Madulsima
PLANTATIONS PLC
A MEMBER OF MELSTACORP

Annual Report 2020

Content

Our Vision

To be a trend setter to the Plantation Industry by being a result oriented innovative Tea Company.

Our Mission

To manage the Plantations as economically viable units and ensure the enhancement of their agro economically value.

To improve the Socio Economic Conditions of the Workers.

To enhance returns to the Shareholders.

To become the best managed World Class Tea Company reputed for quality.

Historical Background

The Company was originally incorporated as Madulsima Plantations Ltd on 22nd June 1992 by Certificate of Incorporation issued in terms of Section 15 (1) of the Company's Act No. 17 of 1982 read with Section 2 (2) of the Conversion of Public Corporation or Government owned business undertakings into Public Company's Act No. 23 of 1987 and the order published in the Gazette Extra Ordinary of the Democratic Socialist Republic of Sri Lanka dated 22nd June 1992. The Company was thereafter re-registered under the Company's Act No. 07 of 2007 as Company No PQ 184 and a fresh Certificate of Incorporation issued under the provision of Section 485 (6) of the Company's Act No. 7 of 2007 with the corporate name changed by operation of law to Madulsima Plantations PLC .

The first tranche of 51% (10.2 Mn. shares) of the issued share capital of the Company was sold by the Secretary to the Treasury through the Colombo Stock Exchange on an "all or nothing" basis and was purchased by Stassen Exports Limited in February 1996.

The convertible Debentures of Rs.90 Mn. issued in February 1996 to Distilleries Company of Sri Lanka were converted to 9 Mn. ordinary shares on 30th November 1998 and were issued to the holder.

As per decision of the Government 10% (2 Mn. shares) of the shares of the Company belonging to the Secretary to the Treasury on behalf of the Government were distributed among the employees of the Company.

20% (4 Mn. shares) of the shares of the Company belonging to the Secretary to the Treasury on behalf of the Government were sold to the public through the Colombo Stock Exchange.

16,949,673 shares belonging to the main shareholder, Stassen Exports (Pvt) Ltd were purchased by related party Melstacorp PLC on 22nd September 2017.

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Twenty Eighth Annual General Meeting of **MADULSIMA PLANTATIONS PLC** will be held as a virtual meeting at the "Mini Auditorium" Distilleries Company of Sri Lanka PLC # 110, Norris Canal Road, Colombo 10, Sri Lanka on Thursday, 29th July 2021 at 10.00 a.m. for the following purposes :

1) To receive and consider the Report of the Directors and the Financial Statements of the Company for the year ended 31st December 2020 together with the Auditors' Report thereon.

2) To re-elect Mr D H S Jayawardena who is over 70 years as a Director of the Company in terms of Sections 210 and 211 of the Companies Act No. 7 of 2007.

3) To re-elect Dr N M Abdul Gaffar who is over of 70 years as a Director of the Company in terms of Sections 210 and 211 of the Companies Act No. 7 of 2007.

4) To re-elect Dr A Shakthevale who is over of 70 years as a Director of the Company in terms of Sections 210 and 211 of the Companies Act No. 7 of 2007.

5) Mr D S K Amarasekera who retires by rotation at the Annual General Meeting in terms of Article 92 of the Articles of Association as a Director of the Company.

6) To authorize the Directors to determine the remuneration of the Auditors, Messrs KPMG who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No. 07 of 2007.

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

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

By Order of the Board of Directors

Sgd.
Pradeep A Jayatunga
Company Secretary

11th June 2021
Colombo

Note:

1. In the interest of protecting public health and facilitating compliance with the Health and Safety guidelines issued by the Government of Sri Lanka, the Twenty Eighth (28th) Annual General Meeting of Madulsima Plantations PLC will be a virtual meeting held by participants joining in person or proxy and through audio or audio visual means int eh manner specified below:

   i) Attendance of the Chairman and the Board of Directors
   The Chairman/Managing Director, Board of Directors certain Key Management Personnel, the Company Secretary, and the External Auditors will be present at the "Mini Auditorium" Distilleries Company of Sri Lanka PLC, # 110, Norris Canal Road, Colombo 10, Sri Lanka at 10.00 a.m. on Thursday, 29th July 2021

   ii) Shareholder participation

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

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

Notice of Meeting

c. The shareholders who wish to participate at the meeting will be able to join the meeting through audio or audio visual means. To facilitate this process, the shareholders are required to furnish the details of the shareholder and proxy holder, if any, by perfecting ***Annexure II*** to the circular to shareholders and forward same to Company Secretary via **bplmplcompanysecretary@gmail.com** or by facsimile on +94 11 254033, to reach the Secretary **not less than five (05) days before the date of the meeting** so that the meeting login information could be forwarded to the e.mail address as provided. The circular to the shareholders will be posted to all the shareholders along with the Notice of Meeting and the Form of Proxy.

d. To facilitate the appointment of proxies, the Form of Proxy is attached hereto and the duly filled Form of Proxy should be sent to reach the Company Secretary via e.mail **bplmplcompanysecretary@gmail.com** or facsimile on +94 11 254033 or by post to the Registered Office of the Company, Madulsima Plantations PLC, #833, Sirimavo Bandaranayake Mawatha, Colombo 14, Sri Lanka **not less than forty – eight (48) hours before the time fixed for the meeting.**

iii. Shareholders' queries
The shareholders are hereby advised that if they wish to raise any queries, such queries should be sent to reach the Company Secretary, via e.mail to **bplmplcompanysecretary@gmail.com** or facsimile on + 94 11 254033 or by post to the Registered Office of the Company, Madulsima Plantations PLC, # 833, Sirimavo Bandaranayake Mawatha, Colombo 14, Sri Lanka **not less than Five (05) days before the date of the meeting.** This is in order to enable the Company Secretary to compile the queries and forward same to the attention of the Board of Directors so that same could be addressed at the meeting.

2. The Annual Report of the Company for the year 2020 will be available for perusal of the Company website **http://melsta.com/our-core-sectors/plantations-services** and the Colombo Stock Exchange website on **www.cse.lk**

If you wish to receive a printed copy of the Annual Report for the year ended 2020, please complete and forward us the Form of Request attached hereto ***(Annexure 1)*** by post to the registered address of the Company, Madulsima Plantations PLC, # 833, Sirimavo Banda-ranayke Mawatha, Colombo 14, Sri Lanka or e.mail **bplmplcompanysecre-tary@gmail.com** or facsimile + 94 11 2540333.

Corporate Information

Company Name
Madulsima Plantations PLC

Legal Form of the Company
Public Quoted

Registration No.
P Q 184

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

Registered Office
833, Sirimavo Bandaranayke Mawatha,
Colombo 14.

Board of Directors

Mr. D. H. S. Jayawardena	-	Chairman/MD
Dr. N. M. Abdul Gaffar	-	Non Ex Director
Mr. D. Hasitha S Jayawardena	-	Non Ex Director
Dr. A. Shakthevale	-	Ind. Director
Mr. D. S. K. Amarasekera	-	Ind. Director

Company Secretary
Mr. P. A. Jayatunga

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

Registrars
Messrs P W Corporate Secretarial (Pvt) Ltd
#3/17, Kensey Road,
Colombo 08,
Sri Lanka.

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

Standard Chartered Bank – Fort Branch
P O Box 112,
Colombo 01,
Sri Lanka.

Bank of Ceylon
Bank Road,
Badulla,
Sri Lanka.

Commercial Bank of Ceylon PLC-Foreign Branch
21, Sir Razik Fareed Mawatha
P O Box 856,
Colombo 01,
Sri Lanka.

Management Team

HEAD OFFICE - COLOMBO

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

HEAD OFFICE - BADULLA

Chief Executive Officer	Mr. M. A. Fernando
Manager Operations (w.e.f. 02.03.2021)	Mr. L. G. Sudantha Wijerathna
Financial Controller	Mr. D. M. Samantha K. Dissanayake
Accountant	Mr. C. Bathmanathan

COMPANY SECRETARIAL & LEGAL DIVISION

Company Secretary/Legal Officer	Mr. Pradeep Jayatunga

ESTATE MANAGERS

MADULSIMA REGION

Name of Superintendent	Name of Estate
Mr. W. M. T. C. Wedisinghe	Battawatte Estate
Mr. C. Senevirathne	Cocogalla Estate
Mr. G. I. Senarath	El-Teb Estate
Mr. W. M. A. P. Jayathilaka	Galloola Estate
Mr. N. Randeniya (w.e.f.01.04.2021)	Mahadowa Estate
Mr. K. D. Senerath	Roebery Estate
Mr. W. M. H. E. Wijerathne	Uvakellie Estate
Mr. M. A. Ratnadason	Verellapatna Estate

BOGAWANTALA REGION

Name of Superintendent	Name of Estate
Mr. A. S. A. Madena	Kew Estate
Mr. N. P. Liyanage	Kirkoswald Estate
Mr. N. P. Sudarshan	Theresia Estate
Mr. I. A. Bogahawatte	Venture Estate

Chairman's Review

On behalf of the Board of Directors of Madulsima Plantations PLC, I am pleased to present the Annual Report and Audited Financial Statements of the Company for the year 2020.

The company recorded a strong turnaround performance for the 2020 financial year amidst many socio- economic challengers with the Covid -19 pandemic that prevailed during the year under review.

Company Performance

The company earned a total revenue of Rs. 2.83 Bn. for the year compared to 2.00 Bn. in 2019. For the year 2020 the company recorded an operational profit before finance cost and taxation of Rs. 186 Mn., and after tax loss of Rs. 201 Mn., when compared with the previous year's operational loss before finance cost and taxation of Rs. 435 Mn., and after tax loss of Rs. 764 Mn..

Profit/ (Loss) Rs. (Mn)		
	2020	2019
Profit/(Loss) from Operation	186	(435)
Net Finance Cost	(318)	(346)
Income Tax Benefit/(Expense)	(69)	17
Loss after Taxation	(201)	(764)

Improved tea prices with lower cost of production per kilogram, along with reduced finance cost have primarily contributed to remarkably outperform the last year's financial results.

Company Performance	2020	2019	2018	2017	2016
Production ('000kg)	5,084	4,119	4,144	4,412	4,475
Yield (kg/ha)	1,077	900	847	860	914
Revenue (Rs.Mn)	2,832	2,007	2,144	2,605	1,842
Gross Sale Average (Rs./ Kg.)	549.46	474.11	526.77	568.62	425.38
Net Sale Average (Rs./ Kg.)	539.11	464.90	531.59	572.39	426.67
COP (Rs. / Kg.)	649.46	720.37	679.75	623.44	524.13
Profit / (Loss) (Rs. / Kg.)	(110.35)	(255.47)	(148.16)	(51.05)	(97.46)

During the year, the Company achieved an all-time high production volume of 5.084 Mn. kg after Five years, even though the tea industry plunged into an all-time low production after 23 years. The bounce back of higher production volumes is a result of the company rightly investing in the upliftment of its agricultural standards, factory production expansion and equipment upgrading programs. This will place the Company in a stronger and more sustainable future.

Sri Lanka Elevation Average (Rs. Per Kg)

Elevation Average (Rs. Per Kg)					
	2020	2019	2018	2017	2016
High	593.89	515.87	574.70	606.95	457.58
Medium	562.77	476.47	520.36	563.43	420.67
Low	682.61	588.07	601.56	638.23	487.16
National	645.01	556.53	582.98	620.17	470.85

Chairman's Review

The National auction prices have increased by Rs. 88.48 compared to 2019. The sale average (GSA) of the company for tea in year 2020 increased to Rs. 549.46 per kilo from 474.11 per kilo recorded in year 2019, which is an increase of Rs. 75.35 per kilo.

The Board of Directors took very drastic steps to mitigate the losses by introducing several reforms and making many changes to the grassroot level and have taken steps to stop leakage of tea with the results are coming. This year's production is the highest for the last 05 years. Yield is also the highest for the last 05 years and Revenue also the highest for the last 05 years. With the co-operation of all staff, these figures are reached, and the management hope next year with these prices and more productivity and taking many agricultural corrections, we can pay dividend to the shareholders. Management has also taken steps to diversify the crops with more cinnamon and more cardamom and rehabilitated all these abandoned estates and brought back to production.

We look forward to a new financial year with utmost confidence and firm dedication.

Dividends

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

Acknowledgement

On behalf of the Board of Directors I wish to thank the Buyers, Brokers and Suppliers for their patronage. I would also like to acknowledge the dedication, commitment and loyalty of the Management team, Executives, Staff and Workers of the Company in carrying out their tasks.

I thank each and every one our stakeholders for their excellent service.

Sgd.
D. H. S. Jayawardena
Chairman/ Managing Director
Madulsima Plantations PLC.
11th June 2021

Board of Directors

MR. D. H. S. JAYAWARDENA
Chairman/Managing Director

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

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

Managing Director
Stassen Real Estate Developers (Pvt) Ltd

Director
Stassen Plantation Management Services (Pvt) Ltd., Melsta Gama (Pvt) Ltd., Hospital Management Melsta (Pvt) Ltd., DCSL Brewery (Pvt) Ltd

Others
Consul General for Denmark in Sri Lanka

DR. N. M. A. GAFFAR
Director

PHD. (London), MSc. (London), Dip. In Bio.Chem ENG (U.C. London), BSc. Chemistry Hons (SL)

Dr. N. M. Abdul Gaffar was the Head of the Technology Division of the Tea Research Institute of Sri Lanka before he joined Stassen Exports Limited as a Director in January 1982 and has been in charge of the Stassen Green Tea Project, the pioneer commercial Green Tea Project of Sri Lanka, since its inception. He has been involved in the Organic Tea Project of Stassen Natural Foods (Pvt) Ltd., which is the pioneer organic tea project of Sri Lanka and the first certified organic tea project of the world. He is a Director of Stassen Plantation Management Services (Pvt) Ltd. He is also a Director of Bogo Power (Pvt) Ltd., and is in charge of the development of its 4 MW Kirkoswald Mini Hydro Project.

MR. D. HASITHA S. JAYAWARDENA
Non Executive Director

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

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

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

Board of Directors

DR. A. SHAKTHEVALE

Independent Non - Executive Director

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

Director

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

MR. D. S. K. AMRASEKERA

Independent Non - Executive Director

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

Director

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

Sustainability Report

Sustainability Report

In achieving corporate sustainability, we have placed high value in identifying the various dimensions of our business and how they operate in the social, cultural and economic environment. We attempt to look internally and externally to understand our environment and its social impact. We are looking closer than ever at how and with whom we work around the world.

More than ever, we know that our role in sustainable agriculture plays a critical role in our survival, our success as a going concern and in our future progress. Amidst threatening global challenges for our produce, to remain competitive we realize that we need to reassess our resources and make measurable progress in our strategies.

Economic Environment

Identifying the needs of our buyers especially in the EU and Middle Eastern destinations, is a key aspect in planning our activities in each of our markets to create a better demand for our produce. They expect the products they buy from us are produced responsibly.

Learning sustainable growing practices is a key aspect in being adoptive and in being resilient to climate change. Educating our senior managers to share knowledge, raise awareness and support the implementation of sustainable agriculture principles and practices is an important aspect of our corporate sustainability strategy. Regular discussions and workshops have been undertaken in this regard to spread the message among our workforce with a view to improve their productivity. The training programs focus on topics such as practices for improved harvesting and thereby yields, crop diversification and achieving community support for adaptation of other crop varieties which traditionally they have been resisting.

Tea Smallholders play a critical role in our supply chain. Going forward we intend building closer relationships with them that would improve their agronomic practices and entrepreneurial skills to be partners in our progress. We recognize that farmer organizations can play a key role in supporting smallholder relations and create a stable and long-term business commitments.

The production process of tea is such that the industry's maximum power need coincides with the power system peak demand, thus consuming expensive energy. This industry is largely located in the Central and Uva provinces, where the topography coupled with heavy persistent rainfall offers a good opportunity to harness hydro-power, the most widely used power source in the plantation sector, to meet the entire power requirement of the industry. This potential remains largely underutilized, as grid electricity supply is at present available in almost all tea estates, particularly at the factories where tea is processed. These plantations also practice cultivation and harvesting of fast-growing tree species in abandoned tea-growing land to meet the industry's thermal energy requirements. This biomass usage could also be extended to electricity generation, though realizing the scope for this application in the Sri Lankan context is in an experimental stage.

In April 2020, the Colombo auction prices rose sharply as global tea supply continued to tumble due to labor deployment issues as a result of COVID-19 pandemic and adverse weather. Weaker local currency, demand induced by the perceived health benefits of black tea and higher tea consumption amidst lock downs have also helped the Ceylon tea prices to stay buoyant for the said period. Current, higher prices have to a larger extent compensated for the impact on financial performance of tea producers from the lower production levels.

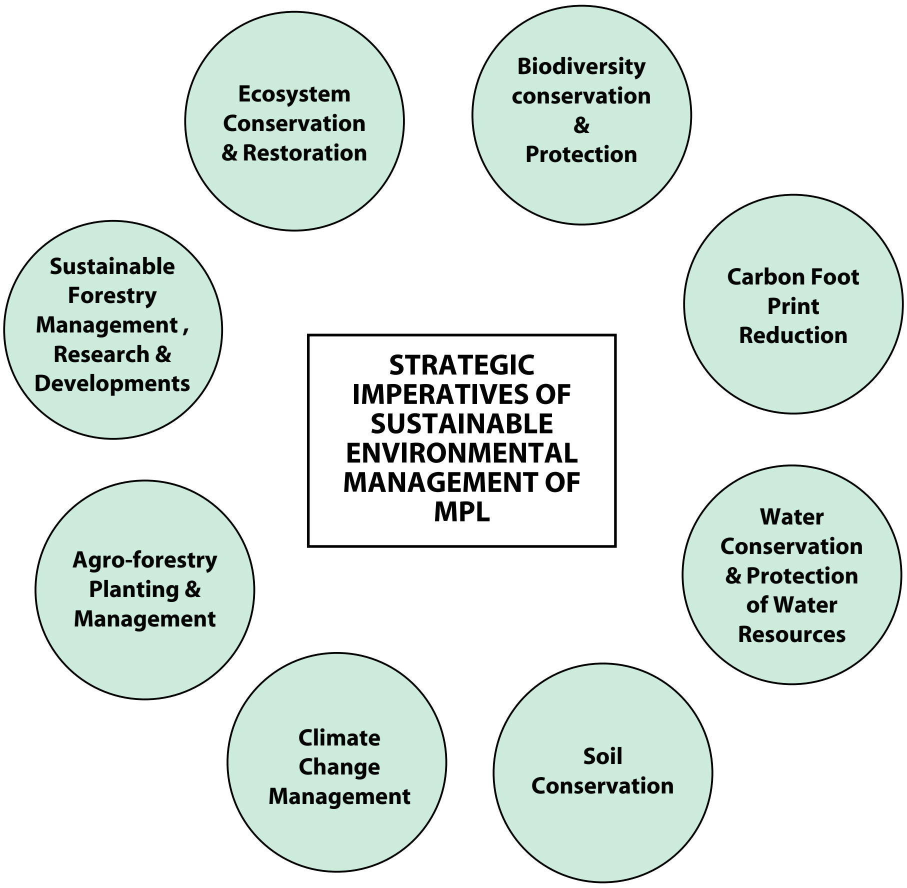
Sustainability Report

However, with the oil prices plummeting to historical lows, ICRA stated that it will continue to monitor the sustainability of the current price levels as there is a relatively strong correlation between oil prices and Sri Lankan tea prices.

