Balangoda
PLANTATIONS PLC
A MEMBER OF MELSTACORP

ANNUAL REPORT 2021

Content

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Twenty Ninth 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 Tuesday, 28th June 2022 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 2021 together with the Auditors' Report thereon.

2) To re-elect Mr D H S Jayawardena who is over 70 years as a Director by passing the following resolution. "That the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr D H S Jayawardena who has attended the age of 79 and that he be re-elected a Director of the Company".

3) To re-elect Dr A Shakthevale who is over of 70 years as a Director by passing the following resolution. "That the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Dr A Shakthevale who has attended the age of 79 and that he be re-elected a Director of the Company".

4) To re-elect Mr A L Gooneratne who is over of 70 years as a Director by passing the following resolution. "That the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr A L Gooneratne who has attended the age of 70 and that he be re-elected a Director of the Company".

5) To re-elect Mr D Hasitha S Jayawardena who retires by rotation at the Annual General Meeting in terms of Article 92 of the Articles of Association as a Director of the Company.

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.

sgd
By order of the Board
Pradeep A Jayatunga
Company Secretary

31st May 2022
Colombo

Note

1) In the interest of protecting public health the Twenty Ninth (29th) 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 available **on the Virtual Platform** on Tuesday, 28th June 2022 at 11.00 a.m.

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 that 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 e.mail address as provided. The circular to the shareholders will be posted to all the shareholders along with the Notice of Meeting and the Form of Proxy.

d. To facilitate the appointment of proxies, the Form of Proxy is attached hereto and the duly filled 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 2021 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 2021, 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 facsimi-le + 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
Melstacorp 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
P Vithanage	Meddakande Estate
E M K Ambanpola	Rasagalla Estate
D A V R Priyadarshana	Walaboda Estate
I K A B Ellepola	Rye/Wikiliya Estate
D M M R Munasinghe	Non Pareil Estate
A L Vedysinghe	Pettiagalla Estate

Badulla Region	
S B Ranawaka	Cullen Estate
M Pilapitiya	Glen Alpin Estate
C Wanigasekera	Gowerakelle Estate
B M Amunugama	Spring Valley Estate
P K Senanayake	Telbedde Estate
A P S Wishwanath	Ury Estate
C P De Athur	Wewesse Estate

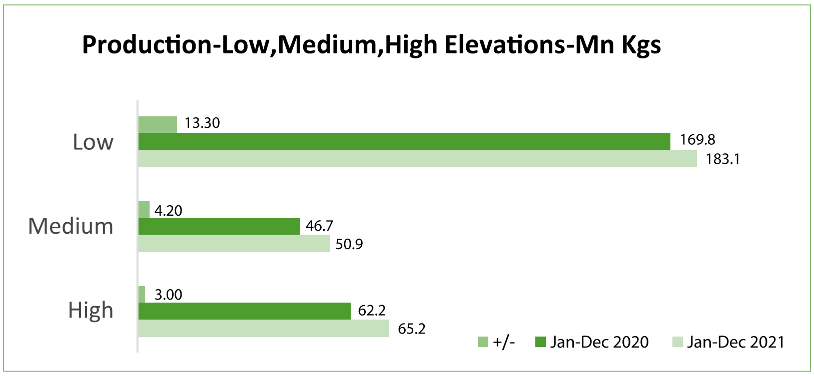
Ratnapura Region	
B A N Nuwan	Mahawale Estate
R A I Ramanayake	Millawitiya Estate
G K M A Gannoruwa	Palmgarden Estate
S Bulumulla	Rambukkande Estate
K H R P Jayasinghe	Galatura Estate
H D H F Yapa	Mutwagalla Estate

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 2021.

Tea Industry

The year 2021 was not a bad year for the Sri Lankan Tea industry, although uncertainties related to supply chain issues and other factors remained due to the pandemic driven operating environment. Ceylon tea continued to remain the leading global Tea brand in 2021 maintaining its premium position in the global tea market. The year 2021 saw an aggressive drive of vaccination programmes across the globe with gradual commencement of social gathering and movement across the sector .As a result business and commerce witnessed a degree of recovery in the early stages of the year. However the cascading impact of the Covid -19 pandemic on macroeconomic factors continued to fundamentally challenge the tea industry framework at home which had a bearing on the Sri Lankan Tea industry with similar challenges across the global tea market operations as the pandemic impacted global economics. Iraq, Turkey and Russia continued with strong demand for Sri Lankan tea and were the top 3 importers for the period January to December 2021.



Sri Lanka's Tea Production			
Year	**Production Mn kg**	**Annual Increase/ Decrease** Mn kg	**Annual Increase/ Decrease** %
2017	307.72	14.51	5.18
2018	303.84	(3.87)	(1.26)
2019	300.13	(3.71)	(1.22)
2020	278.85	(21.28)	(7.09)
2021	299.34	20.49	7.35

Sri Lanka's tea production for the period Jan to Dec 2021 recorded 299.34 Mn/kg in comparison to 278.85 Mn /kg in 2020 reflecting an increase of 20.49 Mn kg. There was a decline in the National average of tea compared to the same period in 2020.The National average for tea in 2021 was Rs. 615.44 (USD 3.13) per kilo in comparison to Rs.628.21 (USD 3.42) in 2020 which recorded a decrease of Rs 12.77.

Performance of the Company Tea Sector

	2021	2020	2019	2018	2017
Production ('ooo kg)	5,744	5,704	4,744	4,211	4,829
Yield kg/ha	1,028	975	752	772	815
Turnover (Rs.Mn)	3,383	3,244	2,369	2,123	2,811
NSA (Rs/kg)	554.14	581.02	492.41	504.32	564.89
COP (Rs./kg)	628.46	598.85	674.24	607.40	578.00
Profit/(Loss)	(74.32)	(17.83)	(181.83)	(103.08)	(13.11)

Chairman's Review

The overall tea production of the Company increased further, compared with the high production volumes achieved in the previous year, by 36,000 kilos made tea. This was despite the issues faced with the intermittent pandemic related lockdowns, restriction of fertilizer applications due to the ban on chemical fertilizer and ban on weedicides. The yield per hectare of 1028 achieved was the highest over the past 11 years with an increase of 53 kg YPH (5%) inspite of the challenges faced. The Cost of Production of the Tea Sector saw an increase due to the impact of the wage increase which came into effect in the year 2021.

The Company NSA dropped as the National average for low grown (leafy market) recorded a decrease of Rs 22.09 This had an impact on the Company produce sold as the entire Balangoda Plantations produce is leafy /low grown type of manufacture and the price drop impacted negatively on the Company NSA.

The favourable weather conditions coupled with good agricultural practices adopted with close Management supervision and Team work contributed to the improvements made in the Tea Sector especially where the field operations are concerned. The sector margins will be constantly pressured by escalating cost of production due to the exorbitant price increases in input materials due to the import restrictions, the pandemic and the depreciation of the Sri Lankan Rupee. However, turn over from the Tea Sector achieved a record Rs.3.383 Billion in 2021 the highest ever since the Privatization.

Noteworthy Performance - Tea

Various grades of Tea manufactured by Balangoda Plantation Estates achieved a total of 152 All Island top prices at the auctions during the year 2021 and the following Estate Factories achieved them. Glen Alpin 25, Balangoda/Maratenna 14, Meddakande 3, Pettiagalla 7, Spring Valley 41, Telbedde 40, Ury 14 and Wewesse 8 top prices.

Rubber Industry

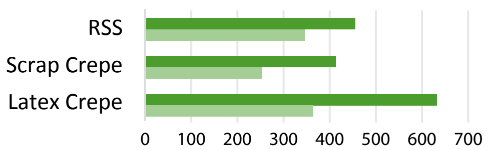
Year 2021 was a year where rubber prices improved considerably. By January 2021 prices opened at Rs. 496/48 for Latex Crepe No. 1X and raised its highest price to Rs. 721/67 in November 2021. The year's average ended up with Rs. 635/16.

Rubber production declined by 1.7% in the year 2021 compared to the preceding year due to continuous rains in plantation areas during tapping days along with the prevalence of Leaf fall disease caused by Pestalotiopsis (a fungus).

Sri Lanka Rubber Production (Mn kg)

	2017	2018	2019	2020	2021
Production	83	83	75	78	77

National Average Price -Rubber (Rs. kg)



	Latex Crepe	Scrap Crepe	RSS
2021	635.16	412.91	458.52
2020	360.74	253.09	348.27

Chairman's Review

Performance of Company's Rubber Sector

	2021	2020	2019	2018	2017
Production ('ooo kg)	1,141	1,013	855	917	767
Yield kg/ha	905	847	721	846	667
Turnover (Rs.Mn)	620	329	237	234	245
NSA (Rs/kg)	543.47	322.18	277.19	255.59	316.14
COP (Rs./kg)	464.73	427.18	451.51	409.76	408.30
Profit/(Loss) (Rs./kg)	78.74	(105.00)	(174.32)	(154.17)	(92.16)

Compared to the year 2020, the Nett Sale Average for Rubber Sector of the Company improved by 69% in 2021 raising the turn over from Rs. 329 Million in the year 2020 to Rs. 620 Million in 2021.

Mainly due to Labour wage hike from March 2021, the Cost of Production for Rubber of the Company soared by 9% when compared to the last year. Inspite of this, the Company achieved Rs.79 Million Profit for the period which constituted a turnaround of Rs.184 Mn when compared to 2020.

Noteworthy Performance – Rubber

The Rubber Sector achieved 1.14Mn kgs production a surplus of 13% from 2020 & achieved a profit on Rubber after a span of 10 Years. Various grades of Rubber obtained top prices on 371 occasions from Galatura and Rambukkande Estates.

Company Performance

The year 2021 proved to be even more challenging than 2020 with the continuation of the Covid -19 pandemic . Amidst unfavorable global and domestic economics and political dynamics that impacted negatively the Company has had a positive performance. Turnover for the period under review increased from 3.573 Billion in the year 2020 to 4.002 Billion in the year 2021 which is the ever highest achieved since privatization, mainly due to the increase in production volumes both in Tea and Rubber Sectors and due to the significant increase in the Rubber sale prices.

Capital Investments

The total capital expenditure on Tea & Rubber Replanting, Diversification (Fuel wood, Timber & Orchard Projects), Machinery, Buildings, Equipment, Vehicles, Furniture & Fittings for the year under review was Rs.100.6 Mn Despite adverse external conditions and increased production costs within the Tea and Rubber Sectors, the company has invested Rs.58.7 Mn on Field Development during the year under review.

Prospects for 2022

In the Tea Sector:

With the pandemic systematically being managed across the countries the outlook for the Tea Industry should ideally be more robust, but the lasting impact from the pandemic are expected to continue to affect the global economics and resultantly the Tea industry. Emerging factors such as increasing crude oil prices, slower than expected economic recoveries and the Russian – Ukraine War will impact the Cost Of Production and export quantities and prices in the coming year.

From a national perspective the Sri Lankan Tea Industry will experience a backlash from increasing wage rates, slower application of fertilizer due to cessation of subsidies and exorbitant price increases and the devaluation of the Sri Lankan rupee. The long power outages and fuel shortages will impact the crop production and could have a negative impact on the quantities available for sale. The unpredictability of the weather patterns continue to remain a concern as it becomes difficult to predict and maintain the leaf quality. From an export perspective, the devaluation of the Sri Lankan rupee will support increased export earnings and prices and this could reverse the negative impact of production cost increases in the long term.

Chairman's Review

The devaluation of the Sri Lankan rupee, improved demand from Iran following the Sri Lankan tea for oil payment deal, higher oil prices and greater demand from oil rich Middle Eastern countries indicates stronger rupee tea prices in the 1st half of 2022.

Amidst the optimistic outlook for tea prices the industry continues to be challenged with climatic change, constant wage increases more so in the current context of high inflation which would continue to undermine the competitiveness due to the higher average cost of production compared in the larger producer/export countries.

In the Rubber Sector:

An Extent of 650 hectares will be rainguarded in 2022 which will ensure a consistent crop to the Rubber Factories.

80 hectares scheduled to be replanted in Rubber in the year 2022 using high yielding clones recommended by Rubber Research Institute of Sri Lanka.

10 Ha of Cinnamon earmarked to be planted in 2022.

Bamboo planting in selected Estates to commence.

Presently Cardamom extents are 51.59 hectares (Cecilton Estate) & 35.00 hectares (Walaboda Estate).This needs to be supplied with 4000 plants (Cecilton) & 4000 plants (Walaboda).

10 hectares Gum (Eucalyptus grandis) programmed to be planted in Badulla Region in 2022.

A drop in Rubber could be expected during the year 2022 due to "Pesta" leaf disease.

