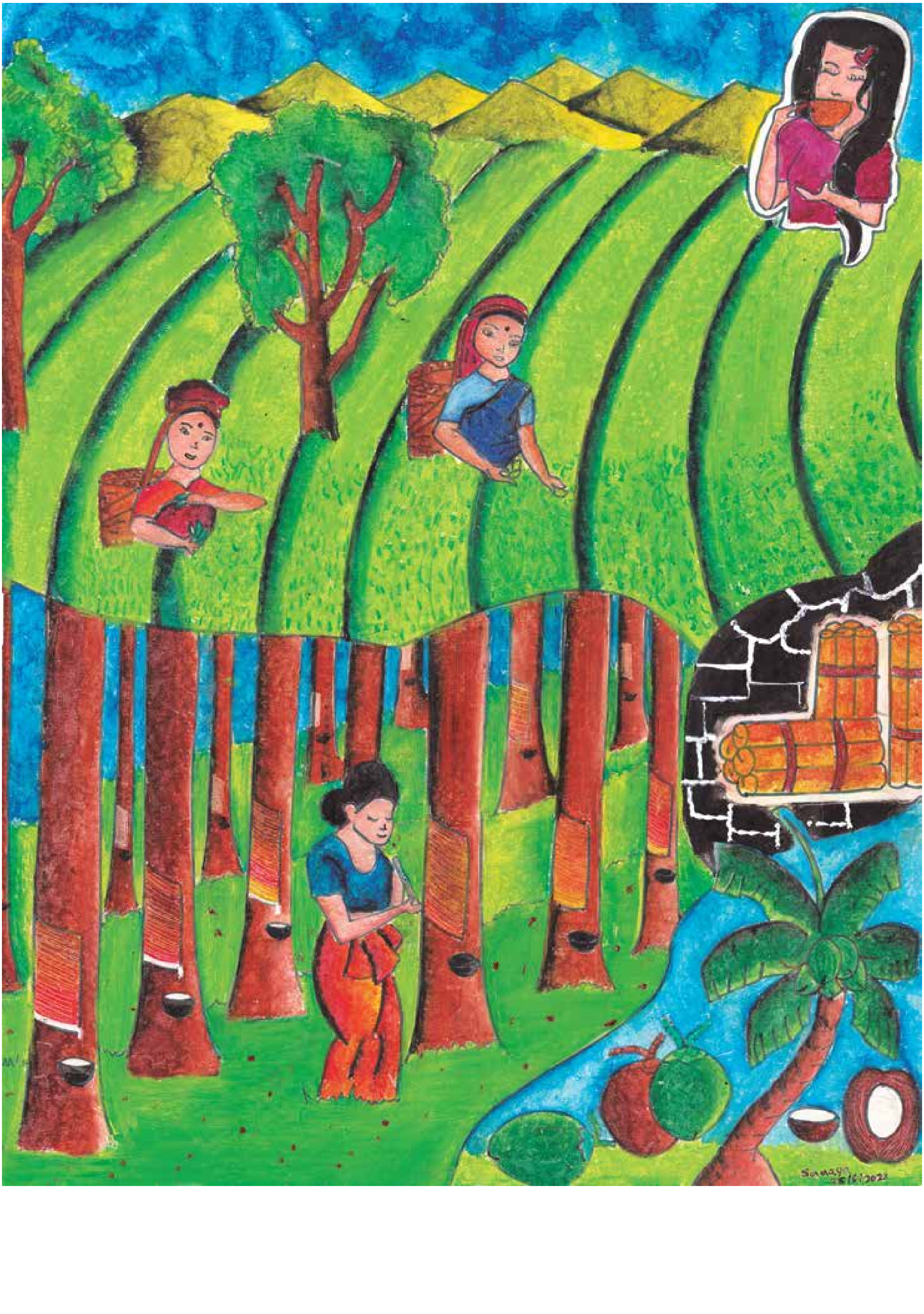
Balangoda PLANTATIONS PLC

A MEMBER OF MELSTACORP

Annual Report 2020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Content

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Twenty Eighth Annual General Meeting of **BALANGODA PLANTATIONS PLC** will be held as a virtual meeting at the "Mini Auditorium" Distilleries Company of Sri Lanka PLC # 110, Norris Canal Road, Colombo 10, Sri Lanka on Thursday, 29th July 2021 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 2020 together with the Auditors' Report thereon.

2) To re-elect Mr D H S Jayawardena who is over 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 over 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 C R Jansz 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) 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 authorize the Directors to determine the remuneration of the Auditors, Messrs KPMG who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007.

7) To pass the following special resolution to amend the Articles of Association by including No. 52 (a) immediately after the existing Article 52 of the Articles of Association as follows :

   52. (a) "Notwithstanding any provision in this Articles suggesting the contrary, a meeting of Shareholders may be held by means of Audio or Audio visual communication by which all shareholders participating and constituting quorum can simultaneously hear each other throughout the meeting or by any means of virtual meeting whereby shareholders regardless of their location could connect or linkup online through Video/Audio/Text".

sgd
By order of the Board
Pradeep A Jayatunga
Company Secretary

28th June 2021
Colombo

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 Eighth (28th) 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" Distilleries Company of Sri Lanka PLC, # 110, Norris Canal Road, Colombo 10, Sri Lanka at 11.00 a.m. on Thursday, 29th July 2021.

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 proxy holder, if any, by perfecting **Annexure II** to the circular to shareholders and forward same to Company Secretary via **bplmplcompanysecretary@gmail.com** or by facsimile on +94 11 254033, 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 email 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 Form of Proxy should be sent to reach the Company Secretary via e.mail **bplmplcompanysecretary@gmail.com** or facsimile on +94 11 254033 or by post to the Registered Office of the Company, Balangoda Plantations PLC, # 110, Norris Canal Road, Colombo 10, Sri Lanka, **not less than forty - eight (48) hours before the time fixed for the meeting.**

III Shareholder's 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 254033 or by post to the Registered Office of the Company, Balangoda Plantations PLC, # 110 Norris Canal Road, Colombo 10, Sri Lanka **not less than Five (05) 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 2020 will be available for perusal of the Company website **http://melsta.com/our-core-sectors/plantations-services** and the Colombo Stock Exchange website on **www.cse.lk**

   If you wish to receive a printed copy of the Annual Report for the year ended 2020, please complete and forward us the Form of Request attached hereto **(Annexure 1)** by post to the registered address of the Company, Balangoda Plantations PLC, # 110. Norris Canal Road, Colombo 10, Sri Lanka or e.mail **bplmplcompanysecretary@gmail.com** or facsimile + 94 11 2540333.

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.
PQ 165

Registered Office
110, Norris Canal Road, Colombo 10
Sri Lanka.

Parent Company
Melsta Corp PLC
#110, Norris Canal Road, Colombo 10
Sri Lanka

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
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

Auditors
Messrs KPMG (Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha
Colombo 03.

Registrars
Messrs P W Corporate Secretarial (Pvt) Ltd
3/17, Kynsey Road, Colombo 08
Telephone : 4640360-3

Bankers
Hatton National Bank PLC
City Office,
16, Janadhipathi Mawatha,
Colombo 01.

Management Team

HEAD OFFICE - RATNAPURA

Chief Executive Officer	Dimuthu Wekunagoda
Chief Executive Officer (Tea)	Rohan Weerakoon

HEAD OFFICE - COLOMBO

Director Operations	Maj. Gen. (Retd.) Dampath Fernando

FINANCE DIVISION

General Manager - Finance & Administration	Ravi Kodikara
Accountant	P Hewavitharana

Engineer	S M Sappideen

COMPANY SECRETARIAL & LEGAL DIVISION

Company Secretary/Legal Officer	Pradeep Jayatunga

ESTATE MANAGERS

Balangoda Region	
P K Ekanayake	Balangoda Estate
N M P C Nawaratne	Cecilton Estate
H Herath	Meddakanda Estate
E M K Abanpola	Rasagalla Estate
D A V R Priyadarshana	Walaboda Estate
I K A B Ellepola	Rye/Wikiliya Estate
P A S H Dissanayake	Non Pareil Estate
A L Wedisinghe	Pettigalla Estate

Badulla Region	
S B Ranawaka	Cullen Estate
M Pilapitiya	Glen Alpin Estate
C Wanigasekera	Goverakelle Estate
B M Amunugama	Spring Valley Estate
P K Senanayake	Telbedde Estate
A P S Vishwanth	Ury Estate
A G Gomez	Wewesse Estate

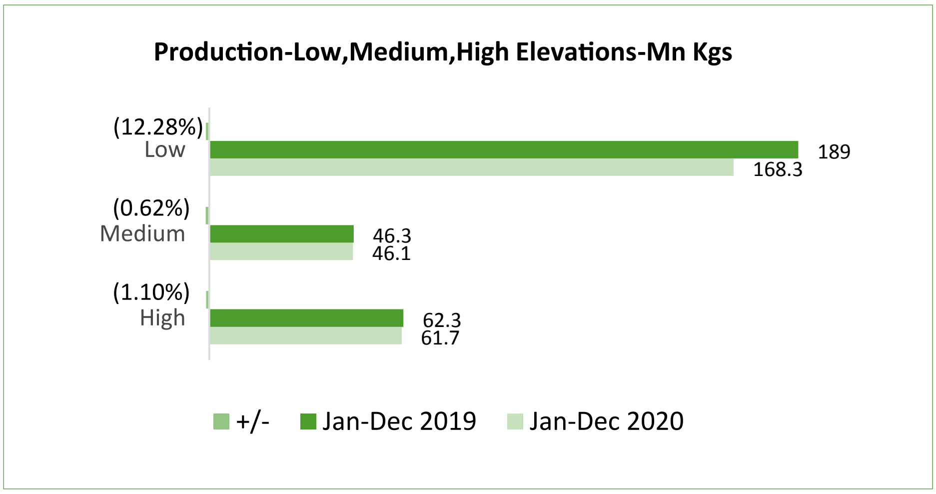
Ratnapura Region	
D Pathirana	Mahawela Estate
R A D I Ramanayake	Millawitiya Estate
I Y A M N Gunawardena(acting)	Palmgarden Estate
S Bulumulla	Rambukkanda Estate
K H R P Jayasinghe	Galatura Estate
K H R P Jayasinghe (overlooking)	Mutuwagalla Estate

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 2020.

Tea Industry

The year 2020 began with expectations of business as usual amidst the normal challenges, however the rapid spread of COVID -19 globally, which caused a worldwide pandemic, resulted in unprecedented actions being taken by country leaders to curb the spread and safeguard the health of the citizens. The measures enacted by the Sri Lankan Government to curb the spread of COVID -19 pandemic nationally, negatively impacted both economic activity and economic growth. The Sri Lankan tea industry was also impacted by the implementation of COVID -19 pandemic curbing measures globally thus the expected challenges arising from unfavourable weather conditions, currency devaluations, and changing market trends were further exacerbated by the trials of managing crop production, safeguarding the health of the labour force and continuing with the traditional tea auctions .A key development was the conversion of the traditional tea auctions to an online tea auction. Thus the first online tea auction was conducted on Saturday, April 04th 2020.



Sri Lanka's Tea Production			
Year	**Production Mn kg**	**Annual Increase/ Decrease** Mn kg	**Annual Increase/ Decrease** %
2016	292.57	(36.39)	(11.06)
2017	307.72	14.51	5.18
2018	303.84	(3.87)	(1.26)
2019	300.13	(3.71)	(1.22)
2020	278.49	(21.64)	(7.21)

Sri Lanka's tea production declined significantly to 278.49 Mn kgs reflecting a decrease of 7.21%

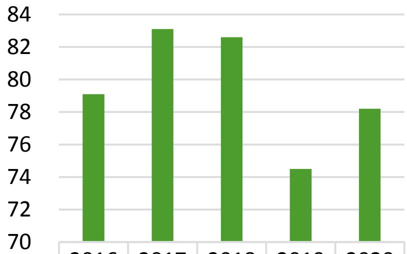
The combination of low production and a short period of panic buying propelled by the pandemic and the uncertainty of its further impact had an overall positive impact on average prices. Thus sale averages for all elevations remained on the rise. Nevertheless currency devaluations, the drastic fall in crude oil price and low economic activities in most tea importing nations resulted in lower export volumes by 9.25% compared to the previous year thereby decreasing tea export earnings by 4.35% in 2020.

Chairman’s Review

Rubber Industry

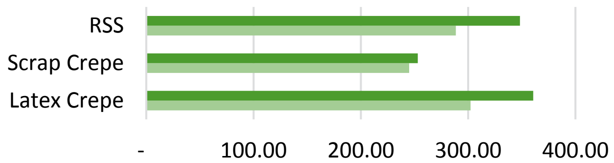
It was heartening to see a positive demand for Rubber during the latter part of the year. Though Covid was a negative for most industries, in the case of Rubber there was a positive impact which is clearly depicted in the price increase of all grades when compared to the previous year. The Sri Lanka Rubber production too showed an increase when compared to the previous year.

Sri Lanka Rubber Production (Mn kg)



	2016	2017	2018	2019	2020
Production	79	83	83	75	78

National Average Price -Rubber (Rs. kg)



	Latex Crepe	Scrap Crepe	RSS
2020	360.74	253.09	348.27
2019	302.26	245.10	288.51

Performance of the Company Tea Sector

	2020	2019	2018	2017	2016
Production (‘ooo kg)	5,708	4,744	4,211	4,829	5,147
Yield kg/ha	975	752	772	815	769
Turnover (Rs.Mn)	3,244	2,369	2,123	2,811	2,054
NSA (Rs/kg)	581.02	492.41	504.32	564.89	399.4
COP (Rs./kg)	598.85	674.24	607.40	578.00	457.46
Profit/(Loss) (Rs./kg)	(17.83)	(181.83)	(103.08)	(13.11)	(58.06)

The overall tea production of the Company increased by a massive 20% against the previous year in spite of the drop in the National tea production by 7%. The yield per hectare of 975 achieved was also the highest in the last 5 years where all in all the Tea Sector showed exceptional growth in the ensuing year. The Company NSA too significantly improved with much focus on the quality aspect of the end product and taking advantage of the market conditions, to Rs.581.02 against Rs 492.41 per kg in 2019 an increase of 18% against last year. The favourable weather especially in the 2nd half of the year and timely inputs and Good Agricultural Practices adopted with close Management supervision and team work contributed to this significant improvements made in the Tea Sector in the year under review. The sector margins are increasingly pressured by the escalating Cost of Production (COP) due to exorbitant price increases in input materials due to the import restrictions owing to the COVID -19 pandemic and due to the depreciating of the Sri Lankan Rupee. However the turnover from the Tea segment achieved a record 3,244 billion the highest ever, since privatization an increase of 37% against last year.

Chairman's Review

Noteworthy Performance - Tea

There were 3 All-Time record prices achieved, two by Telbedde Estate for a FF1 and FBOP grade in the Uva Medium category and one by Spring Valley Estate for a FBOP grade in the Uva High Grown category. It is also noteworthy to mention that for the first time in the history of the Company 04 Factories were within the TOP 10 ranking in the Uva Medium Category, the garden marks being Wewasse, Ury, Telbedde and Maratenne of Balangoda Group. Various grades of Tea manufactured by Balangoda, Cecilton, Meddakande, Pettiagalla, Glen Alpin, Spring Valley, Telbedde, Ury and Wewesse Estates obtained all Island Top Prices on 202 occasions at the Colombo Auction.