FORESTRY MANAGEMENT & SUSTAINABILITY

Overview: "Our Sustainable Environmental Management Strategies Follows an Integrated Levels Approach Models"

Being an ownership/custodian of 7369 hectares of nation's economically high value and environmentally sensitive land resource, we are deeply committed towards protecting the environmental in which we operate for the benefit of the present and future generations.



Our approach to environment management is well in line with the national policies and legislative requirements relating to the with the national policies and legislative requirements relating to the environment and biodiversity. We have obtained certification from the globally acknowledged Rainforest Alliance (RA), Sustainable Agriculture Network (SAN) and ISO 22000, whilst being a member of the Biodiversity Sri Lanka - the only national initiative in which the corporate sector works together with conservation agencies on environmental and biodiversity related issues.

Our well - integrated environmental strategy is formulated based on the comprehensive risk assessment set out below, covering all environmental aspects.

Sustainability Report

Environmental Risk Assessment Risks Interconnected with Natural, Operational and Human Activities	
Climate Change ● Extreme Weather Conditions ● Change in rainfall pattern and ambient temperature	**HIGH**
Risk Assessment ● Land Degradation ● Adverse impact on yields and quality of Tea. ● Difficulty in forecasting crop and quality of tea. ● Drop in crop intakes and profitability. ● Forest Fires ● Reduce employment opportunities. ● Adverse impact on Biodiversity.	**Risk Management Strategies** ● Planting tea, green manure/shade, native, cash crops and fruit plant species to increase tree canopy cover and carbon sequestrations. ● Implementing sustainable agriculture practices. ● Planting drought resistant cultivars. ● Rainwater harvesting in ponds to sustain the ground water table, improve microclimate conditions and regulate ambient temperatures. ● Partner of establishment of Peak Ridge Forest Corridor to conserve the mountainous Leopards in Bogawanthalawa region.
Water ● Water scarcity due to climate change and high consumption by the expanding estate community.	**MODERATE**
Soil Fertility ● Depletion of soil organic matter and nutrients.	**MODERATE**
Risk Assessment ● Extreme rainy weather may cause loss of top soil, soil fertility and soil nutrients. ● Steep terrain in the tea fields may accelerate the soil erosion intensity. ● Harvesting of timber in timber plantations will be a loss of canopy coverage of the land and accelerate the soil erosion intensity and increase the adverse effect of climate change due to change the micro climatic conditions of the area.	**Risk Management Strategies** ● Planting green manure and shade trees under five-year shade management plan of MPL. ● Comprehensive forestry planting programs parallel to the five-year forestry management plan of MPL. ● Inter planting Coffee as a shade tree and soil improvement technique. ● Composting of weeds. ● Establishing stone and live terraces. ● Maintaining the standard mana grass density of tea new clearings. ● Soil testing and rational application of dolomite and chemical fertilizer.
Green House Gas (GHG) Emissions ● Green House Gas emissions from agricultural operational activities and domestic consumption.	**MODERATE**
Risk Assessment ● Green House Gas emissions fuel used in transport and supervisory vehicles. ● Green House Gas emissions from electricity usage in factories, staff quarters, officers and other buildings.	**Risk Management Strategies** ● Measuring and monitoring GHG emissions at each operational site. ● Measuring and monitoring electricity and fuel consumption at each operational site. ● Planting trees and increasing tree canopy cover for increase carbon sequestration.

Sustainability Report

Carbon Foot Print

Madulsima Plantations PLC is the first tea growing, manufacturing and selling under the Uva tea growing region category, offering uncompensated carbon certified teas from its state of art facilities. The company is being placing great emphasis on the environmental aspect considering the effects of global warming.

Our protocol of Green House Gas (GHG) Inventorying is IPPC 2018, Volume 7 and ISO 14064-1. scope was the cradle of plantation to warehouse gate. All emission sources were considered to cover scope 1,2 and 3 emission categories.

- Scope 1 (direct emissions) - Fossil fuel consumption in building and vehicles, agriculture land management activities
- Scope 2 - Electricity and heat consumption in buildings
- Scope 3 - Other indirect emissions (third party transport)

Result of this exercise indicate total emission for fiscal year 2020 is 2015 tCO_2e (metric tons of CO_2 equivalent) taking all sources and sinks in to consideration. Total classic emission for the complete process is 0.014 tCO_2e/Kg of Black Tea. Our next milestone to sink 100 g of CO_2 equivalent, per production of 1 kg of made tea by 2025 through our Forestry planting programs and other land use management practices establishing solar power projects for factory roof tops and improving and increasing capacity of existing Hydro Power projects.

Water Footprint

Water Footprint of MPL tea estates is an indicator of both direct and indirect water use of the producer. Calculation process of water footprint of MPL estates done in to three main categories as per the CROPWAT 8.0 model developed by the Food and Agriculture Organization of the United Nation (FAO, 2003) and Water Foot Print Assessment manual 2011. Value of the water foot print of MPL estates around 1050.56 m^3/ton/yr as per the assessment.

Water audits, awareness programmers and water conservation practices are being implemented to manage the water resources available in MPL tea estates.

Sustainable Soil Development

The company invest more than 5 Mn. per annum for sustainable soil development practices in our tea new clearings and other crops planting areas. Since the soil development has been declared under the MPL agricultural policy and organized as a thumb rule of productivity improvement in tea plantations.

Forestry and GIS and Research and Development Unit of MPL

Forestry and GIS unit of MPL established in year 2018 to streamline the forestry management and sustainability activities including timber harvesting, forestry replanting, land use mapping using GIS and remote sensing technology and implementing crop diversification projects.

Throughout past three years, this unit achieved remarkable improvements by addressing long and short-term sustainability goals to MPL. unit introduce some new technical initiatives such as GIS Mapping of forestry plantations, timber Inventory preparations, Tree tagging in census taking, preparation of technical reports pertaining to timber harvesting projects and establishment of timber nurseries with high quality seeds materials

Research and Developments

This unit mainly focus on to the knowledge gaps of estate sector under Forestry, Diversification, Agronomical and sustainability fields with the collaboration of Uva Wellassa University, Badulla Sri Lanka. Since 2018 R & D unit of MPL conducted and being conducting several research projects.

Forestry Plantations Management of MPL

Establishment of forestry plantations are another key activity of our sustainability green venture and we are conducting our forestry replanting projects in two main objectives known as production and protection.

Establishment of Production (Commercial) Forest Plantations is a continuous program parallel to the company annual Timber Harvesting Program. Currently company maintaining 376 Ha of Protected and 1470 Ha of Production Forest areas (Timber + Fuel-wood) on a sustainable basis. Majority of the low yielding tea lands, duly timber harvested blocks and other vacant areas plant with high quality Eucalyptus species under company forestry replanting project which is parallel to the Five-year Forestry Master Plan of MPL 2020 - 2025.

Sustainability Report

Forestry Plantation Management Activities

Commercial Forestry Plantations in MPL Estates

Nursery Management of Imported Eucalyptus Seed Varieties, Central Timber Nursery Venture and Roeberry Estates.

Crop Diversification and Sustainable Land Utilization

Madulsima Plantations PLC already completed an assessment of identification of existing low yielding tea areas for diversification purposes. Company already planted Cinnamon, Pepper, Coffee, Cardamom and Mandarin as cash crops to improve the land productivity through diversification. In 2020 company diversified and improved the existing low yielding tea cultivated area of 5 Ha of land extent in to Coffee in Uvakellie and Roeberry Estates.

Also land improvement practices for establishment of cash crops such as pepper 2 Ha of low yielding tea area planted with low shade Glirecedia Plants to undertake pepper planting in the consecutive year. Currently Madulsima Plantations PLC is managing the following cash crops in the given extents.

Diversified Crop	Extent (Ha.)
Coffee (Inter planted with Tea)	42.15
Cinnamon	7.70
Pepper	4.00
Mandarin	1.00
Cardamom	2.00
Total	56.60

For year 2021 Madulsima Plantations PLC planned to improve maintenance initiatives of their crop diversification areas to uplift the land utilization and generate additional income to the company cash flow.

Sustainability Report

Information Technology

Madulsima Plantation PLC has implemented efficient information technology system, with the extensive security controls to maintain the integrity and efficiency of our IT infrastructure and IT systems.

The Company has invested towards the full implementation of a plantation ERP system to supports value addition and decision making through improved data collection, data processing, financial reporting and operational information reporting.

Madulsima Plantations PLC investment in IT covers resources operated and managed centrally and those resources deployed on the various estates where accounts are prepared using a computerized accounting package. The company's IT resources therefore comprises of these computerized accounting packages, utility software and networking facilities used at Head Office, including Internet and relevant devices are used to interconnect Head Office with estates.

In additions, introduced digital weighing system for MPL Tea Estates replacing manual weighing improving the accuracy and timely information through a secured IT system

Madulsima Plantation PLC has further invested in automating field weighing process through automated digital weighing scale and integrate them in to ERP system. This will drastically minimize the mistakes, frauds, data entry delays, and help to obtain accurate information real-time basis for a batter management decision making.

Having developed our own software over the years to meet our needs in management information we have realized the challenges faced in this rapidly growing field require specialized professional assistance and have sought the services of a reputed service provider in introducing their Software programs for our plantations.

Digital Scale implementation under MPL Estates

Sustainability Report

Social Environment

Retaining the educated plantation youth on our plantations is a major challenge and require new strategies such as outsourcing agricultural operations. Outsourcing which promotes a smallholder concept among plantation workers appears to be the way forward in combating the high wage costs and worker shortages. We have introduced outsourcing to Battawatte, Cocogalla, El Teb, Mahadowa and Roeberry Estates in the Madulsima region, where we are experiencing a severe shortage of workers.

We believe that long term value creation is directly linked to the sustainable development of our estates & community, as" passionate growers with sustainability at heart" we have made it the way of life at Madulsima to preserve the environment while combatting climate & uplifting the lives of our tea Harvesting community.

In our effort to uplift the working condition of our workers we made it a priority to upgrade the living conditions by investing in new housing - upgrading the existing housing and providing new latrines, upgrading creches and also rest rooms in field for them to have their mid-day meal.

53 Nos of Child Development Centres in Madulsima Plantations have been upgraded and supplied with play material and water tanks. Also 08 Nos of Restrooms had been provided by our parent Company.

Child Development Centres in MPL Estates

Upgraded workers restroom in MPL Estates

The following awareness programs were conducted during the year to drive progress on key social issues and raise awareness of our workforce, who play a key role in our production chain.

Awareness Programs/Clinics Conducted in 2020

1. Awareness Programme regarding prevention on spreading Covid-19(Safety items issued)
2. Improving Nutritional Status of Women & Children
3. Mobile Dental Hygiene Program
4. Handling Disaster Situations
5. Empowerment of Women
6. Gender based Violence
7. Alcohol Prevention
8. Cancer Control

Sustainability Report

Social Welfare Activities

Ongoing new housing Programme: -		
Project	**Estate**	**No. of Housings**
Indian Housing Project - Stage II	Battawatte	50 Houses
	Kew	70 Houses
Green Gold Housing Project	Kirkoswald	60 Houses
	Venture	35 Houses
Owner Driven Housing Project (Completed)	Venture	10 Houses
Indian Housing Project - Stage III	Verellapatna	50 Houses
	Mahadowa	50 Houses
	Venture	50 Houses
	Theresia	50 Houses
	Kirkoswald	100 Houses
	Kew	50 Houses
	El- Teb	40 Houses
	Galloola	50 Houses
Total		**440**

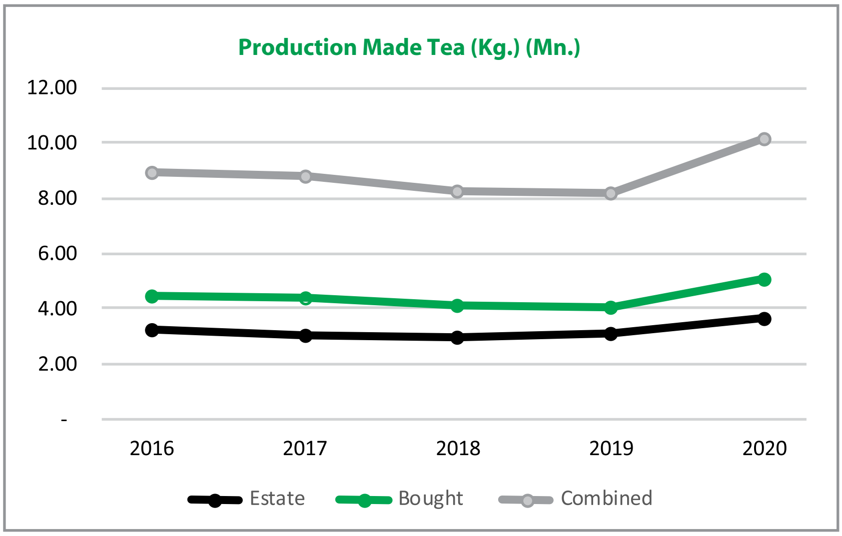
Social Welfare Activities in MPL Estates

Management Discussion & Analysis

Our Estate Production

Our Estates recorded a combined production of 5.08 Mn Kg of Made Tea for the year 2020. This is in actual the highest recorded quantity of made tea since 2015 where 5.01 Mn kg was produced, keeping with that trend company estates yield per hectare also reflects a similar growth pattern where 1,077 kg made per hectare has been achieved . This is in fact an increase of 177 kg per hectare and year on year increase 19.67%.

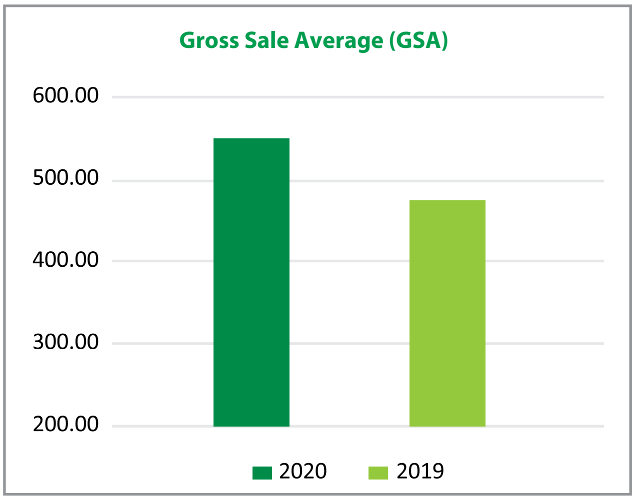
The progress made in this connection is the direct results of the improvements in agriculture standards of our estates. We have continued to invest in developing our estates and our tea fields without cutting back on required agricultural inputs .



Market Improvements

The GSA improved significantly during the year propelled by the demand as production declined in the world market due to mostly Covid - 19 pandemic and adverse weather conditions. The company recorded a satisfactory Gross Sale Average(GSA) of 549.46 for the year compared to 474.11 in 2019.

Improved performance in 2020 a total 4.976 Mn were sold vis-à-vis a 4.168 Mn Kg during the corresponding period in 2019 (an increase of 19.39%). The overall company's Gross Sale Average increased by Rs. 75 and totaled a Rs 549.46 vis-à-vis Rs. 474.11(an increase of 15.82%) importantly the total revenue increased to Rs. 2.83 Bn. from a 2.00 Bn. in 2019, an increase 825 Mn. (an increase of 41.11%)



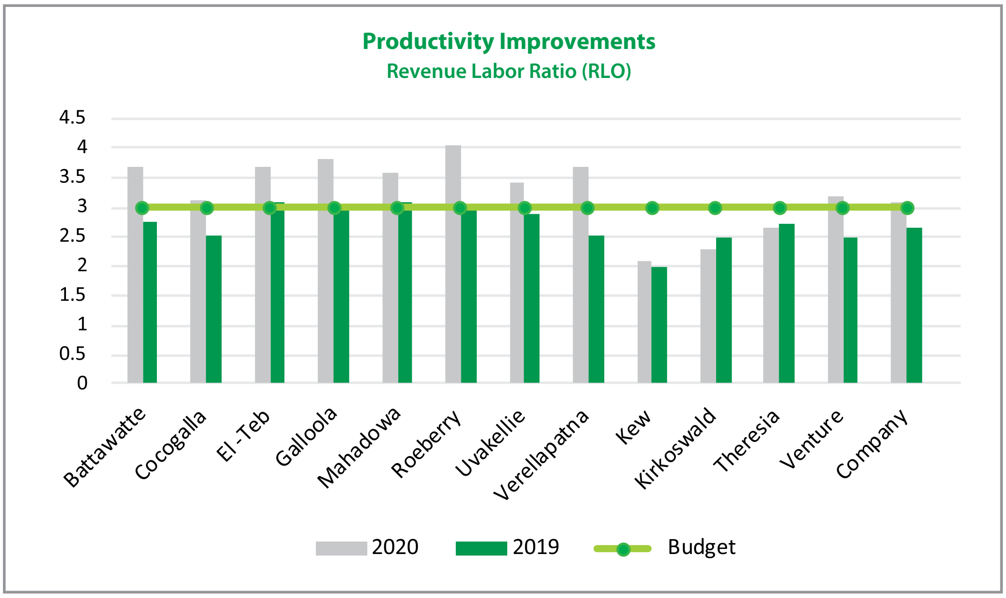
Sale Information

Description	2020	2019	Varience
Sold Quantity	4,976	4,168	808
GSA (Rs.Per Kilo)	549.46	474.11	75.35
Revenue (Rs.000)	2,832,067	2,006,977	825,090

Improved performance in 2020. A total 4.976 Mn. kilos were sold vis-à-vis a 4.168 Mn. kilos during the corresponding period in 2019 (an increase of 19.39%). The overall company's gross sales average increased by Rs. 75 and totaled a Rs. 549.46 vis-à-vis Rs. 474.11 (an increase of 15.89%). Importantly, the total revenue increased to Rs. 2.83 Bn. from a Rs. 2.00 Bn. in 2019, an increase of Rs. 825 Mn. (41.11%).