Soaring Rubber Cost of Production due to the unstable economic situation of the country.

We are confident that both Tea & Rubber plantations have the potential to remain viable industries even with the multiple challenges mentioned above.

Dividends

I regret very much to inform you that your Directors are not recommending a dividend for the year ended 31st December 2021.

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

31st May 2022

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.

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 2021.

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 3,941.01 Ha under Tea and 2,029.4 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 47 of this Annual Report.

Financial Results

	2021 Rs.'000	2020 Rs.'000
Revenue	4,002,689	3,573,075
Profit/(Loss) before Tax	(58,781)	143,597
Income Tax(Expense)/Reversal	57,061	(27,198)
Profit/(Loss) After Tax	(1,720)	116,399
Net Comprehensive Income	(92,140)	927,900
Loss Brought Forward	(2,386,946)	(2,376,156)
Transfer to Revaluation Reserves	(39,284)	(909,017)
Transferred to Timber Reserve	(219,776)	(146,139)
Transferred to Available for sales reserves	46	67
Available for Appropriation	(2,739,820)	(2,386,946)
Accumulated losses	(2,739,820)	(2,386,946)

	2021	2020
Profitability Ratios		
Gross Profit Ratio	1.74	4.29
Net Profit/(Loss) Ratio	(0.04)	4.02
Asset Ratios		
Current Ratio	0.50	0.61
Acid Ratio	0.12	0.16
Performance Ratios		
Return on Investment	(8.28)	17.87
Return on Share Capital	(16.79)	41.03
Leverage Ratios		
Debt/Equity Ratio	5.58	4.76
Interest Coverage	0.82	1.39
Investor Ratios		
Price Earnings Ratio	(432.86)	3.27

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
Meddakande	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	108,987	40	80,117,772
Rambukkande	44,096	28	43,260,777
Cullen	24,480	22	16,517,553
Glen Alpin	129,968	61	102,322,529
Gowerakelle	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	**1,915,181**	**826**	**1,532,742,852**

Dividend
The Directors are not recommending a dividend for the year ended 31st December 2021.

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. 472 million is adequate.

Capital Expenditure
The Company incurred a capital expenditure of Rs.100.6 million, of which Rs. 58.7 million has been spent on field development.

Commitments & Contingencies
Capital commitments and Contingent liabilities are disclosed in the Notes to the Financial Statements Nos 39 & 40.

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 2021.

Directors' Interest in Contracts with the Company
Directors interests in contracts with the Company are disclosed in Note 38 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 2021 Analysis Report of Shareholders, Market Statistics of Company's shares and the list of 20 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 43 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.
C R Jansz
Director

Sgd.
A L Gooneratne
Director

Sgd.
P A Jayatunga
Secretary

31st May 2022

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- Member
Mr N de S Deva Aditya- Member
Mr D Hasitha S Jayawardena- Member

Meetings
The Audit Committee met Four (4) times during the year 2021. Mr. N. de S. Deva Aditya was excused from attending any meetings during the year, due to his engagements abroad. The Executive Senior Management Team was presented at discussions, as and when required

The Attendance of these members at these meetings is as follows.

Director	Audit Committee Meeting
Mr R Seevaratnam	4/4
Dr. A.N.Balasuriya	4/4
Mr D Hasitha S Jayawardena	3/4

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

31st May 2022

Remuneration Committee Report

The Remuneration Committee of the parent company, Melstacorp PLC, commenced to function as the Remuneration Committee of the company, with effect from 20th March 2020.

Composition

Dr. A. N. Balasuriya - Chairman
Mr. N. de. S. Deva Aditya - Member
Mr. D. Hasitha S. Jayawardena - Member

Policy

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 the evaluation of personal performance. 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

31st May 2022

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-Member
Mr D Hasitha S Jayawardena – Member

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 Related Party Transaction Review Committee met Four (4) times during the year 2021. The attendance of the members at these meetings is as follows:

Director	Audit Committee Meeting
Mr R Seevaratnam	4/4
Dr. A.N.Balasuriya	4/4
Mr D Hasitha S Jayawardena	3/4

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 2021 and has communicated the comments/observations to the Board of Directors.

Disclosures

During the year 2021, 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

31st May 2022

Management Discussion & Analysis

Tea

While the Covid -19 pandemic caused much upheaval in the global tea industry from production, manufacturing to value addition and distribution in the last two years, the industry is realizing growth although external economic factors, as well as country specific developments could impact both the supply and demand for tea. However, as the world emerges from the pandemic outbreak and learns of new ways of operating in the industry, the online tea auction platforms being the most notable development in the industry in the last two years, industry recovery is expected.

Tea production of Balangoda Plantations PLC increased further by 36,000 kg Made Tea in the year 2021 as against the previous year which was one of the better years for crop production. This was despite the issues faced with intermittent pandemic related lockdowns, restriction of chemical fertilizer due to the ban and ban on weedicide/Glyphosate which is a huge challenge to keep the ground conditions under control. The Yield per Hectare of 1028 achieved surpassing the 1000 kg mark was the highest achieved over the past 11 years since 2010.

Though there was a significant market drop in Tea prices especially for leafy grade type of teas manufactured by BPL estates, the Balangoda Plantation Estates achieved a total of 152 All Island Top prices at the auctions.

The turnover of the Tea Sector was the highest ever achieved since privatization a record 3.383 billion in the year 2021.

Rubber

Though Sri Lanka Rubber Production had a slight dip when compared with that of 2020, but it was heartening that Balangoda Plantations PLC production figure improved by 128 Metric Tons (A 13% increase).

Inspite of the ‘Pesta’ Leaf disease the turnover in Rubber saw a massive Rs.291 Million increase which was 88% above the previous year’s turnover. This was due to higher productivity in the Rubber Estates and the enhanced Rubber prices during the year.

Future Outlook

Year 2021 has shown a welcome recovery primarily following favourable weather conditions which in all probability is unlikely to be maintained in 2022.

Production prospects for 2022 are fairly firm and global production may revert to approximately 2% growth. Sri Lanka may be an exception owing to the withdrawal of chemical fertilizer in an around mid-2021, and its ill effects which are likely to take its toll in quarter 1. Since the government has recently reversed the ban on chemical fertilizer some degree of recovery is anticipated commencing Q 2 of 2022, subject to extreme weather conditions not being a reality. However ageing tea bushes and low productivity levels continue to be a downside. Out migration of Plantation workers to other economic sectors is yet another challenge facing the Plantation Industry with demand for higher wages by the workers due to the high inflation rates expected.

Tea consumption is likely to be dominated by Asian consumers particularly China and India. China, in particular has been an important market for Ceylon Tea in recent times. Analyst predict that out of home consumption in China is likely to recover in the coming year helping to drive stronger growth in overall tea consumption. The local tea market is expected to get a positive boost in rupee terms due to the depreciating rupee value as against the US Dollar though negatively impacting on the Cost of production and import cost.

It will be a challenging year for the Rubber Industry mainly due to the ‘Pesta’ leaf disease which is predicted to reduce production as much as 50% as per the experts.

The Rubber prices especially Latex Crepe will be attractive and due to the demand further increases are forecasted.

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 Six 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

31st May 2022

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	High

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
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
Internet : www.kpmg.com/lk

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 2021, 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 2021, 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 42 of the financial statements.

Risk Description

The Company has reported accumulated losses of Rs. 2,740 Mn and its current liabilities exceeded its current assets by Rs. 578 Mn as at 31 December 2021. These factors coupled with the prevailing volatile macro-economic environment have led to our increased focus on this area.

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 a letter of comfort from the ultimate 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.

KPMG

Independent Auditor's Report

2. Measurement of Biological Assets

Refer to the significant accounting policies in Note 3.1.5 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. 2,374 Mn and bearer biological assets amounting to Rs. 1,864 Mn as at 31 December 2021.

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.

KPMG

Independent Auditor's Report

3. Valuation of Retirement benefit obligation

Refer to the significant accounting policy in Note 3.2.1.2 and explanatory Note 32 of the financial statements.

Risk Description

The Company has recognized retirement benefit obligation of Rs. 927 Mn as at 31 December 2021. 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. Valuation of Investment Property

Refer to the significant accounting policy in Note 3.1.4 and explanatory Note 18 of the financial statements.

Risk Description

The Company has recognized Investment property of Rs. 328 Mn and a fair value gain amounting to Rs. 52 Mn as at 31st December 2021.

Management's assessment of the fair value of the Investment Property is based on valuations performed by qualified independent property valuer in accordance with recognized industry standards.

We identified valuation of investment property 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.
- Assessing the key assumptions applied and conclusions made in deriving the fair value of the Investment Properties with the assistance of our internal valuation specialists. In addition, we have assessed the valuation methodologies with reference to recognized industry standards.
- Assessing the adequacy of disclosures made in relation to the valuation of 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.

KPMG

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

Sgd.
Chartered Accountants
Colombo
31 May 2022

Statement of Profit or Loss and other Comprehensive Income

For the Year Ended 31 December	Note	2021 Rs.	2020 Rs.
Revenue	5	4,002,688,589	3,573,075,557
Cost of Sales	6	(3,933,110,447)	(3,419,672,108)
Gross Profit		69,578,142	153,403,449
Other Income	7	152,195,725	347,136,721
Gain on Changes in Fair Value of Biological Assets	8	218,855,585	149,334,105
Administrative Expenses		(86,070,723)	(97,593,110)
Other Expenses	9	(91,347,170)	(37,922,409)
Results from Operating Activities		263,211,559	514,358,756
Finance Income		256,453	365,564
Finance Costs		(322,249,421)	(371,127,094)
Net Finance Costs	10	(321,992,968)	(370,761,530)
Profit/ (Loss) Before Taxation	11	(58,781,409)	143,597,226
Income Tax Revresal/ (Expense)	12	57,060,936	(27,198,103)
Profit/ (Loss) for the Year		(1,720,473)	116,399,123
Other Comprehensive Income/ (Expenses)			
Items that will not be Reclassified to Profit or Loss			
Surplus on Revaluation of Buildings		-	1,056,997,089
Gain from Fair Valuation - Assets Transferred from PPE to Investment Property		2,558,217	-
Actuarial Gain/ (Loss) on Retirement Benefit Obligations		(146,790,686)	22,033,682
Deferred Tax (Charge)/ Reversal on Revaluation Surplus		36,726,285	(147,979,592)
Deferred Tax on Actuarial Gain/ (Loss) on Retirement Benefit Obligation		15,413,022	(3,084,715)
Net Change in the Fair Value of Financial Assets Measured at FVOCI		(46,339)	(66,678)
Total Other Comprehensive Income/ (Expense)		(92,139,501)	927,899,786
Total Comprehensive Income/ (Expense)		(93,859,974)	1,044,298,909
Basic Earnings/ (Loss) per Share		(0.07)	4.92

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	2021 Rs.	2020 Rs.
ASSETS			
Non Current Assets			
Right of Use Assets	14	257,108,284	258,607,977
Immovable Leased Assets	15	13,503,096	20,476,883
Property, Plant and Equipment	16	1,562,006,617	1,644,990,384
Intangible Assets	17	2,226,322	2,518,122
Investment Property	18	328,880,876	266,074,991
Bearer Biological Assets	19	1,864,162,480	1,936,875,526
Consumable Biological Assets	20	2,374,048,113	2,154,272,095
Financial Assets Measured at FVOCI	21	388,183	301,622
		6,402,323,971	6,284,117,600
Current Assets			
Produce on Bearer Biological Assets	20.2	4,108,934	5,029,367
Inventories	22	435,677,418	417,528,816
Trade and Other Receivables	23	114,271,391	124,355,654
Amounts due from Related Companies	24	15,492,247	8,359,343
Other Financial Assets Measured at Amortised Cost	25	454,387	430,699
Cash and Cash Equivalents	26	7,096,563	5,367,787
		577,100,940	561,071,666
Total Assets		6,979,424,911	6,845,189,266
EQUITY AND LIABILITIES			
Equity			
Stated Capital	27	350,000,010	350,000,010
Revaluation Reserve	28	948,301,999	909,017,497
Timber Reserves	29	2,150,793,266	1,931,017,248
FVOCI Reserve	30	239,543	285,882
Accumulated Losses		(2,739,820,041)	(2,386,945,886)
Total Equity		709,514,777	803,374,751
Non Current Liabilities			
Interest Bearing Loans and Borrowings	31	3,302,732,145	3,356,755,626
Retirement Benefit Obligations	32	927,360,381	768,909,579
Deferred Tax Liability	33	472,195,689	580,895,516
Deferred Income	34	130,291,852	139,752,274
Lease Liability	35	281,995,881	274,738,836
		5,114,575,948	5,121,051,831
Current Liabilities			
Interest Bearing Loans and Borrowings	31	191,667,900	104,210,485
Lease Liability	35	2,084,075	1,775,807
Trade and Other Payables	36	482,846,094	433,783,947
Amounts due to Related Companies	37	7,306,628	5,332,802
Income Tax Payable		7,317,704	7,818,122
Bank Overdraft	26	464,111,785	367,841,521
		1,155,334,186	920,762,684
Total Liabilities		6,269,910,134	6,041,814,515
Total Equity and Liabilities		6,979,424,911	6,845,189,266
Net Assets per Share		30	34