Performance of Company's Rubber Sector

	2020	2019	2018	2017	2016
Production ('ooo kg)	1,013	855	917	767	951
Yield kg/ha	847	721	846	667	834
Turnover (Rs.Mn)	329	237	234	245	212
NSA (Rs/kg)	322.18	277.19	255.59	316.14	224.53
COP (Rs./kg)	427.18	451.51	409.76	408.30	314.10
Profit/(Loss) (Rs./kg)	(105.00)	(174.32)	(154.17)	(92.16)	(89.57)

The NSA of 2020 shows a 16% increase compared to the previous year due to the high demand for latex gloves and the demand for Sheet Rubber. The Cost of Production which in general increases year on year has been significantly reduced by 6% when compared to the previous season mainly due to the prudent cost control methods adopted and the 158,000 kgs crop increase. The turnover of Rs.329 Mn is Rs. 92 mn more than the corresponding year.

Noteworthy Performance – Rubber

The Rubber Sector achieved a landmark 01Mn kgs for the year which was achieved after a span of 10 years. Various grades of Rubber obtained top prices on 227 occasions from Galatura and Rambukkande Estates.

Company Performance

Though 2020 proved to be a challenging year with the impact of Covid 19 Pandemic amidst unfavourable global and domestic economic, political dynamics that impacted negatively the company has ended up with a positive performance. The Company turnover for the year under review increased by **Rs. 1 Billion** mainly due to the increase in production volumes and Net Sale Averages of both Tea & Rubber Sectors. After a span of six years the Company recorded an overall profit of Rs.116 Million against a loss of Rs. 1 Billion recorded in the previous year. This was achieved mainly due to the Good Agricultural Practices adopted and the timely inputs, stringent cost control methods adopted at all levels. Theft and unauthorised activities that affected negatively towards the smooth functioning of the Company has been curtailed. Major changes in key positions during the year too contributed to these positive favourable results.

Capital Investments

The total capital expenditure on Tea & Rubber Replanting, Diversification (Fuel wood & Timber), Machinery, Buildings, Equipment, Vehicles, Furniture & Fittings for the year under review was Rs.97.10 Mn. Despite adverse external conditions and increased production costs within the Tea and Rubber Sectors, the company has invested Rs.51.88 Mn on Field Development during the year under review.

Chairman's Review

Prospects for 2021

In the Tea Sector:

The spread of COVID -19 globally had a negative impact on the Sri Lankan Tea industry in countless ways .The large scale country lock downs mandated social distancing measures, the lower level of social gatherings, the ban on international travel may continue to have a negative effect adversely impacting the demand and the consumption pattern for tea, both globally and locally. Furthermore the lower global economic activity may cause lower levels of earning in most tea importing nations affecting the export order volumes.

Out of the home consumption which was adversely impacted due to COVID -19 is likely to recover to some extent in 2021, particularly as the year progresses. Uncertainty about the US trade policy towards China poses a risk to tea sales It is hoped US policy will become less combative with the Political change. From the Sri Lankan perspective it is most likely that Sri Lankan Rupee would weaken once the imports of non-essential items are released and in such circumstances would augur well for Rupee tea prices considering that some of the key importer country currencies too have depreciated post the COVID -19 pandemic. Sri Lankan tea output although is likely to recover in 2020, is unlikely to achieve the highs registered from 2010 to 2015, therefore the supply situation would continue to remain tight. For long term sustainability the industry needs re-engineering to achieve global competitiveness. 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 RPCS which should be mutually beneficial to both, the Industry and the worker. The impending ban on the import of chemicals and fertilizer will certainly have a far reaching negative impact on the entire Industry.

In the Rubber Sector:

An extent of 585 Ha will be rain-guarded to ensure a steady flow of latex to the Rubber Factories irrespective of weather which will benefit both the NSA and the bottom line due to enhanced crop, on average 50-70 days crop is lost due to wet weather each year.

50 Ha of New replanting to be undertaken with high yielding clones which will boost the YPH in future years.

10 Ha of Cinnamon too to be replanted/supplied to consolidate the Cinnamon extents.

Notwithstanding the above challenges both the Tea & Rubber Sectors are confident of being resilient during the year 2021 where we hope to continue with the same momentum gained in the year 2020 and end up positively.

Dividends

I regret very much to inform you that your Directors are not recommending a dividend for the year ended 31st December 2020.

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 on us.

Sgd.
D. H. S. Jayawardena
Chairman/Managing Director
Balangoda Plantations PLC

28th June 2021

Sustainability Report

ENVIRONMENTAL	SOCIAL	ECONOMIC
• Energy Efficiency • Land Management • Water Management • Bio Diversity	• Enhancing the dignity of lives of our employees and inspiring them to overcome challenges	• 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/Mutuwagla Estate - Wevila Division
- 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 continues
- Skirt type Rain Guards have been identified for A & B panels covering over 580 H

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 2020.

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 three Districts – Balangoda, 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

	2020 Rs.'000	2019 Rs.'000
Revenue	3,573,076	2,606,320
Profit/(Loss) before Tax	143,597	(902,576)
Income Tax(Expense)/Reversal	(27,198)	(128,474)
Profit After Tax	116,399	(1,031,050)
Net Comprehensive Income	927,900	(22,361)
Profit/(Loss) Brought Forward	(2,376,156)	(1,146,871)
Transfer to Revaluation Reserves	(909,017)	-
Transferred to Timber Reserve	(146,139)	(102,197)
Transferred to Available for sales reserves	67	5
Adjustment Due to Initial Application of SLFRS 16	-	(73,682)
Available for Appropriation	(2,386,946)	(2,376,156)
Retained Profit	(2,386,946)	(2,376,156)

	2020	2019
Profitability Ratios		
Gross Profit Ratio	4.29	(0.20)
Net Profit Ratio	4.02	(0.35)
Asset Ratios		
Current Ratio	0.61	0.41
Acid Ratio	0.16	0.18
Performance Ratios		
Return on Investment	17.87	(374.66)
Return on Share Capital	41.03	(257.88)
Leverage Ratios		
Debt/Equity Ratio	4.76	(14.84)
Interest Coverage	1.39	(1.17)
Investor Ratios		
Price Earnings Ratio	3.27	(0.28)

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

Number of Buildings, Floor Area Sq.ft & Value

Estates	Floor Area (Sq.ft)	Number of Building	Value (Rs.)
Balangoda	102,313	48	75,999,307
Cecilton	67,151	24	58,993,489
Meddekande	79,985	37	56,816,688
Non Pareil	67,082	35	53,368,557
Pettiagalla	21,340	23	43,744,195
Rasagalla	100,200	45	79,003,520
Rye / Wikiliya	171,072	46	145,556,106
Walaboda	12,309	10	9,292,262
Galatura	91,652	30	70,445,470
Mahawale	89,433	43	74,477,382
Millawitiya	48,151	18	40,564,413
Mutwagalla	84,375	40	66,917,446
Palmgarden	51,825	41	91,462,369
Rambukkande	44,096	28	43,260,777
Cullen	24,480	22	16,517,553
Glen Alpin	129,968	61	102,322,529
Gowerekelle	64,739	23	64,132,722
Spring Valley	193,989	76	146,662,762
Telbedde	151,870	80	106,482,778
Ury	136,174	52	105,888,570
Wewesse	91,390	43	69,141,997
Head office	34,425	2	23,036,557
Total	**1,858,019**	**827**	**1,544,087,450**

Dividend
The Directors are not recommending a dividend for the year ended 31st December 2020.

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. 581 million is adequate.

Capital Expenditure
The Company incurred a capital expenditure of Rs. 97.1 million, of which Rs. 51.88 million has been spent on field development.

Commitments & Contingencies
Capital commitments and Contingent liabilities are disclosed in the Notes to the Financial Statements Nos 37 & 38

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
Dr. A Shakthevale - Independent Director
Mr. D S K Amarasekera - Independent Director

In terms of Article 92 of the Articles of Association Mr C R Jansz 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 dependents held any shares in the Company during the year ended 31st December 2020.

Directors' Interest in Contracts with the Company

Directors interests in contracts with the Company are disclosed in Note 36 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 2020 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 42 to the Financial Statements.

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.
C R Jansz
Non-Executive Director

Sgd.
P A Jayatunga
Secretary

28th June 2021

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 Exports (Ceylon) (Pvt) Ltd., Stassen International (Pvt) Ltd., Stassen Natural Foods (Pvt) Ltd., Stassen Foods (Pvt) Ltd., Milford Developers (Pvt) Ltd., C B D Exports (Pvt) Ltd, Ceylon Garden Coir (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, Melsta Health (Pvt) Ltd., Milford Holdings (Pvt) Ltd., Madulsima Plantations PLC, Bogo Power (Pvt) Ltd., Bellactive (Pvt) Ltd., Lanka Bell Ltd., Bell Solutions (Pvt) Ltd.

Managing Director

Stassen Real Estate Developers (Pvt) Ltd

Director

Stassen Plantation Management Services (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 - UK. He is a Chevening Scholar and a UN-ESCAP Certified Training Manager on Maritime Transport for Shippers. He has been the Chairman of DFCC Bank PLC and the Sri Lanka Shippers Council.

Mr Jansz specializes in the movement and finance of international trade and has many years practical experience in these fields.

Chairman

Melsta Hospitals Ragama (Pvt) Ltd., and Melsta Hospitals Colombo North (Pvt) Ltd

Director

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

MR A L GOONERATNE - NON EXECUTIVE DIRECTOR (FCA (SL), FCA (Eng & Wales)

Mr Amitha Gooneratne, was the Managing Director of the Commercial Bank of Ceylon PLC and Commercial Development Company PLC. (from 1996 to April 2012). He was the Founder Chairman of the Financial Ombudsman Sri Lanka (Guarantee) Ltd., He was the Chairman of Sri Lanka Banks' Association (Guarantee) Ltd and Commercial Insurance Brokers (Pvt) Ltd. Mr Gooneratne was a Director of Sri Lankan Air Lines Ltd from 2002 - 2004.

Mr Gooneratne is a Fellow member of The Institute of Chartered Accountants, United Kingdom and Wales and Higher Studies Diploma in Business Studies in UK. He is a Fellow Member of The Institute of Chartered Accountants, Sri Lanka.

On his retirement, Mr Gooneratne, assumed duties as Managing Director of Melstacorp PLC which was the strategic investment arm of the Distilleries Company of Sri Lanka PLC which subsequent to a restructure of the Group is now the Holding Company and is listed on the Colombo Stock Exchange. He is the Managing Director of Melstacorp PLC.

Board of Directors

Chairman
Subsidiaries of Melstacorp PLC namely - Melsta Logistics (Pvt) Ltd., and Bellvantage (Pvt) Ltd.

Director
Subsidiaries of Melstacorp PLC namely - Periceyl (Pvt) Ltd., Lanka Bell Ltd., Telecom Frontier (Pvt) Ltd., Bell Solutions (Pvt) Ltd., Texpro Industries Ltd., Timpex (Pvt) Ltd., Bogo Power Ltd., Melsta Tower (Pvt) Ltd., Melsta Health (Pvt) Ltd., Melsta Pharmaceuticals (Pvt) Ltd., Browns Beach Hotels PLC and Continental Insurance Lanka Ltd.

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

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

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., C B D Exports (Pvt) Ltd., Distilleries Company of Sri Lanka PLC, Periceyl (Pvt) Ltd., Melstacorp PLC, Melsta Hospitals Ragama (Pvt) Ltd., Melsta Hospitals Colombo North (Pvt) Ltd., Melsta Gama (Pvt) Ltd., Melsta Health (Pvt) Ltd., Lanka Milk Foods (CWE) PLC, Lanka Dairies (Pvt) Ltd., Ambewela Livestock Company Ltd., Pattipola Livestock Company Ltd., Ambewela Products (Pvt) Ltd., United Dairies Lanka (Pvt) Ltd.,Zahra Exports (Pvt) Ltd., Mcsen Range (Pvt) Ltd., Milford Developers (Pvt) Ltd.,Madulsima Plantations PLC, DCSL Brewery (Pvt) 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 AMARASEKERA - 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.

Audit Committee Report

Composition

With effect from 20th March 2020, the Audit Committee of the parent company comprising of the following commenced to function as the Audit Committee of the Company.

Chairman of the Committee – Mr R Seevaratnam - A fellow member of Chartered Accountants of England & Wales.
Dr A N Balasuriya
Mr N de S Deva Aditya
Mr D Hasitha S Jayawardena

Meetings

The Committee had 4 meetings during the year. The Executive Senior Management Team was presented at discussions, as and when 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 2021.

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 Company's 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

28th June 2021

Remuneration Committee Report

Composition
With effect from 20th March 2020, the Remuneration Committee of the parent company comprising of the following commenced to function as the Remuneration Committee of the Company.

Chairman of the Committee - Dr A N Balasuriya
Mr N de S Deva Aditya
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

28th June 2021

Related Party Transactions Review Committee Report

Composition
With effect from 20th March 2020, the Related party Transactions Review Committee of the parent company comprising of the following commenced to function as the Related party Transactions Review Committee of the Company.

Chairman of the Committee - Mr R Seevaratnam
Dr A N Balasuriya
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
The Committee had 4 meetings during the year. All the members attended all the meetings and the minutes of the meetings were tabled at Board Meetings for the review of the Board.

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 2020 and has communicated the comments/observations to the Board of Directors.

Disclosures
During the year 2020, there were no non- recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange.

Recurrent Related Party Transactions are disclosed in Note No. 36.4.

Details of other related party transactions entered into by the Company during the above period is disclosed in Notes 23, 24, 26, 35 and 36 to the financial statements.

Declaration
A declaration by the Board of Directors on compliance with the rules pertaining to related party transactions appears on the report of the Board of Directors on pages 12 & 13 of this annual report.

Sgd.
R Seevaratnam
Chairman
Related Party Transactions Review Committee

28th June 2021

Management Discussion & Analysis

Tea

The year 2020 will no doubt go down in history as one of the most challenging years with Covid-19 pandemic changing the world in many ways. The Sri Lankan tea industry was no exception as its world famous outcry system of auctioning tea having a 137 year – old history was changed to a digital system virtually overnight.

Notwithstanding the gloom and doom – tea with its wellness properties and considered to be a cheap beverage gathered widespread interest globally which helped the wheels of the tea industry to keep turning.

Tea production of Balangoda Plantations PLC increased significantly by a massive 20% from 4.74 Mn kgs in 2019 to 5.70 Mn kgs in 2020 when the national production saw a dip by 7%. With less number of worker out migration and many casual workers retuning to the estates owing to the Covid -19 pandemic more hands were engaged on plucking taking advantage of the good weather conditions experienced in the 2nd half .The Company recorded a yield of 975 kg per hectare which is the highest achieved over the last 10 years since 2010. Adequate fertilizing and Good Agricultural Practices adopted and team work by all concerned were the key factors for this significant growth.

The Company also took advantage of the tea prices which was propelled quite sharply following the pandemic where consumers around the world went on a panic buying spree of food items, of which tea was no exception. Consequently many importers remained desperate for urgent shipments, which led to strong buying at the Colombo Tea Auctions.

Three All Time records and a total of 202 top prices were achieved during the ensuing year by the manufacturing estates in the Company. For the first time in the history of Balangoda Plantations 4 factories achieved the Top 10 ranking positions in the Uva medium category.

Turnover for the tea sector was the highest ever achieved since privatization a record Rs 3.244 billion in the year 2020.

Rubber

Sri Lanka rubber production increased to 78 Mn kgs in 2020 from 75 Mn kgs in 2019 mainly due to the enhanced Rubber prices. Pestalotiopsis leaf disease affected many Rubber Plantations during the monsoon period.

Balangoda Plantations recorded an increase in Rubber turnover when compared with last year due to the continuous improvement in auction prices during the year under review. The Company's Rubber production increased by 158,000 kgs against the previous year due to higher productivity in all the Rubber Estates.

Future Outlook

Currently the Asia Pacific region holds the largest market for tea consumption driven by strong economic growth of several developing countries especially China, India and Russia. The demand for tea by growing urban population entering the middle class is another factor which is expected to support tea market growth in the Asia pacific region. The trend for healthy drinks especially green and herbal varieties will continue to have a positive impact on the growth of the industry.