The various grades of tea manufactured by Battawatte, El Teb, Mahadowa, Rathkella/Uva, Uvakellie, Kew, Kirkoswald, and Venture estates obtained all island top prices on 172 occasions at the Colombo auctions during the year 2020.

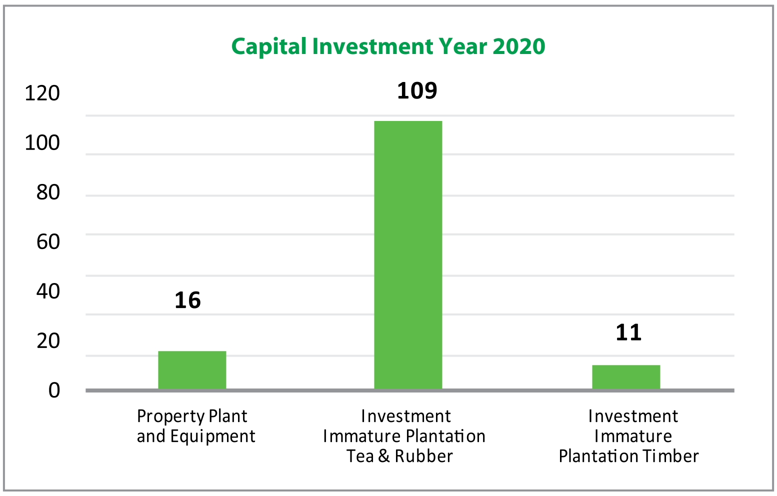
Management Discussion & Analysis



Key productivity indicator is the made-tea produced per every revenue labour utilized and in that context I am happy to report that whilst company shows a significant improvement over last year most estate too records positive growth.

Capital investment

The capital expenditure incurred during the year was Rs. 136 Mn. of which Rs. 16 Mn. for upgrading the factory and machineries and Rs. 120 Mn. was invested on tea re-planting and crop diversification.



Strategic Progress

We have made steady progress in its diversification strategy, which has been instrumental in mitigating financial losses during the current year. Older, less profitable "C" Category Tea lands have been repurposed for valuable Timber, Rubber, Cinnamon and Pepper cultivation. The business diversification strategy has enhanced value added revenue.

Sgd.
M.A. Fernando
Chief Executive Officer
11th June 2021

Report of the Board Directors on the Affairs of the Company

The Director of Madulsima plantations PLC have pleasure in presenting their Annual Report together with the Audited Financial Statement of the Company for the year ended 31st December 2020

PRINCIPAL ACTIVITIES

The Company's principal activities, which remained unchanged during the year were: cultivation, manufacture and marketing of tea, rubber, forestry products and other crops.
The Company has 8 estates in Madulsima and 4 in the Bogawantalawa regions. The cultivated land consists of 3,408.10 ha under tea.

PARENT COMPANY

The company's parent undertaking and controlling party is Melstacorp PLC, which is incorporated in Sri Lanka as a quoted public company.

GOING CONCERN

Please refer policy note 2.6.

REVIEW OF PERFORMANCE

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

DEVELOPMENT AND DIVERSIFICATION

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

FINANCIAL STATEMENTS

The Financial Statements of the Company are given on pages 41 to 88 of this Annual Report.

AUDITORS' REPORT

The Auditors' Report on the financial Statements is given on page 35 to 40 of this Annual Report.

ACCOUNTING POLICIES

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 46 to 61 of this Annual Report.

REMUNERATION AND OTHER BENEFITS OF DIRECTORS

The directors did not receive any remuneration or other benefits during the accounting period.

DONATIONS

The company did not make any donations during the year

FINANCIAL RESULTS		
	2020 Rs.'000	**2019 Rs.'000**
Revenue	2,832,067	2,006,978
Loss Before Tax	(132,077)	(781,066)
Income Tax Benefit/(Expense)	(68,818)	17,357
Loss After Tax	(200,895)	(763,709)
Retained Loss B.F.	(4,693,769)	(3,740,607)
Timber Reserve	3,594,121	3,376,701
Proposed Dividend	-	-
Retained Loss C.F.	(5,077,361)	(4,693,769)

FINANCIAL RATIOS		
	2020	**2019**
Debt Equity Ratio	3.94	5.31
Interest Cover	0.58	(1.26)
Quick Ratio	0.17	0.28

Report of the Board Directors on the Affairs of the Company

APPROPRIATION AND DIVIDEND

The directors have not recommended the payment of a dividend for the year ended 31st December 2020.

CAPITAL EXPENDITURE

The company incurred a capital expenditure of Rs.136 Mn. of which Rs.120 Mn. has been spent on field development and Rs. 16 Mn. was invested on upgrading the factory and machineries.

LAND HOLDING & INVESTMENT PROPERTIES

The extents, locations, valuations and the number of buildings of the Company's land holdings and investment properties are as follows;

ESTATES	Location	Extent (Ha.)	Total Number of Buildings	Re-Value Rs'000
Battawatta	Madulsima	12.14	552	50,669
Cocogalla	Metigahatenne	3.89	303	49,419
El-Teb	Passara	32.44	1,030	72,475
Galloola	Madulsima	9.80	260	40,692
Mahadowa	Madulsima	34.90	737	84,413
Roeberry	Pitamaruawa	54.83	918	76,127
Uvakellie	Madulsima	8.49	303	12,144
Verellapathana	Madulsima	14.99	438	71,839
Kew	Bogawantalawa	57.35	613	52,044
Kirkoswald	Bogawantalawa	7.24	1,182	132,483
Theresia	Bogawantalawa	32.45	639	51,740
Venture	Norwood	28.94	572	77,131
Head office	Badulla	0.04	2	6,361
TOTAL		297.50	7,549	777,543

CAPITAL COMMITMENTS & CONTINGENTS LIABILITIES

Capital commitments and contingents liabilities are disclosed in Notes 34 & 35 to the Financial Statements.

DIRECTORATE

The following Directors held office during the year under review.

Mr. D. H. S. Jayawardena	-	Chairman / Managing Director
Dr. N. M. Abdul Gaffar	-	Non Executive Director
Mr. D. Hasitha S. Jayawardena	-	Non Executive Director
Dr. A. Shakthevale	-	Independent Director
Mr. D. S. K. Amarasekara	-	Independent Director

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

DIRECTORS' INTERESTS IN SHARES

No shares of the Company were held by the Directors of the Company, their spouses or dependents at the beginning and the end of the financial year.

INTEREST REGISTER

Directors' interests in the Company are disclosed in Note 37 to the Financial statements and have been declared at a meeting of the Directors. The Directors have no direct or indirect interest in any other contracts or proposed contracts of the company.

SHAREHOLDERS AND INVESTOR INFORMATION

Distribution of Shareholdings as at 31st December 2020, Analysis Report of Shareholders, Market Statistics of Company's share and the list of 25 major shareholders are given on pages 89 and 90 of this Annual Report.

EVENT OCCURING AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

Please refer Note 42 for events occurring after the date of the Statement of Financial Position, which would require disclosure in the Financial Statement.

Report of the Board Directors on the Affairs of the Company

MATTERS PERTAINING TO THE GOLDEN SHARE

1. The Golden Share shall only be held by the Secretary to the Treasury in his official capacity and not in his own name, for and on behalf of the Democratic Socialist Republic of Sri Lanka, or by a company in which the State of the Democratic Socialist Republic of Sri Lanka owns 99% or more of the issued share capital.

2. The Company shall obtain the written consent of the Golden Shareholders prior to sub-leasing, ceding or assigning its rights in parts or all of the lands set out in Section 3A (1) of the Memorandum of Association.

3. The Articles of the Company as originally framed may from time be altered by special resolution, provided that the concurrence of Golden Shareholder in writing shall be first obtained to amended the definition of the words Golden Share and Golden Shareholder and Articles 2A, 2B, 3(C), 3(C)(1), 3(C)(2), 25A, 127A, 127B, 127C and 128

4. The Golden Share may be converted into an ordinary share with the concurrence of the Golden Shareholder and the concurrence of a majority of the shareholders.

5. The Golden Shareholder shall be entitled to call upon the Board of Directors of the Company once in every three-month period if desired to meet with the Golden Shareholder and or his nominees, and the Directors if so called upon shall meet with the Golden Shareholder and or his nominees to discuss matters of the Company of interest to the State of the Democratic Socialist Republic of Sri Lanka.

6. The Golden Shareholder and or his nominee shall be entitled to inspect the books of accounts of the company after giving two weeks written notice to the company.

7. The Company shall submit to the Golden Shareholder, within 60 days of the end of each quarter, a quarterly report relating to the performance of the Company during the said quarter in a per-specified format agreed to by the Golden Shareholder and the Company.

8. The Company shall submit to the Golden Shareholder, within 90 days of the end of each Financial year, information relating to the Company in per-specified format agreed to by the Golden Shareholder and the Company.

AUDITORS

The Accounts of the year have been audited by M/s KPMG, Chartered Accountants. Fees paid to Auditors are disclosed on the page 64 in the Financial Statements.

As far as the Directors are aware, the auditors do not have any relationship (Other than that of an Auditors) with the company other than those disclosed above. The auditors do not have any interest in the company.

Sgd.
D.H.S. Jayawardena
Chairman/ Managing Director

Sgd.
N.M. Abdul Gaffar
Non - Executive Director

Sgd.
P. A. Jayathunga
Secretary
11th June 2021

Audit Committee Report

Composition

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

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

Meetings

The Board Audit Committee met five (5) times during the year. Mr. N. de S. Deva Aditya could not attend any meetings during the year, due to his engagements abroad. Nevertheless, Mr. Deva Aditya was kept informed of all the proceedings of the Audit Committee and his opinion was sought on important matters. The attendant of the other members at this meeting is as follows.

The Managing Director of Melstacorp PLC, Group Financial Controller and Head of Systems Control & Internal Audit also attend these meetings by invitation when needed.

Mr. R. Seevaratnam	5/5
Dr. A. N. Balasuriya	5/5
Mr.D. Hasitha S. Jayawardena	5/5

Terms of Reference

The Board Audit Committee Charter approved and adopted by the Board clearly sets out the terms of reference governing the Audit Committee ensuring highest compliance with the Corporate Governance Rules applicable to Listed Companies in accordance with the Rules of the CSE and the Code of Best Practice on Corporate Governance.

Activities and Responsibilities

Financial Reporting

The Committee reviewed and discussed the financial reporting system adopted by the Company in the preparation of its quarterly and annual financial statements with the Management and the External Auditors to ensure reliability of the process and the consistency of the Accounting Policies adopted and its compliance with the Sri Lanka Accounting Standards and the provisions of the Companies Act No. 07 of 2007.

Internal Audit

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

External Audit

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

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

The Audit Committee has recommended to the Board of Directors that Messrs. KPMG reappointed as the External Auditors for the financial year ending 31st December 2021.

Compliance with Laws and Regulations

The Committee reviewed the quarterly compliance reports submitted by the relevant officers to ensure that the Company has complied with all statutory requirements.

Conclusion

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

Sgd.
R. Seevaratnam
Chairman - Audit Committee
11th June 2021

Remuneration Committee Report

Composition

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

Chairman of the Committee – Dr. A. N. Balasuriya
Mr. N. de S. Deva Aditya
Mr. D. Hasitha S. Jayawardena

Committee Meetings

The Committee meeting was not held during the year

Policy

The remuneration policy of the company is formulated to attract and retain high caliber personnel and motivate them to develop and implement the business strategy in order to optimize long term shareholder value creation.

The Committee is responsible for determining the compensation of the senior management and to lay down guidelines and parameters for the compensation structure of all management staff of the Company. In its decision making process necessary information and recommendations are obtained from the Board of Directors. An annual assessment is carried out and increments and incentives are awarded based on the rating/ranking of each individual.

Sgd.
Dr. A.N.Balasuriya
Chairman - Remuneration Committee
11th June 2021

Related Party Transactions Review Committee Report

Composition

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

Chairman of the Committee - Mr. R. Seevaratnam
Dr. A. N. Balasuriya
Mr. D. Hasitha S. Jayawardena

The Related Party Transactions Review Committee is governed by the charter of Related Party Transactions Review Committee of Madulsima Plantations PLC and in terms of the code of Best Practice on related party transactions issued by the securities and exchange commission of Sri Lanka and the section 9 of the listing rules of the Colombo Stock Exchange.

Purpose of the Committee

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

Meetings

The Board Related Party Committee met four (4) times during the year. The attendance of the other members at these meetings is as follows:

Mr. R. Seevaratnam	4/4
Dr. A. N. Balasuriya	4/4
Mr.D. Hasitha S. Jayawardena	4/4

The Managing Director of Melstacorp PLC, Group Financial Controller and Head of Systems Control & Internal Audit also attend these meetings by invitation when needed.

The Committee has reviewed all related party transactions in respect of the financial year and communicated the activities of the committee to the board on a quarterly basis through circulating the minutes of the meeting of the committee to the Board of Directors.

Disclosures

During the year 2020, there were no non- recurrent related party transactions that exceeded the respective thresholds mentioned in the Listing Rules of the Colombo Stock Exchange. (Note 37.3)

Recurrent relating party transactions are disclosed in Note 37.1

Details of other related party transactions entered into by the Company during the above period is disclosed in Note 37 to 38 in the Financial Statements.

Sgd.
R.Seevaratnam
Chairman - Related Party Transactions Review committee
11th June 2021

Corporate Governance Statement

Madulsima Plantations PLC has designed its Corporate Governance policies and practices to ensure that the Company is focused on its responsibilities to its stakeholders and on creating long term shareholder value. The Company recognizes the interests of all its stakeholders including shareholders, employees, customers, suppliers, consumers and among the other communities in which it operates. The Company complies with the rules on Corporate Governance included in the Listing Rules of the Colombo Stock Exchange, and guided by the principles included in the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

The Board of Directors and its Functions

The Company is governed by its Board of Directors who direct, lead, and supervise the business and affairs of the Company on behalf of its shareholders. The Board consists of the Chairman/Managing Director, 02 Non-Executive Directors and 02 Independent Directors. The composition of the Company's Board has been structured in keeping with principles of good governance and long term strategy and the names of the members of Board of Directors and their brief resumes are given on pages 9 & 10.

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

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

The main functions of the Board:

- Conducting the business and facilitating executive responsibility for management of the Company's affairs,
- Formulate short and long term strategies and monitor implementation,
- Identify the principle risks of the business and ensure adequate risk management policies in place.
- Institute effective internal control systems to safeguard the assets of the Company.
- Ensure compliance with rules and regulations.
- Approve the financial statements of the Company.
- Approve the annual capital and operating budgets and review performance against budgets.
- Determine and recommend interim and final dividends for the approval of shareholders.
- Sanction all material contracts, acquisitions or disposal of assets and approve capital projects.

Corporate Governance Statement

Executive Committee

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

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

Audit Committee

The Audit Committee as described above assists the Board by the entity's compliance with financial reporting requirements, Company's internal controls, risk management and assessment of the independence and performance of the external auditors. The Company has an Internal Audit Division, which submits its reports on a regular basis to the Audit Committee. The guidelines for the Internal Audit Policy ensure that the assets of the Company are protected against any unauthorized sue or misappropriation, proper records are maintained, and reliable information is received. Audit Committee Report on page 24 describes the activities carried out during the financial year.

Remuneration Committee

The Remuneration Committee as described above makes recommendations to the Board on the Company's framework of remunerating the Chairman/Managing Director. The Remuneration Committee Report appears on Page 25.

Related Party Transactions Review Committee

The composition of the "Related Party Transactions Review Committee" as described above. All Related Party Transactions except for transactions set out in Rule 9.5 of the CSE Listing Rules are reviewed by the Related Party Transactions Review Committee. The Related Party Transactions Review Committee Report appears on page 25.

Corporate Governance Statement

Levels of Compliance with the CSE Listing Rules on Corporate Governance are as follows :

Rule No	Applicable Requirement	Compliance Status	Details
7.10.1.(a)	**Non Executive Directors** * At least one-third of the total number of Directors should be Non-Executive Directors	Complied	Four out of Five Directors are Non-Executive Directors
7.10.2(a) 7.10.2(b)	**Independent Directors** * Two or one third of Non-Executive Directors whichever is higher should be independent * Each Non-executive Director should submit a declaration of independence/non-independence in the prescribed format	Complied Complied	Two out of four Non-Executive Directors are Independent. Non-Executive Directors have submitted these declarations
 7.10.3(a) 7.10.3(b) 7.10.3(c) 7.10.3(d)	**Disclosure Relating to Directors** * Names of Independent Directors should be disclosed in the Annual Report. * The basis for the Board to determine a Director is independent, if criteria specified for independence is not met * A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise * Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3(a) and (c) to the CSE	 Complied Complied Complied Complied	 Refer Pages 9 -10 Refer Page 27 Refer Pages 9 -10 Not applicable
7.10.5 7.10.5(a) 7.10.5(b) 7.10.5(c)	**Remuneration Committee** * A listed Company shall have a Remuneration Committee **Composition of Remuneration Committee** * Shall comprise Non-Executive Directors a majority of whom will be independent? **Functions of Remuneration Committee** The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer. * Disclosure in the Annual Report relating to Remuneration Committee **The Annual Report should set out :** (a) Names of Directors comprising the Remuneration Committee (b) Statement of Remuneration Policy	Complied Complied Complied Complied	Refer page 25
7.10 & 7.10.6(a) 7.10.6(b) 7.106(c)	**Audit Committee** * The Company shall have an Audit Committee **Composition of Audit Committee** * Shall comprise of Non-Executive Directors, a majority of who will be independent? * Non-Executive Director shall be appointed as the Chairman of the Committee * Chief Executive Officer and Chief Financial Officer should attend Audit Committee Meetings * The Chairman of the Audit Committee of one member should be a member of a professional Accounting Body * Audit Committee Functions * Disclosure in the Annual Report relating to Audit Committee	Complied Complied Complied Complied Complied Complied Complied	Refer page 24
7.13.1(a)	* Minimum Public Holdings	Not Complied	Refer page 90
9.2	* Related Party Transaction Committee	Complied	Refer page 25

Statement of Directors' Responsibilities

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

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

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

By Order of the Board Of Directors

Sgd.
P. A. Jayathunga
Secretary
11th June 2021

Risk Management

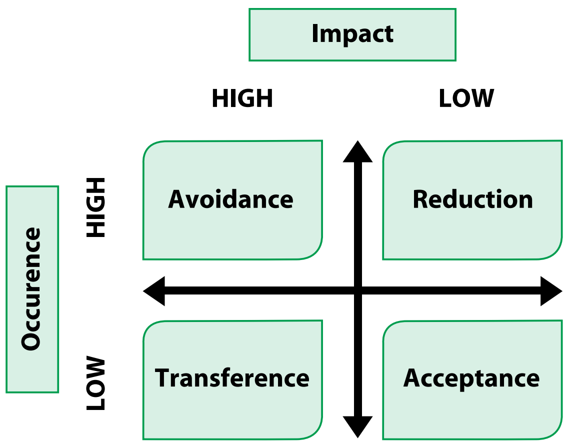
Madulsima Plantations PLC has given due consideration to its risk management process in order to progress towards achievement of its goals and objectives. Risk management under the two forms of risks, namely Strategic and Operational, is regularly reviewed to ensure the related risks are minimized where the complete elimination is not possible. No business that does not face any risk can be found in the world. Irrespective of the nature and the size of the business, risk is inevitable in doing business. In broad, such risk factors can be two-fold, systematic risk and unsystematic risk.