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.
C R Jansz
Director

Sgd.
A L Gooneratne
Director

31st May 2022
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 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- Net of Tax	-	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
Balance as at 1 January 2021	350,000,010	909,017,497	1,931,017,248	285,882	(2,386,945,886)	803,374,751
Total Comprehensive Income/ (Expense) for the Year						
Loss for the Year	-	-	-	-	(1,720,473)	(1,720,473)
Other Comprehensive Income/ (Expense) for the Year- Net of Tax	-	39,284,502	-	(46,339)	(131,377,664)	(92,139,501)
	-	39,284,502	-	(46,339)	(133,098,137)	(93,859,974)
Transferred to Timber Reserve	-	-	219,776,018	-	(219,776,018)	-
Balance as at 31 December 2021	350,000,010	948,301,999	2,150,793,266	239,543	(2,739,820,041)	709,514,777

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	2021 Rs.	2020 Rs.
Cash Flows From Operating Activities			
Profit/ (Loss) Before Taxation		(58,781,409)	143,597,226
Adjustments for			
Depreciation and Amortization	14-19	226,645,246	189,691,278
Impairment of Immature Plantation- Rubber	19	6,140,909	15,380,988
Write off of Bearer Biological Assets	9	30,813,913	6,344,424
Provision for/ Write off of Other Receivables	9	15,645,016	16,196,998
Gain on Disposal of Property, Plant and Equipment	7	(7,188,000)	(12,975,000)
Interest Income	10	(256,453)	(365,564)
Provision for Retirement Benefit Obligations	32	117,425,352	132,751,806
Amortization of Government Grants	34	(9,460,422)	(9,871,079)
Interest Expenses	10	322,249,421	371,127,094
Provision for VAT Payable	9	38,747,332	-
Change in Fair Value of Investment Properties	18	(49,375,763)	(239,842,639)
Gain on Changes in Fair Value of Biological Assets	20	(218,855,585)	(149,334,105)
Operating Profit before Working Capital Changes		413,749,557	462,701,427
Working Capital Changes			
Increase in inventories		(18,148,602)	(151,583,479)
(Increase)/ Decrease in Trade and Other Receivables		(5,560,753)	43,539,936
(Increase)/ Decrease in Amounts Due From Related Companies		(7,132,904)	1,072,685
Increase/ (Decrease) in Trade and Other Payables		10,314,815	(15,449,586)
Increase/ (Decrease) in Amounts Due to Related Companies		1,973,826	(12,879,294)
Cash Generated from Operations		395,195,939	327,401,689
Gratuity Paid		(105,765,236)	(116,029,958)
Interest Paid		(49,980,847)	(101,022,945)
Net Cash Generated from Operating Activities		239,449,856	110,348,786
Cash Flows From Investing Activities			
Interest Received		256,453	365,564
Purchase of Property, Plant and Equipment		(41,830,670)	(46,394,170)
Investment in Financial Assets		(156,589)	-
Investment in Immature Bearer Biological Assets		(58,796,263)	(51,884,662)
Proceeds from Disposal of Property, Plant And Equipment		7,188,000	12,975,000
Net Cash Used In Investing Activities		(93,339,069)	(84,938,268)
Cash Flows from Financing Activities			
Proceeds from Long Term Borrowings		92,076,632	299,359,891
Repayment of Long Term Borrowings		(294,924,227)	(141,665,187)
Repayment of Lease Liabilities		(37,804,680)	(52,851,836)
Net Cash Generated from/ (Used In) Financing Activities		(240,652,275)	104,842,868
Net Increase/ (Decrease) in Cash and Cash Equivalents		(94,541,488)	130,253,386
Cash and Cash Equivalents at Beginning of the Year		(362,473,734)	(492,727,120)
Cash and Cash Equivalents at End of the Year (Note 26)		(457,015,222)	(362,473,734)

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 of?ce 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.	32
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	35
Revaluation of Buildings under Property, Plant and Equipment	16
Fair Value Measurement of Investment Properties	18
Use of Going Concern Assumption	42
Recognition of Deferred Tax on Accumulated Tax Losses	33
Recognition and Measurement of provisions and contingencies	40

2.6 Determination of Fair Values

"Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the 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	20.2
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 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.

3.1.1 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.

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 deflater, 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.

Notes to the Financial Statements

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.

3.1.2 Property, Plant and Equipment

3.1.2.1 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.

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.

3.1.2.2 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.

3.1.2.3 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.

3.1.2.4 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.

3.1.2.5 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.

Notes to the Financial Statements

3.1.2.6 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.

3.1.2.7 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.

3.1.2.8 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.

3.1.3 Immovable Leased Assets

3.1.3.1 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.

3.1.3.2 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	53
Mature Bearer Biological Assets	
Tea	33.3
Rubber	20
Improvement to Land	30
Other Vested Assets	30
Machinery	15

Notes to the Financial Statements

3.1.3.3 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.

3.1.3.4 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

3.1.4 Investment Property

3.1.4.1 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.

3.1.4.2 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.

When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Rental income from investment property is recognized as other income on a straight - line basis over the term of the lease. Lease incentives granted are recognized as a integral part of the total rental income, over the term of the lease.

3.1.5 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).

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.

3.1.5.1 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.

3.1.5.2 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.

Notes to the Financial Statements

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.

3.1.5.2.1 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.

3.1.5.2.2 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.

3.1.5.3 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.

3.1.5.3.1 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.

3.1.6 Financial Instruments

3.1.6.1 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.

Notes to the Financial Statements

A trade receivable without a significant financing component is initially measured at the transaction price.

3.1.6.2 Classification and subsequent measurement

3.1.6.2.1 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:
- 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.

Notes to the Financial Statements

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.

3.1.6.2.2 Financial Liabilities

(i) Classification, subsequent measurement and gain and loss

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

3.1.6.3 Derecognition

3.1.6.3.1 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.

3.1.6.3.2 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.

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.

3.1.6.4 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.

3.1.6.5 Impairment- Financial Assets

3.1.6.5.1 Financial Instruments

The Company recognises loss allowances for ECLs on:

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

Notes to the Financial Statements

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:

- 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.

Notes to the Financial Statements

3.1.6.5.2 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.

3.1.7 Inventories

3.1.7.1 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.

3.1.7.2 Input Material, Consumables and Spares

Valued at actual cost on weighted average basis.

3.1.7.3 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.

3.1.8 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.

3.1.9 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.

3.2 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.

3.2.1 Employee Benefits

3.2.1.1 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).

Notes to the Financial Statements

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

3.2.1.2 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 32.

3.2.2 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

3.2.3 Deferred Income

3.2.3.1 Government Grants and Subsidies

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

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

3.2.4 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.

3.3 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.

3.4 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".

3.4.1 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.

Notes to the Financial Statements

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.

3.4.1.1 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.

3.4.1.2 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.

3.4.1.3 Interest Income

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

3.4.1.4 Rental income

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

3.4.1.5 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.

3.4.2 Expenditure Recognition

3.4.2.1 Operating Expenses

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

3.4.2.2 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.

3.4.2.3 Income Tax Expense

Income Tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or OCI.

The company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for the under LKAS 37 provision, contingent liabilities, and contingent assets.

3.4.2.3.1 Current Taxes

The provision for income tax based on elements of income and expenditure as reported in the financial statement and computed in accordance with the provisions of the Inland Revenue Act No. 24 of 2017 and as amended subsequently by Inland Revenue (Amendment) Act No.10 of 2021.

3.4.2.3.2 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.

Notes to the Financial Statements

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, and reflect uncertainty related to income taxes, if there is any.

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.

3.5 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.

3.6 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 47 to the Financial Statements.

3.7 Related Party Transactions

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in LKAS 24 - 'Related Party Disclosures'. The pricing applicable to such transactions is based on the assessment of the risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers.

According to LKAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company. Accordingly, the board of directors (including executive and non-executive directors) and their immediate family members have been classified as key management personnel of the Company.

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

3.8 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.

3.9 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.

Notes to the Financial Statements

3.10 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 2022.

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.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences - e.g. leases. For leases, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. The Company accounts for deferred tax on leases applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the Statement of Financial Position. Under the amendments, the Company will recognize a separate deferred tax asset and a deferred tax liability.

Classification of Liabilities as Current or Non-current (Amendments to LKAS 1)

Under existing LKAS 1 requirement, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period.

The following new and amended standards are not expected to have a significant impact on the Company's financial statements

- Onerous contracts - Cost of fulfilling contracts (amendments to LKAS 37)
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to SLFRS 16)
- Annual Improvements to SLFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16)
- Reference to Conceptual Framework (Amendments to SLFRS 3)
- SLFRS 17 Insurance Contracts and amendments to SLFRS 17 Insurance Contracts
- Disclosure of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to LKAS 8)

Notes to the Financial Statements

For the Year Ended 31 December

5 Revenue

	2021 Rs.	2020 Rs.
5.1 Revenue Streams		
Revenue from Contracts with Customers – Sale of Goods	4,002,688,589	3,573,075,557
Total Revenue	4,002,688,589	3,573,075,557
5.2 Timing of Revenue Recognition		
Goods transferred at point in time	4,002,688,589	3,573,075,557
Total Revenue	4,002,688,589	3,573,075,557

6 Industry Segment

	2021 Rs.	2020 Rs.
6.1 Revenue		
Tea	3,382,815,826	3,244,486,060
Rubber	619,872,763	328,589,497
	4,002,688,589	3,573,075,557
6.2 Cost of Sales		
Tea	(3,403,860,072)	(3,024,963,184)
Rubber	(529,250,375)	(394,708,924)
	(3,933,110,447)	(3,419,672,108)
6.3 Gross Profit/ (Loss)		
Tea	(21,044,246)	219,522,876
Rubber	90,622,388	(66,119,427)
	69,578,142	153,403,449

7 Other Income

	2021 Rs.	2020 Rs.
Rent Income	54,208,122	34,337,171
Amortisation of Government Grants **(Note 34)**	9,460,422	9,871,079
Subsidy Received	4,317,745	960,923
Gain on Disposal of Property, Plant and Equipment	7,188,000	12,975,000
Sale of Rubber Trees	9,190,800	20,132,000
Gain from Sundry Projects	18,454,873	29,017,909
Change in Fair Value of Investment Properties **(Note 18)**	49,375,763	239,842,639
	152,195,725	347,136,721

8 Gain on Changes in Fair Value of Biological Assets

	2021 Rs.	2020 Rs.
Fair Value (Loss)/ Gain on Produce on Bearer Plants **(Note 20.2)**	(920,433)	3,195,107
Fair Value Gain on Consumable Biological Assets **(Note 20.1)**	219,776,018	146,138,998
	218,855,585	149,334,105

Notes to the Financial Statements
For the year ended 31 December

9 Other Expenses

	2021 Rs.	2020 Rs.
Impalrment of Immature Plantations - Rubber **(Note 19.1.1)**	6,140,909	15,380,988
Write-Off of Bearer Biological Assets	30,813,913	6,344,423
Provision for VAT payable	38,747,332	-
Provision for/ Write-Off of Other Receivables	15,645,016	16,196,998
	91,347,170	37,922,409

10 Net Finance Costs

	2021 Rs.	2020 Rs.
Finance Income		
Interest Income on Fixed Deposit and Saving Deposits	202,329	320,163
Interest Income on Distress Loan	54,124	45,401
	256,453	365,564
Finance Costs		
Interest on Loans from Banks	21,958,871	41,158,356
Interest on Loans from Melstacorp PLC	236,281,529	257,397,932
Interest on Loans from Tea Board	-	2,989,782
Interest on Bank Overdrafts	28,021,976	32,542,050
Interest on Lease Liability to SLSPC/JEDB (Note 35.1)	35,987,045	35,206,712
Interest on Finance Lease Liabilities-other (Note 35.2)	-	1,832,262
	322,249,421	371,127,094
Net Finance Costs	(321,992,968)	(370,761,530)

