Quality Risk		
Inability to maintain consistency of the quality production will result in lessening demand thereby eroding the market share and fall in prices.	Conform to well-established ethical and safety standards in providing a consumable product in terms of purity and food safety; Upgrade manufacturing process and factories to cater to the fl uctuating market demand; Monitor quality assurance measures	Moderate
Political Risk		
The impact of the political intervention, major industrial relations issues, regulatory changes, ad hoc acquisitions of land etc are constraints faced by the Industry.	Negotiating Collective Agreements with major Plantation Trade Unions; Maintain a closer dialogue with the Trade Union Leaders; Implement human development policies	

Risk Management

Risk Assessment	Mitigating Strategies	Threat Probability
Interest Rate Risk		
Fiscal and monitory policy changes have a direct impact on liquidity and production costs with raising the working capital.	Maintain cash fl ow and budgetary control systems; Diversifi cation; Capital development; Upgrading plant and machinery; Maintenance of biological assets in optimum condition to enhance productivity and turnover	High
Technical & IT Risk		
Lack of accurate and timely information due to ineffective IT systems can cause disruption in taking management decisions and even lead to fi nancial losses.	Strengthen software development with internal controls including IT security and confi dentiality. Implement a sound backup system in case of system failure; Use Licensed Software	Moderate
Investment Risk		
Adequate return on investment heavily depends on global economic trends. The advent of the competitors with high productivity and lower production costs has a considerable impact on future profi tability and sustainability. The long gestation period of replanting makes high risks for the Company since the capital invested for same is unaffordable.	Undertake proper evaluation and feasibility process; Continue replanting and infi lling with a prudent policy and environmentally viable clones; Work closely with the TRI in developing an economic model to make replanting a viable investment.	Moderate
Inventory		
Liquidity is a major concern as the industry is cyclical with long gestation periods for returns.	Produce stocks are monitored closely for speedy disposal; Input stock levels are controlled to avoid obsolescence and theft; Purchase high cost input stocks such as fertilizer, fi rewood and packing materials on a need basis.	Moderate
Risk of Competition		
Competition from other major low cost producers such as India, China, Kenya, Vietnam affects demand and prices	Closely monitor market trends; Examine tea samples regularly to maximize market gains; Take remedial measures to ensure quality marks keep up their market leadership; Rationalize manufacture during lean cropping months; Close executive supervision on harvesting leaf with the required quality; Educate the workforce on the importance of their services.	Moderate
Risk of Competition		
Maintenance the loyalty, trustworthiness among stakeholders, compliance of legal and statutory requirements as a highly respected corporate body is considered a major objective of the Company.	Compliance of statutory legal requirements; Adoption of the code of corporate governance by all employees, senior management and Board of Directors; Undertake sustainability initiatives, health & food safety procedures and protection of environment.	Low

Independent Auditor's Report

KPMG

KPMG
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To the Shareholders of Balangoda Plantations PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Balangoda Plantations PLC ("the Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information set out on pages 29 to 81 of the annual report.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2019, and of 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 Company in accordance with the Code of Ethics issued by CA Sri Lanka ("Code of Ethics"), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Restatement of comparative balances

We draw attention to Note 41 to the financial statements which indicates that the comparative balances presented as at and for the year ended 31 December 2018 have been restated and disclosed in these financial statements. Our opinion is not modified in respect of this matter.

Other Matter relating to comparative balances

The financial statements of Balangoda Plantations PLC as at and for the years ended 31 December 2018 and 31 December 2017, from which the statement of financial position as at 1 January 2018 has been derived, excluding the adjustments described in Note 41 to the financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 29 April 2019 and 2 May 2018 respectively.

As part of our audit of the financial statements as at and for the year ended 31 December 2019, we audited the adjustments described in Note 41 that were applied to restate the comparative information presented as at and for the year ended 31 December 2018 and the statement of financial position as at 1 January 2018. We were not engaged to audit, review, or apply any procedures to the financial statements for the year ended 31 December 2018 or to the statement of financial position as at 1 January 2018, other than with respect to the adjustments described in Note 41 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 41 are appropriate and have been properly applied.

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.

1. Measurement of Biological Assets

Refer to the significant accounting policies in Note 3.2.4 and explanatory Notes 19 and 20 of the financial statements.

Risk Description

The Company has reported consumable biological assets carried at fair value, amounting to Rs. 2,008 Mn and bearer biological assets amounting to Rs. 1,984 Mn as at 31 December 2019.

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Independent Auditor's Report

The valuation of consumable biological assets requires significant levels of judgments and technical expertise in selecting appropriate valuation models and assumptions. Management engaged an independent external valuation expert to assist in determining the fair value of the consumable biological assets. Changes in the key assumptions such as discount rate, value per cubic meter and available timber content used for the valuation of consumable biological assets could have a material impact on the fair value gain or loss for the year and the carrying value of consumable biological assets as of the reporting date.

Bearer biological assets mainly include mature and immature tea and rubber trees in identified plantation fields. Inappropriate transfer from immature to mature plantations has a significant impact on the carrying value of the bearer plants and the reported profits as capitalization of costs will cease from the point of transfer and the mature plantations are depreciated over the useful lives of the plants. As per the industry practice, transfer of immature plantations to mature plantation fields happens at the point of commencement of commercial harvesting. The actual point of which commercial harvesting could start depend on the soil condition, weather patterns and plant breed. Further, bearer biological assets are subject to impairment assessment which involves management judgement in assessing the impairment indicators and impairment assessment.

We identified the measurement of biological assets as a key audit matter because the valuation of consumable assets involved significant assumptions and judgments exercised by the management and the independent valuation expert could be subjected to significant level of estimation uncertainty and management bias. Further, the impairment assessment for bearer biological assets requires management to exercise their judgment in determining the impairment indicator and in impairment assessment which is based on significant estimates.

Our audit procedures for consumable biological assets included;

- Understanding the process of valuation and testing the design and operating effectiveness of the key controls relating to valuation of consumable biological assets.
- Assessing the objectivity and independence of the external valuation expert and the competence and qualification of the external expert.
- Challenging the key assumptions and methodology used in the valuation, in particular the discount rate, average market price, expected timber content at harvest and harvesting plan.
- Obtaining estate wise census books of timber trees and comparing the number of timber trees with the valuation report to ensure the completeness and accuracy of the data and checking the mathematical accuracy of the consumable biological assets valuation.
- On sample basis, physically verifying trees during estate visits to assess the girth and height of the respective trees.
- Assessing the adequacy of the disclosures made in the financial statements in accordance with the relevant accounting standards.

Our audit procedures for bearer biological assets included;

- Testing the design, implementation and operating effectiveness of key internal controls in respect of capitalization of bearer biological assets.
- Obtaining schedules of costs incurred and capitalized under immature plantations as well as cost transferred to mature plantations by each estate and reconciling those balances to the general ledger on sample basis, verifying the reconciling items and obtaining explanations from management for any significant variances identified.
- Testing immature to mature cost transfer worksheet for selected estates to check whether the amount transferred during the year was consistent with the Company's accounting policy and industry norms.
- Testing the impairment assessment performed by the management, by challenging the impairment indicators identified and the judgements involved in impairment assessment and checking mathematical accuracy of impairment calculation.
- Assessing the adequacy of the disclosures made in the financial statements in accordance with the relevant accounting standards.

2. Valuation of Retirement benefit obligation

Refer to the significant accounting policy in Note 3.3.1.2 and explanatory Note 29 of the financial statements.

Risk Description

The Company has recognized retirement benefit obligation of Rs. 774 Mn as at 31 December 2019. The retirement benefit obligation of the Company is significant in the context of the total liabilities of the Company. The valuation of the retirement benefit obligation requires significant judgment and estimation to be applied across numerous assumptions, including salary increases and discount rate. Minor changes in those assumptions could have a significant effect on the financial performance and financial position of the Company. Management engaged an independent actuary to assist them in the estimation of the retirement benefit obligation.

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Independent Auditor's Report

We considered the estimation of the retirement benefit obligation to be a key audit matter due to the magnitude of the amounts recognized in the financial statements as well as estimation uncertainty involved in determining the amounts.

Our audit procedures included;

- Assessing the competency, objectivity and capabilities of the independent actuary engaged by the Company.
- Testing the samples of the employees' details used in the computation to the human resource records and performed re-computation of the post-employment benefit liabilities with the assistance of our internal valuation specialist.
- Challenging the key assumptions used in the valuation, in particular the discount rate, future salary increases and mortality rates.
- Assessing the adequacy of the disclosures made on the financial statements in accordance with the relevant accounting standards.

3. Management's Assessment of Company's ability to continue as a Going Concern

Refer to explanatory Note 40 of the financial statements.

Risk Description

The Company has recorded a loss of Rs. 1,031 Mn during the year ended 31 December 2019 and as of that date, accumulated losses amounted to Rs. 2,376 Mn. Further, the Company's current liabilities exceeded its current assets by Rs. 697 Mn and total liabilities exceeded total assets by Rs. 241 Mn as at the reporting date.

However, the directors of the Company are of the opinion that the going concern assumption is valid in the preparation of financial statements, due to the expected positive financial performance of the Company and continuous financial support from its parent Company, Melstacorp PLC.

We identified going concern assessment as a key audit matter since the directors of the Company have formed a judgment that the going concern basis is appropriate in preparing these financial statements. Further, adequate disclosure is required on possible events or conditions that may cast doubt on the Company's ability to continue as a going concern in preparing the financial statements.

Our audit procedures included;

- Evaluating the performance of the Company and assessing the significance of going concern indications.
- Obtaining letters of comfort from the parent Company and evaluating their ability to provide continuous financial support.
- Challenging the appropriateness of key assumptions used in the budget forecast and assessing the timing and mathematical accuracy of the forecast.
- Assessing the adequacy of disclosures in the financial statements in relation to going concern of the Company.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

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Independent Auditor's Report

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 Company and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

However, it should be noted that the Company's net assets are less than half of the stated capital and faces a serious loss of capital situation in terms of section 220 of the same Act. The Board of Directors of the Company has resolved to call for an Extraordinary General Meeting of shareholders on 15 September 2020, as required by the said Act.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3029.

Sgd.KPMG
Chartered Accountants
Colombo

20 August 2020

Statement of Profit or Loss and other Comprehensive Income

For the Year Ended 31 December	Note	2019 Rs.	2018 Rs. (Restated)
Revenue	5	2,572,830,353	2,358,251,746
Cost of Sales		(3,096,271,700)	(2,626,551,476)
Gross Loss		(523,441,347)	(268,299,730)
Other Income	7	77,068,975	88,121,077
Gain on Changes in Fair Value of Biological Assets	8	101,915,013	90,540,328
Administrative Expenses		(102,174,581)	(94,979,795)
Other Expenses		(39,284,991)	(43,629,393)
Results from Operating Activities	9	(485,916,931)	(228,247,513)
Finance Income		366,646	262,409
Finance Costs		(417,025,236)	(251,503,827)
Net Finance Costs	10	(416,658,590)	(251,241,418)
Loss Before Taxation	11	(902,575,521)	(479,488,931)
Income Tax Expenses	12	(128,473,916)	(165,991,961)
Loss for the Year		(1,031,049,437)	(645,480,892)
Other Comprehensive Expense			
Items that will not be Reclassified to Profit or Loss			
Actuarial Loss on Retirement Benefit Obligations		(25,990,385)	(29,677,661)
Deferred Tax on Actuarial Loss on Retirement Benefit Obligation		3,638,654	4,154,873
Net Change in the Fair Value of Financial Assets Measured at FVOCI		(4,752)	(87,434)
Total Other Comprehensive Expense		(22,356,483)	(25,610,222)
Total Comprehensive Expense		(1,053,405,920)	(671,091,114)
Basic Loss per Share		(43.62)	(27.31)

Figures in brackets indicate deductions

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Company set out on pages 33 to 81.

Statement of Financial Position

As At	Notes	31/12/2019 Rs.	31/12/2018 Rs. (Restated)	01/01/2018 Rs. (Restated)
ASSETS				
Non Current Assets				
Right of Use Assets	14	295,518,225	165,236,053	171,485,113
Immovable Leased Assets	15	27,453,067	44,950,334	54,531,515
Property, Plant and Equipment	16	603,611,549	600,308,547	586,333,087
Intangible Assets	17	1,052,400	860,700	-
Investment Property	18	27,424,732	28,617,112	29,809,492
Bearer Biological Assets	19	1,984,481,666	1,996,024,680	1,939,664,594
Consumable Biological Assets	20	2,008,133,097	1,905,935,981	1,805,472,402
Financial Assets Measured at FVOCI	21	368,300	373,052	460,486
		4,948,043,036	4,742,306,459	4,587,756,689
Current Assets				
Produce on Bearer Biological Assets	20.2	1,834,260	2,703,109	4,091,152
Inventories	22	265,945,337	309,620,502	277,725,996
Trade and Other Receivables	23	184,596,806	128,476,269	121,927,134
Amounts due from Related Company	24	9,432,028	10,893,909	10,808,477
Other Financial Assets at Amortised Cost	25	395,047	359,215	326,634
Cash and Cash Equivalents	26	14,240,501	17,259,033	14,509,469
		476,443,979	469,312,037	429,388,862
Total Assets		5,424,487,015	5,211,618,496	5,017,145,551
EQUITY AND LIABILITIES				
Equity				
Stated Capital	27	350,000,010	350,000,010	350,000,010
Timber Reserves		1,784,878,250	1,682,681,134	1,591,918,272
FVOCI Reserve		352,560	357,312	357,312
Accumulated Losses		(2,376,154,977)	(1,146,871,641)	(385,017,665)
Total Equity		(240,924,157)	886,166,815	1,557,257,929
Non Current Liabilities				
Interest Bearing Loans and Borrowings	28	2,880,117,508	1,934,153,446	1,320,109,236
Retirement Benefit Obligations	29	774,221,413	706,872,253	683,471,358
Deferred Tax Liability	30	402,633,106	277,819,843	115,982,755
Deferred Income	31	149,623,353	159,659,628	169,783,420
Lease Liability	32	285,444,394	89,539,000	91,551,000
		4,492,039,774	3,168,044,170	2,380,897,769
Current Liabilities				
Interest Bearing Loans and Borrowings	28	187,747,345	208,870,706	145,147,740
Lease Liability	32	2,739,998	2,012,000	1,934,000
Trade and Other Payables	33	449,886,217	453,207,877	428,840,265
Amounts due to Related Companies	34	18,212,096	5,785,288	49,279,792
Income Tax Payable		7,818,121	7,796,125	15,829,384
Bank Overdraft	26	506,967,621	479,735,515	437,958,672
		1,173,371,398	1,157,407,511	1,078,989,853
Total Liabilities		5,665,411,172	4,325,451,681	3,459,887,622
Total Equity and Liabilities		5,424,487,015	5,211,618,496	5,017,145,551
Net Assets per Share		(10.19)	37.49	65.88

Figures in brackets indicate deductions

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Company set out on pages 33 to 81.

It is certified that the financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

Sgd.
R T Kodikara
General Manager - Finance

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Board of Directors of Balangoda Plantations PLC.

Sgd.
D H S Jayawardena
Chairman /Managing Director

Sgd.
A S Perera
Executive Director

20 August 2020
Colombo.

Statement of Changes in Equity

Year Ended 31 December

	Stated Capital Rs.	Timber Reserve Rs.	FVOCI Reserves Rs.	Retained Earnings/ (Accumulated Losses) Rs.	Total Equity Rs.
Balance as at 1 January 2018 as Previously Reported	350,000,010	1,591,918,272	357,312	87,956,293	2,030,231,887
Impact Due to Correction of Prior Period Errors (Note 41)	-	-	-	(472,973,958)	(472,973,958)
Restated Balance as at 1 January 2018	350,000,010	1,591,918,272	357,312	(385,017,665)	1,557,257,929
Total Comprehensive Expense for the Year					
Loss for the Year	-	-	-	(645,480,892)	(645,480,892)
Other Comprehensive Expense for the Year	-	-	-	(25,610,222)	(25,610,222)
	-	-	-	(671,091,114)	(671,091,114)
Transferred to Timber Reserve	-	91,928,371	-	(91,928,371)	-
Transferred to Accumulated Losses	-	(1,165,509)	-	1,165,509	-
Restated Balance as at 31 December 2018	350,000,010	1,682,681,134	357,312	(1,146,871,641)	886,166,815
Restated Balance as at 1 January 2019	350,000,010	1,682,681,134	357,312	(1,146,871,641)	886,166,815
Adjustment Due to Initial Application of SLFRS 16 (Note 3.1)	-	-	-	(73,685,053)	(73,685,053)
Adjusted Balance as at 1 January 2019	350,000,010	1,682,681,134	357,312	(1,220,556,694)	812,481,762
Total Comprehensive Expense for the Year					
Loss for the Year	-	-	-	(1,031,049,437)	(1,031,049,437)
Other Comprehensive Expense for the Year	-	-	(4,752)	(22,351,731)	(22,356,483)
	-	-	(4,752)	(1,053,401,168)	(1,053,405,920)
Transferred to Timber Reserve	-	102,783,862	-	(102,783,862)	-
Transferred to Accumulated Losses	-	(586,746)	-	586,746	-
Balance as at 31 December 2019	350,000,010	1,784,878,250	352,560	(2,376,154,977)	(240,924,157)

Figures in brackets indicate deductions

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Company set out on pages 33 to 81.

