LEADING THE WAY TO A SUSTAINABLE FUTURE

BOGAWANTALAWA

THE GOLDEN VALLEY OF CEYLON TEA
SINCE 1869

ANNUAL REPORT 2019/2020

PASSIONATE GROWERS WITH SUSTAINABILITY AT HEART

VISION

"Bogawantalawa Tea Estates PLC aspires to be the world's best tea growing and marketing company"

MISSION

"To be a company where people share the responsibility and commitment to attain excellence in managing the resources on a sustainable basis by providing customers with high –quality products and services whilst developing our employees and protecting the environment"

Contents

FINANCIAL CALENDAR 2019/2020

FINANCIAL STATEMENTS	DATE
1st Quarter	28/05/2019
2nd Quarter	13/08/2019
3rd Quarter	08/11/2019
4th Quarter	11/02/2020

ANNUAL REPORT 2019/2020

27th Annual General Meeting	04/12/2020
26th Annual General Meeting	30/09/2019

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Twenty Seventh Annual General Meeting of Bogawantalawa Tea Estates PLC will be held by way of electronic means on 04th December 2020 at 10.00 a.m. centered at the Board Room of the Company at 153, Nawala Road, Narahenpita, Colombo 5. 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 the Company and the Financial Statements for the year ended 31st March 2020 and the Report of the Auditors thereon.
2. To re-elect as a Director Mr. D J Ambani who retires by rotation in terms of Article 89 & 90 of the Articles of Association of the Company.
3. To re-elect as a Director Mr. L J Ambani who retires by rotation in terms of Article 89 & 90 of the Articles of Association of the Company.
4. To pass the ordinary resolution set out below to re- appoint Mr. G V M Nanayakkara 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. G V M Nanayakkara 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"
5. To pass the ordinary resolution as set out below to re-appoint Mr. D A de S Wickramanayake 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. D A de S Wickramanayake 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. BDO Partners, Chartered Accountants as Auditors of the Company and to authorise the Directors to determine their remuneration.

By Order of the Board

Bogawantalawa Tea Estates PLC

Sgd.
P W CORPORATE SECRETARIAL (PVT) LTD
Director/Secretaries
02nd November 2020
Colombo

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. 153, Nawala Road, Narahenpita, Colombo 5, not less than forty-eight (48) hours before the time fixed for the commencement of the Meeting.

CHAIRMAN'S STATEMENT

On behalf of the Board, it gives me great pleasure to take this opportunity to report the performance of Bogawantalawa Tea Estates PLC for the financial year 2019/2020.

The Tea Industry

The year ended was an unpropitious period for the industry commencing with high labour cost endured by the Plantation sector in February 2019 due to the wage revision without productivity linkage. Subsequently the Easter Sunday attacks in April caused the whole nation to experience ill effects including the volatility of the Rupee value. The industry outlook deteriorated further in the fourth quarter with the emergence of COVID 19 that caused a drastic impact globally including currency volatility in main importing countries that led to less demand and price fluctuations in the world market. These conditions negatively impacted the overall prices fetched at the Colombo Tea Auction.

Sri Lankan Tea Production for the period January-December 2019 totalled 300.1 million kgs as against 303.9 million kgs in 2018 for the same period, showing a decrease of 3.8 million kgs in total. High Grown production for 2019 totalled 61.7 million kgs with a significant decrease of 2.0 million kgs compared to last year while Low Grown production was 189.8 million kgs for 2019 recording a decline of 1.9 million compared to January-December 2018.

Compared to the auction prices last year the Tea industry witnessed a significant drop in prices where the National GSA for 2019 indicated Rs. 508.63 for high grown marks which is an 11% drop compared to Rs. 571.51 in the year 2018. Further, the GSA of the low grown marks for 2019 stood at Rs. 576.61 indicating a 4% drop compared to 2018 where it received a GSA of Rs. 600.79.

Nevertheless, the Sri Lankan tea exports for the period January to December 2019 generated a revenue of Rs. 240.6 billion marking a growth of Rs. 8.9 billion compared to the year 2018 while recording the highest ever revenue realized from tea exports surpassing the previous record of Rs. 233.3 billion in 2017. The total tea exports in quantity for the period January to December 2019 was 292.6 million kgs as against 282.3 million kgs in 2018 for the same period, marking an improvement of 10.3 million kgs in total.

Turkey has emerged as the largest importer of Sri Lankan tea in 2019 followed by Iraq and Russia with Iran occupying the 4th position. Other noteworthy importers are Libya, China, Azerbaijan, Syria and the UAE. Meanwhile, destinations such as USA, Saudi Arabia, India and Germany have shown a growth in imports in 2019 compared to the corresponding period of 2018.

Performance of the Company

The company recorded a turnover of approximately Rs. 2.98 billion for the financial year 2019/2020 with a negative contribution of Rs. 253 million while incurring a loss of 506 million before taxation. Further, a total investment of Rs. 319 million was undertaken in bearer biological assets (immature plantations) and Rs. 30 million in acquisition of property, plant and equipment in line with the long term strategic development plan. Nevertheless, the large scale Oil palm cultivation project investment is presently incurring a huge financial cost due to the sudden ban on Oil palm cultivation by the government. Therefore we are unable to continue the programme and reap the expected benefits. In addition, the substantial wage increase of the Tea harvesters in February 2019 has directly challenged the company resulting in the increase of gratuity liability to Rs. 188 million and escalated the cost of production during a period of decline in overall Tea prices at the Colombo Auction.

The total production of made tea was recorded at 5,205 MT for this financial year compared to 2019 where the company recorded a total of production of 5,082 MT. The net sales average recorded was Rs. 526, which showed a marginal decline of 7% compared to last season.

The company has faced unprecedented challenges both within and outside the country during the last financial year. Adopting measurers to mitigate these adverse conditions, we have responded tactfully to withstand and move forward.

Highest levels of Sustainability and certifications

In line with the strategic direction of achieving the highest level of sustainability, going beyond Carbon

Neutral status, Bogawantalawa has achieved the pinnacle of environmental sustainability by reaching 'Uncompensated Climate Positive' status certified for product and facility. Further, by harnessing renewable energy through solar and hydropower projects and other sources of energy efficiencies we have achieved certification of 'Net Zero Energy' status.

Creating paradigm shifts in the tea industry, Bogawantalawa continues to be the Leader in sustainability which was recognized and bestowed upon 4 Presidential Environmental Awards in November 2019 for the contribution made towards the environment and attaining international recognition.

While conforming to the principals of sustainable food to provide ultimate value to our discerning customers and stakeholders, Bogawantalawa ensures sustainable management of the natural resources, eco systems and social wellbeing by making it part of our core operation.

These efforts along with the highest level of International certifications have been well recognized by our buyers seeking premium products with a purpose in our key target markets such the Sweden, Netherlands, Japan, UK and USA.

Future outlook

The volatility of the global scenario predicts a challenging year for all industries. Nevertheless, we remain resilient and focused on our long-term strategy of Climate smart agriculture, quality control and safety systems, social welfare, modernisation and value addition which has proven to mitigate this past financial year.

Presently we witness significant changes in the macroeconomic conditions inland and globally. The current policy implemented in the country to encourage local production of Herbs and Spice has presented an opportunity for which we are well positioned to take advantage. This will also enable the company to diversify and mitigate the risk of wager experienced by the Tea sector. This initiative is also in line with Bogawantalawa's strategic approach to become one of the world's leading grower of sustainable products. We as a company are gearing up to leverage and undertake this, which possibly will be the one of the largest Herbs and Spice project.

Performance of the Subsidiary

Export Market

Global market trends for traditional black teas and green teas are declining steadily with the present and the younger generations taste profiles switching towards infusions and herbals.

Fierce competition from the Global tea industry driven by low price supplies from Kenya, India, Vietnam, Indonesia and China in the case of green tea has exerted price pressure on the margins from particularly for the private labelling business. Apart from this, the Easter attack and current Pandemic had caused delays, import restrictions and global supply chain challenges that heavily impacted the revenue generation.

The government policy of imports and protectionism of key ingredients resulted in insufficient supplies which caused a significant increase in input costs due to requirements to source locally. This resulted in a loss of revenue due to the inability to meet the price points and source required volumes. This was felt more acutely in the case of organic ingredients as the price was prohibitively higher due to limited availability. This is a very crucial issue the company faces as in any event the local market will take at least 2 years to be able to supply the required quality and consistent supplies assuming that prices will stabilize at lower points., however, whether the prices will be competitive with other global supply options remains uncertain.

Therefore the company is at crossroads evaluating various strategic options given the current developments and align the future direction in keeping with the internal strength and change of course is called for whilst critically controlling costs to decide the way forward of the business unit to be competitive which will be done as a matter of the highest priority.

The development and launch of our own brand is identified as one key option which will require substantial investment in brand development and promotion, technological and machinery upgrades, retention and renewals of unique certifications and quality and sustainability initiatives.

Hence, the company is evaluating options in this connection to convert the business unit to be able to deliver a sustainable return on investment in the long run.

Local Market

The Local marketing operation was re-structured and right-sized by rationalizing the distribution channels and operations. This has resulted in reducing the operational cost in the short run and set the division in the path to recovery in the medium term.

On a positive note, during the financial year 2019/2020 Bogawantalawa Tea Ceylon Pvt Ltd was able to further reduce the losses amidst numerous challenges.

In Conclusion

I extend my sincere gratitude to the Board of Directors for their commitment and confidence midst the toughest times and appreciate the proactive attitude of the management team and our highly-motivated employees for their hard work. We are confident in the strategies followed by Bogawantalawa to support us navigate through these adverse conditions.

On behalf of the Board of directors, I would like to thank our Shareholders, business partners and customers for their continuous support and I look forward with confidence at 2020/2021 as a successful year with the company's growth and continued value-creation.

(Sgd)
D J Ambani
Co-Chairman
2nd November 2020

FINANCIAL HIGHLIGHTS

Rs '000s	2019/2020	2018/2019 Restated	% change
Turnover	2,979,757	3,055,841	-2%
Gross Profit	(253,122)	68,818	-73%
Profit/(Loss) before tax	(505,832)	14,118	-142%
Taxation	93,154	17,518	37%
Profit/(Loss) after tax	(412,678)	31,636	-272%
Other Comprehensive Income/ (Expenses)	(61,433)	(150,182)	156%
Total Comprehensive income /(Expenses) for the year	(474,111)	(118,546)	-161%
Rs per share			
Earnings per share	-4.93	0.21	
Dividend per share	-	-	
Net assets per share	15	17.18	

VALUE ADDED STATEMENT

In Rs '000	2020/19	2018/19 Restated
Turnover	2,979,757	3,055,841
Other Income	309,455	309,455
Total Revenue	**3,289,212**	**3,365,296**
Cost of Bought Material and Service	1,298,963	1,512,135
	1,990,249	**1,853,161**
Distribution of Value Added		
To Employees as Remuneration	1,952,628	1,704,163
To Government	122,917	41,853
To Lenders of Capital	194,781	98,385
Retained in the Business	(280,077)	8,760
	1,990,249	**1,853,161**
Retained in the Business		
Provision for Depreciation	194,024	141,577
Profit Retained	(474,101)	(132,817)
	(280,077)	**8,760**

SUSTAINABILITY REPORT

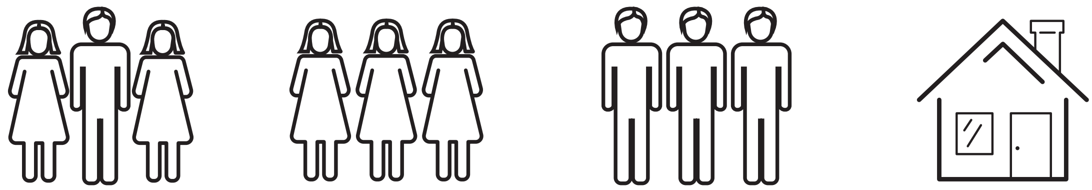
SUSTAINABILITY AT BOGAWANTALAWA

Preserving the environment while combatting climate change and uplifting the lives of the tea harvesters is an integral part of our company. True to our motto of being “Passionate Growers with sustainability at heart”, we have made it the way of life here in Bogawantalawa.

While adopting Climate Smart Agricultural practices across all our estates and focusing on overall atmosphere, water, soil and quality of life of our tea harvesters we focus to bring to the world the finest teas ethically produced with the highest level of sustainability.

PEOPLE

Social Statistic highlights



POPULATION
44,670

FEMALE WORKFORCE
4,475

MALE WORKFORCE
2,800

HOUSES MAINTAINED
9,465

LATRINES
8,076

CHILDREN UNDER OUR CARE
1,220

CHILD DEVELOPMENT CENTRES MAINTAINED
67

CHILD DEVELOPMENT OFFICERS, ESTATE MEDIAL ASSISTANTS AND WELFARE OFFICERS
88

We truly practice and uphold ethical values while fostering a culture of mutual respect and meritocracy among our employees. Through Bogawantalawa Tea Estates Social development activities and Lanka Mother and Child Support Foundation we continue to improve working conditions, living standards, health and well-being of our employees and the residential community while enhancing livelihoods that contribute to the sustainable growth of the organization and our people overall.

Housing

We maintained 9,207 houses on annual basis

All permanent workers are provided with housing facilities. All households have basic furniture, including beds/hammocks and televisions. More than 80% of households have access to LPG and in order to reduce the refilling expenses, households use both firewood and LPG. All houses are connected to the national electricity grid. Urgent repairs to houses are done on a regular basis by the individual estate allocations.

Nutrition

We fed

Over 1,300 children under the age of 5 years to increase their nutritional intake and improve their development.

As part of our sustainable nutrition scheme, veritable gardens have been established in 96% of the Child Development centers to help provide nutritious meals to the children being care for by our CDCs. 75% of the gardens in total are producing over 20,000kg, per annum for daily consumption.

13 out of 10 estates have established centralized organic vegetable gardens to provide additional produce to our child development centres, lactating, and pregnant mothers. Awareness campaigns are being conducted on recurring basis for pregnant and lactating mothers to improve their knowledge on Nutrition and encourage them to consume and provide nutritious meals for the benefit of their children.

Health Care

We cared for

More than 3,300 children under the age of 5 years of age on monthly basis at CDCs and programs on regular basis for lactating and pregnant mothers.

The workers are being provided adequate knowledge about deceases via health camps and awareness campaigns, especially this financial year with a focus on prevention from vector-borne disease, HIV/ AIDS, Leprosy, disabilities and COVID 19. Immunization is done in schools for children and at the nearest government hospital and the parent workers are provided half a day leave in order to access these services. Reporting of accidents and aid provided is being centrally monitored on monthly basis by the management as well. We have spent more than LKR 4,000,000 for the maternity benefits to the pregnant mothers who were in both up country and low country estates.

Child Care

We cared for

Child care through, all 67 Child Development centers maintained by the estate management with 69 Child Development officers and their assistants.

There are over 3,300 children under the age of 5 years in the estates out of which over 1,360 attend the CDC's maintained by the management on daily basis. The growth and nutrition levels of the children are closely monitored by the Child Development officers on monthly basis. All the Child Development Offices are qualified under the Diploma of Early Childhood care conducting by PHDT.

Child Care

We encouraged & Supported

Children of Plantation workers and Children in need to reach higher goals in their education

From a young age we motivate children to aim higher via healthy educational competitions, sponsorships based on achievements and annual reward opportunities for children who have done well in their grade 5 and grade 11 examination. For a healthier and active upbringing of the children in the estate the company maintains 51 playgrounds in the estates on periodic basis.

A special Educational Sponsorship was commenced in the Hatton and Bogawantalawa region with the Support of a partnering organization for educational support of Lanka Mother and Child Support Foundation in Sweden where we are supporting 14 female students who have fared exceptionally well in their education now seeking additional support to continue. The sponsorship guarantees to financially support them throughout the tenure of their schooling up to University provided that they continue to perform steady and well. Continuous monitoring and motivational support is also provided to them for encouragement and consistency.

Water & Sanitation

We served

Water testing periodically and conservation of water bodies, efficient use of water, and minimizing water pollution is concentrated upon critically by the environmental sustainability unit impacting our people

Over 3,000 direct water connections to houses have been provided and over 8,200 houses have their own latrine facilities. Facilitation of pipe water supply for housing unit and public water hydrants in close proximity. The sustainable water projects are still under progress to increase the individual facilities for the houses, latrines and gravity water systems for much needed areas in the estates. Recurring hand wash and sanitation programs are conducted at Child Development Centres, schools and working premises to promote healthier and cleaner lifestyles with the importance of Social distancing.

Gender equality

We maintain

Gender balance at every level in the organization, from worker force to Top Management teams.

61% of the worker force is women and 39% men and plucking is done by both men and women in the estates. Further, equal opportunities for men and women are provided along with equal access to education and training. Training sessions are being provided to selected women harvesters and we intend to increase the number of female Supervisors and Kankanies. 50% of women are in the administration committee of Community development forums holding key positions that have increased the efficiency and effectiveness of programs and key decisions taken with regard to the respective estates.

Child Protection

We adopted

The Child Protection, Child Rights and Business Principles Framework introduced by the UN Global Compact together with UNICEF and Save the Children to strengthen protection and wellbeing of our children

Apart from our excising policies and mechanisms for Child Protection, we have engaged in a long term public & private partnership model to promote effective enforcement of child protection policy standards, laws and policies, carry out follow up activity on child protection incidents. Together we are conducting routine Child Rights awareness programs are being conducted by the estate welfare unit, Save the Children, World vision and other permitted NGO's for the adult community, Schools and the preschool children attending the CDC.

Disability Management

We take care of

114 children and youth are under the care of this program and out of which all have received medical attention and continuous monitoring by specially trained 36 members including our Child development Officiers.

The welfare staff has been empowered to take care of children with special needs with direct reporting to the management on their progress. We are able to fulfil their special education and supportive aid requirements via networking with Special Schools and other stakeholders that provide expertise services. This initiative commenced as a special project in 2015 has now evolved into a day to day operation for our estates rather than perceiving it as a special project. Within this financial year we have performed four special camps in addition to our home visits and sensorial centres to arrange for supportive aids that benefitted 67 children.

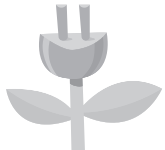
Environment	Education/ Training and Development	Medical/ Health & safety	Nutrition & Health eating habits	Community Engagement & Development
57	14	40	48	24

We are committed to engage in ethical and socially responsible business practices that develops, empower and transform communities with which we work and beyond.

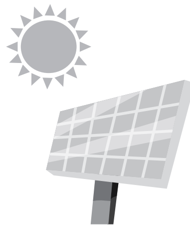
PLANET

Environmental Sustainability highlights

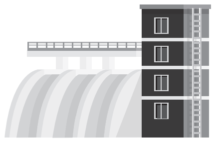
Uncompensated Climate positive Status



Consumption of Net Zero Energy (100% Renewables)

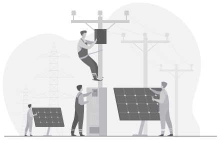


1820 tons Annual GHG saving on SOLAR

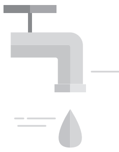


9100 tons Annual GHG saving on Hydro

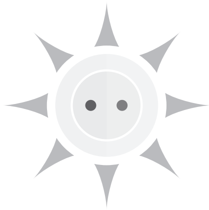
Near Zero Waste Footprint



9 factories with solar rooftop construction

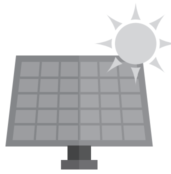


23Lt water foot print 4 estates with organic fields



Climate action in all estates

over 700,000 trees planted



5 factories with completed solar rooftop

Despite challenges faced by the Tea industry and globally, we continued to stay ahead and record significant progress due to our longstanding Climate Smart Agricultural practices, Factory operations and modernization, product quality and brand building. Moving forward, we are confident to pro-actively withstand the challenges caused by climate change and rapidly changing consumer lifestyles and tea trends relying on our sustainable initiatives and quality measures.

Going beyond Carbon Neutral status, Bogawantalawa has achieved the pinnacle of environmental sustainability by reaching 'Uncompensated Climate Positive' status certified for product and facility. Causing a paradigm shift in the Ceylon Tea industry and how it is viewed globally Bogawantalawa is the world's 1st Tea growing, manufacturing and marketing company to offer Uncompensated Climate Positive Teas traceable from garden gate up to shipping.

In addition to this, 'Net Zero Energy' status has been achieved by the company by harnessing renewable energy through solar and hydropower projects, where the power generated via these sources and sent to the national grid is more than the energy consumption of the company.

Leading the way in sustainability as a Tea growing, manufacturing and marketing company, the Presidential Environmental Award was bestowed upon the organization for the contribution made towards the environment and attaining international recognition in the categories; 'New Sustainable Product Award' at the Global Sustainability awards held in Amsterdam, 'Global Green Award' at the international Green Environment awards held in Turkey, 'Sustainable Leadership Award' at the World Sustainability Awards held in Jakarta and the 'Green Ambassador honor' by Green Apple Awards presented at the Houses of Parliament in Westminster – London.

While conforming to the principals of sustainable food to provide ultimate value to our discerning customers and stakeholders, Bogawantalawa ensures sustainable management of the natural resources, eco systems and social wellbeing by making it part of our core operation.

Our dashboard below provides an overview of other environmental sustainability commitments and actions by which we drive our system wide approach beyond small operational improvements.

Commitment	Highlights
Sustainable Soil Development	As soil development is as a thumb rule for our productivity and quality improvement of our Teas. To nurture the gift of nature in the Golden Valley of Ceylon Tea, we invests more than 40 million per annum for Sustainable Soil Development practices.
Conservation Forestry	Conservation forestry practices consist of the conservation of sensitive areas, water shed areas, water sources, etc. Further, biodiversity enrichment and improvement of ecosystem stability are also being done while conducting awareness programmes and training programmes internally as well as externally for the public.
Plantation Forestry	Forestry projects are another key component of our distinctiveness. There are three main objectives of Plantation Forestry, namely the Production, Protection and Recreation benefits. The largest timber nursery in Sri Lanka is owned by the company and it is located in the Wanarajah Estate with myriad species of timber, firewood, native plants, herbs and fruit plants. Annual production capacity is 165,000 seedlings and at present there are 700,000 trees in estates belonging to BTE.
Social Forestry	Our Social Forestry initiatives includes programmes with school children, awareness, training, planting programmes in public places, planting material distribution, enrichment of line gardens, promotion of organic vegetable farming and so son. These initiatives are conducted on recurring basis within our company and community.
Towards organic	Approximately 200 hectares of tea extent have already been converted in to organic plantation. Organic fertilizer production units were established and organic fertilizers are being produced with high quality within our framework. Organic farming is our approach within the context of environmental sustainability initiatives in compliance with the following principles of organic farming. 1. Health 2. Care 3. Fairness 4. Ecology
Organic pesticides	Organic pesticides are produced internally by the research and development team of the company and it is also being carried out to minimize the usage of inorganic pesticides.
Bio-fertilizers	The efficiency of fertilizers used in tea plantation is reducing while approximately 40% and 60% of the application is wastage. Therefore we use Bio-fertilizers that improves the fertilizer efficiency and nutrient availability in the soil. Bio fertilizers are living cells or latent cells of efficient strains of microorganisms that boost the nutrient uptake of plants by their interactions in the rhizosphere when applied through seed or soil.
Water stewardship	Water footprint is an indicator of both direct and indirect freshwater use of a consumer or producer. Calculation of green water, blue water and grey water and water foot print are done to improve the water use efficiency throughout the value chain. Water audits, awareness programs and water conservation practices are being implemented to manage the water resources appropriately as it is vital for all the living beings.

Waste Footprint	We practice the 3R (Reduce, Reuse and Recycle) concept in all stages of our value chain while the production of compost from our biodegradable waste being carried out. Our strategy is to follow principles of circular economy with zero waste within the plantation.
Energy Management	Energy Management projects are being implemented with the following objectives. 1. Improve efficiency in energy management Electricity - 20% Diesel - 5% Firewood - 15% 2. Reduction of GHG emission by 1200 tonnes per annum 3. Energy cost savings of 30 to 32 million per annum Our strategy includes, identification of energy hotspots through energy audits, quantification of losses, minimizing losses, improvement of efficiency, usage of latest technologies for production, awareness / training programs, setting up of emission targets, group responsibilities and introduction of incentive scheme for staff.
Hydropower	3.2 MW has been commissioned within the plantation as projects and internal systems. Our sister company Eco Power (Pvt) Ltd has already commissioned more than 40 MW in Sri Lanka and many more projects overseas.
Solar Power	BTE commenced solar trials in 2010 and with the successful results of trials, large scale developments were initiated. Although the Solar irradiation levels are low, ambient air temperature, less aerosols in atmosphere, cool wind and less RH are favourable factors for solar generation in Up Country area. 780 kW has already been installed and 1.6MW are being installed in 09 factories.
Climate Action	The Climate Smart Agriculture Centre was established to undertake research and development activities related to climate change with the slogan of “Climate Smart Agriculture”. Weather parameters, solar radiations and intensity, soil parameters, ground water table, air quality, biodiversity, farming and yields, animal husbandry, forestry and related factors, P & D outbreaks and weeds and intensity are being monitored and analysed from this centre. Numerous research and development activities are also being carried in order to identify the methods and practices to improve resiliency of plantations to face the challenges of climate change successfully.

INVESTOR INFORMATION

1. Stock exchange Listing

The Ordinary Shares of the Company are listed on the Colombo Stock Exchange in Sri Lanka

Ordinary Shares

Stated Capital Rs 586,250,010

2. 20 MAJOR SHAREHOLDERS OF THE COMPANY

		31ST MARCH 2020			31ST MARCH 2019		
	NAME	NO OF SHARES		(%)	NO OF SHARES		(%)
1	METROPOLITAN RESOURCE HOLDINGS PLC	53,889,067	65,701,567	78.450	53,889,067	65,701,567	78.450
	COMMERCIAL BANK OF CEYLON PLC / METROPOLITAN RESOURCE HOLDINGS PLC	11,812,500			11,812,500		
2	MR.D A D E S WICKRAMANAYAKE		9,468,778	11.306		9,468,778	11.306
3	CAPITAL TRUST HOLDINGS LTD		352,293	0.421		353,492	0.422
4	SEYLAN BANK PLC/MOHAMED MUSHTAQ FUAD		222,932	0.266		222,832	0.266
5	DR.R D BANDARANAIKE		196,909	0.235		196,909	0.235
6	MR A.K. SENEVIRATNE		119,249	0.142		119,271	0.142
7	MR M.M. FUAD		109,589	0.131		192,065	0.229
8	MRS K.G.M. PIERIS		100,000	0.119		100,000	0.119
9	MR R.E. RAMBUKWELLE		93,975	0.112		79,275	0.095
10	EMPLOYEES PROVIDENT FUND		81,724	0.098		81,724	0.098
11	SEYLAN BANK PLC/JAYANTHA DEWAGE		70,000	0.084		70,000	0.084
12	DFCC BANK PLC / L T SAMARAWICKRAMA		68,100	0.081		-	-
13	DIALOG FINANCE PLC/ M.M. FUAD		67,692	0.081		-	-
14	COMMERCIAL BANK OF CEYLON PLC/ METROCORP (PVT) LTD		63,750	0.076		63,750	0.076
15	KELMARSH INVESTMENTS LIMITED		57,831	0.069		57,831	0.069
16	KATUNAYAKE GARMENTS LIMITED		56,575	0.068		56,575	0.068
17	MR. P.K.C.P. SAMARASINGHE		50,000	0.060		50,000	0.060
18	AVONDALE FACTORIES (PVT) LIMITED		46,801	0.056		46,801	0.056
19	MR P.SASIKUMAR		44,239	0.053		-	-
20	MRS F.F.HANIFFA		42,609	0.051		49,471	0.059
			77,014,613	**91.958**		**76,910,341**	**91.833**
	OTHERS		**6,735,387**	**8.042**		**6,839,659**	**8.167**
	TOTAL		**83,750,000**	**100.000**		**83,750,000**	**100.000**

3. Distribution of Ordinary Shareholders

As at 31st March 2020					As at 31st March 2019				
From	To	No of Holders	No of Shares	%	From	To	No of Holders	No of Shares	%
1	1000	18,044	4,079,244	4.87	1	1000	18,037	4,080,894	4.87
1,001	10000	477	1,404,760	1.68	1,001	10000	464	1,411,638	1.68
10,001	100000	74	2,094,679	2.50	10,001	100000	73	2,002,554	2.39
100,001	1000000	5	1,000,972	1.20	100,001	1000000	5	1,084,569	1.30
Over 1,000,000		3	75,170,345	89.75	Over 1,000,000		3	75,170,345	89.76
Total		**18,603**	**83,750,000**	**100**	**Total**		**18,582**	**83,750,000**	**100**

4. Categories of Shareholders

Category	As at 31/03/2020			As at 31/03/2019		
	No of Holders	No of Shares	%	No of Holders	No of Shares	%
Local Individuals	18,502	16,568,636	19.78	18,476	16,555,836	19.77
Local Institutions	89	67,092,233	80.11	94	67,105,033	80.13
Foreign Individuals	11	31,300	0.04	11	31,300	0.04
Foreign Institutions	1	57,831	0.07	1	57,831	0.06
Total	**18,603**	**83,750,000**	**100.00**	**18,582**	**83,750,000**	**100.00**

		As at 31/03/2020		As at 31/03/2019	
		Company	Group	Company	Group
5.	Earning per Share (Rs)	(4.93)	(4.62)	0.38	(0.37)
6.	Net Assets per share (Rs)	15.32	14.11	17.18	15.68
7.	Price earning ratio	(1.81)	(1.95)	51.90	(20.03)
8.	Return on capital employed	(0.03)	(0.01)	(0.04)	(0.06)

9. Market Value of Shares

	As at 31/03/2020	As at 31/03/2019
Highest during the year	Rs. 11.70 (08.04.2019)	Rs. 17.30 (20.04.2018)
Lowest during the year	Rs. 7.50 (15.05.2019 and 10.03.2020)	Rs. 8.50 (11.01.2019)
As at end of the year	Rs. 8.90	Rs. 10.90
Number of Transactions during the year	1,451	2,038
Number of Shares traded during the year	716,605	1,316,678
Value of shares traded during the year (Rs.)	6,657,122.90	15,961,610

10. The Public Holding Percentage as at 31st March 2020 - 10.154%

11. Total number of shareholders who hold the Public Holdings as at 31st March 2020 - 18,598

12. The Float adjusted market capitalization as at 31st March 2020 - Rs. 75,684,487.50

13. Ordinary Voting shares of Bogawantalawa Tea Estates PLC have been transferred from the Main Board to Diri Savi Board, with effect from 02nd July 2018.