Weather conditions coupled with ageing tea bushes, low replanting rates and depleting productivity rates would be key influencing factors in output .Out migration of Plantation workers to other economic sectors is yet another challenge facing the plantation sector though the current wage increase may have a positive effect where there will be a reduction in out migration of workers to other sectors.

Lifting of the Glyphosate ban was a relieving factor for an industry that is under considerable stress which would help particularly the Regional Plantation Companies to carry out necessary agricultural practices. If there is a policy change to re-ban the usage of Glyphosate weedicide there would be far reaching negative impact in achieving the optimum potential of the Plantations and would certainly be a daunting task to maintain the plantations.

Market demand for teas would greatly depend on how the global tea industry would progress amidst the COVID 19 pandemic.

However market demand for good quality tea would command premium and that is a niche Balangoda Plantations is desirous of exploiting.

Demand of Rubber will continue as Covid 19 pandemic heightened the demand for Latex gloves etc. The wage increase of Rs.1000/- plus will impact all plantations companies in a massive scale and only by productivity increases and diversification that a positive outlook will be envisaged.

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 20th 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

28th June 2021

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 diversify 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 cashflow and budgetary control systems; Diversification; 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 financial losses.	Strengthen software development with internal controls including IT security and confidentiality. 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 profitability 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 infilling 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, firewood 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

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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 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information 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 2020, and of its 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.

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. Management's Assessment of Company's ability to continue as a going concern

Refer to the explanatory Note 41 of the financial statements.

Risk Description

The Company has reported accumulated losses of Rs. 2,387 Mn and its current liabilities exceeded its current assets by Rs. 360 Mn as at 31 December 2020.

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 future growth potential 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 letter of comfort from the parent company and evaluating their ability to provide the financial support in order to meet the liabilities of the Company as and when they fall due and payable.
- Challenging the appropriateness of key assumptions used in the cash flow projections and assessing the timing and mathematical accuracy of the projections.
- Assessing the adequacy of disclosures in the financial statements in relation to going concern of the Company.

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Independent Auditor's Report

2. Measurement of Biological Assets

Refer to the significant accounting policies in Note 3.2.5 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. 2,154 Mn and bearer biological assets amounting to Rs. 1,937 Mn as at 31 December 2020.

The valuation of consumable biological assets requires significant levels of judgments, 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 used 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 judgements in assessing the impairment indicators and in impairment assessment.

We identified the measurement of biological assets as a key audit matter because the valuation of consumable biological assets involved significant assumptions and judgments exercised by the management and the independent valuation expert which 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 indicators 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.
- Assessing the adequacy of the disclosures made in the financial statements in accordance with the relevant accounting standards.

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Independent Auditor's Report

3. Valuation of Retirement benefit obligation

Refer to the significant accounting policy in Note 3.3.1.2 and explanatory Note 30 of the financial statements.

Risk Description

The Company has recognized retirement benefit obligation of Rs. 769 Mn as at 31 December 2020. 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.

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.

4. Revaluation of Buildings

Refer to the significant accounting policy in Note 3.2.2.6 and 3.2.4.1 and explanatory Note 16 and 18 of the financial statements.

Risk Description

Buildings which are carried at fair value are classified as Property, Plant and Equipment and Investment Property amounts to Rs. 1,278 Mn and Rs. 266 Mn respectively as at 31 December 2020.

Management's assessment of the fair value of the buildings, classified as Property, Plant and Equipment and Investment Properties are based on valuations performed by qualified independent property valuers in accordance with recognized industry standards.

We identified valuation of buildings as a key audit matter due to the use of significant estimates and judgement such as appropriate valuation methodology to be used and in estimating the underlying assumptions to be applied. These key assumptions include specialized nature of the assets, what would be the cost of a modern equivalent asset, condition of the existing assets and the age and assessment of remaining useful lives and depreciation method.

Our audit procedures included;

- Assessing the objectivity, independence, competency and qualifications of the external valuer engaged by the Company.
- With the assistance of our own internal valuation specialists assessing the key assumptions applied and conclusions made in deriving the fair value of the Buildings. In addition, we have assessed the valuation methodologies with reference to recognized industry standards.
- Assessing the adequacy of disclosures made in relation to the revaluation of buildings classified as Property, Plant and Equipment and Investment Properties in the financial statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions used in the estimates.

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.

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Independent Auditor's Report

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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

Sgd.
Chartered Accountants
Colombo

28 June 2021

Statement of Profit or Loss and other Comprehensive Income

For the Year Ended 31 December	Note	2020 Rs.	2019 Rs.
Revenue	5	3,573,075,557	2,606,319,760
Cost of Sales		(3,419,672,108)	(3,090,421,224)
Gross Profit / (Loss)		153,403,449	(484,101,464)
Other Income	7	347,136,721	43,579,568
Gain on Changes in Fair Value of Biological Assets	8	149,334,105	101,915,013
Administrative Expenses		(97,593,110)	(108,025,057)
Other Expenses	9	(37,922,409)	(39,284,991)
Results from Operating Activities		514,358,756	(485,916,931)
Finance Income		365,564	366,646
Finance Costs		(371,127,094)	(417,025,236)
Net Finance Costs	10	(370,761,530)	(416,658,590)
Profit / (Loss) Before Taxation	11	143,597,226	(902,575,521)
Income Tax Expenses	12	(27,198,103)	(128,473,916)
Profit / (Loss) for the Year		116,399,123	(1,031,049,437)
Other Comprehensive Income			
Items that will not be Reclassified to Profit or Loss			
Surplus on Revaluation of Buildings		1,056,997,089	-
Actuarial Gain/ (Loss) on Retirement Benefit Obligations		22,033,682	(25,990,385)
Deferred Tax Charge on Revaluation Surplus		(147,979,592)	-
Deferred Tax on Actuarial Gain / (Loss) on Retirement Benefit Obligation		(3,084,715)	3,638,654
Net Change in the Fair Value of Financial Assets Measured at FVOCI		(66,678)	(4,752)
Total Other Comprehensive Income/ (Expense)		927,899,786	(22,356,483)
Total Comprehensive Income/ (Expense)		1,044,298,909	(1,053,405,920)
Basic Earnings / (Loss) per Share	13	4.92	(43.62)

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 31 December	Notes	2020 Rs.	2019 Rs.
ASSETS			
Non Current Assets			
Right of Use Assets	14	258,607,977	295,518,225
Immovable Leased Assets	15	20,476,883	27,453,067
Property, Plant and Equipment	16	1,646,422,906	603,611,549
Intangible Assets	17	1,085,600	1,052,400
Investment Properties	18	266,074,991	27,424,732
Bearer Biological Assets	19	1,936,875,526	1,984,481,666
Consumable Biological Assets	20	2,154,272,095	2,008,133,097
Financial Assets Measured at FVOCI	21	301,622	368,300
		6,284,117,600	4,948,043,036
Current Assets			
Produce on Bearer Biological Assets	20.2	5,029,367	1,834,260
Inventories	22	417,528,816	265,945,337
Trade and Other Receivables	23	124,355,654	184,596,806
Amounts due from Related Companies	24	8,359,343	9,432,028
Other Financial Assets Measured at Amortised Cost	25	430,699	395,047
Cash and Cash Equivalents	26	5,367,787	14,240,501
		561,071,666	476,443,979
Total Assets		6,845,189,266	5,424,487,015
EQUITY AND LIABILITIES			
Equity			
Stated Capital	27	350,000,010	350,000,010
Revaluation Reserve	28	909,017,497	-
Timber Reserves		1,931,017,248	1,784,878,250
FVOCI Reserve		285,882	352,560
Accumulated Losses		(2,386,945,886)	(2,376,154,978)
Total Equity		803,374,751	(240,924,158)
Non Current Liabilities			
Interest Bearing Loans and Borrowings	29	3,356,755,626	2,880,117,508
Retirement Benefit Obligations	30	768,909,579	774,221,413
Deferred Tax Liability	31	580,895,516	402,633,106
Deferred Income	32	139,752,274	149,623,353
Lease Liability	33	274,738,836	285,444,394
		5,121,051,831	4,492,039,774
Current Liabilities			
Interest Bearing Loans and Borrowings	29	104,210,485	187,747,345
Lease Liability	33	1,775,807	2,739,998
Trade and Other Payables	34	433,783,947	449,886,217
Amounts due to Related Companies	35	5,332,802	18,212,096
Income Tax Payable		7,818,122	7,818,122
Bank Overdraft	26	367,841,521	506,967,621
		920,762,684	1,173,371,399
Total Liabilities		6,041,814,515	5,665,411,173
Total Equity and Liabilities		6,845,189,266	5,424,487,015
Net Assets / (Liability) per Share		34	(10)

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 Board of Directors of Balangoda Plantations PLC.

Sgd.
D H S Jayawardena
Chairman /Managing Director

Sgd.
C R Jansz
Non Executive Director

28th June 2021
Colombo.

Statement of Changes in Equity

Year Ended 31 December

	Stated Capital Rs.	Revaluation Reserve Rs.	Timber Reserve Rs.	FVOCI Reserves Rs.	Accumulated Losses Rs.	Total Equity Rs.
Balance as at 1 January 2019	350,000,010	-	1,682,681,134	357,312	(1,220,556,694)	812,481,762
Total Comprehensive Income 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	(2,376,154,978)	(240,924,158)
Balance as at 1 January 2020	350,000,010	-	1,784,878,250	352,560	(2,376,154,978)	(240,924,158)
Total Comprehensive Income for the Year						
Profit for the Year	-	-	-	-	116,399,123	116,399,123
Other Comprehensive Income for the Year	-	909,017,497	-	(66,678)	18,948,967	927,899,786
	-	909,017,497	-	(66,678)	135,348,090	1,044,298,909
Transferred to Timber Reserve	-	-	146,138,998	-	(146,138,998)	-
Balance as at 31 December 2020	350,000,010	909,017,497	1,931,017,248	285,882	(2,386,945,886)	803,374,751

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	2020 Rs.	2019 Rs.
Cash Flows From Operating Activities			
Profit/ (Loss) Before Taxation		143,597,226	(902,575,521)
Adjustments for			
Depreciation and Amortization	14-18	189,691,278	151,444,144
Impairment of Immature Plantation- Rubber	19	15,380,988	18,579,365
Write off of Bearer Biological Assets	9	6,344,424	17,317,914
Write off of Nursery Plants	9	-	3,529,723
Provision for impairment of Other Receivables	9	16,196,998	-
Gain on Disposal of Property, Plant and Equipment	7	(12,975,000)	(1,834,126)
Provision for Retirement Benefit Obligations	30	132,751,806	131,578,471
Amortization of Government Grants	32	(9,871,079)	(10,036,275)
Reversal of Provision for obsolete and Slow Moving Inventories	22	-	(142,011)
Interest Income	10	(365,564)	(366,646)
Interest Expenses	10	371,127,094	417,025,236
Fair Value Gain on Investment Properties	18	(239,842,639)	-
Gain on Changes in Fair Value of Biological Assets	20	(149,334,105)	(101,915,013)
Operating Profit/ (Loss) before Working Capital Changes		462,701,427	(277,394,739)
Working Capital Changes			
(Increase)/ Decrease in inventories		(151,583,479)	43,533,153
Decrease /(Increase) in Trade and Other Receivables		43,539,936	(41,688,836)
Decrease in Amounts Due From Related Companies		1,072,685	1,461,881
Decrease in Trade and Other Payables		(15,449,586)	(24,945,318)
(Decrease)/ Increase in Amounts Due to Related Companies		(12,879,294)	12,426,808
Cash flows Generated from/ (Used in) Operations		327,401,689	(286,607,051)
Economic Service Charge Paid		-	(12,730,243)
Gratuity Paid		(116,029,958)	(90,219,696)
Interest Paid		(101,022,945)	(137,729,411)
Net Cash flows Generated from / (Used in) Operating Activities		110,348,786	(527,286,401)
Cash Flows From Investing Activities			
Interest Received		365,564	330,814
Purchase of Property, Plant and Equipment		(46,394,170)	(60,633,357)
Acquisition of Intangible Assets		-	(232,500)
Acquisition of Leased Assets		-	(17,194,060)
Investment in Immature Bearer Biological Assets		(51,884,662)	(87,617,568)
Proceeds from Disposal of Property, Plant And Equipment		12,975,000	1,834,126
Net Cash flows Used In Investing Activities		(84,938,268)	(163,512,545)
Cash Flows from Financing Activities			
Proceeds from Loans and Borrowings		299,359,891	899,810,724
Repayment of Loans and Borrowings		(141,665,187)	(219,971,398)
Repayment of Lease Liabilities		(52,851,836)	(19,291,018)
Net Cash flows Generated from Financing Activities		104,842,868	660,548,308
Net Increase/ (Decrease) in Cash and Cash Equivalents		130,253,386	(30,250,638)
Cash and Cash Equivalents at Beginning of the Year		(492,727,120)	(462,476,482)
Cash and Cash Equivalents at End of the Year **(Note 26)**		(362,473,734)	(492,727,120)

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 Companies Act No. 17 of 1982 (The Company was re-registered under the Companies Act No. 07 of 2007) in terms of the provisions of the Conversion of Public Corporation and Government-Owned Business Undertakings into Public Companies under Public Companies Act No. 23 of 1987. 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 and 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 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 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 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.

2.2 Basis of Measurement

These financial statements of the Company have been prepared 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."
- 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".
- Buildings under Property, Plant and Equipment are measured at fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated any impairment loss as per LKAS 16 "Property, Plant and Equipment".
- Investment Properties are measured at fair value as per LKAS 40- "Investment Properties".

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 judgements, 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.	30
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	33
Revaluation of Buildings under Property, Plant and Equipment	16
Fair Value Measurement of Investment Properties	18
Use of Going Concern Assumption	41
Recognition of Deferred Tax on Accumulated Tax Losses	31

Determination of Fair Value

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company 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.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes.

Financial Statement Area	**Note**
Consumable Biological Assets - Timber	20
Produce on Bearer Biological Assets	20.1
Property, Plant and Equipment- Buildings	16
Investment Properties	18

Notes to the Financial Statements

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

3.1.1 Measurement of Buildings under Property, Plant and Equipment

The company has changed its accounting policies for measurement of Buildings under Property, Plant and Equipment from cost model to revaluation model in accordance with LKAS 16- "Property, Plant and Equipment" inline with the group accounting policies.

In accordance with accounting standard requirements, the change of accounting policy with respect to Property, Plant and Equipment does not result in a restatement of comparatives. As a result of this change in accounting policy, a fair value increase with respect to Property, Plant and Equipment of Rs.1,057 Mn was recognized in other comprehensive income and the Property, Plant and Equipment value increased to Rs. 1,278 Mn.

3.1.2 Measurement of Investment Properties

The company has changed its accounting policies for measurement of Investment Properties from cost model to fair value model in accordance with LKAS 40- "Investment Properties" inline with the group accounting policies.

In accordance with accounting standard requirements the change of accounting policy with respect to Investment property does not result in a restatement of comparatives. As a result of this change in accounting policy, a fair value increase with respect to investment property of Rs.240 Mn was recognized in profit and loss and the investment property value increased to Rs.266 Mn.

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 Leased Assets

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether,

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either;

  the Company has the right to operate the asset; or

  the Company designed the asset in a way that predetermines how and for what purpose it will be used.

Notes to the Financial Statements

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. Where the lease agreement includes an annual adjustment on a variable such as GDP deflator, the Company shall annually reassess the liability considering such variable and recognise the amount of remeasurement of the lease liabilities as an adjustment to the right-of-use asset.

i) As a Lessee
The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or is there is a revised in substance fixed lease payments.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3.2.2 Property, Plant and Equipment

3.2.2.1 Recognition and Measurement
At the initial recognition all the items in all the items Property, Plant and Equipment are recognised at cost and subsequently, stated at cost or at fair value in the case of buildings; less accumulated depreciation and accumulated impairment losses.