Systematic risk is the risk which cannot be diversified or avoided. On the other hand, the unsystematic risk represents the risk unique to the respective business operation which in turn could be mitigated or avoided with risk management activities.

Directors have taken the initiative to identify the organizations major risks and introduced several controls and measures to mitigate the risks faced by the Company Internal and External Environment.

We perform Environmental analysis as well as SWOT analysis in regular intervals to identify probable risk factors and to understand opportunities and threats created by the external environment.

The Company has identified the importance of having a proactive approach in managing risk while maintaining a comprehensive system of internal controls to track and monitor the subsequent effects of each risks on Company's performance. Following model is used to decide the risk management strategy for each and every risk identified by the management of MPPLC



Mitigating Strategies Implemented

The following are some of the major risk factors that the company is exposed to which carrying out its business and actions implemented to reduce or eliminate risk

Risk Management

Risk	Risk Assessment	Mitigating Strategies	Threat Probability
Business Risk	Tea growing and manufacturing is our Principal line of business. The Company is susceptible to all risks associated with agriculture.	• Regular monitoring of performance for appropriate remedial action • Enforcing sustainable agricultural practices, Adopting practices recommended by the Tea Research Institute in infilling and replanting • Crop diversification • Value addition • Focus on producing quality tea. • Out sourcing agricultural practices and adopting motivational alternatives to encourage plantation youth to remain on plantations	High
Operational Risk	Weaknesses in internal control systems, human error and limitations, frauds, natural disasters, obsolete systems and practices, equipment s that are obstacles to business objectives.	• Adopting effective internal control systems and periodic review. • Variance analysis of budgetary provisions against actual performance. • A monthly re-evaluation process where performance of each plantation is reviewed by Senior Executives of the Head Office. • Appropriate advice's conveyed to enforce a high degree of situational awareness among the Planting Executives. • Compliance audits and standardization procedures • Obtain comprehensive insurance policies to cover operational risks.	Moderate
Environmental Risk	Adverse and uncertain weather has a negative impact on agricultural produce.	• Monitoring weather patterns and their impact on crop harvests. • Adoption of sustainable agricultural practices. • Constant examination and review of soil nutrient contents • Undertaking effective soil conservation measures. • Reservation of forests and watersheds	High

Risk Management

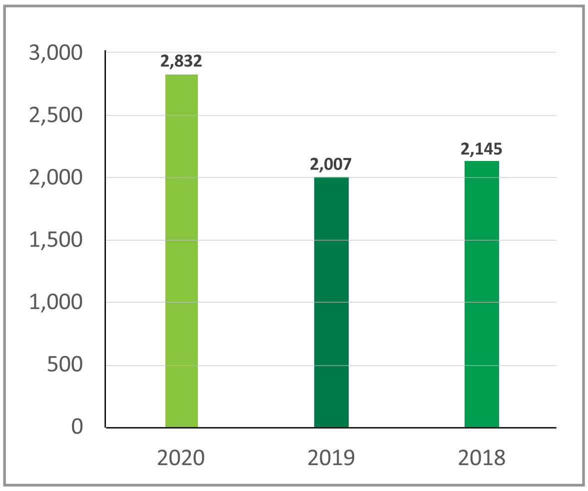
Risk	Risk Assessment	Mitigating Strategies	Threat Probability
Human Resource	Low productivity, reduction in resident manpower, disruptions in achieving the targeted objectives.	• Providing Welfare facilities and introducing participative housing projects to retain workers on plantations and improve their productivity . • Train and encourage Plantation Executives to acquire communication skills in resolving labour disputes. • Improve employee motivation, commitment, welfare, recognition and appreciation. • Abide by the Collective Agreement entered into with the Trade Unions in the Company's capacity	Moderate
Product Quality Risk	Inconsistency in quality of end products and its negative impact on prices and market share.	• Ensure safety and ethical standards in providing a quality consumable product. • Upgrade manufacturing process and factories to cater to the fluctuating market demand. • Monitor quality assurance measures	Moderate
Political Risk	The impact of political intervention, major industrial relations issues, regulatory changes, ad hoc acquisitions of land etc are constraints faced by the Industry.	• Negotiating Collective Agreements with major Plantation Trade Unions. Maintaining a closer dialogue with the Trade Union Leaders • Implementing human development policies	High
Interest Rate Risk	Fiscal and monitory policy changes have a direct impact on liquidity and production costs .	• Maintain cash flow and budgetary control systems • Diversification • Capital development • Upgrading plant and machinery • Maintenance of biological assets in optimum condition to enhance productivity and turnover	Moderate
Technical & IT Risk	Lack of accurate and timely information due to ineffective IT systems.	• Strengthen software development with internal controls including IT security and confidentiality • Implement a sound backup system in case of system failure • Use Licensed Software	Moderate

Risk Management

Risk	Risk Assessment	Mitigating Strategies	Threat Probability
Investment Risk	Adequate return on investment heavily depends on global economic trends.	• Undertake proper evaluation and feasibility process • Continue replanting and infilling with a prudent policy and environmentally viable clones • Work closely with the TRI in developing an economic model to make replanting a viable investment.	Moderate
Inventory	Liquidity is a major concern as the industry is cyclical with long gestation periods for returns.	• Produce stocks are monitored closely for speedy disposal. • Input stock levels are controlled to avoid obsolescence and theft. • High value input stocks such as fertilizer, firewood and packing materials are purchased on a need basis.	Moderate
Risk of Competition	Competition from other major low cost producers .	• Monitoring market trends and fluctuations in supply and demand closely. • Regular check of tea samples to maximize market gains, • Adopting appropriate remedial measures to ensure market leadership of quality marks. • Rationalize manufacture during lean cropping months. • Close executive supervision on quality of leaf harvested. • Educating employees on the importance of their services.	Moderate
Company Reputation Risk	Maintaining loyalty and trustworthiness among stakeholders and compliance with statutory requirements.	• Compliance with statutory requirements • Compliance with the code of corporate governance by all employees. • Protection of the environment and adoption of sustainability initiatives, health & food safety procedures.	Low

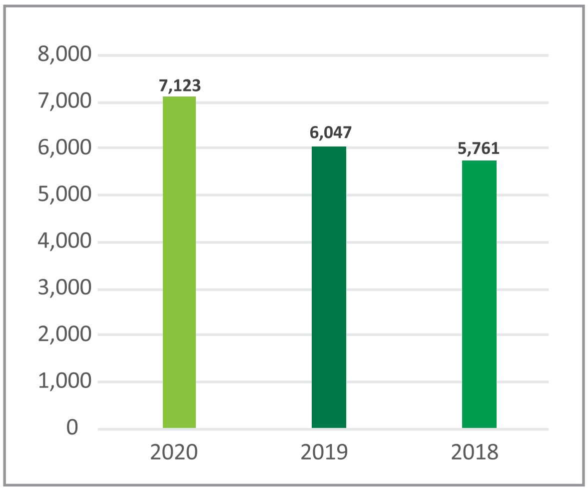
Financial Highlights

Gross Turnover
Rs. (Mn)



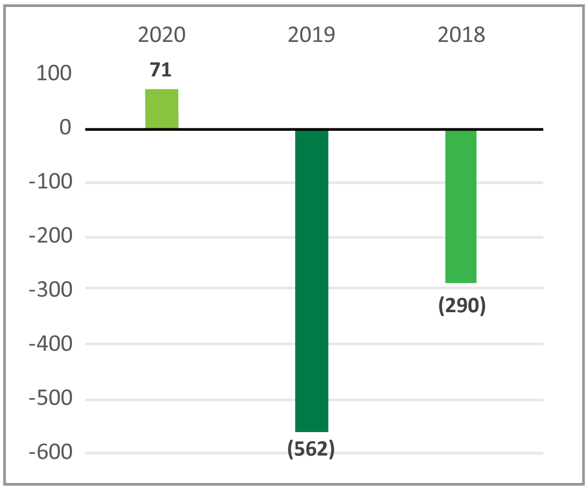
Rs. 2,832 Mn.

Total Assets
Rs. (Mn)



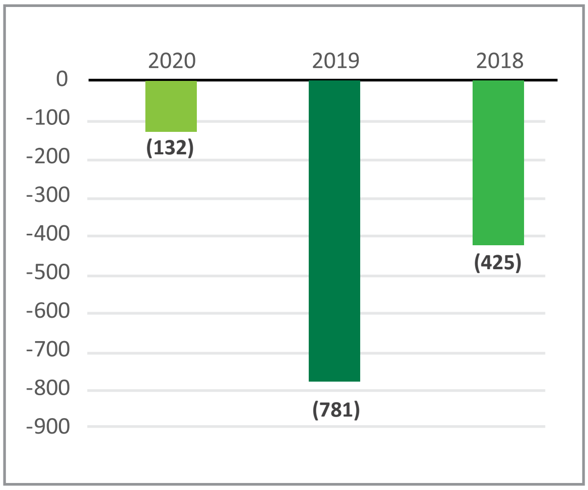
Rs. 7,123 Mn.

Gross Profit / (Loss)
Rs. (Mn)



Rs. 71 Mn.

Loss Before Taxation
Rs. (Mn)



Rs. (132)Mn.

Independent Auditor's Report

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

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

To the Shareholders of Madulsima Plantations PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Madulsima Plantations PLC ("the Company"), which comprise the statement of financial position as at 31st December 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information set out on pages 41 to 88.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the company financial statements of the current period. These matters were addressed in the context of our audit of the company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th colspan="2">01. Management assessment of the Company's ability to continue as Going concern</th></tr>
<tr><th colspan="2">Refer to the significant accounting policy in Note 2.6 to the financial statements</th></tr>
<tr><th>Risk Description</th><th>Our Response</th></tr>
<tr><td>The Company has recorded a loss of LKR 201 Mn during the year ended 31st December 2020 and as of that date, accumulated losses amounted to LKR 5,077 Mn. Further, current liabilities exceeded its current assets by LKR 544 Mn as at the reporting date. The Company has loans and borrowings of LKR 547 Mn due within 12 months from 31st December 2020.

However, the directors of the Company are of the opinion that the going concern assumption is valid in preparation of financial statements, due to future growth potential of the Company and continuous financial support from ultimate parent company.

In assessing the Company's ability to continue to operate as a going concern the Directors prepared a cash flow forecast which required the exercise of significant management judgments.

We identified the assessment of the Company's ability to continue as a going concern as a key audit matter because the assessment of going concern is dependent upon certain management assumptions and judgements, in particular in relation to future cash flow forecast and the ability of the Company to obtain external financing, which may be subject to management bias.</td><td>Our audit procedures included,
• Walking through the business planning process and assessing the design, implementation and operating effectiveness of management's key internal controls over the assessment of going concern, including the preparation of cash flow forecasts;
• Evaluating the performance of the Company and assessing the significant going concern indications.
• Assessing the appropriateness of key assumptions used in the cash flow projections and assessing the timing and mathematical accuracy of the projections.
• Assessing the Company's ability to renew or refinance existing banking and other financing facilities upon maturity by performing a retrospective review of past renewal or roll-over history of banking and other financing facilities in prior years and inspecting loan agreements and underlying document for bank loans and other financing facilities borrowed and repaid after year end;
• Inspecting the letter of support received from the parent Company after evaluating their ability to provide the financial support in order to meet the liabilities of the Company as and when they fall due and payable.
• Assessing the adequacy of disclosures in the financial statements (Note 2.6) in relation to going concern.</td></tr>
</table>

Independent Auditor's Report

KPMG

<table>
<tr><td colspan="2">02. Revaluation of Property, Plant and Equipment</td></tr>
<tr><td colspan="2">Refer to the significant accounting policy in Note 3.2.2 and explanatory Note 14.10 to these financial statements.</td></tr>
<tr><td colspan="2">The Company has revalued its Buildings, Plant & Machinery and Motor Vehicles and reported a net carrying value of Rs. 1,767 Mn and a revaluation gain of Rs. 767 Mn as at 31st December 2020</td></tr>
<tr><td>Risk Description</td><td>Our Response</td></tr>
<tr><td>The Company has engaged an independent professional Valuer with appropriate expertise to determine the fair value of the Buildings, Plant & Machinery and Motor Vehicles in accordance with recognized industry standards. Above assets are valued at fair value using a cost approach and market approach. The valuations require the exercise of the significant judgement and key among these judgements are;

• The appropriate valuation methodology to apply based on the valuer's assessment of specialized nature of the assets;
• Where replacement cost-based valuation methods are applied, what a modern equivalent asset cost would be;
• Assessment of condition of the existing assets and the age;
• Assessment of remaining useful lives and depreciation method;

We identified this as a key audit matter because of the magnitude of the amounts recognized in the financial statements and significant judgments and estimates involved in assessing the fair value of the Property, Plant and Equipment.</td><td>Our audit procedures included,

• Assessing the objectivity, independence, competence, qualifications and experience in the properties being valued by the external Valuer.

• Obtaining and inspecting the valuation reports prepared by independent valuer engaged by the Company.

• With the assistance of our own internal valuation specialists assessing the key assumptions applied and conclusions made in deriving the fair value of the Property, Plant and Equipment. In addition to that, we have assessed the valuation methodologies with reference to recognized industry standards.

• Discussions with the management and the external valuer in relation to the possible impact on the key assumptions and the resulting valuation due to COVID 19 pandemic.

• Assessing the adequacy of disclosures in relation to fair value of Property, Plant and Equipment in the financial statements in accordance with the relevant accounting standards.</td></tr>
</table>

Independent Auditor's Report

KPMG

<table>
<tr><td colspan="2">03. Measurement of Consumable Biological Assets</td></tr>
<tr><td colspan="2">Refer to the significant accounting policy in Note 3.2.3.6 and explanatory Note 16 to the financial statements</td></tr>
<tr><td colspan="2">The Company has reported consumable biological assets carried at fair value less estimated cost to sell at harvest, amounting to LKR 3,784 Mn as at 31st December 2020.</td></tr>
<tr><td>Risk Description</td><td>Our Response</td></tr>
<tr><td>The commercially cultivated timber trees on estates managed by the Company classify as consumable biological assets and are measured at each reporting date at fair value less estimated cost to sell at harvest. The valuation of consumable biological assets requires significant levels of judgments and technical expertise in selecting appropriate valuation models and assumptions. Changes in the key assumptions used such as discount rate, estimation of height/girth of trees used to arrive volume of timber and value per cubic meter used for the valuation of consumable biological assets, could have a material impact on the fair value gain or loss for the year and the carrying value of consumable biological assets as of the reporting date. Management engaged a subject matter expert who is an incorporated valuer and a member of The Institute of Valuers of Sri Lanka to perform an independent valuation of the consumer biological assets of the Company as at reporting date.

We considered measurement of consumer biological assets as a key audit matter due to the magnitude of the value and significant assumptions and judgments in determining the fair value which could be subject to error or potential management bias.</td><td>Our audit procedures included:

• Understanding the process of valuation and testing the design and operating effectiveness of the key controls relation to the valuation of consumable biological assets.

• Assessing the objectivity, independence, competence, qualifications and experience in the biological assets being valued by the subject matter expert.

• Obtaining estate wise census books of timber trees and comparing the number of timber trees recorded in the census book with the valuation report to ensure the completeness and accuracy of the data.

• Physically verification of the actual girth and height pertaining to a selected sample of trees during our estate visits, in order to ascertain the accuracy of the average girth and height used in the valuation report.

• Assessing the key assumptions and methodology used in the valuation, in particular the discount rate, estimated height and average market price by comparing with industry norms that are generally accepted in determining volume of timber.

• Assessing the mathematical accuracy of the consumable biological assets valuation.

• Assessing the adequacy of the disclosures in the Financial Statements, including the description and appropriateness of the inherent degree of subjectivity and the key assumptions.</td></tr>
</table>

Independent Auditor's Report

KPMG

04. Retirement Benefit Obligation	
Refer to the significant accounting policy in Note 3.3.1.2 and explanatory Note 28 to the financial statements	
The Company has recognized retirement benefit obligation of Rs. 993 Mn as at 31st December 2020.	
Risk Description	**Our Response**
The valuation of the Company's retirement benefit obligation requires significant judgment and estimation to be applied across numerous assumptions, including salary increases and discount rate. Small changes in those assumptions could have a significant effect on the financial performance and financial position of the Company. Management engaged an independent actuary to assist them in the computation of retirement benefit obligation. We considered the computation of the retirement benefit obligation to be a key audit matter due to the magnitude of the amounts recognized in the financial statements as well as estimation uncertainty involved in determining the amounts.	Our audit procedures included: • Assessing the competency, objectivity and capabilities of the independent actuary engaged by the Company. • Testing the samples of the employees' details used in the computation to the human resource records. • Assessing the other key assumptions used in the valuation, in particular the discount rate, inflation rate, mortality rates and future salary increases. • Comparing the discount rate, inflation rate, mortality rate and future salary increases to market available data. • Involving internal valuation specialist to verify the accuracy of the retirement benefit obligation. • Assessing the adequacy of the disclosures in financial statements.

Independent Auditor's Report

KPMG

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the Financial Statements and our Auditor's Report thereon.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

KPMG

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

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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2618.

Sgd.
CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
11th June 2021

Statement of Profit or Loss

For the year ended 31st December	Note	2020 Rs.	2019 Rs.
Revenue	6	2,832,067,026	2,006,977,497
Cost of Sales		(2,761,276,128)	(2,568,610,650)
Gross Profit/ (Loss)		70,790,898	(561,633,153)
Gain on Change in Fair Value of Biological Assets	18.1	220,038,560	180,434,197
Other Income	7	46,085,302	67,696,604
Administrative Expenses		(150,805,564)	(121,742,741)
Profit / (Loss) From Operation		186,109,196	(435,245,093)
Finance Income		66,889	48,175
Finance Expense		(318,253,452)	(345,869,302)
Net Finance Costs	8	(318,186,563)	(345,821,127)
Loss Before Taxation	9	(132,077,367)	(781,066,220)
Income Tax Benefit/ (Expense)	10	(68,817,665)	17,357,685
Loss for the year		(200,895,032)	(763,708,535)
Basic Loss Per Share	11	(1.19)	(4.51)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 46 through 88 form an integral part of the Financial Statements.