The Float adjusted market capitalization of the Company falls under **Option** 2 of Rule 7.13.1 (b) 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.

BOARD OF DIRECTORS

Mr. D J Ambani

Mr. Dinesh Jamnadas Ambani is the present Chairman of the following companies:

- Metropolitan Resource Holdings Limited and its subsidiary Ceylon Tea Gardens Ltd.
- Bogawantalawa Tea Estates PLC and its 100% owned subsidiary Bogawantalawa Tea Ceylon (Pvt) Ltd
- Metrocorp (Pvt) Ltd,
- Megatech (Pvt) Ltd.
- Eco Power Group
- Ceylon Bungalows (Pvt) Ltd.

He is a Director of the following companies

- Ceylon Tea Trails
- Office Network (Pvt) Ltd
- Areva Investments (Pvt) Ltd.

Mr. L J Ambani

Mr. Lalithkumar Jamnadas Ambani is a fellow Member of the Chartered Institute of Management Accountants and an Associate member of the Sri Lanka Institute of Chartered Accountants. He is the Chairman of Office Network (Pvt) Ltd and he functions as Co-Chairman of Bogawantalawa Tea Estates PLC.

He is a Director of the following companies:

- Bogawantalawa Tea Ceylon (Pvt) Ltd
- Metrocorp (Pvt) Ltd
- Megatech (Pvt) Ltd
- Metropolitan Resource Holdings Limited
- Eco Power Group
- Areva Investments (Pvt) Ltd
- Ceylon Bungalows (Pvt) Ltd.

Mr. C M O Haglind

Mr. Carl Michael Oscarsson Haglind has a MSc from Stockholm School of Economics. He is Director of Eco Power, Bogawantalawa Tea Ceylon (Pvt) Ltd, Gourmet Teas and Tiqri. Prior to this he was the Vice President of Manpower in Sweden.

Mr. S A S Jayasundara

Mr. Sudath Ajitha Samaradivakara Jayasundara has a Bachelor of Law (LL.B) from the University of Colombo and is an Attorney-at-Law & Notary Public, having an active practice in the Civil Courts of Sri Lanka. He also holds a Diploma in International Relations (BCIS).

He currently works and holds the following positions:

- Chairman of Shraddha Media Network (Guaranteed) Ltd
- Board Director of Harishchandra Mills, Matara
- Board Director of Sithara Ltd
- Board Director of Metropolitan Resource Holdings PLC
- Board Director / Acting Chairman of Bimputh Finance PLC and
- Director of Enterprise Technologies (Pvt) Ltd
- Chairman of Blue Diamond Jewelry worldwide PLC
- Chairman of Lanka Transformers (Private) Limited, Lanka Transformers Holdings (Private) Limited and Lanka Transformers Galvanizing (Private) Limited.

Mr. D A De S Wickramanayake

Mr. Don Ariyaseela De Silva Wickramanayake is the present Chairman/Managing Director of Master Divers (Pvt) Ltd. , Director of Pelwatte Sugar Industries Ltd, Chairman of Pelwatte Diary Industries, Chairman of Mawbima Lanka Foundation, Director of Aitken Spence Plantation Managements PLC, Currently Member of University Grant Commission Standing Committee on Agriculture, Veterinary Medicine and Animal Science , Advisory Board Member of Sabaragamuwa University, Council Member of Ocean University, Faculty Representative for the Faculty of Technology, University of Colombo. Former Council member of Uva Wellassa University and Council member of National Institute of Fisheries and Nautical Engineering. He is also the Former Chairman of National Livestock Development Board, former Chairman of State Engineering Corporation and former Member of the council University of Ruhuna.

Mr Wickramanayake has published the book WHY HAMBANTOTA (Regarding Port of Hambantota)

Mr. G V M Nanayakkara

Mr. Gerard Victor Mauric Nanayakkara is a Fellow of the Institute of Chartered Accountants of Sri Lanka and a Fellow of the Chartered Institute of Management Accountants United Kingdom. He has over 40 years' experience in finance and Administrative functions as Head of Finance in large commercial & industrial establishments in Sri Lanka, both in private (Metropolitan Agencies Ltd) and state sector (Coconut Development Authority & Colombo Commercial Co. Ltd).
He engages in financial consultancies specialist in corporate restructure and project financing as well as involvement in strategic planning and business development operations, including work in the structuring, evaluation and execution of restructuring / financing transactions.

Mr L H Munasinghe

Mr Lalith Hemantha Munasinghe holds a Diploma in Business Management at the World View Institute. Mr Munasinghe counts over 40 years of experience in the plantation sector and prior to joining Bogawantalawa Tea Estates PLC, held the position of Director / Deputy Chief Executive Officer at Talawakelle Tea Estates PLC a member of the Hayleys Group.

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 Group 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 and its subsidiaries and associates have been maintained and that the financial statements have been prepared in compliance with the Sri Lanka Accounting Standards.

By Order of the Board

BOGAWANTALAWA TEA ESTATES PLC

(Sgd)
D J Ambani
Co-Chairman
2nd November 2020

MANAGEMENT TEAM

Bogawantalawa Tea Estates PLC.

Executive Director
Mr. L.Munasinghe

Group Manager - Human Resources
Mrs. A.G.D.K.Adikari

Acting Chief Executive Officer
Mr. R.M.Samarakoon

Director Operations & Special Projects
Mr. M.F.Majeed

Chief Financial Officer
Mrs. C.D.Wahalathantri

Director - Sustainability, R & D
Mr. Y.M.T.K.Bandara

Head of Marketing
Mr. D.M.Wickramaratne

Senior Manager - Legal & Compliance
Mr. U.S.Waidyatilleke

Manager - Auditing and System Monitoring
Mr. K. J. Jayabrendra

Manager - Human Resources
Mr. M.A.P. Wijethunga

Manager - Finance
Mr. R.K.W.D.M.R.T.N.B.Bogahalanda

Manager - Corporate Social Responsibility, Employee Engagement and Welfare
Mrs. D.Karthigesu

Bogawantalawa Tea Ceylon (Pvt) Ltd.

Non-Executive Director
Mr.J.M.Ratwatte

Executive Assistant to Co-Chairman
Mr. A.B.Ambani

Chief Operating Officer
Mr. G.D.S.N.Perera

General Manager
Mr. W.D.Pannilaratne

Head of Finance
Mr. A.I.H.Marikkar

Head of Production and Exports
Mr. W.N.S.Alwis

Head of IT & Product Development
Mr. P.U.Shyamendra

Senior Manager – Tea
Mr. N.Wickramasinghe

Senior Manager – Shipping & Logistic
Mr. A.I.Galappaththi

Manager – Sales Administration & Operations
Mr. S.A.W.R.Subhasingha

Sales Manager – Modern Trade
Mr. D.B.Gunawardene

Maintenance Manager
Mr. D.G.I.Gallage

Manager – Marketing
Mr. C.S.Senaviratne

Manager – Marketing
Mr. U. K. M. W. S. W. R. W. W. M. M. R. N.L. Weerakoon

Manager – Marketing
Mr. M.D.A.Perera

Manager - Quality Management Systems
Mr. I.M.R. Elangakoon

Manager - Procurement and Supply Chain Planning
Mr. T. L. Rupasinghe

Brand Manager
Mrs. D. N. Dassanayake

Estate level

General Manager – Bogawantalawa Estate
Mr. K.D.H. Manjusri

Deputy General Manager – Bogawana Estate
Mr. W.N.D. De Alwis

Deputy General Manager – Osborn Estate
Mr. S.A.I.B.Peiris

Senior Manager – Wanarajah Estate
Mr. K.S.Weerasuriya

Senior Manager - Campion Estate
Mr. K.G.Samarathunga

Senior Manager - Kotiyagala Estate
Mr. M.D.S.Samaraweera

Senior Manager - Lethenty Estate
Mr. H.E.Peiris

Senior Manager – Anhettigama & Illuktenne Estates
Mr. H.I.Wijayasundara

Manager - Loinorn Estate
Mr. C.D.Ikiriwatte

Acting Manager – Maliboda Estate
Mr. J.R.R.Warnakulasuriya

Estate Manager - Fettersso Estate
Mr. N.P.Sudarshan

Deputy Manager – Poyston Estate
Mr. H.D.S Fernando

CORPORATE GOVERNANCE

The Board of Directors of Bogawantalawa Tea Estates PLC believes that good Corporate Governance is essential to create value for all stakeholders and are committed to upholding very high standards of transparency and utmost integrity in the governance of the Company. The Directors confirm that the Company has already implemented action to comply with the Rules on Corporate Governance contained in the listing rules of the Colombo Stock Exchange.

The Board of Directors

The Directors of the Board are responsible for the formation of overall business strategies, policies and setting standards and ensuring the implementation of them, setting goals and targets in short, medium and long term basis. The Directors review progress quarterly and during the year under review they met on three occasions.

Attendance at these meetings was:

Mr. D J Ambani	3/3
Mr. L J Ambani	3/3
Mr. C M O Haglind	3/3
Mr. D A D S Wickramanayake	3/3
Mr. S A S Jayasundara	1/3
Mr G V M Nanayakkara	2/3
Mr L H Munasinghe	3/3

The Board reviews and approves the Annual Budget, actual performance against the budget, grants approval for capital expenditure and any other project proposals. Separate sub committees are set up by the Board for Investment decisions and special projects. The recommendation from these sub committees are forwarded to the Board for the final approval at a Board meeting.

Management Meeting

Management meetings are held every quarter whereby all Directors, the senior management including all divisional heads review the progress for the most recent quarter and the performance against budget and last year. Further the next quarters forecast and the forecast for the year are discussed and agreed upon at each meeting. Estate wise details are analysed and recommendations are made to the Board. All capital expenditure, other project proposals, budgets are initially reviewed at this meeting and referred to the Board at the Board Meeting for formal approval and/or ratification wherever necessary. In addition there is also a Management Committee consisting the Chairman / Directors and the Senior Management Team which meets every month to review progress, approval for payments and recommendations to the Board for any Board papers.

Audit Committee

An Audit Committee is formed at the Company level and the members of the Audit Committee (AC) are as follows

Mr G V M Nanayakkara
Chairman AC
(Independent non executive Director)

Mr S A S Jayasundara
Member AC
(Independent non executive Director)

Mr C M O Haglind
Member AC (Non executive Director)

Attendance at the AC meetings was:

Mr G V M Nanayakkara	4/4
Mr. S A S Jayasundara	4/4
Mr. C M O Haglind	4/4

The Audit Committee, is responsible, for reviewing policies and procedures of Internal Control, Risk Review and Control reports, planning and audit completion reports from the Company's external auditors and ensuring that the Company has an embedded process of identifying risks, both financial and operational. The Committee ensures that risks, so identified, are managed via a well-defined action plan.

The Committee is also responsible for the consideration and appointment of external auditors, the maintenance of a professional relationship with them, reviewing accounting principles, policies and practices adopted in the preparation of public financial information and examining all documents representing the final financial statements.

The Chief Financial Officer, Internal Auditor and relevant operational divisional heads attend the meeting by invitation. The decisions of the Audit Committee are reported to the Directors at the Board Meetings.

The report from the Chairman of the Audit Committee is on page no 24.

Remuneration Committee

The Remuneration Committee is set up at Company level and the members of the Remuneration Committee (RC) are as follows

Mr G V M Nanayakkara
Chairman RC
(Independent non executive Director)

Mr S A S Jayasundara
Member RC
(Independent non executive Director)

Mr C M O Haglind
Member AC
(Non executive Director)

The Remuneration Committee is responsible for the recommendation of the remuneration payable to the Chairman, Executive Directors and Chief Executive Officer and sets guidelines for the remuneration of the Senior Management within the Company, to the Board of BTE PLC. The Board makes the final determination upon consideration of such recommendations. The remuneration recommendations are based on the present market rates.

The gross amount amount paid as directors emoluments for the year is disclosed under notes to the financial statements – note no 12 Page 60.

Related party Transactions Review Committee

The Related party Transactions Review Committee is set up at Company level and the members of the Related party Transactions Review Committee (RPTRC) are as follows

Mr G V M Nanayakkara
Chairman
(Independent non executive Director)

Mr S A S Jayasundara
Member
(Independent non executive Director)

Mr J Molligoda
Member (Executive Director)
Resigned wef 10th Dec 2019

Mr L H Munasinghe –
Member (Executive Director)
Appointed wef 28th Feb 2020

The Committee is entrusted with evaluating and considering all transactions with related parties of the company except the exempted transactions as per the Listing Rules of the CSE in order to ensure the related parties are treated on par with other shareholders and constituents of the company and related party transactions are evaluated according to the applicable rules and regulations. To this end the Committee shall ensure that necessary processes are in place to identify, approve, disclose and monitor related party transactions according to the provisions contained in the Board approved Related Party Transactions Policy pertaining to the company and its subsidiaries.

Attendance at the RPTRC meetings was:

Mr G V M Nanayakkara	4/4
Mr. J Molligoda	3/4
Mr. S A S Jayasundara	4/4
Mr L H Munasinghe	1/4

The report from the Chairman of the Related party Transactions Review Committee is on page no 25.

Internal Control

Board has endeavored to ensure that control systems, designed to safeguard the Company's assets and maintain proper accounting records that facilitate the production and availability of reliable information, are in place and are functioning as planned.

An internal audit and monitoring division is set up to monitor whether all internal control systems, processes and procedures are followed Any issues relating to controls, productivity, efficiency, effectiveness are discussed at the monthly review meetings with respective operational managers. All operational and financial functions and approval levels are clearly defined and controlled by the officers with proper segregation of duties. All purchases for major inputs, capital expenditure, disposals are handled by a committee at Center Office and recommend to the Chief Executive Officer. Payments to major suppliers of estates are made from Head Office. All sales proceeds are collected at Head Office and the required funds are released for remuneration and local purchases to operational units. Actual utilization of funds released are monitored by obtaining certified statements from respective operational managers.

Compliance with Legal Requirements

The Board is conscious of its responsibility to the Shareholders, the Government and the Society in which it operates and is unequivocally committed to upholding ethical behavior in conducting its business. The Board, through the Company's Administrative and Finance Divisions, strives to ensure that the businesses of the Company and its subsidiary comply with the laws and regulations of the country. The Board of Directors ensure that all financial statements are prepared in accordance with the Sri Lanka Accounting Standards and conform to the requirements of the Colombo Stock Exchange.

Relations with the Community

The Board is conscious of the principles of good citizenship and the operational dimensions of the BTE PLC's social programmes. The Human Resources division of the Company is set up at Head Office in Colombo with regional coordinating officers.

Subject	Compliance Status	Details
Disclosures regarding the Board of Directors		
Four of the seven Directors are Non-Executive Directors	Compliant	Please refer page no 31
Two of the four non-executive directors are Independent Directors.	Compliant	
Non-Executive Directors have submitted the declaration of independence /non–independence	Compliant	
Names of independent Directors included in the Annual Report	Compliant	Please refer page no 31.
A brief resume of each Director included in the Annual Report	Compliant	Please refer page no 16.
Disclosures regarding remuneration and Remuneration Committee		
Specify whether a separate Remuneration Committee was formed or listed parent's remuneration committee used	Compliant	A separate Remuneration Committee was formed.
The names of the members and the composition of the Remunerations committee included in the annual report	Compliant	Please refer page no 33
The functions and the remuneration policy of the Remuneration Committee included in the annual report	Compliant	Please refer page no 20
The aggregate remuneration paid to Executive & Non-Executive Directors specified in the annual report	Compliant	Please refer page no 60
Contents under the Audit Committee Report		
Specify whether a separate Audit Committee was formed or listed parent's audit committee used	Compliant	A separate Audit Committee was formed
The names of the members and the composition of the Audit committee included in the annual report	Compliant	Please refer page no 33
Chief Executive Officer and the Chief Financial officer attend Audit Committee Meetings	Compliant	
The Chairman of the Audit Committee and two members are Members of a professional accounting body	Compliant	
The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Compliant	Please refer Audit Committee Report on page 24
c) The Annual Report shall Contain a Report of the Audit Committee setting out the manner of Compliance of the Functions	Compliant	Please refer Audit Committee Report on page 24
Contents under the Related Party Transactions Review Committee Report		
Specify whether a separate Related Party Transactions Review Committee was formed or listed parent's Related Party Transactions Review Committee used	Compliant	A separate Related Party Transactions Review Committee was formed
The names of the members and the composition of the Related Party Transactions Review Committee included in the annual report	Compliant	Please refer page no 33

Subject	Compliance Status	Details
The Related Party Transactions Review Committee shall meet once a calendar quarter	Compliant	
The Chairman of the Related Party Transactions Review Committee should be an independent non executive Director	Compliant	
The Annual Report shall Contain a Report of the Related Party Transactions Review Committee setting out the manner of Compliance of the Functions	Compliant	Please refer Related Party Transactions Review Committee Report on page 25

By order of the Board

Bogawantalawa Tea Estates PLC

Sgd
Director
2nd November 2020

REPORT OF THE AUDIT COMMITTEE

The Audit Committee of Bogawantalawa Tea Estates PLC consists of the following Non-Executive Directors.

- Mr G V M Nanayakkara - Chairman
- Mr C M O Haglind
- Mr S A S Jayasundara

The audit committee's role and duties include;

- the review of internal control systems,
- assist the board of directors in its oversight of the preparation of the financial statements in conformity with SLFRS, Companies Act No. 7 of 2007, rules and regulations of CSE and SEC,
- overview of the company's processes for monitoring compliance with laws & regulations and risk assessments,
- make recommendations to the board on the appointment of external auditors and recommend their remuneration and terms of engagement.

The Audit Committee met four times during the year under review. The Chief Financial Officer, Manager Auditing and System Monitoring, sector senior management personnel, Acting Chief Operating Officer and Executive Director were invited and attended to deliberate proceedings.

The Audit Committee reviewed the management letter issued by the external auditors at the audit committee meeting and also considered and verified the independence of the external auditors Messers BDO partners, Chartered Accountants. The Audit Committee reviewed the nature of the non-audit function related to tax that external auditors have undertaken to ensure that it did not compromise their independence.

The audit committee is strongly supported by the internal audit reports and external audit segment wise management letters. The internal audits have been carried out for the financial year covering estates, other administrative units and the Bogawantalawa Tea Ceylon Pvt Ltd and specific areas of attention are decided by the Executive Director based on the audit committee proposals and board directions. Audit supervisory committee has been set up consisting senior management team to scrutinize the audit reports and exceptional reports generated by the computerized management information system. The exceptional reports and the alerts are generated by the management information system and automatically emailed to the respective management levels copy to the Manager Auditing and System Monitoring regularly. Matters arising from such reports, where attention is required toward internal control aspects are scrutinized by the Manager Auditing and System Monitoring and clarifications obtained from the management where necessary and required guidelines are sent to improve system & control. The deliberations are reported to the Audit Committee. Audit Supervisory Committee discuss report findings and implement the recommendations with the respective sector managers and estate managers. These reports have been reviewed by the audit committee along with the explanations given by the estate management and members of the senior management who participated at these audit committee meetings. At the meetings, the Committee reviewed the effectiveness of the internal control systems and the Group's approach to its exposure to the business and financial risks.

The committee studied the processes that are in place to safeguard the assets of the company and its subsidiaries. The committee also reviewed the internal audit reports pertaining to the subsidiary company, Bogawantalawa Tea Ceylon Pvt Ltd.

The committee noted that a comprehensive set of Management accounts and progress reports are produced on a monthly basis highlighting all key performance indications and reviewed by the Senior Management. The Directors review the performance at the pre- Board meetings followed by the Board Meetings held quarterly on a pre-determined dates agreed.

The committee reviewed the audited financial statements including the annual report for the year 2019/20. The audit committee has recommended to the Board of Directors that Messers BDO partners, Chartered Accountants be continued as the external auditors for the year ending 31st March 2020 as well.

Sgd
G V M Nanayakkara
Chairman-Audit Committee
02nd November 2020

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Composition of the Related Party Transactions Review Committee

Related Party Transactions Review Committee comprises of three (3) Board members. The Chairman of the Committee is also the Chairman of the Audit Committee and an Independent Director. The composition of the Committee is as follows:

Mr. G V M Nanayakkara
Chairman
Independent Non-Executive Director

Mr. S A S Jayasundara
Member
Independent Non-Executive Director

Mr. L H Munasinghe
Member
Executive Director

Charter of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee was formed by the Board of Directors as per the provisions contained in Section 9 of the Listing Rules of the Colombo Stock Exchange (CSE), so that the Company shall follow the rules pertaining to related party transactions as set out in the Listing Rules of the CSE. The composition and the scope of work of the Committee are in conformity with the provisions of the said Section in the Listing Rules.

The Terms of Reference of the Related Party Transactions Review Committee is reviewed annually by the Board of Directors.

The primary purpose of the Committee is to evaluate and consider all transactions with related parties of the company, in order to ensure that related parties are treated on par with other shareholders and constituents of the company.

The Committee carries out the following duties and responsibilities:

- Reviewing to evaluate and to determine the advisability of any Related Party Transactions except for transactions set out in Rule 9.5 of the Listing Rules of the CSE, that require consideration by the Committee under the Related Party Policy of the Company.
- Approving or rejecting the Related Party Transaction upon the required internal approvals being obtained.
- Determining whether the relevant Related Party Transaction is fair to, and in the best interests of, the company and its stakeholders; and
- Recommending to the Board what action, if any, should be taken by the Board with respect to any Related Party Transaction.
- Recommending to the Board where necessary, that the approval of the shareholders of the company be obtained by way of a Special Resolution, prior to the concerned transaction being entered into as specified in Section 9.1 and 9.4 of the Listing Rules.

Committee Guiding Principles

The Committee is entrusted with evaluating and considering all transactions with related parties of the company except the exempted transactions as per the Listing Rules of the CSE in order to ensure the related parties are treated on par with other shareholders and constituents of the company and related party transactions are evaluated according to the applicable rules and regulations. To this end the Committee shall ensure that necessary processes are in place to identify, approve, disclose and monitor related party transactions according to the provisions contained in the Board approved Related Party Transactions Policy pertaining to the company and its subsidiaries.

The Committee is required to carry out the aforementioned approval of the related parties and related party transactions in line with the Colombo Stock Exchange and/or Securities and Exchange Commission of Sri Lanka, the Companies Act requirements and the Sri Lanka Accounting Standards.

Committee Meetings

The Committee met Four (4) times during the year under review, and all members attended for the meetings. The quorum for a meeting is two (2) members.

The proceedings of the Committee meetings have been regularly reported to the Board of Directors.

Methodology used by the Committee

In carrying out the duties of the Committee, the Committee is required to avoid ‘conflicts of interest’, which may arise from any transaction of the company with any person, particularly with related parties, ensure arm’s length dealings with related parties whilst also ensuring adherence to the corporate governance directions which requires the company to avoid engaging in transactions with related parties, in a manner that would grant such parties ‘more favorable treatment’ than accorded to other constituents of the company.

The Committee will also be guided by the Listing Rules of the CSE pertaining to related party transactions, the Board approved Related Party Transactions Policy and the Terms of Reference of the Committee.

Related Party Transactions during the Year 2019/20

During the year 2019/20, there were no recurrent and related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange.

Details of other related party transactions entered into by the Company during the above period is disclosed in note 44 to the financial statements.

Declaration

A declaration by the Board of Directors in the Annual Report as a negative statement that no related party transaction falling within the ambit of the Listing Rules was entered into by the Company during 2019/20 is given on page 33 of the Annual Report.

Sgd
G V M Nayayakkara
Chairman
Related Party Transactions Review Committee
2nd November 2020

RISK MANAGEMENT

Risk Management Process & Approach

The process of risk management consists of identification, analysis, assessment, prioritization, monitoring of risk and either acceptance or mitigation of uncertainty in Business decision-making.

Our approach to risk management is to have built in internal control systems to business processes, outcome of regular discussions, review meetings and comprehensive reporting.

Responsibilities for the Risk

The Board of Directors of Bogawantlawa Tea estates PLC:

- bears overall responsibility to exercise prudent risk management mechanisms.
- identifies principle risks faced by the company and ensure implementation of appropriate system to manage such risks.
- designates key management personnel and defines their areas of responsibility to manage risks
- reviews risk management strategy periodically and formulate mitigating actions considering internal and external environmental changes.

Company Audit Committee review probable risk elements at its meeting and report to the Board of Directors.

Area of Risk	Our main concern over	Impact to the Company performance	Key Mitigating Actions
Impacts of COVID-19 on the plantation	Enforcing the necessary social distancing measures and subsequent curfews hindered the economy	Tea prices rose sharply at an auction held in April amid COVID-19 curfews and a falling rupee, due to strong demand and tight supplies after dry conditions.	Raise awareness among estate workers about how COVID-19 spreads and how to prevent getting infected, and routinely remind them about biosafety and biosecurity measures against COVID-19 on the plantation
Short of Workers	Workers are migrating to Urban areas and drastic drop in worker out-turn for estate work	High cost of production	Mechanization of field/factory operations; Machine Plucking/shearing/machine pruning/ factory automation
Backup Staff	Youths are not willing to join Estates especially for field work	Lack of supervision and non-availability of competent staff. Retired staff are re-employed on fixed term contract and output of retirees are below expectations	To have an action plan to groom young educated youths by re-designing the designations. Eg- Junior Assistant Field Staff to Junior Field Executive Introduction of easy weighing scale system and avoid manual data entry to system
Climate and weather Changes	Production quantities & quality fluctuate according to the seasons and weather patterns	Change in the weather patterns affects production and productivity and quality	Timely replanting of selected cultivars to minimize the effect on climatic conditions, good agricultural practices such as pruning, fertilizing depending on seasons.

Area of Risk	Our main concern over	Impact to the Company performance	Key Mitigating Actions
High Cost of fertilizer due to the withdrawal of subsidies and import ban on essential chemical for weed control	Difficulties on maintaining our plantations under best agricultural standards	High cost involve in artificial fertilizer and manual weed control	Gradual implementation of our own organic fertilizer production units and implementing more biological method of weed control to minimize high cost labour involvement
Strict conditions imposed by the buyers with regard to the certain Maximum Residue Level (MRL) of certain Chemicals	Consider as a main factor of customer preserved quality	If any buyers complaints on higher MRL levels will adversely affect reputation and possible financial impact	Though the Tea Research Institute (TRI) approves some chemicals, we have self-imposed control of using such material based on the buyer's requirements.
Product Quality	Maintain consistent product quality & be amongst the premium quality category	Buyers curtailing demand and offer average price for low quality products due to more teas available in the market in such category.	Quality assurance is considered as key in this area and our processing plants are with HACCP / ISO in addition to that Rainforest alliance certification, Rockwood Organic certification has been obtained and sales are in progress. Quality Assurance Systems are implemented throughout the value chain and more emphasis given on the cultivation and processing.
Human Resource - Industry wide highly unionized large workforce	Create globally accepted healthy employee satisfied working environment through obtaining SA 8000 industry standards and Fair Trade Certificates	As the industry is highly labour intensive with high bargaining power, low productivity, work stoppages, strikes would result in a major impact on the profitability & liquidity of the company. Satisfied motivated workforce with the implementation of SA 8000 & Fair Trade	The Collective Agreement entered into with the Trade Unions in the Company's capacity as a member of the Employers Federation ensures industrial peace and wages are applied industry wide and not ad hoc. Continuous training and development programs are conducted to motivate and develop the human resource to enhance productivity and have better relationship with workforce and staff. Frequent assessment and monitoring status and standards requested by the international regulatory bodies
Fluctuation of global commodity prices - Tea	Maintain a stable Net Sale Average (Realized Price per Kg)	Fluctuation of prices are very sensitive to profitability & liquidity Gap between revenue and cost may be narrowed due to increased labour wages possibly high liquidity positions restrict capital development work.	The cyclical pattern of price is mitigated by focusing on producing 'quality teas'. Availability of a range of high and low grown teas and change in product quality depending on market behavior minimize loss in margin due to price fluctuations. Value added tea marketing through our subsidiary by introducing our own brand also minimize the effect on such situations. Introduction of green tea and organic tea is considered as long term strategy. Maintain minimum gap in price level compared to benchmarking estate selling marks.