11 Profit/ (Loss) Before Taxation

	2021 Rs.	2020 Rs.
Profit/ (Loss) before taxation is stated after charging all the expenses including the followings;		
Directors' Remunerations	-	2,820,000
Auditors' Remunerations		
-Audit Services	4,100,000	3,900,000
-Non- Audit Services	2,265,215	328,960
Depreciation / Amortization		
- Right of Use Assets **(Note 14)**	10,882,641	16,178,608
- Immovable Leased Assets **(Note 15)**	6,973,787	6,976,184
- Property, Plant and equipment **(Note 16)**	113,942,531	87,286,916
- Intangible Assets **(Note 17)**	291,800	291,800
- Investment Property **(Note 18)**	-	1,192,380
- Bearer Biological Assets **(Note 19.2)**	94,554,487	77,765,390
Personnel Costs		
- Salaries and Wages	1,793,797,235	1,518,143,472
- Defined Benefit Plan Costs - Retiring Gratuity **(Note 32)**	117,425,352	132,751,806
- Defined Contribution Plan Cost - EPF / CPPS / ESPS and ETF	217,368,748	169,160,608
- Surcharges on EPF / ETF/ ESPS / Gratuity Payable	2,068,152	1,406,321

Notes to the Financial Statements

For the Year Ended 31December

	2021 Rs.	2020 Rs.
12 Income Tax Expenses		
12.1 Current Tax Expense		
Income Tax Charge for the Year **(Note 12.3)**	-	-
Over Provision with Respect of Previous Years	(500,416)	-
	(500,244)	-
Deferred Tax Expense		
Deferred Tax Charge/ (Reversal) Recognised in Profit or Loss **(Note 33)**	(56,560,520)	27,198,103
	(56,560,520)	27,198,103
	(57,060,764)	27,198,103
12.2 Amounts Recognised in Other Comprehensive Income		
Deferred Tax Charge on Revaluation Surplus	(36,726,285)	147,979,592
Deferred Tax on Actuarial Gain/ (Loss) on Retirement Benefit Obligation	(15,413,022)	3,084,715
	(52,139,307)	151,064,307

Based on the Inland Revenue Amendment Act No. 10 of 2021, the Company is exempted to pay income tax on profit from its business of "Agro Farming" for a period of 5 years with effect from 1 April 2019. This exemption was not applied in the computation of taxable profit/(loss) from business during the year ended 31 December 2020 since the amendment Act was not substantively enacted as at that date.

This amendment act was enacted during the year ended 31 December 2021 and as a result, this exemption has been applied in calculating the taxable income for the year ended 31 December 2021.

Provision for income tax on profits from the business of "Agro processing" for the year ended 31 December 2021 has been calculated using the tax rate of 14% and other income at 24%. (2020: Profits from agriculture at 14% and other income at 28%).

	2021 Rs.	2020 Rs.
12.3 Reconciliation of Accounting Profit/ (Loss) to Taxable Income/ (Loss)		
Profit/ (Loss) before taxation	(58,781,409)	143,597,226
Less: Income from other sources	(256,453)	(365,564)
Add: Disallowable Expenses	481,034,039	643,214,000
Less: Non-Taxable Income	(66,024,188)	(412,022,822)
Less: Allowable Expenses	(397,899,764)	(231,405,667)
Adjusted (Loss)/ Profit for the year	(41,927,775)	143,017,173
Business Income/ (Loss)	(41,927,775)	143,017,173
Investment Income	256,453	365,564
Less: Loss utilized for the year (Note 12.4)	(256,453)	(143,382,737)
Taxable Income	-	-
Income Tax Expense		
Tax at 14%	-	-
Tax at 28%	-	-
12.4 Accumulated Tax Losses		
Tax Losses Brought Forward	3,297,121,733	3,820,776,376
Adjustments	(135,114,144)	(380,271,906)
Add: Loss incurred During the Year	66,321,382	-
Less : Utilization of Tax Losses During the Year	(256,453)	(143,382,737)
Tax Losses Carried Forward	3,228,072,518	3,297,121,733

Notes to the Financial Statements

As at 31 December

13 Basic Earnings/ (Loss) Per Share

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

	2021	2020
Profit/ (Loss) attributable to ordinary shareholders (Rs.)	(1,720,473)	116,399,123
Weighted average number of ordinary shares (Nos.)	23,636,364	23,636,364
Earnings/ (Loss) per Share (Rs.)	(0.07)	4.92

13.1 Diluted Earnings per Share

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

14 Right of Use Assets

	2021 Rs.	2020 Rs.
Right of Use - Land **(Note 14.1)**	257,108,284	258,607,977
Right of Use - Motor Vehicles **(Note 14.2)**	-	-
	257,108,284	258,607,977

14.1 Right of Use - Land

	2021	2020
Capitalised Value : As at 22 June 1992	445,280,527	439,305,153
Remeasurement during the year	9,382,948	5,975,374
Balance as at 31 December	454,663,475	445,280,527
Accumulated Amortisation		
Balance as at 1 January	186,672,550	176,176,285
Amortisation Charge for the Year	10,882,641	10,496,265
Balance as at 31 December	197,555,191	186,672,550
Carrying Amount as at 31 December	257,108,284	258,607,977

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, Rye Wikiliya Estate and Balangoda Estate located in Balangoda region; Mutwagala Estate, Palmgarden Estate, Millawitiya Estate, Galuthara 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 196.48 hectares (refer Note A below) and also in the process of acquiring a further total land extent of 2.22 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 2021

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
Badulla	Glen Alpin Estate	Relocation of Diyanaglla Tamil School	0.40
			196.48

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 2021. Accordingly, the transactions pertaining to those acquisitions are incomplete as at 31 December 2021.

(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 2021

Region	Estate	Purpose of Acquisition	Extent (Hectares)
Ratnapura	Mutwagala Estate	Construction of an official residence to the Divisional Secretary- Kiriella	0.20
Ratnapura	Palmgarden Estate	Relocation Rathnapura Tamil Maha Vidyalaya	2.02
			2.22

Notes to the Financial Statements
As at 31 December

14.2 Right of Use Assets - Motor Vehicles

	2021 Rs.	2020 Rs.
Cost		
Balance as at 1 January	-	34,094,060
Motor Vehicles Acquired During the Year	-	-
Transfers During the Year **(Note 14.2.1)**	-	(34,094,060)
Balance as at 31 December		-
Accumulated Amortization		
Balance as at 1 January	-	1,704,703
Amortisation During the Year	-	5,682,343
Transfers During the Year **(Note 14.2.1)**	-	(7,387,046)
Balance as at 31 December	-	-
Carrying Amount	-	-

14.2.1 During the Year 2020, the Company has fully settled the lease obtained to acquire the motor vehicles under right of use. Hence the free hold title has been transferred to the company with the full settlement the carrying amount of right of use- motor vehicles has been transferred to Property, Plant and Equipment as at the settlement date.

15 Immovable Leased Assets

In terms of the ruling of the UITF of the Institute of Chartered Accountants of Sri Lanka, all immovable assets in these estates under finance leases have been taken into the books of the Company retroactive to 18 June 1992. For this purpose, the Board of Directors of the Company decided, that these assets be stated at their book values as they appear in the books of the JEDB/SLSPC, on the day immediately preceding the date of formation of the Company. These assets are taken into the Statement of Financial Position as at 18 June, 1992and amortisation of immovable leased assets to 31 December 2021 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 2020	899,449	271,224,580	15,701,754	151,815	-	26,164,471	314,142,069
Transfer to Property ,Plant and Equipment	-	-	-	-	-	-	-
As at 31 December 2021	899,449	271,224,580	15,701,754	151,815	-	26,164,471	314,142,069
Accumulated Amortisation							
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	-	-	-	-	(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
As at 1 January 2021	484,578	251,917,119	14,947,203	151,815	-	26,164,471	293,665,186
Amortisation for the year	16,971	6,433,424	523,392	-	-	-	6,973,787
As at 31 December 2021	501,549	258,350,543	15,470,595	151,815	-	26,164,471	300,638,973
Carrying Amounts at 31 December 2020	414,871	19,307,461	754,551	-	-	-	20,476,883
Carrying Amounts at 31 December 2021	**397,900**	**12,874,037**	**231,159**	**-**	**-**	**-**	**13,503,096**

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 (A) Rs.	Total Rs.
Cost/ Revalued Amounts									
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	22,118,188	1,481,381,142
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)	-
Tarnsfers from Right of Use - Motor Vehicles **(Note 14.2)**	-	-	34,094,060	-	-	-	-	-	34,094,060
Tarnsfers from Immovable Leased Assets **(Note 15)**	-	64,023,644	-	-	-	-	-	-	64,023,644
Transferred to Revaluation	-	(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	23,299,577	2,501,798,094
Balance as at 1 January 2021	115,846,542	1,278,012,459	250,817,778	11,232,620	93,258,348	60,780,925	668,549,845	23,299,577	2,501,798,094
Additions during the Year	2,388,138	156,480	-	-	4,928,904	-	3,661,526	30,695,622	41,830,670
Disposals During the Year	-	-	(4,003,167)	-	(90,000)	-	-	-	(4,093,167)
Transfers to Investment Property	-	(11,344,597)	-	-	-	-	-	-	(11,344,597)
Transfers During the Year	-	3,892,716	11,368,032	-	3,301,802	-	16,578,837	(35,141,387)	-
Balance as at 31 December 2021	118,234,680	1,270,717,058	258,182,643	11,232,620	101,399,054	60,780,925	688,790,208	18,853,812	2,528,191,000
Accumulated Depreciation									
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 charge for 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)
Tarnsfers from Right of Use - Motor Vehicles **(Note 14.2)**	-	-	7,387,046	-	-	-	-	-	7,387,046
Tarnsfers from Immovable Leased Assets **(Note 15)**	-	64,023,644	-	-	-	-	-	-	64,023,644
Transferred to Revaluation	-	(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
Balance as at 1 January 2021	64,690,896	-	203,963,097	10,815,197	77,785,438	54,937,562	444,615,520	-	856,807,710
Depreciation charge for the Year	3,241,959	53,300,287	14,494,860	72,944	7,364,787	1,422,686	34,045,008	-	113,942,531
Transfers to Investment Property	-	(472,691)	-	-	-	-	-	-	(472,691)
Disposals During the Year	-	-	(4,003,167)	-	(90,000)	-	-	-	(4,093,167)
Balance as at 31 December 2021	67,932,855	52,827,596	214,454,790	10,888,141	85,060,225	56,360,248	478,660,528	-	966,184,383
Carrying Amounts									
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	23,299,577	1,644,990,384
As at 31 December 2021	50,301,825	1,217,889,462	43,727,853	344,479	16,338,829	4,420,677	210,129,680	18,853,812	1,562,006,617

(A) The Capital Work in Progress balance as at 31 December 2021 represents the cost incurred by the company on major repairs and renovations of vehicles and buildings of the Company.

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 value 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. 211,429,020 as at 31 December 2021 (2020: Rs. 221,015,370)

16.2 Fully Depreciated Assets

	2021 Rs.	2020 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	183,822,805	186,195,789
Furniture & Fittings	10,503,161	10,503,161
Equipment & Tools	69,296,155	69,145,555
Water Sanitation	32,237,731	32,237,731
Plant & Machinery	342,884,113	329,906,438
	640,744,185	629,988,894

16.3 Temporarily Idle Property, Plant and Equipment

The Cost of Temporarily Idle Property, Plant and Equipment is Rs. 3,675,000 (2020: Rs. 3,675,000).

17. Intangible Assets

	Computer Software Rs.	Work in-Progress Rs.	Total Rs.
Cost			
Balance at 1 January 2020	204,000	2,362,522	2,566,522
Additions During the Year	325,000	-	325,000
Transfers During the Year	930,000	(930,000)	-
Balance at 31 December 2020	1,459,000	1,432,522	2,891,522
Balance at 1 January 2021	1,459,000	1,432,522	2,891,522
Additions During the Year	-	-	-
Transfers During the Year	1,432,522	(1,432,522)	-
Balance at 31 December 2021	2,891,522	-	2,891,522
Accumulated Amortization			
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
Balance at 1 January 2021	373,400	-	373,400
Amortisation During the Year	291,800	-	291,800
Balance at 31 December 2021	665,200	-	665,200
Carrying Amounts			
At 31 December 2020	1,085,600	1,432,522	2,518,122
At 31 December 2021	2,226,322	-	2,226,322

17.1 Intangible assets consist of; the cost 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

	2021 Rs.	2020 Rs.
Cost		
Buildings		
Balance as at 1 January	266,074,991	47,695,188
Transfer from Property Plant and Equipment	10,871,906	-
Fair Value Adjustment	-	(21,462,836)
Change in Fair Value	51,933,979	239,842,639
Balance as at 31 December	328,880,876	266,074,991
Accumulated Depreciation		
Balance as at 1 January	-	20,270,456
Depreciation During the Year	-	1,192,380
Fair Value Adjustment	-	(21,462,836)
Balance as at 31 December	-	-
Carrying Amount	328,880,876	266,074,991

Investment property reflects the tea factories in Gowerakelle Estate, Galatura Estate, Mutuwagala Estate, Millawitiya Estate, Rye/ Wikiliya Estate and Restaurant in Palmgarden Estate which are leased out to third parties or held to be leased out.

