



**HORANA PLANTATIONS PLC**

ANNUAL REPORT 2018/19

# In the Spirit of Entrepreneurship



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# In the Spirit of Entrepreneurship

Horana Plantations has always been intrinsically connected to its people and nature which makes our business a stable one. That is why, even when the industry suffered in the year under review, we persevered and ensured quality through innovation. It was a challenging year, however we took from it, fortitude, commitment and a renewed focus on our team as we weathered the storm.

In the spirit of entrepreneurship and with new ideas, we look forward to changing the tides in the years ahead.

## **ABOUT HORANA PLANTATIONS**

Horana Plantations PLC is one of Sri Lanka's premier Plantation Companies, comprising of sixteen prime estates. Since being incorporated on the 22nd of June 1992, following the privatization of plantation estates into the hands of the Regional Plantation Companies (RPC), Horana Plantations has grown into a leading producer of the finest Tea, Rubber and other agricultural produce in Sri Lanka.

The Company's sixteen estates are spread over a total area of 7,534 hectares (18,458 acres), primarily in the Central and Western provinces of Sri Lanka. 29% of the cultivated area has been dedicated to Tea, 27% to Rubber, 7% to timber, and 15% to other diversified agricultural crops. Horana Plantations has an annual production of 4 Mn Kg of Tea and 1.4 Mn Kg of Rubber.

Horana Plantations product range is renowned for its excellent quality and high standards. A significant proportion of the Company's estates have been internationally certified with quality standards such as HACCP, ISO:22000:2005, Rainforest Alliance, Ethical Tea Partnership, Fair Trade and Forest Stewardship Council <sup>TM</sup> certification.

Horana Plantations PLC is a public quoted limited liability Company and its shares are listed on the Colombo Stock Exchange bearing the stock symbol HOPL. The Company is a subsidiary of the Vallibel Plantation Management Ltd, with its ultimate Parent Company being Vallibel One PLC. Vallibel One PLC spans a widespread of interests in Retailing, Hospitality, Ceramics & Tiles, Finance and Hydro Power Generation.

## NON FINANCIAL HIGHLIGHTS

Sound Reputation and Brand Image  
for Quality Tea

**High Grown Gross Sale  
Average - Ranking  
No. 03 ( CTA Ranking)**

**No of Top Prices Recorded  
Tea - 15 Invoices 2018**

**16**

No of Estates

**08**

Up Country

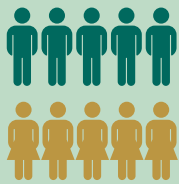
**08**

Low Country

**Extent 7,534 Ha**

Resident Population

**32,400**



Employees by Gender

**Male 2,575  
Female 3,194**



New Revenue Streams

**237 Ha**

Oil Palm

**554 Ha**

Timber Forestry

**74 Ha**

Cinnamon

**107 Ha**

Coconut

**72 Ha**

Fruits and Other Crop

**3.2 Kg / Man Day**

Worker Productivity

**2,648,957 Kg**

Tea Production Volume

**775,241 Kg**

Rubber Production Volume



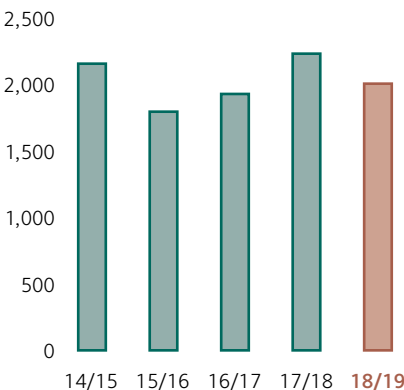
# FINANCIAL HIGHLIGHTS

For the Year ended 31st March

	2019 Rs'000	2018 Rs'000	Change %
<b>Financial Performance</b>			
Revenue	2,020,360	2,248,463	(10.1)
Gross Profit	165,106	265,515	(37.8)
Profit from Operations	136,970	191,589	(28.5)
Net Finance Expenses	129,622	86,915	(49.1)
Profit before Taxation	7,348	104,674	(93.0)
Tax Expense	2,546	20,329	87.5
Profit after Taxation	4,802	84,343	(94.3)
Other Comprehensive Expense	75,184	35,196	(113.6)
Total Comprehensive Income/(Expense)	(70,382)	49,147	(243.2)
<b>Financial Position</b>			
Shareholders' Funds	1,337,916	1,420,798	(5.8)
Borrowings	1,340,097	1,157,336	(15.8)
Total Liabilities (excluding Borrowings)	1,118,112	1,115,871	(0.2)
Total Assets	3,796,124	3,694,007	2.8
<b>Cash Flows</b>			
Operating Activities	14,218	284,016	(95.0)
Investing Activities	(170,736)	(252,141)	32.3
Financing Activities	64,598	(38,353)	268.4
Total Net Cash Outflow for the period	(91,920)	(6,476)	(1,319.3)
Cash & Cash Equivalents at the end	(370,600)	(278,680)	(33.0)
<b>Key Indicators per Ordinary Share</b>			
Earnings per Share (Rs.)	0.19	3.37	(94.3)
Market Value per Share (Rs.)	17.00	22.00	(22.7)
Dividend per Share (Rs.)	0.50	-	100.0
Net Assets per Share (Rs.)	53.52	56.83	(5.8)
Price-Earnings Ratio (times)	88.51	6.52	1,257.3
Earnings Yield (%)	1.13	15.34	(92.6)
<b>Key Ratios</b>			
Gross Profit Margin (%)	8.17	11.81	(30.8)
Operating Profit Margin (%)	6.78	8.52	(20.4)
Net Profit Margin (%)	0.24	3.75	(93.7)
Current Ratio (times)	0.49	0.52	(5.1)
Interest Cover (times covered)	1.06	2.20	(52.1)
Revenue to Capital Employed (times)	0.75	0.87	(13.5)
Property, Plant & Equipment to Shareholders' Funds (times)	2.05	1.93	5.8
Return on Equity (%)	0.36	5.94	(94.0)
Return on Capital Employed (%)	5.11	7.43	(31.2)
Gearing (%)	50.04	44.89	(11.5)
Equity to Total Assets (%)	35.24	38.46	(8.4)

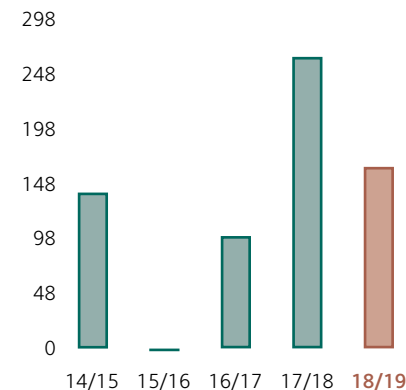
**Revenue**

Rs. Mn



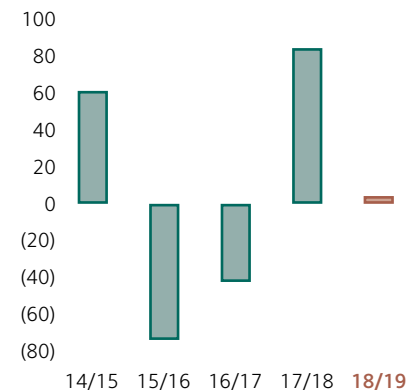
**Gross Profit**

Rs. Mn



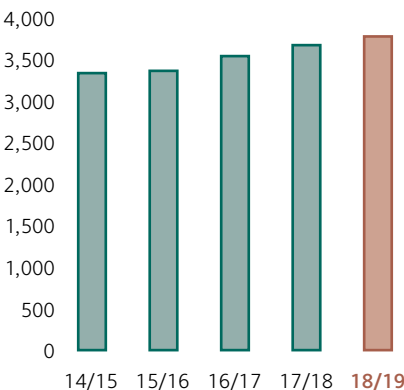
**Profit After Tax**

Rs. Mn



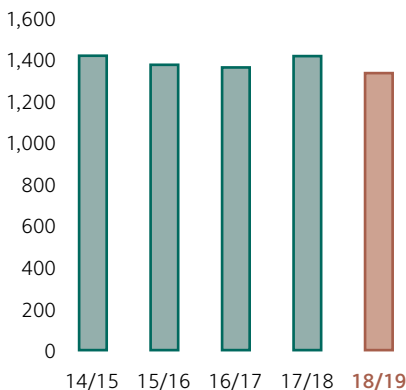
**Total Assets**

Rs. Mn



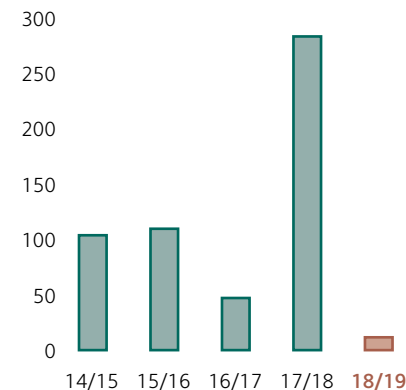
**Shareholders' Funds**

Rs. Mn



**Operating Cash Flow**

Rs. Mn



**Revenue**

LKR 2,020 Million

**Operating Profit**

LKR 137 Million

**Net Assets**

LKR 1,338 Million



# **With a focus on maintaining stringent standards**

**on the product from inception to consumer use, we rely on technologically advanced methods to add value and ensure freshness**





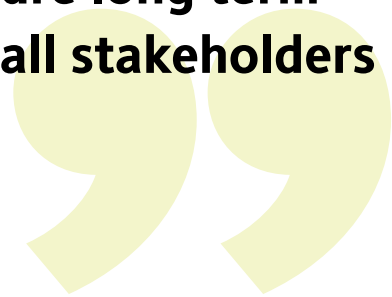


## **CHAIRMAN'S MESSAGE**



# Chairman's Message

**The Company has also maintained its strategic focus of sustainable agricultural practices and increased investments into technology adaptation, to ensure long term value creation for all stakeholders**



I am pleased to present the Annual Report and the audited Financial Statements of Horana Plantations PLC for the Financial Year 2018/19.

The year under review was particularly challenging for the plantation industry as trading conditions for both tea and rubber were poor, which caused revenues and profitability to decline across the sector. Against this backdrop Horana Plantations was able to achieve a profit before tax of Rs 7 Mn for the year. The Company has also maintained its strategic focus of sustainable agricultural practices and increased investments into technology adaptation, to ensure long term value creation for all stakeholders.

#### **GLOBAL TEA INDUSTRY**

Tea production in the African region and China increased in 2018 with outputs from Kenya, Malawi, Tanzania and China increasing by 12%, 11%, 11% and 5% respectively against the previous year. Asian region outputs, meanwhile, recorded a negative growth, with production from Sri Lanka, Indonesia and Vietnam declining by 1%, 2% , and 4% respectively although output from Bangladesh grew by 4% against last year. China, India and Kenya were the largest producers of tea during 2018 with Kenyan outputs growing from 439 Mn kg to 493 Mn kg which is the highest production to date by the country, and Chinese production surging from 2,496 Mn Kg in 2017 to 2,616 Mn Kg in 2018. India remained behind China with a total output of 1,312 Mn Kg for 2018.

## Chairman's Message

### **GLOBAL RUBBER INDUSTRY**

World natural rubber production increased by 4.6% to 13.96 Mn MTs in 2018, and the global demand for natural rubber also grew by 5.2% to 14.01 Mn MTs for the year under review, leading to a shortfall of 57,000 MTs. However, some recovery in rubber latex prices was also noted towards December 2018.

### **SRI LANKAN ECONOMY**

Sri Lanka's real GDP growth was recorded at 3.2% in 2018, compared to 3.4% in the previous year. This growth was largely supported by services that expanded by 4.7% and the recovery in agriculture activities, which recorded a growth of 4.8%. Industry activities slowed down significantly to 0.9 % during the year, mainly as a result of the contraction in construction. Unfavourable weather conditions in tea growing areas, particularly during the second quarter of 2018, and wage related trade union action affected tea production during 2018, amidst lower average prices of tea. Rubber production also declined during the year due to adverse weather condition in rubber plantation areas. Meanwhile, Oil Palm production recorded an increase during the year under review.

Earnings from tea exports, which grew significantly in the previous year with the support of favourable international tea prices, declined by 6.6 % to US dollars 1,428 Mn in 2018. Although the higher volume of black tea production and exports,

particularly from Africa, resulted in a decline in the international tea prices at the Mombasa and Kolkata auctions, prices of Sri Lankan Orthodox tea remained relatively strong due to the reduced supply. However, despite an increase observed in the first quarter of 2018, the average export price of one kg of tea declined during the year to US dollars 5.06, in comparison to US dollars 5.29 in 2017, due to restricted trade with Iran and Russia following the imposition of sanctions on these countries. The volume of tea exported declined by 2.3% in 2018, compared to the previous year. In 2018, Turkey continued to be the number one importer of Sri Lankan tea, in value terms, followed by Russia, Iraq and Iran, jointly contributing for about 41% of earnings from tea exports.

Rubber production declined by 0.6% to 82.6 Mn Kg in 2018 from 83.1 Mn Kg produced in 2017. The production of sheet rubber, which accounts for about 50% share of total rubber production, declined by 0.5% to 41.3 Mn Kg from 41.5 Mn kg in 2017. Crepe rubber production recorded a considerable growth of 26.2% to 14.5 Mn Kg. Production of other categories of rubber, which accounts for 32.4% of total rubber production, declined by 11.1 % to 26.8 Mn Kg, in comparison to the previous year's production of 30.1 Mn Kg. At the Colombo Rubber Auction, the average price of Ribbed Smoked Sheet No.1 (RSS1) declined by 16% to Rs. 281.64 per Kg, while prices of latex crepe declined by 8.5% to Rs. 321.70 per

Kg. Low rubber prices in the international market coupled with lower domestic production resulted in an increase of raw rubber imports from 61.8 Mn Kg in the year 2017 to 65.8 Mn Kg during the year 2018 to meet the requirements on rubber based industries in the country.

### **COMPANY PERFORMANCE**

Whilst the Sri Lankan tea industry faced a range of difficulties and the rubber sector remained in the doldrums, the plantation sector was also impacted by another year of wage negotiations. Within this challenging environment, Horana Plantations achieved a commendable turnover of Rs. 2.0 Bn, while its Profit After Tax stood at Rs 4.8 Mn. Profitability was largely driven by the tea sector as rubber continued to make losses during the year, although tea prices also recorded a decline against 2017-18 averages. However, the Company's diversified portfolio returned encouraging results and contributed towards cushioning rubber-based losses to some extent.

Another positive indicator was the Horana Plantations tea rankings which remained within the top three slots of the Tea Board ranking in the high and low grown categories for the year 2018. This is a strong indicator of the quality focus of the tea sector operations, and the effectiveness of process improvements implemented in recent years.



### **GOVERNANCE AND COMPLIANCE**

Horana Plantations has maintained the highest standard of good governance during the year under review. The Company is fully compliant with all applicable social, financial and environmental regulations. Keeping with international best practices, the Company has invested in a framework of accreditations and certifications that ensure social, ethical and environmental standards that go well beyond the regulatory requirements of the country.

### **OUTLOOK FOR THE FUTURE**

The government decision towards the latter part of the current financial year to lift the ban on glyphosate must be hailed as a positive development that will support the plantation sector in the new financial year. Given the complex range of challenges faced by the Sri Lankan plantation industry today, a stable and predictable policy environment is vital for the industry's long term sustainability. Therefore, I would like to call on all industry stakeholders to support a clear policy direction with regard to the plantation sector.


Despite the various challenges, Horana Plantations will continue to push ahead with its diversification strategy by carefully evaluating market risks and opportunities and identifying new non-traditional crops for expansion. We will continue to repurpose older rubber lands for more lucrative crops. However, we will continue to maintain a strong core of mature, high yielding rubber

extent to support revenues when rubber prices become more favourable.

We will also continue to invest in modern technology solutions across the value chain for cost and productivity gains, as a core component of our sustainability strategy.

### **APPRECIATIONS**

In conclusion, I would like to thank the Board of Directors for their farsighted guidance of the Company in the current turbulent environment. I fully appreciate the collective contributions of the management team, estate managers and all employees, towards the advancement of the Company under the current challenging circumstances. I also thank all other stakeholders for their support and cooperation and look forward to their continued support in the coming years.



**Mohan Pandithage**  
*Chairman*

27th May 2019

## **MANAGING DIRECTOR'S REVIEW**





# Managing Director's Review

The year under review was a particularly difficult one for plantations, as the sector faced a gamut of challenges during the year. On top of wage negotiations that disrupted production activities in Tea and Rubber Estates, the plantation sector also had to put up with the vagaries of weather, domestic policy obstacles and adverse international developments. Against this macro scenario, I am pleased to report that Horana Plantations has unwaveringly maintained its strategic course to retain profitability for the year under review.

## **FINANCIAL PERFORMANCE**

The combination of poor trading conditions for both Tea and Rubber - where rubber prices continued downwards and tea auction averages were also lower than last year along with the decrease in tea crop due to adverse weather, particularly during the first six months of the year, caused the Company's bottomline to decline during the year. Consequently Horana Plantations earned a Profit Before Tax of Rs. 7 Mn for the Financial Year 2018-19 compared to the Profit Before Tax of Rs. 104 Mn in the previous financial year.

Although the rupee depreciated during the year, the plantation sector did not benefit from this situation as rupee gains were eroded by lower auction prices for tea and rubber, our primary income earners. Therefore, the Company's total revenue decreased by 10% against the previous financial year to Rs. 2.02 Bn.

While the revenues were constantly under downward pressure, the costs continued to increase with plantations having to contract large numbers of additional labour for weeding, as glyphosate, remained prohibited. The ban on glyphosate was lifted in September 2018, which was a positive development for the plantation sector and is a commendable policy change. However, the Company's operating costs increased year on year, due to a number of reasons including 40% increase in basic wage for the workers. Consequently, our gross profit decreased by 38% compared to the previous year of Rs. 165 Mn.

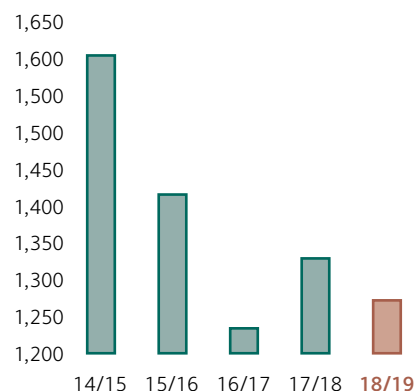
## **PERFORMANCE OF THE TEA SECTOR**

The Tea Sector revenues declined by 14% to Rs 1.59 Bn and profits for the year declined by 31% from the previous financial year to Rs189 Mn. This drop is due to the combination of higher costs, against lower average auction prices and lower outputs, compared to the previous year.

## Managing Director's Review

### Yield -Total (Tea)

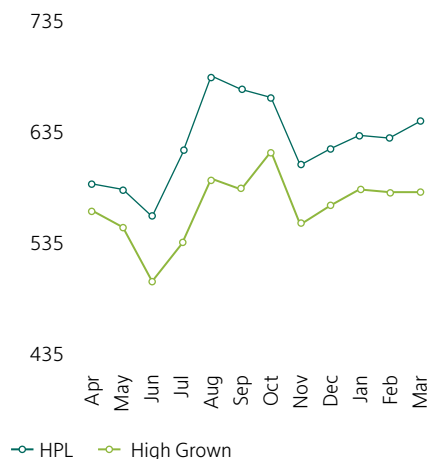
Mean Yield (kg/Ha)



### Gross Sale Average (GSA)

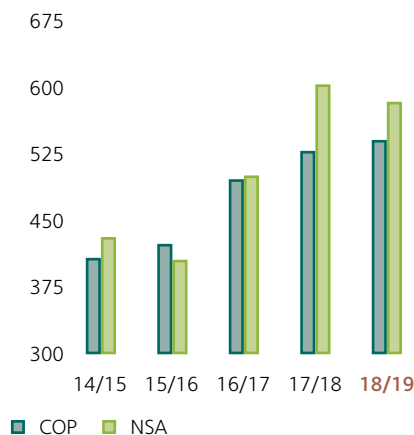
HPL Vs. High Grown

GSA Rs/Kg



### Tea - COP & NSA

Rs./Kg



Yield per hectare declined from 1,332 kg to 1,273 kg resulting in a total tea production reduction from 3.0 Mn kg, to 2.7 Mn kg, with both high grown and low grown crop intakes declining. The lower yield is due to the need to maintain quality of tea leaves even during adverse weather in addition to facing some work disruptions during wage negotiations.

The Company's Net Sales Average (NSA) for tea declined from Rs. 605.16 per kg last year, to Rs. 586.49 per kg due to the high grown NSA reducing from Rs. 610.13 per kg to Rs. 586.76 per kg. It is noteworthy that despite demand fluctuations low grows managed to achieve a NSA of Rs. 584.04 per kg, which is an improvement against the previous year's Rs. 580.05 per kg. Horana Plantations maintained its GSA Ranking and was placed 3rd in the High grown category and also 3rd in the overall Category among all Regional Plantation Companies.

Cost of Production meanwhile, pushed upwards from Rs. 530.53 per kg to Rs. 536.32 per kg, resulting in a reduction of profits. Overall however, the plucker productivity have improved despite adverse conditions.

### PERFORMANCE OF THE RUBBER SECTOR

Losses from rubber increased again this year with last year's loss of Rs. 35 Mn worsening to Rs. 64 Mn. Although the Company had a small increase in yield per hectare due to better productivity, prices for rubber continued to fall, which contributed to lower profitability and revenues against rapidly rising costs. Our total rubber production fell from 833,000 kg of estate crop last year, to 775,000 kg this year, which is in line with the strategic direction to reduce risk concentration on rubber in the current market downturn. Due to the lower global prices for natural rubber, the Rubber NSA fell from Rs. 307.22 per kg, to Rs. 249.06 per kg, while cost of production rose from Rs. 441.23 per kg last year, to Rs. 461.14 per kg.

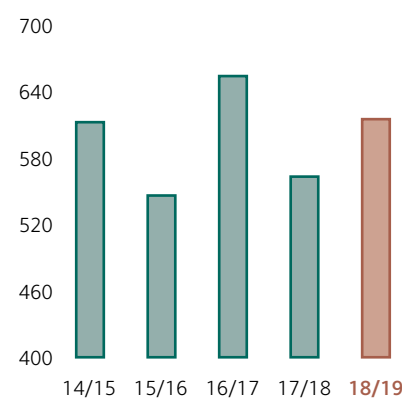
On the positive side, the yield per hectare has improved from 565 kgs last year, to 618 kgs this year reflecting the effectiveness of ongoing productivity measures.

### PROGRESS OF DIVERSIFICATION PLANS

With regard to our diversification strategy, I am pleased to report strong progress despite the unexpected setback to our Oil Palm cultivation plans. In 2013 we changed our traditional plantation business model by adopting a crop diversification strategy. Since then, we have been gradually repurposing older rubber lands towards more financially viable non-traditional

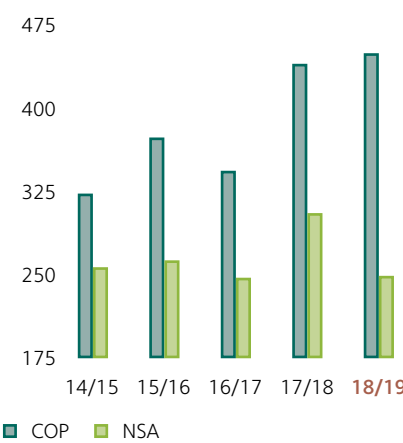
**Yield -Total (Rubber)**

Mean Yield (kg/Ha)



**Rubber - COP & NSA**

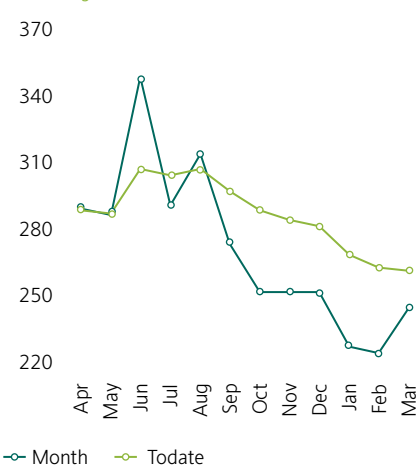
Rs./Kg



**Gross Sale Average (GSA)**

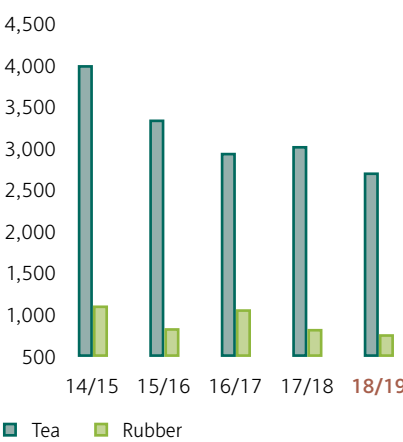
(Rubber)

GSA Rs/Kg



**Production - Tea & Rubber**

Kg. '000



commercial crops. An extent of 480 hectares was released for crop diversification in low country rubber plantations, while maintaining 1,638 hectares for rubber.

However, in the previous financial year, Oil palm cultivation, which was originally

our main diversified crop, was disrupted due to opposition from various parties. This matter has not been resolved and as a result, we had to slow down expansion plans of cultivating Oil Palm. As at end March 2019, Horana Plantations had an extent of 108 hectares of Oil Palm in production and

129 hectares of immature clearings. In the new financial year we will continue with our Oil Palm project due to already sunk investments, but at a slower pace.



*Oil Palm Nursery at Neuchatel Estate*

In addition to Oil Palm, Horana Plantations now has 74 hectares of Cinnamon, 107 hectares of Coconut and 72 hectares of fruit and other minor crops. While there is strong and growing demand for Cinnamon, we have now curtailed Cinnamon expansion due to high associated costs and scarcity of traditional cinnamon peelers. Coconut prices meanwhile, declined during the year due to the export ban and supply growth. Therefore, this sector did not reap a significant financial surplus in the current year. We have also expanded our commercial forestry cultivation of Eucalyptus and other Timber Species, which is now a Rs 550 Mn asset.



*Inter Cropping - Pineapple and Coconut at Millakanda Estate*

## Managing Director's Review

For the current financial year, we recorded an 86% increase in revenues from our total diversified portfolio from Rs 24.4 Mn last year to Rs 45.4 Mn, with Oil Palm contributing the most with a revenue of Rs 28.1 Mn.



*Young Cinnamon Plantation at Neuchatel Estate*

### **GOOD AGRICULTURAL PRACTICES**

Our expenditure on field development during the year was Rs 170 Mn. Horana Plantations maintain 2,201 hectares of Tea and 2,019 hectares of Rubber ensuring a strong and sustained supply of high quality plantation crop outputs. Our agricultural practices are guided by national environmental regulations and agro management quality systems. We are fully compliant with required national and international best practices and accreditations.

### **ADOPTING NEW TECHNOLOGIES**

The plantation sector is experiencing continuous out migration of traditional resident plantation labour, despite upward wage revisions under collective agreements and many benefits offered by plantation companies. At Horana Plantations, our total work force reduced from 5,825 to 5,769 in the current year, while the cost per employee decreased from Rs 238,047 to Rs 196,899. The labour costs account for 70% of total production costs.

As the risk of labour shortages continue to rise, we have moved proactively to deploy a counter strategy, by increasing machine and shear harvesting. This technology adoption drive will contribute towards continuing good agricultural practices and enhancing productivity. Further real time digitalize weighing scales and weigh bridges too will be introduced for weighing of green leaf which will improve speed, accuracy and efficiency. Most of the operational work related to diversification is mostly mechanized and land clearing, holing and draining are carried out by mechanical excavators.



*Shear Plucking at Alton Estate*

### **A NEW COLLECTIVE AGREEMENT**

I am indeed pleased that the latest collective agreement of 2018 was signed with minimum disruption to business, which is extremely important given the need to maintain market share in the current highly competitive global environment.

However, whilst applauding the cooperation from all parties involved, I strongly believe the decision to eliminate the productivity incentive from the current collective agreement is highly counterproductive. I believe this will further aggravate industry difficulties. The Sri Lankan plantation sector

is weighed down by lower productivity levels and higher costs than most other producers, which makes Ceylon Tea and also our natural rubber, uncompetitive in global markets. Therefore, enhancing productivity is not an option, but a necessity for industry survival.

The plantation sector remains one of the largest generators of foreign exchange for the country, and despite labour out-migration, is also one of the largest employers in the country. Our tea estates are home to a population close to one million. The welfare of these dependents is inextricably rely on the welfare of the industry. No other industry in the country is equipped to support such a significant population.

Therefore, I sincerely hope the authorities, the unions and plantation communities acknowledge the necessity of re-energizing this national legacy through collective efforts.

### **OPERATIONAL CHANGES**

A key change to our traditional plantation model was the introduction of the revenue share scheme. Under this system, instead of providing labour to the plantations, estate communities are given cultivated plots of estate land to maintain and harvest, under the Company's supervision. The harvest is then purchased by the Company. Unlike the traditional estate labour model, the revenue share scheme allows estate communities to have a sense of ownership in the business with dignity given for its labour. During the current year, we continued to strengthen the introduction of the revenue share model

in our tea estates and we hope to continue developing this system as a labour retention strategy.

### **CORPORATE SOCIAL RESPONSIBILITY**

In the current financial year, Horana Plantations carried out various welfare activities for estate communities. We also adopted a Child Protection Policy under our Save the Children Project for children of estate residents. Under this initiative our welfare teams have formed a Children's Club and built a club house and also conducted many awareness programmes on child rights for estate communities.



*Children's Club House at Gouravilla Estate*

In another major project, with funding support from the Adventist Development and Relief Agency (ADRA), we are planning to construct a water projects and field rest rooms in all five (5) upcot estates to improve sanitation standards. Please refer the Sustainability Report for more information on our community welfare activities.