Area of Risk	Our main concern over	Impact to the Company performance	Key Mitigating Actions
Operational & Locations related	A sound internal control system is a key factor in safeguarding tangible, intangible assets and creation of wealth	Natural disasters, accidents, fraud, human errors, may lead to financial losses	Periodical checks are carried out at estate level to ensure the quality and cost effectiveness of systems Regular reviews are undertaken to ensure that appropriate infrastructure and sufficient insurance covers are available to safeguard the company's assets and minimize any financial loss.
Financial & Treasury Management	Adequate return on investments within acceptable risk levels, generation of funds for capital development projects securing working capital requirements	Effect on profitability and liquidity and long term sustainability	Prudent investments in capital developments projects after proper investment evaluation in replanting, factory development etc. Adoption of diversification strategies. Monitoring and reporting return on investments quarterly to the Board of Directors.
Interest Rate	Needs to minimize the adverse effects of the fluctuating interest rates	Effect on profitability and cash flows	The Company manages and mitigates interest rate risk by utilizing low cost funding from banking and financial services sector to minimize high cost borrowing such as overdraft. Also an appropriate mix of floating and fixed rate interest debt capital is employed. Financing through securitization manage fluctuation of interest rates.
Liquidity issues in Short Term	Settlement of Labour wages & supplier Bills	Any delays may effect to labour unrest and continuous supply of input materials	Pre-arranged short term financing facility at lowest finance cost based on quarterly cash flow projections.
Company Reputation & Corporate Image	Compliance of legal and statutory requirements and best corporate governance	Noncompliance may lead to loss of reputation, fines and surcharges and even litigation	Reputation is considered as the Company's most important aspect. Therefore, the Company obtains legal advice to include mitigating clauses wherever possible in the Agreements for new ventures and investments. Due consideration is given to health, safety and environmental issues and the best practices are followed in these areas through various certifications and CSR projects.
Investments	As Investments are key to the sustainability of the business	Impact on future profitability, liquidity and risk project failing mid-way	Investments are first subject to a technical & financial evaluation process and prioritize depending on the cost benefit and the availability of funding. Then Board approval is sought prior to embarking on the investment. Close monitoring of the progress is made to ensure forecasted investment proposals are achieved and expectations are met.

Area of Risk	Our main concern over	Impact to the Company performance	Key Mitigating Actions
Competitiveness	Global competitors of tea industry benefit from lower costs etc.	Low demand for tea from exporters will lead to low prices.	To mitigate risk of competition company focus on productivity, quality and local market operation. Innovative Nish markets focus product development. Product portfolio diversification toward green tea, organic tea related up market products.
Information Management Systems Risk	To minimize risk associated with security, Hardware communication and software. To protect vital data stored in electronic media/servers.	Non availability of information for monitoring, Risk involve in information leakage.	Maintaining spare servers, cloud servers to safeguard critical data, software. Data backups stored at off site locations, vendor agreements for support service and maintenance, Update virus scanners and firewalls etc. Compliance with the statutory requirements Setting up of exception reporting system electronically and ensure the immediate attention on exceptions and also ensure data/information integrity.

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

The Directors of Bogawantalawa Tea Estates PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2020.

This Annual Report of the Board on the affairs of the Company contains the information required in terms of the Companies Act No. 07 of 2007, the Listing Rules of the Colombo Stock Exchange and is guided by recommended best practices.

General

Bogawantalawa Tea Estates PLC is a public limited liability Company which was incorporated under the Companies Act No.17 of 1982 as a public Company on 22nd June 1992. Pursuant to the requirements of the new Companies Act No. 7 of 2007, the Company was re-registered on 8th April 2008 and bears registration number PQ 124. Accordingly, the name of the Company has changed to Bogawantalawa Tea Estates PLC.

The Company also has issued Rs.850mn Rated Senior Unsecured Redeemable Debentures at a par value of LKR 100/- which are listed on the Main Board of the Colombo Stock Exchange.

The Company has been assigned a rating of (SL) BBB+ by ICRA Lanka.

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 in the Chairman's review (pages 3 to 5).

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

Financial Statements

The Financial Statements of the Company are given on pages 38 to 51.

Summarised Financial Results

Year ended	2020 Rs.'000	2019 Rs.'000
Revenue	2,979,757	3,055,842
Net Profit / (Loss) for the year	(474,101)	(118,545)
Carried forward Profit /(Loss)	658,912	893,396

Independent Auditors' Report

The Report of the Independent Auditors on the Financial Statements of the Company is given on page 35 to 37.

Accounting Policies

The financial statements of the Company have been prepared in accordance with the revised Sri Lanka Accounting Standards and the policies adopted thereof are given on page 42 to 58. Figures pertaining to the previous period have been re-stated where necessary to conform to the presentation for the year under review.

Directors

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on pages 16.

Executive Directors

Mr. D J Ambani
Co-Chairman

Mr. L J Ambani
Co-Chairman

Mr. L H Munasinghe
Executive Director

Non - Executive Directors

Mr. C M O Haglind
Director

Mr. D A De S Wickramanayake
Director

***Mr. S A S Jayasundara**
Director

***Mr. G V M Nanayakkara**
Director

* Independent Non-Executive Director

Mr. J Molligoda resigned from the position of Deputy Chairman / Director with effect from 10th December 2019.

Mr. D J Ambani and Mr. L J Ambani retire by rotation at the conclusion of the Annual General Meeting in terms of Articles 89 and 90 of the Articles of Association and being eligible are recommended by the Directors for re-election.

The Directors have recommended the re-appointment of Mr. G V M Nanayakkara and Mr. D A de S Wickramanayake who are over 70 years of age, as a Directors 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. G V M Nanayakkara and Mr. D A de S Wickramanayake

Interests Register

The Company maintains an Interests Register in terms of the Companies Act, No.7 of 2007, and the names of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period under review are given in Note 44 to the Financial Statements on page 89.

Directors' Remuneration

The Directors' remuneration is disclosed under key management personnel compensation in Note 12 .to the Financial Statements on page 60.

Directors' Interests in Contracts

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 44 to the Financial Statements.

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. The Directors are of the view that these financial statements have been prepared in conformity with requirements of the Sri Lanka Accounting Standards, the Companies Act No.7 of 2007 and the Listing Rules of the Colombo Stock Exchange.

Auditors

Messrs BDO Partners, 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 that of Auditors and provider of tax related services.

A total amount of Rs 2,489,928.is payable by the Company to the Auditors for the year under review comprising Rs 2,424,723 as audit fees and Rs 65,205 for non audit services. The Auditors have expressed their willingness to continue in office. The Audit Committee at a meeting held on25th August 2020 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.

Independence of Auditors

Based on the declaration provided by Messrs BDO Partners, Chartered Accountants and to the extent that the Directors are aware, the Auditors do not have any relationship with (other than that of the Auditor), or interest in, the Company, which in the opinion of the Board, may reasonably be considered to have a bearing on their independence within the meaning of the Code of Professional Conduct and Ethics issued by The Institute of Chartered Accountants of Sri Lanka as at the reporting date.

Stated Capital

The Stated Capital of the Company is Rs.586,250,010/-.

The number of shares issued by the Company stood at 83,750,000 fully paid ordinary shares and 01 Golden Share as at 31st March 2020 (which was the same as at 31st March 2019).

Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2020 and 31st March 2019 are as follows.

	Shareholding as at 31/03/2020	Shareholding as at 31/03/2019
Mr. D J Ambani	-	-
Mr. L J Ambani	-	-
Mr. J Molligoda	N/A	16,388
Mr. C M O Haglind	-	-
Mr. D A de S Wickramanayake	9,468,778	9,468,778
Mr. S J S Jayasundera	-	-
Mr. G V M Nanayakkara	-	-
Mr. L H Munasinghe	-	-

Shareholders

There were 18,603 shareholders registered as at 31st March 2020 (18,615 shareholders as at 31st March 2019). The details of distribution are given on page 14 of this Report.

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, market values per share, earnings, dividends, net assets per share, twenty largest shareholders of the Company, percentage of shares held by the public as per the Listing Rules of the Colombo Stock Exchange are given on page 14 to 15 under Share Information.

Declaration in terms of Rule 9.3.2(d) of the Listing Rules

The Board confirms that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions, during the financial year.

Reserves

The movement of reserves during the year are given under the Statement of Changes in Equity on page 40.

Land holdings

The book value of property, plant and equipment as at the balance sheet date amounted to Rs. 586,893,904 (2019 – Rs. 643,440,266/-)

The extents, locations, valuations and the number of buildings of the Company's land holdings are given in Note 17.6.

The movement of fixed assets during the year is given in Note 17 to the financial statements.

Dividends

The Directors do not recommend a dividend.

Statutory Payments

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of, and in respect of employees of the Company and all other known statutory dues as were due and payable by the Company as at the Balance Sheet date have been paid or, where relevant provided for.

Donations

The Company made donations amounting to Rs.241,000 (2019 – Rs. 505,000/-) during the year under review for charitable purposes.

Events occurring after the Balance Sheet date

There are no material events as at the date of the Auditor's Report which require adjustment to or disclosure in the Financial Statements except as stated in Note 46.

Corporate Governance

Corporate Governance practices and principles with respect to the management and operations of the Company is set out on page 20 of this report. The Directors confirm that the Company has complied with the Rules on Corporate Governance contained in the Listing Rules of the Colombo Stock Exchange.

An Audit Committee, Remuneration Committee and Related Party Transaction Review Committee function as Sub-Committees of the Board and the members of these Committees possess the requisite qualifications and experience. The composition of the said Committees is as follows:

Audit Committee

Mr. G V M Nanayakkara
Chairman

Mr. S A S Jayasundara
Member

Mr. C M O Haglind
Member

Remuneration Committee

Mr. G V M Nanayakkara
Chairman

Mr. S A S Jayasundara
Member

Mr. C M O Haglind
Member

Related Party

Transaction Review Committee

Mr. G V M Nanayakkara
Chairman

Mr. S A S Jayasundara
Member

Mr. J Molligoda
Member (Resigned w.e.f. 10th December 2019)

Mr L H Munasinghe
Member (Appointed wef 28th February 2020)

The Directors declare that the Company is in compliance with Rule 9 of the Listing Rules of the Colombo Stock Exchange pertaining to Related Party Transactions during the Financial Year ended 31st March 2020

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 20 to 23 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 7 to 13 of this Report.

Environmental Protection

After making adequate enquiries from the management, the Directors are satisfied that the Company operates in a manner that minimizes the detrimental effects on the environment and provides products and services that have a beneficial effect on the customers and the communities within which the Company operates.

Going Concern

The financial statements are prepared on going concern principles. After making adequate enquires from the management, the Directors are satisfied that the Company has adequate resources to continue its operations in the foreseeable future.

Annual General Meeting

The Annual General Meeting will be held by way of electronic means on 4th December 2020 at 10.00 a.m

The Notice of the Annual General Meeting appears on page 2.

By Order of the Board

Bogawantalawa Tea Estates PLC

Sgd	Sgd	Sgd
L J Ambani	**L H Munasinghe**	**P W Corporate Secretarial (Pvt) Ltd**
Co-Chairman	*Executive Director*	*Secretaries*
		2nd November 2020

Tel : +94-11-2421878-79-70
+94-11-2387002-03
Fax : +94-11-2336064
E-mail : bdopartners@bdo.lk
Website : www.bdo.lk

Chartered Accountants
"Charter House"
65/2, Sir Chittampalam A Gardiner Mawatha
Colombo 02
Sri Lanka

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BOGAWANTALAWA TEA ESTATES PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bogawantalawa Tea Estates PLC ('the Company') and the consolidated financial statements of the Company and its subsidiary ('the Group'), which comprise the statement of financial position as at 31st March 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set on pages 42 to 98.

In our opinion, the accompanying financial statements of the Company and Group give a true and fair view of the financial position of the Company and Group as at 31st March 2020, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matter

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.

Key Audit Matter:

1 Valuation of Consumable Biological Assets

The Company has consumable biological assets carried at fair value amounting to Rs.1,068 Mn. The biological assets, Eucalyptus Grandis Mature and Immature Timber Trees of the Company, were inspected and valued by an independent external valuer as at 31st March, 2020. Based on this valuation report, the Directors of the company have valued the consumable biological assets as at the date of the statement of financial position.

Valuation of consumable biological assets requires significant levels of judgment and technical expertise, including the use of discounted cash flow models and selecting appropriate assumptions. Changes in the key assumptions used such as discount rate and available timber quantity to value the Company's consumable biological assets could have a material impact on the statement of profit or loss and the value of consumable biological assets. Accordingly, the valuation of consumable biological assets has been considered as a Key Audit Matter.

Related Disclosures

Refer to note 20 of the accompanying financial statements.

How Our Audit Addressed The Key Audit Matter

Our audit procedures included the following:

- Assessed the key assumptions and methodology used in the valuation, in particular the discount rate, average market price and yield per hectare;
- Verified the mathematical accuracy of the consumable biological assets valuation;
- Assessed the objectivity of the external valuation expert and the competence and qualification of the external expert and
- Assessed the adequacy of the disclosures in the Financial Statements, including the description and appropriateness of the inherent degree of subjectivity and the key assumptions.

2 The Impact of estimate uncertainty related to COVID-19 disclosures

The going concern assessment made by management is a fundamental part of the audit that may be significantly affected by the current circumstances. Due to this outbreak, the country faces an unprecedented level of uncertainty about the economy and consequent future earnings of entities over the foreseeable future.

Related Disclosures

Refer to note 46 of the accompanying financial statements.

Our audit procedures included the following:

- Obtaining the Company's revised budget and cash flow projections for the year ending 31st March 2025 and inquiring of Management's plans to monitor credit risk, liquidity risk and exchange rate risk and assessing the reasonability of Management's plans highlighted with limited information available as at reporting date.
- Assessing the adequacy of the financial statements disclosures in relation to the impact of the uncertainty of COVID-19 with the limited information available as at the audit report date.
- Evaluating the appropriateness of the assumptions used for the estimates and assessing whether the estimates reflected the latest economic conditions pursuant to the COVID-19 outbreak and reviewing the overall performance of the Group for the month ended 30th September 2020 against the revised budget for the said month.
- Exercising professional skepticism where management and TCWG have determined that the current circumstances are not reasonably expected to have any material financial impact on the audited entity and that no material uncertainties related to going concern exist for the entity.

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 the auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 upon 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the consolidated 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 consolidated 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 and Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 5707.

Sgd
CHARTERED ACCOUNTANTS
Colombo
2nd November, 2020
MN/cc

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH, 2020

Rs.	Note	Group 2019/ 2020	Group 2018/2019 Restated	Company 2019/ 2020	Company 2018/2019 Restated
Revenue	7	4,393,600,512	4,482,127,770	2,979,757,512	3,055,841,873
Cost of sales	8	(4,393,808,010)	(4,115,215,979)	(3,232,879,626)	(2,987,023,280)
Gross profit/(loss)		**(207,498)**	**366,911,791**	**(253,122,114)**	**68,818,593**
Gain on fair value of biological assets	21	141,999,939	127,715,927	141,999,939	127,715,927
Other income	9	164,224,375	185,713,994	158,607,329	181,740,823
		306,016,816	**680,341,712**	**47,485,154**	**378,275,343**
Administration and other expenses		(308,911,400)	(396,947,349)	(239,556,597)	(230,973,222)
Distribution expenses		(84,482,810)	(88,014,350)	-	-
Management fee expenses	10	-	(9,065,377)	-	(9,065,377)
Net finance income/(expenses)	11	(418,430,806)	(225,001,560)	(334,275,901)	(138,390,491)
		(811,825,016)	**(719,028,636)**	**(573,832,498)**	**(378,429,090)**
Share of profit equity accounted associates (net of tax)	23	20,525,183	14,272,308	20,525,183	14,272,308
Profit/(loss) before taxation	**12**	**(485,283,017)**	**(24,414,616)**	**(505,822,161)**	**14,118,561**
Income tax expenses	13	97,969,545	(6,894,820)	93,154,637	17,518,061
Profit/(loss) for the year		**(387,313,472)**	**(31,309,436)**	**(412,667,524)**	**31,636,622**
Other comprehensive income					
Items that will not be re-classified to profit or loss					
Remeasurement of retirement benefit obligations	35.1	(60,392,366)	(134,113,199)	(60,015,972)	(134,726,773)
Tax relating to items that will not be re-classified		(8,349,541)	(18,947,648)	(8,402,236)	(18,861,748)
Valuation gains on fair value through other comprehensive income equity investment		6,984,309	3,406,476	6,984,309	3,406,476
Other comprehensive income for the year, net of tax		**(61,757,598)**	**(149,654,371)**	**(61,433,899)**	**(150,182,045)**
Total comprehensive income for the year		**(449,071,070)**	**(180,963,807)**	**(474,101,423)**	**(118,545,423)**
Profit for the year attributable to:					
Equity holders of the parent		(387,313,472)	(31,309,436)	(412,667,524)	31,636,622
Non-controlling interest		-	-	-	-
		(387,313,472)	**(31,309,436)**	**(412,667,524)**	**31,636,622**
Total comprehensive income attributable to :					
Equity holders of the parent		(449,071,070)	(180,963,807)	(474,101,423)	(118,545,423)
Non-controlling interest		-	-	-	-
		(449,071,070)	**(180,963,807)**	**(474,101,423)**	**(118,545,423)**
Basic earnings/(loss) per share	14.1	(4.62)	(0.37)	(4.93)	0.38
Diluted earnings/(loss) per share	**14.2**	**(4.62)**	**(0.37)**	**(4.93)**	**0.38**

Figures in brackets indicate deductions.
The significant accounting policies and notes from pages 42 to 98 form an integral part of these financial statements.

Colombo
2nd November 2020

STATEMENT OF FINANCIAL POSITION

AS AT 31ST MARCH, 2020

Rs.	Note	Group As at 31.03.2020	Group As at 31.03.2019 Restated	Group As at 01.04.2018 Restated	Company As at 31.03.2020	Company As at 31.03.2019 Restated	Company As at 01.04.2018 Restated
ASSETS							
Non–current assets							
Right-of-use assets	16	1,509,663,200	226,339,238	234,814,519	1,432,788,867	226,339,238	234,814,519
Tangible assets other than bearer biological assets	17	810,835,726	930,155,693	873,128,788	586,893,904	643,440,266	539,197,045
Intangible assets	18	2,358,249	2,518,324	750,437	-	-	-
Bearer biological assets	19	2,241,585,320	2,141,079,691	1,986,712,220	2,241,585,320	2,141,079,691	1,986,712,220
Consumable biological assets	20	1,068,663,545	983,026,535	888,346,483	1,068,663,545	983,026,535	888,346,483
Capital work-in-progress	21	8,744,096	25,983,631	71,617,345	8,744,096	25,983,631	71,617,345
Investment in associate	22	92,251,742	71,726,559	57,454,251	92,251,742	71,726,559	57,454,251
Investments in equity shares	23	52,471,262	45,486,953	15,000,000	154,571,262	108,786,953	78,300,000
Investments of amortized cost	30	50,000,000	-	-	50,000,000	-	-
Deferred tax assets	24	40,450,385	34,964,356	59,463,137	-	-	
Total non–current assets		**5,887,023,525**	**4,461,280,980**	**4,187,287,180**	**5,635,498,736**	**4,200,382,873**	**3,856,441,863**
Current assets							
Produce on bearer plants	25	7,835,600	9,037,160	10,916,577	7,835,600	9,037,160	10,916,577
Inventories	26	609,915,409	731,292,744	722,688,728	338,723,478	431,119,532	458,485,668
Trade and other receivables	27	572,675,852	605,782,758	476,553,743	245,637,306	211,156,297	205,708,830
Income tax receivables	28	4,608,068	-	-	-	-	-
Amount due from related parties	29	18,771,371	44,577,584	30,896,836	178,341,492	95,312,371	3,352,643
Short-term investments	30	321,285,379	-	-	321,285,379	-	-
Cash and cash equivalents	31	120,267,063	47,992,715	85,308,009	95,936,108	35,465,965	31,059,266
Total current assets		**1,655,358,742**	**1,438,682,961**	**1,326,363,893**	**1,187,759,363**	**782,091,325**	**709,522,984**
Total assets		**7,532,382,267**	**5,899,963,941**	**5,513,651,073**	**6,823,258,099**	**4,982,474,198**	**4,565,964,847**
EQUITY AND LIABILITIES							
Equity							
Stated capital	32	586,250,010	586,250,010	586,250,010	586,250,010	586,250,010	586,250,010
Retained earnings		558,360,742	767,813,851	953,539,043	658,912,758	893,396,220	1,015,348,119
Equity investment reserve		37,471,262	30,486,953	-	37,471,262	30,486,953	-
Equity attributable to owners of the parent		**1,182,082,014**	**1,384,550,814**	**1,539,789,053**	**1,282,634,030**	**1,510,133,183**	**1,601,598,129**
Non-controlling interest		20	20	20	-	-	-
Total equity		**1,182,082,034**	**1,384,550,834**	**1,539,789,073**	**1,282,634,030**	**1,510,133,183**	**1,601,598,129**
Non–current liabilities							
Interest bearing borrowings	33	400,013,699	361,894,759	282,934,292	356,800,200	315,153,500	185,304,142
Debentures	34	873,765,447	-	-	873,765,447	-	-
Retirement benefit obligations	35	954,983,942	839,735,214	654,528,206	932,471,226	819,325,243	631,237,454
Grants and subsidies	36	99,676,689	111,173,873	125,449,514	99,676,689	111,173,873	125,449,514
Deferred income	37	234,532,794	243,914,104	253,295,414	234,532,794	243,914,104	253,295,414
Lease liability	38	1,603,379,051	485,366,030	481,586,689	1,526,591,902	484,485,592	481,586,689
Deferred tax liability	39	111,747,306	196,499,707	195,156,019	111,747,306	196,499,706	195,156,019
Total non–current liabilities		**4,278,098,928**	**2,238,583,687**	**1,992,950,134**	**4,135,585,564**	**2,170,552,018**	**1,872,029,232**
Current liabilities							
Trade and other payables	40	808,574,135	774,705,441	816,342,088	566,825,032	587,872,904	679,777,765
Amount due to related parties	41	26,458,957	68,269,891	56,552,949	53,836,324	25,600,460	25,374,559
Dividend payable		211,320	211,795	211,795	211,320	211,795	211,795
Short-term borrowings		434,639,910	531,567,264	580,989,154	-	-	-
Current portion of interest bearing borrowings	33	487,214,988	525,490,333	209,683,988	480,662,510	400,821,573	161,243,576
Lease liability	38	14,071,998	18,169,892	16,417,211	9,008,815	17,910,305	13,901,391
Bank overdrafts	31	301,029,997	358,414,804	300,714,681	294,494,504	269,371,960	211,828,400
Total current liabilities		**2,072,201,305**	**2,276,829,420**	**1,980,911,866**	**1,405,038,505**	**1,301,788,997**	**1,092,337,486**
Total liabilities		**6,350,300,233**	**4,515,413,107**	**3,973,862,000**	**5,540,624,069**	**3,472,341,015**	**2,964,366,718**
Total equity and liabilities		**7,532,382,267**	**5,899,963,941**	**5,513,651,073**	**6,823,258,099**	**4,982,474,198**	**4,565,964,847**
Contingencies and commitments.	42 and 43						

Figures in brackets indicate deductions.

The significant accounting policies and notes from pages 42 to 98 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.07 of 2007.

Sgd.

Mrs. Chamari Wahalathantri – Chief Financial Officer

The Board of Directors is responsible for the preparation of these financial statements.

Approved and signed for and on behalf of the Board of Directors of Bogawantalawa Tea Estates PLC.

Sgd.

Mr. L. J. Ambani – Co Chairman

Sgd.

Mr. L.H. Munasinghe – Executive Director

Colombo

2nd November 2020

MN/cc

STATEMENT OF CHANGES IN EQUITY - GROUP

FOR THE YEAR ENDED 31ST MARCH, 2020

Rs.	Stated capital	Non–controlling interest	Equity investment reserve	Retained earnings	Total
Balance as at 01st April, 2018 after the restatement	586,250,010	20	27,080,477	952,184,134	1,565,514,641
Comprehensive income for the year					
Net profit for the year	-	-	-	(31,309,436)	(31,309,436)
Other comprehensive income	-	-	3,406,476	(153,060,847)	(149,654,371)
Total comprehensive income for the year	**–**	**–**	**3,406,476**	**(184,370,283)**	**(180,963,807)**
Balance as at 31st March, 2019	586,250,010	20	30,486,953	767,813,851	1,384,550,834
Impact of initial application of SLFRS 16	-	-	-	246,602,270	246,602,270
Balance as at 01st April 2019 – restated	**586,250,010**	**20**	**30,486,953**	**1,014,416,121**	**1,631,153,104**
Comprehensive income for the year					
Net loss for the year	-	-	-	(387,313,472)	(387,313,472)
Other comprehensive income	-	-	6,984,309	(68,741,907)	(61,757,598)
Total comprehensive income for the year	**–**	**–**	**6,984,309**	**(456,055,379)**	**(449,071,070)**
Balance as at 31st March, 2020	**586,250,010**	**20**	**37,471,262**	**558,360,742**	**1,182,082,034**

STATEMENT OF CHANGES IN EQUITY - COMPANY

FOR THE YEAR ENDED 31ST MARCH, 2020

Rs.	Stated capital	Equity investment reserve	Retained earnings	Total
Balance as at 01st April, 2018	**586,250,010**	**27,080,477**	**1,015,348,119**	**1,628,678,606**
Comprehensive income for the year				
Net profit for the year	-	-	31,636,622	31,636,622
Other comprehensive income	-	3,406,476	(153,588,521)	(150,182,045)
Total comprehensive income for the year	**–**	**3,406,476**	**(121,951,899)**	**(118,545,423)**
Balance as at 31st March, 2019	586,250,010	30,486,953	893,396,220	1,510,133,183
Impact of initial application of SLFRS 16	-	-	246,602,270	246,602,270
Balance as at 01st April 2019 – restated	**586,250,010**	**30,486,953**	**1,139,998,490**	**1,756,735,453**
Comprehensive income for the year				
Net loss for the year	-	-	(412,667,524)	(412,667,524)
Other comprehensive income	-	6,984,309	(68,418,208)	(61,433,899)
Total comprehensive income for the year	**–**	**6,984,309**	**(481,085,732)**	**(474,101,423)**
Balance as at 31st March, 2020	**586,250,010**	**37,471,262**	**658,912,758**	**1,282,634,030**

Figures in brackets indicate deductions.
The significant accounting policies and notes from pages 42 to 98 form an integral part of these financial statements.

Colombo
2nd November 2020

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST MARCH, 2020

Rs.	Group 2019/2020	Group 2018/2019 Restated	Company 2019/2020	Company 2018/2019 Restated
Cash flows from operating activities				
Net profit/(loss) before taxation	(485,283,017)	(24,414,616)	(505,822,161)	14,118,561
Adjustments for:				
Depreciation/amortization	278,980,484	187,623,676	204,327,681	141,577,373
Profit on disposal of property, plant and equipment	(2,511,122)	(16,801,606)	303,178	(15,156,606)
Interest income	(28,302,297)	(2,151,207)	(27,711,894)	(1,850,232)
Lease interest	12,613,218	3,683,909	4,096,866	3,491,847
Interest expense	231,334,150	142,228,713	155,105,194	55,508,730
Lease interest to JEDB/SLSPC	167,205,124	41,853,169	167,205,124	41,853,169
Provision for retirement benefit obligations - gratuity (including provision for bolted workers)	173,663,512	146,914,159	169,793,642	144,047,757
Amortization of grants and subsidies	(14,401,684)	(25,806,094)	(14,401,684)	(25,806,094)
Amortization of intangible assets	749,663	821,192	-	-
Gain on fair value of consumable biological assets	(141,999,939)	(127,715,927)	(141,999,939)	(127,715,927)
Gain on produce biological assets - Tea	1,201,560	1,879,417	1,201,560	1,879,417
Amortization of net income from operating rights given to LRL	(9,381,311)	(9,381,310)	(9,381,311)	(9,381,310)
Share of profit - Investment in associate	(20,525,183)	(14,272,308)	(20,525,183)	(14,272,308)
(Reversal of provision)/provision for trade and other receivable	35,416,384	5,398,030	-	(2,921,528)
Lease creditors written back	2,861,798	-	-	-
Provision for impairment in investment in subsidiaries	-		61,200,000	
Exchange gain on revaluation of interest bearing borrowings	-	2,781,782	-	-
Dividends income	(11,160,000)	(12,900,000)	(11,160,000)	(12,900,000)
Equity adjustment	-	(1,354,909)	-	-
Operating income before working capital changes	**190,461,340**	**298,386,070**	**32,231,073**	**192,472,849**
(Increase)/decrease in inventories	85,960,949	(16,923,576)	92,396,054	27,366,136
(Increase)/decrease in trade and other receivables	(344,647,187)	(125,065,261)	(405,766,385)	(2,525,939)
(Increase)/decrease in due from related parties	(58,038,083)	(104,117,998)	(83,029,121)	(91,959,728)
Increase/(decrease) in trade and other payables	33,540,265	(50,410,558)	(21,376,311)	(100,793,397)
Increase/(decrease) in due to related parties	43,275,581	100,797,347	28,235,864	225,901
Cash generated from operations	**(49,447,134)**	**102,666,024**	**(357,308,826)**	**24,785,822**
Interest paid	(119,391,453)	(164,765,034)	(119,391,453)	(78,045,051)
Gratuity paid	(118,479,186)	(87,545,387)	(116,335,667)	(81,798,204)
Grants received	2,904,500	11,530,454	2,904,500	11,530,454
Net cash generated from operating activities	**(284,413,273)**	**(138,113,943)**	**(590,131,446)**	**(123,526,979)**
Cash flows from investment activities				
Investment in bearer biological assets - immature plantations	(180,493,543)	(231,180,205)	(180,493,543)	(231,180,205)
Harvesting of timber plantations	65,999,939	42,933,066	65,999,939	42,933,066
Additions to biological assets - nursery	(9,637,010)	(9,897,191)	(9,637,010)	(9,897,191)
Acquisition of property, plant and equipment and capital expenditure incurred	(23,161,258)	(97,181,139)	(18,687,022)	(93,309,723)
Acquisition of intangible assets	(589,584)	(2,589,079)	-	-
Proceeds from disposal of property, plant and equipment	3,943,409	23,767,460	779,409	16,467,460
Investment in susidiary	-	-	(100,000,000)	-
Dividends received	11,160,000	12,900,000	11,160,000	12,900,000
Interest received	28,302,297	2,151,207	27,711,894	1,850,232
Net cash used in investing activities	**(104,475,750)**	**(259,095,881)**	**(203,166,333)**	**(260,236,361)**
Cash flows from financing activities				
Payments of lease rentals	(20,411,259)	(10,942,576)	(7,976,209)	(9,374,718)
Payments made to lessor of JEDB/SLSPC estates	(122,917,757)	(29,426,160)	(122,917,757)	(29,426,160)
Receipts from interest bearing borrowings	1,558,154,506	825,420,858	1,558,154,506	825,420,858
Payments of long term borrowings	(723,121,001)	(505,415,390)	(598,615,162)	(455,993,501)
Short-term borrowings - (net of receipts)	(173,156,311)	22,557,675	-	-
Net cash from/(used in) financing activities	**518,548,178**	**302,194,407**	**828,645,378**	**330,626,479**
Net increase/(decrease) in cash and cash equivalents	129,659,155	(95,015,417)	35,347,599	(53,136,861)
Cash and cash equivalents at the beginning of the year	(310,422,089)	(215,406,672)	(233,905,995)	(180,769,134)
Cash and cash equivalents at the end of the year (Note A)	**(180,762,934)**	**(310,422,089)**	**(198,558,396)**	**(233,905,995)**
Cash and cash equivalents at the end of the year				**Note A**
Cash and bank balances	120,267,063	47,992,715	95,936,108	35,465,965
Bank overdrafts	(301,029,997)	(358,414,804)	(294,494,504)	(269,371,960)
	(180,762,934)	**(310,422,089)**	**(198,558,396)**	**(233,905,995)**

Figures in brackets indicate deductions.