18.1 Income from Investment Properties

	2021 Rs.	2020 Rs.
Rent Income from Investment Property	33,710,078	23,141,262
	33,710,078	23,141,262

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 at 31 December 2021 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 03 fair based on the input to the valuation technique used.

The details of which are as follows,

Region	Estate	Location and Property Type	Fair Value 2021 Rs.	Fair Value 2020 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	39,652,040	31,387,326	45,060	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 2,500-3,000	Positively correlated sensitivity
Rathnapura	Mutwagalla	Tea Factory- Mutwagalla Estate, Kiriella	42,214,855	35,713,971	40,556	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 1,920-3,000	Positively correlated sensitivity
Rathnapura	Millawitiya	Tea Factory- Millawitiya Estate, Ratnapura	36,178,133	28,287,200	31,465	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 720-3,000	Positively correlated sensitivity
Rathnapura	Palmgarden	Restaurant - Palmgarden Estate, Rathnapura	4,707,572	-	3,363	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 3,000-3,000	Positively correlated sensitivity
Balangoda	Rye/Wikilliya	Tea Factory- Rye/Wikiliya Estate, Balangoda	147,036,564	120,694,621	139,052	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 1,200-3,500	Positively correlated sensitivity
Badulla	Gowerakelle	Tea Factory- Gowera-kelle Estate, Badulla	59,091,712	49,991,873	37,030	Estimated replacement cost per Sq. Ft. adjusted for wear and tear	Rs. 3,000-3,600	Positively correlated sensitivity
Total			328,880,876	266,074,991				

19 Bearer Biological Assets

	2021				2020			
	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	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
Additions During the Year	14,038,701	37,808,418	6,949,144	58,796,263	12,363,762	37,580,885	1,940,015	51,884,662
Transfers to mature During the Year	-	(386,751,633)	-	(386,751,633)	-	(137,075,347)	(1,900,219)	(138,975,566)
Write-Off During the Year	-	-	(23,532,395)	(23,532,395)	-	(1,698,890)	(4,559,357)	(6,258,247)
	36,897,208	1,174,727,483	28,988,758	1,240,613,449	22,858,507	1,523,670,698	45,572,009	1,592,101,214
Provision for Impairment **(Note 19.1.1)**	-	(654,279,987)	-	(654,279,987)	-	(648,139,078)	-	(648,139,078)
Balance as at 31 December	36,897,208	520,447,496	28,988,758	586,333,462	22,858,507	875,531,620	45,572,009	943,962,136

Notes to the Financial Statements
As at 31 December

19 Bearer Biological Assets (Continued)

19.1.1 Provision for Impairment of Immature Plantations

	2021 Rs.	2020 Rs.
Balance as at 1 January	648,139,078	632,758,090
Impairment Change For the Year	6,140,909	15,380,988
Balance as at 31 December	654,279,987	648,139,078

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. 654,279,987 as at 31 December 2021 (2020: Rs. 648,139,078).

19.2 Mature Plantations

	2021				2020			
	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	1,054,637,827	82,393,464	1,610,126,251	473,094,960	917,562,480	80,583,169	1,471,240,609
Transfers During the Year	-	386,751,633	-	386,751,633	-	137,075,347	1,900,219	138,975,566
Write-off During the Year	-	-	(10,564,041)	(10,564,041)	-	-	(89,924)	(89,924)
Balance as at 31 December	473,094,960	1,441,389,460	71,829,423	1,986,313,843	473,094,960	1,054,637,827	82,393,464	1,610,126,251
Accumulated Depreciation								
Balance as at 1 January	165,406,293	433,299,479	18,507,089	617,212,861	149,748,535	375,095,384	14,607,299	539,451,218
Depreciation During the Year	15,667,547	75,572,355	3,314,585	94,554,487	15,657,758	58,204,095	3,903,537	77,765,390
Reversal of Depreciation for Write-off During the Year	-	-	(3,282,523)	(3,282,523)	-	-	(3,747)	(3,747)
Balance as at 31 December	181,073,840	508,871,834	18,539,151	708,484,825	165,406,293	433,299,479	18,507,089	617,212,861
Carrying Amount of Mature Plantations	292,021,120	932,517,626	53,290,272	1,277,829,018	307,688,667	621,338,348	63,886,375	992,913,390
Total Bearer Biological Assets	328,918,328	1,452,965,122	82,279,030	1,864,162,480	330,547,174	1,496,869,968	109,458,384	1,936,875,526

Notes to the Financial Statements
As at 31 December

20 Consumable Biological Assets

	2020 Rs.	2019 Rs.
Mature Plantations **(Note 20.1)**	2,374,048,113	2,154,272,095
	2,374,048,113	2,154,272,095

20.1 Consumable Biological Assets- Mature Plantations

	2020 Rs.	2019 Rs.
Balance as at 1 January	2,154,272,095	2,008,133,097
Decrease due to Harvest/Disposal	-	-
	2,154,272,095	2,008,133,097
Gain arising from Changes in Fair Value	219,776,018	146,138,998
Balance as at 31 December	2,374,048,113	2,154,272,095

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 2021 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 2021.

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 15% (2020: 12.5%)	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 Accordingly, prices falling within the range of Rs. 150 - 700 per cubic ft. has been considered in the valuation 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. **Risk-adjusted discount rate.** 2021 - 15% (Risk Premium 3.5%) 2020 - 12.5% (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.	2021 Rs.	+10% Rs.
Timber	2,136,643,302	2,374,048,113	2,611,452,925
Total	2,136,643,302	2,374,048,113	2,611,452,925

(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.	2021 Rs.	+1% Rs.
Timber	2,477,938,655	2,374,048,113	2,279,807,416
Total	2,477,938,655	2,374,048,113	2,279,807,416

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

	2021 Rs.	2020 Rs.
Balance at 1 January	5,029,367	1,834,260
Change in Fair Value less Cost to Sell	(920,433)	3,195,107
Balance at 31 December	4,108,934	5,029,367

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

	2021		2020	
	No. of Shares	Fair Value Rs.	No. of Shares	Fair Value Rs.
Quoted Equity Investments in Ordinary Shares				
National Development Bank PLC	5,634	388,183	3,862	301,622
	5,634	388,183	3,862	301,622

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.

No strategic investments were disposed during 2021, and there were no transfers of any cummulative gain or loss within equity relating to these investments.

22 Inventories

	2021 Rs.	2020 Rs.
Nurseries	2,366,320	3,118,582
Harvested Crops	388,006,263	377,637,316
Input Stocks, Consumables and Spares	46,025,796	37,493,879
	436,398,379	418,249,777
Less: Provision for Obsolete Slow Moving Inventories **(Note 22.1)**	(720,961)	(720,961)
	435,677,418	417,528,816

22.1 Provision For Obsolete and Slow Moving Inventories

	2021 Rs.	2020 Rs.
Balance at 1 January	720,961	720,961
(Reversal)/ Provision made During the Year	-	-
Balance at 31 December	720,961	720,961

23 Trade and Other Receivables

	2021 Rs.	2020 Rs.
Trade Receivables	29,959,189	28,301,218
Employee Related Debtors	39,541,816	41,311,509
ESC Receivable	9,988,458	22,425,597
Other Taxes Receivable	7,400,000	-
Advances & Prepayments	1,962,770	3,086,729
Staff Loans	1,177,553	354,403
Other Receivables	24,948,111	29,582,704
	114,977,897	125,062,160
Less: Provision for Impairment of Other Receivables **(Note 23.1)**	(706,506)	(706,506)
	114,271,391	124,355,654

23.1 Provision For Impairment of Other Receivables

	2021 Rs.	2020 Rs.
Balance at 1 January	706,506	202,287
Provision made During the Year	-	504,219
Balance at 31 December	706,506	706,506

24 Amounts Due from Related Companies

	2021 Rs.	2020 Rs.
Madulsima Plantations PLC	12,135,966	8,226,886
Distilleries Company of Sri Lanka PLC	-	130,112
Milford Exports (Ceylon) (Private) Limited	3,356,281	2,345
	15,492,247	8,359,343

Notes to the Financial Statements

As at 31 December

25 Other Financial Assets Measured at Amortised Cost

	2021 Rs.	2020 Rs.
Investment in Fixed Deposit	454,387	430,699
	454,387	430,699

This fixed deposit will be matured on 20 October 2022, with the option of renewal.

26 Cash and Cash Equivalents

	2021 Rs.	2020 Rs.
Favourable Balances		
Cash at Bank	6,114,540	4,957,182
Cash in Hand	982,023	410,605
	7,096,563	5,367,787
Less: Unfavourable Balances		
Bank Overdrafts	(464,111,785)	(367,841,521)
Cash and Cash Equivalents for the Purpose of Cash Flows	(457,015,222)	(362,473,734)

27 Stated Capital

	2021 Rs.	2020 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

	2021 Rs.	2020 Rs.
Balance as at 1 January	909,017,497	-
Surplus on Revaluation	2,558,217	1,056,997,089
Deferred Tax on Revaluation	36,726,285	(147,979,592)
Balance as at 31 December	948,301,999	909,017,497

The revaluation reserve comprise of gain arisen from the revaluation of Land and Buildings. This reserve is realized upon the derecognition of the revalued Land and Buildings.

29 Timber Reserves

This represents the unrealized gains arising from the fair valuation of consumable biological assets (Timber plantations) until the assets are derecognized or impaired.

30 FVOCI Reserve

This represents the cumulative net change in fair value of financial assets measured at FVOCI until the investments are derecognized or impaired.

31 Interest Bearing Loans and Borrowings

	2021 Rs.	2020 Rs.
Balance as at 1 January	3,460,966,111	3,067,864,853
Add : Loans obtained during the year	92,076,632	299,359,891
Add : Interest Charge for the Year	258,240,400	302,055,187
	3,811,283,143	3,669,279,931
Less :Repayments during the year	(316,883,098)	(208,313,820)
Balance as at 31 December	3,494,400,045	3,460,966,111
Maturity Analysis		
Amount Payable within One Year	191,667,900	104,210,485
Amount Payable after One Year and Less than Five Years	2,415,892,144	2,455,409,397
Amount Payable More than Five Years	886,840,001	901,346,229
	3,494,400,045	3,460,966,111
Lender-wise Summary		
Hatton National Bank PLC	191,667,900	395,877,474
Melstacorp PLC	3,302,732,145	3,065,088,637
	3,494,400,045	3,460,966,111

Notes to the Financial Statements
As at 31 December

31 Interest Bearing Loans and Borrowings (Continued)

31.1 Interest Bearing Loans and Borrowings - Detailed Breakup

Name of the Lender	Nature of the Facility	Facility Obtained Rs.	Amount Outstanding as at 31 December 2021 Rs.	Amount Outstanding as at 31 December 2020 Rs.	Rate of Interest	Terms of Payment	Securities Pledged
Hatton National Bank PLC	Long term Loan	500,000,000	191,667,900	395,877,474	AWPLR + 1%	60 equal monthly instalments after a grace period of 60 Months from the date of 01 disbursement.	Primary Floating Mortgage Bond for Rs. 500.0 Mn over 5 lease hold estates of Balangoda, Galatura, Palm Garden, Meddekanda and Rassagala.
Melstacorp PLC	Working Capital Loan Series	2,413,807,505	3,302,732,145	3,065,088,637	AWPLR + 1.25%	Capital to be repaid after a moratorium of 3 years. Interest payable monthly	N/A
			3,494,400,045	3,460,966,111			

32 Retirement Benefit Obligations

	2021 Rs.	2020 Rs.
Balance at 1 January	768,909,579	774,221,413
Included in Profit or Loss		
Interest Cost During the Year	65,357,314	85,164,355
Current Service Cost	55,801,500	47,587,451
Past Service Cost	(3,733,462)	-
Included in OCI		
Actuarial Gain/ (Loss) for the Year	146,790,686	(22,033,682)
Gratuity Payments During the year	(105,765,236)	(116,029,958)
Balance at 31 December	927,360,381	768,909,579

Notes to the Financial Statements
As at 31 December

32 Retirement Benefit Obligations (Continued)

An actuarial valuation for defined benefit obligation was carried out as at 31 December 2021 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.