Statement Of Cash Flows

For the Year Ended 31 December	Note	2019 Rs.	2018 Rs. (Restated)
Cash Flows From Operating Activities			
Loss Before Taxation		(902,575,521)	(479,488,931)
Adjustments for			
Depreciation and Amortization	11	151,444,144	106,076,455
Provision for Impairment of Immature Plantation- Rubber	9	18,579,365	43,489,465
Write Off of Bearer Biological Assets	9	17,317,914	-
Write Off of Nursery Plants	9	3,529,723	-
Gain on Disposal of Property, Plant and Equipment	7	(1,834,126)	-
Profit on Sale of Timber Trees		-	(1,264,159)
Interest Income	10	(366,646)	(206,372)
Provision for Retirement Benefit Obligations	29	131,578,471	110,026,513
Amortisation of Government Grants	31	(10,036,275)	(10,123,791)
(Reversal of)/Provision for obsolete and Slow Moving Inventories	22	(142,011)	139,928
Reversal of Impairment of Trade and other Receivables	23	-	(2,547,412)
Interest Expenses	10	417,025,236	251,503,827
Gain on Change in Fair Value of Biological Assets	8	(101,915,013)	(90,540,328)
Operating Loss before Working Capital Changes		(277,394,739)	(72,934,804)
Working Capital Changes			
Decrease/ (Increase) in Inventories		43,533,153	(32,034,434)
(Increase) / Decrease in Trade and Other Receivables		(41,688,836)	1,335,595
Decrease/ (Increase) in Amounts Due From Related Companies		1,461,881	(85,432)
Increase / (Decrease) in Trade and Other Payables		(24,945,318)	24,681,567
Increase in Amounts Due to Related Companies		12,426,808	140,481,858
Cash (Used in) / Generated from Operations		(286,607,051)	61,444,350
Economic Service Charge Paid		(12,730,243)	(13,390,347)
Gratuity Paid		(90,219,696)	(116,303,279)
Interest Paid		(137,729,411)	(174,293,232)
Net Cash Flows Used in Operating Activities		(527,286,401)	(242,542,508)
Cash Flows From Investing Activities			
Interest Received		366,646	206,372
Purchase of Property, Plant and Equipment		(60,633,357)	(100,925,347)
Acquisition of Intangible Assets		(232,500)	(901,500)
Acquisition of Leased Assets		(17,194,060)	-
Investment in Immature Biological Assets		(87,617,568)	(157,123,462)
Proceeds from Disposal of Property, Plant and Equipment		1,834,126	2,429,668
Investment in Other Financial Assets Measured at Amortised Cost		(35,832)	(32,581)
Net Cash Flows Used In Investing Activities		(163,512,545)	(256,346,850)
Cash Flows from Financing Activities			
Proceeds from Long Term Borrowings		899,810,724	638,938,525
Repayment of Long Term Borrowings		(219,971,398)	(145,147,740)
Repayment of Finance Lease Liabilities		(19,291,018)	(33,928,715)
Net Cash Generated from Financing Activities		660,548,308	459,862,070
Net Decrease in Cash and Cash Equivalents		(30,250,638)	(39,027,288)
Cash and Cash Equivalents at Beginning of the Year		(462,476,482)	(423,449,194)
Cash and Cash Equivalents at End of the Year (Note 26)		(492,727,120)	(462,476,482)

Figures in brackets indicate deductions

The Financial Statements are to be read in conjunction with the related notes, which form a part of the Financial Statements of the Company set out on pages 33 to 81.

Notes to the Financial Statements

1. REPORTING ENTITY

1.1. Domicile and legal form

Balangoda Plantations PLC (the "Company") is a company domiciled in Sri Lanka, incorporated under the Companies Act No. 17 of 1982 and in terms of the provisions of the Conversion of Public Corporation and Government-Owned Business Undertakings into Public Companies under Public Companies Act No. 23 of 1987, the Company was re-registered under the Companies Act No. 07 of 2007. The registered office of the Company is located at No 110 Norris Canal Road, Colombo 10, and Plantations are situated in the planting districts of Rathnapura, Balangoda & Badulla.

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

1.2 Principal Activities and Nature of Operations

The principal activities of Balangoda Plantations PLC consist of cultivation, production, processing and sale of tea and rubber.

1.3 Parent and Ultimate Parent Enterprise

The Company's immediate parent Company is Melstacorp PLC and the ultimate parent Company is Milford Exports (Ceylon) (Private) Limited which are incorporated in Sri Lanka.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company comprise of Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows together with the Significant Accounting Policies and notes to the Financial Statements which have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs/LKASs) promulgated by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and with the requirements of the Companies Act No. 07 of 2007 and Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995. These Financial Statements except information on Cash Flows have been prepared following the accrual basis of accounting.

This is the first set of the Financial Statements in which SLFRS 16 Leases have been applied. Changes to significant accounting policies are described in Note 3.1 to the Financial Statements.

2.2 Basis of Measurement

These financial statements of the Company have been prepared subject to Note 3.1 and in accordance with the historical cost conversion except for the following material items in the statement of financial position:

- Consumable biological assets are measured at fair value less cost to sell as per LKAS 41- "Agriculture."
- Leasehold right to Bare Land of JEDB/SLSPC estates have been revalued as described in Note 14 - Right to use of Assets on Lease
- Liability for Retirement Benefit Obligation is recognised as the present value of the defined benefit obligation based on actuarial valuation as per LKAS 19 - "Employee Benefits'.
- Agriculture produce harvested from biological assets are measured at fair value as per LKAS 41 - "Agriculture".

2.3 Functional and Presentation Currency

The Financial Statements of the Company are presented in Sri Lankan Rupees, which is the Company's functional currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest Rupee.

2.4 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard -1 on 'Presentation of Financial Statements'

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies.

2.5 Use of estimates and judgments

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (LKASs) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Notes to the Financial Statements

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumption are reviewed on a ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

(a) Assumptions and estimation uncertainties

Information about the assumptions on the future and other major sources of estimation uncertainties that the management has made at the end of reporting period that have a significant risk of resulting in a material adjustment to the carrying value of assets and liabilities within the next financial year is included in the following notes.

Financial Statement Area	Note
Measurement of defined benefit obligations: Key actuarial assumptions.	29
Recognition and measurement of provisions for impairment of Bearer Biological Assets.	19
Measurement of fair value of Consumable Biological Assets.	20
Measurement of lease liability to SLSPC/JEDB	32.1

2.6 Determination of fair values

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk. Several of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When measuring fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

Level 1: inputs are unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2: inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices).
Level 3: inputs are inputs that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Fair values have been determined for measurement and disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

2.6.1 Fair value of non-financial assets

The fair value used by the Company in the measurement of non-financial assets 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 that is accessible by the Company for the asset or liability.

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Changes in accounting policies

The Company has adopted SLFRS 16- "Leases" with a date of initial application of 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Company's Financial Statements.

Notes to the Financial Statements

The Company applied SLFRS 16 using the modified retrospective approach, under which the Right of Use Asset is measured to be equal to lease liability as at 1 January 2019 without restating comparative information. The details of the changes in accounting policies are disclosed below.

a) Definition of a Lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under LKAS 17. Under SLFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to SLFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transaction are leases. It applied SLFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under LKAS 17 and IFRIC 4 were not reassessed for whether there is a lease under SLFRS 16. Therefore, the definition of a lease under SLFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

b) Accounting Treatment by Lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under SLFRS 16, the Company recognises right-of-use assets and lease liabilities for the leases - i.e. these leases are on-balance sheet.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if SLFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Company applied this approach to all the leases.

The Company has tested its right of use assets for impairment on the date of transition and has concluded that there is no indication that right of use assets are impaired

i) Leases Classified as Operating Lease Under LKAS 17

The Company used the following practical expedients when applying SLFRS 16 to leases previously classified as operating leases under LKAS 17.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the Right-of-Use Assets by the amount of LKAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Excluded initial direct costs from measuring the Right-of-Use Asset at the date of initial application
- Did not recognize Right-of-Use Asset and liabilities for leases which lease term ends within 12 months of date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

ii) Leases Classified as Finance Lease Under LKAS 17

For leases that were classified as finance leases under LKAS 17, the carrying amount of the Right-of Use Asset and the lease liability as at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under LKAS 17 immediately before that date.

a) Impact on transition

On transition to SLFRS 16, there was a material impact on the Company's financial statements from leases of JEDB/SLSPC estates handed over to the Company for a period of 53 years as at 1 January 2019.

Policy applicable before 1 January 2019

The leasehold rights to the land on all these estates have been taken into the books of the Company on 18 June 1992 immediately after formation of the Company, in terms of the ruling obtained from the Urgent Issues Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka.

The leasehold rights to land is recorded in accordance with the Statement of Recommended Practice for the Right-to-Use of land on lease which was approved by the Council of The Institute of Chartered Accountants of Sri Lanka on 19 December 2012. Corresponding liability is shown as a lease payable to JEDB/ SLSPC.

Notes to the Financial Statements

Policy applicable on 1 January 2019 (Transition)

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has analysed the provisions in the prevailing SoAT and the way forward in that context and withdrawn the SoAT going forward and replace with the guidance for initial application of SLFRS 16 at the transition. Application of this guideline by the companies which followed the SoAT issued by CA Sri Lanka is treated as a change in the accounting policies due to issuance of SLFRS 16 and therefore this guideline is prepared to help the transition of such companies consistently.

Accordingly, the Company elects to apply not to restate comparative information, instead the company shall recognise the cumulative effect of initial application of SLFRS 16 as an adjustment to the opening balance of retained earnings as at the date of initial application. On transition to SLFRS 16, the Company increased the carrying amount of Right-of-Use asset by Rs. 96,852,947 and lease liabilities by Rs. 170,538,000. The incremental borrowing rate applied to lease liabilities as at 1 January 2019 was 13.5%.

The change in accounting policy affected the following items in the statement of financial position as at 1 January 2019

	Right of Use - Land Rs.	Lease Liability to SLSPC and JEDB Rs.
Opening balance as at 1 January 2019	165,236,053	91,551,000
Impact due to initial application of SLFRS 16	96,852,947	170,538,000
Adjusted balance as at 1January 2019 as per SLFRS 16	262,089,000	262,089,000

Impact on Statement of Changes in Equity

	Accumulated Losses. Rs.	Total Equity Rs.
Opening balance as at 1 January 2019	(1,160,859,004)	872,179,452
Impact due to initial application of SLFRS 16	(73,685,053)	(73,685,053)
Adjusted balance as at 1January 2019 as per SLFRS 16	(1,234,544,057)	798,494,399

3.2 Assets and basis of their valuation

Assets classified as current assets in the Statement of Financial Position are cash and bank balances and those which are expected to be realized in cash during the normal operating cycle of the Company's business or within one year from the reporting date whichever is shorter. Assets other than current assets are those, which the company intends to hold beyond a period of one year from the date of statement of financial position are classified as non-current assets.

3.2.1 Property, Plant and Equipment

3.2.1.1 Recognition and Measurement

Property, Plant and Equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of Property, Plant and Equipment is the cost of acquisition or construction together with any incidental expenditure incurred in bringing the asset to its working condition for its intended use. Capital work-in-progress is transferred to the respective asset accounts when the assets are available for use. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3.2.1.2 Owned Assets

The cost of an item of Property, Plant and Equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, and any other costs directly attributable to bringing the asset to the working condition for its intended use. This also includes cost of dismantling and removing the items and restoring at the site on which they are located and borrowing cost on qualifying assets.

3.2.1.3 Subsequent Expenditure

The Cost of replacing part of an item of Property, Plant and Equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The cost of the day-to-day servicing of Property, Plant and Equipment are recognised in Statement of Profit or Loss and Other Comprehensive Income as incurred.

Notes to the Financial Statements

3.2.1.4 Capital Work-in-Progress

The cost of capital work-in-progress is the cost of purchase or construction together with any related expenses thereon. Capital work-in-progress transferred to the respective asset accounts at the time of first utilisation or at the time of the asset is commissioned.

Permanent land development 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 and reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

If significant part of and item of Property , Plant and Equipment have different useful lives, then they are accounted separate items of Property , Plant and Equipment.

3.2.1.5 Borrowing cost

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset which takes a substantial period of time to get ready for its intended use or sale, are capitalised as a part of the asset. The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with LKAS 23 - "Borrowing Costs". Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss and Other Comprehensive Income.

3.2.1.6 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The estimated useful lives of property, plant and equipment have been revised with effect from 1 January 2019 and necessary adjustments to Financial Statements have been made prospectively

Revised estimated useful lives of significant items of Property, Plant and Equipment are as follows:

Category	Useful Lives (Years)	
	From 1 January 2019	Before 1 January 2019
Land Improvements	40	40
Buildings	40	40
Motor Vehicles	5	15/20
Furniture and Fittings	10	10
Equipment and Tools	4	8/4
Water Sanitation	20	20
Plant and Machinery	10	20/25

As a result of change in estimated useful lives of Property, Plant and Equipment, increase in Company's depreciation expenses for year 2019 is Rs. 7,984,819.

Depreciation of an asset begins when it is available for use, whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised. Depreciation method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3.2.1.7 Derecognition

An item of Property, Plant and Equipment is de-recognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset is included in the Statement of Profit or Loss in the year the asset is derecognised.

3.2.2 Immovable Leased Assets

3.2.2.1 Recognition and Measurement

In terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka prevailed at the time of privatisation of plantation estates, all immovable assets in these estates under finance leases have been taken into the books of the Company retroactive to 18 June 1992. For this purpose, the Board decided at its meeting on 8 March, 1995, that these assets be stated at their book values as they appear in the books of the JEDB/SLSPC, on the day immediately preceding the date of formation of the Company.

Notes to the Financial Statements

3.2.2.2 Amortisation

Amortisation is calculated based on the useful life of the asset or the lease period whichever is lower. Amortisation is recognised in the Statement of Profit or Loss on a straight-line basis.

The estimated useful lives of Immovable Leased Assets have been revised with effect from 1 January 2019 and necessary adjustments to Financial Statements have been made prospectively.

The revised estimated useful lives of significant items of Immovable Leased Assets are as follows:

Category	Useful Lives (Years)	
	From 1 January 2019	Before 1 January 2019
Unimproved Lease Land	30	30
Mature Bearer Biological Assets		
- Tea	33.3	30
- Rubber	20	30
Improvement to Land	30	30
Other Vested Assets	30	30
Buildings	25	25
Machinery	15	15

As a result of change in estimated useful lives of Immovable Leased Assets, increase in Company's depreciation expenses for the year 2019 is Rs. 7,916,086.

3.2.2.3 Intangible Assets

An intangible asset is recognised if it is probable that economic benefits attributable to the assets will flow to the Company and cost of the assets can be measured reliably and carried at cost less accumulated amortisation and accumulated impairment losses.

3.2.2.4 Software

Purchased software is recognised as an intangible asset and is amortised on a straight-line basis over its useful life

The estimated useful life is as follows:

Asset Category	Useful Life (Years)
Computer Software	5

3.2.3 Investment Property

3.2.3.1 Recognition and Measurement

Investment property is initially measured at cost. When the use of a property changes such that it is reclassified as property, plant and equipment, its carrying value at the date of reclassification becomes its cost for subsequent accounting.

3.2.3.2 Depreciation

Depreciation is calculated based on the useful life of the investment property or the lease period whichever is lower. Depreciation is recognised in the Statement of Profit or Loss on a straight-line basis.

3.2.3.3 De-recognition

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

3.2.4 Biological Assets

Biological assets are classified as Bearer Biological assets and Consumable Biological assets. Bearer Biological assets include tea and rubber trees, those that are not intended to be sold or harvested but are however used to grow for harvesting agricultural produce from such Biological assets. Consumable Biological assets include managed timber trees (those that are to be sold as Biological assets).

Notes to the Financial Statements

Biological assets are further classified into 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.

3.2.4.1 Recognition and Measurement

The entity recognises the Biological assets when, and only when, the entity controls the assets as a result of past events, 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.

The Bearer Biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 - Property, Plant and Equipment.

The managed timber trees are 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 (age below 4 years) as the impact on biological transformation of such plants to price during this period is immaterial.

3.2.4.2 Bearer Plants

The costs of land preparation, rehabilitation, new planting, replanting, crop diversification, inter-planting, fertilising and so on incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. Biological assets (Tea, Rubber fields) which comes into bearing during the year, is transferred to mature plantations. These immature plantations are shown at direct costs plus attributable overheads including interest attributable to long-term loans used for financing immature plantations.

Permanent impairments to Bearer Biological Assets are charged to the Statement of Profit or Loss and Other Comprehensive Income in full and reduced the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.2.4.2.1 Infilling Cost on Bearer Biological Assets

The land development costs incurred in the form of infilling are capitalised when infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance and infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation or unexpired lease period, whichever is lower. Infilling costs that are not capitalized have been charged to the Statement of Profit or Loss and Other Comprehensive Income in the year in which they are incurred.

3.2.4.2.2 Depreciation

Mature Plantations (Replanting and New Planting) are depreciated on a straight-line basis over the expected period of their commercial harvesting or the lease period, whichever is less.