### **AWARDS AND CERTIFICATIONS**

Hayles Plantations Sector including Horana Plantations PLC hosted its Annual Staff Recognition Ceremony to felicitate and celebrate the outstanding achievements of its estate staff for the year 2018. Awards were presented under five categories of estate

staff as Office, Production, Supervisory, Human Development and Support Services. Gold, Silver and Bronze awards were presented for the estate staff members who have excelled in their respective fields. Gold Award winners were provided an all-expenses paid foreign educational tour.

The Hayleys Plantations sector which include Horana Plantations, won the Gobar HR Excellence Award 2019 – for the Best HR Organization To Work For.



The Hayleys Plantations Sector which include Horana Plantations, won the Golden Globe Tigers Award for Excellence in HR Leadership for Best Advance Performance Management awarded by HRD Congress in Malaysia.

### **OUTLOOK AND PLANS**

Our focus in the new financial year will be on improving quality and productivity. In this context, we will keep our digitalisation plans on track, which can make significant contributions towards productivity improvements.

Under our diversification strategy, we will continue to expand to viable crop to our non-traditional crop portfolio. These products have strong global demand and will also reduce concentration risks faced by the Company.

As we head towards a new and more challenging era in the Sri Lankan plantation sector, I would like to thank the Chairman and Board for their guidance and support. I also thank the Horana Plantations management team and employees for partnering this new direction whole heartedly and with great commitment. I look forward to another successful year as we move forward.

**Dr. Roshan Rajadurai**  
*Managing Director*

27th May 2019

## BOARD OF DIRECTORS

### **MOHAN PANDITHAGE**

#### **Executive Chairman**

Joined the Hayleys Group in 1969. Appointed to the Hayleys PLC Board in 1998. Chairman and Chief Executive of Hayleys PLC since July 2009. Appointed as Chairman of Horana Plantations PLC in March 2017. Fellow of the Chartered Institute of Logistics & Transport (UK). Honorary Consul of the United Mexican States (Mexico), to Sri Lanka. Council Member of the Employers' Federation of Ceylon. Member of the Advisory Council of the Ceylon Association of Ship's Agents. Recipient of the Best Shipping Personality award by the Institute of Chartered Shipbrokers; Excellence Leadership Recognition – Institute of Chartered Accountants of Sri Lanka; Honored with lifetime achievement award at Seatrade – Sri Lanka Ports, Trade and Logistics; Life time award for most outstanding Logistics and Transport personality of the year – Chartered Institute of Logistics & Transport.

### **DHAMMIKA PERERA**

#### **Deputy Chairman**

Mr. Dhammika Perera is the quintessential strategist and business specialist with interests in a variety of key industries including Manufacturing, Banking and Finance, Leisure, Aluminium Extrusion, Packaging, Plantations, Lifestyle, Helthcare and Hydropower Generation. He has over thirty years of experience in building formidable business through unmatched strategic foresight.

Mr. Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resorts PLC, Vallibel Power Erathna PLC, Greener Water Ltd., Unidil Packaging Ltd, Delmege Limited, and LB Microfinance Myanmar Company Limited. He is the Co-Chairman of Hayleys PLC, The Kingsbury PLC, Singer (Sri Lanka) PLC. Executive Deputy Chairman of LB Finance PLC. He is also an Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys Fabric PLC and Dipped Products PLC.

### **DR. ROSHAN RAJADURAI**

#### **Managing Director**

Appointed as Managing Director of Horana Plantations PLC and as Director of Vallibel Plantation Management Limited effective March 2017.

Dr. Roshan Rajadurai is the Managing Director of Talawakelle Tea Estates PLC and Kelani Valley Plantations PLC. A member of the Hayleys Group Management Committee, holding overall responsibility of Plantation Sector of Hayleys PLC. Since 1993 -2001 held Senior Plantation Management position in Kelani Valley Plantations PLC and from 2002 – 2012 joined Kahawatte Plantations of Dilmah and was Director/CEO 2008 – 2012.

Holds a B.Sc. In Plantation Management, an MBA from the Post Graduate Institute of

Agriculture, University of Peradeniya, a D.Sc. from Wayamba University and a Ph.D from University of Hawaii, USA.

He was also the Chairman of the Planters' Association of Ceylon and was/is a member of the Sri Lanka Tea Board, Rubber Research Board, Tea Research Institute (TRI), Tea Council of Sri Lanka and the Tea Small Holdings Development Authority of Sri Lanka. He was the Chairman of the Consultative Committee on Estate and Advisory Services, a member of the Experiment and Extension Forum of the Tea Research Institute, a Member of the Consultative Committee on Research of the TRI. He is also a member of the Standing Committee on Agriculture, Veterinary and Animal Sciences of the University Grant Commission as well as a Member of the Arbitration and Mediation Steering Committee of the Chamber of Commerce.

### **J MANUJA KARIAPPERUMA**

#### **Director / Chief Executive Officer**

Director / Chief Executive Officer of Horana Plantations PLC since December 2013 and serves on the Board of Directors of Vallibel Plantation Management Ltd and Uni Dil Packaging Ltd. He is a Director of Plantation Human Development Trust.

He is in continuous service for 35 years in the Plantation Industry of which 26 years in the Senior Management capacity in the corporate sector.



He has functioned as Head of Produce/ Marketing at Hapugastenna Plantations PLC and Udupussellawa Plantations PLC managed by Finlays Tea Estates Lanka Ltd., as well as the Manufacturing Advisor of Balangoda Plantations PLC.

He is commissioned as Lieutenant Colonel in the Sri Lanka Army Volunteer Force as a Professional Officer and also has successfully completed a course in General Management Programme conducted by the Business School of National University of Singapore.

#### **L J A FERNANDO**

##### **Director**

Mr. Fernando was appointed as a Director of Horana Plantations PLC on 4th May 2001. He is also the Managing Director of Standard Trading Company (Pvt) Limited and a Director of LF Teas (Pvt) Ltd., STC Logistics (Pvt) Ltd., STC Trading House (Pvt) Ltd., and Marlinkspike Property Developers (Pvt) Ltd.

#### **K D H PERERA**

##### **Director**

Mr. Harendra Perera joined the Board of Horana Plantations PLC in December 2013. He is also a Director of Vallibel Leisure (Pvt) Ltd and holds directorships in other private sector companies which are under the Vallibel Group.

#### **A N WICKREMASINGHE**

##### **Director**

Mr. Wickremasinghe was appointed to Horana Plantations PLC in December 2013. Former Director of Udupussellawa Plantations PLC and Hapugastenne Plantations PLC.

Until early 2012, Mr Wickremasinghe was General Manager of Finlay Tea Estates Sri Lanka PLC - an integral part of a most respected business conglomerate in Sri Lanka, which commenced operations in 1893. It is owned by the global Swire Group, which has Tea estate holdings in Kenya and Sri Lanka.

Mr Wickremasinghe has extensive senior management experience and technical expertise in the plantation sector in Sri Lanka. His specialised training includes: Logging and harvesting trees in Germany's Black Forest; Plant breeding at the Ravi Shankar University in Raipur, India, and in Sloping Agriculture Land Technology in Mindanao, Philippines.

#### **SARATH GANEGODA**

##### **Director**

Mr. Ganegoda appointed to the Board of Directors of Horana Plantations PLC in September 2017 and currently serves as a Director of Hayleys PLC since 2009 and has responsibility for the Strategic Business Development Unit of Hayleys PLC. He had

worked for Hayleys Group between 1982 and 2002 and re-joined in 2007.

He had held several senior management positions in large private sector entities in Sri Lanka and overseas.

Fellow Member of Institute of Chartered Accountants of Sri Lanka and Member of Institute of Certified Management Accountants of Australia. Holds an MBA from the Postgraduate Institute of Management, University of Sri Jayewardenepura.

#### **S S SIRISENA**

##### **Director**

Mr. S S Sirisena joined the Sri Lanka Administrative Service (SLAS) in July 1982.

He has held several positions in the administrative service including the positions of Director General Telecommunications Regulatory Commission of Sri Lanka, Member Public Service Commission and Chairman National Savings Bank.

#### **K D G GUNARATNE**

##### **Director /Alternate Director**

Mr. Gunaratne studied at St. Thomas' College Mt. Lavinia and was a member of the Western Province Council during the period 1989 to 2009.

He currently holds the position of Chairman Lanka Hotels & Residences (Pvt) Ltd.

## Board of Directors

### **DR. N T BOGAHALANDE**

#### **Alternate Director**

Appointed to the Board of Horana Plantations PLC on 4th October 2013.

Dr. Bogahalande counts over 25 years of Managerial experience in Plantation, Manufacturing, Trading and Financial sectors.

Member of the Institute of Certified Management Accountants Australia, Associate Member of the Institute of Personnel Management (Inc) Sri Lanka, received his PhD from Management and Science University, Malaysia and published articles in international refereed journals and conference proceedings. He served as an Advisory Council Member and was conferred with the most prestigious 'Pride of HR Profession' award by World HRD Congress in 2006 and 2010 respectively.

He serves as the Group Head of Human Resources of Vallibel One PLC / Royal Ceramics Lanka PLC. He is also the Director of Talawakelle Tea Estates PLC, Vallibel Plantation Management Ltd., LB Management Services (Pvt) Ltd., Delmege Coir (Pvt) Ltd and Uni Dil Packaging Ltd.

## MANAGEMENT TEAM

### CORPORATE MANAGEMENT TEAM

**Dr. Roshan Rajadurai**  
Managing Director

**J. Manuja Kariapperuma**  
Executive Director/Chief Executive Officer

**U. K. Nawaratne**  
Deputy Chief Executive Officer

**B. H. Weerakoon**  
Deputy General Manager

**G. N. Ratnayake**  
Deputy General Manager - Oil Palm,  
Ancillary Crops and Other Projects

**B. L. W. Gunawardene**  
Deputy General Manager

**S. Jegathesan**  
Deputy General Manager

**Ms. P. M. Ediriweera**  
Assistant General Manager – Finance

**P. S. Samarakoon**  
Manager – Human Resource and  
Administration

**J. R. Gunathilake**  
Manager – Finance

**T. I. Wijekulasooriya**  
Accountant

**Ms. Y. C. Abeyawardena**  
Agricultural Economist

**C. J. K. Rupasinghe**  
Manager – Information Technology

**D. M. C. D. Gunathillake**  
Manager – Forestry & Ancillary Crops

**Chamika Jeewantha**  
Manager – Accounts and Business Analyst

**Nirosh Abeysinghe**  
Manager – Logistics and Administration

### ESTATE MANAGEMENT TEAM

#### **Upcot Cluster:**

Alton Estate - **S. Narayanan**  
Fairlawn Estate - **A. K. I. Silva**  
Gouravilla Estate - **B. L. W. Gunawardene**  
Mahanilu Estate - **A. J. M. L. Mangalaratne**  
Stockholm Estate - **P. S. Godage**

#### **Lindula Cluster:**

Bambrakelly Estate - **S. Jegathesan**  
Eildon Hall Estate - **M. C. Dunusinghe**  
Tillicoultry Estate - **J. C. Weerasekera**

#### **Low Country Cluster:**

Millakanda Estate - **M. A. G. Perera**  
Dumbara Estate - **I. D. Weerakoon**  
Halwatura Estate - **B. A. Nilanga Nuwan**  
Hillstream Estate - **W. N. M. Wijenayake**  
Kobowella Estate - **H. Katugaha**  
Neuchatel Estate - **G. N. Ratnayake**  
Mirishena Estate - **C. D. W. Kirinda**  
Procester Estate - **B. H. Weerakoon**

# Tapping into our growth potential

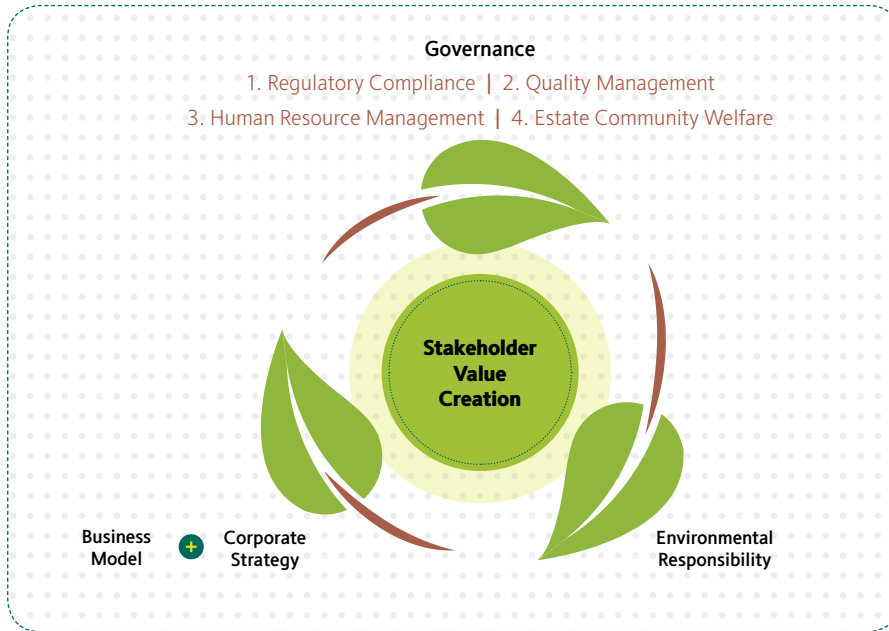






## SUSTAINABILITY REPORT

### HORANA SUSTAINABILITY MODEL



The Company's drive for sustainability is based on a commitment to ensure quality of products and safety of processes and adheres to ethical business practices by protecting the environment and the society.

### CORPORATE SOCIAL RESPONSIBILITY

Horana Plantations has initiated various measures to ensure our contribution towards all aspects of sustainability in our business practices. Apart from the core social projects implemented by the Company ancillary activities such as sports facilities, capacity building programmes and training & development programmes to all categories of employees, were also conduct many community welfare programmes.

We have encapsulated our community welfare activities in the of Happy Family concept, which we believe is the way forward for uplifting and protecting the plantation worker community to move the industry towards the future. In achieving this objective we have broadened the base of our social responsibility commitment and its furtherance, in different areas.



Inter Estate Volleyball Tournament at Eildon Hall Estate

### OUR COMMUNITY

Horana Plantations provides living facilities to approximately 32,400 persons living in family units. This large resident population spread over 16 estates located in two regions.

### HEALTH & NUTRITION

In 2018 Horana Plantations adopted a Child Protection Policy under the Save the Children Fund for the benefit of resident communities and their children. Other health initiatives conducted for estate communities include medical camps, improvements to health and sanitation infrastructure, housing and also programmes for maternal and children's health, communicable diseases and eye and dental care.

During the year we also commenced another major project, with funding support from the Adventis Development and Relief Agency, to construct a water system in estates to improve sanitation standards.



Eye Medical Camp at Neuchatel Estate



### IMPROVEMENTS TO LIVING STANDARDS

During the year under review the Company initiated several social development programmes to improve quality of life for the plantation community. Some of these projects were supported by Ministry of Infrastructure Development, the Plantation Human Development Trust and the National Housing Development Authority and by NGO's and other donor agencies .

The following projects were carried out during the year.

- 37 Child Development Centres are maintained by the company in its estates. Children between three months to ten years are provided with free meals
- Eye medical camp was organized with the assistance of Help age Sri Lanka and screened over 150 elderly resident workers, pensioners etc of Neuchatel , Kobowela , Mirishena and Frocester estates and cataract operations were carried out on 25 patients and around 65 of them were provided with free spectacles.
- School books and bags for 40 children of Neuchatel estate was distributed with the assistance of Rotary Club, Uptown at Neuchatel Estate.
- Medical camp was conducted on Gouravilla and Stockholm estates and about 400 workers were screened for hypertension, blood sugar etc.
- 158 housing units were built with an investment of 158 Mn under the Green Gold Housing projects and also for land slide victims.
- Estate Worker Housing Co-operative societies have granted Rs 18 Million as distress loans to workers



*Green Gold Housing Project Gouravilla Estate*



*World Elders and Children Day Celebrations at Neuchatel Estate*

### HUMAN RESOURCE MANAGEMENT

Horana Plantations was fully compliant with all applicable labour laws and other labour related regulations during 2018-19. The company did not face any fines or penalties for non compliance. All statutory payments including EPF, ETF, gratuity and others have been made on time.

#### Collective agreements

Out of the 5,769 total employees, about 93 % are plantation workers. Horana Plantations is a signatory to the plantation industry collective agreement for the period 2019-2020 and the Estate staff collective agreement of 2016. There has been no breach of agreement or industrial action during the financial year 2018-19.

#### Workforce as at end March 2019

Horana Plantations had a the total workforce of 5,769 as at end March 2019, compared to 5,825 in the previous year. Around 93% of this cadre comprises the plantation community workforce.

Total employees by employment grade

	2017-18	2018-19
Senior management	7	6
Executive	42	46
Non – Executive staff	373	274
Plantation workers	5,403	5,443
Total	5,825	5,769



*School Books and Bags Distribution at Neuchatel Estate*

## Sustainability Report

Total employees by gender

	2017 - 18	2018-19
Male	2,554	2,575
Female	3,271	3,194
Total	5,825	5,769

### WORKPLACE SAFETY A TOP PRIORITY ON HORANA PLANTATION ESTATES

Horana Plantation workers are provided with health and safety instructions, and Personal Protective Equipments (PPE) for work place safety. The Company conducts regular training on Health and Safety on all the estates and during the year under review a fire drill training was done for non executives and first aid training was conducted at Frocester and Millakande estates. Each estate is also provided with the services of qualified medical staff and an appropriate medical-welfare structure is in place to meet community requirements.

Occupational health risks have been addressed through specific awareness programmes, providing education on prevention and management. The ISO 22000: HACCP/Rain Forest Alliance and other relevant certifications obtained by the Company's processing centres, carry features which specifically protect workers from process related risks.



Chemical Sprayers at Mahanilu Estate

### TRAINING AND DEVELOPMENT OF OUR PEOPLE

Horana Plantations conducts ongoing training and development activities by contracting qualified resource personnel from various sources for employees to enhance their skills and knowledge. The training programmes for the year covered a wide range of topics in areas of General Management, Agricultural Operations, Occupational Health and Safety and Product Certifications with resource personnel from the National Institute of Plantation Management (NIPM), the Institute of Personal Management (IPM) and many others.

In 2018-19 the Company invested over Rs 1.3 Mn on training of employees with 310 employees receiving 904 hours of training during the year. Prior to the commencement of each year, the various training needs are identified and incorporated in to the training calendar for the year.

In house training sessions, and group training initiatives extend to the workforce at a corporate worker level as well as at a plantation level.

Training programmes for 2018-19 included general management, agricultural operations, occupational health and safety as well as product certifications.

### Training hours by employee category 2018-19

	Training hours
Senior management	15
Executive	37
Non – Executive staff	852
Total	904

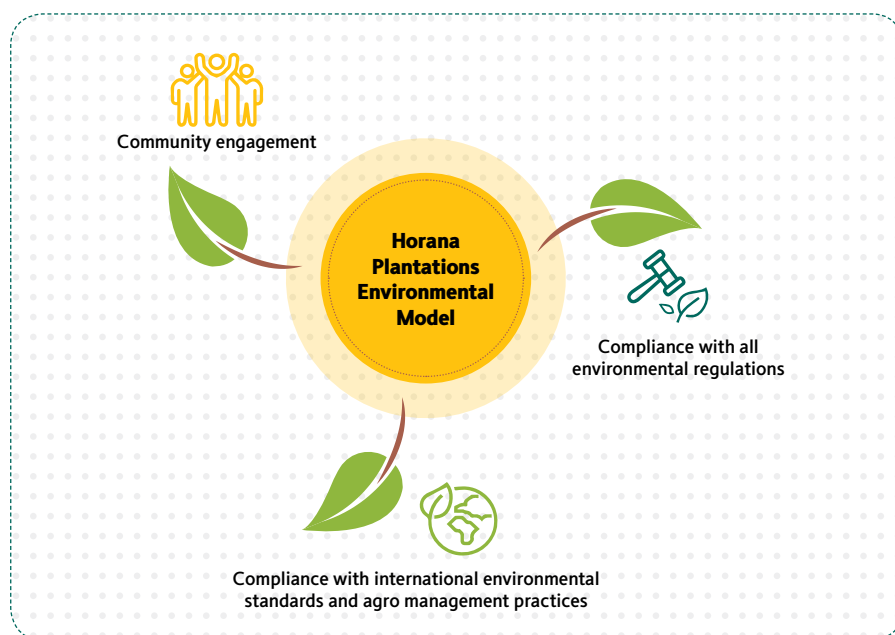
- Tea pluckers competitions were conducted on all upcountry estates. Winners were given certificates and prizes.
- Six field staff members attended NVQ Level 4 staff training programme
- First Aid and Fire drill programmes were carried out on Frocester and Millakanda Estate.
- Thirty two executives attended a Work shop on soil conservation and management at the University of Peradeniya
- Two executives attended the international Symposiun on agriculture and environment.



Winners of Plucker Competition at Alton Estate

## COMPANY COMMITMENT TO ENVIRONMENTAL HEALTH

### Horana Plantations environmental model



*Effluent Treatment Plant at Kobowella Estate*



*Forestry Block at Fairlawn Estate*

The Company is totally committed towards environmental sustainability with full compliance towards all applicable environmental laws and regulations. To ensure international best practices in all environmental aspects of the business Horana Plantations has invested in multiple layers of international best practices through a range of international certifications including the Rain Forest Alliance, Ethical Tea Partnership and the Forest Stewardship Council Certification. In addition, the Company involves all its employees and estate communities in managing natural resources and protecting the pristine environments of its tea and rubber estates.

We have adopted a scientific approach regarding habitat enrichment and also people awareness, which could potentially enhance the biodiversity value, watershed value and economic value of our plantations. Therefore, a comprehensive Biodiversity Manual has been developed which includes an Inventory of flora and fauna within our plantations in the Upcot region.

The following initiatives have been taken, aimed at contributing to environmental conservation.

- Ongoing programmes are active to conserve and protect high value ecosystems and all other natural ecosystems on our plantations, to increase native plant cover, while controlling invasive species.
- Waste bins have been constructed in Upcot estates as a part of an Integrated Waste Management system to segregate and properly dispose waste such as glass, plastic, paper, and bio degradables. Construction of waste bins on plantations is in a phase-out programme in view of having a well organised waste disposal system.
- The community is educated about water conservation initiatives, also waste water soakage pits are constructed in worker houses to discharge domestic waste water, to prevent pollution of water bodies.

# Sustainability Report

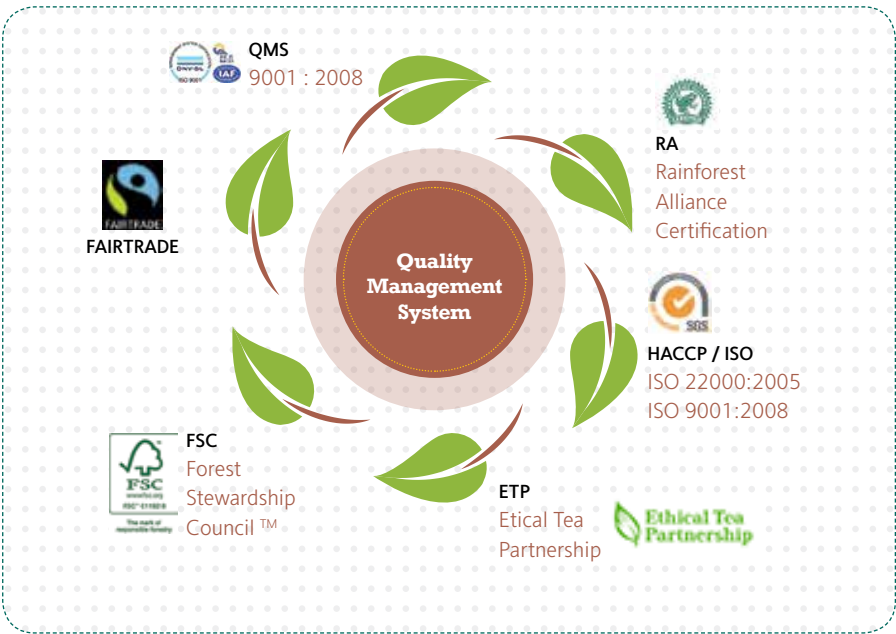
## QUALITY MANAGEMENT AT HORANA PLANTATIONS

### Horana Plantations quality management system

Horana Plantations has a system of different international quality standards which includes ISO standards on manufacturing processes, international food health and safety standards, environmental standards, sustainable agro-management standards, and ethical standards.

### Food safety standards

Horana Plantations has adopted the ISO 22000 and the HACCP international food safety standards to ensure consumer health and welfare. In addition the Company maintains good agricultural and manufacturing practices, to safeguard the health aspects of products.



### Certified Estates as at end March 2019

Certification	Certified estates
HACCP / ISO 22000:2005	07 Tea Estates
Ethical Tea Partnership (ETP) and Fair Trade	08 Tea Estates
Rainforest Alliance Certification (RA)	08 Tea Estates
Forestry Stewardship Council <sup>TM</sup> ( FSC <sup>TM</sup> )	06 Rubber Estates
QMS 9001:2008	02 Rubber Factories
Fair Trade	02 Tea Estates and 01 Rubber Estate

### ISO 22000:2005/ HACCP Certification

The products from our tea factories have been periodically tested by accredited laboratories to ensure that they conform to the minimum permitted levels of agro-chemicals, heavy metals and micro biological content. The process will also be regularly evaluated to ensure its conformity to safe and hygienic parameters by way of internal and external Audits. All our factories are accredited with ISO 22000:2005/HACCP Certifications and Annual Surveillance Audits have been carried out by SGS Lanka and revalidated during the year under review.

### ISO 9001:2008 /QMS Certification

Neuchatel and Frocester Estates have been certified with 9001:2008/ QMS Certification during the year under review. Further training of staff/ workers on the standards of the certificate are being conducted.

### Forest Stewardship Council <sup>TM</sup> (FSC <sup>TM</sup>)

The existing FSC certification in respect of all the Rubber Plantations were revalidated during the year under review. This accreditation certifies that the agricultural management of the rubber plantations is consistent with parameters of environmentally sound management, as defined by the FSC certification.



Quality is Our Top Priority



### **Ethical Tea Partnership (ETP)**

The Company's relationship with the ETP certification programme has continued to grow during the year under review. As a part of its monitoring and certification programme ETP has expanded its responsibilities in addressing the issues of adapting to the impacts of climate change, safe usage of agrochemicals and initiatives on water management, apart from other outcomes such as its lead role in assessing social issues on plantations. As the international markets demand increasingly high social and environmental standards, the accreditation of ETP certificates on our plantations will immensely benefit trading of our produce in varying market conditions.

### **Rainforest Alliance Certification (RA)**

The Sustainability Agriculture Network (SAN) promotes efficient agriculture, biodiversity conservation and sustainable community development by creating social and environmental standards. SAN advocates best management practices across agricultural value chains by encouraging plantations to comply with SAN standards.

A series of activities related to SAN have been carried out and also awareness on objectives of Rainforest certification has been communicated to the estate community, through a series of training sessions by the RA sustainability team. This certification which encompasses sustainable agricultural standards will add value to the Company's major product lines and will be capitalised particularly amongst leading buyers.

### **Fair Trade Certification**

The Fair Trade product certification system was initially accredited to Stockholm Estate and Alton Estates and as the benefits from this certification to the estate community has been immense, the Company continued to advocate Fair Trade policies in other estates as well.

### **Recognitions and Awards**

During the year, Hayleys Plantations sector including Horana Plantations was recognised for its admirable human resource development and administration strategies with the Globle HR Excellence Awards -2019 and the Golden Globe Tigers Award for excellence in HR Leadership for best Advance Performance Management awarded by HRD Congress in Malaysia.

Horana Plantations won a Certificate of Compliance at the Annual Report Award Ceremony conducted by the Chartered Institute of Accountants Sri Lanka.

Horana Plantations PLC hosted its inaugural Annual staff Recognition ceremony to felicitate and celebrate the outstanding achievements of its estate staff for the year 2018. Awards were presented under five categories of estate staff as Office, Production, Supervisory , Human Development and support . Gold, Silver and Bronze awards were presented for the estate staff members who have excelled in their respective fields.



*Annual Staff Awards Ceremony 2018*

Sustainable business that contributes to sustainable lifestyles is the core of the Horana Plantations business philosophy and we believe this is the key to longevity of the plantation sector of Sri Lanka, which is in the throes of change that is affecting the very foundations of this centuries old industry. As we continue to evolve and grow, Horana Plantations will remain true to its sustainable business model and will continue to invest in environmentally friendly agricultural practices and socially beneficial corporate policies to ensure the continued prosperity of this historic industry in a fast changing world. In the coming year, we hope to make greater progress towards our sustainable growth objectives.

# Harvesting the results of our endeavours







## STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors of Horana Plantations PLC values the guiding principles of good corporate governance to adopt best practices and maintain high standards of business ethics and integrity in all our activities. The Company complies with standards of sound business and accounting codes, which conform to the best practices set out by the institute of Chartered Accountants of Sri Lanka and Securities Exchange Commission of Sri Lanka.

### **BOARD OF DIRECTORS**

The Company's Board consists of ten (10) Directors, of whom three (3) are Executive Directors, two (02) Non – Executive Directors and five (05) are Independent Non – Executive Directors.

An Audit Committee, Remuneration Committee and Related Party Transactions Review Committee function as Board Sub Committees. The composition of the said Committees is as follows:

### **AUDIT COMMITTEE**

**Mr S .C Ganegoda** - *Chairman*  
**Mr K D G Gunaratne**  
**Mr S S Sirisena**

### **REMUNERATION COMMITTEE**

**Mr K.D.G Gunaratne** - *Chairman*  
**Mr S .C Ganegoda**  
**Mr S S Sirisena**

### **RELATED PARTY TRANSACTIONS REVIEW COMMITTEE**

**Mr S .C Ganegoda** - *Chairman*  
**Mr K D G Gunaratne**  
**Mr S S Sirisena**

The Board meetings are held on a regular basis and have a formal schedule of matters reserved to it. The Board is supplied with full and timely information to enable it to discharge its responsibilities, effectively. During the past year the Board held six (06) scheduled meetings.