Before 31 December 2020, as the Company had measured its buildings 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.

3.2.2.2 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.

Notes to the Financial Statements

3.2.2.3 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.

3.2.2.4 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.

3.2.2.5 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.

3.2.2.6 Revaluation

The Company revalues its buildings at least once in five years or at any shorter interval when a significant valuation adjustment becomes evident, which is measured at its fair value at the date of revaluation less any accumulated depreciation and any accumulated impairment losses. On revaluation of buildings, any increase in the revaluation amount is credited to the revaluation reserve in shareholder’s equity unless it offsets a previous decrease in value of the same asset that was recognised in the profit or loss. A decrease in value is recognised in the profit or loss where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not considered in arriving at the gain or loss on disposal.

3.2.2.7 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 for the current and comparative periods are as follows:

Category	Useful Lives (Years)
Land Improvements	40
Buildings	40
Motor Vehicles	5
Furniture and Fittings	10
Equipment and Tools	4
Water Sanitation	20
Plant and Machinery	10

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.

3.2.2.8 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.

Notes to the Financial Statements

3.2.3 Immovable Leased Assets

3.2.3.1 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.

3.2.3.2 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 for the current and comparative periods are as follows:

Category	Useful Lives (Years)
Unimproved Lease Land	30
Mature Bearer Biological Assets Tea Rubber	 33.3 20
Improvement to Land	30
Other Vested Assets	30
Machinery	15

3.2.3.3 Intangible Assets

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

3.2.3.4 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

3.2.4 Investment Property

3.2.4.1 Recognition and Measurement

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of the business, use in the production or supply of goods or services or administrative purpose. Investment properties are initially measured at its cost including related transaction costs and subsequently at fair value with any change therein recognised in profit or loss.

3.2.4.2 Derecognition

Investment properties are derecognized disposed or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on the retirement or disposal is recognised in the profit or loss in the year of retirement or disposal. Transfers are made to investment property, when there is a change in use.

3.2.5 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.

3.2.5.1 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.

3.2.5.2 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.

3.2.5.2.1 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.

3.2.5.2.2 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 significant items of Bearer Biological Assets are as follows:

Category	Useful Lives (Years)
Tea	33.3
Rubber	20
Cinnamon	25

No depreciation is provided for Immature Plantations.

3.2.5.3 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 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 price 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.

Notes to the Financial Statements

3.2.5.3.1 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.

3.2.6 Financial Instruments

3.2.6.1 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.

3.2.6.2 Classification and subsequent measurement

3.2.6.2.1 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.

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:

Notes to the Financial Statements

- 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.

3.2.6.2.2 Financial Liabilities

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.

3.2.6.3 Derecognition

3.2.6.3.1 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.

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.

3.2.6.3.2 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.

Notes to the Financial Statements

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.

3.2.6.4 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.

3.2.6.5 Impairment- Financial Assets

3.2.6.5.1 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.

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:

Notes to the Financial Statements

- 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.

3.2.6.5.2 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 those expenses' categories consistent with the function of the impaired asset.

3.2.7 Inventories

3.2.7.1 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.

3.2.7.2 Input Material, Consumables and Spares

Valued at actual cost on weighted average basis.

3.2.7.3 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.

3.2.8 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.

3.2.9 Cash and 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.

Notes to the Financial Statements

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 30.

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.

Notes to the Financial Statements

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, 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.

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.

Notes to the Financial Statements

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.

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 46 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.

Notes to the Financial Statements

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 AMENDMENTS TO ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

The Institute of Chartered Accountants of Sri Lanka has issued the following amendments to Sri Lanka Accounting Standards (SLFRSs/ LKASs) which will become applicable for financial periods beginning after 1 January 2021.

Accordingly, the Company has not applied these amendments in preparing these Financial Statements. The following amendments are not expected to have a significant impact on the Company's Financial Statements.

- COVID-19-Related Rent Concessions (Amendments to SLFRS 16)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16)
- Classification of Liabilities as Current or Non-current (Amendments to LKAS 1)
- Reference to Conceptual Framework (Amendments to SLFRS 3)
- Onerous Contracts - Cost of fulfilling a contract (Amendments to LKAS 37)

Notes to the Financial Statements
For the Year Ended 31 December

		2020 Rs.	2019 Rs.
5	**Revenue**		
5.1	**Revenue Streams**		
	Revenue from Contracts with Customers – Sale of Goods	3,573,075,557	2,606,319,760
	Total Revenue	3,573,075,557	2,606,319,760
5.2	**Timing of Revenue Recognition**		
	Goods transferred at point in time	3,573,075,557	2,606,319,760
	Total Revenue	3,573,075,557	2,606,319,760
6	**Industry Segment**		
6.1	**Revenue**		
	Tea	3,244,486,060	2,369,093,780
	Rubber	328,589,497	237,225,980
		3,573,075,557	2,606,319,760
6.2	**Cost of Sales**		
	Tea	(3,024,963,184)	(2,766,840,365)
	Rubber	(394,708,924)	(323,580,859)
		(3,419,672,108)	(3,090,421,224)
6.3	**Gross Profit / (Loss)**		
	Tea	219,522,876	(397,746,585)
	Rubber	(66,119,427)	(86,354,879)
		153,403,449	(484,101,464)

		2020 Rs.	2019 Rs.
7	**Other Income**		
	Rent Income	34,337,171	32,622,626
	Amortisation of Government Grants	9,871,079	10,036,275
	Subsidy Received	960,922	4,201,500
	Gain on Disposal of Property, Plant and Equipment	12,975,000	1,834,126
	Sale of Rubber Trees	20,132,000	-
	Gain/ (Loss) from Sundry Projects	29,017,910	(5,114,959)
	Fair Value Gain on Investment Properties **(Note 18)**	239,842,639	-
		347,136,721	43,579,568

		2020 Rs.	2019 Rs.
8	**Gain on Changes in Fair Value of Biological Assets**		
	Fair Value Gain /(Loss) on Produce on Bearer Plants **(Note 20.2)**	3,195,107	(868,849)
	Fair Value Gain on Consumable Biological Assets (**Note 20.1)**	146,138,998	102,783,862
		149,334,105	101,915,013

Notes to the Financial Statements
For the year ended 31 December

9 Other Expenses

	2020 Rs.	2019 Rs.
Impairment of immature Plantations- Rubber **(Note 19.1.1)**	15,380,988	18,579,365
Write-Off of Bearer Biological Assets	6,344,423	17,317,914
Provision for/ Write-Off of Other Receivables	16,196,998	-
Write-Off of Nursery Plants	-	3,529,723
Reversal of Provision For Obsolete and Slow Moving Inventories	-	(142,011)
	37,922,409	39,284,991

10 Net Finance Costs

	2020 Rs.	2019 Rs.
Finance Income		
Interest Income on Fixed Deposit and Saving Deposits	320,163	295,498
Interest Income on Distress Loan	45,401	71,148
	365,564	366,646
Finance Costs		
Interest on Loans from Bank	41,158,356	71,907,330
Interest on Loans from Melstacorp PLC	257,397,932	244,938,227
Interest on Loans from Tea Board	2,989,782	8,809,898
Interest on Bank Overdrafts	32,542,050	55,664,399
Interest on Lease Liability to SLSPC/JEDB	35,206,712	34,357,598
Interest on Finance Lease Liabilities-other	1,832,262	1,347,784
	371,127,094	417,025,236
Net Finance Costs	(370,761,530)	(416,658,590)

11 Profit/ (Loss) Before Taxation

	2020 Rs.	2019 Rs.
Profit/(Loss) before taxation is stated after charging all the expenses including the followings;		
Directors' Remunerations	2,820,000	6,315,000
Auditors' Remunerations		
-Audit Services	3,900,000	3,740,000
-Non - Audit Services	328,960	572,186
Depreciation / Amortization		
- Right of Use Assets	16,178,608	11,916,325
- Immovable Leased Assets	6,976,184	17,497,267
- Property, Plant and equipment	87,286,916	57,330,355
- Intangible Assets	291,800	40,800
- Investment Property	1,192,380	1,192,380
- Bearer Biological Assets	77,765,390	63,467,017
Personnel Costs		
- Salaries and Wages	1,518,143,472	1,419,061,889
- Defined Benefit Plan Costs - Retiring Gratuity	132,751,806	131,578,471
- Defined Contribution Plan Cost - EPF / CPPS / ESPS and ETF	169,160,608	166,897,607
- Surcharges on EPF / ETF/ ESPS / Gratuity Payable	1,406,321	3,212,980

Notes to the Financial Statements

For the Year Ended 31December

12 Income Tax Expenses

	2020 Rs.	2019 Rs.
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 31)**	27,198,103	128,451,917
	27,198,103	128,451,917
12.2 Amounts Recognised in Other Comprehensive Income		
Deferred Tax Charge on Revaluation Surplus	147,979,592	-
Deferred Tax on Actuarial Gain / (Loss) on Retirement Benefit Obligation	3,084,715	(3,638,654)
Taxes Charge in Total Comprehensive Income	151,064,307	(3,638,654)

The Inland Revenue Amendment Act No 10 of 2021 was passed in the parliament and certified by the speaker on 13 May 2021. As per this amendment Act, the income tax rate applicable to companies has been reduced from 28% to 24%. Additionally, profits arising from the business of "agro farming" has been exempted for a period of 5 years commencing from 1 April 2019. Since this amendment Act was passed in the parliament subsequent to the reporting date, the Company considered these amendments as not substantively enacted as at the reporting date in accordance with LKAS 12 - "Income Taxes". Therefore, the Company continued to apply the same tax rates and methods used in the calculation of Income Tax provision in the previous year (i.e, 31 December 2019) for the calculation of Income Tax provision for the year ended 31 December 2020.

12.3 Reconciliation of Accounting Profit / (Loss) to Taxable Income

	2020 Rs.	2019 Rs.
Profit/ (Loss) before taxation	143,597,226	(902,575,521)
Less : Income from other sources	(365,564)	(366,646)
Add : Disallowable Expenses	643,214,000	719,457,732
Less: Non-Taxable Income	(412,022,822)	(101,915,013)
Less : Allowable Expenses	(231,405,667)	(272,977,639)
Adjusted Profit or Loss for the year	143,017,173	(558,377,087)
Business Income	143,017,173	(558,377,087)
Investment Income	365,564	91,662
Less: Loss utilized for the year **(Note 12.4)**	(143,382,737)	-
Taxable Income	-	91,662
Tax at 14%	-	-
Tax at 28%	-	21,999

12.4 Accumulated Tax Losses

	2020 Rs.	2019 Rs.
Tax Losses Brought Forward	3,820,776,376	3,262,399,289
Adjustment with respect to previous year	(380,271,906)	-
Add: Loss incurred During the Year	-	558,377,087
Less : Utilization of Tax Losses During the Year	(143,382,737)	-
Tax Losses Carried Forward	3,297,121,733	3,820,776,376

13 Basic Earnings/(Loss) Per Share

The calculation of basic earnings/ (loss) per share has been based on the profit/ (loss) attributable to ordinary shareholders for the year divided by weighted-average number of ordinary shares outstanding during the year and calculated as follows.

	2020	2019
Profit/ (Loss) attributable to ordinary shareholders (Rs.)	116,399,123	(1,031,049,437)
Weighted average number of ordinary shares (Nos.)	23,636,364	23,636,364
Basic Earnings/ (Loss) per Share (Rs.)	4.92	(43.62)

13.1 Diluted Earnings per Share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, Diluted Earnings/ (Loss) per Share is same as Basic Earnings/ (Loss) per Share shown above.

Notes to the Financial Statements
As at 31 December

14 Right of Use Assets

	2020 Rs.	2019 Rs.
Right of Use - Land **(Note 14.1)**	258,607,977	263,128,868
Right of Use - Motor Vehicles **(Note 14.2)**	-	32,389,357
	258,607,977	295,518,225

14.1 Right of Use - Land

	2020 Rs.	2019 Rs.
Capitalised Value : As at 22 June 1992	439,305,153	331,200,716
Adjustment due to initial application of SLFRS 16	-	96,852,947
Remeasurement during the year	5,975,374	11,251,490
Balance as at 31 December	445,280,527	439,305,153
Accumulated Amortisation		
Balance as at 1 January	176,176,285	165,964,663
Amortisation Charge During the Year	10,496,265	10,211,622
Balance as at 31 December	186,672,550	176,176,285
Carrying Amount as at 31 December	258,607,977	263,128,868

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.

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, Balangoda 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 196.08 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.

Notes to the Financial Statements
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 2020

Region	Estate	Purpose of Acquisition	Extent (Hectares)
Balangoda	Cecilton Estate	Expansion of an Village	7.21
Balangoda	Non Perial Estate	Construction of R/Non Paeril Tamil Vidyalaya	0.81
Balangoda	Non Perial Estate	Construction of Army camp	36.18
Balangoda	Non Perial Estate	Construction of R/Karagastalawa Maha Vidyalaya	1.21
Balangoda	Non Perial Estate	Widening of Road	0.38
Balangoda	Non Perial Estate	Widening of Road	0.30
Balangoda	Non Perial 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
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
Badulla	Telbedde Estate	Construction of a Rural Hospital	0.37
			196.08

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 2020. Accordingly, the transactions pertaining to those acquisitions are incomplete as at 31 December 2020.

(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 2020

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
As at 31 December

14.2 Right of Use Assets - Motor Vehicles

	2020 Rs.	2019 Rs.
Cost		
Balance as at 1 January	34,094,060	-
Motor Vehicles Acquired During the Year	-	34,094,060
Transfers During the Year **(Note 14.2.1)**	(34,094,060)	-
Balance as at 31 December	-	34,094,060
Accumulated Amortization		
Balance as at 1 January	1,704,703	-
Amortisation During the Year	5,682,343	1,704,703
Transfers During the Year **(Note 14.2.1)**	(7,387,046)	-
Balance as at 31 December	-	1,704,703
Carrying Amount	-	32,389,357

14.2.1 The Company has fully settled the lease relating to the motor vehicles under right of use during the year ended 31 December 2020. Hence, as the free hold title has been transferred to the Company and the carrying amount of right of use- motor vehicles has been transferred to Property, Plant and Equipment.

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 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 2020 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 2019	899,449	271,224,580	15,701,754	151,815	64,023,644	26,164,471	378,165,713
Transfer to Property, Plant and Equipment **(Note 15.1)**	-	-	-	-	(64,023,644)	-	(64,023,644)
As at 31 December 2020	899,449	271,224,580	15,701,754	151,815	-	26,164,471	314,142,069
Accumulated Amortisation							
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
As at 1 January 2020	467,607	245,481,298	14,423,811	151,815	64,023,644	26,164,471	350,712,646
Amortisation for the year	16,971	6,435,821	523,392	-	-	-	6,976,184
Transfer to Property, Plant and Equipment **(Note 15.1)**	-	-	-	-	(64,023,644)	-	(64,023,644)
As at 31 December 2020	484,578	251,917,119	14,947,203	151,815	-	26,164,471	293,665,186
Carrying Amounts at 31 December 2019	431,842	25,743,282	1,277,943	-	-	-	27,453,067
Carrying Amounts at 31 December 2020	414,871	19,307,461	754,551	-	-	-	20,476,883

15.1 As at 31 December 2020, the Company has changed its accounting policies for entire class of buildings from cost model to revaluation model. Accordingly, the carrying amount of the buildings has been transferred to property, plant and equipment.