The estimated useful lives of mature plantation of bearer biological assets have been revised with effect from 1 January 2019 and necessary adjustments to Financial Statements have been made prospectively.

The revised estimated useful lives of significant items of Property, Plant and Equipment are as follows:

Category	Useful Lives (Years)	
	From 1 January 2019	**Before 1 January 2019**
Tea	33.3	33.3
Rubber	20	20
Cinnamon	25	80

As a result of change in estimated useful lives of Bearer Biological Assets, increase in Company's depreciation expenses for the year 2019 is Rs. 2,807,708.

No depreciation is provided for Immature Plantations.

Notes to the Financial Statements

3.2.4.3 Biological Assets at Fair Value

Consumable biological assets include managed timber trees that are to be harvested as agricultural produce or sold as biological assets.

The managed timber trees of the 22 estates of the Company are measured on initial recognition at cost and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41-"Agriculture". The cost of young plants which are below 4 years is treated as an approximation to the fair value as the impact on biological transformation of such plants to fare value is immaterial.

The fair value of timber trees is measured using discounting cash flows method taking into consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer.

3.2.4.3.1 Non- harvested Produce crop on Barer Biological Assets

The Company recognizes its agricultural produce prior to harvest separately from its bearer plant. Such agricultural produce prior to harvest continues to be in the scope of LKAS 41 and is measured at fair value less costs to sell. Changes in the fair value of such agricultural produce are recognised in profit or loss at the end of each reporting period.

The volume of produce growing on bearer plants are measured using the estimated crop of the last harvesting cycle of the year as follows,

Tea-Three days' crop (50% of 6 days cycle)

Rubber-One day's crop (50% of 2 days cycle).

The value of the unharvested green leaves is measured using the Tea Commissioner's formula for bought leaf and rubber crop is fair valued using RSS prices.

3.2.5 Financial Instruments

3.2.5.1 Recognition and Initial Measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not an FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

3.2.5.2 Classification and subsequent measurement

3.2.5.2.1 Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

Financial assets are not reclassified subsequently to their recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

On the initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Notes to the Financial Statements

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial assets that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

a) Business model assessment:

The Company makes an assessment of the objectives of the business model in which a financial asset is held as a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets:
- How the performance of the portfolio is evaluated and reported to the Company's management.
- The risks that affect the performance of the business model (and the financial assets held within the business model) and how those risks are managed;
- The frequency, volume and timing of sales of financial assets in prior periods, the reason for such sale and expectation about future sales activity.

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

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

b) Subsequent measurement and gains and losses:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

3.2.5.2.2 Financial Liabilities

(i) Classification, subsequent measurement and gain and loss

Financial liabilities are classified as measured at amortised cost of FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3.2.5.3 Derecognition

3.2.5.3.1 Financial Assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Notes to the Financial Statements

The Company enters into transactions whereby it transfers assets recognised in its Statement of Financial Position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets. In these cases, the transferred assets are not derecognised.

3.2.5.3.2 Financial Liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3.2.5.4 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.2.5.5 Impairment- Financial Assets

3.2.5.5.1 Financial Instruments

The Company recognises loss allowances for ECLs on:

- financial assets measured at amortised cost and
- debt investments measured at FVOCI

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company considers this to be higher credit rating.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Notes to the Financial Statements

Credit-impaired financial assets

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

Evidence that a financial asset is credit impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

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

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

Write-off

For individual customers, the Company has a policy of writing off the gross carrying amount as approved by the Board of Directors based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. Evidence of impairment included a significant or prolonged decline in its fair value below its cost.

3.2.5.5.2 Non derivative Financial Assets

Financial assets not classified as at FVTPL were assessed at each reporting date to determine whether there was objective evidence of impairment.

Objective evidence that financial assets were impaired included:

- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer would enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- Observable data indicating that there was a measurable decrease in the expected cash flows from a Company of financial assets.

3.2.5.5.3 Impairment of Non-Financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the assets recoverable amount. An assets recoverable amount is the higher of an assets value in use and its fair value less cost to sell and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Company of assets. Where the carrying amount of an asset 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 pre-tax discount rates that reflect current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transaction can be identified, an appropriate valuation model is used.

Impairment loss is recognised in the Statement of Profit or Loss and Other Comprehensive income in other expense.

Notes to the Financial Statements

3.2.6 Inventories

3.2.6.1 Agricultural Produce after further processing

Further processed output of Agricultural Produce is valued at the lower of cost and estimated net realisable value, after making due allowances for obsolete and slow-moving items. Net realisable value is the estimated selling price at which stocks can be sold in the ordinary course of business less the estimated cost of completion and estimated cost necessary to make the sale.

3.2.6.2 Input Material, Consumables and Spares

Valued at actual cost on weighted average basis.

3.2.6.3 Growing Crop Nurseries

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

3.2.7 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realise inclusive of provisions for bad and doubtful debts. Other receivables and dues from related parties are recognised at cost less provision for bad and doubtful receivables.

3.2.8 Cash & Cash Equivalents

Cash and cash equivalents comprise cash balances, call deposits, demand deposits and short-term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value net of bank overdrafts that are repayable on demand for the purpose of the Statement of Cash Flows.

3.3 Liabilities and Provisions

Liabilities classified as current liabilities on the Statement of Financial Position are those which fall due for payment on demand or within one year from Statement of Financial Position date. Non-current liabilities are those balances that fall due for payment after one year from Statement of Financial Position date. All known liabilities have been accounted for in preparing these Financial Statements.

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

3.3.1 Employee Benefits

3.3.1.1 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 defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Company contributes 12% of gross emoluments of the employees to Employees' Provident Fund (EPF)/Estate Staff Provident Society (ESPS).

All of the employees are eligible for Employees' Trust Fund to which the Company contributes 3% of gross emoluments of such employees.

3.3.1.2 Defined Benefit Plan - Retirement Gratuity

A Defined Benefit Plan is a post-employment benefit plan other than a Defined Contribution Plan. The Company's net obligation in respect of Defined Benefit Pension Plans is calculated annually using the Projected Unit Credit (PUC) Method. The liability recognised in the Statement of Financial Position is the present value of the Defined Benefit Obligation at the reporting date in accordance with the advice of an actuary. Actuarial gains or losses arising are recognised in Other Comprehensive Income in the period in which they arise. Past service costs are recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income.

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 key assumptions used in determining the Retirement Benefit Obligations are given in note 29.

Notes to the Financial Statements

3.3.2 Contingent Liabilities and Contingent Assets

The company does not recognise a contingent liability but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare circumstance where there is a liability that cannot be recognized because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the company. The company does not recognise a contingent asset but discloses its existence, where inflows of economic benefits are probable, but not virtually certain

3.3.3 Deferred Income

3.3.3.1 Government Grants and Subsidies

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

Grants related to Property, Plant and Equipment other than grants received for forestry are initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant and Equipment. Grants received for forestry are initially deferred and credited to Statement of Profit or Loss and Other Comprehensive Income at once when the related blocks of trees are harvested.

3.3.4 Trade and Other Payables

Trade and other payables are obligations to pay for goods or services that have been acquired on ordinary course of business from Suppliers. Trade and other payables are stated at cost.

3.4 Ordinary Shares

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with LKAS 12.

3.5 Statement of Profit or Loss and Other Comprehensive Income

For the purpose of presentation of the Statement of Profit or Loss and Other Comprehensive Income the Directors are of the opinion that function of expenses method presents fairly the elements of the Company's performance, and hence such presentation method is adopted in line with the provisions of LKAS 1- "Presentation of Financial Statements".

3.5.1 Revenue Recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognizes revenue when it transfers control over goods to a customer.

The Company generates revenue primarily from the sale of tea, rubber, coconut, cinnamon and other agricultural produce. The revenue is recorded at invoice value net of brokerage, sale expenses and other levies related to revenue. The Company recognises revenue when it transfers control over good or service to a customer. The Company considers sale of tea, rubber, coconut, cinnamon and other agricultural produce as one performance obligation and recognises revenue when it transfers control to the customer.

3.5.1.1 Disaggregation of revenue

SLFRS 15 requires an entity to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The Company's revenue comprises of sale of tea, rubber, coconut, cinnamon and other agricultural produce and no disaggregation is required.

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3.5.1.2 Sale of Goods

Revenue from the sale of goods in the course of ordinary activities is measured at invoice value net of brokerage, sale expenses and other levies related to revenue. Revenue from sale of goods is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Notes to the Financial Statements

3.5.1.3 Interest Income
Interest Income is recognised as the interest accrued (taking into account the effective yield on the asset) unless collectability is in doubt.

3.5.1.4 Rental income
Rental income arising from operating leases is recognised on an accrual basis.

3.5.1.5 Gain and Losses on Disposal
Gains and losses on disposal of an item of Property, Plant and Equipment are determined by comparing the net sales proceeds with the carrying amounts of Property, Plant and Equipment and are recognised within other operating income in the Statement of Profit or Loss.

3.5.2 Expenditure Recognition

3.5.2.1 Operating Expenses
All expenses incurred in the day-to-day operations of the business and in maintaining the property, plant and equipment in a state of efficiency have been charged to the Statement of Profit or Loss and Other Comprehensive Income in arriving at the profit/(loss) for the year. Provision has also been made for impairment of non-financial assets, slow-moving stocks, overgrown nurseries, all known liabilities and depreciation on property, plant and equipment.

3.5.2.2 Finance Cost
Finance costs comprise interest expense on external borrowings and related party loans and payments made under lease agreements. 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.

3.5.2.3 Income Tax Expense
Income Tax expense comprising current and deferred tax. Income tax expense is recognised in Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

3.5.2.3.1 Current Taxes
Current tax expense for the current and comparative periods are measured at the amount paid or expected to be payable to the Commissioner General of Inland Revenue on taxable income for the respective year of assessment computed in accordance with the provisions of the Inland Revenue Act, No. 24 of 2017 as amended by subsequent legislation enacted or substantively enacted by the reporting date.

3.5.2.3.2 Deferred Taxation
Deferred taxation is recognised using the Balance Sheet liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

3.6 Statement of Cash Flows
The Statement of Cash Flows has been prepared using the "Indirect Method'. Interest paid Is classified as operating cash flows, interest received and dividends received are classified as investing cash flows while dividend paid and Government grants received are classified as financing cash flows for the purpose of presentation of the Statement of Cash Flows.

Notes to the Financial Statements

3.7 Segmental Reporting

Segmental information is provided for the different business segments of the Company. Business segmentation has been determined based on the nature of goods provided by the Company after considering the risk and rewards of each type of product.

Revenue and Expenditure directly attributable to each segment are allocated to the respective segments. Revenue and Expenditure not directly attributable to a segment are allocated on the basis of their resource utilisation, wherever possible. Unallocated items comprise mainly income accrued and expenses incurred at Head office level.

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.

The activities of the segments are described in the note 45 to the Financial Statements.

3.8 Related Party Transactions

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in LKAS 24 - 'Related Party Disclosures'. The pricing applicable to such transactions is based on the assessment of the risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers. According to LKAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the board of directors (including executive and non-executive directors) and their immediate family members have been classified as key management personnel of the company.

The immediate family member is defined as spouse or dependent. Dependent is defined as anyone who depends on the respective director for more than 50% of his/her financial needs.

3.9 Earnings per Share

The Company presents Earnings per Share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.10 Events after the Reporting Date

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

3.11 Capital Commitments

Capital commitments of the company have been disclosed in the respective Notes to the Financial Statements

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

The Institute of Chartered Accountants of Sri Lanka has issued following new Sri Lanka Accounting Standards (SLFRSs/LKASs) which will become applicable for financial periods beginning after 1 January 2020. Accordingly, the Company has not applied the following amended standard and interpretations in preparing these Financial Statements.

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

4.1 Amendments to references to conceptual framework in Sri Lanka Financial Reporting Standards

These amendments are effective 1 January 2020 and include limited revisions of definitions of an asset and a liability, as well as new guidance on measurement and de-recognition, presentation and disclosure. The concept of prudence has been reintroduced with the statement that prudence supports neutrality.

4.2 Definition of material (Amendments to LKAS 1 and LKAS 8)

Definition of Material Amendments to LKAS 1 Presentation of Financial Statements and LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (the amendments) to align the definition of 'material' across the standards and to clarify certain aspects of the definition. None of the amendments above are expected to result in a material impact on the Company's financial statements.

4.3 Definition of a business (Amendments to SLFRS 3)

Amendments to SLFRS 3 Business Combinations These amendments are effective 1 January 2020 on a prospective basis and assist entities in determining whether a transaction should be accounted for as a business combination or asset acquisition.

Notes to the Financial Statements

For the Year Ended 31 December

		2019 Rs.	2018 Rs.
5	**Revenue**		
5.1	**Revenue Streams**		
	Revenue from Contracts with Customers – Sale of Goods	2,572,830,353	2,358,251,746
	Total Revenue	2,572,830,353	2,358,251,746
5.2	**Timing of Revenue Recognition**		
	Goods transferred at point in time	2,572,830,353	2,358,251,746
	Total Revenue	2,572,830,353	2,358,251,746
6	**Segment Results**		
6.1	**Revenue**		
	Tea	2,355,604,373	2,123,764,141
	Rubber	237,225,980	234,487,605
		2,572,830,353	2,358,251,746
6.2	**Cost of Sales**		
	Tea	(2,771,551,768)	(2,287,864,045)
	Rubber	(324,719,932)	(338,687,431)
		(3,096,271,700)	(2,626,551,476)
6.3	**Gross Loss**		
	Tea	(435,947,395)	(164,099,904)
	Rubber	(87,493,952)	(104,199,826)
		(523,441,347)	(268,299,730)

		2019 Rs.	2018 Rs.
7	**Other Income**		
	Rent income	32,622,626	32,072,560
	Amortisation of Government Grants	10,036,275	10,123,791
	Subsidy Received	4,201,500	7,001,037
	Gain on Disposal of Property, Plant and Equipment	1,834,126	-
	Sundry Income	28,374,448	38,923,689
		77,068,975	88,121,077

		2019 Rs.	2018 Rs.
8	**Gain on Changes in Fair Value of Biological Assets**		
	Fair Value Loss on Produce on Bearer Plants **(Note 20.2)**	(868,849)	(1,388,043)
	Fair Value Gain on Consumable Biological Assets **(Note 20.1)**	102,783,862	91,928,371
		101,915,013	90,540,328

Notes to the Financial Statements
For the year ended 31 December

9 Other Expenses

	2019 Rs.	2018 Rs. (Restated)
Impairment of Immature Plantations- Rubber (**Note 19.1.1**)	18,579,365	43,489,465
Write-Off of Bearer Biological Assets	17,317,914	-
Write-Off of Nursery Plants	3,529,723	-
(Reversal)/Provision For Obsolete and Slow Moving Inventories	(142,011)	139,928
	39,284,991	43,629,393

10 Net Finance Costs

	2019 Rs.	2018 Rs.
Finance Income		
Interest Income on Fixed Deposit	295,498	206,371
Interest Income on Distress Loan	71,148	56,038
	366,646	262,409
Finance Costs		
Interest on Loans from Bank	71,907,330	8,960,276
Interest on Loans from Melstacorp PLC	244,938,227	138,006,343
Interest on Loans from Tea Board	8,809,898	15,010,187
Interest on Bank Overdrafts	55,664,399	55,881,387
Interest on Lease Liability to SLSPC/JEDB	34,357,598	31,485,083
Interest on Lease Liabilities-other	1,347,784	2,160,551
	417,025,236	251,503,827
Net Finance Costs	(416,658,590)	(251,241,418)

11 Loss Before Taxation

	2019 Rs.	2018 Rs. (Restated)
Loss before taxation is stated after charging all the expenses including the followings;		
Directors' Remunerations	6,315,000	6,315,000
Auditors' Remunerations		
-Audit Services	4,600,000	4,400,000
-Non Audit Services	100,000	587,890
Depreciation / Amortisation		
- Right of Use Assets	11,916,325	6,249,060
- Immovable Leased Assets	17,497,267	9,581,181
- Property, Plant and Equipment	57,330,355	41,439,839
-Intangible Assets	40,800	40,800
-Investment Property	1,192,380	1,192,380
- Bearer Biological Assets	63,467,017	47,573,194
Personnel Costs		
- Salaries and Wages	1,419,061,889	1,309,931,174
- Defined Benefit Plan Costs - Retiring Gratuity	131,578,471	110,026,513
- Defined Contribution Plan Cost - EPF / CPPS / ESPS and ETF	166,897,067	137,884,665
- Surcharges on EPF / ETF/ ESPS / Gratuity Payable	3,212,980	-

Notes to the Financial Statements

For the Year Ended 31December

12 Income Tax Expenses

	2019 Rs.	2018 Rs. (Restated)
12.1 Amounts Recognised in Profit or Loss		
Current Tax Expense		
Income Tax Charge for the Year (**Note 12.3**)	21,999	-
	21,999	-
Deferred Tax Expense		
Deferred Tax Recognised in Profit or Loss (**Note 30**)	128,451,917	165,991,961
	128,451,917	165,991,961
12.2 Amounts Recognised in Other Comprehensive Income		
Deferred Tax on Actuarial Loss on Retirement Benefit Obligation (**Note 30**)	(3,638,654)	(4,154,873)
	(3,638,654)	(4,154,873)

Income Tax is calculated using tax rates enacted for the year of assessment. The profits from agricultural activities are taxed at 14% and the profits from other activities are taxed at 28%, as per the Inland Revenue Act No. 24 of 2017

12.3 Reconciliation of Accounting Loss to Taxable Loss

	2019	2018
Loss Before Taxation	(902,575,521)	(479,488,931)
Less : Income from other sources	(366,646)	(206,372)
Add : Disallowable Expenses	719,457,732	262,212,095
Less: Non-Taxable Income	(101,915,013)	(89,374,819)
Less : Allowable Expenses	(272,977,639)	(336,271,388)
Adjusted Loss for the Year	(558,377,087)	(643,129,415)
Add : Income from other sources	-	206,372
Business Income	(558,377,087)	(642,923,043)
Investment Income	91,662	-
Income Tax Expense		
Tax at 14%	-	-
Tax at 28%	21,999	-

12.4 Accumulated Tax Losses

	2019	2018
Tax Losses Brought Forward	3,262,399,289	2,619,476,246
Add: Loss incurred During the Year	558,377,087	643,129,415
Less : Utilization of Tax Losses During the Year	-	(206,372)
Tax Losses Carried Forward	3,820,776,376	3,262,399,289

13 Basic Loss Per Share

The calculation of basic loss per share is based on the loss attributable to ordinary shareholders for the year divided by the weighted-average number of ordinary shares outstanding during the year and calculated as follows.