	2021	2020
((I) Rate of Interest (per Annum)	11.5%	9%
(ii) Rate of Salary Increase		
-Workers	9% (Per Annum)	5.68% (Per Annum)
-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	60 years	55 years
(iv) Staff Turnover Rate	4.33%	4.33%

In addition to the above, demographic assumptions such as mortality, withdrawal and disability and retirement age were considered for the actuarial valuation. Following " 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.

Retirement Benefit Obligations as at 31 December 2021 were adjusted to reflect new legal requirements in the country regarding the retirement age based on the Act certified on 17 November 2021 on the subject " Minimum Retirement Age of Workers". As a result of the plan amendment, the Company's Retirement Benefit Obligation has decreased by Rs. 3,733,462/- .The corresponding past service cost credit was recognized in the profit or loss for the year 2021.

As at 31 December 2021, the weighted-average duration of the defined benefit obligation was 9.07 years (2020: 8.45 years).

Sensitivity of Assumptions Used

Sensitivity analysis for significant assumptions as at 31 December 2021 is shown below.

	2021		2020	
Discount Rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Sensitivity Level	**1%**	**1%**	**1%**	**1%**
Impact on Defined Benefit Obligation (Rs.)	(58,812,654)	67,748,079	(58,812,654)	67,748,079

	2021		2020	
Future Salary Increment Rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Sensitivity Level	**1%**	**1%**	**1%**	**1%**
Impact on Defined Benefit Obligation (Rs.)	85,355,879	(75,269,297)	70,610,257	(62,219,182)

Notes to the Financial Statements

As at 31 December

33 Deferred Tax Liability

	2021 Rs.	2020 Rs.
Balance at 1 January	580,895,516	402,633,106
Recognised in Profit or Loss		
Deferred Tax Charged During the Year	(56,560,520)	27,198,103
Recognised in Other Comprehensive Income		
Deferred Tax Charge/ (Reversals) During the Year	(52,139,307)	151,064,307
Balance at 31 December	472,195,689	580,895,516

	2021		2020	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
Deferred Tax Liabilities				
Property, Plant and Equipment	316,894,061	33,273,876	374,740,601	52,463,684
Revaluation Reserve on Buildings	1,059,555,306	111,253,307	1,056,997,089	147,979,592
Investment Property	328,880,876	34,532,492	266,074,991	37,250,499
Bearer Biological Assets	1,864,162,480	195,737,060	1,936,875,526	271,162,574
Consumable Biological Assets	2,374,048,113	249,275,052	2,154,272,095	301,598,093
As at 31 December	5,943,540,836	624,071,787	5,788,960,302	810,454,442
Deferred Tax Assets				
Retirement Benefit Obligations	(927,360,381)	(97,372,840)	(768,909,579)	(107,647,341)
Accumulated Tax Losses	(492,106,987)	(51,671,233)	(852,890,369)	(119,404,652)
Net Lease Liability	(26,971,666)	(2,832,025)	(17,906,666)	(2,506,933)
As at 31 December	(1,446,439,034)	(151,876,098)	(1,639,706,614)	(229,558,926)
As at 31 December	4,497,101,802	472,195,689	4,149,253,688	580,895,516

33.1 Amount charged/ (reversed) to profit or loss

	2021 Rs.	2020 Rs.
Due to changes in tax rate	(162,823,830)	-
Due to changes in temporary differences	106,263,310	27,198,103
	(56,560,520)	27,198,103
Amount charged/ (reversed) to Other Comprehensive Income		
Due to changes in tax rate	(37,766,077)	-
Due to changes in temporary differences	(14,373,230)	151,064,307
	(52,139,307)	151,064,307
Total impact to Financials	(108,699,827)	178,262,410

The deferred tax asset has been recognised in the Financial Statements to the extent of forecasted profit. Therefore, the tax asset arising from accumulated tax losses carried forward was limited only to the extent of probable future taxable profits as at 31 December 2021. The unutilized tax losses considered for the deferred tax is based on the probable future taxable profits available against which the Company can utilize therefrom. Hence a deferred tax asset of Rs.287,276,381/- (2020: Rs. 342,192,391/-) has not been recognised in respect of unutilized tax losses of Rs. 2,735,965,531/- (2019: Rs. 2,444,231,364/-) as at 31 December 2021.

Notes to the Financial Statements

As at 31 December

	2021		2020	
	Temporary Difference Rs.	**Tax Effect Rs.**	**Temporary Difference Rs.**	**Tax Effect Rs.**
On Accumulated Tax Losses	2,735,965,531	287,276,381	2,444,231,364	342,192,391
	2,735,965,531	287,276,381	2,444,231,364	342,192,391

34 Deferred Income

	2021 Rs.	2020 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	165,957,929	156,086,850
Amortisation During the Year	9,460,422	9,871,079
Balance at 31 December	175,418,351	165,957,929
Carrying Amount at 31 December	130,291,852	139,752,274

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.

35 Lease Liabilities

	2021 Rs.	2020 Rs.
Lease Liability to SLSPC and JEDB **(Note 35.1)**	284,079,956	276,514,643
Motor Vehicle Lease **(Note 35.2)**	-	-
	284,079,956	276,514,643

	2021			2020		
	Current Liability Rs.	**Non-Current Liability Rs.**	**Total Rs.**	**Current Liability Rs.**	**Non-Current Liability Rs.**	**Total Rs.**
Gross Liability	38,118,028	857,655,630	895,773,658	36,864,632	866,318,840	903,183,472
Less: Interest in suspense	(36,033,953)	(575,659,749)	(611,693,702)	(35,088,825)	(591,580,004)	(626,668,829)
	2,084,075	281,995,881	284,079,956	1,775,807	274,738,836	276,514,643

35.1 Lease Liability to SLSPC and JEDB

	2021 Rs.	2020 Rs.
Balance at 1 January	276,514,643	271,998,798
Remeasurement of Right-of-Use Asset as at 1 April	9,382,948	5,975,374
	285,897,591	277,974,172
Interest Charges for the Year	35,987,045	35,206,712
Less: Lease Payments made during the Year	(37,804,680)	(36,666,241)
Lease Liability to SLSPC and JEDB	284,079,956	276,514,643

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

Notes to the Financial Statements
As at 31 December

35.2 Motor Vehicle Lease

	2021 Rs.	2020 Rs.
Balance at 1 January	-	16,185,594
Lease Obtained During the Year	-	-
Interest Charges for the Year	-	1,832,262
Less: Lease Payments made during the Year	-	(18,017,856)
Balance at 31 December	-	-

35.3 Maturity Analysis of Contractual Undiscounted Cash Flows

	2021 Rs.	2020 Rs.
Within One Year	38,118,028	36,864,632
2-5 Years	152,472,112	147,458,525
More than 5 Years	705,183,518	718,860,314
Total Undiscounted Lease Liabilities	895,773,658	903,183,471

35.4 Amounts Recognised in Profit or Loss

	2021 Rs.	2020 Rs.
Interest on Lease Liabilities	35,987,045	37,038,974
Depreciation Charged for Right of Use Asset	10,882,641	16,178,608
	46,869,686	53,217,582

35.5 Amounts Recognised in Statement of Cash Flows

	2021	2020
Total Cash Outflow for Leases	37,804,680	52,851,836

36 Trade and Other Payables

	2021 Rs.	2020 Rs.
Trade Creditors	48,374,994	70,835,773
Employee Related Creditors	219,909,801	209,722,354
Accrued Expenses	27,980,254	24,604,797
Dividends Payable	6,059,388	6,058,938
Sundry Creditors	111,390,434	93,539,148
Prepayments Received	15,244,067	8,605,178
VAT Payable	45,823,953	7,077,022
Other Payables	8,063,203	13,340,737
	482,846,094	433,783,947

37 Amounts Due to Related Companies

	2021 Rs.	2020 Rs.
Stassen Exports (Private) Limited	162,000	162,000
Melsta Logistics (Private) Limited	3,151,678	467,552
Melsta Technologies (Private) Limited	3,789,551	4,703,250
Formula World (Private) Limited	203,399	-
	7,306,628	5,332,802

Notes to the Financial Statements
As at 31 December

38 Related Party Disclosures

38.1 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.

38.2 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.

38.3 Compensations to KMPs

	2021 Rs.	2020 Rs.
Short-term Employee Benefits - Directors' remunerations	-	2,820,000
	-	2,820,000

38.4 Transactions with Related Companies

Name of the Company	Nature of Relationship	Name of the Common Directors	Nature of the Transactions	Transaction Amount 2021 Rs.	Transaction Amount 2020 Rs.	Balance as at 31 December 2021 Rs.	Balance as at 31 December 2020 Rs.
Stassen Exports (Private) Limited	Affiliate Company	Mr. D. H. S. Jayawardena Mr. D. Hasitha S. Jayawardena	Reimbursement of Expenses Expenses Incurred	- -	(162,000) 162,000	(162,000)	(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 Supply of tea	(130,112) - -	- 3,238,989 (135,000)	-	130,112
Melsta Logistics (Private) Limited	Subsidiary of Parent Company	Mr. A.L. Gooneratne	Vehicle Repair Charges Reimbursement of Expenses	(2,684,126) -	(747,763) 5,515,772	(3,151,678)	(467,552)
Melsta Technologies (Private) Limited	Subsidiary of Parent Company		Salaries Incurred Software Development chargers Reimbursement of Expenses	(1,914,850) (977,501) 3,806,050	(1,874,700) - -	(3,789,551)	(4,703,250)
Madulsima Plantations PLC	Subsidiary of Parent Company	Mr. D. H. S. Jayawardena Mr. D. Hasitha S. Jayawardena	Supply good and service Reimbursement of Expenses	5,645,654 (1,736,574)	9,806,555 (4,002,086)	12,135,966	8,226,886
Milford Export Ceylon (Private) Limited	Ultimate Parent Company	Mr. D. H. S. Jayawardena Mr. D. Hasitha S. Jayawardena	Rent Received Sale of Green Leaf Reimbursement of Expenses Settlements Received	(3,404,905) 63,310,692 3,384,505 (59,936,355)	(3,304,276) 45,452,850 (34,836) (42,113,890)	3,356,281	2,345
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 Interest Charge Repayments during the Year	(92,076,632) (236,281,529) 90,714,653	(298,937,840) (257,397,932) 22,500,495	(3,302,732,145)	(3,065,088,637)
Formula World Private Limited	Affiliate Company	Mr. A.L. Gooneratne	Vehicle Repair Charges	(203,399)	-	(203,399)	-

Notes to the Financial Statements

As at 31 December

39 Capital Commitments

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

40 Contingent Liabilities

40.1 Gazetted increas 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.

In the event Court of Appeal issues an unfavorable judgement to RPCs, the retirement Benefit obligation of the company as at 31 December 2021 is Rs. 967.45 mn.

The contingent liabilities in respect of pending litigations before Labour Tribunals are not expected to crystallise in a material liability to the Company.

40.2 There were no other contingent liabilities as at the reporting date which require adjustment/ disclosure in the financial statements

41 Assets Pledged as Collaterals by The Company

Other than those disclosed under note 31.1, 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 2021 Rs.	Securities Pledged
Hatton National Bank PLC	Permanent Overdraft Facility	489,500,000	443,455,302	Primary mortgage over the Lease hold rights of Walaboda Estate.

42 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. 2,739,820,041 (2020: Rs. 2,386,945,886). Further and its current liabilities exceeded its current assets by Rs. 578,233,246 (2020: Rs. 359,691,018). 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 2021 due to reliance on the letter of support, dated 31 May 2022, provided by the Directors of the ultimate parent entity Melstacorp PLC. Through this letter of support, the Directors of the ultimate 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

43 Events Occurring after the Reporting Date

There were no material events occurring after the reporting date that requires adjustments to or disclosure in the Financial Statements.

43.1 Impact from Rapid Change in Macro Economic Factors

The Macro Economic Environment of Sri Lanka

The Company's operations are in Sri Lanka that has been witnessing, severe events that have set off an interconnected fiscal, monetary and economic crisis and as well as deep recession that have reached unprecedented levels. Sovereign credit ratings have witnessed a series of downgrades by all major rating agencies and reached the level of 'Default Imminent (C)' when, on April 12, 2022, the Sri Lankan Government announced that it will withhold payment on the bonds due and discontinuation of payments on all of its foreign debts.

Due to drastic decrease in foreign reserves of Sri Lanka, Central bank of Sri Lanka decided to float the rupee from 10th March 2022 and as a further measurement, the CBSL increased the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) of the Central Bank by 700 basis points to 13.50 per cent and 14.50 per cent, respectively, effective from the close of business on 08 April 2022. These changes in underlying economic factors have fluctuated the prices of inputs and outputs of the company and the plantation industry as elaborated below.

This has resulted in an uncontrolled rise in prices and the drastic depreciation of the Sri Lankan Rupee, impacting intensely the purchasing power of the Sri Lankan citizens, driving a currency crisis, high inflation and rise in the consumer price index.