### **CORPORATE MANAGEMENT**

The management of the business of the Company have been contracted to the Managing Agent of the Company, Hayleys PLC. The Board has delegated the primary authority to Managing Director to implement and adopt policies and the strategic objectives of the Company in line with the policies and objectives of the Hayleys Plantations Sector. He is assisted by Chief Executive Officer, Deputy Chief Executive Officer, Assistant General Manager – Finance, Manager – Human Resource & Administration, Deputy General Managers in Upcot and Lindula Clusters, Deputy General Manager - Low - Country Properties and Deputy General Manager – Oil Palm and Ancillary Crop. Management committee meetings are held monthly to ensure that the Company's strategies and plans are carried out effectively to the satisfaction of the Board.

Managing Director, Chief Executive Officer and the Management committee are responsible for the establishment and monitoring financial controls on operations, annual budgets monthly operational reviews, capital expenditure proposals and quarterly performance appraisals, prior to recommending to the Board.

### **DISCLOSURE OF INFORMATION AND COMPLIANCE**

The Financial Statements of the Company are prepared in accordance with the Sri Lanka Accounting Standards and in accordance with the requirements of the Colombo Stock Exchange.

PW Corporate Secretarial (Pvt) Ltd who act as Secretaries to the Company advise the Board on appropriate procedures for the management of its meetings and duties, as well as the compliance of Corporate Governance in the Company.

Levels of compliance with the CSE's Listing Rules - Section 7.10 Rules on Corporate Governance are given in the following table:-

Section		Subject	Applicable Rule	"Compliance Status"
7.10.	(a)	Compliance with Corporate Governance Rules	Publishing a statement in the Annual Report for the financial year confirming compliance with the Corporate Governance Rules.	Complied
7.10.	(b)	Relevant Affirmative Statements on complying with Corporate Governance Rules	Giving an affirmative statement in the Annual Report with regard to complying with Corporate Governance Rules or vice versa.	Complied
7.10.1	(a)	Non-Executive Directors	At least one-third of the total number of Directors should be Non-Executive Directors	Complied
7.10.2	(a)	Independent Directors	Two or one third of Non-Executive Directors whichever is higher, should be Independent.	Complied
	(b)	Independent Directors' Declaration	Each Non-Executive Director should submit a declaration of independence / non- independence in the prescribed format.	Complied
7.10.3	(a)	Disclosure relating to Directors	The Board shall annually make a determination as to the independence or otherwise of the Non-Executive Directors and names of Independent Directors should be disclosed in the Annual Report	Complied
	(b)	Disclosure relating to Directors	The basis of the Board to determine a Director is Independent, if criteria specified for Independence is not met.	Complied
	(c)	Disclosure relating to Directors	A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise	Complied
	(d)	Disclosure relating to Directors	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 Exchange	Complied
7.10.4	(a) to (h)	Defining Independence	Criteria for defining independence	Complied

## Statement of Corporate Governance

Section		Subject	Applicable Rule	"Compliance Status"
7.10.5		Remuneration Committee	A listed Company shall have a Remuneration Committee.	Complied
	(a)	Composition of Remuneration Committee	Shall comprise of Non-Executive Directors a majority of whom will be independent.	Complied
	(b)	Functions of Remuneration Committee	The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and Executive Directors	Complied
	(c)	Disclosure in the Annual Report relating to Remuneration Committee	The Annual Report should set out; a) Names of the Directors comprising the Remuneration Committee b) Statement of Remuneration Policy c) Aggregated remuneration paid to Executive and Non-Executive Directors	Complied
7.10.6		Audit Committee	The Company shall have an Audit Committee	Complied
	(a)	Composition of Audit Committee	a) Shall comprise of Non-Executive Directors a majority of whom will be Independent b) One Non- Executive Director shall be appointed as Chairman of the Committee c) Chief Executive Officer and Chief Financial Officer shall attend Committee meetings d) The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Complied



Section		Subject	Applicable Rule	"Compliance Status"
	(b)	Audit Committee Functions	<p>Functions shall include:</p> <ul style="list-style-type: none"> <li>a) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements in accordance with Sri Lanka Accounting Standards.</li> <li>b) Overseeing of the compliance with financial reporting requirements, information requirements of the Company's Act and other relevant financial reporting related regulations and requirements.</li> <li>c) Overseeing the processes to ensure that the internal controls and risk management are adequate to meet the requirements of the Sri Lanka Auditing Standards.</li> <li>d) Assessment of the independence and performance of the External Auditors.</li> <li>e) Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors and approve the remuneration and terms of engagement of the External Auditors.</li> </ul>	Complied
	(c)	Disclosure in the Annual Report relating to Audit Committee	<ul style="list-style-type: none"> <li>a) Names of Directors comprising the Audit Committee.</li> <li>b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.</li> <li>c) The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions.</li> </ul>	Complied

By Order of the Board  
Horana Plantations PLC



**P W Corporate Secretarial (Pvt) Ltd**  
Secretaries

Colombo  
27th May 2019



## **RISK MANAGEMENT**

The Board of Directors places special emphasis on management of business risks together with the management committee ensures that the sound system of controls including financial operational and compliance are in place to safeguard shareholder investment and assets and reviews regularly the effectiveness of such controls.

The following are some of the major risk factors and actions implemented reduced to eliminate risk.

### **OPERATIONAL RISK**

A sound internal control system is a key factor in safeguarding tangible and intangible assets. The Company has satisfactory system of internal control in place and periodic checks are carried out at estate level and regular reviews are undertaken to ensure the Company's assets are safeguarded and to minimize financial losses. The Company has designed internal control and training programmes for employees at all levels. The Company has implemented a centralized purchasing policy in order to get the best advantage of the cost benefit.

The Company strives to produce high quality Tea and Rubber products whilst maintaining internationally accepted certifications to retain competitive positioning in the market. Crop diversification in to Oil Palm and other ancillary crop has mitigated the risk of dependency on rubber sector

### **INTEREST RATE RISK**

Adverse effect on fluctuating interest rates need to be minimized as it has a significant impact on profitability and cash flow. Company manages and mitigates interest rate risk by utilizing concessionary and advantageous lending rates.

### **LIQUIDITY RISK**

Availability of sufficient funds is crucial as the industry is cyclical and the returns are long term. In order to mitigate the risk Company' borrowings are suitably structured to ensure the availability of sufficient liquidity to meet debt commitments and other operational requirements.

### **WEATHER**

The Company's product portfolio being Tea and Rubber in equal proportion has mitigated the adverse effects on climatic changes. The Company adopts prudent agricultural practices such as TRI recommended clones and also rain guards for Rubber trees in order to minimize the loss on crop due to adverse weather conditions.

### **LEGAL AND REGULATORY RISK**

Legal risks are those risks resulting from legal consequences causing financial losses. The Company with the assistance of its legal advisers and secretaries ensures compliance of all legislative and regulatory requirements including corporate governance, labour relations and requirements of Security and Exchange Commission and Colombo Stock Exchange. The Company also obtain expert advice from Auditors, Tax consultants, Actuaries and advisory services of Tea Reaearch Institute and Rubber Research Institute.

### **REPUTATION RISK**

Reputation is considered as most valuable asset of the Company as non-compliance may lead to loss of reputation and financial loss. The Company's systems and procedures cover the areas such as maintenance of quality, health and safety and environmental issues and ensure that best practices are followed. The Company maintains international standardization accreditations such as HACCP/ ISO 22000:2005, Rain Forest Alliance , Ethical Tea Partnership (ETP), Fair Trade certifications held at present by our estates.

### **HUMAN RESOURCE**

The Plantation sector employs a large workforce and they are highly unionized. In order to mitigate the risk of industrial disputes and work stoppages a collective agreement is signed between the Trade Unions and the Employers' Federation of Ceylon, which our Company is a member. The Company considers Human resource management is vital for the business continuity. Training, Development and performance management, motivation and empowerment are practiced to reduce the impact.

### **INFORMATION RISK**

Accurate and timely information is vital for decision-making and control. The Company has a fully integrated information system with our estates and head office in order to produce accurate and reliable information. The system integrity is reviewed constantly and maintained by the software provider and uses licensed software.

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

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

## GENERAL

Horana Plantations PLC is a public limited liability company which was incorporated under the Companies Act No. 17 of 1982 on 22nd June 1992, and re-registered as per the Companies Act, No.7 of 2007 on 18th March 2008 and bears registration number PQ 126. Accordingly, the name of the Company has changed to Horana Plantations PLC.

## PRINCIPAL ACTIVITIES OF THE COMPANY AND REVIEW OF PERFORMANCE DURING THE YEAR

The principal activity of the Company, which is cultivation and processing of Tea and Rubber, remained unchanged.

A review of the business of the Company and its performance during the year with comments on financial results and future strategies and prospects are contained on the Chairman's Review and the Managing Director's Review (pages 08 to 17).

This report together with the Financial Statements reflect the state of affairs of the Company.

## FINANCIAL STATEMENTS

The complete Financial Statements of the Company duly signed by two Directors on behalf of the Board and the Auditors, are given on pages 48 to 116.

## SUMMARIZED FINANCIAL RESULTS

	31st March 2019 Rs. '000	31st March 2018 Rs. '000
Revenue	2,020,360	2,248,262
Total Comprehensive Income for the year	(70,382)	49,147
Retained Earnings	1,017,916	1,100,798

## AUDITORS' REPORT

The Report of the Auditors on the Financial Statements of the Company is given on pages 48 to 52.

## ACCOUNTING POLICIES

The Financial Statements of the Company have been prepared in accordance with the revised Sri Lanka Financial Reporting Standards (SLFRS/LKAS) and the policies adopted thereof, are given on pages 58 to 75.

## DIRECTORS

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 18 to 20.

### Executive Directors

Mr. A M Pandithage	- Executive Chairman
Dr. Roshan Rajadurai	- Managing Director
Mr. J M Kariapperuma	- Executive Director

### Non - Executive Directors

Mr. Dhammika Perera	- Deputy Chairman*
Mr. K D H Perera	- Director**

### Independent Non - Executive Directors

Mr. L J A Fernando	- Director
Mr. A N Wickremasinghe	- Director
Mr. S C Ganegoda	- Director
Mr. S S Sirisena	- Director (Appointed w.e.f.1st June 2018)
Mr. K D G Gunaratne	- Director (Appointed w.e.f. 4th December 2018)

* Mr. K D G Gunaratne	- Alternate Director to Mr. Dhammika Perera
**Mr. N T Bogahalande	- Alternate Director to Mr. K D H Perera

## Annual Report of the Board of Directors on the Affairs of the Company

Mr. K D G Gunaratne was appointed to the Board as an Independent Non-Executive Director on 4th December 2018.

Mr. K D H Perera and Mr. J M Kariapperuma retire by rotation at the conclusion of the Annual General Meeting in terms of Articles 92 of the Articles of Association and being eligible is recommended by the Directors for re-election.

The Directors have recommended the re-appointment of Mr. A N Wickremasinghe who is over 70 years of age, as a Director of the Company; and accordingly a resolution will be placed before the shareholders in terms of Section 211 of the Companies Act in regard to the re- appointment of Mr. A N Wickremasinghe.

Mr. K D G Gunaratne who was appointed during the year shall retire in terms of Article 98 of the Articles of Association of the Company and being eligible, is recommended by the Directors for re-election.

### **INTERESTS REGISTER**

The Company maintains an Interests Register in terms of the Companies Act, No. 7 of 2007, which is deemed to form part and parcel of this Annual Report and available for inspection upon request.

All related party transactions which encompasses the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period are recorded in the Interests Register in due compliance with the applicable rules and regulations of the relevant Regulatory Authorities.

The relevant interests of Directors in the shares of the Company as at 31st March 2019 as recorded in the Interests Register are given in this Report under Directors' shareholding.

### **DIRECTORS' REMUNERATION**

The Directors' remuneration is disclosed under key management personnel compensation in Note 35.3 to the Financial Statements on page 106.

### **DIRECTORS' INTERESTS IN CONTRACTS**

Directors' interests in contracts with the Company are stated in Note 35.2 to the Financial Statements. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company. Except for the transactions referred to in Note 35.2 to the Financial Statements, the Company did not carry out any transaction with any of the Directors. The Company carried out transactions during the year in the ordinary course of its business at commercial rates with the following director related entities :-

Vallibel Plantation Management Ltd  
Uni-Dil Packaging Ltd.  
Uni-Dil Paper Solutions Ltd  
Lanka Ceramic PLC  
Royal Ceramics Lanka PLC  
The Kingsbury PLC  
Hayleys PLC  
Hayleys Business Solutions International (Pvt) Ltd  
Logiwiz Limited  
NYK Lanka (Pvt) Ltd  
Hayleys Agriculture Holdings Limited  
Hayleys Agro Fertilizer (Pvt) Ltd  
Singer Sri Lanka PLC  
Puritas (Pvt) Ltd

Kelani Valley Plantations PLC  
Talawakelle Tea Estates PLC  
Delmage Forsyth & Co.,Ltd  
Diesel & Motor Engineering PLC

### **DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING**

The Directors are responsible for the preparation of Financial Statements of the Company to reflect a true and fair view of the state of its affairs. A further statement in this regard is included on page 41.

### **AUDITORS**

Messrs KPMG, Chartered Accountants served as the Auditors during the year under review. Based on the written representations made by the Auditors, they do not have any interest in the Company other than as Auditors.

The audit fee payable to the Auditors for the year under review is Rs. 2,376,000.00.

The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on 27th May 2019 recommended that they be re-appointed as Auditors. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

### **STATED CAPITAL**

The Stated Capital of the Company is Rs.250,000,010/-, divided into Twenty Five Million (25,000,000) Ordinary Shares and One (01) Golden Share.

### **DIRECTORS' SHAREHOLDING**

The relevant interests of Directors in the shares of the Company as at 31st March 2019 are as follows;

	Name of Directors	No. of Shares	%
1	Mr. A M Pandithage	-	-
2	Mr. Dhammika Perera	-	-
3	Dr. Roshan Rajadurai	1000	0.004
4	Mr. J Manuja Kariapperuma	-	-
5	Mr. L J A Fernando	-	-
6	Mr. K D H Perera	-	-
7	Mr. A N Wickremasinghe	-	-
8	Mr. S C Ganegoda	-	-
9	Mr. S S Sirisena	-	-
10	Mr. K D G Gunaratne (Director/Alternate Director to Mr. K D D Perera)	-	-
11	Dr. N Bogahalande (Alternate Director to Mr. K D H Perera)	-	-
	Total	1000	0.004

### **MAJOR SHAREHOLDERS, DISTRIBUTION SCHEDULE AND OTHER INFORMATION**

Information on the distribution of shareholding, analysis of shareholders, twenty largest shareholders of the Company and percentage of shares as per the Listing Rules of the Colombo Stock Exchange are given on page 120 to 125 under Share Information. Market values per share, earnings, dividends and net assets per share are given on page 119.

### **EMPLOYMENT POLICY**

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

As at 31st March 2019 - 5,769 persons were in employment (5,825 persons as at 31st March 2018).

### **RESERVES**

The reserves of the Company with the movements during the year are given in Note 22 to 23 to the Financial Statements on page 89.

### **LAND HOLDINGS**

The Company does not own any freehold property.

### **PROPERTY, PLANT & EQUIPMENT**

Details and movements of property, plant and equipment are given under Notes 13 to 16 to the Financial Statements on pages 80 to 87.

### **CAPITAL EXPENDITURE**

The total capital expenditure during the year including the capitalization of borrowing cost amounted to Rs 179.112 Million compared to Rs.252.586 Million incurred in the previous year.

### **DIVIDENDS**

The Directors have declared a payment of an interim dividend of Rs. 0.50 per share amounting to Rs. 12,500,000.50 (31st March 2018 - Nil), on 5th June 2018 and was paid on 4th July 2018.

### **DONATIONS**

The Company has not made any donations to approved charities during the year under review. (31st March 2018 - Nil)

### **RISK MANAGEMENT**

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

Specific steps taken by the Company in managing the risks are detailed in the section on Risk Management on pages 36.

### **STATUTORY PAYMENTS**

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of, and in respect of employees of the Company and all

## Annual Report of the Board of Directors on the Affairs of the Company

other known statutory dues as were due and payable by the Company as at the Reporting date have been paid or, where relevant provided for, except for certain assessments where appeals have been lodged.

### **CONTINGENT LIABILITIES**

Except as disclosed in Note 32 to the Financial Statements on page 101, there were no material Contingent Liabilities as at the Balance Sheet date.

### **EVENTS OCCURRING AFTER THE REPORTING DATE**

Except for the matters disclosed in Note 34 to the Financial Statements on page 101, there are no material events subsequent to the reporting date which require adjustment to, or disclosure in the Financial Statements.

### **CORPORATE GOVERNANCE**

The Board of Directors confirm that the Company is compliant with section 7.10 of the Listing Rules of the CSE.

An Audit Committee, Remuneration Committee and Related Party Transaction Review Committee function as Board sub committees, with Directors who possess the requisite qualifications and experience.

The composition of the said committees is as follows.

#### **AUDIT COMMITTEE**

- Mr. S C Ganegoda - Chairman
- Mr. K D G Gunaratne
- Mr. S S Sirisena

#### **REMUNERATION COMMITTEE**

- Mr. K D G Gunaratne - Chairman
- Mr. S C Ganegoda
- Mr. S S Sirisena

#### **RELATED PARTY TRANSACTION REVIEW COMMITTEE**

- Mr. S C Ganegoda - Chairman
- Mr. K D G Gunaratne
- Mr. S S Sirisena

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

The Corporate Governance Statement on pages 32 to 35 explains the measures adopted by the Company during the year.

### **CORPORATE SOCIAL RESPONSIBILITY**

The Company continued its Corporate Social Responsibility Programme, details of which are set out on pages 24 to 29 of this Report.

### **ANNUAL GENERAL MEETING**

The Notice of the Twenty Sixth (26th) Annual General Meeting appears on page 130.

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



**A M Pandithage**  
*Chairman*



**Dr. Roshan Rajadurai**  
*Managing Director*



**P W Corporate Secretarial (Pvt) Ltd**  
*Secretaries*

Colombo  
27th May 2019



## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are required by the Companies Act to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit and loss for that period.

In preparing the financial statements, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made. Relevant accounting standards have been followed.

The Directors are responsible for maintaining adequate accounting records, for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities.

Accordingly, the Directors have taken all reasonable steps to ensure that proper books of accounts of the Company has been maintained and that the financial statements have been prepared in compliance with the Sri Lanka Accounting Standards.

By Order of the Board  
Horana Plantations PLC



**P W Corporate Secretarial (Pvt) Ltd**  
*Secretaries*

Colombo  
27th May 2019

## REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee appointed by the Board of Directors comprises of three (03) Independent Non-Executive Directors as follows:

**Mr K.D.G Gunaratne** - *Chairman*

**Mr. S.C Ganegoda**

**Mr S S Sirisena**

The Remuneration Policy on remuneration packages is to attract and retain the best professionals and an experienced workforce and motivate, encourage high levels of performance in a competitive environment bearing in mind the business performance and stakeholder expectations.

The Committee met once during the year. The meetings were for the purpose of examining the remuneration package of Director/ Chief Executive Officer and the Management Staff ,their respective performances and deciding on appropriate remuneration packages for them; as well as determining incentives based on Company performance for all management staff.

The Committee also reviewed data concerning remuneration packages among comparable Companies. Managing Director and Chief Executive Officer assists the Committee by providing all relevant information with regard to compensation package. Performance Evaluation method to compensate employees is in place and succession plans have been defined.



**K.D.G Gunaratne**

*Chairman – Remuneration Committee*

Colombo  
27th May 2019

## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

### **ADOPTION OF THE CODE OF BEST PRACTICES ON RELATED PARTY TRANSACTIONS**

The Board of Directors of Horana Plantations PLC (HP-PLC) adopted the Code of Best Practices on related party transactions issued by the Securities and Exchange Commission of Sri Lanka (SEC) and established the Related Party Transactions Review Committee (RPTRC) in March 2016.

### **PURPOSE OF THE COMMITTEE**

The purpose of the RPTRC of HP-PLC is to conduct an independent review approval and oversight of all related party transactions of HP-PLC and to ensure that the Company complies with the rules set out in the Code. The primary objectives of the said rules are to ensure that the interests of the shareholders as a whole are taken into account when entering into related party transactions, and to prevent Directors, key management personnel or substantial shareholders from taking advantage of their positions. To exercise this purpose the Committee has adopted the related party transaction Policy which contains the company's Policy governing the review, approval and oversight of related party transactions.

### **COMPOSITION OF THE COMMITTEE**

**Mr S.C Ganegoda** - *Chairman*  
**Mr K.D.G Gunaratne**  
**Mr S.S. Sirisena**

PW Corporate Secretarial (Pvt) Ltd, the Company Secretary functions as the Secretary to the Committee.

The Director / Chief Executive Officer and Assistant General Manager - Finance attend meetings by invitation.

### **MEETINGS**

The Committee held four (04) meetings during the year under review. All the members attended the meeting and the minutes of the Committee meeting were tabled at Board meeting, for the review of the Board.

### **RESPONSIBILITIES OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE**

The following are key responsibilities have been set out in the Charter for RPTRC:

- a) Ensure that the Company complies with the rules set out in the Code
- b) Subject to the exceptions given under Rule 27 of the Code, review, in advance all proposed related party transactions
- c) Perform other activities related to the Charter as requested by the Board
- d) Have meetings every fiscal quarter and report to the Board on the Committee's activities
- e) Share information with the Audit Committee as necessary and appropriate, to permit the Audit Committee to carry out its statutory, regulatory and other responsibilities with regard to related party transactions

- f) Review the Charter and Policy at least annually and recommend amendments to the Charter and Policy to the Board as and when determined to be appropriate by the Committee.

### **PROCEDURES FOR REPORTING RPT'S**

The Director / Chief Executive Officer is responsible for reporting to the Committee, for its review and approval the information set out under Rule 30 of the Code at the minimum, in respect of each related party transaction proposed to be entered into other than the exceptions given in Rule 27 of the Code. Moreover, on a quarterly basis, the Director / Chief Executive Officer is required to report to the Committee on the approved related party transactions actually entered into by the Company.

The Committee has approved the Related Party Transactions Declaration Form required to be filled by the Directors and key management personnel of the Company. The Company uses this form to capture the related party transactions at the end of every quarter.

### **REVIEW OF RELATED PARTY TRANSACTIONS**

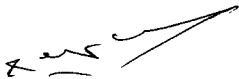
The Committee reviewed all related party transactions of the Company for the financial year 2018/19. It was observed that all related party transactions entered during the year were of a recurrent, trading nature and were necessary for the day-to-day operations of the Company.

## **Related Party Transactions Review Committee Report**

In the opinion of the Committee, the terms of these transactions were not more favourable to the related parties than those generally available to the public. The details of related party transactions entered into during the year are given in Note 35 to the Financial Statements, on pages 102 to 106 of this Annual Report.

### **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 37 and 40 of this Annual Report.



**S.C Ganegoda**

Chairman - Related Party Transactions  
Review Committee

Colombo  
27th May 2019

## AUDIT COMMITTEE REPORT

In accordance with the Corporate Governance Guidelines, the Board of Directors appointed the Audit Committee. The Audit Committee is empowered by the Board of Directors to oversee the financial reporting, legal, and regulatory compliance, internal controls, risk management and assessment of independence and performance of external auditors. The Audit Committee comprises of three (03) Non – Executive Directors chaired by a Chartered Accountant. Present Audit Committee is as follows:

**Mr S.C Ganegoda** - *Chairman*  
**Mr K.D.G Gunaratne**  
**Mr S.S. Sirisena**

### ROLE OF THE COMMITTEE

The Committee reviews the operations and effectiveness of Internal Control Systems, ensuring that a good financial reporting system is in place, and oversees the preparation, presentation and adequacy of disclosures in the Financial Statements in accordance with Sri Lanka Accounting Standards, Companies Act and other relevant financial reporting regulations. The Committee monitors the internal and external audit functions of the Company.

### INTERNAL AUDIT

The internal Audit division comprises of the Group Internal Auditor, Assistant Internal Audit Manager and one Audit Assistant who report directly to the Executive Director / Chief Executive Officer. Internal Audits of estates are carried out by BDO Partners, Chartered Accountants and B R D Silva and Company, Chartered Accountants. During the period under review the internal audit

of ten (10) estate locations and two (02) special audits were carried out as required by the senior management.

### EXTERNAL AUDIT

The Committee reviewed the Management Letter submitted by the External Auditors with the Management response. The Management implements these recommendations and the Audit Committee follows up on the implementation of these recommendations.

The Committee makes recommendations to the Board on appointment, re-appointment and removal of External Auditors and approval of terms of engagement and remuneration.

### MEETINGS AND ACTIVITIES

The Committee held four (04) meetings during the year. The Chief Executive Officer and Assistant General Manager – Finance attend meetings by invitation. During the year, the Committee reviewed twelve (12) reports forwarded by the Group Internal Auditor. The reports are submitted monthly as they carry out the audits according to a scheduled programme. In addition, they carry out special audits on a need basis. During its meetings the committee reviewed the adequacy of internal controls and procedures in place to provide reasonable assurance that the Company's assets are safeguarded. The Committee also reviewed the Company's Quarterly Financial Statements, the Annual Report and Accounts for reliability, consistency and compliance with the Sri Lanka Accounting Standards and other statutory requirements, including the Companies Act No 7 of 2007.

The Audit Committee has recommended to the Board of Directors that Messrs KPMG, Chartered Accountants be reappointed as Auditors for the forthcoming year subject to the approval of the shareholders.



**Mr S.C Ganegoda**  
*Chairman*  
 Audit Committee

Colombo  
 27th May 2019



# Unearthing the best of our abilities

FINANCIAL CALENDAR	2018/19	2017/18
<b>Interim Financial Statements:</b>		
Three months ended 30th June	19-Jul-18	27-Jul-17
Six months ended 30th September	06-Nov-18	24-Oct-17
Nine months ended 31st December	14-Jan-19	08-Feb-18
Twelve months ended 31st March	27-May-19	24-May-18
<b>Annual Report</b>	03-Jun-19	04-Jun-18
25th Annual General Meeting		29-Jun-18
26th Annual General Meeting	26-Jun-19	





## INDEPENDENT AUDITOR'S REPORT



KPMG  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
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Colombo 00300, Sri Lanka.

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Internet : [www.kpmg.com/lk](http://www.kpmg.com/lk)

### To the Shareholders of Horana Plantations PLC Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Horana Plantations PLC ("the Company"), which comprise the statement of financial position as at 31st March 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies set out on pages 53 to 116.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka ("Code of Ethics") and we have fulfilled our other ethical responsibilities

in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in 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.

#### Carrying value of property, plant and equipment

(Refer to Note 3.3.1 significant accounting policies and explanatory Notes 13, 14, 15.1 and 16 to the financial statements).

#### Risk Description

The carrying value of property plant, equipment as at 31st March 2019 was Rs. 2,739 Mn and the related depreciation charge for the year ended 31st March 2019 was Rs.168.7 Mn.

There is a risk that the carrying value of these assets may be higher than the recoverable amount, particularly in light of recent performance in certain parts of the Company and the economic climate and levels of competition which remain challenging.

Determining the level of impairment involves forecasting and discounting future cash flows and estimation of recoverable amounts which are inherently uncertain. When a review for impairment is conducted, the recoverable amount is determined based on the value in use calculations which rely on the directors' assumptions. The estates are considered to represent independent Cash Generating Units ("CGU").

We have identified the carrying value of property, plant and equipment as a key audit matter because of its significance to the financial statements and applying the Company's accounting policies in this area involves a significant degree of judgment by management in considering the nature, timing and likelihood of changes to the factors noted above which may affect both the carrying value of the property, plant and equipment as well as the depreciation charge for the current year and future years.

Our audit procedures included;

- Challenging the appropriateness of the assumptions, discount rates and critical judgments used by the management in estimating the impairment charges and taking into account recent developments in the plantation industry and future operational plans.



- Discussing the indicators of possible impairment of Property, plant and equipment with management and, where such indicators were identified, assessed whether management performed impairment testing in accordance with relevant Accounting Standards.
- Testing the design, implementation and operating effectiveness of key controls in respect of the impairment review process and considered the adequacy of disclosures made in the financial statements.
- Challenging the Company's depreciation policies, with reference to the estimated useful lives and lease terms as well as management's plans for future operations.

#### **Recoverability of deferred tax assets**

(Refer to Note 3.6.4.2 significant accounting policies and explanatory Note 11.4 to the financial statements).

#### **Risk Description**

The Company has recognized deferred tax asset of Rs. 240 Mn on temporary differences which includes accumulated tax losses of Rs. 1,715 Mn as at 31st March 2019. The recognition of deferred tax assets relies on the exercise of significant judgment by management in respect of assessing the sufficiency of future taxable profits and the probability of such future taxable profit being generated and future reversals of existing taxable temporary differences. The Company has considered the ability to utilize accumulated tax losses in the future based on forecasted taxable profits for a period of next five years from the reporting date.

We considered this as the key audit matter because of its significance to the financial statements and significant management judgments and estimation required in forecasting future taxable profits which could be subject to error or potential management bias.

Our audit procedures included;

- Evaluating the assumptions used by the management in the preparation of forecast of future taxable profits of the Company with our understanding of the business and the industry based on internal and external sources of information.
- Assessing the Company's approach for evaluating the likelihood of the recoverability of deferred tax assets by comparing the consistency of management profit forecasts with those included in the financial budgets approved by the board of directors.
- Evaluating the adequacy of the disclosures in the financial statements in accordance with the relevant Accounting Standards.