The significant accounting policies and notes from pages 42 to 98 form an integral part of these financial statements.

SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1. Domicile and legal form

Bogawantalawa Tea Estates PLC (BTE PLC) formerly known as Bogawantalawa Plantations Limited (BPL), is a public limited liability company, listed in the Colombo Stock Exchange, incorporated and domiciled in Sri Lanka, under the Companies Act No.17 of 1982 later got replaced with the Companies Act No.07 of 2007, in terms of the provisions of the Conversion of Corporations and Government Owned Businesses Undertakings into Public Companies Act No.23 of 1987. The registered office of the Company is located at No.153, Nawala Road, Narahenpita, Colombo 05, and the plantations are situated in the planting regions of Bogawantalawa and Deraniyagala.

1.2. Principal business activities and nature of operations of the Company and its subsidiaries

During the year, the principal activities of the Company were the cultivation, manufacture and sale of tea, rubber, palm oil and forestry.

Subsidiary – Bogawantalawa Tea Ceylon (Pvt) Ltd

During the year, the principal activity of Bogawantalawa Tea Ceylon (Pvt) Ltd was exporting value-added tea and local trading.

1.3. Name of immediate and ultimate parent enterprise

The Company's immediate parent undertaking is Metropolitan Resource Holdings Limited and the ultimate parent undertaking is Metrocrop (Pvt) Ltd.

Management contract

The Company is managed by Metropolitan Resource Holdings Limited. The management agreement which came into effect from 01st January, 1996 was initially for a period of five years with a provision to extend by a further period by mutual consent of both parties.

1.4. Date of authorization for issue

The financial statements of Bogawantalawa Tea Estates PLC, for the year ended 31st March, 2020 were authorized for issue by the Board of Directors on 02nd November, 2020.

2. BASIS OF PREPARATION

2.1. Statement of compliance

The financial statements of the Company and Group have been prepared and presented in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Accounting Standards (LKASs/SLFRs), relevant interpretations of the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which are collectively referred to as SLASs and are in compliance with the requirements of the Companies Act No.07 of 2007 and the amendments thereto, and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

The Company and the Group have not adopted any inappropriate accounting treatments which are not in compliance with the requirements of the SLASs, and regulations governing the preparation and presentation of the financial statements.

2.2. New accounting standards interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's annual financial statements in the previous financial year, except for the adoption of new standards effective as of 01st April 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applied SLFRS 16 leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the financial statements of the Group.

2.2.1 SLFRS 16 leases

SLFRS 16 supersedes LKAS 17 leases, 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. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under SLFRS 16 is substantially unchanged from LKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in LKAS 17. Therefore, SLFRs 16 does not have an impact on leases where the Group is the lessor.

The Group adopted SLFRS 16 using the modified retrospective method of adoption, with the date of initial application of 01 April 2019. The Group elected to use the transitional practical expedient to not to reassess whether a contract is, or contains, a lease at 01 April 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying LKAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short term leases), and lease contracts for which the underlying asset is low value (low-value asset).

As per the JEDB/SLSPC lease agreement entered into with the Government in 1992, lease rentals were payable on Right of Use Asset - Land and other depreciable assets. As the lease rentals applicable to other depreciable assets have been fully settled considering the values of those assets, Management believes that the remaining lease rental payables are purely applicable to Right of Use Asset – Land.

SIGNIFICANT ACCOUNTING POLICIES *Contd.*

The Group has accounted Right of Use Land and Right of Use Building under SLFRS 16. The accounting policy for the Right of Use assets and lease liabilities is included in detail in the Note 3.7.4 leases (3.3.4.1 Right of Use Assets and 3.3.4.2 Lease Liabilities).

2.2.2 IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- The Group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgment in identifying uncertainties over income tax treatments. The Group assessed whether the Interpretation had an impact on its financial statements. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined, based on its tax compliance that it is probable that its tax treatments will be accepted by the taxation authorities (Refer Note 13).

2.3. Basis of measurement

The financial statements of the Company and Group have been prepared on the historical cost basis except for the following material items in the statement of financial position.

Items	Measurements basis	Note No.
Consumable biological assets	Stated at valuation	20
Produce on bearer plants	Stated at valuation	25
Right to use of land	Stated at valuation	16
Immovable JEDB/SLSPC estate assets on finance lease	Stated at valuation	16
Defined benefit obligations	Liability for defined benefit obligations is recognized as the present value of the defined benefit obligation plus unrecognized actuarial gains, less unrecognized past service cost and unrecognized actuarial losses.	35

2.4. Use of estimates and judgments

The preparation of financial statements in conformity with LKAS/SLFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in note no. 06 to the financial statements.

2.5. Comparative information

Previous period figures and notes have been re-classified wherever necessary to conform to the current year's presentation.

2.6. Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

2.7. Offsetting

Assets and liabilities, and income and expenses, are not offset unless it is required or permitted by SLFRSs/LKASs.

2.8. Going concern

Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for a foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

SIGNIFICANT ACCOUNTING POLICIES *Contd.*

2.8.1 COVID-19 Pandemic

Impact on COVID–19 and Going Concern Assessment In March 2020

The World Health Organization declared COVID-19 as a Global Pandemic Situation on 11th March 2020. The pandemic affected the economy of Sri Lanka as well as the Company's business environment significantly. As a result, during the latter part of March 2020, there was a lockdown and restriction on operations of the Company. However, the Government declared the Plantation Sector as an essential service, and normal operations were continued.

Disclosure of the management assessment on Impact of Covid–19 Outbreak

The Company got back to its normal operations when the Plantation Sector was declared as an essential service and with the relaxation of curfew rules in the plantation districts. Further as all our plantations were mainly based in districts which were not severely affected by the COVID-19, all estates managed to operate normally while implementing strict health care & safety measures.

The Colombo Tea Traders' Association (CTTA) introduced an e-auction in a short span of two weeks enabling the Tea buyers to continue with their business whilst working from Home. Sri Lanka was one of the few countries to continue its business in Tea, when all other major produces were in lock down mode or affected with the virus in some form. The overseas buyers had a continued supply of Tea from Sri Lanka and a price hike was seen in the immediate aftermath on the month of April and May 2020. The operations at the Head office in Colombo got disrupted due to the strict enforcement of curfew in Colombo but operational work continued under the concept of work from home. To safeguard our employees during this time of need, we have implemented high quality medical and public health advice through awareness campaigns, maintaining social distancing at every level from field, factory to office staff, provision of protective gear for all, food and sanitary product facilities for estate workers and facilitation to work from home for office staff members.

The management assessed the future business plans after incorporating the potential impact of Covid-19 outbreak and is of the view that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the business continuity of the Company.

2.9. Responsibility for financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements of the Company and Group as per the provision of the Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards.

2.10. New Accounting Standards issued but not effective as at the reporting date

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards (SLFRSs/LKASs) which will become applicable for financial periods beginning on or after 01st January 2020. Accordingly, the Group has not applied the following new standards in preparing these financial statements.

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

Amendments to references to conceptual framework in Sri Lanka Accounting Standards

These amendments are effective from 01st January 2020 and include limited revisions of definitions of an asset and a liability, as well as new guidance on measurement and derecognition, presentation and disclosure. The concept of prudence has been reintroduced with the statement that prudence supports neutrality.

Definition of a business

(Amendments to SLFRS 3)

These amendments are effective from 01st January 2020 on a prospective basis and assist entities in determining whether a transaction should be accounted for as a business combination or asset acquisition.

Definition of material

(Amendments to LKAS 1 and LKAS 8)

Definition of material amendments to LKAS 1 presentation of financial statements and LKAS 8 accounting policies, changes in accounting estimates and errors (the amendments) to align the definition of "material" across the standards and to clarify certain aspects of the definition. None of the amendments above are expected to result in a material impact on the Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are consistent with those used in the previous year. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.1. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31st March, 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

SIGNIFICANT ACCOUNTING POLICIES *Contd.*

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

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

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

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

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

3.1.1. Business combinations and goodwill

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

Any contingent consideration to be transferred by the acquirer will be recognized at the fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SLFRS 09 financial instruments: recognition and measurement, is measured at fair value with changes in fair value recognized either in profit or loss or as a charge to OCI. If the contingent consideration is not within the scope of SLFRS 09, it is measured in accordance with the appropriate SLFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

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

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

Where the goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. The goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

The financial statements of the Company's subsidiaries are prepared for the same reporting year, using consistent accounting policies. The financial statements of all subsidiaries in the Group have a common financial year which ends on 31st March.

3.2. Foreign currencies

3.2.1. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate ('the functional currency'). The consolidated financial statements are presented in Sri Lanka Rupees, which is the Company and Group's functional and presentation currency.

3.2.2. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when the items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies

SIGNIFICANT ACCOUNTING POLICIES *Contd.*

are recognized in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or cost'.

3.3. Property, plant and equipment

3.3.1. Measurement

Items of property, plant and equipment other than bare land are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The Company and Group elected the exemption to measure land and buildings recognized previously at revalued amounts as deemed cost with effect from 01st April, 2011 in accordance with provisions of SLFRS 1. Accordingly, land and buildings are stated at deemed cost less accumulated depreciation.

The cost of property, plant and equipment comprises expenditure directly attributable to the acquisition of the item. These costs include the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling, removal and restoration, and the obligation which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognized. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

3.3.2. Depreciation

Depreciation of assets 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. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Land is not depreciated.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives.

Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term. The estimated useful lives for the current and comparative periods are as follows:

Freehold assets	
Improvements to bare land	Over 40 years
Water projects and sanitation	Over 20 years
Plant and machinery	Over 13 1/3 years
Motor vehicles	Over 05 years
Equipment	Over 08 years
Furniture and fittings	Over 10 years
Bearer biological assets (replanting and new planting)	
Tea	Over 33 1/3 years
Rubber	Over 20 years
Coconut	Over 08 years
Palm oil	Over 20 years
Leasehold assets	
Plant and machinery	Over 13 1/3 years
Motor vehicles	Over 05 years
Equipment	Over 08 years

The useful life, residual values and depreciation method of assets are reviewed and adjusted, if required, at the end of each financial year.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other income' in the statement of comprehensive income.

Identifiable interest costs on borrowings to finance the construction of property, plant and equipment are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

3.3.3. Amortization of leasehold right

The leasehold rights over assets taken over from JEDB/SLSPC are being amortized in equal amounts over the following years. (Lower of lease period and economic useful life)

Right to use of land	Over 26.25 years (remaining lease period)
Buildings	Over 25 years
Plant and machinery	Over 15 years
Water supply scheme	Over 20 years
Mature plantation (both tea and rubber)	Over 30 years

3.3.4. Leases

The Group assesses at the contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short term leases and leases of low-value assets. The Group recognises lease liability to make lease payments and right to use of assets representing the right to use the underlying assets.

3.3.4.1 Right of Use Assets

The Group recognises right to use of assets at the commencement date of a lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right to use of assets includes the amount

SIGNIFICANT ACCOUNTING POLICIES *Contd.*

of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentive received.

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset is transferred to the Group at the end of the lease period or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

3.3.4.2 Lease Liabilities

At the commencement date of the lease, the Group recognises lease liability measured at the present value of lease payment to be made over the lease term. The lease payment includes fixed payments (including in-substance fixed payments) less any lease incentive receivables, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payment also includes the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease terms reflect the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of the lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of the lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

3.3.5. Permanent land development costs

Permanent land development costs are those costs incurred 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 impairment to land development costs is charged to the statement of comprehensive income in full or reduced to the net carrying amounts of such assets in the year of occurrence after ascertaining the loss.

3.3.6. Repairs and maintenance

Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company and Group. This cost is depreciated over the remaining useful life of the related asset.

3.4. Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal Groups are classified as held for sale only when the sale is highly probable and the asset or disposal Group is available for immediate sale in its present condition. In the consolidated statement of comprehensive income of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations. Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

3.5. Biological assets

The entity recognizes the biological assets when, and only when, the entity controls the assets as a result of a past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

Biological assets are 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. Tea, rubber, palm oil, other plantations and nurseries are classified as biological assets.

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter-planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), is 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. The expenditure incurred on bearer biological assets (tea, rubber fields) which come into bearing during the year, is 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 each reporting period.

Biological assets are further classified as bearer biological assets and consumable biological assets.

3.5.1. Bearer biological assets

Bearer biological assets include tea, rubber and palm oil trees that are not intended to be sold or harvested, but are grown for harvesting agricultural produce from such biological assets. 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.

3.5.2. Harvestable agricultural produce on bearer biological assets

In accordance with LKAS 41, the Company recognizes agricultural produce growing on bearer plants at fair value less cost to sell.

SIGNIFICANT ACCOUNTING POLICIES *Contd.*

Change in the fair value of such agricultural produce is recognized in profit or loss at the end of each reporting period.

For this purpose, quantities of harvestable agricultural produce are ascertained based on the harvesting cycle of each crop category by limiting to one harvesting cycle based on last day of the harvest in the immediately preceding cycle. Further, 50% of the crop in that harvesting cycle is considered for the valuation.

For the valuation of the harvestable agricultural produce, the Company uses the following price formulas.

- Tea – bought leaf rate (current month) less cost of harvesting and transport
- Rubber – latex price (95% of current RSS1 price) less cost of tapping and transport

3.5.3. Consumable biological assets

Consumable biological assets include managed timber trees that are to be sold as 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. 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 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 off consumable biological assets is included in the statement of comprehensive income for the period in which it arises.

Consumable biological assets represent Eucalyptus Grandis timber trees that the Company grows and manages in its plantations. The Eucalyptus Grandis timber tree matures after 17 years and as per best harvesting practices, the trees can be harvested when they are 20 years old.

Eucalyptus Grandis trees at their initial stage (i.e. up to five years from the date of planting) are measured at cost.

The fair value of timber trees are measured using the DCF method taking into consideration the current market prices of timber, applied to expected timber content of trees at maturity by an independent professional valuation surveyor T.M.H. Mutaliph, incorporated valuer A.I.V. (Sri Lanka).

Grandis trees are measured at the directors' assessment of their fair value at each reporting date, after considering and making necessary adjustments to the independent valuer's report to reflect the requirements of the Sri Lanka Accounting Standard with respect to valuation. In the absence of market based valuation measures, the fair value of biological assets is determined using the net present value of the expected future cash flows (discounted at a risk adjusted rate).

All other assumptions and sensitivity analysis are given in note 21 to the financial statements.

The main variables in the DCF model are:

Variable	Comments
Currency	Sri Lanka Rupees
Timber content	Estimate based on physical verification of girth, height and considering the growth of each species in different geographical regions
Economic useful life	Estimate based on the normal life span of each spices by factoring the forestry plan of the Company
Selling price	Estimates based on price quotation extracted from timber corporation net of all the direct expenses, incurred in bringing the trees into saleable condition (Stumpage value)
Discount rate	Discount rate reflecting the possible variations in the cash flows and the risk related to the biological assets

3.5.4. Growing crop nurseries

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

3.5.5. Infilling cost on bearer biological assets

Where infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance, the costs are capitalized and depreciated over the useful life at rates applicable to mature plantations. Infilling costs that are not capitalized have been charged to the statement of comprehensive income in the year in which they are incurred.

3.6. Borrowing costs

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.

Borrowing costs that are not capitalized are recognized as expenses in the period in which they are incurred and charged to the statement of comprehensive income.

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

3.7. Intangible assets

3.7.1. Goodwill

The goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. The goodwill on acquisitions of subsidiaries is included under intangible assets. The goodwill acquired in a business combination is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired and carried at less than costs less accumulated impairment losses. Impairment losses on the goodwill are not reversed.

SIGNIFICANT ACCOUNTING POLICIES *Contd.*

The goodwill is allocated to cash-generating units ('CGU') for the purpose of impairment testing. Each CGU or a Group of CGUs represents the lowest level within the Group at which the goodwill is monitored for internal management purposes and which is expected to benefit from the synergies of the combination.

3.7.2. Licenses

Separately acquired licenses are shown at historical cost. Licenses acquired in a business combination are recognized at fair value at the acquisition date. Licenses have a finite useful life and are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the cost of licenses over their estimated useful lives which is 10 years.

3.7.3. Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful life of 02 years.

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. These directly attributable costs include the software development and employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized over their estimated useful lives, which do not exceed 02 years.

Costs relating to development of software are carried in capital work-in-progress until the software is available for use.

Other development expenditures that do not meet the above criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

3.8. Capital work–in–progress

The cost of capital work-in-progress is the cost of purchase or construction together with any related expenses thereon.

Expenditure incurred on capital work-in-progress for permanent nature or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

Capital work-in-progress is transferred to the respective asset accounts at the time of first utilization or at the time the asset is commissioned.

3.9. Investments

In the Company's separate financial statements, investments in subsidiaries and associates are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

3.10. Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or a group of assets (the "cash generating unit, or CGU").

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

In respect of other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.11. Inventories

Inventories are valued at the lower of cost and net realizable value, after making due allowances for obsolete and slow-moving items. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Manufactured inventories cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and estimated cost necessary to make the sale.

Inventory element	Valuation method
Input material	At average cost
Growing crop-nurseries	At the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads
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.
Spares and consumables	At average cost

SIGNIFICANT ACCOUNTING POLICIES *Contd.*

3.12. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

3.12.1. Financial assets

3.12.1.1 Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (Ocl), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset. The Group's financial assets include cash and short-term deposits, investments and trade and other receivables.

3.12.1.2 Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through Ocl with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through Ocl with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

a) Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. Financial instruments at amortized cost comprise of trade receivables, amounts due from related parties, deposits, advances and other receivables.

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

The Group measures debt instruments at fair value through Ocl if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling

and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through Ocl, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognised in Ocl. Upon derecognition, the cumulative fair value change recognised in Ocl is recycled to profit or loss. The Group does not have any debt instruments at fair value through Ocl.

c) Financial assets at fair value through OCI

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through Ocl when they meet the definition of equity under LKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in Ocl. Equity instruments designated at fair value through Ocl are not subject to impairment assessment.

d) Financial assets at fair value through profit or loss

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

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

3.12.1.3 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired

SIGNIFICANT ACCOUNTING POLICIES *Contd.*

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

3.12.1.4 Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

3.12.1.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

3.13. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown in current liabilities in the statement of financial position.

3.14. Stated capital

3.14.1. Classification

Ordinary shares with discretionary dividends are classified as equity. Other shares are classified as equity or liability according to the economic substance of the particular instrument. Distribution to holders of a financial instrument classified as an equity instrument is charged directly to equity.

3.14.2. Share issue expenses

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax from the proceeds.

3.14.3. Dividend to shareholders of the Company

Dividend distribution to the Company's shareholders is recognized as a liability in the Company and Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3.15. Financial liabilities

3.15.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

3.15.1.1 Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described below:

(a) Financial liabilities at fair value through profit or loss Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

(b) Financial liabilities at amortized cost after initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognised in the Profit or loss statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortization process.Financial liabilities comprise interest bearing loans and borrowings, trade payables, other payables, income tax payables and amounts due to related parties.

3.15.1.2 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different

SIGNIFICANT ACCOUNTING POLICIES *Contd.*

terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

3.16. Debenture

Financial Liabilities at Amortised Cost Financial Instruments issued by the Company that are not designated at fair value through profit or loss, are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares at amortised cost using EIR method.

After initial recognition, such financial liabilities are substantially measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in "interest expenses in the Income Statement. Gains and losses are recognized in the Income Statement when the liabilities are derecognised as well as through the EIR amortisation process. Currently, the Company has recorded debenture issued as Financial Liabilities at Amortised Cost.

3.17. Employee benefits

3.17.1. Defined benefit plan – gratuity

Defined benefit plan defines an amount of benefit that an employee will receive on retirement, usually dependant on one or more factors such as years of service and compensation. The defined benefit plan comprises the gratuity provided under the payment of Gratuity Act, No 12 of 1983.

The liability recognized in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the date of the statement of financial position together with adjustments for unrecognized past service costs. The defined benefit obligation is calculated in every year by independent actuaries, Messrs Actuarial and Management Consultants (Private) Limited using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using appropriate interest rates by the actuarial valuer.

Past-service costs are recognized immediately in the statement of comprehensive income unless the changes to the defined benefit plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The following assumptions based on which the results of the actuarial valuation was determined, are included in note 35 to the financial statements.

The key assumptions used by the actuary include the following:

a. Average rate of interest	- 11% (Per annum)	(Previous year 12% Per annum)
b. Average rate of salary increases		
- Worker	- 15% (Once in two years)	(Previous year 15%)
- Staff	- 7.5% (Per annum)	(Previous year 7.5%)
c. Average retirement age		
- Workers	- 60 years	(Previous year 60 years)
- Staff	- 60 years	(Previous year 60 years)
d. Daily wage rate	- Rs.700/-	(Previous year Rs. 700/-)
e. The Company will continue in business as a going concern.		

3.17.2. Defined contribution plans

For defined contribution plans, such as Ceylon Plantation Provident Society (CPPS) / Estate Staff Provident Society (ESPS), Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF), the company and Group contribute 12% or 15% and 3% respectively, of the employees' basic or consolidated wage or salary. The Company and Group have no further payment obligation once the contributions have been paid. The company and the employees are members of these defined contribution plans.

3.17.3. Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company and Group.

3.17.4. Termination benefits

Termination benefits are payable whenever an employee's service is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company and Group recognize termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

3.18. Provisions

Provisions are recognized when the Company and Group have a present legal or constructive obligation as a result of past events when it is more probable that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses.

SIGNIFICANT ACCOUNTING POLICIES *Contd.*

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions for asset retirement obligations are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision by passage of time is recognized as finance cost.

3.19. Contingent liabilities and contingent assets

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

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by uncertain future events beyond the control of the Company and Group. The Company and Group do not recognize a contingent asset but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under a business combination, the contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

3.20. Deferred revenue

3.20.1. Government grants and subsidies

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

Where the Company receives non-monitory grants, the asset and the grant are recorded at gross nominal amounts and released to the statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments. Where loans or similar assistance are provided by the government or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as an additional government grant.

Grants related to property, plant and equipment other than grants received for biological assets are initially deferred and allocated to the statement of comprehensive income on a systematic basis over the useful life of the related property, plant and equipment.

Assets are amortized over their useful lives or unexpired lease period, whichever is lower.

Government grant related to the biological assets which are measured at fair value less cost to sell is directly charged to the carrying value of such assets in accordance with the applicable financial framework.

3.20.2. Net income from operating rights given

The net income raised on giving up of operating rights to Lalan Rubbers (Pvt) Ltd is recognized as income in the statement of comprehensive income over a period of 42 years respectively, which is the period of operating lease in agreements.

3.21. Tax expense

Income tax expense comprises current, deferred tax and other statutory taxes. Income tax expense is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly in the statement of changes in equity.

a) Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the tax on dividend income.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act. No. 24 of 2017 and subsequent amendments thereto.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to the Commissioner General of Inland Revenue.

b) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.
- Taxable temporary differences arising on subsidiaries, associates or joint ventures who have not distributed their entire profits to the parent or investor.

SIGNIFICANT ACCOUNTING POLICIES *Contd.*

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset the current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle the current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized 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 utilized. 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 benefits will be realized.

Deferred tax assets and liabilities are not discounted.

The net increase in the carrying amount of deferred tax liability net of deferred tax asset is recognized as deferred tax expense and conversely any net decrease is recognized as reversal to deferred tax expense, in the statement of comprehensive income.

c) Withholding tax on dividends

Dividends distributed out of taxable profit of the local companies attract a 14% deduction at source and are not available for set off against the tax liability of the Company. Withholding tax that arises from the distribution of dividends by the Company is recognized at the same time as the liability to pay the related dividend is recognized.

d) Sales taxes

Revenues, expenses and assets are recognized net of the amount of sales tax except for the following;

- Sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in the statement of financial position.

3.22. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. Under SLFRS 15, revenue is recognized upon satisfaction of performance obligation.

The Group is in the business of cultivation, manufacture and sale of black tea, rubber and other crops (Plantation Produce). Revenue from contracts with customers are recognized when control of the goods are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to customer.

3.22.1. Sale of goods

Revenue from sale of plantation produce is recognized at the point in time when the control of the goods are transferred to the customer. Black tea and Rubber produce are sold at the Colombo Tea/Rubber Auction and the highest bidder whose offer is accepted shall be the buyer, and a sale shall be completed at the fall of the hammer, at which point control is transferred to the customer. Revenue from sale of other crops are recognized at the point in time when the control of the goods has been transferred to the customer generally upon delivery of the goods to the location specified by the customer and the acceptance of the goods by the customer.

3.22.2. Interest Income

Interest income is recognized based on the effective interest method.

Interest income on financial assets at FVTPL is recognized as part of net gains or losses on these financial instruments.

Interest income of financial assets at amortized cost is calculated by using the effective interest method and is recognized as other income.

3.22.3. Rental income

Rental income is recognized on an accrual basis in accordance with the substance of the relevant agreement.

3.22.4. Gains 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 recognized within 'other operating income' in the statement of comprehensive income.

Amortization of Government grants received

An unconditional government grant related to a biological asset is recognized in the statement of comprehensive income as other income when the grant becomes receivable.

Other Government grants are recognized initially as deferred income at fair value when there is a reasonable assurance that they will be received and the company will comply with the conditions associated with the grant and are then recognized in the statement of comprehensive income as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Company for expenses incurred are recognized in the statement of comprehensive income as other income on a systematic basis in the same periods in which the expenses are recognized.

3.22.5. Gains arising from changes in fair value of biological assets

Gains or losses arising on initial recognition of biological assets at fair value less estimated

SIGNIFICANT ACCOUNTING POLICIES *Contd.*

point of sale costs are recognized in the statement of comprehensive income. Gains or losses arising on change in fair value due to subsequent measurements are recognized in the statement of comprehensive income in the period in which they arise.

3.22.6. Dividend income

Dividend income is recognized in the statement of comprehensive income on the date the entity's right to receive payment is established.

3.23. Expenditure recognition

Expenses are recognized in the statement of comprehensive income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency have been charged to income in arriving at the profit/(loss) for the year.

For the purpose of presentation of the statement of 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.

3.24. Earnings per share

The Company presents basic and diluted 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. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

3.25. Comparatives

Where necessary, comparative figures have been adjusted to conform to the changes in presentation of the financial statements for the current year.

3.26. Related party disclosures

3.26.1. Transactions with related parties

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24. The pricing applicable to such transactions is based on the assessment of the risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated customers.

3.26.2. Transactions with key management personnel

According to Sri Lanka Accounting Standard 24 "Related Party Disclosures", key management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive directors), personnel hold designation of general manager and above positions and their immediate family members have been classified as key management personnel of the Company.

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

3.27. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Director that makes strategic decisions.

Accordingly, the segment comprises tea, rubber and others as described in note 51 to the financial statements.

Revenue and expenses directly attributable to each segment are allocated to the respective segments. Revenue and expenses not directly attributable to a segment are allocated on the basis of their resource utilization, wherever possible.

Assets and liabilities directly attributable to each segment are allocated to the respective segments. Assets and liabilities, which are not directly attributable to a segment, are allocated on a reasonable basis wherever possible. Unallocated items comprise mainly the interest bearing borrowings, finance lease liability to government and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

3.28. Events after the reporting date

All material events after the reporting date have been considered and where appropriate, adjustments, or disclosures, have been made in the respective notes to the financial statements.

4. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company and Group's activities are exposed to variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Company and Group's overall financial risk management programme focuses on the unpredictability of financial markets and seek to minimize the potential adverse effect on the financial performance of the Company and Group. Financial risk management is carried out through risk reviews, internal control systems, insurance programmes and adherence to the Company and Group's financial risk management policies. The Board of Directors regularly review these risks and approve the risk management policies, which cover the management of these risks.

Market risk consists of:

- Foreign currency exchange risk – risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.
- Fair value interest rate risk – risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

SIGNIFICANT ACCOUNTING POLICIES *Contd.*

- Cash flow interest rate risk – risk that future cash flows associated with a financial instrument will fluctuate. In the case of a floating rate debt instrument, such fluctuations result in a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.
- Price risk – risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instrument traded in the market.

Credit risk – risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Liquidity risk (funding risk) – risk that an entity will encounter difficulty in raising funds to meet the commitments associated with financial instruments.

4.1. Foreign exchange risk

The Group's component Bogawantalawa Tea Ceylon (Pvt) Ltd operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

4.2. Cash flow and fair value interest rate risk

The Company and Group have cash and bank balances including deposits placed with creditworthy licensed banks and financial institutions. The Company and Group manage their interest rate risks by actively monitoring the yield curve trend and interest rate movement for the various cash and bank balances.