Statement of Other Comprehensive Income

For the Year ended 31st December	Note	2020 Rs.	2019 Rs.
Loss for the year		(200,895,032)	(763,708,535)
Items that will not be reclassified to profit or loss			
Net Change in Fair Value Through OCI Financial Assets	17	(342,967)	(240,829)
Actuarial Gain / (Loss) on Retirement Benefit Obligations	28	40,375,212	(38,617,751)
Tax effect on Actuarial Gain / (Loss)	29.1	(5,652,530)	5,406,485
Revaluation Gain	14	767,309,540	-
Tax effect on Revaluation Gain	29	(107,423,336)	-
Total other comprehensive income /(expense) for the year (net of tax)		694,265,919	(33,452,095)
Total comprehensive income /(expense) for the year		493,370,887	(797,160,630)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 46 through 88 form an integral part of the Financial Statements.

Statement of Financial Position

As at 31st December	Note	2020 Rs.	2019 Rs.
ASSETS			
Non-current Assets			
Right to use of Land	12	106,589,973	108,925,714
Immovable estate assets on financial lease (Other than bare land)	13	392,393,676	323,589,839
Tangible assets other than biological assets	14	1,506,959,560	878,030,805
Bearer Biological Assets	15	777,911,667	725,566,431
Consumable Biological Assets	16	3,784,249,791	3,556,150,833
Investment in Equity Securities-FVOCI	17	3,831,734	4,174,701
Total Non -Current Assets		6,571,936,401	5,596,438,323
Current Assets			
Produce of Bearer Biological Assets	18	4,671,767	2,053,351
Inventories	19	363,449,825	253,557,197
Trade and Other Receivables	20	155,520,829	145,547,714
Amounts due from Related Companies	21	296,732	2,178,628
Cash and Cash Equivalents	22	27,432,637	47,533,164
Total Current Assets		551,371,790	450,870,054
TOTAL ASSETS		7,123,308,191	6,047,308,377
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	23	1,624,760,670	1,624,760,670
Revaluation Reserve	24	1,297,144,187	637,257,983
Fair Value Through OCI Reserve	25	2,615,651	2,958,618
Timber Reserve	26	3,594,121,047	3,376,700,903
Retained Earnings		(5,077,361,203)	(4,693,768,709)
Total Equity		1,441,280,352	947,909,465
Non-Current Liabilities			
Interest Bearing Loans & Borrowings	27	2,909,107,268	2,912,559,020
Retirement Benefit Obligations	28	992,866,524	985,134,132
Deferred Tax Liabilities	29	460,146,165	278,252,634
Deferred Income	30	132,710,114	138,072,745
Lease Liability to - SLSPC and JEDB	31	91,774,555	90,355,899
Total Non-Current Liabilities		4,586,604,626	4,404,374,430
Current Liabilities			
Trade and Other Payables	32	384,326,892	271,392,134
Lease Liability to - SLSPC and JEDB	31	569,187	455,933
Amounts due to Related Companies	33	61,794,085	57,585,891
Interest Bearing Loans & Borrowings	27	547,055,078	337,658,709
Bank Overdraft	22	101,677,971	27,931,815
Total Current Liabilities		1,095,423,213	695,024,482
TOTAL LIABILITES		5,682,027,839	5,099,398,912
Total Equity and Liabilities		7,123,308,191	6,047,308,377
NET ASSETS PER SHARE		8.50	5.59

Figures in brackets indicate deductions.
The accounting policies and notes on pages 46 through 88 form an integral part of the Financial Statements.
These Financial Statements have been prepared in compliance with the requirements of the Companies Act No 07 of 2007.

Sgd
D. M. Samantha K Dissanayake
Financial Controller

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

Sgd.
D. H. S. Jayawardena
Chairman / Managing Director

Sgd.
(Dr.) N. M. Abdul Gaffar
Non-Executive- Director

Colombo.
11th June 2021

Statement of Changes in Equity

For the year ended 31st December 2020	Note	Stated Capital Rs.	Revaluation Reserve Rs.	Fair value through OCI Reserve Rs	Timber Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 1st January 2019 (before initial application of SLFRS 16)		1,624,760,670	637,257,983	3,199,447	3,220,459,208	(3,681,605,797)	1,804,071,511
Adjustment due to initial application of SLFRS 16 net of tax		-	-	-	-	(59,001,416)	(59,001,416)
Adjusted balance as at 1st January 2019		1,624,760,670	637,257,983	3,199,447	3,220,459,208	(3,740,607,213)	1,745,070,095
Total comprehensive income for the Year							
Loss for the year		-	-	-	-	(763,708,535)	(763,708,535)
Other comprehensive income/ (expense)							
Net Change in Fair Value Through OCI Financial Assets		-	-	(240,829)	-	-	(240,829)
Actuarial Loss on Retirement Benefit Obligation (net of tax)		-	-	-	-	(33,211,266)	(33,211,266)
Transferred to Timber Reserve	26	-	-	-	182,438,926	(182,438,926)	-
Transferred to Retained earning	26	-	-	-	(26,197,231)	26,197,231	-
Balance as at 31st December 2019		1,624,760,670	637,257,983	2,958,618	3,376,700,903	(4,693,768,709)	947,909,465
Balance as at 1st January 2020		1,624,760,670	637,257,983	2,958,618	3,376,700,903	(4,693,768,709)	947,909,465
Total comprehensive income for the Year							
Loss for the year		-	-	-	-	(200,895,032)	(200,895,032)
Other comprehensive income/ (expense)		-	-	-	-	-	-
Actuarial Loss on Retirement Benefit Obligation (net of tax)		-	-	-	-	34,722,682	34,722,682
Net Change in Fair Value Through OCI Financial Assets		-	-	(342,967)	-	-	(342,967)
Revaluation Gain (net of tax)		-	659,886,204	-	-	-	659,886,204
Transferred to Timber Reserve	26	-	-	-	217,420,144	(217,420,144)	-
Balance as at 31st December 2020		1,624,760,670	1,297,144,187	2,615,651	3,594,121,047	(5,077,361,203)	1,441,280,352

Figures in brackets indicate deductions.

The accounting policies and notes on pages 46 through 88 form an integral part of the Financial Statements.

Statement of Cash Flows

For the year ended 31st December	Note	2020 Rs.	2019 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss Before Taxation		(132,077,367)	(781,066,220)
Adjustments for :			
Depreciation	12,13,14,15	102,463,686	92,612,381
Interest Income	8	(66,889)	(48,175)
Interest Expenses	8	318,253,452	345,869,302
Provision for Defined Benefit Plan Cost	28	147,654,685	147,681,391
Gain on change in Fair Value of Biological Assets	18.1	(220,038,560)	(180,434,197)
Provision for bad debts	20.1	-	19,592,527
ESC write off	9	8,763,401	-
Dividend Income	7	(350,000)	(752,500)
Amortization of Grants	30	(5,362,631)	(5,362,634)
Provision for impairment of Immature Plantations	15.2	43,937,411	3,206,167
Write off of slow moving inventories	9	3,811	-
Profit on Sale of Timber	7	-	(22,533,041)
Operating Profit /(Loss) before Working Capital Changes		263,180,999	(381,234,999)
(Increase)/Decrease in Inventories		(109,896,440)	52,440,804
(Increase)/Decrease in Trade and Other Receivables		(18,736,515)	(14,118,751)
(Increase)/Decrease in Due from Related Companies		1,881,896	(2,178,628)
Increase/(Decrease) in Trade and Other Payable		112,934,758	(38,580,475)
Increase/(Decrease) in Due to Related Companies		4,208,194	4,184,298
Cash Generated from / (Used in) Operations		253,572,892	(379,487,751)
Interest Paid		(56,139,532)	(333,999,653)
Income Tax / ESC Paid		-	(11,188,383)
Gratuity Paid	28	(99,547,082)	(126,113,534)
Net Cash Generated from / (Used in) Operating Activities		97,886,278	(850,789,321)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Property, Plant and Equipment	14	(15,403,937)	(149,445,312)
Investments in Immature Plantations	15	(109,434,591)	(81,891,351)
Investment in Timber Plantations -Biological Assets	16	(10,678,814)	(4,025,364)
Interest Received	8	66,889	48,175
Dividend Received	7	350,000	752,500
Proceeds from Timber sales		-	48,730,272
Net Cash Used in Investing Activities		(135,100,453)	(185,831,080)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments to Lease Creditor- JEDB/SLSPC	31	(12,629,285)	(12,296,229)
Loan Obtained	27	38,045,005	2,528,388,423
Loans Repayment	27	(82,048,228)	(1,393,486,710)
Grants Received	30	-	44,457
Net Cash (Used in) / Generated from Financing Activities		(56,632,508)	1,122,649,941
Net Increase / (Decrease) in Cash and Cash Equivalents		(93,846,683)	86,029,540
Cash and Cash Equivalents at the beginning of the Year	22	19,601,349	(66,428,191)
Cash and Cash Equivalents at the end of the Year		(74,245,334)	19,601,349

Figures in brackets indicate deductions.

The accounting policies and notes on pages 46 through 88 form an integral part of the Financial Statements.

Notes to the Financial Statements

For the year ended 31st December 2020

1. REPORTING ENTITY

Madulsima Plantations PLC is a Public Limited Liability Company incorporated and domiciled in Sri Lanka, under the Companies Act No. 17 of 1982 in terms of the provisions of the Conversion of Public Corporations or Government-Owned Business Undertaking into Public Companies Act No. 23 of 1987 and re-registered under the Companies Act No. 7 of 2007. The registered office of the Company is located at No 833, Sirimavo Bandaranayaka Mawatha, Colombo 14 and Plantations are situated in the Madulsima and Bogawantalawa regions.

The Financial Statements of Company comprise with the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes to Financial Statements.

1.1 Principal activities and nature of operations

The Company primarily is involved in the cultivation, manufacturing and sale of Black Tea.

1.2 Immediate and Ultimate Parent Enterprises

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Approval of Financial Statements by Directors

The Financial Statements of the Company were authorised for issue by the Board of Directors on 11th June 2021.

2.3 Basis of Measurement

The Financial Statements have been prepared on historical cost basis except for the following material items in the Statement of Financial Position:

- Building, Plant & Machinery and Motor Vehicles have been revalued (LKAS 16) - Property, Plant and Equipment) - Note 13 & 14
- Consumable Mature Biological Assets are measured at fair value less costs to sell per - (LKAS 41 - Agriculture) - Note 16
- Liability for Retirement Benefit Obligations is recognised as the present value of the defined benefit obligation based on actuarial valuation per (LKAS 19 - Employee Benefits) - Note 28
- Agriculture produce harvested from biological assets are measured at fair value per (LKAS 41 - Agriculture) - Note 18
- Investment in Equity Securities are measured at fair value per (SLFRS 09 - Financial Instruments) - Note 17

2.4 Functional and Presentation Currency

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

2.5 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by LKAS 1: Presentation of Financial Statements.

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

2.6 Going Concern

The Board of Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

The Company has incurred a loss of LKR 201 Mn. during the year ended 31st December 2020 (2019 - Rs. 764 Mn.) and as of that date, accumulated losses amounted to LKR 5,077 Mn. (2019 - Rs. 4,694 Mn.). Further, the Company's current liabilities exceeded its current assets by LKR 544 Mn. (2019 - Rs. 244 Mn.) as at the reporting date. The current liabilities of the Company includes loans and borrowings amounting to LKR 547 Mn. which are due within 12 months from 31st December 2020. (2019 - Rs. 338 Mn.)

Notes to the Financial Statements

For the year ended 31st December 2020

Notwithstanding this, the Financial Statements has been prepared on the going concern basis because the board of directors have assessed the sources of funding available to the Company, and firmly believe that the Company can continue as a going concern for the foreseeable future.

The Parent Company has funded the Company for its financial needs. Details are as follows.

2017 Rs. 318,563,955
2018 Rs. 969,205,401
2019 Rs. 1,103,067,402
2020 Rs. 38,045,004

In preparing these financial statements, the management has assessed the existing and anticipated effect of COVID-19 on the Company and appropriateness of the use of the going concern basis. Refer Note 43 to the Financial Statements for impact of COVID-19 on the Financial Statements of the Company.

2.7 Use of Estimates and Judgements

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

Judgements and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence actual experience and results may differ from these judgements and estimates.

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

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following notes.

Note 14 -Tangible Assets other than Biological Assets

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

Note 16 - Consumable Biological Assets
Note 28 - Retirement Benefit Obligation
Note 29 - Deferred Tax Liability
Note 17 - Investment in Equity Securities
Note 18 - Agriculture Produce harvested from Biological Assets
Note 13 & 14 - Revalued Buildings, Plant & Machinery and Motor Vehicles
Note 43 - Impact of COVID 19 on Financial Statement

2.8 Determination of fair value

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk. Several of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

When measuring fair value of an asset or liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 inputs are inputs that are not based on observable market data (unobservable inputs).

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

Notes to the Financial Statements

For the year ended 31st December 2020

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

Fair value of non-financial assets

The fair value used by the Company in the measurement of non-financial assets is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market that is accessible by the Company for the asset or liability.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Except for the changes mentioned, all the accounting policies set out below have been applied by the Company consistently to all periods presented in these Financial Statements

3.1 Foreign Currency

3.1.1 Foreign Currency Transactions

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions.

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

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

Exchange differences arising on the settlement of monetary items and on the translation of monetary items are included in profit or loss for the period.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences which are recognised in other comprehensive income.

3.2 Assets and the bases of their valuation

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

3.2.1 Right to use of Asset

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in SLFRS 16 this definition is applicable for agreements entered after 1st January 2019.

3.2.1.1 As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

Notes to the Financial Statements
For the year ended 31st December 2020

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

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

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

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

The Company presents right-of-use assets that do not meet the definition of investment property in 'right to use of land' and lease liabilities in 'lease liability' in the statement of financial position.

Short-term leases and leases of low-value assets
The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.2.2 Property, Plant and Equipment

3.2.2.1 Recognition and Measurement
Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, except for Bare Land on Lease which is stated at revalued amount on 22nd June 1992 less subsequent accumulated depreciation and accumulated Impairment losses.

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

3.2.2.2 Owned Assets
The cost of property, plant and equipment includes expenditures that are directly attributable to the acquisition of the asset. Such 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 labor, any other cost directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as a part of that equipment.

Notes to the Financial Statements

For the year ended 31st December 2020

When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is preformed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Buildings, Plant & Machinery and Motor Vehicles are measured at fair value less accumulated depreciation on such assets and impairment charged subsequent to the date of the revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount and is undertaken by professionally qualified valuer for every five year. Other property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Capital work in progress is transferred to the respective asset accounts at the time, the asset is ready for utilization or at the time the asset is commissioned.

3.2.2.3 Land Improvement Cost

Permanent land development costs are the costs incurred in making major infrastructure development and building new access roads on leasehold lands.

These costs have been capitalised and amortised over the remaining lease period.

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

3.2.2.4 Capital Work-in-Progress

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

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

3.2.2.5 Subsequent Cost

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised.

The costs of the day-to-day servicing of property, plant and equipment are recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

3.2.2.6 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 capitalised as a part of the asset. The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with LKAS 23 - Borrowing Costs.

Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss and Other Comprehensive Income.

3.2.2.7 Depreciation and Amortisation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

Notes to the Financial Statements
For the year ended 31st December 2020

The estimated useful lives for the current and comparative periods are as follows:

Asset Category	No of Years	Rate %
Improvements to Building	40	2.5
Land Improvement	40	2.5
Plant & Machinery	15 to 20	6.66/ 5
Motor Vehicles	5	20
Equipment	8	12.5
Computer	4	25
Computer Software	3	33
Furniture & Fittings	10	10
Water Projects & Sanitation	20	5

Immovable Assets on Finance Lease from JEDB/ SLSPC are being amortized in equal amounts over the following periods:

Asset Category	No of Years	Rate %
Bare Land	53	1.89
Mature Plantations - Tea	30	3.33
Buildings	25	4
Plant & Machinery	15	6.67
Land Development Cost	53	1.89
Water Supply Scheme	30	3.33
Mini Hydro Scheme	10	10

Depreciation of an asset begins when it is available for use, whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognised.

Depreciation method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3.2.2.8 Derecognition
The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in profit or loss and the revalued assets are disposed, the amount included in revaluation surplus reserve is transferred to retained earnings.

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

Biological assets are further classified into Mature Biological assets and Immature Biological assets. Mature Biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature Biological assets are those that have not yet attained harvestable specifications.

3.2.3.1 Recognition and Measurement
The entity recognises the Biological assets when, and only when, the entity controls the assets as a result of past events, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

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

Notes to the Financial Statements

For the year ended 31st December 2020

The managed timber trees are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell in terms of LKAS 41. The cost is treated as approximation to fair value of young plants (age below 4 years) as the impact on biological transformation of such plants to price during this period is immaterial.

3.2.3.2 Bearer Biological Assets

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

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

3.2.3.3 Infilling cost on Bearer Biological Assets

The land development costs incurred in the form of infilling are capitalised when infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance and infilling costs so capitalised are depreciated over the newly assessed remaining useful economic life of the relevant mature plantation or unexpired lease period, whichever is lower.

Infilling costs that are not capitalised have been charged to the Statement of Profit or Loss and Other Comprehensive Income in the year in which they are incurred.

3.2.3.4 Growing crop nurseries

Nursery cost includes the cost of direct materials, direct labour and appropriate proportion of directly attributable overheads.

3.2.3.5 Depreciation

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

The expected periods of commercial harvesting for each category of crops are as follows:

Asset category	No of Years	Rate%
Tea	33 1/3	3
Rubber	20	5
Coffee	10	10
Citrus	10	10

No depreciation is provided for Immature Plantations.

3.2.3.6 Consumable Biological Assets

The fair value of timber trees is measured using Discounted Cash Flow (DCF) method taking into consideration the current market prices of timber applied to expected timber content of a tree at maturity.

Notes to the Financial Statements

For the year ended 31st December 2020

The main variables in DCF model are as follows:

Variable	Comment
Timber content	Estimated based on physical verification of girth, height and considering the growth of each species, and factoring in all the prevailing statutory regulations enforced against harvesting of timber coupled with the forestry plan of the Company.
Economic useful life	Estimated based on the normal life span of each species by factoring in the forestry plan of the Company.
Selling price	Selling price reflects the currently available market value.
Discount Rate	Discount rate reflects the possible variations in the Cash flows and the risk related to the biological assets.
Currency	LKRS

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

3.2.4 Produce on Bearer Biological Assets

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

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

For the valuation of the produce, the Company uses the bought-leaf rate (current month) less cost of harvesting and transport.