Notes to the Financial Statements
As at 31 December

16 Property, Plant and Equipment

	Land Improvements Rs.	Buildings Rs.	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.
Cost/ Revalued Amounts									
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
Balance as at 1 January 2020	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
Additions During the Year	-	8,878,846	2,684,368	366,941	2,083,946	-	7,475,760	24,904,309	46,394,170
Disposals During the Year	-	-	(2,136,024)	-	-	-	-	-	(2,136,024)
Transfers During the Year	-	-	-	-	-	-	23,722,920	(23,722,920)	-
Transfers from Right of Use - Motor Vehicles **(Note 14.2)**	-	-	34,094,060	-	-	-	-	-	34,094,060
Transfers from Immovable Leased Assets **(Note 15)**	-	64,023,644	-	-	-	-	-	-	64,023,644
Transfer of Accumulated Depreciation on revalued assets	-	(178,955,987)	-	-	-	-	-	-	(178,955,987)
Revaluation Gain for the Year	-	1,056,997,089	-	-	-	-	-	-	1,056,997,089
Balance as at 31 December 2020	115,846,542	1,278,012,459	250,817,778	11,232,620	93,258,348	60,780,925	668,549,845	24,732,099	2,503,230,616
Accumulated Depreciation									
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
Balance as at 1 January 2020	61,451,492	105,708,116	190,024,918	10,707,070	69,127,198	53,175,325	389,007,996	-	879,202,115
Depreciation During the Year	3,239,404	9,224,227	8,687,157	108,127	8,658,240	1,762,237	55,607,524	-	87,286,916
Disposals During the Year	-	-	(2,136,024)	-	-	-	-	-	(2,136,024)
Transfers from Right of Use - Motor Vehicles **(Note 14.2)**	-	-	7,387,046	-	-	-	-	-	7,387,046
Transfers from Immovable Leased Assets **(Note 15)**	-	64,023,644	-	-	-	-	-	-	64,023,644
Transfer of Accumulated Depreciation on revalued assets	-	(178,955,987)	-	-	-	-	-	-	(178,955,987)
Balance as at 31 December 2020	64,690,896	-	203,963,097	10,815,197	77,785,438	54,937,562	444,615,520	-	856,807,710
Carrying Amounts									
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
As at 31 December 2020	51,155,646	1,278,012,459	46,854,681	417,423	15,472,910	5,843,363	223,934,325	24,732,099	1,646,422,906

Notes to the Financial Statements
As at 31 December

16 Property, Plant and Equipment (Continued)

16.1 Revaluation of Building under Property, Plant and Equipment

Buildings of the Company are stated based on a valuation performed by Mr.W.M Chandrasena, R I C S (Sri Lanka) an external, independent Chartered Valuer, as at 31 December 2020 using Depreciation Replacement Cost method. This reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost) and discounted for the age, condition, refurbishment level of maintenance etc.

The fair value measurement for all of Buildings has been categorized as level 03 fair based on the input to the valuation technique used.

The details of which are as follows,

Region	Estate	Location	Valuation of Buildings Rs.	Net Book Value of Buildings Rs.	Revaluation Surplus Rs.	No of Buildings	Extent of Buildings (Sq. Ft)	Significant Unobservable Inputs	Range of estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
Rathnapura	Galatura	Galatura Estate, Kiriella	39,058,144	10,478,255	28,579,889	25	46,592	Estimated replacement cost of a Sq., Ft. adjusted for wear and tear	Rs. 700-8,000	Positively correlated sensitivity
Rathnapura	Mahawela	Mahawela Estate, Ratnapura	74,477,382	12,082,680	62,394,702	43	89,433	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 500-7,000	Positively correlated sensitivity
Rathnapura	Mutwagalla	Mutwagalla Estate, Kiriella	31,203,476	5,547,670	25,655,806	32	43,819	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 700-4,000	Positively correlated sensitivity
Rathnapura	Millawitiya	Millawitiya Estate, Ratnapura	12,277,213	3,360,086	8,917,127	14	16,686	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 600-2,700	Positively correlated sensitivity
Rathnapura	Palmgarden	Palmgarden Estate, Ratnapura	114,498,926	22,166,523	92,332,403	46	147,912	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 700-3,000	Positively correlated sensitivity
Rathnapura	Rambukkande	Rambukkande Estate, Ratnapura	43,260,777	13,493,109	29,767,668	27	44,096	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 850-7,500	Positively correlated sensitivity
Balangoda	Balangoda	Balangoda Estate, Balangoda	75,999,307	10,158,164	65,841,143	48	102,313	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 1,000-3,500	Positively correlated sensitivity
Balangoda	Cecilton	Cecilton Estate, Balangoda	58,993,489	25,636,219	33,357,270	24	67,151	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 750-3,250	Positively correlated sensitivity
Balangoda	Meddakande	Meddakande Estate, Balangoda	56,816,688	8,187,913	48,628,775	37	79,985	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 700-3,000	Positively correlated sensitivity
Balangoda	Non Pareil	Non Pareil Estate, Belihuloya	53,368,557	22,422,947	30,945,610	35	67,082	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 750-4,500	Positively correlated sensitivity
Balangoda	Pettiagalla	Pettiagalla Estate, Balangoda	43,744,195	5,846,161	37,898,034	22	52,145	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 1,000-3,250	Positively correlated sensitivity

Notes to the Financial Statements
As at 31 December

16 Property, Plant and Equipment (Continued)

16.1 Revaluation of Building under Property, Plant and Equipment (Continued)

Region	Estate	Location	Valuation of Buildings Rs.	Net Book Value of Buildings Rs.	Revaluation Surplus Rs.	No of Buildings	Extent of Buildings (Sq. Ft)	Significant Unobservable Inputs	Range of estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
Balangoda	Rasagalla	Rasagalla Estate , Balangoda	79,003,520	15,695,539	63,307,981	45	100,200	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 750-3,000	Positively correlated sensitivity
Balangoda	Rye/Wikilliya	Rye/Wikiliya Estate, Balangoda	24,861,485	7,131,430	17,730,055	27	40,004	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 1,000-3,000	Positively correlated sensitivity
Balangoda	Walaboda	Walaboda Estate, Balangoda	9,292,262	2,468,743	6,823,519	10	12,309	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 1,000-3,500	Positively correlated sensitivity
Badulla	Cullen	Cullen Estate, Badulla	16,517,553	2,806,379	13,711,174	22	24,480	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 600-4,500	Positively correlated sensitivity
Badulla	Gowerakelle	Gowerakelle Estate, Badulla	14,140,849	3,915,681	10,225,168	20	27,709	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 1,500-2,500	Positively correlated sensitivity
Badulla	Glen Alpin	Glen Alpin Estate, Badulla	102,322,529	12,579,580	89,742,949	61	129,968	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 600-3,000	Positively correlated sensitivity
Badulla	Spring Valley	Spring Valley Estate, Badulla	146,662,764	9,119,747	137,543,017	76	193,989	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 500-3,500	Positively correlated sensitivity
Badulla	Telbedde	Telbedde Estate, Badulla	106,482,778	11,885,508	94,597,270	80	151,870	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 700-3,000	Positively correlated sensitivity
Badulla	Ury	Ury Estate, Badulla	105,888,570	7,797,191	98,091,379	52	136,174	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 700-3,500	Positively correlated sensitivity
Badulla	Wewesse	Wewesse Estate, Badulla	69,141,995	8,235,845	60,906,150	43	91,390	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 500-3,200	Positively correlated sensitivity
Total			1,278,012,459	221,015,370	1,056,997,089	789	1,665,307			

Notes to the Financial Statements
As at 31 December

16 Property ,Plant and Equipment (Continued)

16.1.1 The carrying amount of revalued buildings if they were carried at cost less depreciation is Rs.221,015,370 as at 31 December 2020

16.2 Fully Depreciated Assets

	2020 Rs.	2019 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	2,000,220
Motor Vehicles	186,195,789	179,971,485
Furniture & Fittings	10,503,161	2,944,018
Equipment & Tools	69,145,555	52,874,144
Water Sanitation	32,237,731	32,222,232
Plant & Machinery	329,906,438	210,386,229
	629,988,894	480,398,328

16.3 Temporarily Idle Property, Plant and Equipment
The Cost of Temporarily Idle Property, Plant and Equipment is Rs. 3,675,000. (2019 : Rs.3,675,000).

17. Intangible Assets

	Computer Software Rs.	Capital Work in-Progress Rs.	Total Rs.
Cost			
Balance at 1 January 2019	204,000	697,500	901,500
Additions During the Year	-	232,500	232,500
Balance at 31 December 2019	204,000	930,000	1,134,000
Balance at 1 January 2020	204,000	930,000	1,134,000
Additions During the Year	325,000	-	325,000
Transfers During the Year	930,000	(930,000)	-
Balance at 31 December 2020	1,459,000	-	1,459,000
Accumulated Amortization			
Balance at 1 January 2019	40,800	-	40,800
Amortisation During the Year	40,800	-	40,800
Balance at 31 December 2019	81,600	-	81,600
Balance at 1 January 2020	81,600	-	81,600
Amortisation During the Year	291,800	-	291,800
Balance at 31 December 2020	373,400	-	373,400
Carrying Amounts			
At 31 December 2019	122,400	930,000	1,052,400
At 31 December 2020	1,085,600	-	1,085,600

17.1 Intangible assets consist of the costs incurred to acquire and install the accounting system of the company, "Olex" and the cost incurred to acquire a computerised forestry management system.

Notes to the Financial Statements

As at 31 December

18 Investment Properties

	2020 Rs.	2019 Rs.
Cost		
Buildings		
Balance as at 1 January	47,695,188	47,695,188
Transfer of Accumulated Depreciation on Fair Value Assets	(21,462,836)	-
Fair Value gain for the year	239,842,639	-
Balance as at 31 December 2020	266,074,991	47,695,188
Accumulated Depreciation		
Balance as at 1 January	20,270,456	19,078,076
Depreciation During the Year	1,192,380	1,192,380
Transfer of Accumulated Depreciation on Fair Value Assets	(21,462,836)	-
Balance as at 31 December 2020	-	20,270,456
Carrying Amount	266,074,991	27,424,732

Investment properties reflects the tea factories in Gowerakelle Estate, Galatura Estate, Mutuwagala Estate, Millawitiya Estate and Rye/ Wikiliya Estate which are leased out to third parties.

The Company has applied fair value model for Investment Properties from 31 December 2020. The details of change in its accounting policy for Buildings is disclosed in Note 3.1.2 of accounting policies in these Financial Statements.

18.1 Income from Investment Properties

	2020 Rs.	2019 Rs.
Rent Income from Investment Properties	23,141,262	22,124,874
	23,141,262	22,124,874

Notes to the Financial Statements
As at 31 December

18 Investment Properties (Continued)

18.2 Valuation of Investment Properties

Investment Properties of the Company are stated at fair value as a 31 December 2020 based on a valuation performed by Mr.W.M Chandrasena, R I C S (Sri Lanka) an external, independent Chartered Valuer, using Depreciation Replacement Cost method. This reflects the amount that would be required currently to replace the service capacity of an asset (current replacement cost) and discounted for the age, condition, refurbishment level of maintenance etc.

The fair value measurement for all of Buildings has been categorized as level 3 fair value based on the input to the valuation technique used.

The details of which are as follows,

Region	Estate	Location and Property Type	Valuation of Investment Properties Rs.	Net Book Value of Investment Properties Rs.	Fair Value Gain Rs.	Extent of Buildings (Sq. Ft)	Significant Unobservable Inputs	Range of estimates for unobservable inputs	Sensitivity of fair value to unobservable inputs
Rathnapura	Galatura	Tea Factory-Galatura Estate, Kiriella	31,387,326	-	31,387,326	45,060	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 2,000-2,500	Positively correlated sensitivity
Rathnapura	Mutwagalla	Tea Factory-Mutwagalla Estate, Kiriella	35,713,971	-	35,713,971	40,556	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 1,600-2,500	Positively correlated sensitivity
Rathnapura	Millawitiya	Tea Factory-Millawitiya Estate, Ratnapura	28,287,200	-	28,287,200	31,465	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 2,000-2,500	Positively correlated sensitivity
Balangoda	Rye/Wikilliya	Tea Factory-Rye/Wikiliya Estate, Balangoda	120,694,621	-	120,694,621	131,068	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 1,000-3,000	Positively correlated sensitivity
Badulla	Gowerakelle	Tea Factory-Gowerakelle Estate, Badulla	49,991,873	26,232,352	23,759,521	37,030	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 2,500-3,000	Positively correlated sensitivity
			266,074,991	26,232,352	239,842,639				

19 Bearer Biological Assets

	2020				2019			
	Tea Rs.	Rubber Rs.	Others Rs.	Total Rs.	Tea Rs.	Rubber Rs.	Others Rs.	Total Rs.
19.1 Immature Plantations								
Cost								
Balance as at 1 January	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
Additions During the Year	12,363,762	37,580,885	1,940,015	51,884,662	9,941,291	70,518,985	7,157,292	87,617,568
Transfers to mature plantations During the Year	-	(137,075,347)	(1,900,219)	(138,975,566)	(24,138,808)	(134,030,107)	-	(158,168,915)
Write-Off During the Year	-	(1,698,890)	(4,559,357)	(6,258,247)	-	-	(619,050)	(619,050)
	22,858,507	1,523,670,698	45,572,009	1,592,101,214	10,494,745	1,624,864,050	50,091,570	1,685,450,365
Provision for Impairment **(Note 19.1.1)**	-	(648,139,078)	-	(648,139,078)	-	(632,758,090)	-	(632,758,090)
Balance as at 31 December	22,858,507	875,531,620	45,572,009	943,962,136	10,494,745	992,105,960	50,091,570	1,052,692,275

Notes to the Financial Statements
As at 31 December

19 Bearer Biological Assets (Continued)

19.1.1 Provision for Impairment of Immature Plantations

	2020 Rs.	2019 Rs.
Balance as at 1 January	632,758,090	614,178,725
Impairment Charge For the Year	15,380,988	18,579,365
Balance as at 31 December	648,139,078	632,758,090

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. 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. 648,139,078 as at 31 December 2020 (2019: Rs. 632,758,090).

19.2 Mature Plantations

	2020				2019			
	Tea Rs.	Rubber Rs.	Others Rs.	Total Rs.	Tea Rs.	Rubber Rs.	Others Rs.	Total Rs.
Cost								
Balance as at 1 January	473,094,960	917,562,480	80,583,169	1,471,240,609	448,956,153	783,532,373	97,282,033	1,329,770,559
Transfers from immature plantations During the Year	-	137,075,347	1,900,219	138,975,566	24,138,807	134,030,107	-	158,168,914
Write-off During the Year	-	-	(89,924)	(89,924)	-	-	(16,698,864)	(16,698,864)
Balance as at 31 December	473,094,960	1,054,637,827	82,393,464	1,610,126,251	473,094,960	917,562,480	80,583,169	1,471,240,609
Accumulated Depreciation								
Balance as at 1 January	149,748,535	375,095,384	14,607,299	539,451,218	134,932,228	331,008,237	10,247,451	476,187,916
Depreciation for the Year	15,657,758	58,204,095	3,903,537	77,765,390	14,816,307	44,087,147	4,563,563	63,467,017
Reversal of Depreciation for Write-off During the Year	-	-	(3,747)	(3,747)	-	-	(203,715)	(203,715)
Balance as at 31 December	165,406,293	433,299,479	18,507,089	617,212,861	149,748,535	375,095,384	14,607,299	539,451,218
Carrying Amount of Mature Plantations	307,688,667	621,338,348	63,886,375	992,913,390	323,346,425	542,467,096	65,975,870	931,789,391
Total Bearer Biological Assets	330,547,174	1,496,869,968	109,458,384	1,936,875,526	333,841,170	1,534,573,056	116,067,440	1,984,481,666

Notes to the Financial Statements
As at 31 December

20 Consumable Biological Assets

	2020 Rs.	2019 Rs.
Mature Plantations **(Note 20.1)**	2,154,272,095	2,008,133,097
	2,154,272,095	2,008,133,097

20.1 Consumable Biological Assets- Mature Plantations

	2020 Rs.	2019 Rs.
Balance as at 1 January	2,008,133,097	1,905,935,981
Decrease due to Harvest/Disposal	-	(586,746)
	2,008,133,097	1,905,349,235
Gain arising from Changes in Fair Value	146,138,998	102,783,862
Balance as at 31 December 2020	2,154,272,095	2,008,133,097

20.1.1 Measurement of Fair Value

The valuation of consumable biological assets was carried by Mr Chadrasena Weerasinghe, an independent Chartered Valuation Surveyor, using Discounted Cash Flows (DCF) methods. The Valuation Report dated 31 December 2020 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 2020.