Impact on Internal Operations & Business Continuity

Since March 2022, the impact on cash flow considerably improved with the higher tea prices gained in auctions due to depreciation of rupee and demand exceeding the supply resulted from relatively lower tea crop in first quarter in 2022 with similar trend is envisaged during the short term period of future inflation. Prices of Inputs such as fertilizer, packing materials, fuel etc. resulted increase in cost of production to some extent. However, increase in sale prices exceeding the increase in running costs mainly arose from outsourced material and with brought forward buffer stock of fertilizer, fuel, and packing material prior to price hikes shielding the company to control the cost escalations to a limited extent , survive logistics and supply chain challenges to a certain extent during market shortages. These net gains were used to strengthen the working capital . The GOSL decision of reversal of chemical fertilizer ban, possible re-introduction of fertilizer subsidy and low interest loans scheme for fertilizer purchase & replanting will further reduce the impact in future.

Impact on Assets & Impairments

As a result of the steps taken by company, the Company could maintain the standard operations without causing disturbance to performance of the company and its assets. Therefore, no requirement arose on impairment of Financial and Non-Financial Assets of the company while the Company has improved the plant and machinery for serving a better quality of tea to the market.

Company's responses on the impact on the future operations and the financial condition of the Company

The Management closely monitor and develop mitigating factors for potential downside risks to the business that can arise due to rapid changes in macro-economic factors and will continue to strengthen the working capital ,humanitarian sustainability initiative and cost mitigating factors to continue the business operations without any disruption, while timely addressing the new opportunities and threats arising from the situation.

44 Comparative Figures

The presentation and classification for the financial statements of the previous years have been amended, where relevent for better presentation and to be comparable with those of the current year. The comparative information were reclassified as follows;

	Current Presentation		As Previously Reported
	2021 Rs.	2020 Rs.	2020 Rs.
44.1 Statement of Financial Position			
(i) Reclassification of intangible assets work in progress amounting to Rs.1,432,522			
Property Plant and Equipment	1,562,006,617	1,644,990,384	1,646,422,906
Intangible Assets	2,226,322	2,518,122	1,085,600

Notes to the Financial Statements

As at 31 December

45.1 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 Group'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 Group'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

45.1.1 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	2021 Rs.	2020 Rs.
Financial Assets Measured at FVOCI	388,183	301,622
Trade and Other Receivables	94,920,163	98,843,328
Amounts due from Related Companies	15,492,247	8,359,343
Other Financial Assets Measured at Amortised Cost	454,387	430,699
Cash and Cash Equivalents	982,023	410,605
Total Credit Risk Exposure	112,237,003	108,345,597

Impairment Losses

The aging of Trade receivables as at the reporting date was;

	2021		2020	
	Gross Rs.	Impairment Rs.	Gross Rs.	Impairment Rs.
Not Past Due	29,959,189	-	28,301,218	-
	29,959,189	-	28,301,218	-

45.1.1.1 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.

Notes to the Financial Statements
As at 31 December

45 Financial Risk Management (Continued)

45.1 Risk Management Framework (Continued)

45.1.1.2 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.

The cash and cash equivelents and Investments carries at amortized cost are held at Banks, which are rated “AA-(lka)” based on fitch rating Sri Lanka.

45.2.2 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 table below summarizes the maturity profile of the Company’s financial liabilities as at 31 December 2021 based on contractual undiscounted payments.

At 31 December 2021	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	3,494,400,045	4,971,033,822	107,853,133	94,183,713	155,775,768	3,064,548,555	1,548,672,653
Lease Liability	284,079,956	895,773,658	19,059,014	19,059,014	38,118,028	114,354,084	705,183,518
Trade and Other Payables	393,797,820	393,797,820	393,797,820	-	-	-	-
Amounts due to Related Companies	7,306,628	7,306,628	7,306,628	-	-	-	-
Bank Overdraft	464,111,785	464,111,785	464,111,785	-	-	-	-
	4,643,696,234	6,732,023,713	992,128,380	113,242,727	193,893,796	3,178,902,639	2,253,856,171

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	4,944,584,237	66,707,275	60,811,907	116,935,739	1,501,194,130	3,198,935,186
Lease Liability	276,514,643	903,183,471	18,432,316	18,432,316	36,864,631	110,593,894	718,860,314
Trade and Other Payables	393,496,950	393,496,950	393,496,950	-	-	-	-
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	-	-	-	-
	4,504,152,027	6,614,438,981	851,810,864	79,244,223	153,800,370	1,611,788,024	3,917,795,500

Notes to the Financial Statements
As at 31 December

45 Financial Risk Management (Continued)

45.1 Risk Management Framework (Continued)

45.1.3 Market Risk

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

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

Market risk comprise of the following types of risk:

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

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

a) Interest rate risk

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

The interest rates have increased significantly after the reporting date and this may lead to substantial negative impact on the future profits of the Company.

Profile

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

	2021 Rs.	2020 Rs.
Fixed Rate Instruments		
Financial Assets	454,387	430,699
Financial Liabilities	748,191,741	644,356,164
	748,646,128	644,786,863
Variable Rate Instruments		
Financial Assets	-	-
Financial Liabilities	(3,494,400,045)	(3,460,966,111)
	(3,494,400,045)	(3,460,966,111)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit/ (loss) before tax (through the impact on floating rate borrowings)

	2021		2020	
	Increase	Decrease	Increase	Decrease
	1%	1%	1%	1%
Sensitivity to 100 bp- Effect on Profit before Tax	(35,832,858)	35,792,775	(35,490,014)	35,450,315

b) Currency Risk

The Company has no any currency risk, since there are no any foreign currency instruments as at the reporting date.

Notes to the Financial Statements

As at 31 December

45 Financial Risk Management (Continued)

45.1 Risk Management Framework (Continued)

45.1.4 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.

45.2 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:

	2021	2020
Total Liabilities	6,269,910,134	6,041,814,515
Less: Cash at Bank and Cash in Hand	(7,096,563)	(5,367,787)
Net debts	6,262,813,571	6,036,446,728
Total Equity	709,514,777	803,374,751
Debt to Equity ratio(Gearing Ratio)	883%	751%

Notes to the Financial Statements

As at 31 December

46 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.

46.1 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:

	2021		2020	
	Carrying Amount Rs.	Fair Value Rs.	Carrying Amount Rs.	Fair Value Rs.
Assets Carried at Amortised Cost				
Trade and Other Receivables	94,920,163	94,920,163	98,843,328	98,843,328
Amounts due from Related Companies	15,492,247	15,492,247	8,359,343	8,359,343
Other Financial Assets Measured at Amortised Cost	454,387	454,387	430,699	430,699
Cash and Cash Equivalents	7,096,563	7,096,563	5,367,787	5,367,787
Financial Assets Measured at FVOCI				
Quoted Equity Investments in Ordinary Shares	388,183	388,183	301,622	301,622
	118,351,543	118,351,543	113,302,779	113,302,779
Liabilities Carried at Amortised Cost				
Interest Bearing Loans and Borrowings	3,494,400,045	3,494,400,045	3,460,966,111	3,460,966,111
Lease Liabilities	284,079,956	284,079,956	276,514,643	276,514,643
Trade and Other Payables	393,797,820	393,797,820	393,496,950	393,496,950
Amounts due to Related Companies	7,306,628	7,306,628	5,332,802	5,332,802
Bank Overdraft	464,111,785	464,111,785	367,841,521	367,841,521
	4,643,696,234	4,643,696,234	4,504,152,027	4,504,152,027

Notes to the Financial Statements
As at 31 December

46 Fair Value Measurement (Continued)

46.2 Financial Assets and Liabilities by Categories

(a) Financial Assets

	2021			2020		
	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	94,920,163	-	-	98,843,328	-	-
Amounts due from Related Companies	15,492,247	-	-	8,359,343	-	-
Other Financial Assets Measured at Amortised Cost	454,387	-	-	430,699	-	-
Cash and Cash Equivalents	7,096,563	-	-	5,367,787	-	-
Financial Assets Measured at FVOCI	-	-	388,183	-	-	301,622
	117,963,360	-	388,183	113,001,157	-	301,622

(b) Financial Liabilities

	2021		2020	
	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	3,494,400,045	-	3,460,966,111	-
Lease Liabilities	284,079,956	-	276,514,643	-
Trade and Other Payables	393,797,820	-	393,496,950	-
Amounts due to Related Companies	7,306,628	-	5,332,802	-
Bank Overdraft	464,111,785	-	367,841,521	-
	4,643,696,234	-	4,504,152,027	-

Notes to the Financial Statements
As at 31 December

46 Fair Value Measurement (Continued)

46.3 Financial Assets and Liabilities by Fair Value Hierachy

As at 31 December 2021

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.
Assets Carried at Amortised Cost			
Trade and Other Receivables	-	-	94,920,163
Amounts due from Related Companies	-	-	15,492,247
Other Financial Assets Measured at Amortised Cost	-	-	454,387
Cash and Cash Equivalents	-	7,096,563	-
Financial Assets Measured at FVOCI			
Quoted Equity Investments in Ordinary Shares	388,183	-	-
	388,183	7,096,563	110,866,797
Liabilities Carried at Amortised Cost			
Interest Bearing Loans and Borrowings	-	-	3,494,400,045
Lease Liabilities	-	-	284,079,956
Trade and Other Payables	-	-	393,797,820
Amounts due to Related Companies	-	-	7,306,628
Bank Overdraft	-	464,111,785	-
	-	464,111,785	4,179,584,449

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	-	-	393,496,950
Amounts due to Related Companies	-	-	5,332,802
Bank Overdraft	-	367,841,521	-
	-	367,841,521	4,136,310,506

Notes to the Financial Statements

As at 31 December

47 Operating Segments

	Tea		Rubber		Others		Total	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Segmental Results								
Revenue	3,382,815,826	3,244,486,060	619,872,763	328,589,497	-	-	4,002,688,589	3,573,075,557
Revenue Expenditure	(3,403,860,072)	(3,024,963,184)	(529,250,375)	(394,708,924)	-	-	(3,933,110,447)	(3,419,672,108)
Gross Profit/ (Loss)	(21,044,246)	219,522,876	90,622,388	(66,119,427)	-	-	69,578,142	153,403,449
Gain on Changes in Fair Value of Biological Assets	-	-	-	-	218,855,585	149,334,105	218,855,585	149,334,105
Other Income	-	-	-	-	152,195,725	347,136,721	152,195,725	347,136,721
Unallocated Expenses	-	-	-	-	(177,417,893)	(135,515,519)	(177,417,893)	(135,515,519)
Net Finance Cost	-	-	-	-	(321,992,968)	(370,761,530)	(321,992,968)	(370,761,530)
Profit/ (Loss) Before Taxation	-	-	-	-	(128,359,551)	(9,806,223)	(58,781,409)	143,597,226
Less : Taxation							57,060,936	(27,198,103)
Profit for the Year	-	-	-	-	-	-	(1,720,473)	116,399,123
Other Comprehensive Income(Net of tax)	-	-	-	-	-	-	(92,139,501)	927,899,786
Total Comprehensive Income/ (Expense)	-	-	-	-	-	-	(93,859,974)	1,044,298,909
Segmental Results								
Non Current Assets	2,040,261,863	2,041,056,786	1,902,491,296	1,780,915,667	2,459,570,812	2,462,145,147	6,402,323,971	6,284,117,600
Current Assets	440,566,174	443,641,434	61,916,597	72,433,260	74,618,169	44,996,972	577,100,940	561,071,666
Total Assets	2,480,828,037	2,484,698,220	1,964,407,893	1,853,348,927	2,534,188,981	2,507,142,119	6,979,424,911	6,845,189,266
Segmental Liabilities								
Non Current Liabilities	818,985,076	630,090,907	104,138,154	138,818,671	4,191,452,718	4,352,142,253	5,114,575,948	5,121,051,831
Current Liabilities	374,253,586	377,092,081	105,708,725	50,632,928	675,371,875	493,037,675	1,155,334,186	920,762,684
Total Liabilities	1,193,238,662	1,007,182,988	209,846,879	189,451,599	4,866,824,593	4,845,179,928	6,269,910,134	6,041,814,515
Segmental Capital Expenditure								
Field Development	14,038,599	12,363,762	37,808,521	37,580,885	6,949,144	1,940,015	58,796,263	51,884,662
Property, Plant & Equipment	29,863,621	33,541,286	3,852,324	4,116,465	8,114,725	8,736,419	41,830,670	46,394,170
Total Capital Expenditure	43,902,220	45,905,048	41,660,845	41,697,350	15,063,869	10,676,434	100,626,933	98,278,832
Depreciation								
Mature Depreciation	15,663,799	15,657,758	75,572,355	58,204,096	3,318,333	3,903,536	94,554,487	77,765,390
Property,Plant & Equipment	85,785,892	72,918,366	20,848,154	9,103,144	7,308,485	5,265,406	113,942,531	87,286,916
	101,449,691	88,576,124	96,420,509	67,307,240	10,626,818	9,168,942	208,497,018	165,052,306