	2019	2018 (Restated)
Loss attributable to ordinary shareholders (Rs.)	(1,031,049,437)	(645,480,892)
Weighted average number of ordinary shares (Nos.)	23,636,364	23,636,364
Loss per Share (Rs.)	(43.62)	(27.31)

Notes to the Financial Statements
As at 31 December

14 Right of Use Assets

	2019 Rs.	2018 Rs.
Right of Use - Land **(Note 14.1)**	263,128,868	165,236,053
Right of Use - Motor Vehicles **(Note 14.2)**	32,389,357	-
	295,518,225	165,236,053

14.1 Right of Use - Land

	2019 Rs.	2018 Rs.
Capitalised Value : As at 18 June 1992	331,200,716	331,200,716
Adjustment due to Initial Application of SLFRS 16 (Note 3.1)	96,852,947	-
Remeasurement During the Year	11,251,490	-
Balance as at 31 December	439,305,153	331,200,716
Accumulated Amortisation		
Balance as at 1 January	165,964,663	159,715,603
Amortisation Charge During the Year	10,211,622	6,249,060
Balance as at 31 December	176,176,285	165,964,663
Carrying Amount as at 31 December	263,128,868	165,236,053

The Right of Use - Lands consist of the lease rights on Janatha Estates Development Board/Sri Lanka State Plantations Corporation Estates. Leases have been executed for a period of 53 years. All of these leases are retroactive to 18 June 1992 the date of formation of the Company. The leasehold right to the land on all of these estates have been taken into the books of the Company on 18 June 1992 immediately after formation of the Company, in terms of the ruling obtained from the Urgent Issues Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka.

The Company has applied SLFRS 16- “Leases” with a date of initial application of 1 January 2019. As a result the Company has changed its accounting policy for Leases as detailed in Note 3.1 of accounting policies in these Financial Statements.

14.1.1 Leasehold rights to bare land of JEDB / SLSPC estate assets and immovable (JEDB / SLSPC) estate assets of finance lease acquired by the Government of Sri Lanka

The Government of Sri Lanka has initiated actions under provisions of the Land Acquisition Act No.28 of 1964, to acquire lands from lands leased to the Company in Agarsland Estate, Cecilton Estate, Rasagalla Estate, Non Pareil Estate and Rye Wikiliya Estate located in Balangoda region; Mutwagala Estate, Palmgarden Estate, Millawitiya Estate, Galuthara Estate, Mutwagala Estate and Rambukkanda Estate located in Ratnapura region, and Glen Alpin Estate, Telebedde Estate, Ury Estate and Wewesse Estate located in Badulla region.

The Government of Sri Lanka has already acquired a total land extent of 197.21 hectares (refer Note A below) and also in the process of acquiring a further total land extent of 1.04 hectares as detailed in Note B below.

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As at 31 December

14.1.1 Leasehold rights to bare land of JEDB / SLSPC estate assets and immovable (JEDB / SLSPC) estate assets of finance lease acquired by the Government of Sri Lanka (Continued)

(A) List of lands acquired by the Government as at 31 December 2019

Region	Estate	Purpose of Acquisition	Extent (Hectares)
Balangoda	Cecilton Estate	Expansion of a Village	7.21
Balangoda	Non Pareil Estate	Construction of R/Non Paeril Tamil Vidyalaya	0.81
Balangoda	Non Pareil Estate	Construction of Army camp	36.18
Balangoda	Non Pareil Estate	Construction of R/Karagastalawa Maha Vidyalaya	1.21
Balangoda	Non Pareil Estate	Widening of Road	0.38
Balangoda	Non Pareil Estate	Widening of Road	0.30
Balangoda	Non Pareil Estate	Village Alienation	12.09
Balangoda	Agarsland Estate	Construction of R/Wellawala Mukalana Tamil School	0.81
Balangoda	Agarsland Estate	Village Alienation	6.79
Balangoda	Rasagalla Estate	Village Alienation	7.87
Balangoda	Rasagalla Estate	Village Alienation	4.34
Balangoda	Rasagalla Estate	Village Alienation	2.37
Balangoda	Rasagalla Estate	Construction of Estate Hospital – Rasagalla	0.81
Balangoda	Rye Wikiliya Estate	Construction of Balangoda Pinnawala Police Station	1.00
Balangoda	Rye Wikiliya Estate	Village Alienation	2.02
Ratnapura	Mutwagala Estate	Construction of North Karadana Police Post	0.06
Ratnapura	Palmgarden Estate	Construction of an Industrial Estate	34.49
Ratnapura	Palmgarden Estate	Village Alienation	5.26
Ratnapura	Palmgarden Estate	Construction of a Ranaviru Village	1.50
Badulla	Glen Alpin Estate	Expansion of Uva Wellassa University	10.10
Badulla	Glen Alpin Estate	Construction of an Industrial Zone	9.49
Badulla	Telebedde Estate	Construction of a Lake	1.62
Badulla	Ury Estate	Village Alienation	2.90
Badulla	Wewesse Estate	Expansion of Uva Wellassa University	17.81
Ratnapura	Galuthara Estate	Construction of Houses for Flood Victims	1.18
Ratnapura	Millawitiya Estate	Village Alienation	11.86
Ratnapura	Mutwagala Estate	Village Alienation	4.90
Ratnapura	Rambukkanda Estate	Construction of Houses for Flood Victims	3.49
Ratnapura	Rambukkanda Estate	Construction of Houses for Flood Victims	4.78
Balangoda	Balangoda Estate	Build a Mini Hydro Project	0.66
Badulla	Ury Estate	Construction of Peradeniya Badulla Highway	0.01
Badulla	Wewesse Estate	Construction of Peradeniya Badulla Highway	2.91
			197.21

No adjustments have been made to the financial statements in respect of these lands acquired as the compensation receivable on these acquisitions are not known and the Government Valuation is pending as at 31 December 2019. Accordingly, the transactions pertaining to those acquisitions are incomplete as at 31 December 2019.

(B) List of lands in the process of being acquired by the Government of Sri Lanka under the Land Acquisition Act as at 31 December 2019

Region	Estate	Purpose of Acquisition	Extent (Hectares)
Balangoda	Rye / Wikiliya Estate	Construction of R/ Keerapathdeniya Roman Catholic School	0.84
Ratnapura	Mutwagala Estate	Construction of an official residence to the Divisional Secretary- Kiriella	0.20
			1.04

Notes to the Financial Statements
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14.2 Right of Use - Motor Vehicles

	2019 Rs.	2018 Rs.
Cost		
Balance as at 1 January	-	-
Additions During the Year	34,094,060	-
Balance as at 31 December	34,094,060	-
Accumulated Amortisation		
Balance as at 1 January	-	-
Amortisation During the Year	(1,704,703)	-
Balance as at 31 December	(1,704,703)	-
Carrying Amount	32,389,357	-

15 Immovable Leased Assets

In terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka, all immovable assets in these estates under finance leases have been taken into the books of the Company retroactive to 18 June 1992. For this purpose, the Board of Directors of the Company decided, that these assets be stated at their book values as they appear in the books of the JEDB/SLSPC, on the day immediately preceding the date of formation of the Company. These assets are taken into the Statement of Financial Position as at 18 June, 1992 and amortisation of immovable leased assets to 31 December 2019 are as follows

	Unimproved Lease Land Rs.	Mature Bearer Biological Assets Rs.	Improvement to Land Rs.	Other Vested Assets Rs.	Buildings Rs.	Machinery Rs.	Total Rs.
Capitalised Value (18 June 1992)							
As at 31 December 2018	899,449	271,224,580	15,701,754	151,815	64,023,644	26,164,471	378,165,713
As at 31 December 2019	899,449	271,224,580	15,701,754	151,815	64,023,644	26,164,471	378,165,713
Accumulated Amortisation							
As at 1 January 2018	433,667	219,483,574	13,377,027	151,815	64,023,644	26,164,471	323,634,198
Amortisation for the year	16,970	9,040,819	523,392	-	-	-	9,581,181
As at 31 December 2018	450,637	228,524,393	13,900,419	151,815	64,023,644	26,164,471	333,215,379
As at 1 January 2019	450,637	228,524,393	13,900,419	151,815	64,023,644	26,164,471	333,215,379
Amortisation for the year	16,970	16,956,905	523,392	-	-	-	17,497,267
As at 31 December 2019	467,607	245,481,298	14,423,811	151,815	64,023,644	26,164,471	350,712,646
Carrying Amount at 31 December 2018	448,812	42,700,187	1,801,335	-	-	-	44,950,334
Carrying Amount at 31 December 2019	431,842	25,743,282	1,277,943	-	-	-	27,453,067

With the application of SLFRS 16, right of use of other immovable assets has been remeasured. Since, there is no future lease liabilities for these assets, the carrying value at 1 January 2019 has been considered as the remeasured carrying value in accordance with SLFRS 16.

Notes to the Financial Statements

As at 31 December

16 Property, Plant and Equipment

	Land Improvements Rs.	Buildings Rs. (Restated)	Motor Vehicles Rs.	Furniture and Fittings Rs.	Equipment and Tools Rs.	Water Sanitation Rs.	Plant and Machinery Rs.	Capital Work in-Progress Rs.	Total Rs. (Restated)
Cost									
Balance as at 1 January 2018	115,762,542	284,206,700	188,029,956	10,699,082	69,296,156	60,732,049	593,025,549	46,847,102	1,368,599,136
Additions During the Year	84,000	2,452,444	24,693,615	79,582	3,450,147	-	4,149,825	20,505,684	55,415,297
Transfers During the Year	-	20,482,646	-	-	-	-	25,027,403	(45,510,049)	-
Balance as at 31 December 2018	115,846,542	307,141,790	212,723,571	10,778,664	72,746,303	60,732,049	622,202,777	21,842,737	1,424,014,433
Balance as at 1 January 2019	115,846,542	307,141,790	212,723,571	10,778,664	72,746,303	60,732,049	622,202,777	21,842,737	1,424,014,433
Additions During the Year	-	19,927,077	5,285,929	87,015	6,771,263	48,876	6,717,904	21,795,293	60,633,357
Disposals During the Year	-	-	(1,834,126)	-	-	-	-	-	(1,834,126)
Transfers During the Year	-	-	-	-	11,656,836	-	8,430,484	(20,087,320)	-
Balance as at 31 December 2019	115,846,542	327,068,867	216,175,374	10,865,679	91,174,402	60,780,925	637,351,165	23,550,710	1,482,813,664
Accumulated Depreciation									
Balance as at 1 January 2018	49,963,300	90,846,257	183,712,891	10,489,326	64,114,964	49,268,912	333,870,397	-	782,266,047
Depreciation During the Year	5,771,040	7,103,338	2,110,774	113,517	1,133,661	1,979,712	23,227,797	-	41,439,839
Balance as at 31 December 2018	55,734,340	97,949,595	185,823,665	10,602,843	65,248,625	51,248,624	357,098,194	-	823,705,886
Balance as at 1 January 2019	55,734,340	97,949,595	185,823,665	10,602,843	65,248,625	51,248,624	357,098,194	-	823,705,886
Depreciation During the Year	5,717,152	7,758,521	6,035,379	104,227	3,878,573	1,926,701	31,909,802	-	57,330,355
Disposals During the Year	-	-	(1,834,126)	-	-	-	-	-	(1,834,126)
Balance as at 31 December 2019	61,451,492	105,708,116	190,024,918	10,707,070	69,127,198	53,175,325	389,007,996	-	879,202,115
Carrying Amounts									
As at 31 December 2018	60,112,202	209,192,195	26,899,906	175,821	7,497,678	9,483,425	265,104,583	21,842,737	600,308,547
As at 31 December 2019	54,395,050	221,360,751	26,150,456	158,609	22,047,204	7,605,600	248,343,169	23,550,710	603,611,549

Notes to the Financial Statements
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16.1 Fully Depreciated Assets

	2019 Rs.	2018 Rs.
The cost of fully depreciated Property, Plant & Equipment of the Company which are still in use as at the reporting date are as follows.		
Land Improvements	2,000,220	1,503,510
Motor Vehicles	179,971,485	180,181,167
Furniture and Fittings	2,944,018	9,713,540
Equipment and Tools	52,874,144	62,056,622
Water Sanitation	32,222,232	21,137,807
Plant and Machinery	210,386,229	190,100,339
	480,398,328	464,692,985

16.2 Temporarily Idle Property, Plant and Equipment

The cost of temporally Idle Property, Plant and Equipment is Rs. 3,675,000.

17. Intangible Assets

	Computer Software Rs.	Capital Work in-Progress Rs.	Total Rs.
Cost			
Balance as at 1 January 2018	-	-	-
Additions During the Year	204,000	697,500	901,500
Balance as at 31 December 2018	204,000	697,500	901,500
Balance as at 1 January 2019	204,000	697,500	901,500
Additions During the Year	-	232,500	232,500
Balance as at 31 December 2019	204,000	930,000	1,134,000
Accumulated Amortisation			
Balance as at 1 January 2018	-	-	-
Amortisation During the Year	40,800	-	40,800
Balance as at 31 December 2018	40,800	-	40,800
Balance as at 1 January 2019	40,800	-	40,800
Amortisation During the Year	40,800	-	40,800
Balance as at 31 December 2019	81,600	-	81,600
Carrying Amounts			
At 31 December 2018	163,200	697,500	860,700
At 31 December 2019	122,400	930,000	1,052,400

Capital Work-in-Progress represents the directly attributable costs in relation to the installation of a computerised accounting system, “Olex” which has not been fully implemented across the Company.

Notes to the Financial Statements

As at 31 December

18 Investment Property

	2019 Rs.	2018 Rs. (Restated)
Cost		
Building		
Balance as at 1 January	47,695,188	47,695,188
Balance as at 31 December 2019	47,695,188	47,695,188
Accumulated Depreciation		
Balance as at 1 January	19,078,076	17,885,696
Depreciation During the Year	1,192,380	1,192,380
Balance as at 31 December 2019	20,270,456	19,078,076
Carrying Amount	27,424,732	28,617,112

Investment property reflects Gowerakelle Green Tea Factory which has been rented to Stassen Exports (Private) Limited.

In addition to the Tea Factory in Gowerakelle, the Company has rented tea factories and the land in Mutuwagalla and Rye Wikiliya estates to outside parties. However due to the practical inability to identify the cost of these factories and the lands separately, they have not been classified as Investment Property. The carrying amount of those factories as at 31 December 2019 is zero (2018 : zero) and are reflected under Immovable Leased Assets.

18.1 Income from Investment Property

	2019 Rs.	2018 Rs.
Rent Income from Gowerakalle Green Tea Factory	3,140,394	2,932,749
	3,140,394	2,932,749

Notes to the Financial Statements
As at 31 December

19 Bearer Biological Assets

19.1 Immature Plantations

	2019				2018			
	Tea Rs.	Rubber Rs.	Others Rs.	Total Rs.	Tea Rs.	Rubber Rs. (Restated)	Others Rs.	Total Rs. (Restated)
Cost								
Balance as at 1 January	24,692,262	1,688,375,172	43,553,328	1,756,620,762	23,627,145	1,663,795,156	35,149,731	1,722,572,032
Additions During the Year	9,941,291	70,518,985	7,157,292	87,617,568	1,065,117	137,954,031	8,403,597	147,422,745
Transfer to Mature Plantations During the Year	(24,138,808)	(134,030,107)	-	(158,168,915)	-	(113,374,015)	-	(113,374,015)
Write-Off During the Year	-	-	(619,050)	(619,050)	-	-	-	-
	10,494,745	1,624,864,050	50,091,570	1,685,450,365	24,692,262	1,688,375,172	43,553,328	1,756,620,762
Provision for Impairment **(Note 19.1.1)**	-	(632,758,090)	-	(632,758,090)	-	(614,178,725)	-	(614,178,725)
Balance as at 31 December	10,494,745	992,105,960	50,091,570	1,052,692,275	24,692,262	1,074,196,447	43,553,328	1,142,442,037

19.1.1 Provision of Impairment of Immature Plantations

	2019 Rs.	2018 Rs. (Restated)
Balance as at 1 January	614,178,725	570,689,260
Impairment Charge For the Year	18,579,365	43,489,465
Balance as at 31 December	632,758,090	614,178,725

The Company has performed an impairment assessment on immature biological assets - rubber and identified that some of rubber trees located in new planting fields are non existing and / or untappable since previous years. Those immature biological assets – rubber have been impaired over the years since such indications of impairment had prevailed during previous reporting periods as well. Accordingly, the management has performed a calculation of provision for impairment on such rubber immature fields based on the costs incurred after considering the recoverable amount of untappable trees based on fair value less cost to sell.