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 12.5% (2019: 14.5%)	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 6 November 2019 issued by the Ministry of Plantation Industries. Accordingly, prices falling within the range of Rs. 150 - 650 per cubic ft. has been considered in the valuation **Risk-adjusted discount rate.** 2020 - 12.5% (Risk Premium 4%) 2019 - 14.5% (Risk Premium 3.5%)	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

As at 31 December

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.	2020 Rs.	+10% Rs.
Timber	1,938,844,885	2,154,272,095	2,369,699,304
Total	1,938,844,885	2,154,272,095	2,369,699,304

(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.	2020 Rs.	+1% Rs.
Timber	2,272,860,127	2,154,272,095	2,047,971,213
Total	2,272,860,127	2,154,272,095	2,047,971,213

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

	2020 Rs.	2019 Rs.
Balance at 1 January	1,834,260	2,703,109
Change in Fair Value	3,195,107	(868,849)
Balance at 31 December	5,029,367	1,834,260

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 Commissioner's formula for bought leaf and rubber crop is fair valued using RSS prices.

Notes to the Financial Statements
As at 31 December

21 Financial Assets Measured at FVOCI

	2020		2019	
	No. of Shares	Fair Value Rs.	No. of Shares	Fair Value Rs.
Quoted Equity Investments in Ordinary Shares				
National Development Bank PLC	3,862	301,622	3,683	368,300
	3,862	301,622	3,683	368,300

The Company designated the investment shown above as equity securities at Fair value through other comprehensive income because these equity securities represent investment that the Company intends to hold for medium to long term for strategic purpose.

22 Inventories

	2020 Rs.	2019 Rs.
Nurseries	3,118,582	5,269,851
Harvested Crops	377,637,316	226,097,916
Input Stocks, Consumables and Spares	37,493,879	35,298,531
	418,249,777	266,666,298
Less: Provision for Obsolete Slow Moving Inventories **(Note 22.1)**	(720,961)	(720,961)
	417,528,816	265,945,337

22.1 Provision For Obsolete and Slow Moving Inventories

	2020	2019
Balance at 1 January	720,961	862,972
Reversal made During the Year	-	(142,011)
Balance at 31 December	720,961	720,961

23 Trade and Other Receivables

	2020 Rs.	2019 Rs.
Trade Receivables	28,301,218	49,550,016
Employee Related Receivables	41,311,509	40,371,881
VAT Receivable	-	14,804,121
ESC Receivable	22,425,597	36,202,444
Other Taxes Receivable	-	1,309,307
Advances & Prepayments	3,086,729	7,788,350
Staff Loans	354,403	475,146
Other Receivables	29,582,704	34,297,828
	125,062,160	184,799,093
Less: Provision for Impairment of Other Receivables **(Note 23.1)**	(706,506)	(202,287)
	124,355,654	184,596,806

23.1 Provision For Impairment of Other Receivables

	2020	2019
Balance at 1 January	202,287	202,287
Provision made During the Year	504,219	-
Balance at 31 December	706,506	202,287

24 Amounts Due from Related Companies

	2020 Rs.	2019 Rs.
Madulsima Plantations PLC	8,226,886	9,432,028
Distilleries Company of Sri Lanka PLC	130,112	-
Milford Exports (Ceylon) (Private) Limited	2,345	-
	8,359,343	9,432,028

Notes to the Financial Statements

As at 31 December

25 Other Financial Assets at Amortised Cost

	2020 Rs.	2019 Rs.
Investment in Fixed Deposit	430,699	395,047
	430,699	395,047

This fixed deposit will be matured on 20 October 2021, with the option of renewal.

26 Cash and Cash Equivalents

	2020 Rs.	2019 Rs.
Favourable Balances		
Cash at Bank	4,957,182	13,920,417
Cash in Hand	410,605	320,084
	5,367,787	14,240,501
Less: Unfavourable Balances		
Bank Overdrafts	(367,841,521)	(506,967,621)
Cash and Cash Equivalents for the Purpose of Cash Flows	(362,473,734)	(492,727,120)

27 Stated Capital

	2020 Rs.	2019 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.

Notes to the Financial Statements

As at 31 December

28 Revaluation Reserve

	2020 Rs.	2019 Rs.
Balance as at 1 January	-	-
Surplus on Revaluation	1,056,997,089	-
Deferred Tax on Revaluation	(147,979,592)	-
Balance as at 31 December	909,017,497	-

29 Interest Bearing Loans and Borrowings

	2020 Rs.	2019 Rs.
Balance as at 1 January	3,067,864,853	2,143,024,152
Add : Loans obtained during the year	299,359,891	899,810,724
Add : Interest Charge for the Year	302,055,187	325,718,603
	3,669,279,931	3,368,553,479
Less : Repayments during the year	(208,313,820)	(300,688,626)
Balance as at 31 December	3,460,966,111	3,067,864,853
Maturity Analysis		
Amount Payable within One Year	104,210,485	187,747,345
Amount Payable after One Year and Less than Five Years	2,455,409,397	1,511,510,737
Amount Payable More than Five Years	901,346,229	1,368,606,771
	3,460,966,111	3,067,864,853
Lender-wise Summary		
Hatton National Bank PLC	395,877,474	483,594,200
Sri Lanka Tea Board	-	34,142,293
Melstacorp PLC	3,065,088,637	2,531,253,360
Commercial Bank of Ceylon PLC	-	18,875,000
	3,460,966,111	3,067,864,853

Notes to the Financial Statements
As at 31 December

29.1 Interest Bearing Loans and Borrowings - Detailed Breakup

Name of the Lender	Nature of the Facility	Facility Obtained Rs.	Amount Outstanding as at 31 December 2020 Rs.	Amount Outstanding as at 31 December 2019 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 instalments starting from 10 December 2020	N/A
Sri Lanka Tea Board	Long term Loan	44,926,350	-	5,330,293	5.00%	36 equal monthly instalments 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	6 Month AWPLR + 1% (To be fixed at six month intervals)	36 equal monthly instalments after a grace period of 12 Months from the date of disbursement of 1 August 2016.	N/A
Hatton National Bank PLC	Long term Loan	167,970,000	-	33,594,000	AWPLR + 1.5%	60 equal monthly capital repayments of Rs.2,799,500 and Interest rate at AWPLR + 1.5% with a 2% subsidy for first 2 years	Primary floating mortgage bond of Rs 858. Mn over leasehold rights of Balangoda Estate
Hatton National Bank PLC	Long term Loan	500,000,000	395,877,474	450,000,200	AWPLR + 1%	60 equal monthly instalments after a grace period of 60 Months from the date of 1st disbursement.	Primary Floating Mortgage Bond for Rs. 500.0 Mn over 5 lease hold estates of Balangoda, Galatura, Palm Garden, Meddekanda and Rassagala.
Commercial Bank of Ceylon PLC	Long term Loan	62,000,000	-	18,875,000	14.00%	Capital to be repaid within 36 equal monthly capital repayments of Rs.1,725,000 commencing from 25 December 2017.	Letter of comfort of Melstacorp PLC for Rs. 62 Mn.
Melstacorp PLC	Working Capital Loan Series	2,413,807,505	3,065,088,637	2,531,253,360	AWPLR + 1.25%	Capital to be repaid after a moratorium of 3 years. Interest payable monthly	N/A
			3,460,966,111	3,067,864,853			

Notes to the Financial Statements

As at 31 December

30 Retirement Benefit Obligations

	2020 Rs.	2019 Rs.
Balance as at 1 January	774,221,413	706,872,253
Included in Profit or Loss		
Interest Cost for the Year	85,164,355	84,824,670
Current Service Cost	47,587,451	46,753,801
Included in OCI		
Actuarial (Gain) / Loss for the Year	(22,033,682)	25,990,385
Gratuity Payments During the year	(116,029,958)	(90,219,696)
Balance as at 31 December	768,909,579	774,221,413

An actuarial valuation for defined benefit obligation was carried out as at 31 December 2020 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.

	2020	2019
((I) Rate of Interest (per Annum)	8.5%	11%
(ii) Rate of Salary Increase		
-Workers	5.68% (Per Annum)	15% (For Every Two Years)
-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

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 2020 is shown below.

	2020		2019	
Discount Rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Sensitivity Level	**1%**	**1%**	**1%**	**1%**
Impact on Retirement Benefit Obligation (Rs.)	(58,812,654)	67,748,079	(54,891,774)	62,839,775

	2020		2019	
Future Salary Increment Rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Sensitivity Level	**1%**	**1%**	**1%**	**1%**
Impact on Retirement Benefit Obligation (Rs.)	70,610,257	(62,219,182)	35,228,681	(33,032,103)

Notes to the Financial Statements
As at 31 December

31 Deferred Tax Liability

	2020 Rs.	2019 Rs.
Balance at 1 January	402,633,106	277,819,843
Recognised in Profit or Loss		
Deferred Tax Charged During the Year	27,198,103	128,451,917
Recognised in Other Comprehensive Income		
Deferred Tax Charge/ (Reversals) During the Year	151,064,307	(3,638,654)
Balance at 31 December	580,895,516	402,633,106

	2020		2019	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
Deferred Tax Liabilities				
Property, Plant and Equipment	374,740,601	52,463,684	316,536,133	44,315,058
Revaluation Reserve on Buildings	1,056,997,089	147,979,592	-	-
Investment Properties	266,074,991	37,250,499	27,424,732	3,839,462
Bearer Biological Assets	1,936,875,526	271,162,574	1,984,481,667	277,827,433
Consumable Biological Assets	2,154,272,095	301,598,093	2,008,133,097	281,138,634
Net Lease Liability	-	-	7,333,833	1,026,737
As at 31 December	5,788,960,302	810,454,442	4,343,909,462	608,147,324
Deferred Tax Assets				
Retirement Benefit Obligations	(768,909,579)	(107,647,341)	(774,221,413)	(108,390,998)
Accumulated Tax Losses	(852,890,369)	(119,404,652)	(693,737,288)	(97,123,220)
Net Lease Liability	(17,906,666)	(2,506,933)	-	-
As at 31 December	(1,639,706,614)	(229,558,926)	(1,467,958,701)	(205,514,218)
As at 31 December	4,149,253,688	580,895,516	2,875,950,761	402,633,106

The effective tax rate used to calculate deferred tax liability for all the Temporary Differences as at 31 December, 2020 is 14%. (2019 - 14%).

The deferred tax asset arising from accumulated tax losses carried forward was limited only to the extent of probable future taxable profits available against which the Company can utilize therefrom. Hence a deferred tax asset of Rs.342,192,391/- (2019: Rs. 437,785,039,088/-) has not been recognised in respect of unutilized tax losses of Rs. 2,444,231,364 (2019: Rs. 3,127,039,088/-) as at 31 December 2020.

	2020		2019	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
On Accumulated Tax Losses	2,444,231,364	342,192,391	3,127,039,088	437,785,472
	2,444,231,364	342,192,391	3,127,039,088	437,785,472

Notes to the Financial Statements

As at 31 December

32 Deferred Income

	2020 Rs.	2019 Rs.
Cost		
Balance at 1 January	305,710,203	305,710,203
Balance at 31 December	305,710,203	305,710,203
Accumulated Amortisation		
Balance at 1 January	156,086,850	146,050,575
Amortisation During the Year	9,871,079	10,036,275
Balance at 31 December	165,957,929	156,086,850
Carrying Amount at 31 December	139,752,274	149,623,353

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 classification 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 being deployed.

33 Lease Liabilities

	2020 Rs.	2019 Rs.
Lease Liability to SLSPC and JEDB **(Note 33.1)**	276,514,643	271,998,798
Motor Vehicle Lease **(Note 33.2)**	-	16,185,594
	276,514,643	288,184,392

	2020		2019	
	Current Liability Rs.	Non-Current Liability Rs.	Current Liability Rs.	Non-Current Liability Rs.
Gross Liability	36,864,632	866,318,840	4,804,226	292,610,939
Less: Interest in suspense	(35,088,825)	(591,580,004)	(2,064,228)	(7,166,545)
	1,775,807	274,738,836	2,739,998	285,444,394

33.1 Lease Liability to SLSPC and JEDB

	2020 Rs.	2019 Rs.
Balance at 1 January	271,998,798	262,089,000
Remeasurement of Right-of-Use Asset	5,975,374	11,251,490
	277,974,172	273,340,490
Interest Charge for the Year	35,206,712	34,357,598
Less: Lease Payments made during the Year	(36,666,241)	(35,699,290)
Lease Liability to SLSPC and JEDB	276,514,643	271,998,798

The leases 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 form of Contingent rental.

Notes to the Financial Statements

As at 31 December

33.2 Motor Vehicle Lease

	2020 Rs.	2019 Rs.
Balance at 1 January	16,185,594	-
Lease Obtained During the Year	-	16,900,000
Interest Charges for the Year	1,832,262	1,284,634
Less: Lease Payments made during the Year	(18,017,856)	(1,999,040)
Balance at 31 December	-	16,185,594

33.3 Maturity Analysis of Contractual Undiscounted Cash Flows

	2020 Rs.	2019 Rs.
Within One Year	36,864,632	39,497,994
Within 2-5 Years	147,458,525	157,991,976
More than 5 Years	718,860,314	747,738,632
Total Undiscounted Lease Liabilities	903,183,471	945,228,602

33.4 Amounts Recognised in Profit or Loss

	2020 Rs.	2019 Rs.
Interest on Lease Liabilities	37,038,974	35,705,382
Depreciation Charged for Right of Use Asset	16,178,608	11,916,325
	53,217,582	47,621,707

33.5 Amounts Recognised in Statement of Cash Flows

Total Cash Outflow for Leases	52,851,836	19,291,018

34 Trade and Other Payables

	2020 Rs.	2019 Rs.
Trade Creditors	70,835,773	57,626,853
Employee Related Creditors	209,722,354	171,288,327
Accrued Expenses	24,604,797	82,936,604
Dividends Payable	6,058,938	6,050,388
Sundry Creditors	93,539,148	109,043,583
Prepayments Received	8,605,178	8,080,918
ESC Payable	-	3,216,346
VAT Payable	7,077,022	-
Other Payables	13,340,737	11,643,198
	433,783,947	449,886,217

35 Amounts Due to Related Companies

	2020 Rs.	2019 Rs.
Stassen Exports (Private) Limited	162,000	162,000
Melsta Logistics (Private) Limited	467,552	5,235,561
Melsta Technologies (Private) Limited	4,703,250	2,828,550
Madulsima Plantations PLC	-	7,009,611
Distilleries Company of Sri Lanka PLC	-	2,973,877
Milford Exports (Ceylon) (Private) Limited	-	2,497
	5,332,802	18,212,096

Notes to the Financial Statements
As at 31 December

36 Related Party Disclosures

36.1 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.

36.2 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 the activities of the entity. Accordingly, the Board of Directors has been classified as Key Management Personnel of the Company.