#### **Measurement of Biological Assets**

(Refer to Note 3.3.2 significant accounting policies and explanatory Note 15 to the financial statements).

#### **Risk Description**

The Company has reported consumable biological assets carried at fair value, amounting to Rs. 586 Mn and bearer biological assets amounting to Rs.2,207 Mn as at 31st March 2019.

The valuation of consumable biological assets requires significant levels of

judgments and technical expertise in selecting appropriate valuation models and assumptions. Changes in the key assumptions used such as discount rate, value per cubic meter and available timber quantity 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. Management engaged an external valuation expert to assist in determining the fair value of the consumable biological assets.

Bearer biological assets mainly include mature and immature tea, rubber and other 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 fields to mature plantation fields happens at the point of commencement of commercial harvesting. The actual point of which commercial harvesting could start depends on the soil condition, weather patterns and plant breed.

We considered measurement of biological assets as a key audit matter because the valuation of consumable biological assets involved significant judgment exercised by the management and external valuation expert and were subjected to significant level of estimation uncertainty and management bias. Further, immature to mature transfer required significant



management judgment in determining the point at which a plant is deemed ready for commercial harvesting.

Our audit procedures included for Consumable Biological Assets;

- Challenging the key assumptions and methodology used in the valuation, in particular the discount rate, average market price and yield per hectare.
- Assessing the objectivity and independence of the external valuation expert and the competence and qualification of the external expert engaged by the Company.
- Comparing the average market price and yield per hectare to historical data and market available data.
- Verifying the mathematical accuracy of the consumable biological assets valuation.
- Assessing the adequacy of the disclosures in the financial statements including the description and appropriateness of the inherent degree of subjectivity and the key assumptions.

Our audit procedures included for 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 amounts transferred during the year was consistent with the company accounting policy and industry norms.
- Assessing the adequacy of the related disclosures in the financial statements and consistency with the accounting policies.

**Valuation of Retirement benefit obligation**  
(Refer to Note 3.4.1 - significant accounting policies and explanatory Note 27 to the financial statements).

#### **Risk Description**

The retirement benefit obligation of the Company is significant (Rs.505 Mn) in the context of the total liabilities of the Company. The valuation of the Company's retirement benefit obligation requires significant judgment and estimation to be applied across numerous assumptions, including salary increases and discount rate. Small 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 computation of retirement benefit obligation.

We considered the computation 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.
- Evaluating the reasonableness of the total annual salaries used in the computation by comparing to the historical data
- Challenging the other key assumptions used in the valuation, in particular the discount rate, inflation rate, mortality rates and future salary increases
- Comparing the discount rate, inflation rate, mortality rate and future salary increases to market available data.
- Involving internal valuation specialist to verify the accuracy of the retirement benefit obligation.
- Assessing the adequacy of the disclosures made in the financial statements including sensitivity analysis.

#### **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 will 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 identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

### **Chartered Accountants**

Colombo, Sri Lanka

27th May 2019

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year ended 31st March

	Note	2019 Rs'000	2018 Rs'000
<b>Revenue</b>	4	2,020,360	2,248,463
Cost of Sales		(1,855,254)	(1,982,948)
<b>Gross Profit</b>	5	165,106	265,515
Other Operating Income	6	20,040	6,343
Change in Fair Value of Biological Assets	7	86,508	44,995
		271,654	316,853
Administrative Expenses		(118,351)	(108,024)
Management Fees	8	(16,333)	(17,240)
<b>Profit from Operations</b>		136,970	191,589
Net Finance Expenses	9	(129,622)	(86,915)
<b>Profit before Taxation</b>	10	7,348	104,674
Tax Expense	11.1	(2,546)	(20,329)
<b>Profit for the year</b>		4,802	84,343
<b>Other Comprehensive Income/(Expense):</b>			
<b>Item that will not be reclassified to Profit or Loss</b>			
Actuarial Loss on Retirement Benefit Obligation		(87,423)	(40,926)
Tax Reversal on Other Comprehensive Income	11.4.1	12,239	5,730
<b>Other Comprehensive Expense for the year, net of tax</b>		(75,184)	(35,196)
<b>Total Comprehensive Income/(Expense) for the year</b>		(70,382)	49,147
<b>Basic Earnings per Share (Rs.)</b>	12.1	0.19	3.37
<b>Dividend per Share (Rs.)</b>	12.2	0.50	-

The accounting policies and explanatory notes set out on pages 58 to 116 form an integral part of these Financial Statements. Figures in brackets indicate deductions.

## STATEMENT OF FINANCIAL POSITION

As at 31st March

	Note	2019 Rs'000	2018 Rs'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
<b>Property, Plant and Equipment:-</b>			
Leasehold Right to Bare Land of JEDB/SLSPC Estates	13	101,385	105,251
Immovable JEDB/SLSPC Estate Assets on Finance Lease (Other than Bare Land)	14	39,926	47,106
Bearer Biological Assets	15.1	2,206,930	2,176,052
Other Tangibles	16	390,309	420,037
Consumable Biological Assets	15.2	585,919	536,575
<b>Total Non-Current Assets</b>		<b>3,324,469</b>	<b>3,285,021</b>
<b>Current Assets</b>			
Non-harvested Produce on Bearer Biological Assets	15.5	5,845	6,210
Inventories	18	297,746	245,759
Advance Company Tax (ACT) Recoverable	17	27,285	27,285
Trade and Other Receivables	19	94,830	96,408
Holding Company Receivable	35.1.1	32,257	15,089
Other Related Company Receivables	35.1.1	10,821	3,852
Cash and Cash Equivalents	20	2,871	14,383
<b>Total Current Assets</b>		<b>471,655</b>	<b>408,986</b>
<b>Total Assets</b>		<b>3,796,124</b>	<b>3,694,007</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated Capital	21	250,000	250,000
Sinking Fund	22	35,000	35,000
Development Reserve	23	35,000	35,000
Retained Earnings		1,017,916	1,100,798
<b>Total Equity</b>		<b>1,337,916</b>	<b>1,420,798</b>
<b>Non-Current Liabilities</b>			
Interest bearing Borrowings payable after one year	24.1	670,168	703,247
Net Liabilities to Lessor of JEDB/SLSPC Estates	25	80,898	82,767
Other Finance Lease Creditors	26	4,234	-
Retirement Benefit Obligation	27	504,717	426,461
Deferred Income	28	125,727	136,531
Deferred Tax Liability	29	116,355	137,478
<b>Total Non-Current Liabilities</b>		<b>1,502,099</b>	<b>1,486,484</b>

As at 31st March	Note	2019 Rs'000	2018 Rs'000
<b>Current Liabilities</b>			
Trade and Other Payables	30	242,870	267,923
Payable to Other Related Companies	35.1.2	35,005	54,015
Interest bearing Borrowings payable within one year	24.1	236,457	161,027
Net Liabilities to Lessor of JEDB/SLSPC Estates	25	7,168	6,694
Other Finance Lease Creditors	26	1,138	4,004
Short Term Borrowings	31	433,471	293,062
<b>Total Current Liabilities</b>		<b>956,109</b>	<b>786,725</b>
<b>Total Liabilities</b>		<b>2,458,208</b>	<b>2,273,209</b>
<b>Total Equity and Liabilities</b>		<b>3,796,124</b>	<b>3,694,007</b>

The accounting policies and explanatory notes set out on pages 58 to 116 form an integral part of these Financial Statements.

I certify that these Financial Statements have been prepared in compliance with the requirements of the Companies Act No.7 of 2007.

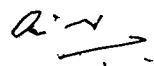


**Ms.P.M. Ediriweera**

*Assistant General Manager - Finance*

The Board of Directors are responsible for the preparation and presentation of these Financial Statements.

Approved and Signed for and on behalf of the Board of Directors of Horana Plantations PLC.



**A.M. Pandithage**

*Chairman*



**Dr. Roshan Rajadurai**

*Managing Director*

Colombo  
27th May 2019



## STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March	Stated Capital Rs'000	Sinking Fund Rs'000	Development Reserve Rs'000	Retained Earnings Rs'000	Total Rs'000
Balance as at 1st April 2018	250,000	35,000	35,000	1,051,651	1,371,651
<b>Total Comprehensive Income for the year</b>					
Profit for the year	-	-	-	84,343	84,343
Other Comprehensive Expense for the year	-	-	-	(35,196)	(35,196)
<b>Total Comprehensive Income for the year</b>	-	-	-	49,147	49,147
<b>Balance as at 31st March 2018</b>	250,000	35,000	35,000	1,100,798	1,420,798
<b>Total Comprehensive Expense for the year</b>					
Profit for the year	-	-	-	4,802	4,802
Other Comprehensive Expense for the year	-	-	-	(75,184)	(75,184)
<b>Total Comprehensive Expense for the year</b>	-	-	-	(70,382)	(70,382)
<b>Total Transactions with Owners of Company Contributions and Distributions</b>					
Interim Dividend for the year ended 31st March 2019 (Note 12.2)	-	-	-	(12,500)	(12,500)
<b>Total Transactions with Owners of Company</b>	-	-	-	(12,500)	(12,500)
<b>Balance as at 31st March 2019</b>	250,000	35,000	35,000	1,017,916	1,337,916

The accounting policies and explanatory notes set out on pages 58 to 116 form an integral part of these Financial Statements.  
Figures in brackets indicate deductions.

# STATEMENT OF CASH FLOWS

For the year ended 31st March

	2019 Rs'000	2018 Rs'000
<b>Cash Flows from Operating Activities</b>		
Profit before Taxation	7,348	104,674
<b>Adjustments for non-cash items :</b>		
Change in Fair Value of Consumable Biological Assets	(40,916)	(39,766)
Depreciation and Amortisation	168,690	157,637
Provision for Retirement Benefit Obligation	62,830	74,718
Finance Expenses	129,786	87,193
Finance Income	(168)	(279)
Finance Lease Interest	3,647	4,233
Profit on Disposal of Property, Plant and Equipment and Redundant Materials	(6,861)	(69)
Amortisation of Capital Grants	(13,179)	(6,274)
Field Development Expenditure written-off	12,683	-
<b>Operating Profit before Working Capital Changes</b>	<b>323,860</b>	<b>382,064</b>
Decrease in Debtors, Deposits and Prepayments	138	14,626
Increase in Inventories	(45,777)	(8,701)
(Increase)/Decrease in Related Party Receivables	(24,138)	6,331
Increase/(Decrease) in Related Party Payables	(19,011)	13,530
Increase/(Decrease) in Creditors, Provisions and Accrued Charges	(26,772)	47,827
<b>Cash Generated from Operations</b>	<b>208,300</b>	<b>455,676</b>
Interest paid	(111,482)	(79,748)
Payments made for Retirement Benefit Obligation	(72,612)	(79,888)
Payment of Income Tax (Economic Service Charge and Withholding Tax)	(9,988)	(12,023)
<b>Net Cash Inflow from Operating Activities</b>	<b>14,218</b>	<b>284,016</b>
<b>Cash Flows from Investing Activities</b>		
Purchase/Construction of Property, Plant and Equipment	(10,080)	(15,556)
Additions on Biological Assets	(170,057)	(241,550)
Capital Grants and Subsidies received	2,374	4,617
Proceeds on Disposal of Property, Plant and Equipment and Redundant Materials	6,861	69
Interest Income	168	279
<b>Net Cash Outflow from Investing Activities</b>	<b>(170,736)</b>	<b>(252,141)</b>
<b>Cash Flows from Financing Activities</b>		
Receipt of Project Loans	200,000	100,000
Repayment of Project Loans	(89,700)	(91,800)
Receipts of Other Term Loans	60,000	46,935
Repayment of Other Term Loans	(67,949)	(71,918)
Payment of Finance Lease Rentals	(25,253)	(21,569)
Payment of Dividend	(12,500)	-
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>	<b>64,598</b>	<b>(38,353)</b>
<b>Net Decrease in Cash and Cash Equivalents during the Year</b>	<b>(91,920)</b>	<b>(6,476)</b>
Cash and Cash Equivalents at the beginning of the Year	(278,680)	(272,204)
<b>Cash and Cash Equivalents at the End of the Year (Note 20)</b>	<b>(370,600)</b>	<b>(278,680)</b>

The accounting policies and explanatory notes set out on pages 58 to 116 form an integral part of these Financial Statements  
Figures in brackets indicate deductions.

# SIGNIFICANT ACCOUNTING POLICIES

## 1. REPORTING ENTITY

Horana Plantations PLC (hereafter mentioned as “the Company”), is a Public Limited Liability Company, incorporated and domiciled in Sri Lanka, under the Companies Act No.17 of 1982 (the Company re-registered under the Companies Act No.07 of 2007), in terms of the Public Corporation of Government Owned Business Undertakings into Public Companies Act No.23 of 1987. The registered office of the Company is situated at No. 400, Deans Road Colombo 10, Sri Lanka and the plantations are situated in the planting districts of Nuwara-Eliya, Kalutara and Ratnapura.

### 1.1 Principal Activities and Nature of Operations

During the year, the principle activities of the Company were the cultivation, manufacturing and sale of tea, rubber and other agricultural produce.

### 1.2 Immediate and Ultimate Parent Enterprise

The Company’s immediate parent undertaking is Vallibel Plantation Management Limited, which is incorporated in Sri Lanka. The Company’s ultimate parent undertaking is Vallibel One PLC, which is incorporated in Sri Lanka.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The financial statements of the Company such 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. These statements are prepared in accordance with Sri Lanka

Accounting Standards (LKASs & SLFRSs) promulgated by the Institute of Chartered Accountants of Sri Lanka (ICASL) and with requirements of the Companies Act No.07 of 2007.

### 2.2 Authorization for Issue

The Financial Statements were authorized for issue by the Board of Directors on 27th May 2019.

### 2.3 Basis of Measurement

These Financial Statements have been prepared in accordance with the historical cost convention basis except for the following material items in the statement of financial position.

- Lease hold right to Bare Land and leased assets of JEDB/SLSPC, which have been revalued as more fully described in Note 13 and 14.
- Consumable Mature Biological Assets are measured at fair value less cost to sell as per LKAS 41 – Agriculture.
- Liability for Retirement Benefit Obligation is recognized at the present value of the retirement benefit obligation based on actuarial valuation as per LKAS 19 – Employee benefits)
- Non harvested produce on bearer biological assets are measured at fair value as per LKAS 41 – Agriculture.

### 2.4 Functional and Presentation Currency

These Financial Statements are presented in Sri Lankan Rupees (Rs.) which is the Company’s functional and presentation currency. All financial information presented in Sri Lankan Rupees has been given to the nearest thousand, unless stated otherwise.

### 2.5 Presentation of Financial Statements

The assets and liabilities of the company presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

### 2.6 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 LKAS 1: 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 recognized amounts and there is an intention to settle on net basis, or to realize the assets and settle the liability simultaneously.

### 2.7 Going Concern

The Directors have made an assessment of the Company’s ability to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation or cessation of trading (LKASs and SLFRSs).

### 2.8 Use of Estimates and Judgments

The preparation of the Financial Statements in conformity with Sri Lanka Accounting Standards (LKASs and SLFRSs) requires the management to make judgments, estimates and assumptions that effect the application of Company’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates and judgmental decisions.

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 judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions that are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical estimates and judgments in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements is included in the following notes.

Critical Accounting Estimate / Judgment	Disclosure Reference	
	Note	Page
Biological Assets	15	82 - 85
Inventories	18	88
Income Tax Expense	11.1	78
Deferred Tax Assets / Liabilities	29	99
Retirement Benefit Obligation	27	95

## 2.9 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 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.

A number of the Company's accounting policies and disclosures require the determination of fair values, 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. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

**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 categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

### 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.

## Significant Accounting Policies

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1 Changes in Accounting Policies

The Company has adopted SLFRS 15 “Revenue from Contracts with Customers” and SLFRS 9 “Financial Instruments” from 1st April 2018. A number of other new standards are also effective from 1st April 2018 but they do not have a material effect on the Company’s financial statements.

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

The effect of initially applying these standards is mainly attribute to the followings;

- Impairment losses recognized on financial assets.
- Recognition of Revenue.

#### a) SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized.

It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations. Under SLFRS 15, revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The information presented for 2017/18 has not been restated. It is presented as previously reported, under LKAS 18, LKAS 11 and related interpretations. Additionally, the disclosure requirements in SLFRS 15 have not generally been applied to comparative information.

#### b) SLFRS 9 Financial Instruments

SLFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The standards replaces LKAS 39 Financial Instruments: Recognition and Measurement.

As a result of adoption of SLFRS 9, the Company has adopted consequential amendments to LKAS 1 Presentation of financial statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Impairment loss on financial assets are presented under “Administrative Expenses”, similar to the presentation under LKAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

Additionally, the Company has adopted consequential amendments to SLFRS 7 financial instruments, disclosures that are applied to disclosures in 2018, but have not been generally applied to comparative information.

#### Classification and measurement of financial assets and financial liabilities

SLFRS 9 contains three principal classification categories for financial assets; measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 eliminates the previous LKAS 39 categories of held to maturity, loans and receivables and available for sale.

SLFRS 9 largely retains the existing requirements in LKAS 39 for the classification and measurement of financial liabilities.

The adoption of SLFRS 9 has no significant effect on the Company’s accounting policies related to financial liabilities.

The following table and accompanying notes below explains the original measurement categories under LKAS 39 and the new measurement categories under SLFRS 9 for each class of the Company’s financial assets and financial liabilities as at 1st April 2018.

The effect of adopting SLFRS 9 on the carrying amounts of financial assets as at 1st April 2018 relates solely to the new impairment requirements.



Financial Assets	Original Classification under LKAS 39	New Classification under SLFRS 9
Advance Company Tax Recoverable	Loans and Receivables	Amortised Cost
Trade and Other Receivables	Loans and Receivables	Amortised Cost
Amounts Due from Related Companies	Loans and Receivables	Amortised Cost
Cash and Cash Equivalents	Loans and Receivables	Amortised Cost

- (i) Advance Company Tax Recoverable that were classified as loans and receivables under LKAS 39 are now classified at amortised cost.
- (ii) Trade and Other Receivables that were classified as loans and receivables under LKAS 39 are now classified at amortised cost.
- (iii) Amounts Due from Related Company that were classified as loans and receivables under LKAS39 are now classified at amortised cost.
- (iv) Cash and cash equivalents includes cash in hand, balances with banks and short term monetary investment with maturities less than 3 months. These were classified as loans and receivables under LKAS 39 and now at amortized cost.

The effect of adopting SLFRS 9 on the carrying amounts of financial liabilities as at 1st April 2018.

Financial Liabilities	Original Classification under LKAS 39	New Classification under SLFRS 9
Trade and Other Payables	Other Financial Liabilities	Other Financial Liabilities
Amounts due to Related Companies	Other Financial Liabilities	Other Financial Liabilities
Net Liabilities to Lessor of JEDB/SLSPC Estates	Other Financial Liabilities	Other Financial Liabilities
Short Term Borrowings	Other Financial Liabilities	Other Financial Liabilities
Other Finance Lease Creditors	Other Financial Liabilities	Other Financial Liabilities

\* There were no changes to the classification of financial liabilities.

There were no changes of the carrying amounts of financial assets and financial liabilities under LKAS 39 to the carrying amounts under SLFRS 9 on transition to SLFRS 9 on 1st April 2018.

### Impairment of financial assets

SLFRS 9 replaces the “incurred loss’ model in LKAS 39 with an “expected credit risk model”. The new impairment model applies to financial assets carried at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under SLFRS 9 credit losses are recognized earlier than under LKAS 39.

For assets in the scope of the SLFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

The Company has determined that the application of SLFRS 9 impairment requirements at 1st April 2018 does not result in an allowance for impairment.

## 3.2 Foreign Currency

### 3.2.1 Foreign Currency Transactions

Transactions in foreign currencies are translated to Sri Lankan Rupees at the rates of exchange prevailing at the date of the transactions.

At each reporting date, monetary items denominated in foreign currencies are translated at the closing rate. Non-monetary items measured at fair value are translated at the rates prevailing on the date when the fair value was determined.

Non-monetary items measured at historical cost are translated at the rates prevailing on the date of transaction.

The exchange difference arising on the translations are recognized in the Statement of Profit or Loss and Other Comprehensive Income.

## Significant Accounting Policies

### 3.3 Assets and Bases of their Valuation

Assets classified as Current Assets in the Statement of Financial Position are 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 reporting date.

#### 3.3.1 Property, Plant and Equipment

##### 3.3.1.1 Recognition and Measurement

Property, Plant and Equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of Property, Plant and Equipment is the cost of acquisition or construction together with any incidental expenditure incurred in bringing the asset to its working condition for its intended use. Capital work in progress is transferred to the respective asset accounts when the assets are available for use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

##### 3.3.1.2 Subsequent Expenditure

The Cost of replacing part of an item of Property, Plant and Equipment is recognized 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 recognized in Statement of Profit or Loss and Other Comprehensive Income as incurred.

##### 3.3.1.3 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 utilization or at the time of the asset is commissioned.

##### 3.3.1.4 De-recognition

The carrying amount of an item of Property, Plant and Equipment is de-recognized on disposal; or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in Statement of Profit or Loss and Other Comprehensive Income.

##### 3.3.1.5 Permanent Land Development Cost

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 and Other Comprehensive Income in full and reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

#### 3.3.2 Biological Assets

Biological assets are classified as Bearer Biological assets and Consumable Biological assets. Bearer Biological assets include tea, rubber trees, Oil Palm and other diversify

crops 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.

##### 3.3.2.1 Recognition and Measurement

The Company 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 expenditure incurred on bearer biological assets fields, which are bearing during the year, has been transferred to mature plantations. Expenditure incurred on consumable biological assets is recorded at cost at initial recognition and thereafter at fair value at the end of reporting date.

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 as per the option provided by the ruling issued by the Institute of Chartered Accountants of Sri Lanka .

The managed timber trees are measured on initial recognition and at the end of each

reporting period at fair value less cost to sell in terms of LKAS 41- Agriculture . The cost is treated as approximation to fair value of young plants (age below 5 years) as the impact on biological transformation of such plants to price during this period is immaterial.

### 3.3.2.2 Bearer Biological Assets

The cost of land preparation, rehabilitation, new planting, re-planting, crop diversifying, inter-planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads, including interest attributable to long term loans used for financing immature plantations.

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

### 3.3.2.3 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 capitalised are charged to the Statement of Profit or Loss and Other Comprehensive Income in the year in which they are incurred.

### 3.3.2.4 Growing crop nurseries

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

### 3.3.2.5 Consumer Biological Assets

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 - Agriculture. The cost is treated as approximation to fair value of young plants as the impact on biological transformation of such plants to price during this period is immaterial. The fair value of timber trees are measured using Discounted Cash Flow (DCF) method taking in to consideration the current market prices of timber, applied to expected timber content of a tree at the maturity by an independent professional valuer.

The main variables in DCF model concerns

Variable	Comment
Currency valuation	Sri Lankan Rupees
Timber content	Estimate based on physical verification of girth, height and considering the growth of the each spices.  Factor all the prevailing statutory regulations enforced against harvesting of timber coupled with forestry plan of the Company.
Economic useful life	Estimated based on the normal life span of each spices by factoring the forestry plan of the Company.
Selling price	Estimated based on prevailing Sri Lankan market price. Factor all the conditions to be fulfil in bringing the trees in to saleable condition.
Discount Rate	Discount rate reflects the possible variations in the Cash flows and the risk related to the biological assets.

The gain or loss arising on initial recognition of Consumable Biological assets at fair value less cost to sell and from a change in fair value less cost to sell of Consumable Biological assets are included in Statement of Profit or Loss and Other Comprehensive Income for the period in which it arises.

### 3.3.2.6 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 capitalized as a part of the asset.

## Significant Accounting Policies

Borrowing costs that are not capitalized are recognized as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss.

The amounts of the borrowing costs which are eligible for capitalization are determined in accordance with LKAS 23 - "Borrowing Costs".

Borrowing costs incurred in respect of specific loans that are utilized for field development activities have been capitalized as a part of the cost of the relevant immature plantation. The capitalization will cease when the crops are ready for commercial harvest.

### 3.3.2.7 Non Harvested Produce on Bearer Biological Asset

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 measured at fair value less costs to sell. Changes in the fair value of such agricultural produce is recognized in profit or loss at the end of each reporting period.

When deriving the estimated quantity the Company limits it to one harvesting cycle and the quantity is ascertained based on the last day of the harvest in the immediately preceding cycle. In order to ascertain the fair value of produce growing on trees, 50% of the estimated crop in that harvesting cycle is considered.

### 3.3.3 Depreciation and Amortization

#### a) Amortization of Assets on JEDB / SLSPC Lease

The leasehold rights to JEDB/SLSPC are

amortized in equal amounts over the following years. (Lower of lease period and economic useful life)

Asset Category	No. of Years	Rate
Bare Land	53	1.9%
Mature Plantations	30	3.3%
Permanent Land Development Cost	30	3.3%
Buildings	25	4.0%
Plant and Machinery	15	6.7%

#### b) Amortization of Other Mature Plantations (Re-planting and New Planting)

Asset Category	No. of Years	Rate
Mature Plantations (Tea)	33	3%
Mature Plantations (Rubber)	20	5.00%
Mature Plantations (Oil Palm)	20	5.00%
Mature Plantations (Coconut)	50	2.00%
Mature Plantations (Cinnamon)	25	4.0%
Mature Plantations (Coffee & Pepper)	4	25.00%
Mature Plantations (Pineapple)	3	33.33%
Mature Plantations (Custard Apple)	30	3.33%

Depreciation of an asset begins when it is available for use and ceases at the earlier of

the date that the asset is classified as held for sale and the date that the asset is de-recognized.

Depreciation methods, useful lives and residual values are re-assessed at the reporting date. Mature plantations are depreciated over their useful lives or unexpired lease period, whichever is lower.

#### c) Depreciation

Depreciation is charged on a straight line basis over the estimated useful economic life of such assets based on the cost or re-valued amount of all Property, Plant and Equipment. Assets are depreciated over the shorter of the lease term or their useful lives.

Description	No. of Years	Rate
Buildings	40	2.50%
Permanent Land Development Costs	40	2.50%
Plant and Machinery	13	7.50%
Equipment	10 8 5	10%, 12.5%, 20%
Furniture and Fittings	10	10.00%
Motor Vehicles	5 4	20.00%, 25.00%
Computer Hardware and Software	8 4	12.50%, 25.00%

### 3.3.4 Leased Assets

Assets obtained under finance lease, which effectively transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased assets, are treated as if they have been purchased

outright and are capitalized at their cash price. Assets acquired by way of a finance lease are measured at an amount equal to the lower of their present value and the minimum lease payments.

Assets held under finance lease are amortized shorter of the lease period or the useful lives of equivalent owned assets, unless ownership is not transferred at the end of the lease period.

The principal/capital elements payable to the lessor is shown as liability/obligation. The lease rentals are treated as consisting of capital and interest elements. The capital element in the rental that is applied to reduce the outstanding obligation and interest element is charged against profit, in proportion to the reducing capital elements outstanding.

The cost of improvements on leased property is capitalized, disclosed as improvements to leasehold property and depreciated over the unexpired period of the lease, or the estimated useful lives of the improvements, whichever is shorter.

### 3.3.5 Intangible assets

An Intangible Assets is recognized if it is probable that economic benefits are attributable to the assets will flow to the entity and cost of the assets can be measured reliably. Such items with finite useful life are carried at cost less accumulated amortization and accumulated impairment losses.

#### a) Software

All computer software cost incurred, which are not internally related to associate hardware, which can be clearly identified, reliably measured and its probable that

they will lead to future economic benefits, are included in the Statement of Financial Position under the category of Intangible Assets.

#### b) Subsequent Expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

#### c) Amortization

Amortization is recognized in the profit or loss on a straight line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life is as follows:

	No. of Years	Rate
Computer Software	4	25.00%

### 3.3.6 Inventories

#### Agricultural Produce harvested from Biological Assets

Agricultural produce harvested from Biological Assets are measured at their fair value less cost to sell at the point of harvest. The finished and semi-finished inventories from agricultural produce are valued by adding the cost of conversion to the fair value of agricultural produce.

#### Agricultural Produce after further processing

Further processed output of Agricultural Produce are valued at the lower of cost

and estimated net realizable value, after making due allowance for obsolete and slow moving items. Net realizable value is the price at which stocks can be sold in the normal course of business after allowing for estimated costs of conversion and the estimated costs necessary to bring them to a saleable condition.

The cost incurred in bringing the inventories to its present location and conditions are accounted using the following cost formulas.

#### Input Material

At actual cost on first-in-first-out basis.

#### Spares and Consumables

At actual cost on first-in-first-out basis.

#### Produced Stocks

Valued at cost or NRV.

### 3.3.7 Trade and Other Receivables

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

### 3.3.8 Cash and Cash Equivalents

Cash and Cash Equivalents are defined as cash in hand, 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.



## Significant Accounting Policies

### 3.4 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 the reporting date.

All known liabilities have been accounted for in preparing these Financial Statements. Provision and liabilities are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

#### 3.4.1 Employee Benefits

##### 3.4.1.1 Defined Benefit Plan

The retirement benefit plan adopted is as required under the Payment of Gratuity Act No.12 of 1983 and the Indian Repatriate Act No.34 of 1978 to eligible employees. This item is grouped under Employee Benefits in the Statement of Financial Position. Provision for Gratuity on the Employees of the Company is based on an actuarial valuation, using the Projected Unit Credit (PUC) method as recommended by Sri Lanka Accounting Standards No.19 "Employee Benefits". The actuarial valuation was carried out by a professionally qualified firm of actuaries, Messers Actuarial and Management Consultants (Private) Limited as at 31st March 2019.