The Company and Group's borrowings comprise borrowings from financial and non-financial institutions and debentures. The Company and Group's interest rate risk objective is to manage an acceptable level of rate fluctuation on the interest expense. In order to achieve this objective, the Company and Group target a composition of fixed and floating borrowings based on assessment of its existing exposure and desirable interest rate profile. The Company and Group analyse their interest rate exposure on a dynamic basis.

4.3. Credit risk

Credit risk is managed on the Company and Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables (net of deposits held). Individual risk limits are set, based on internal or external ratings. The utilization of credit limits is regularly monitored.

The Company and Group place their cash and cash equivalents with a number of creditworthy financial institutions. The Company and Group's policy limits the concentration of financial exposure to any single financial institution. The maximum credit risk exposure of the financial assets of the company and the group is approximately their carrying amounts as at the date of the statement of financial position.

4.4. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient liquid funds to meet its financial obligations.

In the management of liquidity risk, the Company and Group monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Company and Group's operations and to mitigate the effects of fluctuations in cash flows. Due to the dynamic nature of the underlying business, the Company and Group aim at maintaining flexibility in funding by keeping both committed and uncommitted credit lines available.

The table below analyses the Group's and the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date.

Group

	Less than 01 year (Rs.)	Between year 02 and year 05 (Rs.)	Over 05 years (Rs.)
As at 31st March, 2020			
Borrowings	47,214,988	400,013,699	1,509,896,020
Lease liability	14,071,998	93,483,031	-
As at 31st March, 2019			
Borrowings	525,490,333	361,894,759	-
Lease liability	18,169,892	63,127,707	391,514,259

Company

	Less than 01 year (Rs.)	Between year 02 and year 05 (Rs.)	Over 05 years (Rs.)
As at 31st March, 2020			
Borrowings	480,662,510	356,800,200	-
Lease liability	9,008,815	16,695,883	1,509,896,020
As at 31st March, 2019			
Borrowings	400,821,573	315,153,500	-
Lease liability	17,910,305	46,431,824	438,053,768

Capital expenditure and working capital expenditure requirements of the Group are financed through internally generated cash flows as well as external financing arrangements. Management has arranged financial facilities with several financial institutions to support future financial requirements.

SIGNIFICANT ACCOUNTING POLICIES *Contd.*

5. CAPITAL MANAGEMENT RISK

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

The company and the group manage their capital structure and make adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the company and the group may or may not make dividend payments to shareholders, return capital to shareholders or issue new shares or other instruments.

Consistent with others in the industry, the company and the group monitor capital on the basis of the gearing ratio. This ratio is calculated as total borrowings by total equity. Total borrowings including non-current and current borrowings as shown in the statement of financial position. Total equity is calculated as 'total equity' in the statement of financial position.

	Group			Company		
	2019/2020 (Rs.)	2018/2019 (Rs.)	2017/2018 (Rs.)	2019/2020 (Rs.)	2018/2019 (Rs.)	2017/2018 (Rs.)
Borrowings	887,228,687	887,385,092	492,618,280	837,462,710	715,975,073	346,547,718
Total equity	1,182,082,015	1,384,550,814	1,539,789,053	1,282,634,030	1,510,133,183	1,601,598,129
Gearing ratio	75%	64%	32%	65%	47%	22%

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

6.1. Critical accounting estimates and assumptions

The Company and Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

6.1.1. Estimated useful lives of property, plant and equipment

The Company and Group review annually the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation charge and decrease the property, plant and equipment carrying value.

6.1.2. Taxation

i. Income taxes

Judgement is involved in determining the Company and Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company and Group recognize liabilities for tax matters based on the estimates of whether additional taxes will be due. If the final outcome of these tax matters results in a difference in the amounts initially recognized, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made.

ii. Deferred tax

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilised. This involves judgment regarding future financial performance of a particular entity in which the deferred tax asset has been recognized.

6.1.3. Fair valuation of consumable biological assets-timber

The fair value of timber trees is measured using DCF method taking into consideration the available log and tree prices in city centers less point-of-sale-costs applied to expected timber content of a tree at maturity and changes in fair value reflected in the statement of comprehensive income.

6.1.4. Fair value of derivatives and other financial instruments

Certain financial instruments such as investments, derivative financial instruments and certain elements of borrowings are carried on the statement of financial position at fair value, with changes in fair value reflected in the statement of comprehensive income.

Fair values are estimated by reference in part to published price quotations and in part by using valuation techniques. The fair value of financial instruments that are not traded in an active market is determined by using the valuation techniques. The company and the group use its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each financial reporting period.

6.1.5. Impairment of non-current assets

The Company and Group test annually the indicators to ascertain whether non-current assets (including intangibles) have suffered any impairment, in accordance with the accounting policy stated in note 3.10. These calculations require the use of estimates.

6.1.6. Defined benefit plan – gratuity

The present value of the defined benefit plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for

SIGNIFICANT ACCOUNTING POLICIES *Contd.*

defined benefit plan include the discount rate, future salary increase rate, mortality rate, withdrawal and disability rates and retirement age. Any changes in these assumptions will impact the carrying amount of defined benefit plan. The Company and Group determine the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows, expected to be required to settle the defined benefit plan. In determining the appropriate discount rate, the Company and Group consider the interest yield of long-term government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related defined benefit plan. Other key assumptions for defined benefit plan are based in part on current market conditions (note 3.17.1).

6.1.7. Provisions

The Company and the Group recognize provisions when they have a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgments about the ultimate resolution of these obligations. As a result, provisions are reviewed at each statement of financial position date and adjusted to reflect the Company and Group's current best estimate.

6.1.8. Contingent liabilities

Determination of the treatment of contingent liabilities in the financial statements is based on the management's view of the expected outcome of the applicable contingency. The Company and Group consult with legal counsel on matters related to litigation and other experts both within and outside the Company and Group with respect to matters in the ordinary course of business.

6.1.9. Impairment of trade receivables

The Group applies the SLFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the Group's historical credit losses experienced over the two-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

NOTES TO THE FINANCIAL STATEMENTS

Rs.	Group 2019/2020	Group 2018/2019	Company 2019/2020	Company 2018/2019
7. REVENUE				
7.1 Industry segment				
Tea Proceeds - Auction sales	2,979,757,512	3,055,841,873	2,979,757,512	3,055,841,873
Tea Proceeds - Export sales	1,220,725,294	1,155,406,641	–	-
Local marketing division	193,117,706	270,879,256	–	-
	4,393,600,512	**4,482,127,770**	**2,979,757,512**	**3,055,841,873**
8. COST OF SALES				
8.1 Industry segment				
Tea Proceeds - Auction sales	3,232,879,626	2,987,023,280	3,232,879,626	2,987,023,280
Tea Proceeds - Export sales	1,004,546,757	935,636,760	–	-
Local marketing division	156,381,627	192,555,939	–	-
	4,393,808,009	**4,115,215,979**	**3,232,879,626**	**2,987,023,280**
9. OTHER INCOME				
Income from leasing of bungalows and renting land for communication towers	28,149,601	26,142,936	28,149,601	26,142,936
Revenue share income from Eco Power (Pvt) Ltd	1,170,020	1,335,074	1,170,020	1,335,074
Revenue share income from Winwood Tea Estate (Pvt) Ltd	10,418,625	9,922,500	10,418,625	9,922,500
Profit on sale of property, plant and equipment	2,511,122	15,156,606	(303,178)	15,156,606
Amortization of grants (Note 36)	14,401,684	25,806,094	14,401,684	25,806,094
Income from operating rights given to LRL (Note 37)	9,381,311	9,381,310	9,381,311	9,381,310
Profit on sale of refuse tea	58,689,518	29,584,140	58,689,518	29,584,140
Revenue share of Tea Trails (Pvt) Ltd	19,549,343	9,488,187	19,549,343	9,488,187
JEDB lease Interest Recovered from Lalan Rubber (Pvt) Ltd	–	-	–	-
Gain/(loss) on fair value of produce on bearer plants - Tea (Note 25)	(1,201,560)	(1,879,417)	(1,201,560)	(1,879,417)
Solar project	2,099,851	8,169,586	2,099,851	8,169,586
Dividend income	11,160,000	12,900,000	11,160,000	12,900,000
Other income	4,336,042	7,440,478	3,081,981	3,467,307
Walters Bay Tea Estates (Pvt) Ltd - Fee for management and operation	3,307,500	32,266,500	3,307,500	32,266,500
Exchange gain on transaction of foreign currency	(10,471)	-	(1,297,367)	-
Tea sale - staff	261,789	-	–	-
	164,224,375	**185,713,994**	**158,607,329**	**181,740,823**
10. MANAGEMENT FEE EXPENSES				
Previous year's total comprehensive income/(expense) net of tax	**(118,545,423)**	**220,502,481**	**(118,545,423)**	**220,502,481**
Management fee to managing agent including applicable taxes	**–**	**9,065,377**	**–**	**9,065,377**

As per the agreement entered with the managing agent Metropolitan Resource Holdings Limited, the management fee is computed based on total comprehensive income/(expense) net of tax as follows:

- 6% of the previous year's total comprehensive income/(expense), net of tax upto Rs.100 million.
- 8% of the previous year's total comprehensive income/(expense), net of tax from Rs.100 to Rs.200 million.
- 10% of the previous year's total comprehensive income/(expense), net of tax over Rs.200 million.

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

	Group		Company	
Rs.	2019/2020	2018/2019	2019/2020	2018/2019
11. NET FINANCE INCOME/ (EXPENSES)				
Finance income				
Interest income	28,302,297	2,151,207	27,711,894	1,850,232
Finance expenses				
Interest on finance leases	(12,611,130)	(3,683,909)	(4,094,778)	(3,491,847)
Interest on bank overdrafts	(37,587,432)	(48,555,432)	(35,582,699)	(39,386,977)
Lease interest to JEDB/SLSPC	(167,205,124)	(41,853,169)	(167,205,124)	(41,853,169)
Interest on long term loans	(126,841,282)	(133,060,257)	(52,617,059)	(55,508,730)
Interest on debentures	(102,488,135)	-	(102,488,135)	-
Net finance income/(expenses)	**(418,430,806)**	**(225,001,560)**	**(334,275,901)**	**(138,390,491)**
12. PROFIT/(LOSS) BEFORE TAXATION				
Loss before tax is stated after charging all expenses including the followings:				
Directors' emoluments	19,005,700	24,017,071	19,005,700	24,017,071
Auditor's remuneration - Audit services	3,305,117	3,119,906	2,525,117	2,219,906
Depreciation/amortization on:				
- Right OF use assets	56,369,564	8,459,980	56,369,564	8,459,980
- Immovable (JEDB/SLSPC) estate assets on finance lease (other than right to use of land)	14,524	15,301	14,524	15,301
- Property, plant and equipment	124,551,003	115,267,142	57,652,876	67,240,859
- Intangible assets	749,663	353,777	–	-
- Bearer biological assets	79,987,914	75,417,169	79,987,914	75,776,849
Staff costs				
- Retirement benefit obligations (including provision for bolted workers)	173,122,613	138,532,100	169,793,642	144,047,757
- Salaries and wages	2,044,879,478	1,811,367,512	1,952,628,543	1,704,163,706
- EPF and ETF	9,248,002	6,996,454	7,360,077	6,996,454
Impairment on investment	–	-	61,200,000	-
- Inventory written off	35,416,384	8,319,558	–	-

13. INCOME TAX EXPENSES

13.1 Current income tax expense

Current income tax on profit for the year	618,426	-	–	-
	618,426	**–**	**–**	**–**
Deferred tax expense				
Origination and reversal of temporary differences	(98,587,971)	6,894,820	(93,154,637)	(17,518,061)
	(98,587,971)	6,894,820	(93,154,637)	(17,518,061)
Total tax expense	**(97,969,545)**	**6,894,820**	**(93,154,637)**	**(17,518,061)**

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

13. INCOME TAX EXPENSES (CONTD….)

13.2 Reconciliation of accounting profit to income tax expense

Numerical reconciliation between the tax expense/(income) and the product of accounting profit multiplied by the applicable tax rate disclosing also the basis on which the applicable tax rate is computed are given below:

	Group		Company	
Rs.	**2019/2020**	**2018/2019 Restated**	**2019/2020**	**2018/2019 Restated**
Statutory tax rate	**14%**	**14%**	**14%**	**14%**
Accounting profit/(loss)	**(485,283,016)**	**(24,414,616)**	**(505,822,161)**	**14,118,561**
Tax expense/(tax income) on accounting profit	(78,134,056)	(6,836,093)	(70,815,103)	3,953,197
Add : Tax effect of disallowable expenses in determining taxable income/(loss)	115,647,431	78,039,268	81,195,003	58,969,723
Less : Tax effect of allowable expenses in determining taxable income/(loss)	(159,984,766)	(90,971,572)	(116,200,606)	(87,432,523)
Add : Tax	114,404,904	18,348,474	97,252,706	28,484,324
Add : Tax effect of non- agricultural income in determining taxable income/(loss)	–	-	–	-
Add : Tax on	116,913	-	–	-
Less : Tax effect of tax loss set off in determining taxable income/(loss)	–	-	–	-
Less : Effect on exempt income	–	-	–	-
Tax expense charge to the statement of comprehensive income	**(7,949,574)**	**–**	**(8,568,000)**	**–**

14. EARNINGS/(LOSS) PER ORDINARY SHARE

14.1 Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share has been done based on net profit/(loss) attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue as at the reporting date and calculated as follows:

	Group		Company	
Rs.	**2019/2020**	**2018/2019 Restated**	**2019/2020**	**2018/2019 Restated**
Net profit/(loss) attributable to ordinary shareholders	**(387,313,471)**	**(31,309,436)**	**(412,667,524)**	**31,636,622**
Weighted average number of ordinary shares in issue (Nos)	**83,750,001**	**83,750,001**	**83,750,001**	**83,750,001**
Basic earnings/(loss) per ordinary share (Rs.)	**(4.62)**	**(0.37)**	**(4.93)**	**0.38**

14.2 Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share is based on net profit/(loss) attributable to ordinary shareholders and weighted average number of ordinary shares outstanding after adjustment for the effect of all dilutive potential ordinary shares. There were no potentially dilutive shares outstanding at any time during the year/previous year.

	Group		Company	
Rs.	**2019/2020**	**2018/2019**	**2019/2020**	**2018/2019**
15. DIVIDEND PER SHARE				
Dividend paid (Rs.)	-	-	-	-
No. of ordinary shares in issue (Nos.)	83,750,001	83,750,001	83,750,001	83,750,001
Dividend per ordinary share (Rs.)	**–**	**–**	**–**	**–**

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

Balance as at	Note	Group 31.03.2020 Rs.	Group 31.03.2019 Rs.	Company 31.03.2020 Rs.	Company 31.03.2019 Rs.
16. RIGHT-OF-USE ASSETS					
Right-of-use asset-land	16.1	1,409,239,088	226,209,588	1,409,239,088	226,209,588
Right-of-use asset-building	16.2	76,874,329	-	–	-
Right-of-use asset JEDB/SLSPC estate assets	16.3	115,126	129,650	115,126	129,650
Right-of-use assets - motor vehicle	16.4	23,434,657	-	23,434,653	-
Written down value		**1,509,663,200**	**226,339,238**	**1,432,788,867**	**226,339,238**

16.1 Right-of-use asset-land

JEDB/SLSPC estates allocated to the Company have been handed over to, and are being operated by the Company. Lease deeds of all estates have been executed. All leases signed are retroactive to 22nd June,1992, the date of formation of the Company. The leasehold rights to use of bare land on all estates have been taken into the books of the Company on 22nd June,1992 immediately after the formation of the Company in terms of the ruling on this matter obtained from the Urgent Issue Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose, the Board decided at its meeting on 08th March,1995 that the values attached to the right to use land would be those determined by Valuation Specialist, Mr.D.R.Wickramasinghe just prior to the formation of the Company. The valuation report referred to above was not subjected to a land survey.

However, SLFRS 16 - Leases was applicable with effect from 01st January, 2019 and therefore, these assets have been accounted in accordance with each standard with effect from 01st April, 2019.

The Company has adopted SLFRs 16 using the modified retrospective method from 01 April 2019, without restating comparative information. instead, it has recognised the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings at the date of initial application, as permitted under the specific transitional provisions in this standard. The effect of adoption of SLFRs 16 to the Retained earning as of 01 April 2019 is given in the Note 38 to the Financial statements.

Balance as at	Group 31.03.2020 Rs.	Group 31.03.2019 Rs.	Company 31.03.2020 Rs.	Company 31.03.2019 Rs.
Capitalized value				
Revaluation as at 22nd June, 1992	448,380,000	448,380,000	448,380,000	448,380,000
Transferred in due to initial application of SLFRS 16	(222,170,412)	-	(222,170,412)	-
Transition adjustment due to initial application of SLFRS 16	1,239,399,064	-	1,239,399,064	-
Balance at the end of the year	**1,465,608,652**	**448,380,000**	**1,465,608,652**	**448,380,000**
Amortization				
Balance at the beginning of the year	222,170,412	213,710,432	222,170,412	213,710,432
Transferred in due to initial application of SLFRS 16	(222,170,412)	-	(222,170,412)	-
Amortization for the year	56,369,564	8,459,980	56,369,564	8,459,980
Balance at the end of the year	**56,369,564**	**222,170,412**	**56,369,564**	**222,170,412**
	1,409,239,088	**226,209,588**	**1,409,239,088**	**226,209,588**

The leasehold right to use of bare land is being amortized by equal amounts over a 53 years period and the unexpired period of the lease as at the date of the statement of financial position is 25.25 years.

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

16. RIGHT-OF-USE ASSETS (CONTD….)

16.2 Right-of-use asset-building

SLFRS 16 - "Leases" requires lessee to recognize all leases on their statement of financial position as lease liabilities with the corresponding right-of-use assets w.e.f. 01st January 2019. Previously, these leases were classified as operating leases under LKAS 17 - "Leases".

Balance as at	Group		Company	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	Rs.	Rs.	Rs.	Rs.
Blance at the beginning of the year	–	-	–	-
Adjustment on initial application of SLFRS 16	84,629,005	-	–	-
Less: Amortization for the year	(7,754,676)	-	–	-
Balance at the end of the year	**76,874,329**	**–**	**–**	**–**

16.3 Right of use asset JEDB/SLSPC estate assets

As more fully explained in the note 16, all JEDB/SLSPC estate lease deeds have been executed to date. In terms of the ruling of the UITF of The Institute of Chartered Accountants of Sri Lanka prevailed at the time of privatization of plantation estates, all immovable assets in the JEDP/SLSPC estates under finance leases have been taken into the books of the company retroactive to 22nd June, 1992. For this purpose, the Board decided at its meeting on 08th March, 1995, that these assets be revalued at their book values as they appear in the books of the JEDB/SLSPC, on the day immediately preceding the date of formation of the company. These assets are taken into the statement of financial position as at 22nd June, 1992 and amortized as follows:

16.3.1 Capitalized value

Rs.	Buildings	Plant and machinery	Total
Revaluation as at 22nd June, 1992	**64,948,134**	**13,272,826**	**78,220,960**
Balance as at 31st March, 2019	64,948,134	13,272,826	78,220,960
Balance as at 31st March, 2020	**64,948,134**	**13,272,826**	**78,220,960**
16.3.2 Amortization			
Accumulated amortization as at 01st April, 2019	64,818,484	13,272,826	78,091,310
Amortization for the year	14,524	-	14,524
Accumulated amortization as at 31st March, 2020	**64,833,008**	**13,272,826**	**78,105,834**
16.3.3 Written down value as at 31st March, 2020	**115,126**	**–**	**115,126**
16.3.4 Written down value as at 31st March, 2019	**129,650**	**–**	**129,650**

16.3.5 Assets are being amortized in equal annual amounts over the following periods:

Mature plantations/improvements to land (Note 20)	- 30 years
Buildings	- 25 years
Plant and machinery	- 15 years

as per the JEDB/SLSPC lease agreement which entered with the Government in 1992, lease rentals were payable on Right of use asset -land and other depreciable assets. As the lease rentals applicable to other depreciable assets have been fully settled considering the values of those assets, Management believes that the remaining lease rental payables are purely applicable to Right of Use asset – land.

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

16.4 Right of use assets - motor vehicle

	Group		Company	
Balance as at	**31.03.2020**	**31.03.2019**	**31.03.2020**	**31.03.2019**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Cost				
Balance at the beginning of the year	–	-	–	-
Reclassified due to adoption of SLFRS 16	54,712,626	-	48,572,530	-
Additions during the year	4,399,700	-	4,399,700	-
Disposal during the year	(6,140,096)	-	–	
Balance at the end of the year	**52,972,230**	**–**	**52,972,230**	**–**
Amortization				
Balance at the beginning of the year	–	-	–	-
Reclassified due to adoption of SLFRS 16	24,310,178	-	19,234,774	-
Amortization for the year	11,017,791	-	10,302,803	-
Amortization on disposal	(5,790,396)	-		-
	29,537,573	**–**	**29,537,577**	**–**
Written down value	**23,434,657**	**–**	**23,434,653**	**–**

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

17 TANGIBLE ASSETS OTHER THAN BEARER BIOLOGICAL ASSETS
17.1 Group
17.1.1 Cost

Rs.	Buildings	Plant and machinery	Motor vehicles	Water sanitation	Equipment	Furniture and fittings	Others	Total
17.1.1.1 Freehold assets								
Balance as at 01st April, 2019	415,124,140	1,227,976,374	74,019,818	171,133,061	137,946,626	50,793,343	111,660,350	2,188,653,712
Additions	26,552,658	2,806,920	1,159,192	-	1,192,526	3,858,023	431,764	36,001,083
Disposals	(31,621,295)	-	(4,173,098)	-	-	-	-	(35,794,393)
Balance as at 31st March, 2020	**410,055,503**	**1,230,783,294**	**71,005,912**	**171,133,061**	**139,139,152**	**54,651,366**	**112,092,114**	**2,188,860,402**
17.1.1.2 Assets on finance leases								
Balance as at 01st April, 2019	-	-	54,712,626	-	-	-	-	54,712,626
Reclassified due to adoption of SLFRS 16	-	-	(54,712,626)	-	-	-	-	(54,712,626)
Balance as at 31st March, 2020	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
17.1.1.3 Total gross carrying amount as at 31st March, 2020	**410,055,503**	**1,230,783,294**	**71,005,912**	**171,133,061**	**139,139,152**	**54,651,366**	**112,092,114**	**2,188,860,402**
17.1.1.4 Total gross carrying amount as at 31st March, 2019	**415,124,140**	**1,227,976,374**	**128,732,444**	**171,133,061**	**137,946,626**	**50,793,343**	**111,660,350**	**2,243,366,338**

17.1.2 Accumulated depreciation

Rs.	Buildings	Plant and machinery	Motor vehicles	Water sanitation	Equipment	Furniture and fittings	Others	Total
17.1.2.1 Freehold assets								
Balance as at 01st April, 2019	115,032,478	774,961,410	62,535,871	104,316,438	102,516,238	33,892,430	95,645,602	1,288,900,467
Charge for the year	38,130,426	58,457,525	1,561,509	7,688,473	10,040,392	3,817,609	4,140,081	123,836,015
Accumulated depreciation on disposals	(31,621,295)	-	(3,090,511)	-	-	-	-	(34,711,806)
Balance as at 31st March, 2020	**121,541,609**	**833,418,935**	**61,006,869**	**112,004,911**	**112,556,630**	**37,710,039**	**99,785,683**	**1,378,024,676**
17.1.2.2 Assets on finance leases								
Balance as at 01st April, 2019	-	-	24,310,178	-	-	-	-	24,310,178
Reclassified due to adoption of SLFRS 16	-	-	(24,310,178)	-	-	-	-	(24,310,178)
Balance as at 31st March, 2020	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
17.1.2.3 Total accumulated depreciation as at 31st March, 2020	**121,541,609**	**833,418,935**	**61,006,869**	**112,004,911**	**112,556,630**	**37,710,039**	**99,785,683**	**1,378,024,676**
17.1.2.4 Total accumulated depreciation as at 31st March, 2019	**115,032,478**	**774,961,410**	**86,846,049**	**104,316,438**	**102,516,238**	**33,892,430**	**95,645,602**	**1,313,210,645**
17.1.3 Written down value as at 31st March, 2020	**288,513,894**	**397,364,359**	**9,999,043**	**59,128,150**	**26,582,522**	**16,941,327**	**12,306,431**	**810,835,726**
17.1.4 Written down value as at 31st March, 2019	**300,091,662**	**453,014,964**	**41,886,395**	**66,816,623**	**35,430,388**	**16,900,913**	**16,014,748**	**930,155,693**

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

17 TANGIBLE ASSETS OTHER THAN BEARER BIOLOGICAL ASSETS (CONTD...)

17.2 Company

17.2.1 Cost

Rs.	Buildings	Plant and machinery	Motor vehicles	Water sanitation	Equipment	Furniture and fittings	Others	Total
17.2.1.1 Freehold assets								
Balance as at 01st April, 2019	328,680,248	856,660,519	71,445,209	171,133,061	71,238,432	7,773,419	99,851,890	1,606,782,778
Additions	22,707,232	2,806,920	1,159,192	-	563,726	3,858,023	431,764	31,526,857
Disposals	-	-	(3,686,268)	-	-	-	-	(3,686,268)
Balance as at 31st March, 2020	**351,387,480**	**859,467,439**	**68,918,133**	**171,133,061**	**71,802,158**	**11,631,442**	**100,283,654**	**1,634,623,367**
17.2.1.2 Assets on finance leases								
Balance as at 01st April, 2019	-	-	48,572,530	-	-	-	-	48,572,530
Reclassified due to adoption of SLFRS 16	-	-	(48,572,530)	-	-	-	-	(48,572,530)
Balance as at 31st March, 2020	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
17.2.1.3 Total gross carrying amount as at 31st March, 2020	**351,387,480**	**859,467,439**	**68,918,133**	**171,133,061**	**71,802,158**	**11,631,442**	**100,283,654**	**1,634,623,367**
17.2.1.4 Total gross carrying amount as at 31st March, 2019	**328,680,248**	**856,660,519**	**120,017,739**	**171,133,061**	**71,238,432**	**7,773,419**	**99,851,890**	**1,655,355,308**
17.2.2 Accumulated depreciation								
17.2.2.1 Freehold assets								
Balance as at 01st April, 2019	97,035,385	572,385,131	69,876,878	104,316,438	53,858,130	6,204,682	89,003,624	992,680,268
Charge for the year	8,463,519	32,045,149	733,821	7,688,473	4,132,170	449,663	4,140,081	57,652,876
Accumulated depreciation on disposals	-	-	(2,603,681)	-	-	-	-	(2,603,681)
Balance as at 31st March, 2020	**105,498,904**	**604,430,280**	**68,007,018**	**112,004,911**	**57,990,300**	**6,654,345**	**93,143,705**	**1,047,729,463**
17.2.2.2 Assets on finance leases								
Balance as at 01st April, 2019	-	-	19,234,774	-	-	-	-	19,234,774
Reclassified due to adoption of SLFRS 16	-	-	(19,234,774)	-	-	-	-	(19,234,774)
Balance as at 31st March, 2020	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
17.2.2.3 Total accumulated depreciation as at 31st March, 2020	**105,498,904**	**604,430,280**	**68,007,018**	**112,004,911**	**57,990,300**	**6,654,345**	**93,143,705**	**1,047,729,463**
17.2.2.4 Total accumulated depreciation as at 31st March, 2019	**97,035,385**	**572,385,131**	**89,111,652**	**104,316,438**	**53,858,130**	**6,204,682**	**89,003,624**	**1,011,915,042**
17.2.3 Written down value as at 31st March, 2020	**245,888,576**	**255,037,159**	**911,115**	**59,128,150**	**13,811,858**	**4,977,097**	**7,139,949**	**586,893,904**
17.2.4 Written down value as at 31st March, 2019	**231,644,863**	**284,275,388**	**30,906,087**	**66,816,623**	**17,380,302**	**1,568,737**	**10,848,266**	**643,440,266**

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

17. TANGIBLE ASSETS OTHER THAN BEARER BIOLOGICAL ASSETS (CONTD...)

17.3 The residual values and useful lives of the above assets have been evaluated at the end of the year and did not recognize changes of any of those estimations. The Company has evaluated both internal and external indicators of impairment of long lived assets and has not identified presence of any such indicators at the end of the financial year. The management is confident that there is no estimation uncertainty at the date of the statement of financial position that would have a significant risk of causing material adjustment to the carrying value of assets and liabilities within the financial year.

17.4 The assets shown above are those movable and immovable assets vested in the Company by Gazette Notification on the date of formation of the Company (22nd June, 1992) and all investments in tangible assets by the Company since its formation. The assets taken over by way of estates leases are set out in notes 16 above.

17.5 Cost of property, plant and equipment of the Company as at the reporting date includes the fully depreciated assets amounting to Rs.271,438,857/- (Group - Rs.304,784,212/-).

17.6 Information of the freehold building of the Company/Group is disclosed below as required under Rule 7.6 (VIII) of the Colombo Stock Exchange listing rules.