36.3 Compensations to KMPs

	2020 Rs.	2019 Rs.
Short-term Employee Benefits - Directors' remunerations	2,820,000	6,315,000
	2,820,000	6,315,000

36.4 Transactions with Related Companies

Name of the Company	Nature of Relationship	Name of the Common Directors	Nature of the Transactions	Transaction Amount 2020 Rs.	Transaction Amount 2019 Rs.	Balance as at 31 December 2020 Rs.	Balance as at 31 December 2019 Rs.
Stassen Exports (Private) Limited	Affiliate Company	Mr. D. H. S. Jayawardena Mr. D. Hasitha S. Jayawardena	Reimbursement of Expenses	(162,000)	-	(162,000)	(162,000)
			Expenses Incurred	162,000			
Distilleries Company Of Sri Lanka PLC	Subsidiary of Parent Company	Mr. D. H. S. Jayawardena Mr. C. R. Jansz Mr. D. Hasitha S. Jayawardena	Reimbursement of Expenses				
			Fund Transfers	-	(2,292,950)	130,112	(2,973,877)
			Supply of tea	3,238,989			
			Sales of Cardamom and Cinnamon	(135,000)	150,168		
Melsta Logistics (Private) Limited	Subsidiary of Parent Company	Mr. A.L. Gooneratne	Vehicle Repair Charges	(747,763)	(4,642,205)	(467,552)	(5,235,561)
			Reimbursement of Expenses	5,515,772			
Melsta Technologies (Private) Limited	Subsidiary of Parent Company		Salaries Incurred	(1,874,700)	(1,827,550)	(4,703,250)	(2,828,550)
Madulsima Plantations PLC	Subsidiary of Parent Company	Mr. D. H. S. Jayawardena Mr. D. Hasitha S. Jayawardena	Supply good and service	9,806,555	-	8,226,886	(7,009,611)
			Reimbursement of Expenses	(4,002,086)	(5,273,630)		9,432,028
Milford Export Ceylon (Private) Limited	Ultimate Parent Company	Mr. D. H. S. Jayawardena Mr.D.Hasitha S.Jayawardena	Rent Received	(3,304,276)	(3,203,202)	2,345	(2,497)
			Sale of Green Leaf	45,452,850	37,196,282		
			Reimbursement of Expenses	(34,836)	(37,616)		
			Settlements Received	(42,113,890)	(33,952,967)		
Melstacorp PLC	Intermediate Parent Company	Mr. D. H. S. Jayawardena Mr.D.Hasitha S.Jayawardena Mr. A.L. Gooneratne Mr. C. R. Jansz	Loans Obtained	(298,937,840)	(873,544,312)	(3,065,088,637)	(2,531,253,360)
			Interest Charge	(257,397,932)	(244,938,227)		
			Repayments during the Year	22,500,495	-		

Notes to the Financial Statements

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37 Capital Commitments

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

38 Contingent Liabilities

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

39 Assets Pledged as Collaterals by The Company

Other than those disclosed under Note 29.1, the following asset 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 Out-standing as at 31 December 2020 Rs.	Securities Pledged
Hatton National Bank PLC	Permanent Overdraft Facility	489,500,000	338,426,151	Primary mortgage over the Lease hold rights of Walaboda Estate.

40 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.

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.

The management has come to a conclusion that the impact of 'COVID 19' does not require a material adjustment to the current year financial statements since:

- The Plantation sector being declared as an "essential service", enabling the Company to carry out its critical operations with minimum interruption during the lockdown period and the same prioritization will be provided to the industry in case of a future lockdown
- As side effects, the demand for tea and rubber in the world market continue to rise since the start of the pandemic
- Even with the pandemic situation, the company was able to produce the best yield within the last 5 years for both tea and rubber in 2020 .
- The Company already has experience over carrying out operations in a lockdown environment and as a result similar operations could be carried out in a future lockdown without limiting the operational capacity.
- The Parent of the Company has provided the assurance that they shall provide necessary financial support and other assistance to the Company to continue as a going concern in the future.

41 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 reported an accumulated losses of Rs. 2,386,945,886 (2019: Rs. 2,376,154,978). Further and its current liabilities exceeded its current assets by Rs. 359,691,018 (2019: Rs. 696,927,420). These events and conditions raise significant doubt whether the Company will be able to continue as a going concern and therefore, that 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 2020 due to reliance on a letter of support, dated 25 June 2021, provided by the Directors of the parent entity, Melstacorp PLC. Through this letter of support, the Directors of the parent entity 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

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 a going concern basis.

Notes to the Financial Statements

As at 31 December

42 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.

42.1 Income Tax and Deferred Tax

The Inland Revenue Amendment Act No 10 of 2021 was passed in the parliament and certified by the speaker on 13 May 2021. As per this amendment Act, the income tax rate applicable to companies has been reduced from 28% to 24%. Additionally, profits arising from the business of "agro farming" has been exempted for a period of 5 years commencing from 1 April 2019. Since this amendment Act was passed in the parliament subsequent to the reporting date, the Company considered these amendments as not substantively enacted as at the reporting date in accordance with LKAS 12 - "Income Taxes".

42.2 Gazetted Increase in Daily Wage Rate

In the past, wages of the Plantation workers were negotiated between Trade Unions and Regional Plantation Companies (RPCs), once in every two years and a Collective Agreement was signed between the parties. However, the last wage negotiations between the parties were not successful and therefore, the matter was referred to the Wages Board by the Minister of Labour. Consequently, the Wages Board without considering objections of the RPC's decided the minimum daily wage of Rs. 1,000/- comprising of a minimum daily wage of Rs. 900/- and a budgetary relief allowance of Rs. 100/- for workers in tea and rubber growing and manufacture trade and gazetted its decision on 5 March 2021.

However, RPCs instituted a "Writ Application" in the Court of Appeal seeking an interim order, staying and/ or suspending the operation of the decision of the Wages Board, but the Honorable Judges of the Court of Appeal issued notice on the Respondents of the case and was not inclined to issue an interim order and the Respondents were directed to file Objections and RPCs were directed to file Counter Objections. The matter was taken for argument at the Court of Appeal on 5 May 2021, counsel for RPCs conducted his oral submission. The matter was postponed for respondent's submissions to 29 June 2021.

In the event Court of Appeal issues an unfavorable judgement to RPCs,, the retirement Benefit obligation of the company as at 31 December 2020 is Rs. 1,050 Mn.

43 Comparative Figures

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

	Current Presentation		As Previously Reported
	2020 Rs.	**2019 Rs.**	**2019 Rs.**
43.1 Reclassifications in the Statement of Profit or Loss and Other Comprehensive Income			
(i) Reclassification of sales of refused tea amounting to Rs. 33,489,407 for the year ended 31December 2019 from other income to revenue			
Revenue	3,573,075,557	2,606,319,760	2,572,830,353
Other Income	347,136,721	43,579,568	77,068,975
(ii) Reclassification of professional fee amounting to Rs. 5,850,476 for the year ended 31December 2019 from cost of sales to administrative expenses			
Cost of Sales	(3,419,672,108)	(3,090,421,224)	(3,096,271,700)
Administrative Expenses	(97,593,110)	(108,025,057)	(102,174,581)

Notes to the Financial Statements
As at 31 December

44 Financial Risk Management

44.1 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 analyse the risks faced by the Group, 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
- Operational Risk

44.1.1 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 Company manages its operations to avoid any excessive concentration of counterparty risk and the Company takes all reasonable steps to ensure the counterparties fulfil 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	2020 Rs.	2019 Rs.
Financial Assets Measured at FVOCI	301,622	368,300
Trade and Other Receivables	98,843,328	124,492,584
Amounts due from Related Companies	8,359,343	9,432,028
Other Financial Assets Measured at Amortised Cost	430,699	395,047
Cash and Cash Equivalents	5,367,787	14,240,501
Total Credit Risk Exposure	113,302,779	148,928,460

44.1.1.1 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.

44.1.1.2 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.

Notes to the Financial Statements
As at 31 December

44 Financial Risk Management (Continued)

44.1 Risk Management Framework (Continued)

44.2.2 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 continous 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 2020 based on contractual undiscounted payments.

At 31 December 2020	Carrying Amount Rs.	Contractual Cash flow Rs.	06 Months or less Rs.	06 - 12 Months Rs.	01 - 02 Years Rs.	02 - 05 Years Rs.	More than 05 Years Rs.
Non-Derivative Financial Liabilities							
Interest Bearing Loans and Borrowings	3,460,966,111	3,795,512,732	66,707,275	60,811,907	243,486,509	2,481,653,115	942,853,926
Lease Liability	276,514,643	903,183,472	18,432,316	18,432,316	36,864,631	110,593,894	718,860,314
Trade and Other Payables	433,783,947	433,783,947	433,783,947	-	-	-	-
Amounts due to Related Companies	5,332,802	5,332,802	5,332,802	-	-	-	-
Bank Overdraft	367,841,521	367,841,521	367,841,521	-	-	-	-
	4,544,439,024	5,505,654,474	892,097,861	79,244,223	280,351,140	2,592,247,009	1,661,714,240

At 31 December 2019	Carrying Amount Rs.	Contractual Cash flow Rs.	06 Months or less Rs.	06 - 12 Months Rs.	01 - 02 Years Rs.	02 - 05 Years Rs.	More than 05 Years Rs.
Non-Derivative Financial Liabilities							
Interest Bearing Loans and Borrowings	3,067,864,853	3,300,834,096	122,129,429	95,481,597	238,456,771	1,379,555,533	1,465,120,766
Lease Liability	288,184,392	945,228,602	19,748,997	19,748,997	39,497,994	118,493,982	747,738,632
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	-	-	-	-
Bank Overdraft	506,967,621	506,967,621	506,967,621	-	-	-	-
	4,331,115,179	5,221,128,632	1,116,944,360	115,230,594	278,044,765	1,498,049,515	2,212,859,398

Notes to the Financial Statements
As at 31 December

44 Financial Risk Management (Continued)

44.1 Risk Management Framework (Continued)

44.1.3 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) 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 borrowings.

Profile

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

	2020 Rs.	2019 Rs.
Fixed Rate Instruments		
Financial Assets	430,699	395,047
Financial Liabilities	(439,116,749)	(47,767,293)
	(438,686,050)	(47,372,246)
Variable Rate Instruments		
Financial Assets	-	-
Financial Liabilities	(3,737,480,754)	3,018,961,106
	(3,737,480,754)	3,018,961,106

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant to the Company's profit/ (loss) before tax.

	2020		2019	
Sensitivity of 100 bp	**Increase**	**Decrease**	**Increase**	**Decrease**
	1%	1%	1%	1%
Effect on Profit / (Loss) before Tax (Rs.)	(363,917,437)	306,543,712	(377,791,674)	337,340,338

b) Currency Risk
The Company is not exposed to currency risk since the Company is not engaged in transactions other than Sri Lankan Rupees.

Notes to the Financial Statements
As at 31 December

44 Financial Risk Management (Continued)

44.1 Risk Management Framework (Continued)

44.1.4 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.

44.2 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, return capital to shareholders or issue new shares or other instruments.

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:

	2020	2019
Total Liabilities (Rs.)	6,041,814,515	5,665,411,173
Less: Cash at Bank and Cash in Hand (Rs.)	(5,367,787)	(14,240,501)
Net debts (Rs.)	6,036,446,728	5,651,170,672
Total Equity (Rs.)	803,374,751	(240,924,158)
Debt to Equity ratio	751%	-2346%

Notes to the Financial Statements

As at 31 December

45 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.

45.1 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:

	2020		2019	
	Carrying Amount Rs.	Fair Value Rs.	Carrying Amount Rs.	Fair Value Rs.
Assets Carried at Amortised Cost				
Trade and Other Receivables	98,843,328	98,843,328	124,492,584	124,492,584
Amounts due from Related Companies	8,359,343	8,359,343	9,432,028	9,432,028
Other Financial Assets Measured at Amortised Cost	430,699	430,699	395,047	395,047
Cash and Cash Equivalents	5,367,787	5,367,787	14,240,501	14,240,501
Financial Assets Measured at FVOCI				
Quoted Equity Investments in Ordinary Shares	301,622	301,622	368,300	368,300
	113,302,779	113,302,779	148,928,460	148,928,460
Liabilities Carried at Amortised Cost				
Interest Bearing Loans and Borrowings	3,460,966,111	3,460,966,111	3,067,864,853	3,067,864,853
Lease Liabilities	276,514,643	276,514,643	288,184,392	288,184,392
Trade and Other Payables	433,783,947	433,783,947	449,886,217	449,886,217
Amounts due to Related Companies	5,332,802	5,332,802	18,212,096	18,212,096
Bank Overdraft	367,841,521	367,841,521	506,967,621	506,967,621
	4,544,439,024	4,544,439,024	4,331,115,179	4,331,115,179

Notes to the Financial Statements
As at 31 December

45 Fair Value Measurement (Continued)

45.2 Financial Assets and Liabilities by Categories

(a) Financial Assets

	2020			2019		
	Amortised Cost Rs.	Fair Value Through Profit or Loss Rs.	Fair Value Through Other Comprehensive Income Rs.	Amortised Cost Rs.	Fair Value Through Profit or Loss Rs.	Fair Value Through Other Comprehensive Income Rs.
Trade and Other Receivables	98,843,328	-	-	124,492,584	-	-
Amounts due from Related Companies	8,359,343	-	-	9,432,028	-	-
Other Financial Assets Measured at Amortised Cost	430,699	-	-	395,047	-	-
Cash and Cash Equivalents	5,367,787	-	-	14,240,501	-	-
Financial Assets Measured at FVOCI	-	-	301,622	-	-	368,300
	113,001,157	-	301,622	148,560,160	-	368,300

(b) Financial Liabilities

	2020		2019	
	Other Financial Liabilities Rs.	Fair Value Through Profit or Loss Rs.	Other Financial Liabilities Rs.	Fair Value Through Profit or Loss Rs.
Interest Bearing Loans and Borrowings	3,460,966,111	-	3,067,864,853	-
Lease Liabilities	276,514,643	-	288,184,392	-
Trade and Other Payables	433,783,947	-	449,886,217	-
Amounts due to Related Companies	5,332,802	-	18,212,096	-
Bank Overdraft	367,841,521	-	506,967,621	-
	4,544,439,024	-	4,331,115,179	-

Notes to the Financial Statements
As at 31 December

45 Fair Value Measurement (Continued)

45.3 Financial Assets and Liabilities by Fair Value Hierachy

As at 31 December 2020

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Assets Carried at Amortised Cost			
Trade and Other Receivables	-	-	98,843,328
Amounts due from Related Companies	-	-	8,359,343
Other Financial Assets Measured at Amortised Cost	-	-	430,699
Cash and Cash Equivalents	-	5,367,787	-
Financial Assets Measured at FVOCI			
Quoted Equity Investments in Ordinary Shares	301,622	-	-
	301,622	5,367,787	107,633,370
Liabilities Carried at Amortised Cost			
Interest Bearing Loans and Borrowings	-	-	3,460,966,111
Lease Liabilities	-	-	276,514,643
Trade and Other Payables	-	-	433,783,947
Amounts due to Related Companies	-	-	5,332,802
Bank Overdraft	-	367,841,521	-
	-	367,841,521	4,176,597,503

As at 31 December 2019

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Assets Carried at Amortised Cost			
Trade and Other Receivables	-	-	124,492,584
Amounts due from Related Companies	-	-	9,432,028
Other Financial Assets Measured 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	134,319,659
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