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 2021 have been submitted to the Colombo Stock Exchange

Distribution of Shareholdings as at 31 December 2021

No. of Shares held	No. of Shareholders	No. of Shareholders %	Total Holdings	Total Holding %
1 - 1,000	17873	97.59	2,299,232	9.73
1,001 - 10,000	338	1.85	1,180,377	4.99
10,001 - 100,000	87	0.48	2573753	10.89
100,001 - 1,000,000	16	0.09	3729338	15.78
1,000,001 & Over	1	0.01	13,853,663	58.61
Grand Total	**18,315**	**100**	**23,636,363**	**100**

Analysis Report of Shareholders

No. of Shares held	No. of Shareholders	No. of Shareholders %	Total Holdings	Total Holding %
Individual	18,157	99.14	7,710,560	32.62
Institution	142	0.78	15,728,422	66.54
Foreign Individuals	15	0.08	140,490	0.59
Foreign Institution	1	0.01	56,891	0.24
Grand Total	**18,315**	**100.00**	**23,636,363**	**100.00**

- Public Holding Percentage as at 31 December 2021 - 41.39%
- Number of shareholders representing the above percentage - 18,315 shareholders
- The adjusted market capitalization as at 31 December 2021 - Rs.296,415,810
- 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

	2021	2020
Number of shares	23,636,363	23,636,363
Earning/(Loss) per Share Rs	(0.07)	4.92
Net Asset per Share R	30.00	34
Dividend per Share Rs	-	-
Highest Share Price R	33.80	17.40
Lowest Share Price Rs	10.00	6.10
Last traded Price Rs	30.30	16.10

Shareholder and Investor Information

No	Name of Shareholder	No. of Shares	%
1	Melstacorp PLC	13,853,663	58.61
2	Mrs.H M A R K Kaluhendiwela	841,998	3.56
3	Mr. S N C W B C Kandegedara	471,92	1.99
4	Associated Electrical Corporation LTD	454,357	1.92
5	Mrs J L S D Munasinghe	258,863	1.10
6	Hatton National Bank PLC , Muushtaq Mohamend Fuad	190,001	0.80
7	Mr A M Nanayakkara	180,753	0.76
8	Seylan Bank PLC ./ Mohomed Mushtaq Fuad	176,254	0.75
9	Mr.P K C P Samarasinghe	170,000	0.72
10	Mr. P C P Samarasinghe	141,277	0.60
11	Ventura Crystal (Privet) LTD	136,000	0.58
12	Cocoshel Actived Carbon Company (privet) LTD	129,700	0.55
13	Mr.V Mahtani & Mr.V V Mahathi	126,130	0.53
14	Mr.K M S M Rajabudeen & Mr.K S M Mohamed & Mr.K M S M Razeek	116,679	0.49
15	Hatton National Bank PLC./Mr Ravindra Erle Rambukwella	115,000	0.49
16	Mr. R Maheswaran	112,834	0.48
17	Mr A K Palliyaguruge Don	108,000	0.46
18	Mr. D Pathirana & Mrs.R Bartolo	100,000	0.42
19	Hatton National Bank / HI Line Trading (PVT) LTD	100,000	0.42
20	Mr. L D S Chandrasiri & Mrs D N Jayasuriya	100,000	0.42

Shareholder Financial Information

	2021 Rs.'000	2020 Rs.'000	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000	2016 Rs.'000
Turnover	4,002,689	3,573,076	2,606,320	2,358,252	3,056,067	2,266,657
Profit(Loss)before Taxation	(58,781)	143,597	(902,576)	(479,489)	100,775	(371,078)
Taxation	57,061	(27,198)	(128,474)	(165,992)	(192,436)	56,736
Profit(Loss) after Taxation	35,274	116,399	(1,031,050)	(645,481)	(91,661)	(314,342)
Other Comprehensive Income	(131,423)	927,900	(22,361)	(25,697)	22,395	125,148
Profit (Loss) brought forward	(2,386,946)	(2,376,156)	(1,146,871)	(385,018)	179,372	374,847
Dividend	-	-	-	-	-	-
Transfer to Revaluation Reserves	(39,284)	(909,017)	-	-	-	-
Transfer from General Reserve	-	-	-	-	(1,148)	(6,405)
Transfer to Timber Reserve	(219,776)	(146,139)	(102,197)	(90,763)	(22,150)	(6,405)
Available for Sales Reserve	46	67	5	87	47	124
Adjustment Due to Initial Application of SLFRS 16	-	-	(73,682)	-	109,005	179,372
Retained Profit (Loss)	(2,739,820)	(2,386,946)	(2,376,156)	(1,146,872)	88,003	179,372
Fixed Assets	6,402,323	6,284,118	4,948,043	4,742,306	5,137,726	4,975,349
Current Assets	577,101	561,072	476,444	469,312	429,389	521,403
Current Liabilities	1,155,334	920,763	1,173,371	1,157,408	1,078,990	1,486,240
Non Current Liabilities	5,114,576	5,121,052	4,492,040	3,168,044	2,457,893	1,911,013
Net Assets	709,515	803,375	(240,924)	886,166	2,030,232	2,099,499
Share Capital	350,000	350,000	350,000	350,000	350,000	350,000
Revaluation Reserves	948,302	909,017	-	-	1,591,918	1,569,770
Timber Reserves	2,150,793	1,931,017	1,784,878	1,682,681	1,591,918	1,569,770
Available for Sales Reserve	240	285	353	357	310	357
Profit & Loss Account	(2,739,820)	(2,386,946)	(2,376,156)	(1,146,872)	88,003	179,372
Capital Employed	709,515	803,373	(240,925)	886,166	2,030,231	2,099,499
Number of Shares ('000)	23,636	23,636	23,636	23,636	23,636	23,636
Earning per Share (Rs.)	(0.07)	4.92	(43.62)	(27.31)	3.88	13.30
Dividend per Share (Rs.)	-	-	-	-	-	-
Net Asset per Share (Rs.)	30.02	33.99	(10.19)	37.49	85.90	88.83
Dividend Payout Ratio (%)	-	-	-	-	-	-

Statement of Value Addition

	Year ended 31.12.2021 Rs.'000		Year ended 31.12.2020 Rs.'000	
	%	Share	%	Share
REVENUE	91.52	4,002,689	87.80	3,573,075
Other Income	8.48	371,052	12.20	496,471
Total Revenue	100.00	4,373,741	100.00	4,069,546
Cost of Material & Service bought		4,516,506		4,208,119
VALUE ADDED	(3.26)	(142,765)	(3.41)	(138,573)
DISTRIBUTION OF VALUE ADDED				
A to Employees as Remuneration	(1,408.72)	2,011,166	(1,217.63)	1,687,304
B to Government as Taxes				
B1 to Government as Lease Interest	(25.21)	35,987	(25.41)	35,207
C to Lenders of Capital as Interest	(200.51)	286,262	(242.41)	335,921
D to Shareholders as Dividends				
E Retained in Business				
E1 Provision of Depreciation	(158.75)	226,645	(136.89)	189,692
E2 Profit Retained	1893.20	(2,739,820)	1722.34	(2,386,946)
	100.00	(142,765)	100.00	(138,573)

Performance of Estates 2021 & 2020

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	2021	418.95	724,349	1,425	556.50	542.94
		2020	418.95	742,179	1,408	526.98	585.51
Cecilton	Uva Medium	2021	170.56	314,114	1,133	643.17	540.25
		2020	176.06	322,668	1,150	596.79	575.66
Meddakande	Uva Medium	2021	146.90	284,661	1,146	662.44	522.19
		2020	154.65	301,612	1,156	635.77	554.45
Non Pareil	Uva High	2021	226.00	125,341	555	934.78	553.75
		2020	234.00	164,998	393	857.33	515.89
Pettiagalla	Uva Medium	2021	173.50	268,709	1,070	639.21	572.05
		2020	173.50	221,213	1,079	615.71	563.16
Rasagalla	Low	2021	234.81	431,630	1,126	621.02	583.83
		2020	234.81	380,118	1,219	608.26	615.91
Rye/Wikiliya	Low	2021	134.80	52,919	393	1,130.39	577.14
		2020	145.20	58,195	401	960.49	554.12
Walaboda	Uva Medium	2021	102.50	95,095	928	644.57	541.63
		2020	106.50	95,003	892	612.89	585.06
Mahawale	Low	2021	1.60	913	571	604.81	585.01
		2020	1.60	599	374	631.66	642.99
Palmgarden	Uva Medium	2021	4.85	430,025	848	665.40	586.05
		2020	4.85	344,253	790	643.08	623.73
Cullen	Uva Medium	2021	141.90	90,885	640	750.13	578.50
		2020	145.90	89,471	613	694.69	605.41
Glen Alpin	Uva Medium	2021	283.31	652,837	1,050	615.97	538.90
		2020	295.94	768,934	861	599.78	579.01
Gowerakelle	Uva High	2021	190.35	138,149	705	577.75	488.28
		2020	207.51	118,789	572	558.65	484.61
Spring Valley	Uva Medium	2021	452.53	557,371	988	632.45	550.72
		2020	448.53	507,195	877	592.53	552.85
Telbedde	Uva Medium	2021	520.78	797,088	1,288	597.71	551.14
		2020	519.78	826,187	1,249	560.89	585.02
Ury	Uva Medium	2021	307.92	402,293	946	581.93	561.69
		2020	307.92	360,482	870	571.69	593.06
Wewesse		2021	235.10	378,497	985	629.82	575.08
		2020	235.10	401,668	1,037	586.54	610.39

Performance of Estates 2021 & 2020

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	2021	179.75	153,482	764	533.42	550.34
		2020	168.38	126,820	742	512.76	338.71
Mahawale	Ratnapura	2021	213.87	143,488	661	518.12	543.73
		2020	215.26	140,094	650	436.01	326.16
Millawitiya	Ratnapura	2021	85.62	97,032	1,098	451.89	551.51
		2020	74.37	88,804	1,185	343.43	312.30
Mutwagalla	Ratnapura	2021	180.09	156,466	852	535.35	550.97
		2020	194.40	162,851	829	387.91	302.91
Palmgarden	Ratnapura	2021	247.78	223,875	890	492.59	550.80
		2020	247.78	223,559	888	509.28	318.82
Rambukkande	Ratnapura	2021	219.62	266,597	1,213	390.89	565.20
		2020	227.17	231,864	1,020	354.40	339.67
Ury	Badulla	2021	5.50	4,272	777	298.90	430.52
		2020	0	0	0	0.00	0.00
Wewesse	Badulla	2021	23.59	27,491	1,165	376.80	428.41
		2020	0	0	0	0.00	0.00
Glen Alpin	Badulla	2021	6.97	7,505	1,077	264.73	441.75
		2020	6.97	6,042	867	363.23	271.89
Telbedde	Badulla	2021	8.12	1,842	227	496.92	434.46
		2020	0.00	0	0	0.00	0.00
Ury	Badulla	2021	38.70	29,548	764	236.90	434.86
		2020	31.70	11,570	365	449.11	271.89
Wewassa	Badulla	2021	20.02	28,997	1,448	352.23	451.80
		2020	20.02	20,928	1,045	445.87	271.89

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 Ninth (29th) Annual General Meeting of the Company will be held as a **"Virtual Meeting" at 11.00 a.m. on Tuesday, 28th June 2022, 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 2021 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 by passing the following resolution. "That the age limit stipulated in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr D H S Jayawardena who has attended the age of 79 and that he be re-elected a Director of the Company".		
3) To re-elect Dr A Shakthevale who is above the age of 70 years as a Director by passing the following resolution. "That the age limit stipulated in Section 210 of the Companies Act No, 07 of 2007 shall not apply to Dr A Shakthevale who has attended the age of 79 and that he be re-elected a Director of the Company".		
4) To re-elect Mr A L Gooneratne who is over 70 years as a Director by passing the following resolution. "That the age limit stipulated in Section 210 of the Companies Act No, 07 of 2007 shall not apply to Mr A L Gooneratne who has attended the age of 70 and that he be re-elected a Director of the Company".		
5) To re-elect Mr D Hasitha S Jayawardena who retires by rotation at the Annual General Meeting in terms of Article 92 of the Articles of Association as a Director of the Company.		
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.		

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

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 : ....