Location/Estate	Square feet	No. of buildings	Cost as at 31.03.2020 Rs.	Net book value as at 31.03.2020 Rs.
Kotiyagala	10,422	218	28,923,420	17,155,217
Bogawana	10,201	144	12,655,309	8,393,824
Campion	25,536	192	20,620,777	12,503,876
Norwood	35,689	156	40,212,305	30,202,216
Wanarajah	36,624	218	17,325,487	11,749,093
Lethenty	8,231	188	39,231,101	31,904,936
Bogawantalawa	25,292	139	18,937,314	13,762,454
Fetteresso	3,545	126	12,474,310	8,787,823
Loinorn	31,391	103	10,866,400	7,248,992
Osborne	2,323	128	25,531,571	23,286,800
Poyston	31,203	90	4,337,481	2,351,981

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

18. INTANGIBLE ASSETS

18.1 Group/Company

Rs.	Group/Company Brand development	Software	Total
18.1.1 Cost			
Balance as at 01st April, 2019	3,037,908	7,007,241	10,045,149
Additions	-	589,588	589,588
Balance as at 31st March, 2020	3,037,908	7,596,829	10,634,737
18.1.2 Accumulated depreciation			
Balance as at 01st April, 2019	3,037,908	4,488,917	7,526,825
Charge for the year	-	749,663	749,663
Balance as at 31st March, 2020	3,037,908	5,238,580	8,276,488
18.1.3 Written down value as at 31st March, 2020	**–**	**2,358,249**	**2,358,249**
18.1.4 Written down value as at 31st March, 2019	**–**	**2,518,324**	**2,518,324**

18.1.5 Brand development represents the investments made in brand developments, acquiring marketing rights and legal protections for the brands which will result in future economic benefits. Brand acquisition cost has been amortized over a period of 5 years and the costs relating to investment in brand acquiring, acquiring of marketing rights and legal protection have been amortized over a period of ten years commencing from 2004/2005.

19. BEARER BIOLOGICAL ASSETS (GROUP/COMPANY)

	Immature plantations		Mature plantations: Before formation of the company		Mature plantations: After formation of the company		Total	
	2019/2020 Rs.	2018/2019 Rs.	2019/2020 Rs.	2018/2019 Rs.	2019/2020 Rs.	2018/2019 Rs.	2019/2020 Rs.	2018/2019 Rs.
19.1 Cost								
Balance at the beginning of the year	868,527,473	728,759,355	555,387,492	555,387,492	1,592,009,851	1,496,465,448	3,015,924,816	2,780,612,295
Additions	188,096,769	235,312,521	-	-	-	-	188,096,769	235,312,521
Transfers in/(out)	(153,561,518)	(95,544,403)	-	-	153,561,518	95,544,403	-	-
Balance at the end of the year	**903,062,724**	**868,527,473**	**555,387,492**	**555,387,492**	**1,745,571,369**	**1,592,009,851**	**3,204,021,585**	**3,015,924,816**
19.2 Depreciation								
Balance at the beginning of the year	-	-	463,117,805	445,332,192	427,989,292	369,998,056	891,107,097	815,330,248
Charge for the year	-	-	18,074,992	17,785,613	61,912,922	57,991,236	79,987,914	75,776,849
Balance at the end of the year	**–**	**–**	**481,192,797**	**463,117,805**	**489,902,214**	**427,989,292**	**971,095,011**	**891,107,097**
19.3 Written down value	**903,062,724**	**868,527,473**	**74,194,695**	**92,269,687**	**1,255,669,155**	**1,164,020,559**	**2,232,926,574**	**2,124,817,719**
Growing crop nurseries							8,658,746	16,261,972
Less: Provision for over-grown plants							-	-
Total written down value							**2,241,585,320**	**2,141,079,691**

There are investments in immature/mature plantations since the formation of the Company. The assets (including plantation assets) taken over by way of estate leases are setout in note 16. Further, investment in mature plantations taken over by way of these leases are shown in the above note.

The Company has decided to measure the bearer biological assets at cost using LKAS 16 - property, plant and equipment.

19.4 Borrowing cost incurred in respect of replanting amounting to Rs.29,724,108/- (2018/2019-Rs.12,960,867/-) has been capitalized to immature plantation during the year.

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

20. CONSUMABLE BIOLOGICAL ASSETS - MANAGED TIMBER PLANTATIONS (GROUP/COMPANY)

Rs.	2019/2020	2018/2019
Balance at the beginning of the year	924,781,137	839,998,276
Decrease due to harvesting	(65,999,939)	(42,933,066)
Gain on fair valuation	141,999,939	127,715,927
	1,000,781,137	**924,781,137**
Increase due to new planting (Note 20.1)	65,817,915	57,003,889
Growing crop nurseries	2,064,493	1,241,509
Balance at the end of the year	**1,068,663,545**	**983,026,535**

20.1 Biological assets at initial stage

Cost		
Balance at the beginning of the year	59,325,769	49,432,302
Add : Additions during the year	8,814,026	9,893,467
Balance at the end of the year	**68,139,795**	**59,325,769**
Depreciation		
Balance at the beginning of the year	(2,321,880)	(2,321,880)
Add : Charge for the year	–	-
Balance at the end of the year	**(2,321,880)**	**(2,321,880)**
Written down value	**65,817,915**	**57,003,889**

20.2 The biological assets, Eucalyptus Grandis mature and immature timber trees of the Company were inspected and valued by Mr T.M.H.Mutaliph, independent Valuers as at 31st March, 2020. Based on the valuation report, the Directors of the Company have valued the Eucalyptus Grandis tree plantation as at the date of the statement of financial position after making adjustments for risk at individual fields to reflect the requirement of the Sri Lanka Accounting Standards. Accordingly, Directors of the Company have determined the fair value of these trees as Rs.1,000,781,137/- as at 31st March, 2020.

The fair value is determined as being the net present value of expected future cash flows (discounted at a risk adjusted rate). Significant assumption used for the calculation are, as follows:

a) Trees will reach maturity, 20 years after planting and further 40% of the existing inventory of trees will be thinned out during the next 02 to 05 years with clear fell at 20 years.

b) Trees have been valued as per the current timber prices in the domestic market based on the price list of the State Timber Corporation and prices of timber trees sold by estates and prices of logs and sawn timber sold by popular timber traders in Sri Lanka.

c) Future cash flows are determined by references to current timber prices without considering the inflationary effect.

d) The ongoing costs of growing the trees which are deducted in determining the net cash flows are constant in real terms.

e) A discounting rate of 13% per annum is applied to the estimated cash flows. The rate was determined having regard to the following:

(i) The weighted average long term bond rate

(ii) The adjusted risk premium by considering

- Specific provision made in the “FMP” and the valuation schedule
- The illiquid nature of the plantations prior to maturity
- A lack of market evidence as to the value of biological assets through their life cycle
- Risk relations to diseases and fire affecting the biological assets
- Adoption of conservative valuation approach

f) Biological assets at initial stage

The Company has separately identified biological assets at their initial stage (that is Eucalyptus Grandis below 5 years from the date of planting) and has valued at cost due to the fact that the fair value of those assets cannot be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

20. CONSUMABLE BIOLOGICAL ASSETS - MANAGED TIMBER PLANTATIONS (GROUP/COMPANY) (CONTD….)

20.3 Potential risks- timber plantations

The Company is exposed to the following risks in relation to timber plantations

a) Supply and demand risk

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.

b) 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.

c) Climate and other risks

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

20.4 Sensitivity analysis

20.4.1 Sensitivity variation on sales price

Net present value of the biological assets as appearing in the statement of financial position are very sensitive to the changes into the average sales prices applied. Simulations made for timber show that an increase or decrease by 10% of the estimated future selling price while other variables remained unchanged, has the following effect on the net present value of biological assets:

(Rs.)	+10%	0%	–10%
Managed timber	1,116,314,478	1,000,781,137	885,247,798

20.4.2 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 of the discount rate applied. Simulations made for timber show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the net present value of biological assets:

(Rs.)	14%	13%	12%
Managed timber	990,108,787	1,000,781,137	1,012,160,091

	Group/Company	
Rs.	2019/2020	2018/2019
21. CAPITAL WORK-IN-PROGRESS		
Balance at the beginning of the year	25,983,631	71,617,345
Additions during the year	8,241,985	87,364,118
	34,225,616	**158,981,463**
Less: Capitalized during the year	(25,481,520)	(132,997,832)
Balance at the end of the year	**8,744,096**	**25,983,631**

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

22. INVESTMENT IN ASSOCIATE

The Company holds 25% of shares of Walters Bay Bogawantalawa Estates (Pvt) Ltd (WBBE), WBBE which is a Limited Liability Comapany incorporated in Sri Lanka.

The registered office and principal place of business of the Company are situated at No 4, Sri Premanada Road, Mattumagala, Ragama. The Company is engaged in exporting of Tea.

	Country of incorporation	No of shares out of 4	Principal activity	Percentage holding 2019/2020	2018/2019 Restated	2017/2018 Restated
Walters Bay Bogawantalawa Estates (Pvt) Ltd	Sri Lanka	1	Tea Exporting	25%	25%	25%

Carrying value on equity basis

Rs.	As at 31.03.2020	As at 31.03.2019 Restated	As at 01.04.2019 Restated
Investment cost			10
Balance as at beginning of the year	71,726,559	57,454,251	40,728,049
Add : Profit after tax accruing to the Company	20,525,183	14,272,308	16,726,192
Balance at the end of the year	**92,251,742**	**71,726,559**	**57,454,251**

Summarized financial information of associate

Statement of Comprehensive income			
Revenue	2,431,291,451	2,287,427,180	1,861,113,018
Cost of sale	(2,121,948,172)	(2,016,174,483)	(1,625,457,890)
Gross profit	**309,343,279**	**271,252,697**	**235,655,128**
Other operating expenses	223,479,872	213,275,826	168,640,295
Profit from operations	85,863,407	57,976,871	67,014,833
Income tax expenses	3,762,675	887,739	110,063
Total profit for the year	**82,100,732**	**57,089,132**	**66,904,770**
Statement of financial position			
Total non current assets	95,505,689	109,467,898	122,714,890
Total current assets	1,188,895,129	879,645,515	585,066,250
Total non current liabilities	11,705,118	9,080,439	30,518,058
Total current liabilities	757,450,011	545,990,844	304,381,242
Net assets	515,245,689	434,042,130	372,881,840

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

23. INVESTMENTS

	Group		Company	
Rs.	**2019/2020**	**2018/2019**	**2019/2020**	**2018/2019**
Investments in subsidiaries (Note 23.1)	–	-	102,100,000	63,300,000
Investments in equity shares (Note 23.2)	52,471,262	45,486,953	52,471,262	45,486,953
	52,471,262	**45,486,953**	**154,571,262**	**108,786,953**

	Percentage	Group		Company	
Rs.	**holding**	**2019/2020**	**2018/2019**	**2019/2020**	**2018/2019**
23.1 Impairment of investments in subsidiaries					
Bogawantalawa Tea Ceylon (Pvt) Ltd					
(12,660,000 ordinary shares of Rs.10/- each)	100%	-	-	226,600,000	126,600,000
		–	**–**	**226,600,000**	**126,600,000**
Less : Provision for impairment of investments in subsidiaries		-	-	(124,500,000)	(63,300,000)
		–	**–**	**102,100,000**	**63,300,000**

23.1.1 Impairment of investments in subsidiaries

a) The recoverable amount of the investment made in Bogawantalawa Tea Ceylon (Pvt) Ltd, was less than the carrying amount of investment of Rs.226,600,000/- and as such the difference between the carrying amount and the recoverable amount of Rs.124,500,000/- has been recognized in the financial statements. Accordingly the existing impairment has been increased by Rs 61,200,000/- during the financial year and total impairment would be Rs 102,100,000/-.

b) The following assumptions have been used when determining the recoverable amount:

i. The next five years of business activities of Bogawantalawa Tea Ceylon (Pvt) Ltd

ii. Impairment is assumed to be limited to 45% of the investment made.

	Percentage	Group/Company	
Rs.	**holding**	**2019/2020**	**2018/2019**
23.2 Investments in equity shares			
Tea Trails (Pvt) Ltd			
Balance at the beginning of the year		45,486,953	-
Impact from the application of SLFRS 9	11%	-	42,080,477
Changed in fair value recognized in OCI		6,984,309	3,406,476
		52,471,262	**45,486,953**

The Company has received 1,500,000 ordinary shares of Rs.10/- each free of charge from Tea Trails (Pvt) Ltd, as promoter shares. Corresponding entry has been credited to the income statement in the year 2005/2006.

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

24. DEFERRED TAX ASSETS

	Group	
Rs.	**2019/2020**	**2018/2019**
Balance at the beginning of the year	34,964,356	59,463,137
(Change)/reversal to the statement of comprehensive income	5,433,334	(24,412,881)
(Change)/reversal to the statement of other comprehensive income	52,695	(85,900)
Balance at the end of the year	**40,450,385**	**34,964,356**

24.1 Deferred tax

The deferred tax assets for the year have been recognized in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the Directors believe it is probable that these assets will be recovered. Deferred tax assets and liabilities shall be measured based on the tax rates that have been enacted or substantially enacted by the end of the reporting period. In accordance with the Inland Revenue Act No 24 of 2017 effective from 1 April 2018, the Bogawantalawa Tea Ceylon (Pvt) Ltd has used 14% in assessing the deferred tax liability for the current financial year.

	Group	
Rs.	**2019/2020**	**2018/2019**
On temporary difference of property, plant and equipment	22,416,700	30,554,449
On retirement benefit obligation gratuity	(3,151,780)	(2,857,396)
On interest expense carried forward	(11,893,863)	(12,167,686)
On tax loss carried forward	(47,124,801)	(50,493,723)
On right of use asset	(696,640)	
Tax effect	**(40,450,385)**	**(34,964,356)**

25. PRODUCE ON BEARER PLANTS

	Group/Company	
Rs.	**2019/2020**	**2018/2019**
Balance at the beginning of the year	9,037,160	10,916,577
Changes in fair value less cost to sell	(1,201,560)	(1,879,417)
Balance at the end of the year	**7,835,600**	**9,037,160**

26. INVENTORIES

	Group		Company	
Rs.	**2019/2020**	**2018/2019**	**2019/2020**	**2018/2019**
Input materials	262,689,722	391,209,374	53,194,192	67,908,621
Less : Provision for obsolete and damaged items	–	(84,949,138)	–	-
	262,689,722	**306,260,236**	**53,194,192**	**67,908,621**
Harvested crops	285,529,286	363,210,911	285,529,286	363,210,911
	285,529,286	**363,210,911**	**285,529,286**	**363,210,911**
Finished goods	13,919,794	17,041,556	–	-
Work-in-progress	40,353,046	36,014,334	–	-
Goods in transit	7,423,561	8,765,707	–	-
	609,915,409	**731,292,744**	**338,723,478**	**431,119,532**

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

27. TRADE AND OTHER RECEIVABLES

	Group		Company	
Rs.	2019/2020	2018/2019	2019/2020	2018/2019
Trade receivables	289,953,696	391,253,012	38,886,551	62,189,784
Deposits, prepayments and other receivables	177,291,085	105,555,643	89,528,582	31,555,963
Amount receivable from ASPIC Corporation (Pvt) Ltd	234,736	234,736	234,736	234,736
Economic service charges recoverable	45,171,002	34,035,292	45,171,002	34,035,292
Staff advances	44,511,652	57,412,067	44,511,652	57,412,067
Advance company tax recoverable	17,926,245	17,926,245	17,926,245	17,926,245
Withholding tax recoverable	9,378,538	7,802,210	9,378,538	7,802,210
	584,466,954	**614,219,205**	**245,637,306**	**211,156,297**
Less : Provision for bad debtorså	(11,791,102)	(8,436,447)	–	-
	572,675,852	**605,782,758**	**245,637,306**	**211,156,297**

Credit quality of trade and other receivable

The table below shows the credit quality by class of asset for all financial assets exposed to the credit risk. The amounts presented are gross of impairment allowance.

	2019/2020			2018/2019		
Rs.	Gross	Provision	Net	Gross	Provision	Net
Group						
Past due 1 to 30 days	173,931,568	–	173,931,568	201,033,940	-	201,033,940
Past due 31 to 180 days	86,925,233	–	86,925,233	176,477,755	(359,919)	176,118,337
Past due more than 180 days	29,096,896	(11,791,102)	17,305,794	13,741,317	(8,077,029)	5,664,289
	289,953,696	**(11,791,102)**	**278,162,594**	**391,253,012**	**(8,436,948)**	**382,816,565**
Company						
Past due 1 to 30 days	4,228,151	–	4,228,151	57,361,696	-	57,361,696
Past due 31 to 180 days	34,658,400	–	34,658,400	4,828,088	-	4,828,088
Past due more than 180 days	–	–	–	-	-	-
	38,886,551	**–**	**38,886,551**	**62,189,784**	**–**	**62,189,784**

Group

At 31 March 2020 the lifetime expected loss provision for trade receivables is as follows:

	Past due 0–30 days	More than 30 days past due	More than 60 days past due	More than 90 days past due	More than 180 days past due	More than 365 days past due	Total
Expected loss rate	0.00%	0.01%	0.02%	0.05%	0.33%	40.18%	
Gross carrying amount	79,614,087	173,931,568	51,420,992	14,696,138	20,808,103	29,096,896	289,953,697
Loss provision	**3,022**	**9,099**	**11,512**	**6,830**	**68,305**	**11,690,334**	**11,789,102**

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

28. INCOME TAX RECEIVABLE

	Group		Company	
Rs.	**2019/2020**	**2018/2019**	**2019/2020**	**2018/2019**
Balance at the beginning of the year	–	-	–	-
Add: Current income tax expense on current year's profit	(618,426)	-	–	-
Less:				
Payment of income tax	–	-	–	-
Withholding tax	5,226,494	-	–	-
Balance at the end of the year	**4,608,068**			

29. AMOUNT DUE FROM RELATED PARTIES

		Group		Company	
Name of the related party	**Relationship**	**2019/2020 Rs.**	**2018/2019 Rs.**	**2019/2020 Rs.**	**2018/2019 Rs.**
Walters Bay Bogawantalawa Tea Estates (Pvt) Ltd	Related entity	15,842,341	40,831,406	384,345	-
Bogawantalawa Tea Ceylon (Pvt) Ltd	Subsidiary	–	-	175,410,489	91,566,193
Lanka Mother and Child Foundation	Related entity	226,915	351,796	226,915	351,796
Eco Power (Pvt) Ltd	Related entity	800,261	739,701	800,261	739,701
Tea Trails (Pvt) Ltd	Related entity	1,079,094	288,193	1,079,094	288,193
Office Networks (Pvt) Ltd	Related entity	117,588	41,100	117,588	41,100
Metropolitan Resource Holdings Limited	Related entity	322,800	1,490,960	322,800	1,490,960
Metrocorp (Pvt) Ltd	Ultimate parent	382,372	759,428	–	759,428
Lush Agro Pvt Ltd	Related entity	–	75,000	–	75,000
		18,771,371	**44,577,584**	**178,341,492**	**95,312,371**

30. INVESTMENTS

	Group		Company	
Rs.	**2019/2020**	**2018/2019**	**2019/2020**	**2018/2019**
30.1 Long Term Investments				
Mercantile Investments & Finance PLC	25,000,000	-	25,000,000	-
Vallibel Finance PLC	25,000,000	-	25,000,000	-
Total	**50,000,000**		**50,000,000**	
30.2 Short Term Investments				
First Capital Holdings PLC	100,240,379	-	100,240,379	-
Metrocorp (Pvt) Ltd (Commercial Papers)	60,000,000	-	60,000,000	-
Bank of Ceylon	100,000,000	-	100,000,000	-
HNB Finance Ltd	61,045,000	-	61,045,000	-
Total	**321,285,379**		**321,285,379**	**–**

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

31. CASH AND CASH EQUIVALENTS

	Group		Company	
Rs.	2019/2020	2018/2019	2019/2020	2018/2019
31.1 Favourable balances				
Cash in hand	610,474	696,019	335,730	312,608
Cash at bank	119,656,589	47,296,696	95,600,378	35,153,357
	120,267,063	**47,992,715**	**95,936,108**	**35,465,965**
31.2 Unfavourable balances				
Bank overdrafts	(301,029,997)	(358,414,804)	(294,494,504)	(269,371,960)
Cash and cash equivalents for the purpose of cash flow statement	**(180,762,934)**	**(310,422,089)**	**(198,558,396)**	**(233,905,995)**

32. STATED CAPITAL

32.1 Number of shares

	Nos.	Nos.
No. of ordinary shares including one golden share held by the Treasury which has special rights	83,750,001	83,750,001

32.2 Value of shares

	Rs.	Rs.
Value of ordinary shares including the value of one golden share held by the Treasury which has special rights	586,250,010	586,250,010

32.3 The golden shareholder

The golden share is currently held by the Secretary to the Treasury and should be owned either directly by the Government of Sri Lanka or by a 100% Government owned public company. In addition to the rights of the normal ordinary shareholders, in terms of the articles of the Company, the following special rights are vested with the golden shareholder.

a) The Company shall obtain the written consent of the golden shareholder prior to sub-leasing, ceding or assigning its rights in part or all of the land leased/to be leased to the Company by the JEDB/SLSPC.

b) The golden shareholder shall be entitled to call upon the Board of Directors once in three months to meet him or his nominee to discuss matters of the Company to the state.

c) The golden shareholder and his nominee shall be entitled to inspect the books of accounts of the Company after giving two weeks written notice to the Company.

d) The Company should submit to the golden shareholder, within 60 days of the end of each quarter, a quarterly report relating to the performance of the Company during the said quarter in a pre-specified format agreed to by the golden shareholder and the Company.

e) The Company shall submit the golden shareholder, within 90 days of the end of each fiscal year, information related to the Company in a pre-specified format agreed to by the golden shareholder and the Company.

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

33. INTEREST BEARING BORROWINGS

33.1 Group

Rs.	2019/2020 Amount repayable within 1 year	2019/2020 Amount repayable within 2 – 5 years	2019/2020 Amount repayable after 5 years	2019/2020 Amount repayable after 1 year	2019/2020 Balance as at 31.03.2020	2018/2019 Amount repayable within 1 year	2018/2019 Amount repayable within 2 – 5 years	2018/2019 Amount repayable after 5 years	2018/2019 Repayable after 1 year	2018/2019 Balance as at 31.03.2019
Term loans 31.1.1	487,214,988	400,013,699	-	400,013,699	887,228,687	471,164,242	361,894,759	-	361,894,759	833,059,001
Commercial papers	-	-	-		-	54,326,091	-	-	-	54,326,091
Total	**487,214,988**	**400,013,699**	**–**	**400,013,699**	**887,228,687**	**525,490,333**	**361,894,759**	**–**	**361,894,759**	**887,385,092**

Rs.	Note	Balance as at 01.04.2019	New loans obtained	Exchange gain/loss	Repayments	Balance as at 31.03.2020
33.1.1 Term loans						
National Development Bank PLC	33.1.1.1	86,700,948	-	-	(33,920,148)	52,780,800
Commercial Bank of Ceylon PLC	33.1.1.2	508,353,053	190,102,800	2,861,798	(400,462,765)	300,854,887
Hatton National Bank PLC	31.1.1.4	238,005,000	200,000,000	-	(164,412,000)	273,593,000
Nations Trust Bank PLC	31.1.1.5		300,000,000	-	(40,000,000)	260,000,000
		833,059,001	**690,102,800**	**2,861,798**	**(638,794,913)**	**887,228,687**

Rs.	Loan No.	Terms of repayments per month	Total facility	Balance as at 01.04.2019	New loans obtained	Exchange gain/loss	Repayments	Balance as at 31.03.2020
33.1.1.1 National Development Bank PLC								
Term loan 4	LD1127309186	1,570,000	113,000,000	7,810,000	-	-	(7,810,000)	-
Term loan 9	LD1500740514	1,388,800	40,000,000	5,000,000	-	-	(5,000,000)	-
Term loan 10	LD1511954549	1,395,200	100,000,000	68,057,600	-	-	(15,276,800)	52,780,800
Term loan 11	LD1511923574	833,333	40,000,000	5,833,348	-	-	(5,833,348)	-
			293,000,000	**86,700,948**	**–**	**–**	**(33,920,148)**	**52,780,800**

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

33. INTEREST BEARING BORROWINGS (CONTD....)
33.1 Group (Contd.…)

33.1.1.2 Commercial Bank of Ceylon PLC

Rs.	Loan No.	Terms of repayments per month	Total facility	Balance as at 01.04.2019	New loans obtained	Exchange gain/ loss	Repayments	Balance as at 31.03.2020
Term loan 19	514681	182,292	17,500,000	729,136	-	-	(729,136)	–
Term loan 22	1963536	3,532,450	211,947,000	77,713,900	-	-	(38,856,950)	38,856,950
Term loan 26	2376348	3,333,333	200,000,000	200,000,000	-	-	(33,340,000)	166,660,000
Term loan 27	C-02-2016-178	5,000,000	60,000,000	58,500,000	65,102,800	-	(78,030,840)	45,571,960
Term loan 25	1739773	Euro 17,360	Euro 1,230,195	85,321,730	-	2,861,798	(39,706,639)	48,476,889
Term loan 26	1902943	816,600	49,000,000	11,088,288	-	-	(9,799,200)	1,289,088
Term loan 27	2316640	-		35,000,000	-	-	(35,000,000)	–
Term loan 28	2317748	-		40,000,000	-	-	(40,000,000)	–
Term loan 29	2408083	-	25,000,000	-	25,000,000	-	(25,000,000)	–
Term loan 30	2411115	-	25,000,000	-	25,000,000	-	(25,000,000)	–
Term loan 31	2418843	-	25,000,000	-	25,000,000	-	(25,000,000)	–
Term loan 32	2450721	-	50,000,000	-	50,000,000	-	(50,000,000)	–
				508,353,054	**190,102,800**	**2,861,798**	**(400,462,765)**	**300,854,887**

33.1.1.3 Hatton National Bank PLC

Rs.	Terms of repayments per month	Total facility	Balance as at 01.04.2019	New loans obtained	Repayments	Balance as at 31.03.2020
Term loan - Solar project	648,000	88,650,000	88,005,000	-	(14,412,000)	73,593,000
Term loan - working capital		150,000,000	150,000,000	-	(150,000,000)	–
Term loan		-	-	200,000,000	-	200,000,000
		238,650,000	**238,005,000**	**200,000,000**	**(164,412,000)**	**273,593,000**

33.1.1.4 Nations Trust Bank PLC

Rs.	Terms of repayments per month	Total facility	Balance as at 01.04.2019	New loans obtained	Repayments	Balance as at 31.03.2020
Term loan 1		200,000,000	-	200,000,000	(26,666,667)	173,333,333
Term loan 2		100,000,000	-	100,000,000	(13,333,333)	86,666,667
		300,000,000	**–**	**300,000,000**	**(40,000,000)**	**260,000,000**

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

33. INTEREST BEARING BORROWINGS (CONTD....)

33.2 Company

Rs.	2019/2020 Amount repayable within 1 year	Amount repayable within 2 – 5 years	Amount repayable after 5 years	Amount repayable after 1 year	Balance as at 31.03.2020	2018/2019 Amount repayable within 1 year	Amount repayable within 2 – 5 years	Amount repayable after 5 years	Repayable after 1 year	Balance as at 31.03.2019
Term loans 33.2.1	480,662,510	356,800,200	-	356,800,200	837,462,710	346,495,482	315,153,500		315,153,500	661,648,982
Commercial Papers	-	-	-	-	–	54,326,091	-	-	-	54,326,091
Total	**480,662,510**	**356,800,200**	**–**	**356,800,200**	**837,462,710**	**400,821,573**	**315,153,500**	**–**	**315,153,500**	**715,975,073**

33.2.1 Term loans

	Note	Balance as at 31.03.2019	New loans obtained	Repayments	Balance as at 31.03.2020
National Development Bank PLC	33.2.1.1	86,700,946	-	(33,920,148)	52,780,798
Commercial Bank of Ceylon PLC	33.2.1.2	336,943,036	65,102,800	(150,956,926)	251,088,910
Hatton National Bank PLC	33.2.1.3	238,005,000	200,000,000	(164,412,000)	273,593,000
Nations Trust Bank PLC	33.2.1.4	-	300,000,000	(40,000,000)	260,000,000
		661,648,982	**565,102,800**	**(389,289,074)**	**837,462,708**

33.2.1.1 National Development Bank PLC

	Loan No.	Terms of repayments per month	Total facility	Balance as at 01.04.2019	New loans obtained	Repayments	Balance as at 31.03.2020
Term loan 4	LD1127309186	1,570,000	113,000,000	7,810,000	-	(7,810,000)	-
Term loan 7	LD1317171799	416,600	20,000,000	-	-	-	-
Term loan 9	LD1500740514	1,388,800	40,000,000	5,000,000	-	(5,000,000)	-
Term loan 10	LD1511954549	1,395,200	100,000,000	68,057,600	-	(15,276,800)	52,780,800
Term loan 11	LD1511923574	833,333	40,000,000	5,833,348	-	(5,833,348)	-
			371,000,000	**86,700,948**	**–**	**(33,920,148)**	**52,780,800**

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

33.2 Company (Contd…)

33.2.1.2 Commercial Bank of Ceylon PLC

Rs.	Loan No.	Terms of repayments per month	Total facility	Balance as at 31.03.2019	New loans obtained	Repayments	Balance as at 31.03.2020
Term loan 19	514681	182,292	17,500,000	729,136	-	(729,136)	–
Term loan 20	533762	-	662,730	-	-	-	–
Term loan 21	1963536	3,532,450	211,947,000	77,713,900	-	(38,856,950)	38,856,950
Term loan 22	C-02-2016-178	5,000,000	60,000,000	58,500,000	65,102,800	(78,030,840)	45,571,960
Term Loan 26	2376348	3,333,333	200,000,000	200,000,000	-	(33,340,000)	166,660,000
			523,339,000	**336,943,036**	**65,102,800**	**(150,956,926)**	**251,088,910**

33.2.1.3 Hatton National Bank PLC

Rs.	Terms of repayments per month	Total facility	Balance as at 01.04.2019	New loans obtained	Repayments	Balance as at 31.03.2020
Term loan - Solar project	1,630,000	88,650,000	88,005,000	-	(14,412,000)	73,593,000
Term loan - working capital		150,000,000	150,000,000	-	(150,000,000)	–
Term loan		-	-	200,000,000	-	200,000,000
		238,650,000	**238,005,000**	**200,000,000**	**(164,412,000)**	**273,593,000**

33.2.1.4 Nations Trust Bank PLC

Rs.	Total facility	Balance as at 31.03.2019	New loans obtained	Repayments	Balance as at 31.03.2020
Term loan 1	200,000,000	-	200,000,000	(26,666,667)	173,333,333
Term loan 2	100,000,000	-	100,000,000	(13,333,333)	86,666,667
	300,000,000	**–**	**300,000,000**	**(40,000,000)**	**260,000,000**

Details of the assets pledged are disclosed in note 49 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

34. DEBENTURE

During the financial year the Company has issued 10,000,000 Debentures at Rs 85 (15% discounted from the par value) and raised Rs 850,000,000/-. Tenure of the debentures will be 5 , 6 and 7 years and the purpose of the issue was settlement of high cost debt, field development activities and factory development.