3.2.5. Financial instruments

3.2.5.1. Recognition and initial measurement

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

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

3.2.5.2. Classification and subsequent measurement

Financial assets

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

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended 31st December 2020

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

Financial assets - Business model assessment:

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

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

Transfers of financial assets to third parties in transactions that do not qualify for de recognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets -Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3.2.5.3. Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31st December 2020

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

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

3.2.5.4. Derecognition

Financial assets

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

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

Financial liabilities

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

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

3.2.5.5. Offsetting

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

3.2.5.6. Impairment policy

Non-derivative financial assets

Financial instruments and contract assets

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

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

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

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 180 days past due.

Notes to the Financial Statements
For the year ended 31st December 2020

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

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

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

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

ECLs are discounted at the effective interest rate of the financial asset.

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 180 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market tor a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

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

Impairment Policy: Non-financial assets
At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets 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 CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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 amortisation, if no impairment loss had been recognised.

3.2.6. Inventories

3.2.6.1 Agricultural Produce harvested from Biological Assets
Agricultural produce harvested from Biological Assets is measured at its fair value less cost to sell at the point of harvest. The finished and semifinished inventories from agricultural produce are valued by adding the cost of conversion to the fair value of agricultural produce.

Notes to the Financial Statements
For the year ended 31st December 2020

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

3.2.6.3 Input Material, Consumables and Spares
Valued at actual cost on weighted average basis.

3.2.6.4 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.

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

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

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

3.3.1 Employee Benefits

3.3.1.1 Defined Contribution Plans - Employees'

Provident Fund and Employees' Trust Fund
A Defined Contribution Plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Defined Contribution Pension Plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Company contributes 12% of gross emoluments of the employees to Employees' Provident Fund (EPF)/Estate Staff Provident Society (ESPS). All of the employees are eligible for Employees' Trust Fund to which the Company contributes 3% of gross emoluments of such employees.

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

The provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 - Employee Benefits. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The key assumptions used in determining the Retirement Benefit Obligations are given in Note 28.

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

Notes to the Financial Statements

For the year ended 31st December 2020

3.3.3 Deferred Income

3.3.3.1 Government Grants and Subsidies

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

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

3.3.4 Ordinary Shares

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

3.4 Statement of Profit or Loss and Other Comprehensive Income

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

3.4.1. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company 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.

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

a) Sale of Plantation produce

Revenue from sale of plantation produce is recognized at the point in time when the control of the goods is transferred to the customer. Black tea produce is sold at the Colombo tea 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.

There is no element of financing present as the Company's sale of plantation produce are either on cash terms (Immediate payment or advance payment not exceeding 30 days) or on credit terms ranging from 7 to 15 days.

Revenue recognition criteria for the other revenue and income earned by the Company are as follows;

b) Rental Income

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

c) Dividend Income

Dividend income is recognized when the right to receive payment is established.

3.4.2 Expenditure Recognition

3.4.2.1 Operating Expenses

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

Notes to the Financial Statements

For the year ended 31st December 2020

3.4.2.2 Finance Cost

Finance costs comprise interest expense on external borrowings and related party loans and payments made under operating leases. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received may be recognised as an integral part of the total lease expense, over the term of the lease.

3.4.2.3 Finance Income

Interest income is recognized on an accrual basis, using the effective interest method.

3.4.2.4 Income Tax Expense

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

3.4.2.4.1 Current Taxes

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

3.4.2.4.2 Deferred Taxation

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable

that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

Notes to the Financial Statements

For the year ended 31st December 2020

3.5 Statement of Cash Flows

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

3.6 Segmental Reporting

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

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

Assets and Liabilities directly attributable to each segment are allocated to the respective segments. Assets and Liabilities which are not directly attributable to a segment are allocated on a reasonable basis wherever possible. The activities of the segments are described in Note 06 to the Financial Statements.

3.7 Related Party Transactions

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

A detailed Related Party Transaction analysis is presented in Note 37.

3.8 Earnings Per Share

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

3.9 Events occurring after the reporting period

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

The impact of coronavirus outbreak for the financial statements is disclosed under Note 43.

4 NEW STANDARDS AND CHANGES TO ACCOUNTING STANDARDS NOT EFFECTIVE AS AT THE REPORTING DATE

A number of new standards and amendments to standards are effective for annual periods beginning after 1st January 2021 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

- COVID-19-Related Rent Concessions (Amendment to SLFRS 16).

  The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 Pandemic. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession.

  The practical expedient will only apply if

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021; and
- no other substantive changes have been made to the terms of the lease

  The amendment applies to annual reporting periods beginning on or after 01st June 2020. The Company does not anticipate this amended to have a significant impact on the Company's financial statements.

- Interest Rate Benchmark Reform - Phase 2 (Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16)

Notes to the Financial Statements

For the year ended 31st December 2020

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 relating to:

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and
- hedge accounting.

The amendments will require the Company to disclose additional information about the entity's exposure to risks arising from interest rate benchmark reform and related risk management activities. The Company is in the process of assessing the impact of this standard on its accounting and reporting. This amendment is effective for annual periods beginning on or after 1st January 2021.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16).

This amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendment applies to annual reporting periods beginning on or after 1st January 2022.

- Onerous contracts - Cost of Fulfilling a Contract (Amendments to LKAS 37)

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1st January 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other components of equity, as appropriate. The Company does not anticipate this amended to have a significant impact.

- Annual Improvements to SLFRS Standards 2018-2020.

As part of its process to make non-urgent but necessary amendments to accounting Standards, the IASB International Accounting Standards Board (the Board) has issued the Annual Improvements to SLFRS Standards 2018-2020. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Key Aspects covered is as follow:

I. SLFRS 1 First-time Adoption of International Financial Reporting Standards
This amendment simplifies the application of SLFRS 1 for a subsidiary that becomes a first-time adopter of SLFRS Standards later than its parent

II. SLFRS 9 Financial Instruments
This amendment clarifies that - for the purpose of performing the ''10 per cent test' for derecognition of financial liabilities - in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf

- Classification of Liabilities as Current or Non-current (Amendments to LKAS 1).
The amendments in Classification of Liabilities as Current or Noncurrent (Amendments to LKAS 1) affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those item

The Key amendments are as follows:

- the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. The classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The standard also clarifies that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendment applies to annual reporting periods beginning on or after 1st January 2023

Notes to the Financial Statements

For the year ended 31st December	2020 Rs.	2019 Rs.
6 REVENUE		
Sale of Produce Tea	2,832,067,026	2,006,977,497
Total Gross Revenue	2,832,067,026	2,006,977,497
6.1 Timing of Revenue Recognition		
Goods transferred at point in time	2,832,067,026	2,006,977,497
Total Revenue	2,832,067,026	2,006,977,497

6.1 Segmental Information	Madulsima Region				Bogowantalawa Region		Total	
Geographical Segment	Uva High		Uva Medium		Western High			
	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
(a) Segment Revenue								
Revenue	1,269,145,940	782,005,568	725,069,324	519,856,713	837,851,762	705,115,216	2,832,067,026	2,006,977,497
Cost of Sales	(1,161,418,517)	(940,362,370)	(647,006,949)	(639,018,860)	(952,850,662)	(989,229,420)	(2,761,276,128)	(2,568,610,650)
Segment Results	107,727,423	(158,356,802)	78,062,375	(119,162,147)	(114,998,900)	(284,114,204)	70,790,898	(561,633,153)
Other Operating Income	13,082,744	11,351,647	7,184,416	5,449,205	5,445,984	6,229,243	25,713,144	23,030,095
Administration & General Expenses	(37,504,620)	(33,437,498)	(19,969,596)	(20,260,821)	(38,187,436)	(40,962,992)	(95,661,652)	(94,661,311)
	83,305,547	(180,442,653)	65,277,195	(133,973,763)	(147,740,352)	(318,847,953)	842,390	(633,264,369)
Head Office								
Other Operating Income							20,372,158	44,666,509
Administrative Expenses							(55,143,912)	(27,081,429)
Gain on Change in Fair Value of Timber Stock							220,038,560	180,434,197
Profit/(Loss) from Operating Activities							186,109,196	(435,245,093)
Net Finance Cost							(318,186,563)	(345,821,127)
Loss before Income Tax Expense							(132,077,367)	(781,066,220)
Income Tax Benefit/(Expense)							(68,817,665)	17,357,685
Net Loss for the Year							(200,895,032)	(763,708,535)
Net Change in Fair Value Through OCI Financial Assets							(342,967)	(240,829)
Actuarial Gain / (Loss) on defined benefit plans, net of tax							34,722,682	(33,211,266)
Revaluation Gain, net of tax							659,886,204	-
Other Comprehensive Income/(Expense) net of Tax							694,265,919	(33,452,095)
Total comprehensive Income/(Expense) for the Year, net of Tax							493,370,887	(797,160,630)

A segment is a distinguishable component of the Company that is engaged either in providing product or service (business segments),or in providing products or services within a particular economic environment (geographical segments),which is subject to risk and rewards that are different from those of other segments. The business segments are reported based on the geographical segments of the company.

Notes to the Financial Statements

For the year ended 31st December

6 REVENUE (CONTD.)

Geographical Segment

(b) Segment Assets

		Madulsima Region				Bogowantalawa Region		Total	
		Uva High		Uva Medium		Western High			
		2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs	2020 Rs.	2019 Rs
Non - Current Assets		3,561,041,084	2,947,864,308	1,639,178,614	1,384,871,446	1,304,241,135	1,202,324,750	6,504,460,833	5,535,060,504
Current Assets		165,490,034	125,362,101	97,126,964	67,946,889	182,781,991	174,905,763	445,398,989	368,214,753
		3,726,531,118	3,073,226,409	1,736,305,578	1,452,818,335	1,487,023,126	1,377,230,513	6,949,859,822	5,903,275,257
Head Office									
Non - Current Assets								67,475,568	61,377,819
Current Assets								105,972,801	82,655,301
Total Assets								7,123,308,191	6,047,308,377
Segment Liabilities									
Non - Current Liabilities		415,282,997	391,006,148	235,337,805	223,601,259	520,707,525	524,049,463	1,171,328,327	1,138,656,870
Current Liabilities		151,030,853	91,639,032	72,837,793	52,069,916	135,244,943	105,764,128	359,113,589	249,473,076
Total Liabilities		566,313,850	482,645,180	308,175,598	275,671,175	655,952,468	629,813,591	1,530,441,916	1,388,129,946
Head Office									
Non - Current Liabilities								3,415,276,299	3,265,717,560
Current Liabilities								736,309,624	445,551,406
Total Liabilities								5,682,027,839	5,099,398,912
Capital Expenditure	- Estate	40,298,773	76,448,588	25,056,558	43,330,660	67,160,893	70,899,269	132,516,224	190,678,517
	- Head Office							3,001,118	44,683,510
								135,517,342	235,362,027
Depreciation	- Estate	36,594,248	34,428,585	23,292,692	20,809,946	35,524,345	31,437,417	95,411,285	86,675,948
	- Head Office							7,052,401	5,936,433
								102,463,686	92,612,381

Notes to the Financial Statements

For the year ended 31st December	2020 Rs.	2019 Rs.
7. OTHER OPERATING INCOME		
Amortization of Capital Grants	5,362,631	5,362,634
Rent Income	39,209,172	37,599,903
Sundry Income	1,163,499	1,448,526
Profit From Sale of Trees	-	22,533,041
Dividend Income	350,000	752,500
	46,085,302	67,696,604
8. NET FINANCING COST		
Finance Cost		
Overdraft Interest	4,827,193	7,448,063
Bank Loans Interest	27,278,910	52,747,673
Term Loan Interest	271,933,712	272,479,281
Interest on Government Lease	12,166,078	11,869,649
Finance Lease	2,047,559	1,324,636
	318,253,452	345,869,302
Finance Income		
Interest income	66,889	48,175
	66,889	48,175
Net finance Cost	318,186,563	345,821,127
9. LOSS BEFORE TAXATION		
Is stated after charging all the expenses including the following:		
Auditors' remuneration - Audit	2,170,000	1,976,500
- Non Audit	225,000	100,000
Depreciation/ Amortization		
Leasehold right to Bare Land of JEDB / SLSPC Estates	4,330,858	4,235,836
Immovable Leased Assets of JEDB / SLSPC Estates	24,812,839	24,812,293
Tangible Assets	60,168,045	52,765,863
Mature Plantations	13,151,944	10,798,388
Impairment of immature plantation		
- Rubber	39,879,124	-
- Cinnamon	868,813	-
- Avocado	2,554,135	
- Murunga	635,339	-
Write off of mature / immature plantations	-	2,965,338
Write off of slow moving inventories	3,811	-
Write off of ESC Receivable	8,763,401	
Provision for impairment of other receivable	-	19,592,525
Personnel Cost		
Salaries and Wages	1,445,535,711	1,290,586,442
Defined Benefit Plan - Gratuity	147,654,685	147,681,391
Defined Contribution Plans - EPF/ESPS/CPPS	262,666,374	220,731,780

Notes to the Financial Statements

For the year ended 31st December

	2020 Rs	2019 Rs
10 INCOME TAX EXPENSE		
10.1 Taxes charge in statement of profit/loss		
(i) Current Tax Expense		
Income Tax charge for the year (Note 10.3)	-	-
(ii) Deferred Tax		
Relating to Origination and (reversal) of temporary differences (Note 29)	68,817,665	(17,357,685)
Income Tax change/(reversal) exported in Statement of Profit or Loss	68,817,665	(17,357,685)
10.2 STATEMENT OF OTHER COMPREHENSIVE INCOME		
Deferred tax relating to items (charges) / credited directly to OCI during the year		
Tax effect on actuarial Gain / (Loss)	(5,652,530)	(5,406,485)
Tax effect on Revaluation of Property, Plant and Equipment	(107,423,336)	-
	(113,075,866)	(5,406,485)
10.3 Reconciliation of accounting profit to taxable income		
Accounting Loss before income tax expense	(132,077,367)	(781,066,220)
Non Taxable receipt	(220,038,560)	(185,796,830)
Aggregated Disallowed Items	388,006,739	306,574,987
Aggregated Allowable Items	(261,863,042)	(242,542,850)
Statutory Loss from Business	(225,972,230)	(902,830,913)
Other Source of Income	350,000	-
Total Statutory /Taxable Income	-	-
Income Tax Expense		
Tax at 14%	-	-

As per the Inland Revenue Act No 24 of 2017 which is effective from the year of assessment 2018/19,the Company is liable to pay income tax at the rate of 14% for its business income,as the management of the company has assessed that the company is conducting predominantly an agricultural business. Other income is taxed at 28%.

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

10.4 Accumulated Tax losses		
Tax losses brought forward	4,297,435,839	3,394,604,926
Adjustment in respect of prior years	(585,971,690)	-
Loss for the year	225,972,230	902,830,913
Utilized during the year	(350,000)	-
Tax losses carried forward	3,937,086,379	4,297,435,839

11 BASIC LOSS PER SHARE

Basic Loss per share has been calculated by dividing the Loss for the year attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year and it is calculated as follows:

	2020 Rs	2019 Rs
Loss attributable to shareholders	(200,895,032)	(763,708,535)
Weighted average number of Ordinary Shares in issue	169,501,097	169,501,097
Basic Loss per share	(1.19)	(4.51)

11.1 DILUTED EARNING PER SHARE

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

Notes to the Financial Statements

As at 31st December 2020

12 RIGHT TO USE OF LAND

Cost/Revaluation	2020 Rs.	2019 Rs.
Balance as at 1st January	222,567,308	218,811,513
Adjustment due to Initial Application of SLFRS 16	-	3,755,795
Remeasurement During the Year	1,995,117	-
Balance as at 31st December	224,562,425	222,567,308
Accumulated Amortization		
Balance as at 1st January	113,641,594	109,405,758
Charge for the Year	4,330,858	4,235,836
Balance as at 31st December	117,972,452	113,641,594
Carrying value	106,589,973	108,925,714

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

12.1.Leasehold rights to bare land of JEDB / SLSPC estate assets acquired by the Government of Sri Lanka

The government of Sri Lanka has initiated actions under provisions of the Land Acquisition act to acquire land from lands leased to the company in El-Teb, Mahadowa, Uvakallie and Veralapatana estates located in Badulla region.

The government of Sri Lanka has already acquired a total land extent of 4.39 hectares (refer Note A below).

(A) List of lands acquired by the Government as at 31 December 2020

	Region	Estate	Purpose of Acquisition	Extent (Hectares)	Acquired Year
1.	Madulsima	El-Teb	Lower Division No 01 Tamil School	0.81	2014
2.	Madulsima	Mahadowa	Lower Division No 01 Tamil School	0.44	2014
3.	Madulsima	Mahadowa	Hospital Development	0.81	2009
4.	Madulsima	Mahadowa	Chengaladi Road Expansion	0.12	2015
5.	Madulsima	Uvakellie	Tamil School	0.80	1995
6.	Madulsima	Veralapatana	Expansion of Madulsima town	0.81	1999
7.	Madulsima	Veralapatana	Police Station & Quarters	0.60	2003
Total				**4.39**	

No adjustments have been made to the Financial Statements in respect of these lands acquired as the compensation receivable on these acquisitions are not known and the government valuation is pending as at 31st December 2020.Accordingly,the transactions pertaining to those acquisitions are incomplete as at 31st December 2020.

As at 31st December 2020

13. IMMOVABLE LEASED ASSETS OF JEDB/SLSPC ESTATES (OTHER THAN BARE LAND)

All immovable assets in the JEDB/SLSPC estates under finance lease have been taken in to the financial statements of Company retroactive to 22nd June 1992 For this purpose , the Board decided at its meeting on 08th March 1995 that these assets be restated at their book values as they appear in book of the JEDB/SLSPC, on the day immediately preceding the date of formation of company. The assets were taken into the Balance Sheet as at 22nd June 1992 and Amortized as follows.

	Mature Plantations Tea Rs.	Unimproved lands Rs.	Buildings Rs.	Plant & Machinery Rs	Water Supply Scheme Rs.	Mini Hydro Scheme Rs.	Total Rs.
Cost							
As at 1st January 2019	146,663,085	4,417,562	29,980,829	394,583,320	3,346,579	9,292,578	588,283,953
As at 1st January 2020	146,663,085	4,417,562	29,980,829	394,583,320	3,346,579	9,292,578	588,283,953
Revaluation reversal of depreciation	-	-	-	(118,374,996)	-	-	(118,374,996)
Revaluation Gain	-	-	-	93,616,676	-	-	93,616,676
As at 31st December 2020	146,663,085	4,417,562	29,980,829	369,825,000	3,346,579	9,292,578	563,525,633
Accumulated Amortization							
As at 1st January 2019	116,526,829	2,208,778	29,980,829	78,916,664	2,956,144	9,292,578	239,881,822
Disposals/ Transfer out	-	-	-	-	-	-	-
Charge for the Year	4,888,769	83,405	-	19,729,166	110,952	-	24,812,292
As at 31st December 2019	121,415,598	2,292,183	29,980,829	98,645,830	3,067,096	9,292,578	264,694,114
As at 1st January 2020	121,415,598	2,292,183	29,980,829	98,645,830	3,067,096	9,292,578	264,694,114
Charge for the Year	4,888,770	83,350	-	19,729,166	111,553	-	24,812,839
Revaluation reversal of depreciation	-	-	-	(118,374,996)	-	-	(118,374,996)
As at 31st December 2020	126,304,368	2,375,533	29,980,829	-	3,178,649	9,292,578	171,131,957
Net Carrying Value							
As at 31st December 2019	25,247,487	2,125,379	-	295,937,490	279,483	-	323,589,839
As at 31st December 2020	20,358,717	2,042,029	-	369,825,000	167,930	-	392,393,676

These assets are being amortized in equal annual amounts over the following periods.