However, according to the Payment of Gratuity Act No.12 of 1983, the liability for payment to an employee arises only after the completion of 5 years continued services.

The liability is not externally funded.

##### 3.4.1.2 Defined Contribution Plans - Provident Funds and Trust Fund

The Company contributes 12% on consolidated salary of the employees to Ceylon Planters' Provident Society (CPPS)/ Estate Staff's Provident Society (ESPS)/ Employees' Provident Fund (EPF).

All the employees of the Company are members of the Employees' Trust Fund, to which the Company contributes 3% on the consolidated salary of such employees.

#### 3.4.2 Contingent Liabilities

Contingent Liabilities are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non- occurrence of uncertain future events, which are beyond the Company's control.

#### 3.4.3 Trade and Other Payables

Trade and other payables are stated at their costs.

#### 3.4.4 Deferred Income

##### 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 relate to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that are intended to compensate.

Government Grants related to Property, Plant and Equipment other than grants received for consumer biological assets are

initially deferred and allocated to income on a systematic basis over the useful life of the related Property, Plant and Equipment, more fully mentioned in Note 28 to the Financial Statements.

Grants related to income are recognized in the Statement of Profit or Loss and Other Comprehensive Income in the year it is receivable.

Unconditional grants received for Consumer Biological Assets measured at fair value less cost to sell are recognized in the Statement of Profit or Loss and Other Comprehensive Income when, and only when such grants become receivable.

#### 3.4.4 Ordinary Shares

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

### 3.5 Financial Instruments

#### 3.5.1 Recognition and initial measurement

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

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

### 3.5.2 Classification and subsequent measurement

#### 3.5.2.1 Financial assets

##### (i) Policy applicable from 1st April 2018

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 realising 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.

## Significant Accounting Policies

### b) Subsequent measurement and gains and losses:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
<b>Financial assets at amortised cost</b>	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.
<b>Debt investments at FVOCI</b>	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.
<b>Equity investments at FVOCI</b>	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.

### (ii) Policy applicable before 1st April 2018

The Company classified its financial assets into one of the following categories.

Loans and receivables;

- Held to maturity;
- Available for sale and
- At FVTPL, and within this category as;
- Held for trading
- Designated as at FVTPL

### a) Subsequent measurement and gains and losses:

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
Loans and receivables	Measured at amortised cost using the effective interest method.
Available for sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

### 3.5.2.2 Financial liabilities

#### (i) Classification, subsequent

##### measurement and gains and losses

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.

### 3.5.3 Derecognition

#### 3.5.3.1 Financial assets

The Company de-recognizes 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 recognized 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 are not derecognized.

### 3.5.3.2 Financial liabilities

The Company de-recognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also de-recognizes 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 recognized at fair value.

On de- recognition 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.

### 3.5.4 Offsetting

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

### 3.5.5 Impairment – Financial Assets

#### Non-derivative financial assets

#### Policy applicable from 1st April 2018

#### 3.5.5.1 Financial instruments

The Company recognizes loss allowances for ECLs on:

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

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

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

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

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

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

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

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

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

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.

#### 3.5.5.2 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).

#### 3.5.5.3 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

## Significant Accounting Policies

- The disappearance of an active market for a security because of financial difficulties.

### *3.5.5.4 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.

### *3.5.5.5 Write-off*

The gross carrying amount of financial assets is written-off when the company has know reasonable expectation of recovering a financial assets in its entirety or a portion thereof.

### **Policy applicable before 1st April 2018**

#### **Non derivative Financial Assets**

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

Objective evidence that financial assets were impaired included:

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

Financial assets measured at amortised cost	<p>The Company considered evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.</p> <p>In assessing collective impairment, the Company used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.</p> <p>An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.</p>
Available-for-sale financial assets	<p>Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified was the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through profit or loss.</p>

### 3.5.5.6 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 asset's recoverable amount. An asset's recoverable amount is the higher of an asset's value in use and its fair value less cost to sale 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 group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the assets 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 of continuing operations are recognized in the Statement of Profit or Loss and Other Comprehensive Income in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognized. If that is the case, carrying amount of the asset is increased to its recoverable amount.



## Significant Accounting Policies

That increased amount cannot 'exceed' the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of Profit or Loss and Other Comprehensive Income.

### 3.5.5.7 Leases

#### 3.5.5.7.1 Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Company's incremental borrowing rate.

#### 3.5.5.7.2 Leased Assets

Leases of property, plant and equipment that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Company's statement of financial position.

#### 3.5.5.7.3 Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

### 3.6 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 in Presentation of Financial Statements.

#### 3.6.1 Revenue and Income Recognition

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

#### 3.6.1.1 Policy applicable from 1st April 2018

The Company generates revenue primarily from the sale of tea, rubber 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 and other agricultural produce as one performance obligation and recognises revenue when it transfers control to the customer.

#### 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.

#### 3.6.1.2 Policy applicable prior 1st April 2018

#### Recognition of Revenue

Revenue is recorded at invoice value net of brokerage, sale expenses and other levies related to revenue. Revenue is recognized 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 recognized as a reduction of revenue as the sales are recognized. The fair value gain arising on the valuation of harvested crops has been separately disclosed as part of the revenue.

#### **3.6.1.2a 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.

#### **3.6.1.2b 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.

#### **3.6.1.2c Interest Income**

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

#### **3.6.1.2d Other Income**

Other income is recognized on an accrual basis.

#### **3.6.2 Expenditure Recognition**

All expenses incurred in running the business and in maintaining the Property, Plant and Equipment in a state of efficiency is charged to the Statement of Profit or Loss and Other Comprehensive Income.

For the purpose of the 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 enterprise's performance; hence such presentation method is adopted.

#### **3.6.3 Net Finance Income / Expense**

Interest income is recognized as it accrues, using the effective interest method

Finance costs comprise interest expense on borrowings, impairment losses recognized on financial assets and borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset. These are recognized in profit or loss using the effective interest method.

#### **3.6.4 Income Tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognized in Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognized directly in equity or in Other Comprehensive Income.

#### **3.6.4.1 Current Taxes**

Current tax expenses for the current and comparative periods are measured at the amount paid or expected to be payable to the Commissioner General of Inland Revenue on taxable income for the respective year of assessment computed in accordance with the provisions of the Inland Revenue Act. No. 24 of 2017 as amended by subsequent legislation enacted or substantively enacted by the reporting date. Relevant details are disclosed in Note 11 to the Financial Statements.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date.

#### **3.6.4.2 Deferred Taxation**

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts and tax bases used for taxation purposes.

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

The principal temporary differences arise from depreciation on Property, Plant & Equipment, tax losses carried forward and provisions for defined benefit obligations.

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.

## Significant Accounting Policies

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.

### 3.7 Segmental Information

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Managing Director and Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

### 3.8 Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether or not a price is being charged.

A detailed Related Party Transaction analysis is presented in Note 35.

### 3.9 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 and dividends received and government grants received are classified as investing cash flows while dividends paid is classified as financing cash flows for the purpose of presenting the Statement of Cash Flows.

### 3.10 Earnings Per Share (EPS)

The Company presents Basic Earnings per Share (EPS) data for its ordinary shares. Basic 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, adjusted for own shares held.

### 3.11 Events Occurring After the Reporting Period

Events after the reporting period are those events, favorable and unfavorable, occurring between the end of the reporting period and the date when the Financial Statements are authorised for issue. The materiality of the events occurring after the reporting period is considered and appropriate adjustments or disclosures are made in the Financial Statements, where necessary.

### 3.12 Commitment and Contingencies

Contingencies are possible assets or obligations that arise from a past event and would be confirmed only on the occurrence or non occurrence of one or more uncertain future events, which are beyond the company's control. Contingent Liabilities are disclosed in Note 32 to the Financial Statements. Commitments are disclosed in Note 33 to the Financial Statements.

## 4. NEW STANDARDS ISSUED BUT NOT YET EFFECTIVE

Following Standard is effective for annual period beginning after 1st April 2019 and earlier application permitted, however, the Company has not early adopted the new or amended standards in preparing these financial statements of those standards that are not yet effective, SLFRS 16 is expected to have a material impact on the Company's

financial statements in the period of initial application.

### 4.1 SLFRS 16 Leases

The Company is required to adopt SLFRS 16 Leases from 1st April 2019. The Company has not yet assessed the estimated impact due to the initial application of SLFRS 16 will be have on it's financial statements.

SLFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognised a right-of-use asset representing its right to use the underlying assets and lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

SLFRS 16, replace existing leasing guidance, including LKAS 17 lease, IFRIC 4 Determining whether an arrangement contains a lease, SIC -15 Operating leases – Incentives and SIC-27 Evaluating the Substance of transactions involving the legal form of a lease.

#### i. Lease in which the Company is a lessee

The Company will recognise new assets and liabilities for its operating leases of head office and other facilities. The nature of expenses related to those leases will not change because the Company will recognise a depreciation charge for the right-of use assets and interest expenses on lease liabilities.

Previously, the Company has recognised operating lease expenses on a straight-line basis over the term of the lease, and

recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expenses recognised.

In addition, the Company will no longer recognised provisions for operating leases that it assessed to be onerous. Instead, the Company will include the payments due under the lease in its lease liability.

No significant impact is expected for the Company's finance leases.

**ii. Lease in which the Company is a lessor**

The Company will reassess the classification of sub-leases in which the Company is a lessor. Based on the information currently available, the Company expects that it will reclassify one sub-lease as a finance lease.

No significant impact is expected for other leases in which the Company is a lessor.

**iii. Transition**

The Company plans to apply SLFRS 16 initially on 1 April 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting SLFRS 16 will be recognised as an adjustment to the opening balance of retained earnings as at 1 April 2019, without any restatements of comparative information.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st March	2019 Rs'000	2018 Rs'000
<b>4 REVENUE</b>		
<b>Segmental Analysis of Revenue:</b>		
Main Sectors - Tea	1,596,693	1,863,047
- Rubber	304,111	330,357
	1,900,804	2,193,404
Diversified Crops	45,484	24,432
Sale of Timber Trees	64,570	25,946
Other Operating Revenue	9,502	4,681
	2,020,360	2,248,463

<b>5. GROSS PROFIT</b>		
<b>Segmental Analysis of Gross Profit:</b>		
Main Sectors - Tea	189,765	276,507
- Rubber	(64,490)	(35,574)
	125,275	240,933
Diversified Crops	11,353	(815)
Sale of Timber Trees	18,976	20,716
Other Operating Revenue	9,502	4,681
	165,106	265,515

Segmental Revenue, Expenses, Assets and Liabilities are more fully described in Note 38 to the Financial Statements.

For the year ended 31st March	2019 Rs'000	2018 Rs'000
<b>6. OTHER OPERATING INCOME</b>		
Profit on Disposal of Property, Plant & Equipment	5,773	-
Proceeds on Disposal of Redundant Materials	1,088	69
Amortisation of Capital Grants (Refer Note No.28)	13,179	6,274
	20,040	6,343

<b>7. CHANGE IN FAIR VALUE OF BIOLOGICAL ASSETS</b>		
Change in Fair Value of Consumable Biological Assets (Managed Timber Plantations) (Refer Note No.15.2)	80,663	38,785
Gain on Fair Value of Non-harvested produce on Bearer Biological Assets (Refer Note No.15.5)	5,845	6,210
	86,508	44,995

For the year ended 31st March	2019 Rs'000	2018 Rs'000
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### 8. MANAGEMENT FEES

Management Fee	14,205	15,000
Value Added Tax on Management Fee (Unclaimed)	2,128	2,240
	<b>16,333</b>	<b>17,240</b>

The Management Agreement signed between the Company and its Holding Company, Vallibel Plantation Management Ltd, on 15th July 2005 has been cancelled with effect from 31st March 2018, and the Company has entered into a new Management Agreement with Hayles PLC with effect from 1st April 2018. Terms and conditions as per the previous agreement remain same. Accordingly, the basis of computing management fee is on Earnings Before Interest Received/Paid, Corporate Tax, Depreciation, Amortisation and Management Fees (EBIDTA). The rate applicable for the year under review is 5% of EBIDTA or Rs.15 Mn, whichever is lower (same basis has been applied from 31st March 2018).

For the year ended 31st March	2019 Rs'000	2018 Rs'000
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### 9. NET FINANCE EXPENSES

#### Finance Expenses :-

Project Loan Interest	107,310	89,559
Term Loan Interest	21,990	23,801
Bank Overdraft Interest	35,699	34,352
Interest on Short Term Advances	6,579	1,050
Interest on Government Lease and Other Finance Leases	15,972	14,361
Debit Tax, Stamp Duty and Other Finance Charges	916	1,428
Sub-Total	<b>188,466</b>	<b>164,551</b>
Capitalisation of Borrowing Costs on Immature Plantations	<b>(58,723)</b>	<b>(76,731)</b>
Total Finance Expense	<b>129,743</b>	<b>87,820</b>

#### Finance Income :-

Interest Income	(168)	(279)
Foreign Exchange Gain/(Loss)	47	(627)
<b>Net Finance Expenses</b>	<b>129,622</b>	<b>86,915</b>



## Notes to the Financial Statements

For the year ended 31st March

2019	2018
Rs'000	Rs'000

### 10. PROFIT BEFORE TAXATION IS STATED

#### AFTER CHARGING ALL EXPENSES INCLUDING THE FOLLOWING:

Auditors Fees - Statutory Audit	2,376	2,200
- Other audit related services	-	-
Finance Lease Interest on JEDB/SLSPC Lease and Others	3,647	4,233
Operating Lease Rentals	-	372
Secretarial Fees and Expenses	547	386
Legal Fees and Expenses	6,993	6,532
Donations	35	371
<b>Depreciation and Amortisation:-</b>		
- Leasehold Rights to Bare Land	3,867	3,867
- Immovable Estate Assets on Finance Lease	7,179	7,715
- Bearer Biological Assets	112,224	94,969
- Other Tangibles	45,421	51,086
<b>Personnel Costs include:-</b>		
- Provision for Retiring Gratuity:-		
- Current Service Cost	17,489	27,054
- Interest Cost	45,341	45,218
- Defined Contribution Plan Costs (Provident Funds and ETF)	132,717	130,252
- Other Staff Costs	940,365	1,183,902

### 11. TAX EXPENSE

2019	2018
Rs'000	Rs'000

#### 11.1 Current Taxes on Continuing Operations:

Income Tax on Profits for the year (Refer Note No.11.2)	-	-
Deferred Tax charge/(Reversal) (Refer Note No.11.4.1)	(8,884)	18,867
Economic Service Charge (non-claimable)	11,430	1,462
Tax Expense on Profit or Loss	2,546	20,329
Deferred Tax on other Comprehensive Income (Refer Note No.11.4.1)	(12,239)	(5,730)
Tax on Total Comprehensive Income	(9,693)	14,599

	2019 Rs'000	2018 Rs'000
<b>11.2 Reconciliation between Profit before Taxation and Current Tax on Ordinary Activities:</b>		
Profit before Taxation	7,348	104,674
Disallowable Items	139,071	296,109
Loss attributable to the Manufacture	-	43,665
Allowable Items	(269,993)	(368,728)
Profit from Agriculture, Trade or Business	(123,574)	75,720
Other Sources of Income (Interest Income)	-	279
Total Assessable Income (* No Statutory income as per new Act)	(123,574)	75,999
Loan Interest Paid	-	(76,731)
Ground Rent Paid	-	(14,692)
Taxable Income for the year	(123,574)	(15,424)
Tax Rates Applicable	14% & 28%	14% & 28%
Current Income Tax Expense	-	-
<b>11.3 Accumulated Tax Losses:</b>		
Tax Losses Brought Forward	(1,606,392)	(1,547,303)
Losses incurred during the year	(123,574)	(59,089)
Investment Income claimed	168	-
Adjustment with respect of prior year	14,561	-
Tax Losses Carried Forward	(1,715,238)	(1,606,392)

Profit from Agricultural business will be taxed at rate of 14% as per the Inland Revenue Act No. 24 of 2017. Other income will be taxed at the rate of 28% .

**11.4 Deferred Taxation:**

	2019		2018	
	Temporary Differences Rs'000	Tax Effect Rs'000	Temporary Differences Rs'000	Tax Effect Rs'000
On Property, Plant and Equipment	289,459	40,524	311,200	43,568
On Biological Assets	2,792,849	390,999	2,712,629	379,768
On Retirement Benefits Obligation	(535,965)	(75,035)	(458,325)	(64,166)
On Tax Losses Carried Forward	(1,715,238)	(240,133)	(1,583,511)	(221,692)
	831,106	116,355	981,993	137,478
Tax Rates Applicable (Refer Note 11.4.2)		14.00%		14.00%
Provision/(Reversal) of Deferred Taxation (Refer Note 29)		(21,123)		13,137
<b>11.4.1 On Operating Profit</b>		(8,884)		18,867
On Other Comprehensive Income		(12,239)		(5,730)
		(21,123)		13,137

## Notes to the Financial Statements

**11.4.2** Deferred Tax is provided using the liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax asset/(liability) has been computed taking into consideration the effective tax rate, which is 14% (2017/18 - 14%) for the Company.

### 12. EARNINGS/DIVIDEND PER SHARE

#### 12.1 Basic Earnings Per Share

Basic earnings per Share has been calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the year. There were no diluted potential ordinary shares outstanding at any time during the year.

	2019	2018
Profit for the year - (Rs'000)	4,802	84,343
Weighted Average Number of Ordinary Shares in issue during the year -Numbers (in Thousands)	25,000	25,000
Basic Earnings per Share - (Rs.)	0.19	3.37

#### 12.2 Dividend Per Share

The company has declared interim dividend of Rs. 0.50 per share for the year ended 31st March 2018

	2019	2018
Dividend declared - Rs'000	12,500	-
Weighted Average Number of Ordinary Shares in issue during the year -Numbers (in Thousands)	25,000	25,000
Dividend per Share (Rs.Cts)	0.50	-

As at 31st March	2019 Rs'000	2018 Rs'000
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### 13. LEASEHOLD RIGHTS TO BARE LAND OF JEDB/SLSPC ESTATES

#### Capitalised Value :

As at 22.06.1992	204,931	204,931
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#### Amortisation :

At the beginning of the year	99,680	95,813
Charge for the year	3,866	3,867
At the end of the year	103,546	99,680

#### Carrying Amount :

At the end of the year	101,385	105,251
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The leasehold rights to the bare land on all estates (except for Dumbara Estate which is under an operating lease) have been taken into the books of the Company as at 22nd June 1992, immediately after the formation of the Company, in terms of the opinion obtained from the Urgent Issues Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose lands have been revalued at Rs.204.931 Million being the value established for these lands by Valuation Specialist, D.R.Wickremasinghe just prior to the formation of the Company.

#### 14. IMMOVABLE JEDB/SLSPC ESTATE ASSETS ON FINANCE LEASE (OTHER THAN BARE LAND)

	<b>Bearer Biological Assets (Immature) Rs'000</b>	<b>Bearer Biological Assets (Mature) Rs'000</b>	<b>Permanent Land Development Costs Rs'000</b>	<b>Buildings Rs'000</b>	<b>Plant and Machinery Rs'000</b>	<b>Total as at 31st March 2019 Rs'000</b>	<b>Total as at 31st March 2018 Rs'000</b>
<b>Capitalised Value :</b>							
As at 22.06.1992	145,993	68,817	4,014	47,173	6,818	<b>272,815</b>	272,815
<b>Transfers to Mature :</b>							
At the beginning of the year	(145,993)	145,993	-	-	-	-	-
During the Period	-	-	-	-	-	-	-
At the end of the year	-	214,810	4,014	47,173	6,818	<b>272,815</b>	272,815
<b>Amortisation :</b>							
Opening Balance	-	168,286	3,432	47,173	6,818	<b>225,709</b>	217,994
Charge for the year	-	7,160	20	-	-	<b>7,180</b>	7,715
At the end of the year	-	175,446	3,452	47,173	6,818	<b>232,889</b>	225,709
<b>Carrying Amount :</b>							
<b>As at 31.03.2019</b>	-	39,364	562	-	-	<b>39,926</b>	
As at 31.03.2018	-	46,524	582	-	-		47,106

In terms of the opinion obtained from the UITF all immovable estate Property, Plant and Equipment under finance leases have been taken into the books of the Company retroactive to 22nd June 1992. For this purpose, all estate immovables have been revalued at their book values as they appear in the books of the lessor (JEDB/SLSPC), as the case may be on the day immediately preceding the date of formation of the company.

Investments in Bearer Biological Assets which were immature, at the time of handing over to the Company by way of estate leases, are shown under Bearer Biological Assets-Immature (revalued as at 22.06.92). Further investments in such Bearer Biological Assets (Immature) to bring them to maturity are shown under "Note 15.1.1 - Bearer Biological Assets (Immature Plantations)". When these plantations become mature the additional investment to bring them to maturity will be moved from the Note 15.1.1 - Bearer Biological Assets (Immature Plantations) to Note 15.1.2 - Bearer Biological Assets (Mature Plantations) shown under Note 15.1, and a corresponding move from Bearer Biological Assets (Immature) to Bearer Biological Assets (Mature) will be made in the above category, namely cost incurred before take over.

## Notes to the Financial Statements

### 15. BIOLOGICAL ASSETS

#### 15.1 Bearer Biological Assets

	Tea	Rubber	Oil Palm	Diversification	Total as at 31st March 2019 Rs'000	Total as at 31st March 2018 Rs'000
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>15.1.1 Immature Plantations</b>						
<b>Cost :</b>						
At the beginning of the year	98,636	250,728	64,864	84,657	498,885	637,162
Additions	24,765	47,171	27,179	56,669	155,784	229,064
Transfers to Mature	(1,825)	(87,987)	(277)	(32,151)	(122,240)	(367,341)
Write off during the year	-	(11,526)	-	(1,075)	(12,601)	-
At the end of the year	121,576	198,386	91,766	108,100	519,828	498,885
<b>15.1.2 Mature Plantations</b>						
<b>Cost :</b>						
At the beginning of the year	792,322	1,338,046	103,879	45,682	2,279,929	1,912,588
Transfers from Immature	1,825	87,987	277	32,151	122,240	367,341
Transferred to Statement of Profit or Loss	(196)	-	-	(230)	(426)	-
At the end of the year	793,951	1,426,033	104,156	77,603	2,401,743	2,279,929
<b>Amortisation :</b>						
At the beginning of the year	182,830	404,992	4,030	10,910	602,762	507,794
Charge for the year	28,185	76,678	5,254	2,106	112,223	94,968
Transferred to Statement of Profit or Loss	(114)	-	-	(230)	(344)	-
At the end of the year	210,901	481,670	9,284	12,786	714,641	602,762
<b>Carrying Amount</b>	583,050	944,363	94,872	64,816	1,687,102	1,677,167
<b>15.1.3 Total Bearer Biological Assets</b>	704,626	1,142,748	186,638	172,916	2,206,930	2,176,052

These are investments in immature/mature plantations since the formation of the company. The assets (including plantations) taken over by way of estate leases are set out in Note 13 and 14. Further investments in the immature plantations taken over by way of these leases are also shown in the above. When such plantations become mature, the additional investments since taken over in order to bring them to maturity have been (or will be) moved from immature to mature under this category as and when fields become mature.

**15.2 Consumable Biological Assets**
**As at 31st March**

	2019 Rs'000	2018 Rs'000
<b>15.2.1 Immature Plantations</b>		
<b>Cost :</b>		
At the beginning of the year	51,824	39,339
Additions	14,274	12,485
Transfers to Mature	(29,886)	-
At the end of the year	36,212	51,824
<b>15.2.2 Mature Plantations</b>		
<b>Cost :</b>		
At the beginning of the year	484,751	451,196
Decrease due to Harvest	(45,593)	(5,230)
Increase due to new plantations	29,886	-
Change in Fair Value less costs to sell	80,663	38,785
At the end of the year	549,707	484,751
<b>15.2.3 Total Consumable Biological Assets</b>	<b>585,919</b>	<b>536,575</b>

**15.2.4 Basis of Valuation**

Under LKAS 41, the company has valued its managed plantations at fair value less cost to sell. Managed timber plantations as at 31st March 2019 comprised approximately 319.02 hectares.

Managed trees which are less than five years old are considered to be immature consumable biological assets, amounting Rs.36.212 Million as at 31st March 2019. The cost of immature trees is treated as approximate fair value, particularly on the ground that little biological transformation has taken place and the impact of the biological transformation on price is not material. When such plantation become mature , the additional investments since taken over to bring them to maturity are transferred from immature to mature.

The mature consumable biological assets were valued by Chartered Valuer Mr. A.A.M. Fathihu - Proprietor of FM Valuers for 2018/19 using Discounted Cash Flow (DCF) method . In ascertaining the fair value of timber , physical verification is done during the year.



## Notes to the Financial Statements

### Key assumptions used in valuation are;

#### 15.2.4.1 The prices adopted are net of expenditure

#### 15.2.4.2 Discounted rates used by the Valuer are within the range of 14% - 16%.

The valuation, as presented in the external valuation model based on the net present value, takes into accounts the long-term exploitation of the timber plantation. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realisation value. The Board of Directors retains their view that commodity markets are inherently volatile and their long-term price projection are highly unpredictable. Hence, the sensitivity analysis regarding the selling price and discount rate variation as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the valuation against his own assumptions.

The biological assets of the Company are mainly cultivated in leased lands. When measuring the fair value of the biological assets it was assumed that these concession can and will be renewed at normal circumstances. Timber content expects to be realised in future and is included in the calculation of the fair value that takes into account the age of the timber plants and not the expiration date of the lease.

### 15.2.5 The Company is exposed to the following risks relating to its timber plantation:-

#### 15.2.5.1 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.

#### 15.2.5.2 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.

#### 15.2.5.3 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.

### 15.3 Sensitivity Analysis

#### 15.3.1 Sensitivity Variation on Sales Price

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in the average sales price applied. Simulations made for timber show that an increase or decrease by 5% of the estimated future selling price has the following effect on the Net Present Value of the Biological assets.

	-5%		5%
Managed Timber (Rs'000)	534,505	549,707	569,930

### 15.3.2 Sensitivity Variation on Discount Rate

Net Present Value of the Biological Assets as appearing in the Statement of Financial Position are very sensitive to changes in 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 the Biological assets.

	-1%		1%
Managed Timber (Rs'000)	568,372	549,707	532,825

### 15.4 Capitalisation of Borrowing Costs

Borrowing costs amounting to Rs.58.723 Million (Rs.76.731 Million in 2017/18) directly relating to investment in Biological Assets (Immature Plantations) have been capitalised during the period, at an average borrowing rate of 13.59% (13.01% in 2017/18).

As at 31st March	2019 Rs'000	2018 Rs'000
<b>15.5 Non-harvested Produce on Bearer Biological Assets</b>		
At the beginning of the year	6,210	6,860
Gain on Fair Value of Non-harvested Produce	5,845	6,210
Transferred to Profit or Loss	(6,210)	(6,860)
At the end of the year	5,845	6,210

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

Tea -three days crop (50% of 6 days cycle), Oil Palm -five days crop (50% of 10 days cycle), Rubber -one day crop (50% of 2 days cycle), Coconut -one month crop (50% of 2 month cycle), and Cinnamon -three months crop (50% of 6 months cycle).

Produce that grows on mature bearer plantations are measured at fair value less cost of harvesting and transport. The fair value of the unharvested green leaves is measured using the using the bought leaf formula recommended by the Sri Lanka Tea Board, the fair value of the unharvested fresh fruit bunches(FFB) of Oil Palm is measured using the Bought Mill Price and the Rubber crop is fair valued using 95% of RSS 1 Price. Coconut and Cinnamon is fair valued using 50% of Farm Gate Price.

## Notes to the Financial Statements

### 16. OTHER TANGIBLES

	Infrastructure and Buildings Rs'000	Plant and Machinery (Freehold) Rs'000	Plant and Machinery (Leasehold) Rs'000	F & F / Equipment (Freehold) Rs'000	Computer Software Rs'000	Motor Vehicles (Freehold) Rs'000	Motor Vehicles (Leasehold) Rs'000	Capital Work in Progress Rs'000	Total Rs'000
<b>Cost :</b>									
Balance as at 1st April 2017	355,398	383,299	9,368	95,301	16,158	138,564	57,195	8,198	1,063,480
Additions	2,697	974	-	7,365	-	-	-	10,976	22,012
On disposals	-	-	-	-	-	-	-	-	-
Transfers (from)/to	-	-	-	-	-	5,134	(5,134)	(6,457)	(6,457)
<b>Balance as at 31st March 2018</b>	<b>358,095</b>	<b>384,273</b>	<b>9,368</b>	<b>102,666</b>	<b>16,158</b>	<b>143,698</b>	<b>52,061</b>	<b>12,717</b>	<b>1,079,035</b>
<b>Depreciation :</b>									
Balance as at 1st April 2017	96,676	237,812	6,446	76,304	16,112	124,904	49,659	-	607,913
Charge for the year	11,415	22,574	1,525	5,486	46	5,636	4,404	-	51,086
On disposals	-	-	-	-	-	-	-	-	-
Transfers (from)/to	-	-	-	-	-	5,134	(5,134)	-	-
<b>Balance as at 31st March 2018</b>	<b>108,091</b>	<b>260,386</b>	<b>7,971</b>	<b>81,790</b>	<b>16,158</b>	<b>135,674</b>	<b>48,929</b>	<b>-</b>	<b>658,999</b>
<b>Cost :</b>									
Balance as at 1st April 2018	358,095	384,273	9,368	102,666	16,158	143,698	52,061	12,717	1,079,036
Additions	5,006	697	-	2,797	-	554	-	8,722	17,776
On disposals	-	-	-	-	-	(9,149)	-	-	(9,149)
Transfers (from)/to	-	-	-	-	-	36,787	(36,787)	(2,084)	(2,084)
<b>Balance as at 31st March 2019</b>	<b>363,101</b>	<b>384,970</b>	<b>9,368</b>	<b>105,463</b>	<b>16,158</b>	<b>171,890</b>	<b>15,274</b>	<b>19,354</b>	<b>1,085,579</b>
<b>Depreciation :</b>									
Balance as at 1st April 2018	108,091	260,386	7,971	81,790	16,158	135,674	48,929	-	658,999
Charge for the year	11,521	22,339	1,398	5,473	-	2,024	2,665	-	45,420
On disposals	-	-	-	-	-	(9,149)	-	-	(9,149)
Transfers (from)/to	-	-	-	-	-	36,787	(36,787)	-	-
<b>Balance as at 31st March 2019</b>	<b>119,612</b>	<b>282,725</b>	<b>9,368</b>	<b>87,263</b>	<b>16,158</b>	<b>165,336</b>	<b>14,807</b>	<b>-</b>	<b>695,270</b>
<b>Carrying Amount :</b>									
As at 31.03.2019	243,489	102,245	-	18,200	-	6,554	467	19,354	390,309
As at 31.03.2018	250,004	123,887	1,397	20,875	-	8,024	3,132	12,717	420,037

- (a) These Property, Plant and Equipment are those movable assets vested in the company by Gazette Notification on the date of formation of the company (i.e. 22nd June 1992), and all investment in tangible assets (both movables and immovables) by the Company since its formation, other than plantation improvements.