Notes to the Financial Statements

As at 31 December

46 Operating Segments

	Tea		Rubber		Others		Total	
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Segmental Results								
Revenue	3,244,486,060	2,369,093,780	328,589,497	237,225,980	-	-	3,573,075,557	2,606,319,760
Revenue Expenditure	(3,024,963,184)	(2,766,840,365)	(394,708,924)	(323,580,859)	-	-	(3,419,672,108)	(3,090,421,224)
Gross Loss	219,522,876	(397,746,585)	(66,119,427)	(86,354,879)	-	-	153,403,449	(484,101,464)
Gain on Changes in Fair Value of Biological Assets	-	-	-	-	149,334,105	101,915,013	149,334,105	101,915,013
Other Income	-	-	-	-	347,136,721	43,579,568	347,136,721	43,579,568
Unallocated Expenses	-	-	-	-	(135,515,519)	(147,310,048)	(135,515,519)	(147,310,048)
Net Finance Costs	-	-	-	-	(370,761,530)	(416,658,590)	(370,761,530)	(416,658,590)
Profit/ (Loss) Before Taxation	-	-	-	-	(9,806,223)	(418,474,057)	143,597,226	(902,575,521)
Less : Taxation	-	-	-	-	-	-	(27,198,103)	(128,473,916)
Profit/ (Loss) for the Year	-	-	-	-	-	-	116,399,123	(1,031,049,437)
Other Comprehensive Income(Net of tax)	-	-	-	-	-	-	927,899,786	(22,356,483)
Total Comprehensive Income/ (Expense)	-	-	-	-	-	-	1,044,298,909	(1,053,405,920)
Segmental Assets								
Non Current Assets	2,041,056,786	965,554,897	1,780,915,667	1,732,044,084	2,462,145,147	2,250,444,055	6,284,117,600	4,948,043,036
Current Assets	443,641,434	302,592,141	72,433,260	54,113,271	44,996,972	119,738,567	561,071,666	476,443,979
Total Assets	2,484,698,220	1,268,147,038	1,853,348,927	1,786,157,355	2,507,142,119	2,370,182,622	6,845,189,266	5,424,487,015
Segmental Liabilities								
Non Current Liabilities	630,090,907	641,479,748	138,818,671	132,741,665	4,352,142,253	3,717,818,361	5,121,051,831	4,492,039,774
Current Liabilities	377,092,081	271,414,310	50,632,928	57,177,460	493,037,675	844,779,629	920,762,684	1,173,371,399
Total Liabilities	1,007,182,988	912,894,058	189,451,599	189,919,125	4,845,179,928	4,562,597,990	6,041,814,515	5,665,411,173
Segmental Capital Expenditure								
Field Development	12,363,762	9,941,291	37,580,885	70,518,985	1,940,015	7,157,292	51,884,662	87,617,568
Property, Plant & Equipment	33,541,286	58,358,794	4,116,465	1,148,984	8,736,419	1,125,579	46,394,170	60,633,357
Total Capital Expenditure	45,905,048	68,300,085	41,697,350	71,667,969	10,676,434	8,282,871	98,278,832	148,250,925
Depreciation								
Bearer Biological Assets	15,657,758	14,816,307	58,204,096	44,087,147	3,903,536	4,563,563	77,765,390	63,467,017
Property,Plant & Equipment	72,918,366	50,376,412	9,103,144	5,206,692	5,265,406	1,747,251	87,286,916	57,330,355
	88,576,124	65,192,719	67,307,240	49,293,839	9,168,942	6,310,814	165,502,306	120,797,372

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 2020 have been submitted to the Colombo Stock Exchange.

Distribution of Shareholdings as at 31 December 2020

No. of Shares held	No. of Shareholders	No. of Shareholders %	Total Holdings	Total Holding %
1 - 1,000	17,955	97.07	2,314,927	9.79
1,001 - 10,000	415	2.24	1,468,992	6.22
10,001 - 100,000	108	0.58	2,905,627	12.29
100,001 - 1,000,000	18	0.10	3,093,154	13.09
1,000,001 & Over	1	0.01	13,853,663	58.61
Grand Total	**18,497**	**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	18,338	99.14	6,913,237	29.25
Institution	159	0.86	16,723,126	70.75
Grand Total	**18,603**	**100.00**	**23,636,363**	**100.00**
Residents	18,482	99.92	23,566,014	99.70
Non-Residents	15	0.08	70,349	0.30
Grand Total	**18,497**	**100.00**	**23,636,363**	**100.00**

- Public Holding Percentage as at 31 December 2020 - 41.39%
- Number of shareholders representing the above percentage - 18,497 shareholders
- The adjusted market capitalization as at 31 December 2020 - Rs.157,501,470
- 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

	2020	2019
Number of shares	23,636,363	23,636,363
Earning/(Loss) per Share Rs	4.92	(43.62)
Net Asset per Share Rs	34	(10)
Dividend per Share Rs	-	-
Highest Share Price Rs	17.40	17.70
Lowest Share Price Rs	6.10	9.20
Closing Share Price Rs	16.10	12.00

Shareholder and Investor Information

No	Name of Shareholder	No. of Shares	%
1	Melstacorp PLC	13,853,663	58.612
2	Associated Electrical Corporation Ltd	454,357	1.922
3	Seylan Bank Plc / Senthilverl Holdings (Pvt) Ltd	291,653	1.234
4	Mr M A R Cooray	268,950	1.138
5	Merchant Bank of Sri Lanka Plc / J A S Priyantha	209,985	.888
6	G P De Silva & Sons International (Pvt) Ltd	180,000	.762
7	Venura Crystal (Private) Ltd	136,000	.575
8	Mr M A Nazeer	135,166	.572
9	Cocoshell Activated Carbon Company (private) Ltd	129,700	.549
10	Seylan Bank Plc / S R Fernando	129,324	.547
11	Mr K M S M Rajabudeen& Mr K S M R Mohamed & Mr K M S M Razeek	116,679	.494
12	Dialog Finance Plc / M R A P C Thushara	116,000	..491
13	Mr R Maheshwaran	112,834	.477
14	Mr A K Palliyaguruge Don	108,000	.457
15	Seylan Bank Plc / Mohamed Mushtaq Fuad	101,697	.430
16	Mr R Pradeep Kumar	100,215	.424
17	Mr L D S Chandrasiri/ Mrs D N jayasuriya	100,000	.423
18	Dialog Finance Plc / M P P N Jayasinghe	98,441	.416
19	Hatton National Bank / Ravindra Erle Rambukwella	97,000	.410
20	Mrs M J Nihara	94,432	.400
21	Mr. C C Yu & Mrs H C N Damayanthi	90,000	.381
22	Mr R E Rambukwella	83,831	.355
23	Mr N S Niles	70,000	.296
24	Mr M S M Nadheer	66,430	.281
25	Mis V D Samaranayake	64,741	.274

Shareholder Financial Information

	2020 Rs.'000	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000	2016 Rs.'000	2015 Rs.'000
Turnover	3,573,076	2,606,320	2,358,252	3,056,067	2,266,657	2,413,055
Profit(Loss)before Taxation	143,597	(902,576)	(479,489)	100,775	(371,078)	(430,388)
Taxation	(27,198)	(128,474)	(165,992)	(192,436)	56,736	87,295
Profit(Loss) after Taxation	116,399	(1,031,050)	(645,481)	(91,661)	(314,342)	(343,093)
Other Comprehensive Income	927,900	(22,361)	(25,697)	22,395	125,148	8,252
Profit (Loss) brought forward	(2,376,156)	(1,146,871)	(385,018)	179,372	374,847	797,374
Dividend	-	-	-	-	-	-
Transfer to Revaluation Reserves	(909,017)	-	-	-	-	-
Transfer from General Reserve	-	-	-	(1,148)	(6,405)	(87,868)
Transfer to Timber Reserve	(146,139)	(102,197)	(90,763)	(22,150)	(6,405)	(87,868)
Available for Sales Reserve	67	5	87	47	124	182
Adjustment Due to Initial Application of SLFRS 16	-	(73,682)	-	109,005	179,372	374,847
Retained Profit (Loss)	(2,386,946)	(2,376,156)	(1,146,872)	88,003	179,372	374,847
Fixed Assets	6,284,118	4,948,043	4,742,306	5,137,726	4,975,349	4,794,905
Current Assets	561,072	476,444	469,312	429,389	521,403	552,060
Current Liabilities	920,763	1,173,371	1,157,408	1,078,990	1,486,240	1,253,468
Non Current Liabilities	5,121,052	4,492,040	3,168,044	2,457,893	1,911,013	1,804,804
Net Assets	803,375	(240,924)	886,166	2,030,232	2,099,499	2,288,693
Share Capital	350,000	350,000	350,000	350,000	350,000	350,000
Revaluation Reserves	909,017	-	-	1,591,918	1,569,770	1,563,364
Timber Reserves	1,931,017	1,784,878	1,682,681	1,591,918	1,569,770	1,563,364
Available for Sales Reserve	285	353	357	310	357	481
Profit & Loss Account	(2,386,946)	(2,376,156)	(1,146,872)	88,003	179,372	374,847
Capital Employed	803,373	(240,925)	886,166	2,030,231	2,099,499	2,288,692
Number of Shares ('000)	23,636	23,636	23,636	23,636	23,636	23,636
Earning per Share (Rs.)	4.92	(43.62)	(27.31)	3.88	13.30	(14.52)
Dividend per Share (Rs.)	-	-	-	-	-	96.83
Net Asset per Share (Rs.)	33.99	(10.19)	37.49	85.90	88.83	96.83
Dividend Payout Ratio (%)	-	-	-			

Statement of Value Addition

	Year ended 31.12.2020 Rs.'000		Year ended 31.12.2019 Rs.'000	
	%	Share	%	Share
REVENUE	87.80	3,573,075	94.71	2,606,320
Other Income	12.20	496,471	5.29	145,495
Total Revenue	100.00	4,069,546	100.00	2,751,815
Cost of Material & Service bought	-	4,208,119	-	2,973,908
VALUE ADDED	(3.41)	(138,573)	(8.07)	(222,093)
	%	**Share**	**%**	**Share**
DISTRIBUTION OF VALUE ADDED				
A to Employees as Remuneration	(1,217.63)	1,687,304	(714.10)	1,585,960
B to Government as Taxes				
B1 to Government as Lease Interest	(25.41)	35,207	(15.47)	34,358
C to Lenders of Capital as Interest	(242.41)	335,921	(172.14)	382,300
D to Shareholders as Dividends				
E Retained in Business				
E1 Provision of Depreciation	(136.89)	189,692	(68.19)	151,444
E2 Profit Retained	1722.34	(2,386,946)	1069.89	(2,376,155)
	100.00	(138,573)	100.00	(222,093)

Performance of Estates 2020 & 2019

Tea Estates	Elevation	Year	Extent	Combined Crop	Yield	C. O.P	N.S.A
	Category		(Ha.)	(kg)	Kg/ha	Rs/kg	Rs/kg
Balangoda	Uva Medium	2020	418.95	742,179	1,408	526.98	585.51
		2019	420.95	588,622	1,111	588.78	477.33
Cecilton	Uva Medium	2020	176.06	322,668	1,150	596.79	575.66
		2019	176.56	263,442	879	678.92	491.19
Meddakande	Uva Medium	2020	154.65	301,612	1,156	635.77	554.45
		2019	154.65	296,926	1,095	649.53	480.56
Non Pareil	Uva High	2020	234.00	164,998	393	857.33	515.89
		2019	234.00	149,070	424	827.89	435.36
Pettiagalla	Uva Medium	2020	173.50	225,287	1,102	615.71	563.16
		2019	173.50	240,203	1,102	655.62	483.66
Rasagalla	Low	2020	234.81	380,118	1,219	608.26	615.91
		2019	234.81	348,056	1,065	656.99	501.11
Rye/Wikiliya	Low	2020	145.20	58,195	401	960.49	554.12
		2019	154.20	54,837	365	1,104.46	488.28
Walaboda	Uva Medium	2020	106.50	95,003	892	612.89	585.06
		2019	106.50	82,663	776	657.16	511.13
Mahawale	Low	2020	1.60	599	374	631.66	642.99
		2019	1.60	1,228	768	570.96	537.19
Palmgarden	Low	2020	4.85	344,253	790	643.08	623.73
		2019	4.85	399,419	968	550.45	535.66
Cullen	Uva Medium	2020	145.90	89,471	613	694.69	605.41
		2019	158.40	68,647	433	912.73	541.23
Glen Alpin	Uva Medium	2020	295.94	768,934	861	599.78	579.01
		2019	336.20	522,622	571	640.21	465.91
Gowerakelle	Uva Medium	2020	207.51	118,789	572	558.65	484.61
		2019	207.51	105,160	507	700.55	400.94
Spring Valley	Uva High	2020	448.53	507,195	877	592.53	552.85
		2019	549.32	420,920	574	779.42	466.47
Telbedde	Uva Medium	2020	519.78	826,187	1,249	560.89	585.02
		2019	582.08	595,638	856	717.23	503.64
Ury	Uva Medium	2020	307.92	360,482	870	571.69	593.06
		2019	322.42	257,688	631	750.38	493.30
Wewesse	Uva Medium	2020	235.10	401,668	1,037	586.54	610.39
		2019	244.40	349,139	785	648.41	523.39

Performance of Estates 2020 & 2019

Tea Estates	Elevation	Year	Extent	Combined Crop	Yield	C. O.P	N.S.A
	Category		(Ha.)	(kg)	Kg/ha	Rs/kg	Rs/kg
Galatura	Ratnapura	2020	168.38	126,820	742	512.76	338.71
		2019	187.51	118,188	630	547.63	249.99
Mahawale	Ratnapura	2020	215.26	140,094	650	436.01	326.16
		2019	208.67	109,738	526	519.26	252.09
Millawitiya	Ratnapura	2020	74.37	88,804	1,185	343.43	312.30
		2019	69.37	63,181	911	500.95	255.44
Mutwagalla	Ratnapura	2020	194.40	162,851	829	387.91	302.91
		2019	193.29	130,807	677	498.40	257.07
Palmgarden	Ratnapura	2020	247.78	223,559	888	509.28	318.82
		2019	257.01	211,375	822	493.59	260.07
Rambukkande	Ratnapura	2020	227.17	231,864	1,020	354.40	339.67
		2019	220.99	191,316	866	395.57	272.04
Ury	Badulla	2020	31.70	11,570	365	449.11	271.89
		2019	27.22	10,814	397	345.39	252.92
Wewesse	Badulla	2020	20.02	20,928	1,045	445.87	271.89
		2019	15.27	15,074	987	381.56	252.92
Glen Alpin	Badulla	2020	6.97	6,042	867	363.23	271.89
		2019	6.86	4,867	709	381.45	252.92

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
Don Hasitha Stassen Jayawardena	0r 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 Eighth (28th) Annual General Meeting of the Company will be held as a **"Virtual Meeting" at 11.00 a.m. on Thursday 29th July 2021, 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:

- Please delete the inappropriate words

		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 2020 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 Mr C R Jansz 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.		
4)	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.		
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 authorize the Directors to determine the remuneration of the Auditors, Messrs KPMG who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No.07 of 2007.		
7)	To pass the following special resolution to amend the Articles of Association by including No. 52 (a) immediately after the existing Article 52 of the Articles of Association as follows :		

52. (a) "Notwithstanding any provision in this Articles suggesting the contrary, a meeting of Shareholders may be held by means of Audio or Audio visual communication by which all shareholders participating and constituting quorum can simultaneously hear each other throughout the meeting or by any means of virtual meeting whereby shareholders regardless of their location could connect or linkup online through Video/Audio/Text".

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

Signature/s ………………………………………

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, Balangoda Plantations PLC. # 110, Norris Canal Road, Colombo 10, Sri Lanka **not less than forty eight (48) hours before the time fixed for the meeting.**

Please provide the following details (mandatory):

NIC/PP/Company Registration No. of the Shareholder/s : ....

Folio No : ....

E.mail address of the Shareholder/(s) or proxy holder

(other than a Director appointed as proxy) : ....

Mobile No : ....

Fixed Line : ....