Rs.	Company /Group 2019/2020	2018/2019
Balance at the beginning of the year		
Add: Issued during the year	838,051,706	-
Accrual of interest	102,488,135	-
	940,539,841	**–**
Less: Settlement of interest (Coupon)	(66,774,394)	-
Balance at the end of the year	**873,765,447**	**–**

Type	Tenor	coupon interest rate	Annual effective rate	No of debenture allocated	Face value	Value of issued	Fair Value as at 31/03/2020
Type A	5 years	13%	16.19%	3,439,800	343,980,000	292,383,000	301,485,901
Type B	6 years	13.25%	16.52%	3,280,100	328,010,000	278,808,500	286,473,269
Type C	7 years	13.50%	16.85%	3,280,100	328,010,000	278,808,500	285,806,277
				10,000,000	**1,000,000,000**	**850,000,000**	**873,765,448**

Financial liabilities at amortised cost Financial Instruments issued by the Company that are not designated at fair value through profit or loss, are classified as financial liabilities at amortised cost. Where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares at amortised cost using EIR method.

After initial recognition, such financial liabilities are substantially measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in “interest expenses in the Income Statement. Gains and losses are recognized in the Income Statement when the liabilities are derecognised as well as through the EIR amortisation process. Currently, the Company has recorded debenture issued as financial liabilities at amortised cost.

35. RETIREMENT BENEFIT OBLIGATIONS

	Group		Company	
Rs.	2019/2020	2018/2019	2019/2020	2018/2019
Balance at the beginning of the year	839,735,214	654,528,206	819,325,243	631,237,454
Provision for the year Note 35.1	215,253,307	258,902,899	211,007,043	256,036,497
	1,054,988,521	**913,431,105**	**1,030,332,286**	**887,273,951**
Payments made during the year	(100,004,579)	(73,695,891)	(97,861,060)	(67,948,708)
Balance at the end of the year	**954,983,942**	**839,735,214**	**932,471,226**	**819,325,243**

35.1 Expenses recognized in the statement of comprehensive income and other comprehensive income for the year ended 31st March, 2020.

	Group		Company	
Rs.	2019/2020	2018/2019	2019/2020	2018/2019
Current service cost	54,611,814	47,910,946	52,672,041	45,561,228
Interest cost	100,249,127	76,878,754	98,319,030	75,748,496
Actuarial loss/(gain)	60,392,366	134,113,199	60,015,972	134,726,773
	215,253,307	**258,902,899**	**211,007,043**	**256,036,497**

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

35.2 Provision for gratuity for the financial year 2019/2020 has been determined based on the latest actuarial valuation report issued on 09/06/2020 which was done by Actuarial & Management Consultants (Pvt) Ltd. The provision in respect of gratuity liabilities of existing employees as at 31st March, 2020 is Rs. 932,471,226/- (the Company). If the Company had provided for gratuity on the basis of fourteen days wages and half month salary for each completed years of service in line with the payment of Gratuities Act No. 12 of 1983, the liability would have been Rs. 1,237,853,160/-. Hence, there is a contingent liability of Rs. 305,381,934/- which would crystallize only if the Company ceases to be a going concern.

35.3 The key assumptions used by the actuary are disclosed in note 3.17.1 to the financial statements.

35.4 Sensitivity analysis

In order to illustrate the significance of the salary/wage escalation and discount rate used in the actuarial valuation as at 31st March, 2020, the sensitivity analysis has been carried out as follows:

Discount rate	Salary escalation rate	Present value of defined benefit obligation (Rs.)
1% increase	As given in the report	861,167,132
1% decrease	As given in the report	1,014,538,158
As given in the report	1% increase	978,884,521
As given in the report	1% decrease	889,108,566

35.5 Even though the Group's policy for recognizing the gratuity provision is the actuarial valuation, Bogawantalawa Tea Ceylon (Pvt) Ltd (subsidiary) has not adopted the Group's policy and provision for gratuity has been calculated based on the formula method. However, the effect of not applying the actuarial valuation (subsidiary) is not material to the Group as at the date of the statement of financial position.

36. GRANTS AND SUBSIDIES - (GROUP/COMPANY)

Rs.	2019/2020	2018/2019
Balance at the beginning of the year	111,173,873	125,449,514
Grants and subsidies received during the year	2,904,500	11,530,454
Total grants and subsidies available for amortization	114,078,373	136,979,968
Amortization for the year	(14,401,684)	(25,806,095)
Balance at the end of the year	99,676,689	111,173,873

36.1 The above represents the following:

a) **Asian Development Bank – Plantation development project**
The funds received are utilized for rehabilitation (tarring and concreting) of internal roads and minor upgrading of tea factories.

b) **Plantation human development project**
The funds are utilized for reroofing of worker houses, development of workers welfare facilities and improvement of institutional facilities.

c) **The funds received from the Tea Board is for the construction of CTC tea factory at Wanarajah and Kotiyagala grounds**
The amounts spent are capitalized under the relevant classification of property, plant and equipment and the corresponding grant component is reflected under deferred grants and subsidies and is amortized over the useful life span of the asset.

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

Rs.	Group 2019/2020	Group 2018/2019	Company 2019/2020	Company 2018/2019

37. DEFERRED INCOME - (GROUP/COMPANY)

Rs.	Group 2019/2020	Group 2018/2019	Company 2019/2020	Company 2018/2019
Net income from operating rights given to Lalan Rubbers (Pvt) Ltd 37.1	234,532,794	234,532,794	234,532,794	243,914,104
	234,532,794	**234,532,794**	**234,532,794**	**243,914,104**

37.1 Net income from operating rights given to Lalan Rubbers (Pvt) Ltd

Rs.	Group 2019/2020	Group 2018/2019	Company 2019/2020	Company 2018/2019
Gross carrying amount at the beginning of the year	243,914,104	253,295,414	243,914,104	253,295,414
Amortization for the year	(9,381,310)	(9,381,310)	(9,381,310)	(9,381,310)
Net carrying amount at the end of the year	**234,532,794**	**243,914,104**	**234,532,794**	**243,914,104**

38. LEASE LIABILITY

Rs.	Group 2019/2020	Group 2018/2019	Company 2019/2020	Company 2018/2019
Lease liability on right-of-use asset- Land 38.1	1,509,896,019	472,811,858	1,509,896,019	472,811,858
Lease liability on right-of-use asset- Building 38.2	81,850,332	-	–	-
Lease liability on right-of-use asset- Motor vehicles 38.3	25,704,698	30,724,064	25,704,698	29,584,039
	1,617,451,049	**503,535,922**	**1,535,600,717**	**502,395,897**
Payable within one year	14,071,998	18,169,892	9,008,815	17,910,305
Payable after one year	**1,603,379,051**	**485,366,030**	**1,526,591,902**	**484,485,592**

38.1 Lease liability on right-of-use asset - Land

Rs.	Group 2019/2020	Group 2018/2019	Company 2019/2020	Company 2018/2019
Gross liability				
Balance at the beginning of the year	472,811,858	482,921,170	472,811,858	482,921,170
Transition adjustment due to initial application of SLFRS 16	992,796,794	-	992,796,794	-
Accretion of interest	167,205,124	19,316,848	167,205,124	19,316,848
Less : Repayments during the year	(122,917,757)	(29,426,160)	(122,917,757)	(29,426,160)
Balance at the end of the year	**1,509,896,019**	**472,811,858**	**1,509,896,019**	**472,811,858**

38.1.1 The effect of adoption of SLFRS 16 - Leases as at 01 April 2019 - Group

	Lease liability	Right of Use Asset	Retained earning
Balance at the beginning of the year (before intial application of SLFRS 16)	472,811,858	226,209,588	771,220,327
Transferred due to initial application of SLFRS 16	1,077,425,800	1,324,028,070	246,602,270
Adjusted balance at the beginning of the year (at the intial application of SLFRS 16)	**1,550,237,658**	**1,550,237,658**	**1,017,822,597**
The effect of adoption of SLFRS 16 – Leases as at 01 April 2019 – Company			
Balance at the beginning of the year (before intial application of SLFRS 16)	472,811,858	226,209,588	896,802,696
Transferred due to initial application of SLFRS 16	992,796,794	1,239,399,064	246,602,270
Adjusted balance at the beginning of the year (at the intial application of SLFRS 16)	**1,465,608,652**	**1,465,608,652**	**1,143,404,966**

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

38.1.2 Maturity analysis

	Group		Company	
Rs.	2019/2020	2018/2019	2019/2020	2018/2019
Amount payable within one year				
Gross liability	129,538,347	29,426,160	129,538,347	29,426,160
Finance costs allocated to future years	(172,074,516)	(18,912,475)	(172,074,516)	(18,912,475)
Accretion of interest	42,536,169	-	42,536,169	-
Net liability shown under current liabilities	**–**	**10,513,685**	**–**	**10,513,685**
Amount payable after one year and within less than five years				
Gross liability	736,191,462	117,704,640	736,191,462	117,704,640
Finance costs allocated to future years	(929,091,372)	(71,272,816)	(929,091,372)	(71,272,816)
Accretion of interest	192,899,910	-	192,899,910	-
Net liability	**–**	**46,431,824**	**–**	**46,431,824**
Amount payable after five years				
Gross liability	5,123,396,178	625,305,900	5,123,396,178	625,305,900
Finance costs allocated to future years	(3,613,500,159)	(209,439,551)	(3,613,500,159)	(209,439,551)
Net liability	**1,509,896,019**	**415,866,349**	**1,509,896,019**	**415,866,349**
Net liability payable after one year shown under non–current liabilities	**1,509,896,019**	**462,298,173**	**1,509,896,019**	**462,298,173**
Total net liability	**1,509,896,019**	**472,811,858**	**1,509,896,019**	**472,811,858**

Lease instalment for the year 2020/2021 is less than the interest in the amortization schedule within the next twelve months. Therefore, no payment would be made out of the ROU liability within the next twelve months. Hence, no current liability is recognized with regards to the ROU liability.

38.2 Lease liability on right-of-use asset - Building

	Group		Company	
Rs.	2019/2020	2018/2019	2019/2020	2018/2019
Balance at the beginning of the year				
Adjustment on initial application of SLFRs 16	84,629,006	-	-	-
Lease obtained during the year	–	-	-	-
	84,629,006	**–**	**–**	**–**
Payments made during the year	(11,227,560)	-	-	-
Interest charges for the year	8,448,886	-	-	-
Balance as at 31st March 2020	**81,850,332**	**–**	**–**	**–**
Payable within one year	5,063,183	-	-	-
Payable after one year	76,787,149	-	-	-
Balance as at 31st March 2020	**81,850,332**	**–**	**–**	**–**
Lease Liability – Group				
Payable within one year	5,063,183	-	-	-
Payable after one year	1,586,683,168	-	-	-
Balance as at 31st March 2020	**1,591,746,351**	**–**	**–**	**–**

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

38. LEASE LIABILITY (CONTD…)

38.3 Lease liability on right-of-use asset- Motor vehicles

Group

Rs.	2019/2020 Amount repayable within 1 year	Amount repayable within 2 – 5 years	Amount repayable after 5 years	Amount repayable after 1 year	Balance as at 31.03.2020	2018/2019 Amount repayable within 1 year	Amount repayable within 2 – 5 years	Amount repayable after 5 years	Amount repayable after 1 year	Balance as at 31.03.2019
Liability to make lease payments	9,008,815	16,695,883	-	16,695,883	25,704,698	7,656,207	23,067,857	-	8,774,831	30,724,064

38.3.1 Gross liability

Class of asset	Facility number	Description of asset	Name of lease creditor	Terms of repayment per month Rs.	Facility amount Rs.	Balance as at 01.04.2019 Rs.	New leases obtained Rs.	Repayments Rs.	Balance as at 31.03.2020 Rs.	Net carrying value Rs.
Motor vehicles	V/15/003/14815-0	04 Motor bikes	Commercial Bank of Ceylon PLC	64,807	3,110,741	324,038	-	(201,684)	122,354	122,354
	V/16/003/18697	01 Toyota Hilux cab	Commercial Bank of Ceylon PLC	112,544	6,752,621	2,926,135	-	(1,350,524)	1,575,611	1,374,530
	66000201600496900	01 Toyota Hilux cab	Bank of Ceylon	122,352	7,025,100	3,278,380	-	(1,405,020)	1,873,360	1,760,294
	66000201600496100	01 Toyota Hilux cab	Bank of Ceylon	117,085	7,341,120	3,548,207	-	(1,590,576)	1,957,631	1,781,131
	V/14/003/6394	01 Motor lorry	Commercial Bank of Ceylon PLC	57,871	3,472,288	115,742	-	(115,742)	–	-
	V/14/003/12619	01 Motor lorry	Commercial Bank of Ceylon PLC	73,783	4,366,998	1,091,746	-	(1,091,746)	–	-
	15-2018/2019/BC	01 Audi Q7	Metrocorp (Pvt) Ltd	552,634	22,900,000	28,736,960	-	(6,078,972)	22,657,988	17,691,606
	V/19/003/34879	04 Motor bikes	Commercial Bank	94,118	3,499,720	-	4,519,435	(850,916)	3,668,519	2,974,783
						40,021,208	**4,519,435**	**(12,685,180)**	**31,855,463**	**25,704,698**

38.3.2 Finance charges allocated to future years

Class of asset	Facility number	Description of asset	Name of lease creditor	Balance as at 01.04.2019 Rs.	On new leases obtained Rs.	Charge to P & L Off Rs.	Balance as at 31.03.2020 Rs.
Motor vehicles	V/15/003/14815-0	04 Motor bikes	Commercial Bank of Ceylon PLC	7,232	-	(7,232)	-
	V/16/003/18697	01 Toyota Hilux cab	Commercial Bank of Ceylon PLC	430,805	-	(229,724)	201,081
	66000201600496900	01 Toyota Hilux cab	Bank of Ceylon	344,734	-	(231,668)	113,066
	66000201600496100	01 Toyota Hilux cab	Bank of Ceylon	482,906	-	(306,406)	176,500
	V/14/003/6394	04 Motor lorry	Commercial Bank of Ceylon PLC	1,722	-	(1,722)	-
	V/14/003/12619	01 Motor lorry	Commercial Bank of Ceylon PLC	65,744	-	(65,744)	-
	15-2018/2019/BC	01 Audi Q7	Metrocorp (Pvt) Ltd	7,964,002	-	(2,997,620)	4,966,382
	V/19/003/34879	04 Motor bikes	Commercial Bank	-	1,017,952	(324,216)	693,736
				9,297,145	**1,017,952**	**(4,164,332)**	**6,150,765**
Total finance charges allocated to future years				**9,297,145**	**1,017,952**	**(4,164,332)**	**6,150,765**
Net carrying value of liability to make lease payments				**30,724,064**	**3,501,483**	**(8,520,848)**	**25,704,698**

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

Company

Rs.	2019/2020 Amount repayable within 1 year	Amount repayable within 2 – 5 years	Amount repayable after 5 years	Amount repayable after 1 year	Balance as at 31.03.2020	2018/2019 Amount repayable within 1 year	Amount repayable within 2 – 5 years	Amount repayable after 5 years	Repayable after 1 year	Balance as at 31.03.2019
Liability to make lease payments	9,008,815	16,695,883	–	16,695,883	25,704,698	7,396,620	22,187,419	-	22,187,419	29,584,039

34.2.1 Gross liability

Class of asset	Facility number	Description of asset	Name of lease creditor	Terms of repayment per month Rs.	Facility amount Rs.	Balance as at 01.04.2019 Rs.	New leases obtained Rs.	Repayments Rs.	Balance as at 31.03.2020 Rs.	Net carrying value Rs.
Motor vehicles	V/15/003/14815-0	04 Motor bikes	Commercial Bank of Ceylon PLC	64,807	3,110,741	324,036	-	(201,684)	122,352	122,352
	V/16/003/18697	01 Toyota Hilux cab	Commercial Bank of Ceylon PLC	112,544	6,752,621	2,926,135	-	(1,350,524)	1,575,611	1,374,530
	66000201600496900	01 Toyota Hilux cab	Bank of Ceylon	122,352	7,025,100	3,278,380	-	(1,405,020)	1,873,360	1,760,294
	66000201600496100	01 Toyota Hilux cab	Bank of Ceylon	117,085	7,341,120	3,548,207	-	(1,590,576)	1,957,631	1,781,131
	15-2018/2019/BC	01 Audi Q7	Metrocorp (Pvt) Ltd	552,634	22,900,000	28,736,960	-	(6,078,972)	22,657,988	17,691,606
	V/19/003/34879	04 Motor bikes	Commercial Bank of Ceylon PLC	94,118	3,499,720		4,519,435	(850,916)	3,668,519	2,974,783
Total gross liability					**50,629,302**	**38,813,718**	**4,519,435**	**(11,477,692)**	**31,855,461**	**25,704,696**

34.2.2 Finance charges allocated to future years

Class of asset	Facility number	Description of asset	Name of lease creditor	Balance as at 01.04.2019 Rs.	On new leases obtained Rs.	Charge to P & L Rs.	Balance as at 31.03.2020 Rs.
Motor vehicles	V/15/003/14815-0	04 Motor bikes	Commercial Bank of Ceylon PLC	7,232	-	(7,232)	-
	V/16/003/18697	01 Toyota Hilux cab	Commercial Bank of Ceylon PLC	430,805	-	(229,724)	201,081
	66000201600496900	01 Toyota Hilux cab	Bank of Ceylon	344,734	-	(231,668)	113,066
	66000201600496100	01 Toyota Hilux cab	Bank of Ceylon	482,906	-	(306,406)	176,500
	15-2018/2019/BC	01 Audi Q7	Metrocorp (Pvt) Ltd	7,964,002	-	(2,997,620)	4,966,382
	V/19/003/34879	04 Motor bikes	Commercial Bank of Ceylon PLC	-	1,017,952	(324,216)	693,736
Total finance charges allocated to future years				**9,229,679**	**1,017,952**	**(4,096,866)**	**6,150,765**
Net carrying value of liability to make lease payments				**29,584,039**	**3,501,483**	**(7,380,826)**	**25,704,696**

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

Rs.	Group 2019/2020	Group 2018/2019	Company 2019/2020	Company 2018/2019
39. DEFERRED TAX LIABILITY				
Balance at the beginning of the year	196,499,707	195,156,019	196,499,707	195,156,019
Recognised in the statement of comprehensive income	(93,154,637)	(17,518,061)	(93,154,637)	(17,518,061)
Recognised in the statement of other comprehensive income	8,402,236	18,861,748	8,402,236	18,861,748
Balance at the end of the year	**111,747,306**	**196,499,707**	**111,747,306**	**196,499,707**
On temporary difference of property, plant and equipment	396,503,085	402,515,447	396,503,085	402,515,447
On retirement benefit obligation gratuity	(1,032,277,242)	(918,803,295)	(1,032,277,242)	(918,803,295)
On tax loss carried forward	(1,775,622,740)	(1,108,586,684)	(1,775,622,740)	(1,108,586,684)
On biological assets	3,310,248,865	3,124,106,227	3,310,248,865	3,124,106,227
On grants	(99,676,689)	(95,662,361)	(99,676,689)	(95,662,361)
On net lease liability	–	-	(100,656,931)	-
On investment in associate	–	-	99,676,689	-
	799,175,279	**1,403,569,334**	**798,195,037**	**1,403,569,334**
Deferred tax liability	**111,747,306**	**196,499,707**	**111,747,306**	**196,499,707**

Deferred tax assets and liabilities shall be measured based on the tax rates that have been enacted or substantially enacted by the end of the reporting period. In accordance with the Inland Revenue Act No 24 of 2017 effective from 01st April 2018, the Company has used 14% in assessing the deferred tax liability for the current financial year.

Rs.	Group 2019/2020	Group 2018/2019	Company 2019/2020	Company 2018/2019
40. TRADE AND OTHER PAYABLES				
Trade creditors	212,898,450	243,934,891	92,990,042	98,048,254
Payable to bolted workers Note 40.1	99,806,016	99,478,052	99,806,016	99,478,052
Accruals and other payables	495,869,668	431,292,498	374,028,974	390,346,598
	808,574,134	**774,705,441**	**566,825,032**	**587,872,904**

Rs.	2019/2020	2018/2019
40.1 Payable to bolted workers		
Balance at the beginning of the year	99,478,052	90,589,515
Provision made during the year	18,802,571	22,738,033
Payment made during the year	(18,474,607)	(13,849,496)
Balance at the end of the year	**99,806,016**	**99,478,052**

41. AMOUNT DUE TO RELATED PARTIES

Name of the related party	Relationship	Group 2019/2020 Rs.	Group 2018/2019 Rs.	Company 2019/2020 Rs.	Company 2018/2019 Rs.
Metropolitan Resource Holdings Limited	Parent entity	2,097,377	2,097,377	–	-
Bogawantalawa Tea Ceylon (Pvt) Ltd	Subsidiary	–	1,061,849	29,475,436	1,061,849
Ceylon Tea Gardens Limited	Fellow subsidiary	24,144,723	24,374,716	24,144,723	24,374,716
Metrocorp (Pvt) Ltd	Ultimate parent	216,857	40,637,039	216,165	64,984
Walters Bay Bogawantalawa Tea Estates (Pvt) Ltd	Associate	–	98,910	–	98,910
		26,458,957	**68,269,891**	**53,836,324**	**25,600,459**

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

42. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

42.1 Contingent liabilities

The contingencies in respect of pending litigations in Labour Tribunals are not expected to crystallize in a material liability to the Company/Group and no other contingent liabilities exist as at the date of the statement of financial position other than those disclosed in the note 35.2 to the financial statements and circumstances disclosed below:

a) The Company has provided a corporate guarantee on behalf of Bogawantalawa Tea Ceylon (Pvt) Ltd amounting to US $ 1,685,000/- and Rs.25,000,000/- to Commercial Bank of Ceylon PLC.

b) As per the assessment issued to the Company for four cases by the Department of Inland Revenue amounting to Rs.48.4Mn an additional VAT liability would crystallize. Currently two cases are being heard at Court of Appeal and two cases are being heard at the Tax Appeal Commission and final determination are awaited.

42.2 Contingent assets

There were no contingent assets as at the reporting date.

43. UNRECOGNIZED CONTRACTUAL COMMITMENTS

There have been no capital commitments contracted but not provided for, or authorized by the Board but not contracted for, outstanding as at the date of the statement of financial position.

44. RELATED PARTY DISCLOSURES

44.1 Substantial shareholding and ultimate parent company

The Company is a subsidiary of Metropolitan Resource Holdings Limited, which holds 78.45% of ordinary shares of the Company. In the opinion of the directors, the Company's ultimate parent company as at the date of the statement of financial position is Metrocorp (Pvt) Ltd.

44.2 Key management personnel information

The Directors of the Company have interests in the transactions detailed below and some Directors held the post of Director of such related companies during the year. The transactions listed below have been carried out under normal commercial terms.

Mr. D. J. Ambani, Mr. C. M. O. Haglind, Mr. L. J. Ambani, Mr. S. A. S. Jayasundara and Mr. J. Molligoda (resigned w.e.f 10.12.2019), the Directors of the Company are also Directors of the following companies and have had transactions as disclosed in the note 44.3.1 below.

44.3 Related party transactions

The Company has a related party relationship with its related group of companies as disclosed below. The following transactions have been carried out with related parties during the year ended 31st March, 2020 under normal commercial terms.

44.3.1 Transactions with companies in which Directors of the Company hold other directorships

The Company has carried out transactions with entities where the Chairman or a Director of the company is the Chairman or a Director of such entities as detailed below:

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

44.3.1.1 Transactions with immediate parent company and ultimate parent company

Name of parent Company	Name of directors	Nature of transaction	Amount 2019/2020 Rs.	Amount 2018/2019 Rs.
Ultimate parent				
Metrocorp (Pvt) Ltd (MPL)	Mr. D. J. Ambani	Expenses incurred by the Company	1,715,546	844,795
		Funds received against the expenses incurred by the Company	2,496,187	779,810
Immediate parent				
Metropolitan Resource Holdings Limited (MRH)	Mr.D.J. Ambani	Management fees paid (including VAT and NBT)	-	15,699,944
	Mr. L.J.Ambani			
	Mr.C.M.O.Haglind	Settlements of outstanding by MRH	2,980,960	1,016,386
	Mr.S.A.S.Jayasundara			
	Mr. J. Molligoda	Expenses incurred by the Company on behalf of MRH.	1,812,800	1,490,700

44.3.1.2 Transactions with other related companies

Name of the Company	Name of directors	Nature of transaction	Amount 2019/2020 Rs.	Amount 2018/2019 Rs.
Ceylon Tea Gardens Limited (CTGL)	Mr. D. J. Ambani	Expenses incurred by the Company on behalf of CTGL.	229,993	80,164
	Mr. L. J. Ambani			
Bogawantalawa Tea Ceylon (Pvt) Limited (BTC)	Mr. D. J. Ambani Mr. C.M.O. Haglind	Funds received as reimbursement of expenses made by the Company.	249,074,654	593,084,953
	Mr. L. J. Ambani	Expenses incurred by the Company.	257,677,320	683,978,334
	Mr. J. Molligoda			
Office Network (Pvt) Ltd (ONL)	Mr. L. J. Ambani	Expenses incurred by the company on behalf of ONL.	494,104	498,024
		Settlement made by ONL	417,616	634,057
Tea Trails (Pvt) Ltd (TTPL)	Mr. D. J. Ambani	Income received for renting out bungalows (including VAT and NBT)	9,817,336	10,824,748
		Revenue share income (including VAT and NBT)	19,549,343	17,688,410
		Dividend income received from TTPL	11,160,000	4,050,000
		Settlements made by TTPL	10,216,689	10,741,269
Eco Power (Pvt) Ltd (EPPL)	Mr. D. J. Ambani	Revenue share income (including VAT and NBT)	1,170,020	1,776,668
	Mr. L. J. Ambani			
		Settlements made by EPPL	1,527,665	1,612,675
		Expenses incurred by the Company on behalf of EPPL	1,588,225	-
		Lease rental received	178,957	255,000

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

44.3.1.3 Subsidiary – Bogawantalawa Tea Ceylon (Pvt) Ltd

Name of parent Company	Name of directors	Nature of transaction	Amount 2019/2020 Rs.	Amount 2018/2019 Rs.
Metropolitan Resource Holdings Limited	Mr. D. J. Ambani	Expenses incurred by MRH	-	82,471
	Mr. L. J. Ambani			
	Mr. C. M. O. Haglind			
	Mr. J. Molligoda			
Walters Bay Bogawantalawa Tea Estates (Pvt) Ltd (WBTE)	Mr. D. J. Ambani	Expenses incurred on behalf of WBTE	3,480,504	5,060,507
	Mr. J. Molligoda	Purchase of tea on behalf of WBTE	-	4,318
		Royalty fee received from WBTE	53,909,334	42,376,688
		Cash receipts from WBTE	76,083,892	125,922,532
		Tea transfers to WBTE	51,844,406	597,744,365
Metro Corp (Pvt) Ltd (MCL)	Mr. D. J. Ambani	Expenses incurred by the company on behalf of MCL	1,724,264	-
	Mr. J. Molligoda	Loan repayment	39,230,162	

44.3.2 Transactions with key management personnel (KMP) of the Company or parent

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company as well as its related parties, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

a) Loans to Directors

No loans have been given to the directors of the Company and its parent company.

b) Compensation to key management personnel

	Group		Company	
Rs.	**2019/2020**	**2018/2019**	**2019/2020**	**2018/2019**
Short-term employment benefits	19,005,700	24,017,071	19,005,700	24,017,071

c) The group has not incurred any amount as termination benefits or post employment benefits on account of the key managerial personnel during the year.

44.3.3 Amounts receivable and payable to related parties are disclosed in the notes 29 and 41 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

45. OPERATING AGREEMENT WITH LALAN RUBBERS (PVT) LTD

The Company has entered into an operating agreement (OA) with Lalan Rubbers (Pvt) Ltd., (LRL) effective from 19th March, 2003 whereby LRL will operate and manage the rubber division of the Company from 01st April, 2003. Consequently, LRL will meet all capital and operating costs of the rubber division from 01st April, 2003 and will be entitled to keep all revenues obtained by the division from that date.

As per the terms of the operating agreement, a payment of approximately Rs 278.25 million has been made by LRL to Bogawantalawa Tea Estates PLC (BTE PLC) in consideration for the operating rights obtained and of which Rs.120 million has been received in the year 2002/2003. Balance payment was received in three instalments of Rs. 52.75 million each during the years, 2004, 2005 and 2006 respectively.

LRL has also taken over the retiring gratuity liability of employees of the rubber division estimated at Rs.46.8 million (at actuarial value), the capital and future interest payments of the long term loans of Rs.105.3 million payable to the Commercial Bank of Sri Lanka and 48.21 % of the future annual land lease payments that are required to be made by BTE PLC to Janatha Estate Development Board (JEDB) and Sri Lanka State Plantations Corporation (SLSPC) until the terms of these leases expire. Accordingly, the retiring gratuity liability of Rs.46.8 million and the long term loans of Rs.105.3 million have been treated as amounts due from LRL and recognized as income during the year 2002/2003 as LRL has agreed to pay these liabilities on behalf of the Company.