(b) The cost of fully depreciated Property, Plant & Equipment of the Company which are still in use as at the year end is Rs.311.155 Million (2018-Rs.323.812 Million).

(c) Details of assets pledged as mortgage are morefully described under Note No 24 "Interest Bearing Borrowings".

#### 16.1 Extents, Locations, Valuations and Number of Buildings of the Company's Land Holdings

Location	Planting District	Leasehold Lands		Buildings			
		Extents	Valuation	Numbers	Leasehold	Freehold Valuation	Total Cost
		Hects.	Rs'000		Rs'000	Rs'000	Rs'000
Upcot/Maskeliya							
Alton	Nuwara Eliya	350	12,914	269	4,368	22,393	26,761
Fairlawn	Nuwara Eliya	448	17,132	228	3,754	22,550	26,303
Gouravilla	Nuwara Eliya	381	13,912	770	7,700	24,005	31,704
Mahanilu	Nuwara Eliya	236	9,058	145	4,923	11,280	16,203
Stockholm	Nuwara Eliya	305	11,393	521	5,034	26,613	31,647
Regional Total		1,719	64,409	1,933	25,778	106,841	132,619
Lindula							
Bambrakelly	Nuwara Eliya	591	19,728	357	4,347	23,400	27,746
Eildon Hall	Nuwara Eliya	162	6,301	303	2,941	18,113	21,054
Tillicoultry	Nuwara Eliya	377	13,807	691	3,608	11,595	15,204
Regional Total		1,129	39,836	1,351	10,895	53,109	64,004
Up-Country Total		2,849	104,244	3,284	36,673	159,950	196,623
Horana/Ingiriya/Bulathsinghala							
Millakande	Kalutara	387	14,822	177	1,680	17,857	19,537
Dumbara	Ratnapura	1,017	-	87	1,253	30,393	31,646
Halwatura	Kalutara	612	16,110	80	1,198	12,517	13,716
Hillstream	Kalutara	400	12,317	24	561	3,483	4,044
Kobowela	Kalutara	217	8,187	38	821	13,476	14,297
Neuchatel	Kalutara	902	20,172	105	1,361	32,057	33,419
Mirishena	Kalutara	487	12,908	152	1,376	10,115	11,491
Procester	Kalutara	664	16,171	102	2,249	15,276	17,525
Low-Country Total		4,686	100,687	765	10,500	135,175	145,675
Total		7,534	204,931	4,049	47,173	295,125	342,298

## Notes to the Financial Statements

As at 31st March	2019 Rs'000	2018 Rs'000
<b>17. ADVANCE COMPANY TAX (ACT) RECOVERABLE</b>		
At the beginning of the year	27,285	27,285
Less: Setoff against Income Tax Payable	-	-
At the end of the year	27,285	27,285
<b>18. INVENTORIES</b>		
Harvested Crops (Tea & Rubber)	272,593	223,516
Input Materials	82	82
Consumables and Spares	25,033	22,151
Shading Tree Nurseries	38	10
	297,746	245,759
<b>19. TRADE AND OTHER RECEIVABLES</b>		
Trade Receivables	24,862	33,369
Staff Debtors	29,332	30,870
Income/Value Added Tax Recoverable (ESC/WHT & VAT)	24,698	26,233
Other Receivables	9,694	3,193
Deposits, Advances and Prepayments	7,657	4,181
	96,243	97,846
Less: Provision for Impairment of Other Receivables (Note 19.1)	(1,413)	(1,438)
	94,830	96,408
<b>19.1. Provision for Impairment of Other Receivables</b>		
Balance as 1st April	1,438	1,611
Impairment loss reversed	(25)	(173)
Amounts written off	-	-
Balance as 31st March	1,413	1,438
<b>20. CASH AND CASH EQUIVALENTS</b>		
<b>20.1. Favourable Balances</b>		
Short Term Monetary Investments	1,545	10,965
Cash at Bank and in Hand	731	736
Cash in Transit	595	2,682
Cash and Cash Equivalents shown in the Statement of Financial Position	2,871	14,383
<b>20.2. Unfavourable Balances</b>		
Less : Bank Overdrafts (Refer Note No.31.1)	(373,471)	(293,062)
Cash and Cash Equivalents shown in the Statement of Cash Flows	(370,600)	(278,679)

As at 31st March	2019 Rs.	2018 Rs.
<b>21. STATED CAPITAL</b>		
25,000,000 Ordinary Shares	250,000,000	250,000,000
1 Golden Share held by Secretary to the Treasury (Refer Note 21.1)	10	10
	<b>250,000,010</b>	<b>250,000,010</b>

#### 21.1. Rights of the Golden Shareholder :

The concurrence of the Golden Shareholder will be required for the Company to sub-lease any of the estate lands/to be leased to the company by the Janatha Estate Development Board/Sri Lanka State Plantations Corporation.

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.

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.

The company will be required to submit a detailed quarterly 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 each fiscal year.

The Golden Shareholder can request the Board of Directors of the company to meet with him/his nominee, once every quarter to discuss issues of interests to the Government relating to the company's operations.

The Golden Share must be owned either directly by the Government or by a 100% Government owned public company.

#### 22. SINKING FUND

Sinking Fund represents the amount set a side by the Directors for general application.

#### 23. DEVELOPMENT RESERVE

Development Reserve represents the amount set a side by the Directors for capital expenditure.



## Notes to the Financial Statements

As at 31st March	2019 Rs'000	2018 Rs'000
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### 24. INTEREST BEARING BORROWINGS

At the beginning of the year	864,274	881,058
Add: Loans obtained during the year	200,000	146,935
Less: Repayment during the year	(157,649)	(163,719)
At the end of the year	906,625	864,274

#### 24.1 Payable as follows:-

Amount repayable within one year	236,457	161,027
Amount repayable more than one year	670,168	703,247
Total Payable	906,625	864,274

#### 24.2 Project Loans repayable in seventy two (72) / \*forty eight (48) monthly instalments, after a twenty four (24) months grace period:

Purpose	Date of Receipt	Hatton National Bank PLC		2019 Rs'000	2018 Rs'000
		Capital (Rs'000)	Interest Rate (p.a.)		
Replanting of Main & Minor Crops	23-Jan-13	150,000	AWPLR + 1.00%	47,100	70,200
Replanting of Main & Minor Crops	4-Sep-13	200,000	AWPLR + 1.00%	83,450	116,750
Replanting of Main & Minor Crops	19-May-14	200,000	AWPLR + 0.75%	105,650	138,950
Replanting of Main & Minor Crops	24-Mar-17	250,000	AWPLR + 3.00%	250,000	250,000
Replanting of Main & Minor Crops	30-May-18	200,000	AWPLR + 1.75%	200,000	-
		1,000,000		686,200	575,900

#### Security Offered :

Primary Floating Mortgage for Rs.550 Million, over leasehold rights of Frocester Estate.

Primary Floating Mortgage for Rs.400 Million, over leasehold rights of Bambrakelly Estate.

#### 24.3 Project Loans repayable in seventy two (72) monthly instalments, after a twenty four (24) months grace period:

Purpose	Date of Receipt	Commercial Bank of Ceylon PLC		2019 Rs'000	2018 Rs'000
		Capital (Rs'000)	Interest Rate (p.a.)		
Replanting of Main Crops	7-Sep-17	100,000	AWPLR + 2.00%	100,000	100,000
		100,000		100,000	100,000

#### Security Offered :

Primary Floating Mortgage for Rs.120.00 Million, over the leasehold rights land and buildings of Stockholm Estate.

## 24. INTEREST BEARING BORROWINGS (BALANCE BROUGHT FORWARD)

### 24.4 Other Term Loan repayable in sixty (60) monthly instalments :

Purpose	Date of Receipt	Hatton National Bank PLC		2019 Rs'000	2018 Rs'000
		Capital (Rs'000)	Interest Rate (p.a.)		
Borrowing Restucture Facility	4-Dec-14	100,000	AWPLR + 0.75%	44,425	59,980
		100,000		44,425	59,980

#### Security Offered :

Primary mortgage over leasehold rights of Alton, Bambarakelly, Eildon Hall and Gouravilla Estates.

### 24.5 Other Term Loan repayable in sixty (60) monthly instalments :

Purpose	Date of Receipt	Hatton National Bank PLC		2019 Rs'000	2018 Rs'000
		Capital (Rs'000)	Interest Rate (p.a.)		
Relief Package Scheme for Tea Sector introduced by the Government	16-Nov-15	130,114	AWPLR + 1.50%	43,570	69,396
		130,114		43,570	69,396

#### Security Offered :

Primary mortgage over leasehold rights of Bambarakelly Estate.

### 24.6 Term Loan, repayable in thirty six (36) monthly instalments, after a twenty four (24) months grace period:

Purpose	Date of Receipt	Sri Lanka Tea Board		2019 Rs'000	2018 Rs'000
		Capital (Rs'000)	Interest Rate (p.a.)		
To finance payment of Labour Interim Allowance	27-Jul-16	33,000	*AWPLR + 1.00%	14,667	25,667
		33,000		14,667	25,667

\*(AWPLR -Review as at 1st of August of every year and fixed for one year)

#### Security Offered :

No security has been offered for this loan.

## Notes to the Financial Statements

### 24.7 Term Loan, repayable in thirty six (36) monthly instalments:

Purpose	Date of Receipt	Sri Lanka Tea Board		2019 Rs'000	2018 Rs'000
		Capital (Rs'000)	Interest Rate (p.a.)		
Industry Distress Financing Facility	28-Apr-17	46,935	5.00%	17,764	33,332
		46,935		17,764	33,332

#### Security Offered :

No security has been offered for this loan.

<b>Total Payable</b>	<b>906,625</b>	<b>864,274</b>
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### 24.8 Maturity Analysis :

Financial Institution	Within 1 Year Rs'000	Between 1 Year & 2 Years Rs'000	Between 2 Years & 5 Years Rs'000	Over 5 Years Rs'000	Total Rs'000
Hatton National Bank PLC (Refer Note 24.2)	27,300	19,800	-	-	47,100
Hatton National Bank PLC (Refer Note 24.2)	33,300	33,300	16,850	-	83,450
Hatton National Bank PLC (Refer Note 24.2)	33,300	33,300	39,050	-	105,650
Hatton National Bank PLC (Refer Note 24.2)	62,400	62,400	125,200	-	250,000
Hatton National Bank PLC (Refer Note 24.2)	-	42,000	151,200	6,800	200,000
Commercial Bank of Ceylon PLC (Refer Note 24.3)	9,730	16,680	50,040	23,550	100,000
Hatton National Bank PLC (Refer Note 24.4)	17,565	16,560	10,300	-	44,425
Hatton National Bank PLC (Refer Note 24.5)	26,218	17,352	-	-	43,570
Sri Lanka Tea Board (Refer Note 24.6)	11,000	3,667	-	-	14,667
Sri Lanka Tea Board (Refer Note 24.7)	15,645	2,119	-	-	17,764
<b>Total</b>	<b>236,457</b>	<b>247,178</b>	<b>392,640</b>	<b>30,350</b>	<b>906,625</b>

As at 31st March

	2019			2018		
	Gross Liability	Future Finance Cost	Net Liability	Gross Liability	Future Finance Cost	Net Liability
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000

## 25. NET LIABILITY TO LESSOR OF JEDB/SLSPC ESTATES

### 25.1. Movement :

As at 1st April	146,053	(56,592)	89,461	146,384	(60,092)	86,292
GDP Deflator Due	15,968	-	15,968	14,361	-	14,361
Repayments	(20,794)	-	(20,794)	(14,692)	-	(14,692)
Transferred to Statement of Profit or Loss	-	3,431	3,431	-	3,500	3,500
As at 31st March	141,227	(53,161)	88,066	146,053	(56,592)	89,461

### 25.2. Payable as follows :

#### Payable within One Year

Overdue	5,299	-	5,299	4,897	-	4,897
Payable by due dates	5,228	(3,360)	1,868	5,228	(3,431)	1,797
	10,527	(3,360)	7,167	10,125	(3,431)	6,694

#### Payable after One Year :-

Payable within Two to Five Years	20,912	(12,658)	8,254	20,912	(12,976)	7,936
Payable after Five Years	109,788	(37,143)	72,645	115,016	(40,185)	74,831
	130,700	(49,801)	80,899	135,928	(53,161)	82,767
<b>Total Payable</b>	<b>141,227</b>	<b>(53,161)</b>	<b>88,066</b>	<b>146,053</b>	<b>(56,592)</b>	<b>89,461</b>

**25.3.** The lease rentals have been amended with effect from 22nd June 1996 to an amount substantially higher than the previous nominal lease rental of Rs.500/- per estate per annum. The basic rental payable under the revised basis is Rs.5.228 Million per annum. This amount is to be inflated annually by the Gross Domestic Product(GDP) deflator in the form of contingent rent.

This lease agreement was further amended on 10th June 2005, freezing the annual lease rental at Rs.7.472 Million for a period of six years commencing from 22nd June 2002. Hence, the GDP Deflator adjustment will be frozen at Rs.2.244 Million per annum until 21st June 2008. Accordingly, the Financial Statements have been adjusted, in order to reflect the future net liability in the following manner:-

**25.3.1** Future liability on the revised annual lease payment of Rs.7.472 Million continued until 21st June 2008, and thereafter from 22nd June 2008, annual lease payment remained at Rs.5.228 Million, until 21st June 2045. The Net Present Value of this liability at a 4% discounting rate would result in a liability of Rs.88.066 Million.

## Notes to the Financial Statements

### 25.3.2 The Net Present Value as at date is represented by:-

	Rs.Million
Gross Liability - Overdue Rentals/GDP Deflator (Contingent Rent)	5,299
-26 Years @ Rs.5.228 Million per annum	135,928
	141,227
Less: Interest in Suspense	(53,161)
Net Present Value	88,066

**25.3.3** The contingent rental charged during the current year to Statement of Profit or Loss amounted to Rs. 15.968 Million and the gross liability to make contingent rentals for the remaining 26 years of lease term at the current rate would be estimated to Rs. 415.168 Million as at 31st March 2019.

As at 31st March	2019			2018		
	Gross Liability	Future Finance Cost	Net Liability	Gross Liability	Future Finance Cost	Net Liability
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000

### 26. OTHER FINANCE LEASE CREDITORS

#### 26.1. Movement :

As at 1st April	4,155	(153)	4,002	11,032	(886)	10,148
Facilities Obtained	7,276	(1,664)	5,612	-	-	-
Repayments	(4,458)	-	(4,458)	(6,877)	-	(6,877)
Transferred to Statement of Profit or Loss	-	216	216	-	733	733
As at 31st March	6,973	(1,601)	5,372	4,155	(153)	4,004

#### 26.2. Payable as follows :

Payable within One Year	1,819	(681)	1,138	4,155	(153)	4,003
Payable after One Year :-						
Payable within Two to Five Years	5,154	(920)	4,234	-	-	-
Payable after Five Years	-	-	-	-	-	-
	5,154	(920)	4,234	-	-	-
Total Payable	6,973	(1,601)	5,372	4,155	(153)	4,003

As at 31st March	2019 Rs'000	2018 Rs'000
<b>27. RETIREMENT BENEFITS OBLIGATIONS</b>		
Balance as at 1st April	458,325	422,568
Provision made during the Year	150,253	115,645
Payments made during the Year	(72,613)	(79,888)
Balance as at 31st March	535,965	458,325
Payable for retired employees included under current liabilities (Refer Note 30)	(31,248)	(31,864)
Payable to existing employees classified as non-current liabilities	504,717	426,461

An Actuarial Valuation of the retirement benefit obligation was carried out as at 31st March 2018 by Mr.M. Poopalanathan, Actuarial & Management Consultants (Pvt) Ltd.

The valuation method used by the actuaries to value the benefit is the "Project Unit Credit (PUC) Method", the method recommended by the Sri Lanka Accounting Standards (LKAS) No.19 "Employee Benefits".

As at 31st March	2019 Rs'000	2018 Rs'000
<b>27.1. The amount recognised in the Statement of Financial Position is as follows:-</b>		
Present Value of Unfunded Obligation	504,717	426,461
Present Value of Funded Obligation	-	-
Total Present Value of Obligation	504,717	426,461
Fair Value of Plan Assets	-	-
Present Value of Net Obligation	504,717	426,461
Unrecognised Actuarial (Gain)/Losses	-	-
Recognised liability for Defined Benefit Obligation	504,717	426,461
<b>27.2. Movement in the Present Value of Defined Benefit Obligation:-</b>		
Liability for Defined Benefit Obligation as at 1st April	426,461	393,480
Actuarial (Gain)/Loss	87,423	40,926
Benefit payable by the Plan	(71,997)	(82,664)
Current Service Cost	17,489	27,501
Interest Cost	45,341	47,218
Liability for Defined Benefit Obligation as at 31st March	504,717	426,461
<b>27.3. Expenses recognised in Statement of Profit or Loss and Other Comprehensive Income:-</b>		
Current Service Cost	17,489	27,501
Interest Cost	45,341	47,218
Actuarial (Gain)/Loss during the year	87,423	40,926
	150,253	115,645



## Notes to the Financial Statements

### 27.4. The Key Assumptions used by the actuary include the following:-

**27.4.1.** Rate of Interest -11.00% per annum

#### **27.4.2.** Rate of Salary Increase

- Workers -15.00% for every two years beyond
- Estate Staff -12.50% for first three years & 2.00% per annum beyond
- Head Office Staff -10.00% per annum beyond

#### **27.4.3.** Retirement Age

- Workers -60 years
- Estate Staff -60 years
- Head Office Staff -55 years

#### **27.4.4.** Daily Wage Rate

- Tea -Rs.700.00
- Rubber -Rs.700.00

#### **27.4.5.** The Company will continue as a going concern.

The Actuarial Present Value of all benefits accrued to the existing employees of the scheme based on the current labour wage rate as at 31st March 2019, was Rs.504.717 Million (31st March 2018 -Rs.426.421 Million).

### 27.5. Sensitivity Analysis:-

The following sensitivity analysis shows the significance of the change in liability of Present Value of the Defined Benefit Obligation due to change in salary/wage escalation rate and discount rate assumed in this valuation, for all employees as at 31st March 2019 :-

Discount Rate	Salary Escalation Rate	Present Value of the Defined Benefit Obligation Rs'000
Increase of 1%	As per Note No.27.4.2.	468,917
Decrease of 1%	As per Note No.27.4.2.	545,852
As per Note No.27.4.1.	Increase of 1%	526,228
As per Note No.27.4.1.	Decrease of 1%	484,577

**27.6. Maturity Profile of the Defined Benefit Obligation :-**

Future Working Life Time	Present Value of the Defined Benefit Obligation Rs'000
Within the next 12 months	68,317
Between 1 - 5 years	165,296
Between 5 -10 years	115,151
Beyond 10 years	155,954
<b>Total</b>	<b>504,717</b>

**As at 31st March**
**2019  
Rs'000**
**2018  
Rs'000**
**28. DEFERRED INCOME**
**28.1. Deferred Capital Grants & Subsidies**
**28.1.1. Movement :**
**Grant Received :**

At the beginning of the year	<b>197,597</b>	192,980
Received during the year	<b>2,375</b>	4,617
At the end of the year	<b>199,972</b>	197,597

**Accumulated Amortisation :**

At the beginning of the year	<b>61,066</b>	54,792
Amortisation for the year	<b>13,179</b>	6,274
At the end of the year	<b>74,245</b>	61,066

Net Grant Received	<b>125,727</b>	136,531
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## Notes to the Financial Statements

### 28.1.2. Category wise details on Deferred Capital Grants & Subsidies

Granted By	Purpose of the Grant	Amount Received (todate) Rs'000	Basis of Amortisation	Balance as at 31-Mar-18 Rs'000	Received During the Year Rs'000	Amortised During the Year Rs'000	Balance as at 31-Mar-19 Rs'000
Sri Lanka Tea Board	Tea Factory Modernization	756	Rate of Depreciation applicable to Plant & Machinery (7.50% p.a.)	370	55	(53)	372
	Tea Replanting Subsidy	2,105	Will be amortised at rate applicable to Tea Mature Plantations, after become mature (3.00% p.a.)	4,866	-	-	4,866
Plantation Development Project (PDP) -Asian Development Bank (ADB)	Improvement of workers living environment	31,588	Rate of Depreciation applicable to Buildings (2.50% p.a.)	17,701	-	(1,128)	16,573
Plantation Human Development Trust (PHDT)	Improvement of workers living environment	45,143	Rate of Depreciation applicable to Buildings and Furniture & Fittings (2.50% and 10.00% p.a.)	28,736	-	(1,600)	27,137
Estate Infrastructure Development Project (EIDP)	Improvement of workers living environment	489	Rate of Depreciation applicable to Buildings (2.50% p.a.)	288	-	(17)	271
Plantation Development Project (PDP) -ADB/IBIC	Improvement of workers living environment	20,051	Rate of Depreciation applicable to Buildings (2.50% p.a.)	14,616	-	(717)	13,899
	Internal Road Development and Boundry Posts	4,622	Rate of Depreciation applicable to Permanent Land Development Cost (2.50% p.a.)	3,465	-	(165)	3,299
	Minor Factory Development	10,099	Rate of Depreciation applicable to Buildings (2.50% p.a.)	7,652	-	(361)	7,291
Rubber Development Department (RDD)	Rubber Replanting Subsidy	51,311	Will be amortised at rate applicable to Rubber Mature Plantations, after become mature (5.00% p.a.)	58,598	2,320	(9,088)	51,830
	Rubber Factory Development	675	Rate of Depreciation applicable to Plant & Machinery (7.50% p.a.)	110	-	(51)	59
Export Agriculture Department (EAD)	Cinnamon Replanting Subsidy	76	Rate of Depreciation applicable will be amortised at rate applicable to cinnamon Plantations, after become mature (6.67% p.a.)	131	-	-	131
		172,767		136,531	2,375	(13,179)	125,727

As at 31st March	2019 Rs'000	2018 Rs'000
<b>29. DEFERRED TAX LIABILITY</b>		
At the beginning of the year	137,478	124,341
Charge/(Reversed) during the period (Refer Note 11.4.1)	(21,123)	13,137
Balance at the End	116,355	137,478
<b>30. TRADE AND OTHER PAYABLES</b>		
Trade and Service Creditors	45,079	43,123
Retiring Benefit Obligations (Current) (Refer Note 27)	31,248	31,864
Bank Interest Payable	6,012	3,677
Other Payables and Accrued Charges (Refer Note 30.1)	160,531	189,259
	242,870	267,923
<b>30.1 Other Payables and Accrued Charges :</b>		
Staff Creditors	58,129	63,508
Incentives to Staff	9,474	9,180
Government Departments and Statutory Bodies	25,787	20,413
Capital Grant Repayable to Ceylon Electricity Board	2,641	2,641
Others including Provisions and Accrued Charges	64,500	93,517
	160,531	189,259

## Notes to the Financial Statements

### 31. SHORT TERM BORROWINGS

#### 31.1 Bank Overdrafts (Secured) :

The following facilities were granted to the Company as at 31st March 2019 :-

Financial Institution	Type of Securities	Rate of Interest	Facility Available Rs'000	2019 Rs'000	2018 Rs'000
Seylan Bank PLC Millennium Branch Colombo 1	Mortgage over leasehold rights of Mahanilu Estate, including land and buildings, fixed and floating assets.	13.75% p.a.	100,000	86,338	9,691
Commercial Bank of Ceylon PLC Foreign Branch Colombo 1	Mortgage over leasehold rights of Stockholm Estate and Fairlawn Estate, including buildings, fixed and floating assets.	13.01% p.a. [Average Weighted Prime Lending Rate (AWPLR) plus 0.50% ]	200,000	186,076	186,257
Hatton National Bank PLC Dehiwala.	Mortgage over leasehold rights of Eildon Hall Estate, including buildings, fixed and floating assets.	13.26% p.a. [Average Weighted Prime Lending Rate (AWPLR) plus 0.75% ]	100,000	101,057	97,114
			400,000	373,471	293,062

#### 31.2 Other Short Term Loan (Secured) :

Financial Institution	Type of Securities	Rate of Interest	Facility Available Rs'000	2019 Rs'000	2018 Rs'000
Seylan Bank PLC Millennium Branch Colombo 1	Mortgage over leasehold rights of Mahanilu Estate, including land and buildings, fixed and floating assets.	13.26% p.a. [Average Weighted Prime Lending Rate (AWPLR) plus 1.75% ]	60,000	60,000	-
			60,000	60,000	-
<b>Total</b>			460,000	433,471	293,062

### **32. CONTINGENT LIABILITIES**

There were no material contingent liabilities outstanding as at the year end except for the following:

#### **32.1 Legal Proceedings on Labour and Other Disputes: -**

Several other cases and disputes are pending against the company in Labour Tribunal and Courts. All these cases are vigorously contested / prosecuted and the lawyers have advised that an evaluation of the likelihood of an unfavourable outcome and the amount or range of potential loss cannot be quantified or commented upon at this stage.

#### **32.2 Contingent Rent on Government Annual Lease Rental: -**

Refer Note 25.3.3 to these Financial Statements.

### **33. COMMITMENTS**

#### **33.1 Financial Commitments:-**

Operating Lease Rentals on Dumbara Estate :

1-10 years	Rs. 0.552 Million per annum
11-20 years	Rs. 0.698 Million per annum
21-30 years	Rs. 0.838 Million per annum

Finance Lease Rentals Payable to the Secretary to the Treasury:

22.06.2019 to 21.06.2045 Rs.5.228 Million per annum

#### **33.2 Capital Commitments:-**

There were no capital commitments outstanding as at the year end.

### **34. EVENTS OCCURRING AFTER THE REPORTING DATE**

No material event has occurred subsequent to the reporting date, which require adjustments to or disclosures in the Financial Statements.

## Notes to the Financial Statements

For the Year ended 31st March

2019  
Rs'000

2018  
Rs'000

### 35. RELATED PARTY TRANSACTIONS AND BALANCES

35.1 The following balances were outstanding as at the year end: -

#### 35.1.1 Amounts due from Related Companies:

##### Holding Company:-

Vallibel Plantation Management Ltd.	32,257	15,089
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##### Other Related Companies:-

Royal Ceramics Lanka PLC	2	2
Lanka Ceramic PLC	18	10
Uni-Dil Pakaging Ltd.	242	75
Hayleys Agriculture Holdings Limited	130	-
Hayleys Agro Fertilizer (Pvt) Ltd	558	-
Kelani Valley Plantations PLC	883	-
Talawakelle Tea Estates PLC	50	-
Delmage Forsyth & Co., Ltd.	8,938	3,765
	10,821	3,852

#### 35.1.2 Amounts due to Related Companies:

##### Other Related Companies:-

Uni-Dil Pakaging Ltd.	-	40
Uni-Dil Pakaging Solutions Ltd	4,697	5,396
Hayleys PLC -Shared Services	3,949	2,575
Hayleys PLC -Management Fee	16,336	-
Hayleys Agriculture Holdings Limited	6,387	2,024
Hayleys Agro Fertilizer (Pvt) Ltd	944	42,204
Hayleys Agro Product (Pvt) Ltd	-	24
Hayleys Business Solutions International (Pvt) Ltd	30	-
Hayleys Aventura (Pvt) Ltd	-	53
Kelani Valley Plantations PLC	1,447	-
Talawakelle Tea Estates PLC	364	-
Ravi Industries Ltd	-	840
Puritas (Pvt) Ltd	19	-
Logiwiz Limited	2	-
NYK Line Lanka (Pvt) Ltd	746	-
Diesel & Motor Engineering PLC	27	478
Singer Sri Lanka PLC	57	381
	35,005	54,015



### 35.2 Transactions with Related Companies:

As per the Para 23 of Sri Lanka Accounting Standard (LKAS) 24 "Related Party Disclosure", a disclosure shall be made stating that related party transactions were made on terms equivalent to those that prevail in arm's length transactions only if such terms can be substantiated.