As a result, the Company has recognised an impairment provision of Rs. 632,758,090 as at 31 December 2019 (2018: Rs. 614,178,725).

Notes to the Financial Statements

As at 31 December

19 Bearer Biological Assets (Continued)

	2019				2018			
	Tea Rs.	Rubber Rs.	Others Rs.	Total Rs.	Tea Rs.	Rubber Rs.	Others Rs.	Total Rs.
19.2 Mature Plantations								
Cost								
Balance as at 1 January	448,956,153	783,532,373	97,282,033	1,329,770,559	448,956,153	670,158,358	97,282,033	1,216,396,544
Transfers from Immature Plantation During the Year	24,138,808	134,030,107	-	158,168,914	-	113,374,015	-	113,374,015
Write-off During the Year	-	-	(16,698,864)	(16,698,864)	-	-	-	-
Balance as at 31 December	473,094,961	917,562,480	80,583,169	1,471,240,609	448,956,153	783,532,373	97,282,033	1,329,770,559
Accumulated Depreciation								
Balance as at 1 January	134,932,228	331,008,237	10,247,451	476,187,916	121,463,543	298,164,970	8,986,209	428,614,722
Depreciation During the Year	14,816,307	44,087,147	4,563,563	63,467,017	13,468,685	32,843,267	1,261,242	47,573,194
Reversal of Depreciation for Write-off During the Year	-	-	(203,715)	(203,715)	-	-	-	-
Balance as at 31 December	149,748,535	375,095,384	14,607,299	539,451,218	134,932,228	331,008,237	10,247,451	476,187,916
Carrying Amount of Mature Plantations	323,346,426	542,467,096	65,975,870	931,789,391	314,023,925	452,524,136	87,034,582	853,582,643
Total Bearer Biological Assets	333,841,171	1,534,573,056	116,067,440	1,984,481,666	338,716,187	1,526,720,583	130,587,910	1,996,024,680

19.2.1 The Company has not capitalised any borrowing cost for the year ended 31 December 2019 (2018: Rs. 62,909,589).

Notes to the Financial Statements
As at 31 December

20 Consumable Biological Assets	2019 Rs.	2018 Rs.
Mature Plantations **(Note 20.1)**	2,008,133,097	1,905,935,981
	2,008,133,097	1,905,935,981

20.1 Consumable Biological Assets- Mature Plantations	2019 Rs.	2018 Rs.
Balance as at 1 January	1,905,935,981	1,805,472,402
Increase due to Development	-	9,700,717
Decrease due to Harvest/Disposal	(586,746)	(1,165,509)
	1,905,349,235	1,814,007,610
Gain arising from Changes in Fair Value	102,783,862	91,928,371
Balance as at 31 December 2019	2,008,133,097	1,905,935,981

20.1.1 Measurement of Fair Value

The valuation of consumable biological assets was carried by Mr W.M. Chandrasena, an independent Chartered Valuation Surveyor, using Discounted Cash Flows (DCF) method. The Valuation Report dated 31 December 2019 has been prepared based on the physically verified timber statistics provided by the Company.

The future cash flows are determined by reference to current timber prices.

The fair value measurement for the consumable biological assets has been categorized as Level 3 fair value based on the inputs to the valuation technique used.

20.1.2 Valuation techniques and significant unobservable inputs

Following table shows the valuation techniques used in measuring Level 3 fair value of consumable biological assets as well as the significant unobservable inputs used for the valuation as at 31 December 2019.

Type	Valuation technique used	Significant Unobservable Inputs	Inter-relationship between key unobservable inputs and fair value measurement
Standing Timber	**Discounted cash flows**	**Determination of Timber Content**	
Standing timber older than 4 years.	The valuation model considers present value of future net cash flows expected to be generated by the plantation from the timber content of managed timber plantation on a tree-per-tree basis . Expected cash flows are discounted using a risk-adjusted discount rate of 14.5% (2018 : 14%)	Timber trees in inter-crop areas and pure crop areas have been identified field-wise and species were identified and harvestable trees were separated, according to their average girth and estimated age. Timber trees that have not come up to a harvestable size are valued working out the period that would take for those trees to grow up to a harvestable size. **Determination of Price of Timber** Trees have been valued as per the current timber prices per cubic meter based on the price list of the State Timber Corporation and prices of timber trees sold by the estates and prices of logs sawn timber at the popular timber traders in Sri Lanka. In this exercise, following factors have been taken into consideration. a) Cost of obtaining approval of felling. b) Cost of felling and cutting into logs. c) Cost of transportation. d) Sawing cost. e) Cost of sale f) Exclusion of trees located in restricted area specialized in the circular no 2019/01 dated on 6th November 2019 issued by the Ministry of Plantation Industries. **Risk-adjusted discount rate.** 2019 - 14.5% (Risk Premium 3.5%) 2018 - 14%	The estimated fair value would increase/ (decrease) if; - the estimated timber content were higher/ (lower). - the estimated timber prices per cubic meter were higher/(lower). - the estimated selling related costs were lower/(higher). - the estimated maturity age were higher/(lower). - the risk-adjusted discount rate were lower/(higher).

Notes to the Financial Statements
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20.1.3 Sensitivity Analysis

(a) Sensitivity Variation on Sales prices

Values as appearing in the statement of financial position are sensitive to price changes with regard to the average sales prices applied. Simulations made for timber show that an increase or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

	-10% Rs.	2019 Rs.	+10% Rs.
Timber	1,807,319,787	2,008,133,097	2,208,946,406
Total	1,807,319,787	2,008,133,097	2,208,946,406

(b) Sensitivity Variation on Discount Rate

Values as appearing in the statement of financial position are sensitive to changes of the discount rate applied. Simulations made for timber show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the net present value of biological assets:

	-1% Rs.	2019 Rs.	+1% Rs.
Timber	2,092,072,867	2,008,133,097	1,932,777,549
Total	2,092,072,867	2,008,133,097	1,932,777,549

20.1.4 The Company is exposed to the following risks relating to its timber plantation

(a) Regulatory and Environmental Risks

The Company is subject to laws and regulations in Sri Lanka. The Company has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

(b) Supply and Demand Risks

The Company is exposed to risks arising from fluctuations in the price and sales volume of timber. When possible the Company manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that the Company's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

(c) Climate and Other Risks

The Company's timber plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Company has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

20.2 Produce on Bearer Biological Assets

	2019 Rs.	2018 Rs.
Balance at 1 January	2,703,109	4,091,152
Change in Fair Value less Cost to Sell	(868,849)	(1,388,043)
Balance at 31 December	1,834,260	2,703,109

The volume of produce growing on bearer plants are measured using the estimated crop of the last harvesting cycle of the year as follows

Tea – Three days crop (50% of 6 days cycle)

Rubber - One Day Crop (50% of 2 days cycle)

Produce that grows on mature bearer plantations are measured at fair value less cost to sell. The value of the unharvested green leaves is measured using the Tea Commisioner's formula for bought leaf and rubber crop is fair valued using RSS prices.

Notes to the Financial Statements

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21 Financial Assets Measured at FVOCI

	2019		2018	
	No. of Shares	Fair Value Rs.	No. of Shares	Fair Value Rs.
Quoted Equity Investments in Ordinary Shares				
National Development Bank PLC	3,683	368,300	3,493	373,052
	3,683	368,300	3,493	373,052

22 Inventories

	2019 Rs.	2018 Rs.
Nurseries	5,269,851	8,786,426
Produce Stock	226,097,916	245,615,913
Input Stocks, Consumables and Spares	35,298,531	56,081,135
	266,666,298	310,483,474
Less: Provision for Obsolete and Slow Moving Inventories **(Note 22.1)**	(720,961)	(862,972)
	265,945,337	309,620,502

22.1 Provision For Obsolete and Slow Moving Inventories

	2019 Rs.	2018 Rs.
Balance as at 1 January	862,972	723,044
(Reversal)/ Provision made during the Year	(142,011)	139,928
Balance as at 31 December	720,961	862,972

23 Trade and Other Receivables

	2019 Rs.	2018 Rs.
Trade Receivables	49,550,016	2,710,010
Employee Related Debtors	40,371,881	43,674,968
VAT Receivable	14,804,121	12,986,949
ESC Receivable	36,202,444	20,255,855
Other Taxes Receivable	1,309,307	2,939,125
Advances and Prepayments	7,788,350	8,894,021
Staff Loans	475,146	396,180
Other Receivables	34,297,828	36,821,448
	184,799,093	128,678,556
Less: Provision for Impairment of Other Receivables	(202,287)	(202,287)
	184,596,806	128,476,269

24 Amounts Due from Related Company

	2019 Rs.	2018 Rs.
Madulsima Plantations PLC	9,432,028	10,893,909
	9,432,028	10,893,909

25 Other Financial Assets at Amortised Cost

	2019 Rs.	2018 Rs.
Investment in Fixed Deposit	395,047	359,215
	395,047	359,215

This fixed deposit will be matured after 3 months from the reporting date.

26 Cash and Cash Equivalents

	2019 Rs.	2018 Rs.
Favourable Balances		
Cash at Bank	13,920,417	649,850
Cash in Hand	320,084	16,609,183
	14,240,501	17,259,033
Less: Unfavourable Balances		
Bank Overdrafts	(506,967,621)	(479,735,515)
Cash and Cash Equivalents for the Purpose of Cash Flows	(492,727,120)	(462,476,482)

Notes to the Financial Statements
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27 Stated Capital

	2019 Rs.	2018 Rs.
23,636,364 Ordinary Shares Including One Golden Share Held by the Treasury	350,000,010	350,000,010

27.1 Golden Shareholder

The Golden Share has been allotted to the Secretary to the Treasury by capitalization of revaluation reserve on 1 August 1995. Articles of Association of the Company embodies the specific rights assigned to the Golden Shareholder on behalf of the State of Democratic Socialist Republic of Sri Lanka. In addition to the rights of the normal ordinary shareholders, in terms of the Articles of the Company, the Golden Shareholder has the following rights

i. The concurrence of the Golden Shareholder will be required for the Company to sublease any of the estate land leased/to be leased to the Company by the Janatha Estate Development Board/Sri Lanka State Plantation Corporation (JEDB/SLSPC).

ii. The concurrence of the Golden Shareholder will be required to amend any clause in the Articles of Association of the Company which grant specific rights to the Golden Shareholder.

iii. The Golden Shareholder, or his nominee will have the right to examine the books and accounts of the Company at any time with two weeks written notice.

iv. The Company will be required to submit a detailed quarterly accounts report to the Golden Shareholder in a specified format within 60-days of the end of each quarter. Additional information relating to the Company in a specified format must be submitted to the Golden Shareholder within 90-days of the end of the each fiscal year.

v. The Golden Shareholder can request the Board of Directors of the Company to meet with him/his Nominee, once every quarter to discuss issues related to the Company's operation of interest to the Government.

28 Interest Bearing Loans and Borrowings

	2019 Rs.	2018 Rs.
Balance as at 1 January	2,143,024,152	1,474,006,515
Add : Loans Obtained During the Year	899,810,724	678,513,525
Add : Interest Charge for the Year	325,718,603	135,771,033
	3,368,553,479	2,288,291,073
Less : Repayments During the Year	(300,688,626)	(145,266,921)
Balance as at 31 December	3,067,864,853	2,143,024,152
Maturity Analysis		
Amount Payable within One Year	187,747,345	208,870,706
Amount Payable after One Year and Less than Five Years	1,511,510,737	1,538,901,360
Amount Payable More than Five Years	1,368,606,771	395,252,086
	3,067,864,853	2,143,024,152
Lender-wise Summary		
Hatton National Bank PLC	483,594,200	655,628,906
Sri Lanka Tea Board	34,142,293	35,049,425
Melstacorp PLC	2,531,253,360	1,412,770,821
Commercial Bank of Ceylon PLC	18,875,000	39,575,000
	3,067,864,853	2,143,024,152

Notes to the Financial Statements
As at 31 December

28.1 Interest Bearing Loans and Borrowings - Detailed Breakup

Name of the Lender	Nature of the Facility	Facility Obtained Rs.	Amount Outstanding as at 31 December 2019 Rs.	Amount Outstanding as at 31 December 2018 Rs.	Rate of Interest	Terms of Payment	Securities Pledged
Sri Lanka Tea Board	Short Term Loan	26,180,000	23,562,000	-	Interest Free	Capital to be repaid within 10 equal installments starting from 10 December 2019	N/A
Sri Lanka Tea Board	Long Term Loan	44,926,350	5,330,293	20,799,425	5.00%	36 equal monthly installments at Rs. 1,346,483 commencing from 28 May 2015.	N/A
Sri Lanka Tea Board	Long Term Loan	27,000,000	5,250,000	14,250,000	6 Month AWPLR + 1% (To be fixed at six month intervals)	36 equal monthly installments after a grace period of 12 months from the date of disbursement 1 August 2016.	N/A
Hatton National Bank PLC	Long Term Loan	167,970,000	33,594,000	67,188,000	AWPLR + 1.5%	60 equal monthly capital repayments of Rs.2,799,500 at the Interest rate at AWPLR + 1.5% with a 2% subsidy for first 2 years	Primary floating mortgage bond of Rs 858 Mn (to be enhanced from Rs 690. Mn) over leasehold rights of Balangoda Estate
Hatton National Bank PLC	Short Term Loan	80,000,000	-	80,000,000	AWPLR + 1.5%	Capital to be repaid within a maximum period of 3 months. Interest payable monthly.	Leeway of Rs. 56.12Mn available under the Mortgage Bond for Rs.974 Mn over leasehold rights of Balangoda Estate.
Hatton National Bank PLC	Long Term Loan	500,000,000	450,000,200	500,000,000	AWPLR + 1%	60 equal monthly instalments after a grace peiod of 60 Months from the date of 01 disbursement.	Primary Floating Mortgage Bond for Rs. 500 Mn over 5 lease hold estates of Balangoda, Galatura, Palm Garden, Meddekanda and Rassagala.
Hatton National Bank PLC	Lease	114,765,528	-	8,440,906	9.00%	48 equal monthly instalments of Rs. 2,834,685 commencing from 17 April 2015.	Absolute ownership of the leased Machine
Commercial Bank of Ceylon PLC	Long Term Loan	62,000,000	18,875,000	39,575,000	14.00%	Capital to be repaid within 36 equal monthly capital repayments of 1,725,000 commencing from the 25 December 2017.	Letter of comfort from Melstacorp PLC for Rs. 62 Mn.
Melstacorp PLC	Working Capital Loan Series	2,124,725,152	2,531,253,360	1,412,770,821	AWPLR + 1.25%	Capital to be repaid after a moratorium of 3 years. Interest payable monthly	N/A
			3,067,864,853	2,143,024,152			

Notes to the Financial Statements
As at 31 December

29 Retirement Benefit Obligations

	2019 Rs.	2018 Rs.
Balance as at 1 January	706,872,253	683,471,358
Included in Profit or Loss		
Interest Cost During the Year	84,824,670	68,347,136
Current Service Cost	46,753,801	41,679,377
Included in Other Comprehensive Expense		
Actuarial Loss for the Year	25,990,385	29,677,661
Gratuity Payments During the year	(90,219,696)	(116,303,279)
Balance as at 31 December	774,221,413	706,872,253

An actuarial valuation for defined benefit obligation was carried out as at 31 December 2019 by Messrs Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries. The valuation method used by the actuaries to value the obligation is the "Projected Unit Credit Method", a method recommended by the Sri Lanka Accounting Standard LKAS – 19 "Employee Benefits".

The key assumptions used by Messers. Actuarial & Management Consultants (Private) Limited include the following.

	2019	2018
(i) Rate of Interest (per Annum)	11%	12%
(ii) Rate of Salary Increase		
- Workers (Every Two Years)	15%	15%
- Estate Staff (Per Annum)	10%	10%
- Head Office Staff & Executives (Per Annum)	7.5%	7.5%
(iii) Retirement Age		
- Workers	60 years	60 years
- Staff	55 years	55 years
(iv) Daily Wage Rate	Rs.700/-	Rs.700/-

In addition to the above, demographic assumptions such as mortality, withdrawal and disability and retirement age were considered for the actuarial valuation. 1949/52 Mortality Table issued by the Institute of Actuaries, London and "A1967/70 Mortality Table" issued by the Institute of Actuaries was used to estimate the gratuity liability of the Company.