Mature Plantations-Tea	30 Years
Unimproved Lands	53 Years
Buildings	25 Years
Plant & Machinery	20 Years
Water Supply Scheme	30 Years
Mini Hydro Scheme	10 Years

13.1 Fair value hierarchy

The fair value of the Buildings was determined by an external independent valuer, having appropriate recognized professional qualifications and experience in the category of the Buildings being valued. Based the valuation techniques used it has been classified under Level 3 in fair value hierarchy. Valuation techniques and significant unobservable inputs are disclosed under Note 14.12.1. The value of Buildings which are carried forward from JEDB/SLSPC agreement as per Note 13 and subsequent improvement thereon has not been separately identified, due to inseparable nature and total revaluation gain on Buildings are recognised under Note 14.

The fair value of the Plant & machinery was determined by an external independent valuer, having appropriate recognized professional qualifications and experience in the category of the Plant & Machinery being valued. Based on the valuation techniques used it has been classified under Level 3 in fair value hierarchy. Valuation techniques and significant unobservable inputs are disclosed under Note 14.12.2.

Notes to the Financial Statements

As at 31st December 2020

14. FREEHOLD PROPERTY, PLANT & EQUIPMENTS

COST/REVALUATION

	Life of the Asset Year	As at 01st January 2020 Rs.	Additions/ Transfer in Rs.	Disposals/ Transfer out Rs.	Revaluation reversal of Depreciation Rs.	Revaluation Gain Rs.	As at 31st December 2020 Rs.	As at 31st December 2019 Rs.
AT COST								
Land Improvements	40 Years	55,368,872	-	-	-	-	55,368,872	55,368,872
Water Projects & Sanitation	20 Years	25,698,539	-	-	-	-	25,698,539	25,698,539
Equipment	8 Years	63,406,452	3,145,678	-	-	-	66,552,130	63,406,452
Computer	4 Years	10,849,684	78,702	-	-	-	10,928,386	10,849,684
Furniture & Fittings	10 Years	5,455,916	-	-	-	-	5,455,916	5,455,916
AT REVALUATION								
Improvements to Buildings	40 Years	272,794,219	6,570,361	-	(93,391,031)	591,570,377	777,543,926	272,794,219
Plant & Machinery	15/20 Years	602,566,592	7,809,060	-	(123,367,339)	(40,750,313)	446,258,000	602,566,592
Motor Vehicles	5 Years	172,224,377	-	-	(121,517,177)	122,872,800	173,580,000	172,224,377
Capital Work-in-Progress		40,314,762	7,326,139	(9,526,003)	-	-	38,114,898	40,314,762
		1,248,679,413	24,929,940	(9,526,003)	(338,275,547)	673,692,864	1,599,500,667	1,248,679,413

DEPRECIATION

	As at 01st January 2020 Rs.	Charge/ Adjustments for the Year Rs.	On Disposals/ Transfer out Rs.	Revaluation reversal of Depreciation Rs.	Acc. Depreciation As at 31st December 2020 Rs.	Carrying Value As at 31st December 2020 Rs.	Carrying Value As at 31st December 2019 Rs.
AT COST							
Land Improvements	14,213,656	1,590,626	-	-	15,804,282	39,564,590	41,155,216
Water Projects & Sanitation	22,694,317	450,883	-	-	23,145,200	2,553,339	3,004,222
Equipment	34,408,691	4,380,718	-	-	38,789,409	27,762,721	28,997,761
Computer	9,161,747	766,622	-	-	9,928,369	1,000,017	1,687,937
Furniture & Fittings	4,795,860	77,987	-	-	4,873,847	582,069	660,056
AT REVALUATION							
Improvements to Buildings	86,519,101	6,871,930	-	(93,391,031)	-	777,543,926	186,275,118
Plant & Machinery	93,294,295	30,073,044	-	(123,367,339)	-	446,258,000	509,272,297
Motor Vehicles	105,560,942	15,956,235	-	(121,517,177)	-	173,580,000	66,663,435
Capital Work-in-Progress	-	-	-	-	-	38,114,898	40,314,762
	370,648,609	60,168,045	-	(338,275,547)	92,541,107	1,506,959,560	878,030,805

Notes to the Financial Statements

As at 31st December 2020

14. FREEHOLD PROPERTY, PLANT & EQUIPMENTS (Contd...)

14.1 The assets shown above are those immovable assets vested in the company by way of Gazette notification on the date of formation of the company (22 June 1992) and all investments in tangible assets of the Company since its formation. The assets taken over by way of estate leases are set out in Notes 12 and 13 to the Financial Statements.

14.2 Property, plant and equipment under construction

Capital work in progress represents the amount of expenditure recognised under property, plant and equipment during the construction of capital assets.

14.3 Title restriction on property, plant and equipment

There are no restrictions that existed on the title of the PPE of the Company as at the reporting date except assets disclosured under note 14.8.

14.4 Capitalisation of borrowing cost

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year ended 31st December 2020. (2019 – Nil).

14.5 Temporarily Idle property, plant and equipment

There are no temporarily idle property, plant or equipment as at the reporting date. (2019 - Nil)

14.6 Impairment of property, plant and equipment

The Board of Directors has assessed the potential impairment loss of PPE as at 31 December 2020 by considering the impact from the COVID-19 pandemic as well. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of PPE (2019/ - Nil).

14.7 Fully depreciated property, plant and equipment in use

Property, plant and equipment includes fully depreciated assets with a cost of Rs. 148.3 Mn (31 December 2019 - Rs. 146.30 Mn) which were in use during the year.

14.8 Property, plant and equipment pledged as security for liabilities

The value of the property, plant and equipment pledged as security against borrowings are disclosed in Note 27.4.

14.9 Valuation of Property, Plant and Equipment

The Company uses the revaluation model of measurement for Buildings, Plant & Machinery and Motor Vehicles in 12 estates with Head Office. The Company engaged Mr. W.M. Chandrasena FIV (SL), MRICS (UK) Independent Chartered Valuation Surveyor, Membership No F/14, to determine the fair value of its Buildings, Plant & Machinery and Motor Vehicles. Fair value is determined by reference to market-based evidence. Valuations are based on open market rates, adjusted for any difference in the nature, location or condition of the specific property. The date of the most recent valuation was 31st December 2020.

14.10 The details of Buildings, Plant & Machinery and Motor Vehicles which are stated at valuation are as follows,

Location	Method of Valuation	Effective date of Valuation	Name of the Independent Valuer	Revalued Amount	Net Book Value before revaluation	Revaluation Gain/(Loss)
Building	Cost Approach	31-12-2020	Mr. W.M. Chandrasena FIV (SL),MRICS (UK) Independent Charted Valuation Surveyor, Membership No F/14.	777,543,926	185,973,549	591,570,377
Freehold Plant & Machinery (Note 14)	Cost Approach	31-12-2020		446,258,000	487,008,313	(40,750,313)
Leasehold Plant & Machinery (Note 13)	Cost Approach	31-12-2020		369,825,000	276,208,324	93,616,676
Motor Vehicles	Market Approach	31-12-2020		173,580,000	50,707,200	122,872,800
				1,767,206,926		767,309,540

14.11 If property, plant and equipment were stated on the historical cost basis, their net book amounts would be as follows :

Carrying value of revalued Plant and Machinery if carried at historical cost is Rs. 327 Mn as at 31st December 2020.
Carrying value of revalued Motor Vehicles if carried at historical cost is Rs. 46.48 Mn as at 31st December 2020.
Carrying value of revalued Buildings if carried at historical cost is Rs. 185.98 Mn as at 31st December 2020.

Notes to the Financial Statements

As at 31st December 2020

14.12 Fair value measurement

14.12.1 Fair Value of Buildings

I Fair Value Hierarchy

The fair value of the Building was determined by an external independent property valuer, having appropriate recognized professional qualifications and experience in the category of the property being valued. The valuer provides the fair value of the property. Based on the valuation techniques used it has been classified under Level 3 in fair value hierarchy.

II Valuation technique and significant unobservable inputs (Level 3)

The following table shows the valuation technique used in measuring the fair value of Buildings, as well as the significant unobservable inputs used;

Estate	Location (Region)	Fair Value as at 31 December 2020 (Rs.)	Method of Valuation	Significant Unobservable Inputs	Range of Estimates for unobservable inputs (Estimated Price per Sq. Ft.)	Inter-relationship between key unobservable inputs and fair value measurement
Battawatte	Madulsima	50,669,373	Cost Approach	Estimated Replacement cost per Sq. Ft.	850-3500	Positively correlated sensitivity
Cocogalla	Metigahatenne	49,419,438	Cost Approach	Estimated Replacement cost per Sq. Ft.	850-4500	Positively correlated sensitivity
Galloola	Madulsima	40,692,764	Cost Approach	Estimated Replacement cost per Sq. Ft.	500-4500	Positively correlated sensitivity
Mahadowa	Madulsima	84,413,345	Cost Approach	Estimated Replacement cost per Sq. Ft.	800-3000	Positively correlated sensitivity
Uvakellie	Madulsima	12,144,942	Cost Approach	Estimated Replacement cost per Sq. Ft.	850-2850	Positively correlated sensitivity
Verellapatna	Madulsima	71,839,795	Cost Approach	Estimated Replacement cost per Sq. Ft.	850-3250	Positively correlated sensitivity
El Teb	Passara	72,475,733	Cost Approach	Estimated Replacement cost per Sq. Ft.	1200-3500	Positively correlated sensitivity
Roeberry	Pitamaruawa	76,127,258	Cost Approach	Estimated Replacement cost per Sq. Ft.	1200-3000	Positively correlated sensitivity
Kew	Bogawantalawa	52,044,665	Cost Approach	Estimated Replacement cost per Sq. Ft.	1800-4000	Positively correlated sensitivity
Kirkoswald	Bogawantalawa	132,483,547	Cost Approach	Estimated Replacement cost per Sq. Ft.	500-4000	Positively correlated sensitivity
Theresia	Bogawantalawa	51,740,490	Cost Approach	Estimated Replacement cost per Sq. Ft.	850-3500	Positively correlated sensitivity
Venture	Norwood	77,131,362	Cost Approach	Estimated Replacement cost per Sq. Ft.	750-3750	Positively correlated sensitivity
Head Office	Badulla	6,361,214	Cost Approach	Estimated Replacement cost per Sq. Ft.	1820-1840	Positively correlated sensitivity
Total		**777,543,926**				

Cost Approach - This reflects the amount that would be required currently to replace the service capacity of an asset.

Notes to the Financial Statements

As at 31st December 2020

14.12.2 Fair Value of Freehold and Leasehold Plant and Machinery

I Fair Value Hierarchy

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

II Valuation technique and significant unobservable inputs (Level 3)

The following table shows the valuation technique used in measuring the fair value of Plant & Machinery, as well as the significant unobservable inputs used;

Type of Asset	Valuation technique	Significant unobservable input	Inter-relationship between key unobservable inputs and fair value measurement
Plant and Machinery	Cost Approach This reflects the amount that would be required currently to replace the service capacity of an asset	Depreciated Replacement Cost Rs. 7500 - 30,000,000	Positively correlated sensitivity

14.12.3 Fair Value of Motor Vehicles

I Fair Value Hierarchy

The fair value measurement for all of Motor Vehicles has been categorized as level 2 fair Value based on the input to the valuation technique used.

Type of Asset	Significant other observable inputs (Level II) Rs.	Total Rs.
Motor Vehicle	173,580,000	173,580,000
Fair value measurements at 31 December 2020	173,580,000	173,580,000

This reflects the market value of similar asset considering the current market transactions for Identical or similar assets discounted for age and condition of the assets being revalued. The current market values of revalued motor vehicles range from Rs. 10,000 to Rs. 12,500,000.

15. BEARER BIOLOGICAL ASSETS

15.1 MATURE PLANTATIONS

	Life of the Assets	As at 1st January 2020 Rs.	Additions/ Transfers in Rs.	Disposals/ Transfers out Rs.	As at 31st December 2020 Rs.	As at 31st December 2019 Rs.
- Tea	30 years	434,251,992	6,143,880	-	440,395,872	434,251,992
- Rubber	20 years	1,727,490	-	-	1,727,490	1,727,490
- Coffee	10 years	2,869,329	-	-	2,869,329	2,869,329
		438,848,811	6,143,880	-	444,992,691	438,848,811

	Accumulated Depreciation			Carrying Value	
	As at 1st January 2020 Rs.	Depreciation for the year Rs.	As at 31st December 2020 Rs.	As at 31st December 2020 Rs.	As at 31st December 2019 Rs.
- Tea	195,882,416	13,051,852	208,934,268	231,461,604	238,369,576
- Rubber	1,122,868	86,374	1,209,242	518,248	604,621
- Coffee	2,855,611	13,718	2,869,329	-	13,718
	199,860,895	13,151,944	213,012,839	231,979,852	238,987,915

Investments in bearer plants since the formation of the company have been classified as shown above and mainly includes tea and rubber plantations. Bearer plants are stated at cost less accumulated depreciation and impairment in accordance with LKAS 16-Property, Plant and Equipment.

The immature plants are classified as mature plants when they are ready for commercial harvesting.

Notes to the Financial Statements

As at 31st December 2020

15. BEARER BIOLOGICAL ASSETS (Contd...)

15.2 Immature Plantations

	As at 1st January 2020 Rs.	Additions during the year Rs.	Transfers to Mature during the year Rs.	Provisions for Impairment Rs.	As at 31st December 2020 Rs.	As at 31st December 2019 Rs.
- Tea	342,071,092	98,083,701	(6,143,880)	-	434,010,913	342,071,092
- Rubber	128,884,665	9,183,038	-	(39,879,124)	98,188,579	128,884,665
- Coffee	1,878,831	667,039	-	-	2,545,870	1,878,831
- Cloves	181,052	3,500	-	-	184,552	181,052
- Citrus	80,512	-	-	-	80,512	80,512
- Avocado	2,554,135	-	-	(2,554,135)	-	2,554,135
- Pepper	1,384,788	491,860	-	-	1,876,647	1,384,788
- Murunga	635,339	-	-	(635,339)	-	635,339
- Cinnamon	8,908,102	610,383	-	(868,813)	8,649,672	8,908,102
- Cardamone	-	395,070	-	-	395,070	-
	486,578,516	109,434,591	(6,143,880)	(43,937,411)	545,931,815	486,578,516
Carrying Value	725,566,431				777,911,667	

Provision of Impairment of Immature Plantations

	2020 Rs.	2019 Rs.
Balance as at 1 January	-	-
Impairment Charge For the Year	43,937,411	-
Balance as at 31 December	43,937,411	-

The Company has performed an impairment assessment on immature biological assets and identified that some of immature plantations are non existing and / or untappable. Accordingly, the management has performed a calculation of provision for impairment on such immature fields based on the costs incurred after considering the recoverable amount of untappable trees based on fair value less cost to sell.

As a result, the Company has recognised an impairment provision of Rs. 43,937,411 as at 31st December 2020.

16 CONSUMABLE BIOLOGICAL ASSETS

	2020 Rs.	2019 Rs.
Balance at the Beginning of the year	3,556,150,833	3,395,883,775
Increase due to New Planting	10,678,814	4,025,363
Decreased due to Harvesting/ Disposal	-	(26,197,231)
Gain on Change in Fair Value	217,420,144	182,438,926
Balance at the End of the year	3,784,249,791	3,556,150,833

16.1 Measurement of Fair Value

The valuation of consumable biological assets was carried by Mr. Weerasinghe Chandrasena, an independent incorporated valuation surveyor, using discounted cash flow (DCF) methods. The valuation report dated 31st December 2020 has been prepared based on the physically verified timber statistics provided by the company.

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

The Company is exposed to the following risks relating to its timber plantations.

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.

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 analysis 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.

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.

Notes to the Financial Statements

As at 31st December 2020

16.1.1 Fair Value Hierarchy

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

NON FINANCIAL ASSETS - Consumable Biological Assets

As at 31st December	Date of valuation	Level 1 Rs	Level 2 Rs	Level 3 Rs
Assets measured at fair value				
Consumable Biological Assets - Timber	31st December 2020	-	-	3,784,249,791

In determining the fair value, highest and best use of timber, current condition of the trees and expected timber content at harvesting have been considered. Also, the valuers have made reference to market evidence of the company ,and the market prices of timber corporation,with appropriate adjustments for size and location. The appraised fair values are rounded with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

16.2 INFORMATION ABOUT FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

Non Financial Assets	Valuation Techniques	Unobservable Inputs	Range of Unobservable Inputs	Relationship of Unobservable inputs to Fair Value
Standing timber older than 4 years.	**DCF Method:** The valuation model considers present value of future net cash flows expected to be generated by the plantation from the timber content of managed timber plantation on a tree per- tree basis.	Discounting factor Optimum rotation (Maturity) Volume at rotation Price per Cu. Ft.	12% 25-35 Years 25 to 85 lbs Cu. Ft. Rs. 150/- Rs.600 /- per Cu. Ft	The higher the discount rate,the lower the fair value Lower the rotation period, the higher the fair value. The higher the weight the higher the fair value The higher the price the higher the fair value
Young Plants (Age less than 4 years)	**Cost techniques:** The cost techniques consider the cost of creating a comparable plantation, taking in to account the cost of infrastructure, cultivation and preparation, buying and planting young trees with an estimate profit that would apply to this activity.	- Estimated cost of cultivation and preparation per hectare - Estimated cost of buying and planting young plants per hectare	Rs. 200,000 - Rs. 250,000 Rs. 42,000 - Rs. 45,000	The estimated fair value would increase (decrease) if; The estimated cost of infrastructure, cultivation and preparation and buying and planting trees were higher/ (lower).

The future cash flows are determined by reference to current timber prices without considering the future increase of timber price. Trees have been valued as per the current timber prices per cubic meter based on the price list of the State Timber Corporation and prices of timber trees sold by the estates and prices of logs sawn timber at the popular timber traders in Sri Lanka.