The transactions carried out in the ordinary course of its business with parties who are defined as related parties as per Sri Lanka Accounting Standard (LKAS) 24 "Related Party Disclosure". The details of which are reported below:-

Name of Company	Name of Director	Nature of Interest	Details of Transactions	2019 Rs'000	2018 Rs'000
Vallibel Plantation Management Ltd	Mr. A.M.Pandithage Dr. Roshan Rajadurai Mr.J. Manuja Kariapperuma	Executive Chairman Managing Director	Management Fee (net of VAT)	-	15,000
			Reimbursement of Expenses	21,685	-
Uni-Dil Packaging Ltd.	Mr. A.M.Pandithage Mr.J. Manuja Kariapperuma	Chairman Director	Sale of Tea	(450)	(450)
			Purchase of Packing Materials	1,763	(39)
Uni-Dil Paper Solutions Ltd	Mr. A.M.Pandithage Mr.J. Manuja Kariapperuma	Chairman Director	Purchase of Packing Materials	15,338	8,412
Lanka Ceramic PLC	Mr.K.D.G.Gunaratne	Director	Sale of Tea	(75)	(70)
			Reimbursement of Expenses	-	69
Royal Ceramics Lanka PLC	Mr. Dhammika Perera	Chairman	Sale of Tea	-	(20)
			Purchase of Tiles	126	-

## Notes to the Financial Statements

### 35.2 Transactions with Related Companies

Name of Company	Name of Director	Nature of Interest	Details of Transactions	2019 Rs'000	2018 Rs'000
The Kingsbury PLC	Mr. A.M.Pandithage Mr. Dhammika Perera	Executive Chairman Co-Chairman	A.G.M.Expenses	116	105
Hayleys PLC	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. S. C. Ganegoda	Executive Chairman Co-Chairman Finance & Group Executive Director	Management Fees	16,336	-
			Office Premises Rentals & Related Services	4,641	3,472
			Office Premises Reimbursement of Expenses	1,090	1,928
Hayleys Business Solutions International (Pvt) Ltd	Mr. A.M.Pandithage Mr. S. C. Ganegoda	Executive Chairman Director	Salary Processing Fee	136	-
Hayleys Aventura(Pvt) Ltd	Mr. A.M.Pandithage	Executive Chairman	Office Premises Related Services	-	53
Logiwiz Limited	Mr. A.M.Pandithage	Executive Chairman	Document Storage Rental	38	-
Moceti Lanka (Pvt) Ltd	Mr. A.M.Pandithage	Executive Chairman	Office Premises Related Services	-	8
NYK Lanka (Pvt) Ltd	Mr. A.M.Pandithage	Executive Chairman	Office Premises Related Services	746	666
Hayleys Agriculture Holdings Limited	Mr. A.M.Pandithage Mr. S. C. Ganegoda	Executive Chairman Director	Purchase of Chemicals & Machinery	5,432	7,041
Hayleys Agro Fertilizer (Pvt) Ltd	Mr. A.M.Pandithage Mr. S. C. Ganegoda	Executive Chairman Director	Purchase of Fertilizer	69,867	89,059

Name of Company	Name of Director	Nature of Interest	Details of Transactions	2019 Rs'000	2018 Rs'000
Singer Sri Lanka PLC	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. S. C. Ganegoda	Executive Chairman Co-Chairman Director	Purchase of Equipment	160	36
Puritas (Pvt) Ltd	Mr. A.M.Pandithage	Executive Chairman	Maintenance of Water Purification Plant	2	-
Dipped Products PLC	Mr. A.M.Pandithage Mr. Dhammika Perera Mr. S. C. Ganegoda	Executive Chairman Co-Chairman Director	Sale of Latex	-	(35,382)
Kelani Valley Plantations PLC	Mr. A.M.Pandithage Dr. Roshan Rajadurai Mr. S. C. Ganegoda	Executive Chairman Managing Director Director	Reimbursement of Management Expenses	3,204	495
				(987)	-
Talawakelle Tea Estates PLC	Mr. A.M.Pandithage Dr. Roshan Rajadurai	Executive Chairman Managing Director	Reimbursement of Management Expenses	364	-
				(50)	-
Delmage Forsyth & Co.,Ltd	Mr. Dhammika Perera Mr. A.M.Pandithage	Chairman Director	Sale of Tea	(67,139)	(44,839)
			Reimbursement of Expenses	-	(37)
			Purchase of Office Furniture	23	548
Ravi Industries Ltd	Mr. A.M.Pandithage Mr. S. C. Ganegoda	Executive Chairman Director	Sale of Rubber Trees	-	(16,790)
Diesel & Motor Engineering PLC	Mr. A.M.Pandithage	Director	Purchase of Motor Vehicle Spares	1,084	585

**35.2.1** Balance with related companies are disclosed in note 35.1.1 and note 35.1.2 to the financial statements.

## Notes to the Financial Statements

### 35.3 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard (LKAS) 24, "Related Party Disclosure", Key Management Personnel are those having authority and responsibility for planning, directing and controlling activities of the entity. Accordingly members of the Board of Directors (including Executive and Non-Executive Directors) has been classified as Key Management Personnel of the Company.

	2019 Rs'000	2018 Rs'000
Fees paid to Directors	14,164	12,518

## 36. FINANCIAL RISK MANAGEMENT

### 36.1 Overview :

The Company has exposure to the following risks from its use of financial instruments:-

- Credit risk
- Liquidity risk
- Market risks

This note present qualitative and quantitative information about the Company's exposure to each of the above risks, The Company's objectives, policies and procedures for measuring and managing those risks.

#### 36.1.1 Risk Management Framework

The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board of directors has established the risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities.

The Company's risk management policies are established on identify and analyses the risk faced by the Company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and system are reviewed regularly to reflect changes in market conditions and the group's activities. The Company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company audit committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risk faced by the Company. The Company audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

**36.2 Credit Risk :**

Credit risk is the risk of financial loss to the company if a customer or counter party to a financial instrument fails to meet it's contractual obligation, and arises principally from the company's receivables from customer, investment securities etc.

The Company is exposed to credit risk from its operating activities (Primarily trade receivables), other advances including loans and advances to staff/workers, and from its financing activities, including deposits with banks and other financial instruments.

The carrying amount of financial assets represents the maximum credit exposure.

**Risk Exposure**

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. The following figures show maximum risk positions.

<b>As at 31st March</b>	<b>2019 Rs'000</b>	<b>2018 Rs'000</b>
Advance Company Tax Recoverable	27,285	27,285
Trade and Other Receivables	94,830	96,408
Amount Due From Related Companies	43,079	18,942
Cash and Cash Equivalents	2,871	14,382
	<b>168,065</b>	<b>157,017</b>

**36.2.1 Management of Credit Risk****Trade Receivables**

The company's exposure to credit risk is influenced by the individual characteristics of each customer. The company's credit policy is monitored at the Board level. The new customers are analysed individually for credit worthiness before company's standard payment and delivery terms and conditions are offered. Company review includes external ratings when available and in some cases, bank references, purchase limit etc., which also subject to under review on quarterly basis. The past experience of the management is considered when revisions are made to terms and conditions.

The company has a minimal credit risk of its trade receivables from Produce Brokers, as the repayment is guaranteed within seven days by the Tea and Rubber Auction systems.

## Notes to the Financial Statements

### Credit Quality of Financial Assets

An analysis of the credit quality of trade receivables that were neither past due nor impaired and the ageing of trade receivables that were past due but not impaired as at 31st March 2019 is as follows:

As at 31st March	Carrying value	
	2019 Rs'000	2018 Rs'000
Below 30 days	24,862	33,369
30 - 45 days	-	-
46 - 60 days	-	-
61 - Over	-	-
Less: provision made	-	-
	24,862	33,369

The movement in the provision for impairment in respect of other receivables during the year was as follows.

	Impairment	
	2019 Rs'000	2018 Rs'000
Balance as 1st April 2018	1,438	1,611
Impairment loss reversed	(25)	(173)
Amounts written off	-	-
Balance as 31st March 2019	1,413	1,438

### Impairment loss recognised

The company believes that the unimpaired amounts that are past due by more than 180 days are still to be collected in full, Based on the Company's monitoring of customer credit risk, the Company believes that, except as indicated above, no impairment allowance is necessary in respect of trade receivables not past due.

### Amounts due from related companies

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each Related Company.

The Company does not require a provision for impairment in respect of Amounts Due From Related Companies.

### 36.2.2 Cash and Cash Equivalents

The Company held cash and cash equivalents of Rs.2.871 Mn at 31st March 2019 (2018:Rs.14.383 Mn.), which represents its maximum credit exposure on these assets.

**36.3 Liquidity Risk :**

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

The Company's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the company has available funds to meet its short-and medium-term capital and funding obligations, including organic growth and acquisition activities, and to meet any unforeseen obligations and opportunities. The Company holds cash and undrawn committed facilities to enable the Company to manage its liquidity risk.

The Company monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the Company's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected capital cash flows from operations.

**36.3.1 Exposure to Liquidity Risk**

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans and overdrafts.

The mixed approach combines elements of the cash-flow-matching approach and the liquid assets approach. The business units attempt to match cash outflows in each time bucket against a combination of contractual cash inflows, plus other inflows that can be generated through the sale of assets or other secured borrowings.

The table below summarises the maturity profile of the financial liabilities based on contractual undiscounted payments.

**The maturity analysis of Liabilities****As at 31st March 2019**

	Current		Non Current		
	Carrying value Rs'000	Upto 1 year Rs'000	Upto 2 years Rs'000	Upto 5 years Rs'000	Above 5 years Rs'000
Bank overdrafts	373,471	-	-	-	-
Bank borrowings	60,000	236,457	247,178	392,640	30,350
Lease liability	-	8,306	3,177	9,310	72,645
<b>Total</b>	<b>433,471</b>	<b>244,763</b>	<b>250,355</b>	<b>401,950</b>	<b>102,995</b>



## Notes to the Financial Statements

As at 31 March 2018

	Current		Non Current		
	Carrying value Rs'000	Upto 1 year Rs'000	Upto 2 years Rs'000	Upto 5 years Rs'000	Above 5 years Rs'000
Bank overdrafts	293,062	-	-	-	-
Bank borrowings	-	161,027	235,276	394,459	73,590
Lease liability	-	10,698	1,869	6,067	74,831
<b>Total</b>	<b>293,062</b>	<b>171,725</b>	<b>237,145</b>	<b>400,526</b>	<b>148,421</b>

### 36.4 Market Risk :

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

#### 36.4.1 Interest Rate Risk :

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments fluctuate because of changes in market interest rates. The Company exposure to the risk of changes in market interest rates relates primarily to the Company's long term debt obligation and Investments with floating Interest rates.

At the end of the reporting period the interest rate profile of the company's interest bearing financial instruments as reported to the management of the company was as follows :-

As at 31st March	Nominal Amount	
	2019 Rs'000	2018 Rs'000
<b>Variable Rate Instruments</b>		
<b>Financial Assets</b>		
Short Term Investment	1,544	10,965
<b>Financial Liabilities</b>		
Long Term Bank Borrowings	874,194	805,276
Long Term Other Borrowings	14,667	25,667
Short Term Bank Borrowings	60,000	-
Bank Overdraft	373,471	29,062
<b>Total</b>	<b>1,322,332</b>	<b>1,124,005</b>

A reasonable change of 100 basis points in interest rate at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular, foreign currency exchange rates, remain constant.

As at 31st March	Nominal Amount	
	2019 Rs'000	2018 Rs'000
<b>Variable Rate Instruments</b>		
100 bp increase	(13,208)	(11,130)
101 bp decrease	13,208	11,130

The above table demonstrates the sensitivity to a reasonable change in interest rates on loans where floating rates are applicable with all other variables held constant.

Constant monitoring of market interest rates is carried out to ensure appropriate steps are taken to maximise the return on financial management and to minimise the cost of borrowings. The Company very strongly negotiates with banks and obtains best possible interest rates for the Company's borrowings. Listed below are steps adopted by the Company to minimise the effect of interest rate risks;

- Entering into loans with interest rate caps and fixed rates.
- Renegotiating with banks on interest rates whenever there are favourable fluctuation in the market rates.

### 36.4.2 Capital Management:

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital, which the company defines as result from operating activities divided by total shareholders' equity. The Company also monitors the level of dividends to ordinary shareholders.

The Company's debt to adjusted capital ratio at the end of the reporting period was as follows.

As at 31st March	Nominal Amount	
	2019 Rs'000	2018 Rs'000
Total debt	2,458,208	2,273,209
Less: cash and cash equivalents	(2,871)	(14,383)
Net debt	2,455,337	2,258,826
Total equity	1,337,916	1,420,798
Net debt equity ratio	184%	159%

There were no changes in the company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

## Notes to the Financial Statements

### 37. FINANCIAL INSTRUMENTS

#### **37.1 Fair Value Hierarchy for Financial Assets Carried at Fair Value**

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.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Company determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates. The objective of the valuation technique is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by the market participants acting at arm's length.

## 37.2 Analysis of financial instruments by measurement basis

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

As at 31st March 2019	Note	Mandatory at FVTPL - Others	FVTOCI - Equity Instruments	Financial Assets at Ammortized Cost	FVTOCI - Debt Instruments	Other Financial Assets & Liabilities	Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>Financial Assets</b>							
Advance Company Tax (ACT) Recoverable		-	-	27,285	-	-	27,285
Trade and other receivables	19	-	-	62,475	-	-	62,475
Amounts due from related parties	35.1.1	-	-	43,079	-	-	43,079
Cash and cash equivalents	20	-	-	2,871	-	-	2,871
<b>Total</b>		-	-	135,710	-	-	135,710

<b>Financial Liabilities</b>							
Loans and borrowings	24	-	-	-	-	966,625	966,625
Financial lease liabilities	25-26	-	-	-	-	93,438	93,438
Trade and other payables	30	-	-	-	-	242,870	242,870
Amounts due to related parties	35.1.2	-	-	-	-	35,005	35,005
Bank overdraft	31	-	-	-	-	373,471	373,471
<b>Total</b>		-	-	-	-	1,711,409	1,711,409

As at 31st March 2018	Note	Mandatory at FVTPL - Others	FVTOCI - Equity Instruments	Financial Assets at Ammortized Cost	FVTOCI - Debt Instruments	Other Financial Assets & Liabilities	Total
		Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
<b>Financial Assets</b>							
Advance Company Tax (ACT) Recoverable		-	-	27,285	-	-	27,285
Trade and other receivables	19	-	-	65,993	-	-	65,993
Amounts due from related parties	35.1.1	-	-	18,942	-	-	18,942
Cash and cash equivalents	20	-	-	14,383	-	-	14,383
<b>Total</b>		-	-	126,603	-	-	126,603

<b>Financial Liabilities</b>							
Loans and borrowings	24	-	-	-	-	864,274	864,274
Financial lease liabilities	25-26	-	-	-	-	93,465	93,465
Trade and other payables	30	-	-	-	-	267,919	267,919
Amounts due to related parties	35.1.2	-	-	-	-	54,036	54,036
Bank overdraft	31	-	-	-	-	293,062	293,062
<b>Total</b>		-	-	-	-	1,572,756	1,572,756

## Notes to the Financial Statements

The company does not anticipate the fair value of the above to be significantly different to their carrying values and considers the impact as not material for the disclosure.

### 37.3 Fair Value Hierarchy for Assets Carried at Fair Value

	Note	Level 1	Level 2	Level 3	Total
2019					
Consumable biological assets	15.2.2			549,707	549,707
2018					
Consumable biological assets	15.2.3			484,752	484,752

#### Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring the fair value of consumable biological assets, as well as the significant unobservable inputs used.

	Valuation Technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Consumable Biological	Discounted Cashflows	The interest rates used by the company for discounting the cashflows varied between 14% - 16% which were derived as risk free interest rate plus a risk premium	The fair value decreases/increases when discount rate is increased/decreased
Assets		An average timber price increment rate of 5.6% is used in the valuation based on the annual inflation rate. The timber price is based on the historical average selling price.	The fair value increased/decreases when price increment rate is increased/decreased.

**37.4 Financial Assets and Liabilities by fair value hierarchy**

As at 31st March 2019	Note	Fair Value			
		Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Total Rs'000
Financial assets not measured at fair value					
Advance Company Tax (ACT) Recoverable		-	-	27,285	27,285
Trade and other receivables	19	-	-	62,475	62,475
Amounts due from related parties	35.1.1	-	-	43,079	43,079
Cash and cash equivalents	20	-	2,871	-	2,871
Total		-	2,871	132,839	135,710

<b>Financial Liabilities</b>					
Loans and borrowings	24	-	-	966,625	966,625
Financial lease liabilities	25-26	-	-	93,438	93,438
Trade and other payables	30	-	-	242,870	242,870
Amounts due to related parties	35.1.2	-	-	35,005	35,005
Bank overdraft	31	-	373,471	-	373,471
<b>Total</b>		-	373,471	1,337,938	1,711,409

As at 31st March 2018	Note	Fair Value			
		Level 1 Rs'000	Level 2 Rs'000	Level 3 Rs'000	Total Rs'000
Financial assets not measured at fair value					
Advance Company Tax (ACT) Recoverable		-	-	27,285	27,285
Trade and other receivables	19	-	-	65,993	65,993
Amounts due from related parties	35.1.1	-	-	18,942	18,942
Cash and cash equivalents	20	-	14,383	-	14,383
Total		-	14,383	112,220	126,603

<b>Financial Liabilities</b>					
Loans and borrowings	24	-	-	864,274	864,274
Financial lease liabilities	25-26	-	-	93,465	93,465
Trade and other payables	30	-	-	267,919	267,919
Amounts due to related parties	35.1.2	-	-	54,036	54,036
Bank overdraft	31	-	293,062	-	293,062
<b>Total</b>		-	293,062	1,279,694	1,572,756

# Notes to the Financial Statements

## 38. INFORMATION ON BUSINESS SEGMENTS

For the year ended 31st March	Tea		Rubber		Unallocated		Total	
	2019 Rs'000	2018 Rs'000	2019 Rs'000	2018 Rs'000	2019 Rs'000	2018 Rs'000	2019 Rs'000	2018 Rs'000
<b>Segmental Revenue</b>								
Main Sectors	1,596,693	1,863,047	304,111	330,357			1,900,804	2,193,404
Diversified Crops					45,484	24,432	45,484	24,432
Sale of Timber (Live) Trees					64,570	25,946	64,570	25,946
Other Operating Revenue					9,502	4,681	9,502	4,681
	1,596,693	1,863,047	304,111	330,357	119,556	55,059	2,020,360	2,248,463
<b>Segmental Gross Profit/(Loss)</b>	189,765	276,507	(64,490)	(35,574)	39,831	24,582	165,106	265,515
Other Operating Income					20,040	6,343	20,040	6,343
Change in Fair Value of Biological Assets					86,508	44,995	86,508	44,995
Administrative Overheads					(118,351)	(108,024)	(118,351)	(108,024)
Management Fees					(16,333)	(17,240)	(16,333)	(17,240)
<b>Profit from Operations</b>							136,970	191,589
Interest and Finance Charges					(129,622)	(86,915)	(129,622)	(86,915)
<b>Profit before Taxation</b>							7,348	104,674
Income Tax Expense					(2,546)	(20,329)	(2,546)	(20,329)
<b>Profit for the year</b>							4,802	84,343
<b>Other Comprehensive Income:</b>								
Actuarial Loss on Retirement Benefit Obligations					(87,423)	(40,926)	(87,423)	(40,926)
Tax Expense on Other Comprehensive Expenses					12,239	5,730	12,239	5,730
<b>Other Comprehensive Income for the year</b>							(75,184)	(35,196)
<b>Total Comprehensive Income for the year</b>							(70,382)	49,147
<b>OTHER INFORMATION</b>								
<b>Segmental Assets</b>								
Non-current Assets	1,047,487	1,099,299	1,286,384	1,357,897	990,597	827,825	3,324,469	3,285,021
Current Assets	328,463	278,816	29,976	36,659	113,216	93,510	471,655	408,986
<b>Total Assets</b>	1,375,950	1,378,115	1,316,361	1,394,556	1,103,814	921,336	3,796,124	3,694,007
<b>Segmental Liabilities</b>								
Non-current Liabilities	450,323	380,070	113,575	107,929	938,202	998,485	1,502,100	1,486,484
Current Liabilities	143,199	153,892	42,406	41,626	770,501	591,206	956,105	786,725
<b>Total Liabilities</b>	593,522	533,962	155,980	149,555	1,708,703	1,589,691	2,458,206	2,273,209
<b>Capital Expenditure</b>	31,530	59,151	49,813	82,095	98,795	115,861	180,137	257,106
<b>Amortisation and Depreciation</b>	60,333	67,667	88,651	82,669	19,706	7,301	168,690	157,637
<b>Non-Cash Expenditure other than Amortisation and Depreciation</b>	55,183	60,350	18,596	14,461	74,043	44,946	147,822	119,756

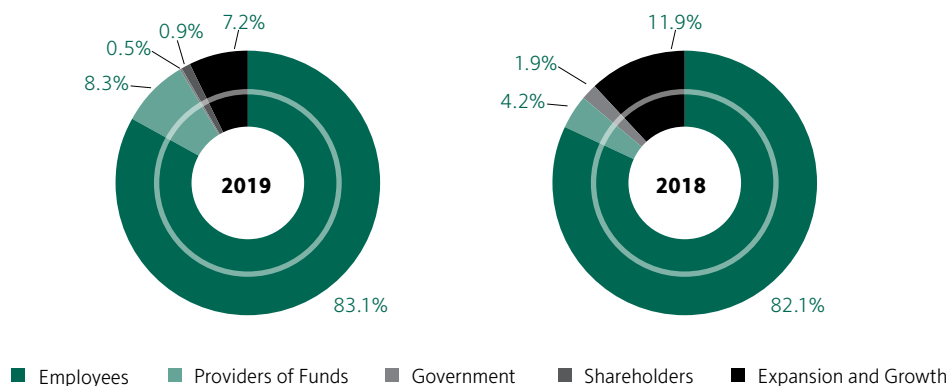


## VALUE ADDED STATEMENT

For the year ended 31st March

	2019		2018	
	Rs'000	%	Rs'000	%
Revenue	2,020,360		2,248,463	
Other Income	106,548		51,338	
	2,126,908		2,299,801	
Cost of Materials and Services obtained	(760,259)		(560,460)	
Value Addition	1,366,649		1,739,341	
<b>Distribution of Value Addition:-</b>				
<b>To Employees</b>				
Salaries and Other Benefits	1,135,912	83.1	1,427,543	82.1
<b>To Providers of Funds</b>				
Interest Cost	113,654	8.3	72,553	4.2
<b>To Government</b>				
Income Tax	(9,693)		14,600	
Lease Interest	15,968		17,861	
	6,275	0.5	32,461	1.9
<b>To Shareholders</b>				
Dividends to Shareholders	12,500	0.9	-	-
<b>To Expansion and Growth</b>				
Profit Earned/(Loss incurred)	(70,382)		49,147	
Depreciation	168,690		157,637	
	98,308	7.2	206,784	11.9
	1,366,649	100.0	1,739,341	100.0

Distribution of Value Addition



# TEN YEAR SUMMARY

Year Ended 31st March	2010 Rs'000	2011 Rs'000	2012 Rs'000	2013 Rs'000	2014 Rs'000	2015 Rs'000	2016 Rs'000	2017 Rs'000	2018 Rs'000	2019 Rs'000
<b>Operating Results :</b>										
Revenue	1,781,125	2,079,720	2,068,933	2,220,225	2,269,092	2,164,859	1,806,106	1,947,278	2,248,463	2,020,360
Gross Profit	204,345	464,708	209,955	369,330	271,161	141,575	(1,574)	102,743	265,515	165,106
Profit from Operations	148,876	392,246	154,526	305,138	212,961	115,827	(35,885)	45,774	191,589	136,970
Interest	(49,295)	(53,878)	(44,110)	(61,623)	(50,399)	(28,848)	(39,859)	(88,656)	(86,915)	(129,622)
Profit/(Loss) before Taxation	99,581	338,368	110,416	243,515	162,562	86,979	(75,744)	(42,882)	104,674	7,348
Tax Expense	(5,013)	(8,770)	96	(38,652)	(25,325)	(25,003)	2,626	1,161	(20,329)	(2,546)
Profit/(Loss) for the year	94,568	329,598	110,512	204,863	137,237	61,976	(73,119)	(41,722)	84,344	4,802
Other Comprehensive Income	-	-	(23,192)	19,403	(66,451)	14,709	43,847	27,095	(35,196)	(75,184)
Total Comprehensive Income	94,568	329,598	87,320	224,266	70,786	76,685	(29,272)	(14,627)	49,148	(70,382)
<b>Net Assets Employed :</b>										
Property, Plant & Equipment	1,527,700	2,030,023	1,951,043	2,153,381	2,408,538	2,580,951	2,600,692	2,661,463	2,748,446	2,738,550
Consumable Biological Assets	78,835	76,901	231,132	246,676	283,928	349,513	453,884	490,535	536,575	585,919
Current Assets	307,000	502,488	356,869	385,338	389,842	420,646	322,531	400,281	408,986	471,655
Total Assets	1,913,535	2,609,412	2,539,044	2,785,395	3,082,308	3,351,110	3,377,107	3,552,279	3,694,006	3,796,125
Current Liabilities excluding										
Borrowings	(172,575)	(255,186)	(247,516)	(312,377)	(290,354)	(248,102)	(230,918)	(272,611)	(332,632)	(286,181)
Non-Current Liabilities										
excluding Borrowings	(610,336)	(673,703)	(671,561)	(681,612)	(774,366)	(815,835)	(781,233)	(744,576)	(783,239)	(831,931)
	1,130,624	1,680,523	1,619,967	1,791,406	2,017,588	2,287,174	2,364,957	2,535,092	2,578,135	2,678,013
<b>Capital Employed :</b>										
Stated Capital	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Capital Reserves	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000	70,000
Revenue Reserves	436,523	967,505	836,502	1,035,768	1,056,554	1,104,224	1,066,278	1,051,652	1,100,798	1,017,916
Shareholders' Funds	756,523	1,287,505	1,156,502	1,355,768	1,376,554	1,424,224	1,386,278	1,371,652	1,420,798	1,337,916
Borrowings	374,101	393,018	463,465	435,638	641,034	862,950	978,679	1,163,440	1,157,336	1,340,097
	1,130,624	1,680,523	1,619,967	1,791,406	2,017,588	2,287,174	2,364,957	2,535,092	2,578,135	2,678,013

Year Ended 31st March	2010 Rs'000	2011 Rs'000	2012 Rs'000	2013 Rs'000	2014 Rs'000	2015 Rs'000	2016 Rs'000	2017 Rs'000	2018 Rs'000	2019 Rs'000
<b>Cash Flow :</b>										
Net Cash Inflow from										
Operating Activities	243,797	386,992	240,707	358,517	235,388	105,620	111,493	48,366	284,016	14,218
Net Cash Outflow from										
investing Activities	(172,912)	(253,000)	(267,280)	(276,282)	(361,631)	(261,167)	(187,868)	(202,572)	(252,141)	(170,736)
Net Cash Inflow/(Outflow)										
from Financing Activities	3,388	36,652	(186,027)	6,228	8,798	147,154	7,992	109,132	(38,353)	64,598
Net Cash Inflow/(Outflow)										
for the period	74,273	170,644	(212,600)	88,463	(117,445)	(8,393)	(68,383)	(45,074)	(6,476)	(91,920)
Cash and Cash Equivalents										
at the beginning	(153,688)	(79,415)	91,229	(121,371)	(32,908)	(150,353)	(158,746)	(227,129)	(272,203)	(278,680)
Cash and Cash Equivalents										
at the end	(79,415)	91,229	(121,371)	(32,908)	(150,353)	(158,746)	(227,129)	(272,203)	(278,680)	(370,600)
<b>Key Indicators :</b>										
Earnings per Share (Rs.)	3.78	13.18	4.42	8.19	5.49	2.48	(2.92)	(1.67)	3.37	0.19
Market Value per Share (Rs.)	28.00	72.30	25.10	26.50	22.90	22.50	16.90	16.50	22.00	17.00
Dividend per Share (Rs.)	1.00	4.00	1.00	2.00	1.00	0.50	-	-	-	0.50
Net Assets per Share (Rs.)	30.26	51.50	46.26	54.23	55.06	56.97	55.45	54.87	56.83	53.52
Price-Earnings Ratio (times)	7.40	5.48	5.68	3.23	4.17	9.08	(5.78)	(9.89)	6.52	88.51
Earnings Yield (%)	13.51	18.24	17.61	30.92	23.97	11.02	(17.31)	(10.11)	15.34	1.13
Interest Cover (times covered)	3.02	7.28	3.50	4.95	4.23	4.02	(0.90)	0.52	2.20	1.06
Dividend Cover (times covered)	3.78	3.30	4.42	4.10	5.49	4.96	-	-	-	0.38
Dividend Payout (%)	26.44	30.34	22.62	24.41	18.22	20.17	-	-	-	260.33
Effective Dividend Rate (%)	10.00	40.00	10.00	20.00	10.00	5.00	-	-	-	5.00
Dividend Yield (%)	3.57	5.53	3.98	7.55	4.37	2.22	-	-	-	2.94
Current Ratio (times)	0.90	1.50	0.76	0.81	0.75	0.84	0.53	0.57	0.52	0.49
Revenue to Capital Employed (times)	1.58	1.24	1.28	1.24	1.12	0.95	0.76	0.77	0.87	0.75
Property, Plant & Equipment to										
Shareholders' Funds (times)	2.02	1.58	1.69	1.59	1.75	1.81	1.88	1.94	1.93	2.05
Equity to Total Assets Ratio (%)	39.54	49.34	45.55	48.67	44.66	42.50	41.05	38.61	38.46	35.24
Return on Equity (%)	12.50	25.60	9.56	15.11	9.97	4.35	(5.27)	(3.04)	5.94	0.36
Return on Capital Employed (%)	13.17	23.34	9.54	17.03	10.56	5.06	(1.52)	1.81	7.43	5.11
Return on Total Assets (%)	4.94	12.63	4.35	7.35	4.45	1.85	(2.17)	(1.17)	2.28	0.13
Gearing (%)	33.09	23.39	28.61	24.32	31.77	37.73	41.38	45.89	44.89	50.04