The Secretary, Ministry of Plantation Industries (letter Ref. MP1/9/2/6/9 BPL/SL dated 10th February, 2010 addressed to the company) informed the Company that the golden shareholder has granted covering approval to sub lease the 13 rubber estates which have been transferred to Lalan Rubbers (Pvt) Ltd under the operating agreement in 2003 without prior approval of the golden shareholder. Accordingly, the Company has entered into a sublease agreement with Lalan Rubbers (Pvt) Ltd on 12th February, 2010, and a further payment of Rs. 110 million has been made by Lalan Rubbers (Pvt) Ltd to the Company. However, all the assets and liabilities pertaining to those estates subleased to Lalan Rubbers (Pvt) Ltd continue to be reflected in the books of the company (other than gratuity liability) as this is considered an operating lease.

In addition to the above sub leasing transaction, the Company has entered into another joint venture transaction with LRL based on a MOU during the financial year of 2012/2013 as described below. However, still the approval from the golden shareholder has not been received in this regard as at the date of the statement of financial position.

The Company has entered into the Memorandum of Understanding (MOU) with Lalan Rubbers (Pvt) Ltd, (LRL) effective from 01st October, 2012 and up to 21st June, 2045 whereby LRL will operate and manage a total area of approximately 973 hectares comprising Anhettigama, Miyanawita and Maliboda estates. Consequently, LRL will be responsible for all day to day operations of the properties. However, all the movable assets in the properties shall remain the property of BTE PLC.

As per the terms of the MOU, during the initial period of 5 years of this MOU, LRL shall invest a sum equivalent to rupees three hundred and sixty six million (Rs. 366,000,000/-) for the purpose of developing the properties by tea/ rubber replanting, tea/rubber new planting and undertaking agricultural programs according to the initial plan. For and in consideration of the rights of use granted to LRL in respect of the properties, LRL shall pay to BTE a sum calculated by reckoning the amount payable in respect of the extent of land comprising the properties as a fraction of the total sum of money payable by BTE in terms of the said Indenture bearing No. 1524, as rental for the entirety of the extent of land leased to the BTE by the lessor viz. nine hundred and seventy three (973) hectares out of sixteen thousand two hundred and twenty (16,220) hectares viz:- 973/16,220;

A further sum calculated in the following manner shall be paid by LRL to BTE PLC:

Having deducted the lease rental as aforesaid, if the use of the properties by LRL yields a profit to LRL calculated in accordance with Sri Lanka Accounting Standards and applicable law, a sum equivalent to 45% of the said profit after deducting any previous losses incurred through the use of the properties and a sum equivalent to 25% of the effective tax benefits received by LRL with regard to the capital allowances connected to the project.

46. EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

46.1 COVID-19 Pandemic

The Government identified the plantation sector as an essential service and encouraged the stakeholders to continue their operations during the period of lockdown following strict safety guidelines. The industry established the country's first-ever online tea auction in April 2020. The tea prices improved at the auctions and this behavioral pattern will continue at the same trend. The subsequent operations of the Company i.e. as per interim financial statement as at 30th June 2020, has shown a profit from operations.

In order to meet the challenges created by the COVID -19 Pandemic, the Company has taken recommended actions to mitigate the effect of the COVID -19. Further, the Company will continue to follow guidelines issued by the Government and Health Authorities while focusing on strategic business plans of the Company.

46.2 Share sale and purchase agreement

The Company has entered into a share sale and purchase agreement with Walters Bay International LLC (WBIL) and Walters Bay Tea Estates LLC (WBTE) on 7th July 2020 to offer to sell all shares held in Walters Bay Bogawantalawa Estates (Pvt) Ltd. Accordingly USD 700,000/- will be paid as consideration for the transaction as below through Escrow account maintained at Commercial Bank of Ceylon PLC, Foreign Branch.

Installment 1 15th July 2020 US$ 200,000

Installment 2 15th August 2020 US$ 50,000

Installment 3 15th September 2020 US$ 50,000

Installment 4 15th October 2020 US$ 50,000

Installment 5 15th November 2020 US$ 350,000

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

47. PRICING POLICY

Sales and purchases of goods and services to/from related parties were made at normal trading terms on an arms length basis. Management fee provisions were made as per contractual arrangements.

48. COMPARATIVE INFORMATION

Comparative information of the Company/Group has been reclassified wherever necessary to conform with the current year's presentation/ classification.

48.1 Restatement

Comparative figures and phrases have been rearranged and reclassified wherever necessary to conform with the current year's presentation as mentiond below:

48.1.1 Statement of financial position

Rs.	As disclosed in 2018/2019	As restated in 2018/2019	As disclosed in 2017/2018	As restated in 2017/2018
Investment in associate	-	71,726,559	-	57,454,251
Retained earnings	699,493,767	771,220,327	894,729,883	953,539,093
Statement of comphrensive income	-	14,272,308	-	57,454,251
Statement of changes in equity	1,312,824,275	1,384,550,834	1,482,334,822	1,539,789,073

a) The Company has not recognised the share investment made in Walters Bay Bogawantalawa Estates (Pvt) Ltd as an investment in associate which has been adjusted and comparative figures have been restated accordingly.

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

49. ASSETS PLEDGED

The following assets of the Company/Group have been pledged as collaterals for interest bearing loans obtained by the Company/Group to the respective financial institutions concerned.

49.1 Company

Name of the financial institution/purpose of facility	Nature of the facility	Facility granted Rs.	Balance outstanding as at 31.03.2020 Rs.	Securities pledged
National Development Bank PLC				
Field developments and process improvements LD1127309186	Term loan	113,000,000	-	Mortgage over leasehold rights of Loinorn, Bogawantalawa, Fettereso estates and all movable and immovable assets. A lien over the "Debt Service Reserve Account" (DSRA) maintained with the bank, with a letter of set off in respect thereof. Irrevocable power of Attorney given to the bank in case of an unforeseen event to approach any other broker and obtain proceeds from auctions due to the Company to service the loan.
To finance the cost of establishing green tea factory at Norwood estate	Term loan	40,000,000	-	Mortgage over leasehold rights of Loinorn, Bogawantalawa, Lethenty and Fettereso estates, buildings and machinery thereon.
Field development work of selected estates LD1511954549	Term loan	100,000,000	52,780,800	Mortgage over leasehold rights of estates, buildings and machinery thereon which are already mortgaged to the bank. (Loinorn, Bogawantalawa, Lethenty and Fettereso estates) and mortgage over machinery to be purchased.
Factory modernization loan LD1511923574	Term loan	40,000,000	-	
Commercial Bank of Ceylon PLC				
1) Under plantations sector reform project				
a) For field development and factory modernization	Term loan	17,500,000	-	Primary mortgage bond No.888 dated 30.10.2000 for Rs.37,250,000/- executed over the leasehold rights over the estate namely Norwood.
b) To meet working capital requirements of the tea factories	Term loan	211,947,000	38,856,950	Primary mortgage bond No.888 dated 30.10.2000 for Rs.37,250,000/- executed over the leasehold rights over the estate namely Norwood. Primary mortgage bond No.646 dated 19.09.1997 for Rs.21,200,000/- and secondary mortgage bond No.1085 dated 04.11.1998 for Rs.12,000,000/-executed over the leasehold rights over the estate namely Wanarajah.
c) To meet working capital requirement of the tea factories	Term loan	60,000,000	45,571,960	Mortgage over property of Norwood Estate.
d) For field development and factory modernization	Term loan	200,000,000	166,660,000	

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

Name of the financial institution/purpose of facility	Nature of the facility	Facility granted Rs.	Balance outstanding as at 31.03.2020 Rs.	Securities pledged
Hatton National Bank PLC				
a) Solar Project	Term loan	88,650,000	73,593,000	Mortgage over the income generated through solor project.
b) One off short-term loan for working capital	Term loan	150,000,000	200,000,000	Facility was taken through a board resolution.
Nations Trust Bank				
a) To meet working capital requirement of the tea factories.	Term Loan 1		173,333,333	Mortgage over the income generated through Asia Siyaka Tea broker.
To meet working capital requirement of the tea factories.	Term Loan 2		86,666,667	Mortgage over the income generated through Asia Siyaka Tea broker.

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

49.2 Bogawantalawa Tea Ceylon (Pvt) Ltd - Subsidiary

The following assets have been pledged as security for liabilities.

Name of financial institution	Type of facility/loan	Original facility obtained USD/EURO	Original facility obtained Rs.	Balance outstanding as at 31.03.2020 Rs.	Asset pledged
Commercial Bank of Ceylon PLC	a) Bank overdraft	-	30,000,000	89,042,840	Primary mortgage for Rs.5 Mn over the stocks in trade and other movable assets together with an assignment over book debts executed by the Company
	b) Letter of credit	-	20,000,000	-	
	c) Letters of guarantees	-	20,000,000	31,282,010	Secondary mortgage for USD 850,000 and tertiary mortgage for USD 650,000 over the stocks in trade and other movable assets together with an assignment over book debts executed by the Company
	d) Release of import bills against acceptance facility	-	20,000,000	-	
	e) Packing credit	4,050,437 USD	665,145,170	93,869,904	Quaternary mortgage for USD 500,000/- over the stock in trade and other movable assets together with an assignment over book debts executed by the Company
	f) Term loan	-	69,000,000	86,088,288	
					Fifth mortgage for Rs. 20Mn, Sixth mortgage for Rs.75Mn and Seventh mortgage for Rs.80Mn and supplementary mortgage for Euro1,515,151. Over the stock in trade and other movable assets together with an assignment over book debts executed by the Company.
	g) Short-term loan	-	75,000,000	-	
	h) Export bill purchase facility	-	15,000,000	-	
	i) Long-term loan	1,194,871 Euro	174,958,333	85,321,730	Fifth mortgage for Rs. 20 million, Sixth mortgage for Rs.75 million, Seventh mortgage for Rs.80 million and Supplementary mortgage for Euro 1,515,151 over the stock in trade and other movable assets together with an assignment over book debts executed by the Company. at No.21, Parakrama Road, Mathumagala,Welisara.
	j) Packing credit	1,492,000 Euro	304,368,550	287,702,360	
					Corporate guarantee issued for Rs.25 Mn and USD 1,685,000 by Bogawantalawa Tea Estates PLC
	k) Short-term loan	-	100,000,000	100,000,000	Seventh mortgage bond for Rs.80 M and fifth mortgage for Rs.20 M over the stock in trade and book debts
	i) Finance lease	-	20,988,046	1,140,024	Absolute ownership of asset on finance lease
	m) Short-term loan	-	250,000,000	50,000,000	

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

50. SEGMENTAL ANALYSIS BY PRINCIPAL BUSINESS ACTIVITIES

50.1 Group

	Agriculture				Manufacturing							
	Tea		Rubber		Export market		Local market		Unallocated		Total	
Rs.	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019	2019/2020	2018/2019
50.1.1 Segmental results												
Revenue	2,979,757,512	3,055,841,873	-	-	1,220,725,294	1,155,406,641	193,117,706	270,879,255	-	-	4,393,600,512	4,482,127,770
Cost of sales	(3,232,879,626)	(2,987,023,282)	-	-	(1,004,546,757)	(935,636,758)	(156,381,627)	(192,555,939)	-	-	(4,393,808,010)	(4,115,215,979)
Gross profit	**(253,122,114)**	**68,818,591**	**–**	**–**	**216,178,537**	**219,769,883**	**36,736,079**	**78,323,316**	**–**	**–**	**(207,498)**	**366,911,791**
Add: Gain on fair value of consumable biological assets	-	-	-	-	-	-	-	-		127,715,927	-	127,715,927
Other income	58,689,518	29,584,140	-	-	2,031,412	365,496	3,585,634	3,607,675	120,442,994	166,428,991	184,749,558	199,986,302
Less: Distribution expenses	-	-	-	-	(65,557,529)	(43,685,675)	(18,925,281)	(44,328,675)	-	-	(84,482,810)	(88,014,350)
Administration expenses	-	-	-	-	(97,076,996)	(111,518,887)	(33,477,806)	(54,455,239)	(178,356,597)	(240,038,600)	(308,911,399)	(406,012,726)
Net finance expenses	-	-	-	-	(56,346,079)	(51,332,533)	(27,808,826)	(35,278,537)	(334,275,901)	(138,390,490)	(418,430,806)	(225,001,560)
Profit/(loss) before taxation	**(194,432,596)**	**98,402,731**	**–**	**–**	**(770,655)**	**13,598,284**	**(39,890,200)**	**(52,131,460)**	**(250,189,565)**	**(84,284,172)**	**(485,283,016)**	**(24,414,616)**
Less: Taxation	-	-	-	-	4,814,908	-	-	-	93,154,637	(6,894,820)	97,969,545	(6,894,820)
Net profit/(loss) for the year	**(194,432,596)**	**98,402,731**	**–**	**–**	**4,044,253**	**13,598,284**	**(39,890,200)**	**(52,131,460)**	**(157,034,928)**	**(91,178,992)**	**(387,313,471)**	**(31,309,436)**
50.1.2 Segment assets												
Non-current assets	3,120,332,519	2,174,670,925	930,093,860	402,223,164	293,519,529	272,931,964	9,654,888	16,301,790	1,523,422,729	1,595,153,137	5,877,023,525	4,461,280,980
Current assets	434,363,604	582,472,808	75,748	75,748	531,784,690	636,302,453	111,843,603	110,613,152	577,291,097	109,218,800	1,655,358,742	1,438,682,961
	3,554,696,123	**2,757,143,733**	**930,169,608**	**402,298,912**	**825,304,219**	**909,234,417**	**121,498,491**	**126,914,942**	**2,100,713,826**	**1,704,371,937**	**7,532,382,267**	**5,899,963,941**
50.1.3 Segment liabilities												
Non-current liabilities	974,215,601	856,111,657	-	-	131,240,560	64,761,588	11,272,804	3,270,078	3,161,369,963	1,314,440,361	4,278,098,928	2,238,583,684
Current liabilities	565,243,536	329,529,761	-	-	604,557,031	808,404,720	238,016,271	256,959,680	664,384,466	881,935,260	2,072,201,304	2,276,829,420
	1,539,459,137	**1,185,641,418**	**–**	**–**	**735,797,591**	**873,166,308**	**249,289,075**	**260,229,758**	**3,825,754,429**	**2,196,375,621**	**6,350,300,232**	**4,515,413,104**
50.1.4 Segmental expenses												
50.1.4.1 Capital expenditure	**188,096,769**	**237,131,142**	**–**	**–**		**4,354,109**	**11,280**	**2,106,386**	**44,740,584**	**192,722,785**	**232,848,633**	**436,314,422**
50.1.4.2 Depreciation/amortization	**208,664,332**	**91,595,853**		**35,625,601**	**72,015,472**	**41,659,861**	**3,317,677**	**4,594,061**	**14,355,919**	**14,355,919**	**298,353,400**	**187,831,295**

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

50. SEGMENTAL ANALYSIS BY PRINCIPAL BUSINESS ACTIVITIES (CONTD….)

50.2 Company

Rs.	Tea 2019/2020	Tea 2018/2019	Rubber 2019/2020	Rubber 2018/2019	Unallocated 2019/2020	Unallocated 2018/2019	Total 2019/2020	Total 2018/2019
50.2.1 Segmental results								
Revenue	2,979,757,512	3,055,841,873	–	-	–	-	2,979,757,512	3,055,841,873
Cost of sales	(3,232,879,626)	(2,987,023,280)	–	-	–	-	(3,232,879,626)	(2,987,023,280)
Gross profit/(loss)	**(253,122,114)**	**68,818,593**	**–**	**–**	**–**	**–**	**(253,122,114)**	**68,818,593**
Add : Gain on fair value of consumable biological assets	–	-	–	-	141,999,939	127,715,927	141,999,939	127,715,927
Other income	58,689,518	29,584,140	–	-	120,442,994	166,428,991	179,132,512	196,013,131
Less: Unallocated expenses	–	-	–	-	(573,832,498)	(378,429,090)	(573,832,498)	(378,429,090)
Profit/(loss) before taxation	**(194,432,596)**	**98,402,733**	**–**	**–**	**(311,389,565)**	**(84,284,172)**	**(505,822,161)**	**14,118,561**
Less : Taxation	–	-	–	-	93,154,637	17,518,061	93,154,637	17,518,061
Net profit/(loss) for the year	**(194,432,596)**	**98,402,733**	**–**	**–**	**(218,234,928)**	**(66,766,111)**	**(412,667,524)**	**31,636,622**
50.2.2 Segmental assets								
Non-current assets	3,120,332,519	2,174,670,925	930,093,860	402,223,164	1,585,072,357	1,623,488,784	5,635,498,736	4,200,382,873
Current assets	434,363,604	582,472,808	75,748	75,748	753,320,011	199,542,769	1,187,759,363	782,091,325
	3,554,696,123	**2,757,143,733**	**930,169,608**	**402,298,912**	**2,338,392,368**	**1,823,031,553**	**6,823,258,099**	**4,982,474,198**
50.2.3 Segmental liabilities								
Non-current liabilities	974,215,601	856,111,657	–	-	3,161,369,963	1,314,440,361	4,135,585,564	2,170,552,018
Current liabilities	565,243,536	329,529,761	–	-	839,794,969	972,259,237	1,405,038,505	1,301,788,997
	1,539,459,137	**1,185,641,418**	**–**	**–**	**4,001,164,932**	**2,286,699,598**	**5,540,624,069**	**3,472,341,015**
50.2.4 Segmental expenses								
50.2.4.1 Capital expenditure	**188,096,769**	**215,979,374**	**–**	**–**	**40,340,883**	**47,953,384**	**228,437,652**	**263,932,758**
50.2.4.2 Depreciation/Amortization	**91,595,853**	**101,520,575**	**35,625,601**	**35,625,601**	**14,355,919**	**18,780,722**	**141,577,373**	**155,926,898**

NOTES TO THE FINANCIAL STATEMENTS *Contd.*

51. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount with which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced liquidation or sale.

Set out below are,

i. Classes of financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value and,

ii. The carrying amounts of these financial assets and liabilities which are a reasonable approximation of fair values, either due to their short-term nature or because they are floating rate instruments that were re-priced to market interest rates on or near the reporting date.

The fair values of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair values are as follows:

	2019/2020				2018/2019			
	Group		Company		Group		Company	
Rs.	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets								
Trade and other receivables	572,675,852	572,675,852	245,637,306	245,637,306	605,782,758	605,782,758	211,156,297	211,156,297
Amount due from related parties	18,771,371	18,771,371	178,341,492	178,341,492	44,577,584	44,577,584	95,312,371	95,312,371
Cash and cash equivalents	120,267,063	120,267,063	95,936,108	95,936,108	47,992,715	47,992,715	35,465,965	31,059,266
	711,714,286	**711,714,286**	**519,914,906**	**519,914,906**	**698,353,057**	**698,353,057**	**341,934,633**	**337,527,934**
Financial liabilities								
Trade and other payables	808,574,134	808,574,134	566,825,032	566,825,032	774,705,441	774,705,441	587,872,904	587,872,904
Amounts due to related parties	26,458,957	26,458,957	53,836,324	53,836,324	68,269,891	68,269,891	25,600,460	25,600,460
Dividend payable	211,320	211,320	211,320	211,320	211,795	211,795	211,795	211,795
Short-term borrowings	434,639,910	434,639,910	–	–	531,567,264	531,567,264	-	-
Bank overdrafts	301,029,997	301,029,997	294,494,504	294,494,504	358,414,804	358,414,804	269,371,960	269,371,960
Interest bearing borrowings - Current portion	487,214,988	487,214,988	480,662,510	480,662,510	525,490,333	525,490,333	400,821,573	400,821,573
Interest bearing borrowings - Non-current portion	400,013,699	400,013,699	356,800,200	356,800,200	361,894,759	361,894,759	315,153,500	315,153,500
	2,458,143,005	**2,458,143,005**	**1,752,829,890**	**1,752,829,890**	**2,620,554,287**	**2,620,554,287**	**1,599,032,192**	**1,599,032,192**

TEN YEAR SUMMARY

Company - Bogawantalawa Tea Estates PLC

Period	**2010/11**	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19'**	**2019/20'**
Trading Results	**Rs.000**	**Rs .000**	**Rs .000**	**Rs .000**	**Rs .000**	**Rs .000**	**Rs .000**	**Rs .000**	**Rs .000**	**Rs .000**
Turnover	3,080,590	2,253,813	2,646,370	2,763,788	2,824,297	2,820,868	2,809,814	3,436,635	3,055,841	**2,979,757**
Gross Profit	291,644	(300,051)	263,142	1,351	(7,460)	(9,711)	158,861	438,082	68,818	**(253,122)**
Financing Cost	(125,670)	(88,909)	(74,360)	(70,540)	(67,309)	(73,563)	(113,604)	(117,965)	(138,390)	**(334,275)**
Profit & (Loss) for the Period / Total Comprehensive income for the year, net of tax	118,132	(365,244)	286,801	(41,039)	74,983	110,228	207,592	220,502	(132,817)	**(474,101)**
Operating Ratios										
Operating Profit Margin	9.47	(13.31)	9.94	0.05	(0.26)	(0.34)	5.65	12.75	2.25	**(8.49)**
Turnover per Employee (Rs.)	291,033	239,844	281,170	283,148	301,644	303,940	328,441	419,255	378,620	**369.19**
Return on Share Holders Funds %	11.13	(52.75)	29.38	(4.43)	7.45	9.88	15.68	14.28	(9.23)	**(36.96)**
Fixed Asset Turnover Ratio	1.23	0.85	0.96	0.93	0.90	0.86	0.80	0.90	0.74	**0.53**
Assets & Liabilities										
Property plant & Equipment	2,512,908	2,665,198	2,770,248	2,965,796	3,126,811	3,298,024	3,522,054	3,798,988	4,128,656	**5,635,498**
Investment	82,836	46,853	46,674	78,300	78,300	78,300	78,300	78,300	108,786	**204,571**
Current Assets	930,910	662,958	741,437	663,294	682,524	692,429	613,277	709,523	782,091	**1,187,759**
Creditors - Falling Due within one year	(573,529)	(597,569)	(528,306)	(630,803)	(764,990)	(758,116)	(993,874)	(1,092,337)	(1,301,788)	**(1,405,038)**
Working Capital	357,381	65,389	213,131	32,491	(82,466)	(65,687)	(380,597)	(382,815)	(519,697)	**(217,279)**
Non Current & Deferred Liabilities	(1,329,987)	(1,544,079)	(1,350,380)	(1,393,907)	(1,282,707)	(1,382,492)	(1,155,614)	(1,240,792)	(1,351,227)	**(3,203,114)**
Provision for terminal benefits	(561,930)	(729,897)	(703,364)	(677,486)	(780,411)	(733,660)	(662,201)	(631,237)	(819,325)	**(932,471)**
Financial Ratios										
Current Ratio	1.62	1.11	1.40	1.05	0.89	0.91	0.62	0.65	0.60	**0.85**
Fixed Assets to Current Assets (times)	2.70	4.02	3.74	4.47	4.58	4.76	5.74	5.35	5.28	**4.74**
Interest Cover	1.949	(3.112)	5.214	0.448	2.772	1.048	1.868	4.109	0.999	**(0.513)**
Production (In '000 Kgs./ Nuts)										
Tea	9,296	6,886	6,998	6,210	6,274	6,310	5,207	5,459	5,172	**5,228**
Rubber										
Coconut										
Investors Ratios										
Price Earnings Ratio	13.56	(2.32)	3.36	(18.98)	7.75	232.65	7.05	8.19	51.90	**(1.81)**
Earnings per Share	1.46	-4.53	3.42	(0.49)	1.42	0.04	1.12	1.95	0.21	**(4.93)**
Dividend Rate %										
Dividend per Share										
Net Asset Value per Share (Rs.)	12.67	8.63	11.66	11.07	11.96	13.28	15.80	18	17.18	**15.32**
Market Price	19.80	10.5	11.5	9.3	11	9.6	7.9	16	10.9	**9**
Equity to Assets %	30.10	19.51	27.73	25.92	26.41	27.97	32.00	34.25	29.29	**18.80**
Equity										
Stated Capital	586,250	586,250	586,250	586,250	586,250	586,250	586,250	586,250	586,250	**586,250**
Retained Earning	474,958	56,186	390,058	340,644	419,975	529,935	737,391	957,894	852,156	**696383**
Proposed Dividend										
Total Equity	1,061,208	692,436	976,308	926,894	1,006,225	1,116,185	1,323,641	1,544,144	1,438,406	**1,282,633**
EBIT	244,893	(276,671)	387,698	31,575	186,565	77,127	212,263	484,727	138,237	**(171,546.26)**
PBT	119,222,100	(365,611,737)	313,336,815	(38,965,033)	119,255,421	3,562,975	94,298,243	366,762,613	(153,747)	**(505,822,161)**
Int cost	125,670,551	88,940,479	74,360,857	70,540,065	67,309,807	73,563,994	117,964,518	117,964,518	138,390,491	**334,275,901**
EBIT	244,892,651	(276,671,258)	387,697,672	31,575,032	186,565,228	77,126,969	212,262,761	484,727,131	138,236,744	**(171,546,260)**

CORPORATE INFORMATION

Name of the Company
Bogawantalawa Tea Estates PLC

Date of incorporation
22nd June 1992

Company Registration No.
PQ 124

Legal Form
Quoted Public Company

Stock Exchange Listing
The ordinary shares of the company are listed on the Stock Exchange in Sri Lanka

Directors
Mr. D J Ambani (Co-Chairman)
Mr L J Ambani (Co-Chairman)
Mr C M O Haglind
Mr L H Munasinghe
Mr D A de Silva Wickramanayake
Mr S A S Jayasundara
Mr G V M Nanayakkara

Secretaries and registrars
P W Corporate Secretarial (Pvt) Ltd
No 3/17, Kynsey Road, Colombo 08.
Telephone : 4 897 711 / 4 897 722
Fax : 4 740 588 E mail : pwcs@pwcs.lk

Registered Office :
No 153, Nawala Road, Narahenpita,
Colombo-05, Sri Lanka
Telephone : 2 510 100 Fax 2 510 178
E mail : info@bpl.lk

Auditors
BDO Partners
Chartered Accountants
65/2, Sir Chittampalam A Gardiner Mawatha
Colombo 2.

Bankers
Commercial Bank of Ceylon PLC
National Development Bank
HNB Bank
Sampath Bank
Bank of Ceylon
DFCC Bank
Seylan Bank

FORM OF PROXY

I/We the undersigned ....NIC No.......................................

of ....

being a member/s* of Bogawantalawa Tea Estates PLC hereby appoint:

Mr. Dinesh Jamnadas Ambani	of Colombo or failing him*
Mr. Lalithkumar Jamnadas Ambani	of Colombo or failing him*
Mr. Carl Michael Oscarsson Haglind	of Sweden or failing him*
Mr. Don Ariyaseela De Silva Wickramanayake	of Colombo or failing him *
Mr. Sudath Ajitha Samaradivakara Jayasundara	of Colombo or failing him *
Mr. Gerard Victor Maurice Nanayakkara	of Colombo or failing him *
Mr. Lalith Hemantha Munasinghe	of Colombo or failing him *

....of

....

my/our * Proxy to vote as indicated hereunder for me/us* and on my/our* behalf at the Twenty Seventh Annual General Meeting of the Company to be held on 4th December 2020 and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof:

	For	Against
Resolution 1 To re-elect Mr. D J Ambani who retires by rotation in terms of Article No. 89 & 90 of the Articles of Association of the Company, as a Director.	◯	◯
Resolution 2 To re-elect Mr. L J Ambani who retires by rotation in terms of Article No. 89 & 90 of the Articles of Association of the Company, as a Director.	◯	◯
Resolution 3 To pass the ordinary resolution as set out in the Notice to re-appoint Mr. G V M Nanayakkara who is over 70 years of age, as a Director of the Company;	◯	◯
Resolution 4 To pass the ordinary resolution as set out in the Notice to re-appoint Mr. D A de S Wickramanayake who is over 70 years of age, as a Director of the Company;	◯	◯
Resolution 5 To authorise the Directors to determine donations for the ensuing year.	◯	◯
Resolution 6 To re-appoint Messrs. BDO Partners Chartered Accountants as Auditors of the Company and authorise the Directors to determine their remuneration.	◯	◯

In witness my/our* hands this .... day of .... Two Thousand and Twenty.

* Please delete the inappropriate words.

Instructions as to completion appear on the reverse.

....
Signature of Shareholder/s

INSTRUCTIONS AS TO COMPLETION

1. The full name, National Identity Card number and the registered address of the shareholder appointing the Proxy and the relevant details of the Proxy should be legibly entered in the Form of Proxy which should be duly signed and dated.

2. The Proxy shall –

   (a) In the case of an individual be signed by the shareholder or by his/her attorney, and if signed by an Attorney, a notarially certified copy of the Power of Attorney should be attached to the completed Proxy if it has not already been registered with the Company.

   (b) In the case of a company or corporate / statutory body either be under its Common Seal or signed by its Attorney or by an Officer on behalf of the company or corporate / statutory body in accordance with its Articles of Association or the Constitution or the Statute (as applicable).

3. Please indicate with a 'X' how the Proxy should vote on each resolution. If no indication is given, the Proxy in his/her discretion will vote as he/she thinks fit.

4. To be valid, the completed Form of Proxy must be deposited with the Company Secretaries, P W Corporate Secretarial (Pvt) Ltd at No. 3/17, Kynsey Road, Colombo 08, Sri Lanka or must be emailed to bopl.pwcs@gmail.com before the time fixed for the meeting.

Designed and produced by
'C+' designs

Bogawantalawa Tea Estates PLC.,
153, Nawala Road, Narahenpita, Colombo 05,
Sri Lanka.
Telephone : +94 11 2510100 | Fax : +94 11 2510178 | E mail : info@bpl.lk
www.bogawantalawa.com