Sensitivity of Assumptions Used

Sensitivity analysis for significant assumptions as at 31 December 2019 is shown below.

	2019		2018	
Discount Rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Sensitivity Level	**1%**	**1%**	**1%**	**1%**
Impact on Defined Benefit Obligation (Rs.)	(54,891,774)	62,839,775	(47,116,860)	53,711,451

	2019		2018	
Future Salary Increment Rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Sensitivity Level	**1%**	**1%**	**1%**	**1%**
Impact on Defined Benefit Obligation (Rs.)	35,228,681	(33,032,103)	27,379,944	(25,747,725)

Notes to the Financial Statements
As at 31 December

30 Deferred Tax Liability

	2019 Rs.	2018 Rs. (Restated)
Balance as at 1 January	277,819,843	115,982,755
Recognised in Profit or Loss		
Deferred Tax Charged During the Year	128,451,917	165,991,961
Recognised in Other Comprehensive Income		
Deferred Tax Reversals During the Year	(3,638,654)	(4,154,873)
Balance as at 31 December	402,633,106	277,819,843

	2019		2018	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs. (Restated)	Tax Effect Rs. (Restated)
Deferred Tax Liability				
Property, Plant and Equipment	316,536,133	44,315,059	399,504,258	55,930,596
Investment Property	27,424,732	3,839,462	28,617,112	4,006,396
Bearer Biological Assets	1,984,481,666	277,827,433	1,996,024,680	279,443,455
Consumable Biological Assets	2,008,133,097	281,138,634	1,908,175,511	267,144,572
Net Lease Liability	7,333,833	1,026,737	-	-
As at 31 December	4,343,909,461	608,147,325	4,332,321,561	606,525,019
Deferred Tax Assets				
Retirement Benefit Obligations	(774,221,413)	(108,390,998)	(706,872,253)	(98,962,115)
Accumulated Tax Losses	(693,737,288)	(97,123,221)	(1,641,021,863)	(229,743,061)
As at 31 December	(1,467,958,701)	(205,514,219)	(2,347,894,116)	(328,705,176)
As at 31 December	2,875,950,760	402,633,106	1,984,427,445	277,819,843

Deferred Tax is provided using the liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. As the proposed income tax rate (i.e. exempt) for the Company is pending for formal approvals, it is not considered as substantially enacted as at the reporting date. Accordingly, the tax rate of 14% has been considered for deferred tax computation as at 31 December 2019 (2018 - 14%)

The deferred tax asset has been recognised in the Financial Statements to the extent of forecasted taxable profit. Therefore, the tax asset arising from accumulated tax losses carried forward was limited only to the extent of existing temporary differences as at 31 December 2019. The Company expects to generate taxable profit by improving operational performance in the future.

However, deferred tax asset of Rs.437,785,472 (2018: Rs. 226,992,840) has not been recognised in respect of unutilized tax losses of Rs. 3,127,039,088 (2018: 1,621,377,426) as at 31 December 2019 as shown below.

	2019		2018	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
On Accumulated Tax Losses	3,127,039,088	437,785,472	1,621,377,426	226,992,840
	3,127,039,088	437,785,472	1,621,377,426	226,992,840

Notes to the Financial Statements

As at 31 December

31 Deferred Income

	2019 Rs.	2018 Rs.
Cost		
Balance as at 1 January	305,710,203	305,710,203
Balance as at 31 December	305,710,203	305,710,203
Accumulated Amortisation		
Balance as at 1 January	146,050,575	135,926,784
Amortisation During the Year	10,036,275	10,123,791
Balance as at 31 December	156,086,850	146,050,575
Carrying Amount as at 31 December	149,623,353	159,659,628

The Company has received funding from the Plantation Housing and Social Welfare Trust, and Plantation Development Project (PDP) for the development of workers facilities such as re-roofing of line rooms, latrines, water supply, sanitation and roads etc. The amounts spent are included under the relevant categorise of property, plant & equipment and the grant component is reflected under Deferred Income. Grants are amortised over the life of the assets for which they are deployed.

32 Lease Liabilities

	2019 Rs.	2018 Rs.
Lease Liability to SLSPC and JEDB **(Note 32.1)**	271,998,798	91,551,000
Motor Vehicle Lease **(Note 32.2)**	16,185,594	-
	288,184,392	91,551,000

	2019		2018	
	Current Liability Rs.	Non-Current Liability Rs.	Current Liability Rs.	Non-Current Liability Rs.
Gross Liability	4,804,226	292,610,939	5,673,000	144,347,000
Less: Interest in suspense	(2,064,228)	(7,166,545)	(3,661,000)	(54,808,000)
	2,739,998	285,444,394	2,012,000	89,539,000

32.1 Lease Liability to SLSPC and JEDB

	2019 Rs.	2018 Rs.
Balance as at 1 January	91,551,000	155,693,000
Impact due to Initial Application of SLFRS 16	170,538,000	-
Remeasurement of Right-of-Use Asset as at 1 April	11,251,490	-
Finance charge allocated to future periods	-	(58,469,000)
Interest Charges for the Year	34,357,598	-
Less: Lease Payments made During the Year	(35,699,290)	(5,673,000)
Lease Liability to SLSPC and JEDB	271,998,798	91,551,000

The lease of the estates have been amended, with effect from 11 June 1996 to an amount substantially higher than the previous lease rental of Rs. 500/= per estate per annum. The first rental payable under the revised basis is Rs.5.7 million from 11 June 1997. This amount is to be inflated annually by the Gross Domestic product (GDP) deflator, and was in the from of Contingent rental.

The Company has applied SLFRS – 16 with a date of initial application of 1 January 2019. As a result, the Company has changed its accounting policy for Leases as detailed in Note 3.1 of Accounting Policies in these Financial Statements.

Notes to the Financial Statements
As at 31 December

32.2 Motor Vehicle Lease

	2019 Rs.	2018 Rs.
Balance as at 1 January	-	-
Lease Obtained During the Year	16,900,000	-
Interest Charges for the Year	1,284,634	-
Less: Lease Payments made during the Year	(1,999,040)	-
Balance as at 31 December	16,185,594	-

33 Trade and Other Payables

	2019 Rs.	2018 Rs.
Trade Creditors	57,626,853	18,517,029
Employee Related Creditors	171,288,327	151,766,378
Accrued Expenses	16,694,518	14,741,051
Dividends Payable	6,050,388	5,932,781
Sundry Creditors	109,043,583	153,981,932
Accrued Expenses	66,242,086	46,940,229
Prepayments Received	8,080,918	-
ESC Payable	3,216,346	-
Other Payables	11,643,198	61,328,477
	449,886,217	453,207,877

34 Amounts Due to Related Companies

	2019 Rs.	2018 Rs.
Stassen Exports (Private) Limited	162,000	162,000
Melsta Logistics (Private) Limited	5,235,561	593,356
Melsta Technologies (Private) Limited	2,828,550	1,001,000
Madulsima Plantations PLC	7,009,611	3,197,837
Distilleries Company of Sri Lanka PLC	2,973,877	831,095
Milford Exports Ceylon (Private) Limited	2,497	-
	18,212,096	5,785,288

35 Related Party Disclosures

35.1 Substantial Shareholding and Ultimate Parent Company

The Company's immediate parent Company is Melstacorp PLC which owns 58.61% of Balangoda Plantations PLC and the ultimate parent Company is Milford Exports (Ceylon) (Private) Limited which are incorporated in Sri Lanka.

35.2 Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard 24 "Related Party Disclosures", Key Management Personnel are those having authority and responsibility for planning, directing and controlling activities of the entity. Accordingly, the Board of Directors has been classified as Key Management Personnel of the Company.

Other than those disclosed in below, there are no transactions with the Key Management Personnel of the company.

35.3 Compensations to KMPs

	2019 Rs.	2018 Rs.
Short-term Employee Benefits - Directors' Remunerations	6,315,000	6,315,000
	6,315,000	6,315,000

Notes to the Financial Statements
As at 31 December

35. Related Party Disclosures (Continued)

35.4 Transactions with Related Companies

Name of the Company	Nature of Relationship	Name of the Common Directors	Nature of the Transactions	Transaction Amount 2019 Rs. 000	Transaction Amount 2018 Rs. 000	Balance as at 31 December 2019 Rs. 000	Balance as at 31 December 2018 Rs. 000
Stassen Exports (Private) Limited	Common Directors	D. H. S. Jayawardena D. Hasitha S. Jayawardena	Reimbursement of Expenses	-	(162,000)	(162,000)	(162,000)
Distilleries Company Of Sri Lanka PLC	Affiliate Company	D. H. S. Jayawardena C. R. Jansz D. Hasitha S. Jayawardena	Reimbursement of Expenses Supply of tea	(2,292,950) 150,168	(831,095) -	(2,973,877)	(831,095)
Melsta Logistics (Private) Limited	Affiliate Company	A. L. Gooneratne	Vehicle Repair Charges	(4,642,205)	(593,356)	(5,235,561)	(593,356)
Melsta Technologies (Private) Limited	Affiliate Company		Reimbursement of Staff Cost	(1,827,550)	(1,001,000)	(2,828,550)	(1,001,000)
Madulsima Plantations PLC	Affiliate Company	D. H. S. Jayawardena D. Hasitha S. Jayawardena	Supply good and service Reimbursement of Expenses	- (5,273,630)	10,462,249 (2,766,203)	(7,009,611) 9,432,028	(3,197,837) 10,893,909
Milford Export(Ceylon) (Private) Limited	Common Directors	D. H. S. Jayawardena D. Hasitha S. Jayawardena	Rent Received Sale of Green Leaf Reimbursement of Expenses Settlements Received	(3,203,202) 37,196,282 (37,616) (33,952,967)	2,991,404 37,196,282 -	(2,497)	-
Melstacorp PLC	Intermediate Parent Company	D. H. S. Jayawardena D. Hasitha S. Jayawardena A. L. Gooneratne C. R. Jansz	Loans Obtained Interest Charge	(873,544,312) (244,938,227)	(599,019,692) (135,783,047)	(2,531,253,360)	(1,412,770,821)

Notes to the Financial Statements

As at 31 December

36 Capital Commitments

There are no material capital commitments as at the date of the Statement of Financial Position.

37 Contingent Liabilities

The contingent liabilities in respect of pending litigations before Labour Tribunals are not expected to crystallise in to a material liability of the Company and no other contingent liability exists as at the reporting date.

38 Assets Pledged as Collaterals by The Company

Other than those disclosed under Note 28.1, the following assets of the Company have been pledged as collaterals for the bank overdrafts and other financing facilities obtained by the Company, to the respective financial institution concerned.

Name of the Lender	Nature of the Facility	Facility Obtained Rs.	Amount Outstanding as at 31 December 2019 Rs.	Securities Pledged
Hatton National Bank PLC	Permanent Overdraft Facility	489,500,000	484,401,885	Primary mortgage over the Lease hold rights of Walaboda Estate.
Commercial Bank of Ceylon PLC	Lease Facility	16,900,000	16,185,594	Absolute ownership of leased motor vehicles.

39 Events Occurring after the Reporting Date

There were no any material events after the reporting date which require adjustments to or disclosure in the financial statements other than the following.

39.1 Impact of COVID-19

On 11 March 2020, the World Health Organization declared the COVID-19 as an Global Pandemic Situation. The pandemic has significantly affected to the economy of Sri Lanka as well as the Company's business environment. The situation has started after the reporting date and has been continued up to the date on which these financial statements were authorised for issue, affecting the many aspects of the country.

The Government initially declared a work from home period with a subsequent island-wide curfew being imposed on 20 March 2020. At the very outset, other than for those engaged in essential services, many were compelled to stay at home with most business operations reaching a near standstill. Thereafter, with activities being streamlined the Company's operations gradually picked pace. However, as a result the Company's cash flows were impacted due to suspension of the Colombo Tea Auctions for two weeks in March 2020, whilst crop intakes were significantly lower, primarily due to restrictions of working days. Transport of produce to Colombo too was limited and functioned with bottlenecks due to stringent lockdown measures introduced, coupled with prohibition of inter-district passenger travel.

With the Government declaring the Plantation Sector an 'essential service", the Company continued to operate its estates . The industry rallied together and established the Country's first-ever electronic tea auction performed, resulting in the first ever Auction being held on Saturday, 4 April 2020. Although an improvement in tea prices was noted at auctions, the traded quantities were relatively low, primarily due to crop losses arising from the prolonged drought in the first quarter of the year in tea growing regions. Rubber prices continue to remain at the same levels prior to COVID-19, however demand is expected to grow due to increased requirement for health and safety related products.

39.2 Extraordinary General Meeting

The Board of Directors of the Company at its meeting held on 30 July 2020 became aware that the net assets of the Company are less than half of its stated capital and resolved to call an Extraordinary General Meeting of shareholders, for the purpose of the section 220 (1) of the Companies Act No. 07 of 2007 on 15 September 2020.

Notes to the Financial Statements

As at 31 December

40 Going Concern

The following factors have been considered by the Board of Directors in preparing and presenting these financial statements on going concern basis.

The Company has recorded a loss of Rs. 1,031,049,437 (2018: Rs. 645,480,892) for the year ended 31 December 2019 and has reported an accumulated losses of Rs. 2,376,154,977 (2018: Rs. 1,146,871,641). Further, its current liabilities exceeded its current assets by Rs. 696,927,419 (2018: Rs. 688,095,474) and total liabilities exceeded its total assets by Rs. 240,924,157 as at the same date. Further, the net assets are less than half of its stated capital and faces a serious loss of capital as at the reporting date. The directors of the Company are planing to table a report on this situation to the shareholders at the extra ordinary general meeting scheduled to be held on 15 September 2020. These events and conditions raise significant doubt whether the Company will be able to continue as a going concern and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Notwithstanding this, the financial statements have been prepared on a going concern basis as at 31 December 2019 due to reliance on a letter of support, dated 17 July 2020, provided by the Directors of the parent Company, Melstacorp PLC. Through this letter of support, the Directors of the parent Company undertakes to provide financial assistance to the Company to ensure that it can pay its debts as and when they fall due and payable for a period of at least 12 months from the date of signing these financial statements

The Board of Directors has called for an Extra Ordinary General Meeting on 15 September 2020, to decide on the future corrective actions to be taken.

As a consequence of the above, the Directors are in the view that the Company will be able to continue as a going concern and accordingly, the financial statements have been prepared on going concern basis.

Notes to the Financial Statements
As at 31 December

41 Correction of Prior Period Errors

41.1 Impact on error correction relevant to impairment of immature biological assets -rubber

As per LKAS 36 "Impairment of Assets", an entity shall assess at the end of each reporting period whether there is an indication that asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.

However, the Company has erroneously not carried out a proper impairment assessment for bearer biological assets of rubber immature plantation during previous years even though there were indications of impairment of immature rubber plantation existed as at previous reporting period ends. However, the Company has performed a proper impairment assessment during the year ended 31 December 2019 by considering the impairment indications appropriately and recognised the provision for impairment required as at previous reporting period ends by restating the comparative figures.

41.2 Impact on error correction relevant to taxable temporary difference on property, plant and equipment

As per LKAS 12 "Income Taxes", tax base of an asset is the amount that will be deductible for tax purposes against any taxable economic benefits that will flow to an entity when it recovers the carrying amount of the asset. Taxable difference for an asset arises when the carrying amount of the asset is greater than the tax base of the asset.

However, when calculating the temporary difference as at 31 December 2018, the temporary difference recognized on property, plant and equipment has been erroneously overstated which resulted in higher deferred tax liabilities being recognized.

41.3 Impact on error correction of Investment Property Classification

As per LKAS 40 "Investment Property", an investment property is a property held (land or a building or part of a building or both) by the owner or lessee under a finance lease to earn rentals or for capital appreciation or both. Further LKAS 1 "Presentation of Financial Statements" requires investment property to be identified as a line item in the Statement of Financial Position.

However, the Company has not recognised the Tea Factory in Gowerakelle as investment property from which the Company earns rental income. Instead, the rented factory has been recognised as a Property, Plant and Equipment.

All of the above prior period errors have been corrected by restating each of the affected financial statement line items for prior period. The following tables summarises the impacts on the financial statements.