## SHAREHOLDER AND INVESTOR INFORMATION

### TWENTY (20) MAJOR SHAREHOLDERS OF THE COMPANY

As at 31st March		2019		2018	
No.	Name	No . of Shares	(%)	No . of Shares	(%)
1	Vallibel Plantation Management Limited	12,750,000	51.000	12,750,000	51.000
2	Naratha Ventures Private Limited	2,153,733	8.615	2,153,733	8.615
3	Sampath Bank PLC / Dr. T Senthilverl	1,981,113	7.924	1,981,113	7.924
4	Associated Electrical Corporation Ltd	1,286,186	5.145	1,286,186	5.145
5	Seylan Bank PLC / Thirugnanasambandar Senthilverl	871,614	3.486	870,614	3.482
6	Bank of Ceylon No. 1 Account	513,000	2.052	513,000	2.052
7	Mr. G M Weerakoon	333,556	1.334	144,849	0.579
8	Mr. K C Vignarajah	196,205	0.785	196,200	0.785
9	Gulf East Finance Limited	195,400	0.782	195,400	0.782
10	Mr. H A A H Algharabally	131,500	0.526	131,500	0.526
11	Mrs. U D D N Perera	120,688	0.483	44,024	0.176
12	Mr. P F Nandasiri	113,320	0.453	113,320	0.453
13	Mr. P H D Waidyatilaka	105,000	0.420	105,000	0.420
14	Mr. A A Page	100,000	0.400	100,000	0.400
15	Alpha Tours Private Limited	100,000	0.400	100,000	0.400
16	Merchant Bank of Sri Lanka PLC/J A S Priyantha	77,263	0.309	77,263	0.309
17	Mr. Y L Farook	74,529	0.298	74,529	0.298
18	East West Properties PLC	71,400	0.286	71,400	0.286
19	Mr. P Somadasa	54,565	0.218	70,231	0.281
20	Mr. A Sithampalam	50,000	0.200	50,000	0.200
	Sub Total	21,279,072	85.116	21,028,362	84.113
	Others	3,720,929	14.884	3,971,639	15.887
	Grand Total	25,000,001	100.000	25,000,001	100.000

## SHARE DISTRIBUTION

*Shareholding as at 31st March 2019*

From	To	No of Holders	No of Shares	%
1	1,000	9,926	1,963,720	7.85
1,001	10,000	258	899,120	3.59
10,001	100,000	47	1,385,846	5.54
100,001	1,000,000	9	2,580,283	10.32
Over 1,000,000		4	18,171,032	72.68
		10,244	25,000,001	100.00

## CATEGORIES OF SHAREHOLDERS

	No of Holders	No of Shares	%
Local Individuals	10,135	4,382,394	17.53
Local Institutions	87	20,246,999	80.99
Foreign Individuals	21	175,208	0.70
Foreign Institutions	1	195,400	0.78
	10,244	25,000,001	100.00

## Shareholder and Investor Information

### DIRECTORS', MANAGING DIRECTOR'S AND CHIEF EXECUTIVE OFFICER'S SHAREHOLDING AS AT 31ST MARCH 2019

		No. of Shares	%
1	Mr. Abeyakumar Mohan Pandithage	-	-
2	Mr. Kulappuarachchige Don Dhammika Perera	-	-
3	Dr. Weerakoon Godfrey Roshan Rajadurai	1,000	0.004
4	Mr. Janak Manuja Kariapperuma	-	-
5	Mr. Lalin Joseph Ainsley Fernando	-	-
6	Mr. Kulappuarachchige Don Harendra Perera	-	-
7	Mr. Anthony Nishantha Wickramasinghe	-	-
8	Mr. S C Ganegoda	-	-
9	Mr. S S Sirisena	-	-
10	Mr. K D G Gunaratne ( Alternate Director to Mr. K D D Perera)	-	-
11	Dr. N T Bogahalande ( Alternate Director to Mr. K D H Perera)	-	-
	<b>Total</b>	1,000	0.004

### SHARE PRICES FOR THE YEAR

As at 31st March	2019		2018	
	Rs.Cts	Date	Rs.Cts	Date
<b>Market price per share</b>				
Highest during the year	26.80	21-May-2018	30.00	29-Sep-2017
Lowest during the year	13.60	08-Jan-2019	16.00	05-Apr-2017
As at end of the year	17.00		22.00	

## SHARE TRADING STATISTICS

Year Ended 31st March	2019	2018
Number of Transactions during the year	462	1,550
Number of Shares traded during the year	330,156	2,877,751
Value of shares traded during the year (Rs.)	5,622,601.70	70,646,441.30

## PUBLIC HOLDING

As at 31st March	2019	2018
Public Holding Percentage	49%	49%
Number of Shareholders	10,242	10,251

## FLOAT ADJUSTED MARKET CAPITALIZATION

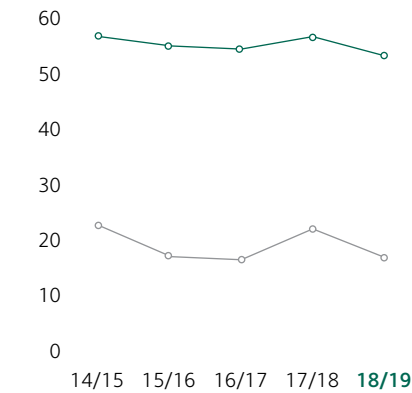
1. The float adjusted market capitalization as at 31st March 2019 was Rs. 208,233,017.00
2. The Float adjusted market capitalization of the Company falls under Option 5 of Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange and the Company has complied with the minimum public holding requirement applicable under the said option.



## Shareholder and Investor Information

**Net Assets per Share(NAPS) Vs. Market Value per Share(MVPS)**

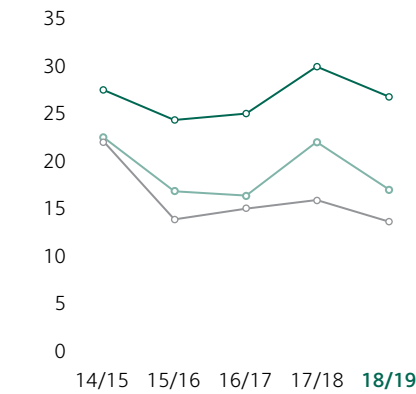
Rs. Per Share



— NAPS — MVPS

**High-Low Market Prices**

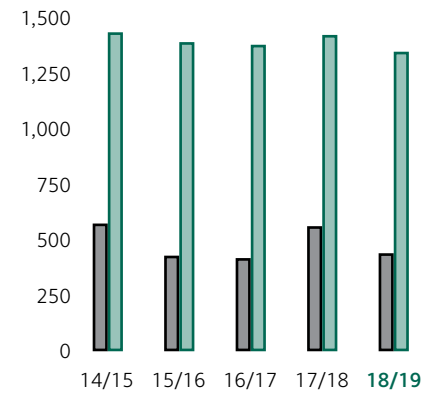
Rs. Per Share



— High — Low — As at

**Market Capitalisation Vs. Shareholders' Funds**

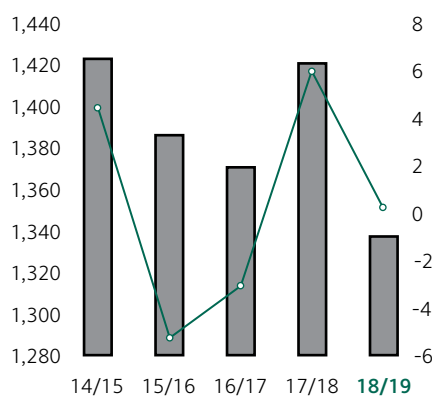
Rs. Mn



■ Market Capitalization  
■ Shareholder's Funds

**Return on Equity (%)**

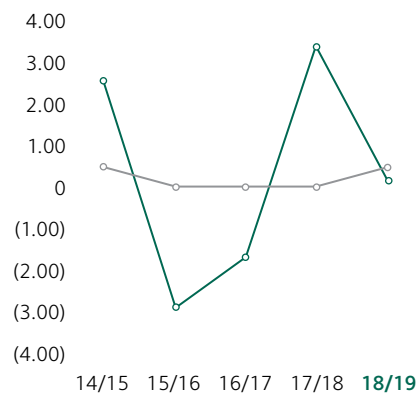
Rs. Mn



■ Shareholders' Funds (Rs Millions)  
— Return on Equity (%)

**Earnings Per Share(EPS) Vs Dividend per Share(DPS)**

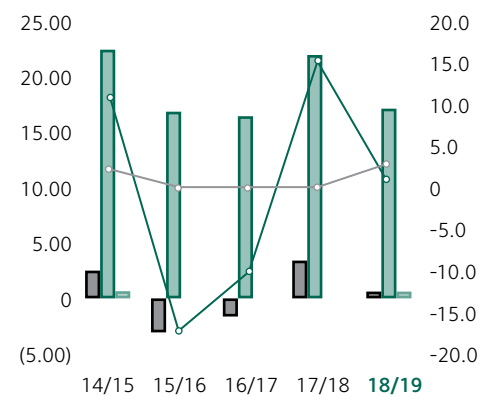
Rs. Per Share



— EPS — DPS

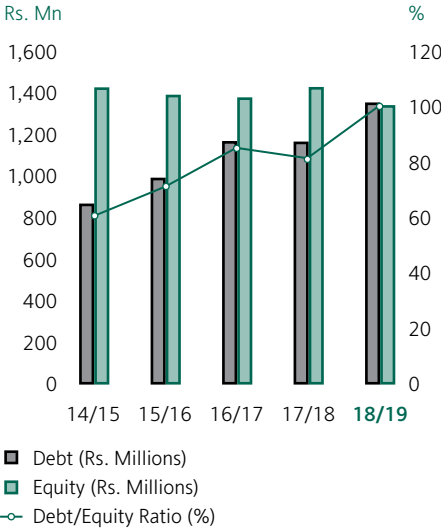
**Earnings & Dividend Yield (%)**

Rs. Per Share

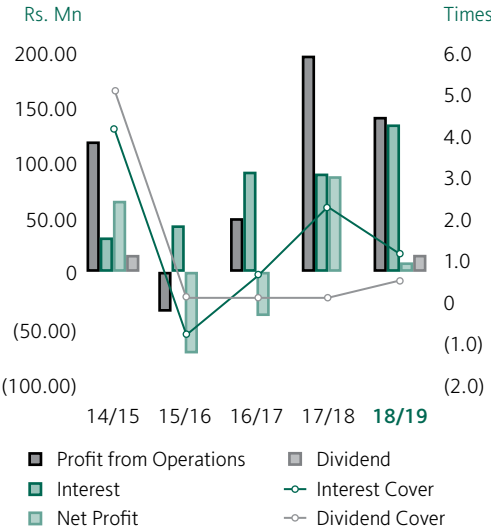


■ EPS (Rs per Share) — Earnings Yield (%)  
■ MVPS (Rs per Share) — Dividend Yield (%)  
■ DPS (Rs per Share)

Debt/Equity Ratio(%)



Interest & Dividend Cover (Times)

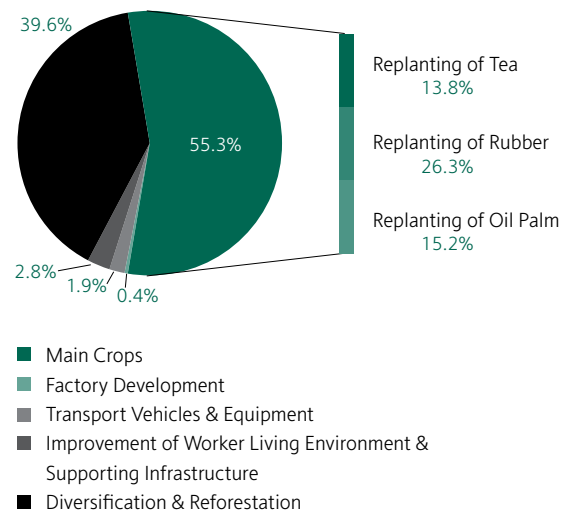


## STATISTICAL INFORMATION

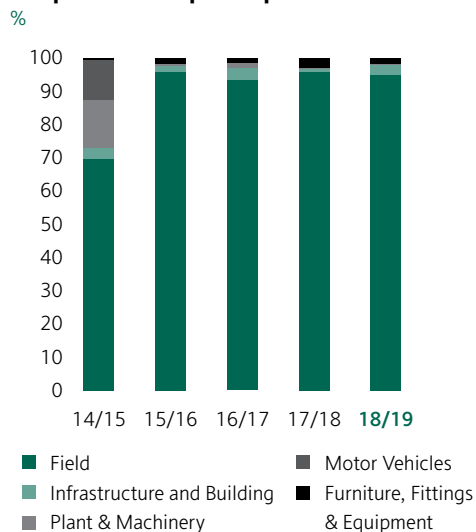
		Year Ended 31-Mar-15	Year Ended 31-Mar-16	Year Ended 31-Mar-17	Year Ended 31-Mar-18	Year Ended 31-Mar-19
<b>PRODUCTION (kgs'000)</b>						
Tea	- Estate Crop	3,116	2,749	2,359	2,582	2,552
	- Bought Crop	891	611	600	456	174
		4,007	3,359	2,959	3,038	2,726
Rubber	- Estate Crop	1,102	843	1,072	833	775
	- Bought Crop	-	-	-	-	-
		1,102	843	1,072	833	775
<b>YIELD (kgs / Hectare)</b>						
Tea		1,606	1,418	1,236	1,332	1,273
Rubber		615	548	657	565	618
<b>COST OF PRODUCTION (Rs / kg)</b>						
Tea		409.91	424.32	500.35	530.53	536.32
Rubber		324.35	374.25	352.50	441.23	461.14
<b>NET SALE AVERAGE (Rs / kg)</b>						
Tea		432.89	406.44	502.30	605.16	586.49
Rubber		257.14	264.46	248.78	307.22	249.06
<b>CONTRIBUTION FROM MAIN SECTORS</b>						
Tea	- Rs'000	142,427	(7,603)	98,147	276,507	189,765
	- Margin (%)	8.00	(0.52)	6.40	14.84	11.88
Rubber	- Rs'000	(36,856)	(20,050)	(8,620)	(35,574)	(64,490)
	- Margin (%)	(10.66)	(6.65)	(2.26)	(10.77)	(21.21)
<b>EMPLOYMENT</b>						
Workers		6,406	6,309	6,045	5,417	5,443
Clerical & Allied Staff		402	377	383	357	274
Executives		39	45	49	51	52
Total		6,847	6,731	6,477	5,825	5,769
<b>CAPITAL EXPENDITURE (Rs'000)</b>						
Field		240,801	193,831	209,348	241,550	170,057
Infrastructure and Building		12,667	3,393	7,923	2,697	5,006
Plant & Machinery		48,207	1,725	3,727	974	698
Motor Vehicles		42,864	-	364	-	554
Furniture, Fittings & Equipment		2,021	3,240	2,925	7,365	2,797
Total		346,560	202,189	224,287	252,586	179,112

HECTARAGE		Hectares
Tea	Mature	2,065
	Immature	15
Others		121
Total Tea		2,201
Rubber	Mature	1,521
	Immature	192
Others		306
Total Rubber		2,019
Other Cultivation	Oil Palm	237
	Coconut	107
	Spices & Fruits	146
	Fuelwood/Timber Forestry	554
	Others	94
Total Other Cultivation		1,138
Other Areas		2,177
Total Hectarage		7,534

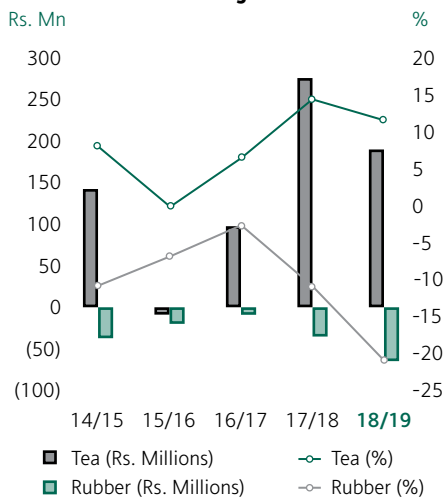
**Composition of Capital Expenditure - 31st March 2019**



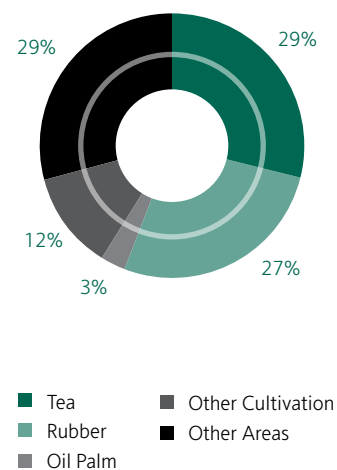
**Composition of Capital Expenditure**



**Contribution & G.P.Margins**



**Land Usage**



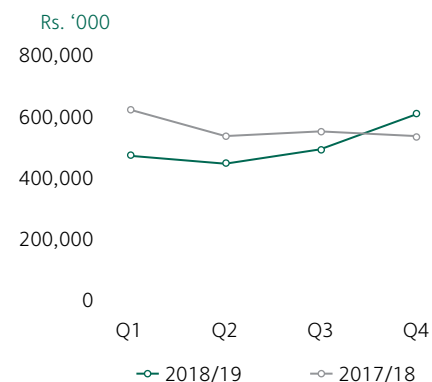
## OUR PLANTATIONS

Estate	Planting District	EXTENTS (Ha)					ELEVATION (ft)	CROP (kg'000)			Employee Strength		
		Tea	Rubber	Oil Palm	Others	Total		Tea	Rubber	Oil Palm	Workers	Staff	Total
Upcot/Maskeliya													
Alton	Nuwara Eliya	261	-	-	89	350	4,700-5,550	294	-	-	707	21	728
Fairlawn	Nuwara Eliya	306	-	-	142	448	4,500-4,870	282	-	-	554	23	577
Gouravilla	Nuwara Eliya	285	-	-	96	381	3,600-5,300	441	-	-	797	23	820
Stockholm	Nuwara Eliya	227	-	-	78	305	4,800	277	-	-	493	19	511
Mahanilu	Nuwara Eliya	163	-	-	73	236	4,500-5,000	182	-	-	296	12	308
Regional Total		1,241	-	-	478	1,719		1,476	-	-	2,847	98	2,944
Lindula													
Bambrakelly	Nuwara Eliya	374	-	-	216	591	4,200-5,400	480	-	-	602	20	622
Eildon Hall	Nuwara Eliya	129	-	-	33	162	4,430	196	-	-	239	14	253
Tillicoultry	Nuwara Eliya	274	-	-	102	377	4,200-5,000	288	-	-	375	16	391
Regional Total		777	-	-	351	1,129		964	-	-	1,216	50	1,266
Up-Country Total		2,019	-	-	829	2,849		2,440	-	-	4,063	148	4,210
Ingiriya/Bulathsinghala													
Millakande	Kalutara	121	-	-	266	387	100	286	-	-	219	16	235
Dumbara	Ratnapura	62	381	-	575	1,017	1,750	-	-	-	214	15	229
Halwatura	Kalutara	-	273	16	339	612	396-825	-	90	62	131	17	148
Hillstream	Kalutara	-	180	-	220	400	429	-	96	-	95	12	107
Kobowela	Kalutara	-	127	-	90	217	310	-	76	-	71	13	84
Neuchatel	Kalutara	-	429	107	473	902	172-495	-	217	503	292	18	310
Mirishena	Kalutara	-	204	90	283	487	246-330	-	108	137	156	17	173
Frocester	Kalutara	-	424	24	240	664	165-330	-	188		202	18	220
Low-Country Total		183	2,018	237	2,485	4,686		286	775	702	1,380	126	1,506
Plantation Total		2,202	2,018	237	3,315	7,534		2,726	775	702	5,443	274	5,717

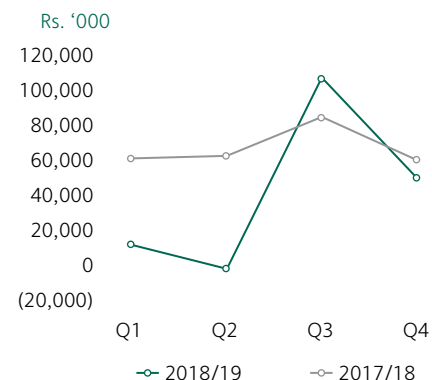
## QUARTERLY RESULTS

	2018/19 Rs'000	2017/18 Rs'000	Change %
<b>Revenue :</b>			
1st Quarter	472,551	625,981	(25)
2nd Quarter	443,948	537,199	(17)
3rd Quarter	494,461	549,699	(10)
4th Quarter	609,400	535,583	14
Year	2,020,360	2,248,462	(10)
<b>Gross Profit/(Loss) :</b>			
1st Quarter	10,631	59,599	(82)
2nd Quarter	(3,848)	61,208	(106)
3rd Quarter	108,628	86,127	26
4th Quarter	49,695	58,580	(15)
Year	165,106	265,515	(38)
<b>Profit/(Loss) for the period :</b>			
1st Quarter	(35,518)	14,168	(351)
2nd Quarter	(52,993)	7,051	(852)
3rd Quarter	40,937	32,726	25
4th Quarter	52,376	30,398	72
Year	4,802	84,343	(94)
<b>Other Comprehensive Income/(Expense) :</b>			
1st Quarter	(8,313)	-	(100)
2nd Quarter	(8,313)	-	(100)
3rd Quarter	(8,313)	-	(100)
4th Quarter	(50,245)	(35,196)	(43)
Year	(75,184)	(35,196)	(114)
<b>Total Comprehensive Income/(Expense) :</b>			
1st Quarter	(43,831)	14,168	(409)
2nd Quarter	(61,307)	7,051	(969)
3rd Quarter	32,624	32,726	(0)
4th Quarter	2,132	(4,798)	144
Year	(70,382)	49,147	(243)

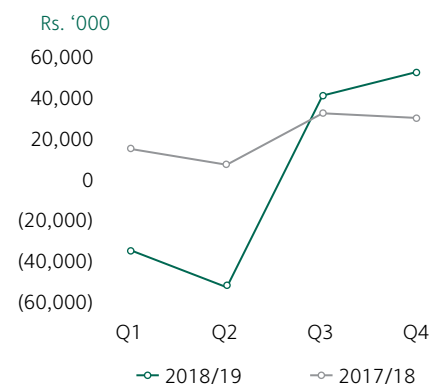
### Revenue



### Gross Profit



### Profit after Tax



## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twenty Sixth Annual General Meeting of Horana Plantations PLC will be held at Hayleys PLC, No. 400, Deans Road Colombo 10, on 26th June 2019 at 4.30 pm. and the business to be brought before the Meeting will be:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of Company and the Financial Statements for the year ended 31st March 2019 and the Report of the Auditors thereon.
2. To re-elect as a Director Mr. K D H Perera who retires by rotation in terms of Article 92 of the Articles of Association of the Company.
3. To re-elect as a Director Mr. J M Kariapperuma who retires by rotation in terms of Article 92 of the Articles of Association of the Company.
4. To elect as a Director Mr. K D G Gunaratne who retires in terms of Article 98 of the Articles of Association of the Company.
5. To pass the ordinary resolution set out below to re- appoint Mr. A N Wickremasinghe who is over 70 years of age, as a Director of the Company;

“IT IS HEREBY RESOLVED THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr. A N Wickremasinghe who is over 70 years of age and that he be and is hereby re-appointed a Director of the Company in terms of Section 211 of the Companies Act No. 07 of 2007”

6. To authorise the Directors to determine donations for the ensuing year.
7. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.

By Order of the Board  
**Horana Plantations PLC**



**P W Corporate Secretarial (Pvt) Ltd**  
*Director/Secretaries*

Colombo  
3rd June 2019

### Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a Proxy to attend and vote instead of him/her.
2. A Proxy need not be a member of the Company.
3. A Form of Proxy is enclosed for this purpose.
4. The completed form of Proxy should be deposited at the Registered Office of the Company, No. 400, Deans Road, Colombo 10, not less than forty-five (45) hours before the time fixed for the commencement of the Meeting.



# FORM OF PROXY

I/We the undersigned ..... NIC No. ....  
of .....  
being a member/s\* of Horana Plantations PLC hereby appoint:

Mr. Abeyakumar Mohan Pandithage	of Colombo or failing him *
Mr. Dhammika Perera	of Colombo or failing him *
Dr. Weerakoon Godfrey Roshan Rajadurai	of Colombo or failing him *
Mr. Janak Manuja Kariyapperuma	of Colombo or failing him *
Mr. Lalin Joseph Ainsley Fernando	of Colombo or failing him *
Mr. Kulappuarachchige Don Harendra Perera	of Colombo or failing him *
Mr. Anthony Nishantha Wickremasinghe	of Colombo or failing him *
Mr. Sarath Clement Ganegoda	of Colombo or failing him *
Mr. Sunil Shanthakumara Sirisena	of Colombo or failing him *
Mr. Kalupathiranalage Don Gamini Gunaratne	of Colombo or failing him *

.....  
of .....

my/our \* Proxy to vote and speak as indicated hereunder for me/us\* and on my/our\* behalf at the Twenty Sixth Annual General Meeting of the Company to be held on 26th June 2019 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof:

<b>Resolution 1</b> To re-elect as a Director Mr. K D H Perera who retires in terms of Article No. 92 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 2</b> To re-elect as a Director Mr. J M Kariapperuma who retires in terms of Article No. 92 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 3</b> To elect as a Director Mr. K D G Gunaratne who retires in terms of Article No. 98 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 4</b> To pass the ordinary resolution as set out in the Notice to re-appoint Mr. A N Wickremasinghe who is over 70 years of age, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 5</b> To authorise the Directors to determine donations for the ensuing year.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 6</b> To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company and authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>

In witness my/our\* hands this ..... day of ..... Two Thousand and Nineteen.

.....  
**Signature of Shareholder/s**

\* Please delete the inappropriate words.  
Instructions as to completion appear on the reverse.

# Form of Proxy

Instructions as to completion appear on the reverse.

## **INSTRUCTIONS AS TO COMPLETION**

1. This Form of Proxy must be deposited at No. 400, Deans Road, Colombo 10 not less than forty five (45) hours before the time fixed for the Meeting.
2. In perfecting the Form of Proxy please ensure that all details are legible.
3. If you wish to appoint a person other than a Director of the Company as your proxy, please insert the relevant details in the space provided.
4. Please indicate with an 'X' in the space provided, how your proxy is to vote on the resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit.
5. In the case of a Company/Corporation, the proxy must be under its Common Seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
6. In the case of a Proxy signed by an Attorney, the Power of Attorney must be deposited at the Secretaries' Office (i.e. P W Corporate Secretarial (Pvt) Ltd, 3/17, Kynsey Road, Colombo 8) for registration.
7. In the case of joint holders the Form of Proxy must be signed by the first holder.

# CORPORATE INFORMATION

## COMPANY NAME

Horana Plantations PLC

## DOMICILE AND LEGAL FORM

Horana Plantations PLC is a Quoted public Company with limited liability, Incorporated and domiciled in Sri Lanka, under the Companies Act No.17 of 1982 in terms of the provisions of the Conversion of Public Corporations of Government Owned Business Undertakings into Public Companies Act No.23 of 1987 and re-registered under the Companies Act No.7 of 2007

## DATE OF INCORPORATION

22nd June 1992

## REGISTRATION NUMBER

PQ 126

## DIRECTORS

Mr. A. M. Pandithage – Chairman  
Mr. Dhammika Perera – Deputy Chairman  
(Alternate Director Mr.K.D.G.Gunaratne)  
Dr. Roshan Rajadurai – Managing Director  
Mr. J. Manuja Kariapperuma – Director/  
Chief Executive Officer  
Mr. L. J. A. Fernando  
Mr. K. D. H. Perera  
(Alternate Director Dr. N.T.Bogahalande)  
Mr. A.N.Wickremasinghe  
Mr. S. C. Ganegoda  
Mr. S. S. Sirisena  
Mr. K. D. G. Gunaratne

## REGISTERED OFFICE ADDRESS

No.400 Deans Road,  
Colombo 10.  
Telephone 011 2627000,  
011 2627301-7322  
Facsimile 011 2627323  
E Mail: horanap@hplnet.com  
horanapl@hplnet.com  
Web: www.horanaplantations.com

## PARENT COMPANY

Vallibel Plantation Management Ltd  
No.400 Deans Road,  
Colombo 10.

## ULTIMATE PARENT COMPANY OF THE GROUP

Vallibel One PLC  
Level 29, West Tower,  
World Trade Centre, Echelon Square,  
Colombo 1.

## MANAGING AGENT

Hayleys PLC  
No.400 Deans Road,  
Colombo 10.

## SECRETARIES

P W Corporate Secretarial (Pvt) Ltd  
3/17, Kynsey Road, Colombo – 8  
Telephone 011 4640360-3

## INDEPENDENT AUDITORS

KPMG  
Chartered Accountants  
No.32A, Sir Mohamed Macan Markar  
Mawatha,  
Colombo 3.

## LEGAL ADVISORS

Nithi Murugesu & Associates  
Attorneys-at-Law & Notaries Public  
No.28 (Level 2) W.A.D.Ramanayake  
Mawatha,  
Colombo 2.

## TAX ADVISORS

Nanayakkara & Company  
Chartered Accountants  
3rd Floor, Yathama Building  
No.142 Galle Road,  
Colombo 3.

## BANKERS

Commercial Bank of Ceylon PLC  
Hatton National Bank PLC  
People's Bank  
Seylan Bank PLC



**HORANA PLANTATIONS PLC**

No.400 Deans Road, Colombo 10.

Telephone 011 2627000, 011 2627301-7322

Facsimile 011 2627323

E Mail: [horanap@hplnet.com](mailto:horanap@hplnet.com), [horanapl@hplnet.com](mailto:horanapl@hplnet.com)

Web: [www.horanaplantations.com](http://www.horanaplantations.com)