41.4 Impact to the balances reported in the statement of financial position

	Impact of Error Correction				
1 January 2018	**As Previously Reported**	**Adjustment Under Error Correction**	**Adjustment Under Error Correction**	**Adjustment Under Error Correction**	**As Restated**
		Note 41.1	**Note 41.2**	**Note 41.3**	
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Bearer Biological Assets	2,489,634,313	(549,969,719)	-	-	1,939,664,594
Property, Plant and Equipment	616,142,579	-	-	(29,809,492)	586,333,087
Investment Property	-	-	-	29,809,492	29,809,492
Other Assets	2,461,338,378	-	-	-	2,461,338,378
Total Assets	5,567,115,270	(549,969,719)	-	-	5,017,145,551
Retained Earnings/ Accumulated Losses	87,956,293	(472,973,958)	-	-	(385,017,665)
Other Equity	1,942,275,594	-	-	-	1,942,275,594
Total Equity	2,030,231,887	(472,973,958)	-	-	1,557,257,929
Deferred Tax Liability	192,978,516	(76,995,761)	-	-	115,982,755
Other Liabilities	3,343,904,867	-	-	-	3,343,904,867
Total Liabilities	3,536,883,383	(76,995,761)	-	-	3,459,887,622
Total Equity and Liabilities	5,567,115,270	(549,969,719)	-	-	5,017,145,551

Notes to the Financial Statements
As at 31 December

41 Correction of Prior Period Errors (Continued)
41.4 Impact to the balances reported in the statement of financial position (Continued)

31 December 2018	As Previously Reported Rs.	Impact of Error Correction: Adjustment Under Error Correction Note 41.1 Rs.	Adjustment Under Error Correction Note 41.2 Rs.	Adjustment Under Error Correction Note 41.3 Rs.	As Restated Rs.
Bearer Biological Assets	2,568,684,633	(572,659,953)	-	-	1,996,024,680
Property, Plant and Equipment **(Note 42.1- ii)**	628,925,659	-	-	(28,617,112)	600,308,547
Investment Property	-	-	-	28,617,112	28,617,112
Other Assets	2,586,668,157	-	-	-	2,586,668,157
Total Assets	5,784,278,449	(572,659,953)	-	-	5,211,618,496
Accumulated Losses	(747,665,658)	(492,487,560)	93,281,577	-	(1,146,871,641)
Other Equity	2,033,038,456	-	-	-	2,033,038,456
Total Equity	1,285,372,798	(492,487,560)	93,281,577	-	886,166,815
Deferred Tax Liability	451,273,813	(80,172,393)	(93,281,577)	-	277,819,843
Other Liabilities	4,047,631,838	-	-	-	4,047,631,838
Total Liabilities	4,498,905,651	(80,172,393)	(93,281,577)	-	4,325,451,681
Total Equity and Liabilities	5,784,278,449	(572,659,953)	-	-	5,211,618,496

41.5 Impact to the Balances Reported in the Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2018	As Previously Reported Rs.	Impact of Error Correction: Adjustment Under Error Correction Note 41.1 Rs.	Adjustment Under Error Correction Note 41.2 Rs.	As Restated Rs.
Other Expenses **(Note 42.2- ii)**	(20,939,159)	(22,690,234)	-	(43,629,393)
Others	(435,859,538)	-	-	(435,859,538)
Loss Before Taxation	(456,798,697)	(22,690,234)	-	(479,488,931)
Income Tax Expense	(262,450,171)	3,176,633	93,281,577	(165,991,961)
Loss for the Year	(719,248,868)	(19,513,601)	93,281,577	(645,480,892)
Other Comprehensive Income	(25,610,222)	-	-	(25,610,222)
Total Comprehensive Income for the Year	(744,859,090)	(19,513,601)	93,281,577	(671,091,114)

Impact to the Balances Reported in the Statement of Cash Flows

For the Year Ended 31 December 2018	As Previously Reported Rs.	Impact of Error Correction: Adjustment Under Error Correction Note 41.1 Rs.	As Restated Rs.
Loss Before Taxation	(456,798,698)	(22,690,234)	(479,488,931)
Impairment of Immature Plantation -Rubber	20,799,231	22,690,234	43,489,465
Other Net Cash Inflows From Operating Activities	193,456,959	-	193,456,958
Net Cash Outflow Used in Operating Activities	(242,542,508)	-	(242,542,508)
Cash Flows From Investing and Financing Activities	203,515,220	-	203,515,220
Net Decrease in Cash and Cash Equivalents	(39,027,288)	-	(39,027,288)
Cash and Cash Equivalents at the Beginning of the Year (Note 42.3- i)	(423,449,194)	-	(423,449,194)
Cash and Cash Equivalents at the End of the Year	(462,476,482)	-	(462,476,482)

Notes to the Financial Statements

As at 31 December

42 Comparative Figures

Following reclassifications have been made for comparative figures to facilitate comparison and for better presentation. The below reclassification adjustments do not result in changes to the net assets previously reported by the Company.

	Current Presentation		As Previously Reported
	2019 Rs.	**2018 Rs.**	**2018 Rs.**
42.1 Reclassifications in the Statement of Financial Position			
(i) Reclassification of immovable leased assets other than the land from Lease hold Property, Plant and Equipment to Immovable Leased Assets			
Right of Use Assets/ Lease hold Property Plant and Equipment	295,518,225	165,236,053	210,186,387
Immovable Leased Assets	27,453,067	44,950,334	-
(ii) Reclassification of Intangible Assets from Property Plant and Equipment			
Property, Plant and Equipment (Before the Restatement Adjustment for 2018)	603,611,549	628,925,659	629,786,359
Intangible Assets	1,052,400	860,700	-
(iii) Reclassification of VAT Receivable and ESC Receivable in to Trade and Other Receivables			
Trade and Other Receivables	184,596,806	128,476,269	95,233,467
VAT Receivable	-	-	12,986,949
ESC Receivable	-	-	20,255,855
(iv) Reclassification of Melstacorp PLC related party payable balance in to Interest Bearing Loans & Borrowings			
Amounts due to Related Companies	18,212,096	5,785,288	189,761,679
Interest Bearing Loans and Borrowings	2,880,117,508	1,934,153,446	1,750,177,055
(v) Reclassification of Dividends Payable into Trade and Other Payables			
Trade and Other Payables	449,886,217	453,207,877	447,275,095
Dividends Payable	-	-	5,932,781
42.2 Reclassifications in the Statement of Profit or Loss and Other Comprehensive Income			
(i) Reclassification of Interest Income from Other Income to Finance Income			
Other Income	77,068,975	88,121,075	88,383,484
Finance Income	366,646	262,409	-
(ii) Reclassification of Provision for Impairments from Administrative Expenses to Other Expenses			
Administrative Expenses	(102,174,581)	(94,979,795)	(115,918,954)
Other Expenses (Before the Restatement Adjustment for 2018)	(39,284,991)	(20,939,159)	-
42.3 Reclassifications in the Statement of Cash Flows			
(i) Reclassification of Investment in Fixed Deposit from Cash and Cash Equivalents for Cash Flow Purposes to Non-Cash Asset			
Cash and Cash Equivalents at Beginning of the Year			
Investment in Fixed Deposits	-	-	326,634
Cash and Bank Balances	17,159,033	14,509,469	14,509,469
Bank Overdrafts	(479,735,515)	(437,958,672)	(437,958,672)
	(462,476,482)	(423,449,203)	(423,122,569)

Notes to the Financial Statements
As at 31 December

43 Financial Risk Management

43.1 Risk Management Framework

The Company's overall financial risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. Financial risk management is carried out through risk reviews, internal control systems, insurance programs and adherence to the Company's financial risk management policies. The Board of Directors regularly reviews these risks and approves the risk management policies, which covers the management of these risks.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company's board of directors oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

Accordingly, the company's activities exposed to variety of financial risks:
- Credit Risk
- Liquidity Risk
- Market Risk
-Interest Rate Risk
- Operational Risk

43.1.1 Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables).

a) Credit Risk Management

The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all clients who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Company, such as cash and cash equivalents, trade and other receivables, the Company's exposure to credit risk arises from default of the counterparty. The Comany manages its operations to avoid any excessive concentration of counterparty risk and the Company takes all reasonable steps to ensure the counterparties fulfill their obligations.

Credit Risk Exposure

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. Following figures shows the maximum risk positions.

At 31 December	2019 Rs.	2018 Rs.
Financial Assets Measured at FVOCI	368,300	373,052
Trade and Other Receivables	184,596,806	128,476,269
Amounts due from Related Companies	9,432,028	10,893,909
Other Financial Assets at Amortised Cost	395,047	359,215
Cash and Cash Equivalents	14,240,501	17,259,033
	209,032,682	157,361,478

Notes to the Financial Statements
As at 31 December

43 Financial Risk Management (Continued)

43.1 Risk Management Framework (Continued)

43.1.1.1 Trade and Other Receivables
The Company's trade and other receivables mainly consist of amounts receivable from brokers with respect to tea and rubber sales.

43.1.1.2 Amounts Due From Related Parties
The Company's amounts due from related parties mainly consist of balances due from companies under common control and from affiliate companies.

43.1.1.3 Cash and Cash Equivalents and Short Term Investments
In order to mitigate the concentration, settlement and operational risks related to cash and cash equivalents, the Company consciously manages the exposure to a single counterparty taking into consideration, where relevant, the rating or financial standing of the counterparty, where the position is reviewed as and when required, the duration of the exposure in managing such exposures and the nature of the transaction and agreement governing the exposure.

43.2.2 Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. The Company relies on continuous financial support of Melstacorp PLC, Parent Company for the operations of the Company.

The table below summarizes the maturity profile of the Company's financial liabilities as at 31 December 2019 based on contractual undiscounted payments.

At 31 December 2019	Carrying Amount Rs.	Contractual Cash flow Rs.	06 Months or less Rs.	06 - 12 Months Rs.	More than 12 Months Rs.
Non-Derivative Financial Liabilities					
Interest Bearing Loans and Borrowings	3,067,864,853	3,067,864,853	102,685,090	85,062,225	2,880,117,508
Lease Liability	288,184,392	288,184,392	1,449,649	1,290,349	285,444,394
Trade and Other Payables	449,886,217	449,886,217	449,886,217	-	-
Amounts due to Related Companies	18,212,096	18,212,096	18,212,096	-	-
Income Tax Payable	7,796,121	7,796,121	7,796,121	-	-
Bank Overdraft	506,967,621	506,967,621	506,967,621	-	-
	4,338,911,300	4,338,911,300	1,086,996,794	86,352,604	3,165,561,902

At 31 December 2018	Carrying Amount Rs.	Contractual Cash flow Rs.	6 Months or less Rs.	6 - 12 Months Rs.	More than 12 Months Rs.
Non-Derivative Financial Liabilities					
Interest Bearing Loans and Borrowings	2,143,024,152	2,143,024,152	127,725,998	81,144,708	1,934,153,446
Lease Liability	91,551,000	91,551,000	1,006,000	1,006,000	89,539,000
Trade and Other Payables	453,207,877	453,207,877	453,207,877	-	-
Amounts due to Related Companies	5,785,288	5,785,288	5,785,288	-	-
Income Tax Payable	7,796,125	7,796,125	7,796,125	-	-
Bank Overdraft	479,735,515	479,735,515	479,735,515	-	-
	3,181,099,957	3,181,099,957	1,075,256,803	82,150,708	2,023,692,446

Contractual cash flows are excluding future interest payments.

Notes to the Financial Statements

As at 31 December

43 Financial Risk Management (Continued)

43.1 Risk Management Framework (Continued)

43.1.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprise of the following types of risk:

(a) Interest rate risk
(b) Currency risk
(c) Commodity price risk
(d) Equity price risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the deposits and borrowings.

Profile

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

	2019 Rs.	2018 Rs.
Fixed Rate Instruments		
Financial Assets	395,047	359,215
Financial Liabilities	(47,767,293)	(68,815,331)
	(47,372,246)	(68,456,116)
Variable Rate Instruments		
Financial Assets	-	-
Financial Liabilities	3,018,961,106	2,074,208,821
	3,018,961,106	2,074,208,821

Notes to the Financial Statements

As at 31 December

43 Financial Risk Management (Continued)

43.1 Risk Management Framework (Continued)

43.1.4 Operational risk

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

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

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified"
- Requirements for the reporting of operational losses and proposed remedial actions
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance when this is effective

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit and also finance team. The results of Internal Audit reviews are discussed with the Management, summaries submitted to the senior Management of the Company.

43.1 Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong financial position and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may or may not make dividend payments to shareholders.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings by total equity. Total borrowings including non-current and current borrowings as shown in the statements of financial position.

The Company's Debt to Equity ratio at the end of the reporting periods is as follows:

	2019 Rs.	2018 Rs.
Total Liabilities	5,665,411,172	4,325,451,681
Less: Cash at Bank and Cash in Hand	(14,240,501)	(17,259,033)
Net debts	5,651,170,671	4,308,192,648
Total Equity	(240,924,157)	886,166,815
Debt to Equity ratio(Gearing Ratio)	-2346%	486%

Notes to the Financial Statements

As at 31 December

44 Fair Value Measurement

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

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level I: Quoted market price (unadjusted) in an active market for an identical instrument.

Level II: Valuation techniques based on observable inputs, either directly – i.e. as prices or indirectly – i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level III: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

44.1 Fair Value versus the Carrying Amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	2019		2018	
	Carrying Amount Rs.	Fair Value Rs.	Carrying Amount Rs.	Fair Value Rs.
Assets carried at amortised cost				
Trade and Other Receivables	184,596,806	184,596,806	128,476,269	128,476,269
Amounts due from Related Company	9,432,028	9,432,028	10,893,909	10,893,909
Other Financial Assets at Amortised Cost	395,047	395,047	359,215	359,215
Cash and Cash Equivalents	14,240,501	14,240,501	17,259,033	17,259,033
Financial Assets Measured at FVOCI				
Quoted Equity Investments in Ordinary Shares	368,300	368,300	373,052	373,052
	209,032,682	209,032,682	157,361,478	157,361,478
Liabilities Carried at Amortised Cost				
Interest Bearing Loans and Borrowings	3,067,864,853	3,067,864,853	2,143,024,152	2,143,024,152
Lease Liabilities	288,184,392	288,184,392	91,551,000	91,551,000
Trade and Other Payables	449,886,217	449,886,217	453,207,877	453,207,877
Amounts due to Related Companies	18,212,096	18,212,096	5,785,288	5,785,288
Bank Overdraft	506,967,621	506,967,621	479,735,515	479,735,515
	4,331,115,179	4,331,115,179	3,173,303,832	3,173,303,832

Notes to the Financial Statements
As at 31 December

44 Fair Value Measurement (Continued)

44.2 Financial Assets and Liabilities by Categories

(a) Financial Assets

	2019			2018		
	Amortised Cost	Fair Value Through Profit or Loss	Fair Value Through Other Comprehensive Income	Amortised Cost	Fair Value Through Profit or Loss	Fair Value Through Other Comprehensive Income
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Trade and Other Receivables	184,596,806	-	-	128,476,269	-	-
Amounts due from Related Company	9,432,028	-	-	10,893,909	-	-
Other Financial Assets at Amortised Cost	395,047	-	-	359,215	-	-
Cash and Cash Equivalents	14,240,501	-	-	17,259,033	-	-
Financial Assets Measured at FVOCI	-	-	368,300	-	-	373,052
	208,664,382	-	368,300	156,988,426	-	373,052

(b) Financial Liabilities

	2019		2018	
	Amortised Cost	Fair Value Through Profit or Loss	Amortised Cost	Fair Value Through Profit or Loss
	Rs.	Rs.	Rs.	Rs.
Interest Bearing Loans and Borrowings	3,067,864,853	-	2,143,024,152	-
Lease Liabilities	288,184,392	-	91,551,000	-
Trade and Other Payables	449,886,217	-	453,207,877	-
Amounts due to Related Companies	18,212,096	-	5,785,288	-
Bank Overdraft	506,967,621	-	479,735,515	-
	4,331,115,179	-	3,173,303,832	-

Notes to the Financial Statements
As at 31 December

44 Fair Value Measurement (Continued)

44.3 Financial Assets and Liabilities by Fair Value Hierachy

As at 31 December 2019

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Assets Carried at Amortised Cost			
Trade and Other Receivables	-	-	184,596,806
Amounts due from Related Company	-	-	9,432,028
Other Financial Assets at Amortised Cost	-	-	395,047
Cash and Cash Equivalents	-	14,240,501	-
Financial Assets Measured at FVOCI			
Quoted Equity Investments in Ordinary Shares	368,300	-	-
	368,300	14,240,501	194,423,881
Liabilities Carried at Amortised Cost			
Interest Bearing Loans and Borrowings	-	-	3,067,864,853
Lease Liabilities	-	-	288,184,392
Trade and Other Payables	-	-	449,886,217
Amounts due to Related Companies	-	-	18,212,096
Bank Overdraft	-	506,967,621	-
	-	506,967,621	3,824,147,558

As at 31 December 2018

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Assets Carried at Amortised Cost			
Trade and Other Receivables	-	-	128,476,269
Amounts due from Related Company	-	-	10,893,909
Other Financial Assets at Amortised Cost	-	-	359,215
Cash and Cash Equivalents	-	17,259,033	-
Financial Assets Measured at FVOCI			
Quoted Equity Investments in Ordinary Shares	373,052	-	-
	373,052	17,259,033	139,729,393
Liabilities Carried at Amortised Cost			
Interest Bearing Loans and Borrowings	-	-	2,143,024,152
Lease Liabilities	-	-	91,551,000
Trade and Other Payables	-	-	453,207,877
Amounts due to Related Companies	-	-	5,785,288
Bank Overdraft	-	479,735,515	-
	-	479,735,515	2,693,568,317

Notes to the Financial Statements
As at 31 December

45 Operating Segments

	Tea		Rubber		Others		Total	
	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs. (Restated)	2019 Rs.	2018 Rs.	2019 Rs.	2018 Rs. (Restated)
Segmental Results								
Revenue	2,335,604,373	2,123,764,141	237,225,980	234,487,605	-	-	2,572,830,353	2,358,251,746
Revenue Expenditure	(2,771,551,768)	(2,287,864,045)	(324,719,932)	(338,687,431)	-	-	(3,096,271,700)	(2,626,551,476)
Gross Loss	(435,947,395)	(164,099,904)	(87,493,952)	(104,199,826)	-	-	(523,441,347)	(268,299,730)
Gain on Changes in Fair Value of Biological Assets	-	-	-	-	-	-	101,915,013	90,540,328
Other Income	-	-	-	-	-	-	77,068,975	88,121,077
Unallocated Expenses	-	-	-	-	-	-	(141,459,572)	(138,609,188)
Finance Cost	-	-	-	-	-	-	(416,658,590)	(251,241,418)
Loss Before Taxation	-	-	-	-	-	-	(902,575,521)	(479,488,931)
Less : Taxation	-	-	-	-	-	-	(128,473,916)	(165,991,961)
Loss for the Year -	-	-	-	-	-	-	(1,031,049,437)	(645,480,892)
Other Comprehensive Expense (Net of tax)	-	-	-	-	-	-	(22,356,483)	(25,610,222)
Total Comprehensive Expense	-	-	-	-	-	-	(1,053,405,920)	(671,091,114)
Segmental Assets								
Non Current Assets	965,554,897	916,087,495	1,732,044,084	1,710,276,629	2,250,444,055	2,115,942,334	4,948,043,036	4,742,306,458
Current Assets	302,592,141	314,885,970	54,113,271	60,621,202	119,738,567	93,804,866	476,443,979	469,312,038
Total Assets	1,268,147,038	1,230,973,465	1,786,157,355	1,770,897,831	2,370,182,622	2,209,747,200	5,424,487,015	5,211,618,496
Segmental Liabilities								
Non Current Liabilities	641,479,748	601,783,530	132,741,665	105,088,723	3,717,818,361	2,461,171,917	4,492,039,774	3,168,044,170
Current Liabilities	271,414,310	282,805,933	57,177,460	59,273,058	844,779,629	815,328,521	1,173,371,399	1,157,407,511
Total Liabilities	912,894,058	884,589,463	189,919,125	164,361,781	4,562,597,990	3,276,500,438	5,665,411,173	4,325,451,681
Segmental Capital Expenditure								
Field Development	9,941,291	1,065,117	70,518,985	137,954,031	7,157,292	8,403,597	87,617,568	147,422,745
Property, Plant & Equipment	58,358,794	35,645,267	1,148,984	6,598,928	1,125,578	13,171,102	60,633,357	55,415,297
Total Capital Expenditure	68,300,085	36,710,384	71,667,969	144,552,959	8,282,870	21,574,699	148,250,925	202,838,042
Depreciation								
Mature Plantations	14,816,307	13,468,685	44,087,147	32,843,267	4,563,563	1,261,242	63,467,017	47,573,194
Property, Plant & Equipment	50,376,412	35,618,706	5,206,692	4,740,765	1,747,251	1,080,368	57,330,355	41,439,839
Total Depreciation	65,192,719	49,087,391	49,293,839	37,584,032	6,310,814	2,341,610	120,797,372	89,013,033

Shareholder and Investor Information

The issued Ordinary shares of Balangoda Plantations PLC are listed with the Colombo Stock Exchange of Sri Lanka. The Audited Accounts of the Company for the year ended 31st December 2018 have been submitted to the Colombo Stock Exchange.

Distribution of Shareholdings as at 31 December 2019

No. of Shares held	No. of Shareholders	No. of Shareholders %	Total Holdings	Total Holding %
1 - 1,000	18,037	96.97	2,337,117	9.88
1,001 - 10,000	439	2.35	1,560,744	6.61
10,001 - 100,000	115	0.62	2,944,953	12.46
100,001 - 1,000,000	10	0.05	1,588,788	6.72
1,000,001 & Over	2	0.01	15,204,761	64.33
Grand Total	**18,603**	**100.00**	**23,636,363**	**100.00**

Analysis Report of Shareholders

No. of Shares held	No. of Shareholders	No. of Shareholders %	Total Holdings	Total Holding %
Individual	18,435	99.10	6,144,904	26.00
Institution	168	0.90	17,491,459	74.00
Grand Total	**18,603**	**100.00**	**23,636,363**	**100.00**
Residents	18,585	99.68	23,535,914	99.57
Non-Residents	18	0.32	100,449	0.43
Grand Total	**18,603**	**100.00**	**23,636,363**	**100.00**

- Public Holding Percentage as at 31 December 2019 - 41.37%
- Number of shareholders representing the above percentage – 18,600 shareholders
- The adjusted market capitalization as at 31 December 2019 - Rs.117,328,344
- The float adjusted market capitalization of the Company falls under Option 5 of Rule 7.13.1(a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said opposition.

Market Statistics as at 31st December

	2019	2018
Number of shares	23,636,363	23,636,363
Earning/(Loss) per Share Rs	(43.62)	(26.31)
Net Asset per Share Rs	(10.19)	37.49
Dividend per Share Rs	-	-
Highest Share Price Rs	17.70	32.30
Lowest Share Price Rs	9.20	11.30
Closing Share Price Rs	12.00	12.70

Shareholder and Investor Information

No	Name of Shareholder	No. of Shares	%
1	Melstacorp PLC	13,853,663	58.612
2	Employees Provident Fund	1,351,098	5.716
3	Associated Electrical Corporation Ltd	328,170	1.388
4	Capital Trust Holdings Ltd	201,187	0.851
5	Sandwave Ltd	166,611	0.705
6	Seylan Bank PLC / S R Fernando	149,097	0.631
7	Ventura Crystal (Pvt) Ltd	136,000	0.575
8	Cocoshell activated Carbon Company Limited	129,700	0.549
9	Mr. K M S M Rajabudeen	116,679	0.494
10	Mr. R Maheswaran	112,834	0.477
11	Mr. A K Palliya Guruge Don	108,000	0.457
12	Mr. F A Azhar	102,200	0.432
13	Mr. M A Nazeer	100,018	0.423
14	Merchant Bank of Sri Lanka PLC / J A S Priyantha	100,000	0.423
15	People's Leasing & Finance PLC/Mr.W A J Withanarachchi	80,179	0.339
16	Mr. R E Rambukwella	78,755	0.333
17	Mr. Sampath Bank PLC / Mr. V Gajanayake	70,000	0.296
18	Mr. M S M Nadheer	66,430	0.281
19	Mr. F S Mariathasan	66,058	0.279
20	Mr. M Z Rasheed	60,533	0.256
21	Tranz Dominan, L.L.C.	56,891	0.241
22	Mr. T D P Maduranga	56,630	0.240
23	Mrs. W W Somawathie	55,200	0.234
24	People's Leasing & Finance PLC/ M.S.F. Haqque	53,797	0.228
25	Mr. A S R Muttiah	51,305	0.217

Shareholder Financial Information

	2019	2018 (Restated)	2017	2016	2015	2014
Turnover	2,572,830	2,358,252	3,056,067	2,266,657	2,413,055	3,002,156
Profit(Loss)before Taxation	(902,576)	(479,489)	100,755	(371,078)	(430,388)	(106,445)
Taxation	(128,474)	(165,992)	192,436	56,736	87,295	11,214
Profit(Loss) after Taxation	(1,031,049)	(645,481)	(91,661)	(314,342)	(343,093)	(95,231)
Other Comprehensive Income	(22,351)	(25,523)	22,395	125,148	8,252	(16,048)
Profit (Loss) brought forward	(1,146,871)	(385,018)	88,003	374,847	797,374	999,681
Dividend	-	-	-	-	-	
Transfer from General Reserve	-	-	-	-	-	-
Transfer to Timber Reserve	(102,197)	(90,763)	(1,148)	(6,405)	(87,868)	(92,377)
Available for Sales Reserve	(5)	(87)	47	124	182	(552
Impact ofthe adjustments LKAS 16 &LKAS 41	(73,682)	-	-	-	-	1,901
Retained Profit (Loss)	(2,376,155)	(1,146,872)	88,003	179,372	374,847	797,374
Fixed Assets	4,948,043	4,742,306	5,137,726	4,975,349	4,794,905	4,348,929
Current Assets	476,444	469,312	429,389	521,403	552,060	797,249
Current Liabilities	1,173,371	1,157,408	1,078,990	1,486,240	1,253,468	876,898
Non Current Liabilities	4,492,040	3,168,044	2,457,893	1,911,013	1,804,804	1,645,747
Net Assets	(240,924)	886,166	2,030,232	2,099,499	2,288,693	2,623,533
Share Capital	350,000	350,000	350,000	350,000	350,000	350,000
General Reserves	-	-				
Timber Reserves	1,784,878	1,682,681	1,591,918	1,569,770	1,563,364	1,475,496
Fair Value through other comprehensive Income Reserve(FVTOCI Reserve)	353	357	357	357	481	663
Profit & Loss Account	(2,376,155)	(1,146,872)	87,956	179,372	374,847	797,374
Capital Employed	(240,924)	886,166	2,030,232	2,099,499	2,288,692	1,623,533
Number of Shares ('000)	23,636	23,636	23,636	23,636	23,636	23,636
Earning per Share (Rs.)	(43.62)	(27.31)	(3.88)	(13.3)	(14.52)	(4.03)
Dividend per Share (Rs.)	-	-	0	0	0	0
Net Asset per Share (Rs.)	(10.19)	37.49	85.89	88.83	96.83	111.00

Statement of Value Addition

	Year ended 31.12.2019 Rs.'000		Year ended 31.12.2018 (Restated) Rs.'000	
	%	Share	%	Share
REVENUE	93.50	2,572,830	92.95	2,358,252
Other Income	6.5	178,984	7.05	178,923
Total Revenue	100.00	2,751,814	100.00	2,537,175
Cost of Material & Service bought		2,973,907		1,878,914
VALUE ADDED	(8.07)	(222,093)	25.94	658,261
	%	**Share**	**%**	**Share**
DISTRIBUTION OF VALUE ADDED				
A to Employees as Remuneration	(714.10)	1,585,960	219.95	1,447,815
B to Government as Taxes	-	-	-	-
B1 to Government as Lease Interest	(15.47)	34,358.00	4.78	31,485
C to Lenders of Capital as Interest	(172.14)	382,300.00	33.38	219,757
D to Shareholders as Dividends	-	-	-	-
E Retained in Business				
E1 Provision of Depreciation	(68.19)	151,444	16.11	106,076
E2 Profit Retained	1069.89	(2,376,155)	(174.23)	(1,146,872)
	100.00	(222,093)	100.00	658,261

Performance of Estates 2019 & 2018

			Tea	Total			
Tea Estates	**Elevation**	**Year**	**Extent**	**Crop**	**Yield**	**C. O.P**	**N.S.A**
	Category	**ha**	**(kg)**	**Kg/ha**	**Rs/kg**	**Rs/kg**	
Balangoda	Uva Medium	2019	420.95	588,622	1,111	588.78	477.33
		2018	420.95	530,112	1,007	541.62	495.10
Cecilton	Uva Medium	2019	176.56	263,442	879	678.92	491.19
		2018	176.56	226,571	842	621.88	512.41
Meddakande	Uva Medium	2019	154.65	296,926	1,095	649.53	480.56
		2018	154.65	246,949	1,103	600.50	511.94
Non Pareil	Uva High	2019	234.00	149,070	424	827.89	435.36
		2018	234.00	101,408	433	787.44	508.62
Pettiagalla	Uva Medium	2019	173.50	240,203	1,102	655.62	483.66
		2018	173.50	236,862	1,248	544.29	495.16
Rasagalla	Low	2019	234.81	348,056	1,065	656.99	501.11
		2018	234.81	268,313	955	629.04	518.57
Rye/Wikiliya	Low	2019	154.20	54,837	365	1,104.46	488.28
		2018	154.20	61,412	374	775.68	498.25
Walaboda	Uva Medium	2019	106.50	82,663	776	657.16	511.13
		2018	112.50	93,267	829	592.46	532.23
Mahawale	Low	2019	1.60	1,228	768	570.96	537.19
		2018	1.60	1,255	784	579.15	513.63
Palmgarden	Low	2019	4.85	399,419	968	550.45	535.66
		2018	4.85	289,208	725	582.50	509.23
Cullen	Uva Medium	2019	158.40	68,647	433	912.73	541.23
		2018	158.40	83,233	508	701.05	525.50
Glen Alpin	Uva Medium	2019	336.20	522,622	571	640.21	465.91
		2018	336.20	370,659	550	614.66	506.42
Gowerakelle	Uva Medium	2019	207.51	105,160	507	700.55	400.94
		2018	207.51	102,866	496	580.61	432.62
Spring Valley	Uva High	2019	549.32	420,920	574	779.42	466.47
		2018	549.32	413,495	602	638.31	511.02
Telbedde	Uva Medium	2019	582.08	595,638	856	717.23	503.64
		2018	582.08	621,949	922	590.28	494.21
Ury	Uva Medium	2019	322.42	257,688	631	750.38	493.30
		2018	322.42	294,676	662	619.32	495.88
Wewesse	Uva Medium	2019	244.40	349,139	785	648.41	523.39
		2018	244.40	282,146	718	609.58	501.69

Performance of Estates 2019 & 2018

			Rubber	Total			
Rubber Estate	**Elevation**	**Year**	**Extent**	**Crop**	**Yield**	**C. O.P**	**N.S.A**
	Category		**ha**	**(kg)**	**Kg/ha**	**Rs/kg**	**Rs/kg**
Galatura	Low	2019	187.51	118,188	630	547.63	249.99
		2018	187.51	145,214	794	414.53	260.79
Mahawale	Low	2019	208.67	109,738	526	519.26	252.09
		2018	208.67	130,325	652	456.22	258.80
Millawitiya	Low	2019	69.37	63,181	911	500.95	255.44
		2018	69.37	83,606	1,180	386.87	259.81
Mutwagalla	Low	2019	193.29	130,807	677	498.40	257.07
		2018	193.29	123,955	731	480.26	260.11
Palmgarden	Low	2019	257.01	211,375	822	493.59	260.07
		2018	257.01	199,493	912	441.85	257.23
Rambukkande	Low	2019	220.99	191,316	866	395.57	272.04
		2018	27.22	10,814	397	345.39	252.92
Ury	Uva Medium	2019	27.22	9,376	948	300.57	235.67
		2018	15.27	15,074	987	381.56	252.92
Wewesse	Uva Medium	2019	15.27	9,378	614	315.89	235.67
		2018					

Notes

Form of Proxy

I/We...of……………….................……………………………………..

....being a member/members of **B**alangoda **P**lantations Plc

hereby appoint……………………………….of………………………………. whom failing.

Don Harold Stassen Jayawardena	or failing him
Cedric Royle Jansz	or failing him
Amitha Lal Gooneratne	or failing him
D Hasitha S Jayawardena	or failing him
Anusha Suhanda Perera	or failing him
Arinesarajah Shakthevale	or failing him
Don Soshan Kamantha Amarasekera	or failing him

as my/our proxy to represent me/us and*……… ………….. to vote on my/our behalf at the Twenty Seventh (27th) Annual General Meeting of the Company will be held as a **"Virtual Meeting" at 11.00 a.m. on Tuesday, 15th September 2020, at the "Mini Auditorium" DCSL, 110, Norris Canal Road, Colombo 10,** Sri Lanka and at any adjournment thereof and at every poll which may be taken in consequence of the above said meeting. I/We the undersigned hereby authorize my/our Proxy to vote on my/our behalf in accordance with the preference indicated below:

	FOR	AGAINST
1) To receive and consider the Report of the Directors and the Financial Statements of the Company for the year ended 31st December 2019 together with the Auditors' Report thereon		
2) To re-elect Mr D H S Jayawardena who is above the age of 70 years as a Director of the Company in terms of Sections 210 and 211 of the Companies Act No. 7 of 2007.		
3) To re-elect Dr A Shakthevale who is above the age of 70 years as a Director of the Company in terms of Sections 210 and 211 of the Companies Act No. 7 of 2007.		
4) To re-elect Mr D Hasitha S Jayawardena who retires by rotation at the Annual General Meeting in terms of Article 92 of the Articles of Association as a Director of the Company		
5) To re-elect Mr D S K Amarasekera who retires by rotation at the Annual General Meeting in terms of Article 92 of the Articles of Association as a Director of the Company		
6) To re-appoint Messrs KPMG as Auditors and to authorize the Directors to determination their remuneration.		

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

Signature/s ………………………………………

Instructions regarding completion of Form of Proxy appear overleaf

Instructions for Completion of Form of Proxy

1. Kindly perfect the Form of Proxy by filling in the mandatory details required above, signing in the space provided and filling in the date of signature.

2. If the Form of Proxy is signed by an Attorney, the relative power of attorney should also accompany the proxy form for registration, if such power of attorney has not already been registered with the Company.

3. In the case of a Company/Corporation, the Form of Proxy shall be executed in the manner specified in the Articles of Association.

4. In the absence of any specific instructions as to voting, the proxy may use his/her discretion in exercising the vote on behalf of his appointor.

5. Duly filled Forms of Proxy should be sent to reach the Company Secretary via e-mail to bplmplcompanysecretary@gmail.com, or facsimile on +94 11 2540333 or by post to the registered address of the Company No. 110, Norris Canal Road, Colombo 10, Sri Lanka **not less than forty eight (48) hours before the time fixed for the meeting.**