Key assumption used in the Valuation

1. The harvesting is approved by the PMMD and Forest Department based on the forestry development plan
2. The price adopted are net of expenditure
3. Though the replanting is a condition precedent for harvesting, yet the cost are not taken in to consideration.

The valuations, as presented in the external valuation models based on net present values, take into account the long term exploitation of the timber plantations. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realisable value. The Board of Directors retains their view that commodity markets are inherently volatile and that long term price projections are highly unpredictable. Hence, the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in the LKAS 41 against his own assumptions.

Notes to the Financial Statements

As at 31st December 2020

16. CONSUMABLE BIOLOGICAL ASSETS - TIMBER PLANTATIONS (CONTD.)

16.3 Sensitivity analysis of assumptions used in the valuation of timber plantations

Sensitivity variation sales price

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

Managed Timber	-10% Rs.	+10% Rs.
As at 31st December, 2020	(378,424,978)	378,424,978
As at 31st December, 2019	(376,028,798)	376,028,798

Sensitivity variation discount rate

Values as appearing in the Statement of Financial Position are very sensitive to changes of the discount rate applied. Simulations made for timber trees show that a rise or decrease by 1% of the discount rate has the following effect on the net present value of biological assets:

Managed Timber	-1% Rs.	+1% Rs.
As at 31st December, 2020	165,304,698	(149,189,870
As at 31st December, 2019	132,383,363	(119,522,754)

17. INVESTMENT IN EQUITY SECURITIES - FVOCI

	2020 Rs.	2019 Rs.
Investment in unquoted companies		
Investment in Bogo Power (Pvt) Ltd (3,500,000 Ordinary shares)	4,174,701	4,415,530
(Less) / add : Fair Value Change	(342,967)	(240,829)
	3,831,734	4,174,701

Investment in ordinary shares of Bogo Power (Pvt) Ltd

The Company designated the investments shown below as equity securities at FVOCI because these equity securities represent investments that the Company intends to hold for the long term for strategic purposes.

The investment in ordinary shares of Bogo Power (Pvt) Ltd has been measured at fair value on a net assets value (Rs. 1.1 per share) basis and the fair value gain / (loss) has been classified as fair value reserve.

18. PRODUCE ON BEARER BIOLOGICAL ASSETS

As at 01st January	2,053,351	4,058,080
Change in fair value less cost to sell	2,618,416	(2,004,729)
As at 31st December	4,671,767	2,053,351

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

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

Produce that grows on mature bearer plantations are measured at fair value less cost to sell. The value of the unharvested green leaves is measured using the Tea Commissioner’s formula for bought leaf.

18.1 Gain /(Loss) On Fair Value Of Biological Assets

	2020 Rs.	2019 Rs.
Consumable Biological Assets Gain/(loss)arising from changes in fair value less cost to sell (Note No 16)	217,420,144	182,438,926
Produce on Bearer Biological Assets Gain/(Loss) arising from changes in fair value less cost to sell (Note No 18)	2,618,416	(2,004,729)
	220,038,560	180,434,197

19. INVENTORIES

Input Materials	28,932,337	24,026,381
Biological Assets – Nurseries	10,319,696	7,806,811
Produce Stock (Tea)	319,166,490	217,278,952
Consumables & Spares	5,031,302	4,445,053
	363,449,825	253,557,197

Notes to the Financial Statements

As at 31st December 2020

	2020 Rs.	2019 Rs.
20. TRADE AND OTHER RECEIVABLES		
Trade Receivables		
Produce Debtors	6,899,670	34,379,909
Other Receivables		
Employee Related Debtors	50,535,431	47,432,394
Value Added Tax Receivable	10,850,996	10,850,996
With Holding Tax Receivable	11,018,951	5,573,629
Income Tax Recoverable	6,517,024	6,517,024
ESC Receivable	18,401,214	27,164,615
Deposits and Prepayments	37,970,020	5,076,659
ACT Recoverable	41,034,639	41,034,639
Other Debtors	36,269,171	31,494,136
	219,497,116	209,524,001
Less: Provision for Doubtful Debts	(63,976,287)	(63,976,287)
	155,520,829	145,547,714
20.1 Provision for impairment of Other receivables		
Balance at the begining of the year	63,976,287	44,383,762
Provision made during the year	-	19,592,525
Balance at 31st December	63,976,287	63,976,287
21. AMOUNTS DUE FROM RELATED PARTIES		
Melstacorp PLC	183,729	183,729
Bogo Power (Pvt) Limited	-	1,974,242
Lanka Milk Foods (Pvt) Limited	113,003	-
Continental Insurance PLC	-	20,657
	296,732	2,178,628
22. CASH AND CASH EQUIVALENTS		
22.1 Favourable balance		
Cash at Bank and in Hand	27,432,637	47,533,164
	27,432,637	47,533,164
22.2 Unfavorable balance		
Bank Overdraft	(101,677,971)	(27,931,815)
Cash and Cash Equivalents for the Purpose of Cash Flows	(74,245,334)	19,601,349
23 STATED CAPITAL		
Issued and fully paid number of shares		
Ordinary Shares Including one Golden Share held by the Treasury which has Special right	169,501,097	169,501,097
	169,501,097	169,501,097
Value of issued and fully paid shares		
Ordinary Shares Including one Golden Share held by the Treasury which has Special right	1,624,760,670	1,624,760,670
	1,624,760,670	1,624,760,670

Rights, preferences and restrictions of classes of capital

The holders of ordinary share are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

Notes to the Financial Statements

As at 31st December 2020

	2020 Rs	2019 Rs
24 REVALUATION RESERVE (NET OF TAX)		
The revaluation reserve relates to Buildings, motor vehicles,plants & machinery which has been revalued by the company		
Balance at the beginning of year	637,257,983	637,257,983
Revaluation Gain (net of tax)	659,886,204	-
Balance at the end of year	1,297,144,187	637,257,983
25 FAIR VALUE TROUGH OCI RESERVE		
This represents the cumulative net change in the fair value of equity securities designated as FVOCI until the investments are derecognised.		
Balance at the beginning of year	2,958,618	3,199,447
Changes in fair value	(342,967)	(240,829)
Balance at the end of year	2,615,651	2,958,618
26 TIMBER RESERVE		
The timber reserve relates to valuation of consumable biological assets.		
Balance at the beginning of year	3,376,700,903	3,220,459,208
Transferred to timber reserve	217,420,144	182,438,926
Transferred to retained earning	-	(26,197,231)
Balance at the end of year	3,594,121,047	3,376,700,903

27. INTEREST BEARING LOANS AND BORROWINGS

27.1 Movement of borrowings during the year:

	Term Loans	Bank Loans	Related Party Loans	Finance Lease	2020 Rs. Total	2019 Rs. Total
Balance at the beginning of year	61,005,205	300,000,000	2,873,026,930	16,185,594	3,250,217,729	2,115,316,015
Obtained during the year	-	-	38,045,005	-	38,045,005	2,528,388,423
Repaid during the year	(40,668,862)	(40,000,000)	-	(1,379,366)	(82,048,228)	(1,393,486,709)
Balance as at 31st December	20,336,343	260,000,000	2,911,071,935	14,806,228	3,206,214,506	3,250,217,729
Interest payables as at 31 December	-	-	249,947,840	-	249,947,840	-
Total Balance as at 31st December	20,336,343	260,000,000	3,161,019,775	14,806,228	3,456,162,346	3,250,217,729

27.2 Analysis of borrowings by year of repayment

	2020	2019
Repayable within one year		
Term Loans	20,336,343	61,005,204
Bank Loans	80,000,000	80,000,000
Related Party Loans	445,160,253	195,212,412
Finance Lease	1,558,482	1,441,093
	547,055,078	337,658,709
Repayable after one year		
Term Loans	-	-
Bank Loans	180,000,000	220,000,000
Related Party Loans	2,715,859,522	2,677,814,519
Finance Lease	13,247,746	14,744,501
	2,909,107,268	2,912,559,020
Total Borrowings	3,456,162,346	3,250,217,729

Notes to the Financial Statements

As at 31st December 2020

27. INTEREST BEARING LOANS AND BORROWINGS (CONTD)

27.3 Term Loans	Facility Obtained	Interest rate one year	within one year	Repayable after one year	Balance as at 31 December	Repayment terms
Sri lanka Tea Board Loan through HNB	153,000,000	AWPLR+1.5% (Monthly Review)	15,362,201	-	15,362,201	59 equal monthly installment of Rs 2,559,900/= each and a final installment of Rs . 2,562,701 commencing from 31.01.2016
Sri lanka Tea Board Loan	28,000,000	AWPLR+1% (Monthly Review)	747,502	-	747,502	36 equal monthly installment of Rs 777,777/= Commencing from 31.08.2017
Sri lanka Tea Board Loan	49,000,000	5% P.A Payable monthly	-	-	-	36 equal monthly installment of Rs 1,470,005/= Commencing from 31.05.2017
Hatton National Bank PLC -Tea Board - Deepavali	21,133,200	Interest free Loan	4,226,640	-	4,226,640	10 equal monthly installment of Rs 2,113,320/= Commencing from 10.12.2019
			20,336,343	-	20,336,343	
Related Party Loans						
Melstacorp PLC (Rs.200Mn)	200,000,000	AWPLR+1.25% (Monthly Review)	-	200,000,000	200,000,000	Capital to be repaid after a moratorium of 03 years and interest payable monthly
Melstacorp PLC (Rs.50Mn)	50,000,000	AWPLR+1.25% (Monthly Review)	-	50,000,000	50,000,000	Capital to be repaid after a moratorium of 03 years and interest payable monthly
Melstacorp PLC -Short Term Management Loan	-	AWPLR+1.25% (Monthly Review)	401,006,391	2,265,859,522	2,666,865,913	Capital has been granted for the purpose of refinancing the weekly deficit of auction proceeds on the basis of immediate payment on demand.
Milford Exports ceylon Pvt Ltd (Rs.200Mn)	200,000,000	AWPLR+1% (Monthly Review)	44,153,862	200,000,000	244,153,862	Capital to be repaid after a moratorium of 03 years and interest payable monthly
			445,160,253	2,715,859,522	3,161,019,775	
Bank Loans						
Hatton National Bank PLC	400,000,000	AWPLR+1.5% (Monthly Review)	80,000,000	180,000,000	260,000,000	20 equal quarterly installments of Rs 20.0Mn Commencing from 30.11.2018
			80,000,000	180,000,000	260,000,000	
Finance Lease						
Com Bank Lease & Finance	16,900,000	AWPLR+1.5% (Monthly Review)	1,558,482	13,247,746	14,806,228	96 equal monthly installments of Rs 285,577.16 Commencing from 30.06.2019
			1,558,482	13,247,746	14,806,228	

Notes to the Financial Statements

As at 31st December 2020

27.4.BANK SECURITIES PLEDGED

Following assets have been pledged as security for liabilities.

Nature of Liability	Loan Facility Rs.	Security
Term Loan		
Hatton National Bank PLC	400,000,000	a) Existing Registered Primary Floating Mortgage Bond for Rs.160 Mn. Over leasehold property at Verellapatana Estate and everything standing thereon (Including the existing buildings and /or the buildings which are to be constructed in together with any further developments, modification or alterations thereto) with all fixtures, fittings services.and such other rights attached or appertaining therto.(Mortgaged Property).
		b) Existing Primary Floating on the Mortgage Bond for Rs 224.Mn.Over leasehold property at Mahadowa Estate and everything standing thereon (Including the existing buildings and /or the buildings which are to be constructed in together with any further developments, modification or alterations thereto) with all fixtures, fittings services.and such other rights attached or appertaining therto.(Mortgage property.)(Also Secures the existing term loan of Rs 76.8 Mn - granted under special tea relief package).
		c) Existing Registered Primary floating Mortgage bond for 150.Mn. over leasehold property at Battawatte Estate and everything standing thereon (Including the existing building and / or the buildings which are to be constructed in together with any further developments, mogifications or alteraions thereto) with all fixtures, fitting services and such other rights attached or appertaining thereto (the Mortaged property).
Hatton National Bank PLC	63,000,000	Existing Corporate guarantee from DCSL for Rs.160 Mn.
Standard Chartered Bank PLC	50,000,000	Corporate Guarantee (Shares of DCSL For Rs 50 Mn)

As at 31st December 2020	2020 Rs.	2019 Rs.
28. RETIREMENT BENEFIT OBLIGATIONS		
Retirement Benefit Obligations	933,488,065	919,415,149
Unclaimed Retiring Gratuity	59,378,459	65,718,983
Total Retirement Benefit Obligations	992,866,524	985,134,132
28.1 The movement in the retirement benefit obligation over the year is as follows:		
Balance at the beginning of the year	919,415,149	851,351,100
Interest cost	100,949,134	101,958,645
Current Service Cost	46,705,551	45,722,746
Actuarial (Gain)/ Loss during the year	(40,375,212)	38,617,751
	1,026,694,622	1,037,650,242
Less: Payments made during the year	(93,206,557)	(118,235,093)
	933,488,065	919,415,149
Unclaimed Retiring Gratuity		
Balance at the beginning of the year	65,718,983	73,597,424
Less: Payments made during the year	(6,340,524)	(7,878,441)
Total Unclaimed Retiring Gratuity	59,378,459	65,718,983
Balance at the end of the year	992,866,524	985,134,132
28.1.1 Provision recognized in the statement of Profit or Loss		
Interest cost	100,949,134	101,958,645
Current Service Cost	46,705,551	45,722,746
	147,654,685	147,681,391
28.1.2 Provision recognized in the statement of other comprehensive income		
Actuarial (Gain)/ Loss during the year	(40,375,212)	38,617,751
	(40,375,212)	38,617,751

Notes to the Financial Statements

As at 31st December 2020

28. RETIREMENT BENEFIT OBLIGATIONS (CONTD.)

An actuarial valuation for defined benefit obligation was carried out as at 31 December 2020 by Messrs Actuarial and Management Consultants (Private) Limited, a firm of professional actuaries. The valuation method used by the actuaries to value the obligation is the "Projected Unit Credit Method", a method recommended by the Sri Lanka Accounting Standard LKAS – 19 "Employee Benefits".

The Present Value of Retirement Benefit Obligation is carried on annual basis.

The following payments are expected from the defined benefit plan obligation in future years.

	2020 Rs.	2019 Rs.
Within the next 12 months	183,257,311	113,295,001
Between 1- 2 years	122,447,216	130,773,592
Between 2 and 5 years	170,674,147	178,821,698
Beyond 5 years	516,487,850	562,243,841
	992,866,524	985,134,132

The weighted average duration of the Defined Benefit plan obligation at the end of the reporting period is 3.68 years and 8.03 years for staff and workers respectively.

The key assumptions used by Messrs. Actuarial & Management Consultants (Pvt) Ltd include the following.

		2020	2019
(i)	Rate of Interest	9.00%	11.00%
(ii)	Rate of Salary Increase		
	Staff (p.a.)	7.50%	7.50%
	Workers	5.68%	15% (once in 2 years)
(iii)	Retirement Age		
	Workers	60 years	60 years
	Staff	58 or 60 years	58 or 60 years
(iv)	Staff Turnover	10%	10%

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

Sensitivity Analysis

Values appearing in the financial statements are very sensitive to the changes of financial and non financial assumptions used. The sensitivity was carried for the change of discount rate and salary/wage escalation rate. Simulation made for retirement obligation show that a rise or decrease by 1% of the discount rate and salary/wage has the following effect on the retirement benefit obligation.

Variable
Rate of Wage increment (Workers - every two years/ Staff Per annum)

	2020		2019	
Discount Rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Sensitivity level	1%	1%	1%	1%
Impact on defined benefit obligation Rs.	(67,890,639)	78,026,042	(64,094,945)	73,250,490

	2020		2019	
Future Salary Increment rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Sensitivity level	1%	1%	1%	1%
Impact on defined benefit Obligation Rs.	81,469,827	(71,879,435)	38,148,311	(36,083,793)

Notes to the Financial Statements

As at 31st December 2020	2020 Rs.	2019 Rs.
29. DEFERRED TAX		
Deferred tax assets (Note 29.1)	(443,585,429)	(458,062,234)
Deferred tax liability (Note 29.2)	903,731,594	736,314,868
Net Deferred tax liability	460,146,165	278,252,634
29.1 Deferred tax assets		
Balance at the Beginning of the year	458,062,234	384,232,229
Originated/ (reversed) during the year-recognized in profit or loss	(8,824,275)	68,423,520
Originated during the year recognized in other comprehensive income	(5,652,530)	5,406,485
Balance as at 31st December	443,585,429	458,062,234
29.2 Deferred tax liabilities		
Balance at the Beginning of the year	736,314,868	682,179,793
Originated/ (reversed) during the year-recognized in profit or loss	59,993,390	51,065,836
Originated during the year recognized in other comprehensive income	107,423,336	-
Originated during the year recognized in equity	-	3,069,239
Balance as at 31st December	903,731,594	736,314,868
29.3 Provision for the year		
Provision / (Reversal) during the year recognized in Profit/(Loss)	68,817,665	(17,357,685)
Provision/(Reversal) during the year recognized in Other Comprehensive Income	113,075,866	(5,406,485)
Provision / (Reversal) during the year recognized in Comprehensive Income	181,893,531	(22,764,170)

29.4 Deferred Taxation Reconciliation

Deferred tax assets and liabilities are 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 1st April 2018,the company has used effective rate of 14% as at 31st December 2020 (2019-14%)

	2020		2019	
	Temporary Differences Rs	Tax Effect Rs	Temporary Differences Rs	Tax Effect Rs
Deferred Tax Liability				
Temporary difference on PPE	1,874,146,217	262,380,470	957,507,413	134,051,038
Temporary difference on Bearer Biological Assets	777,911,667	108,907,633	725,566,431	101,579,300
Temporary difference on Consumable Biological Assets	3,784,249,791	529,794,972	3,556,150,834	497,861,117
Temporary difference on Produced on bearer Biological Assets	4,671,767	654,047	2,053,351	287,469
Temporary difference on Net Lease Liability	14,246,231	1,994,472	18,113,882	2,535,943
As at 31st December	6,455,225,673	903,731,594	5,259,391,911	736,314,868
Deferred Tax Assets				
Temporary difference on Provision for doubtful Debts	(63,976,287)	(8,956,680)	(63,976,289)	(8,956,680)
Temporary difference on retirement benefit obligation	(992,866,524)	(139,001,313)	(985,134,133)	(137,918,779)
Carried forward tax losses	(2,111,624,545)	(295,627,436)	(2,222,762,679)	(311,186,775)
As at 31st December	(3,168,467,356)	(443,585,429)	(3,271,873,101)	(458,062,234)
As at 31st December	3,286,758,317	460,146,165	1,987,518,810	278,252,633

The deferred tax asset has been recognised in the Financial Statements to the extent of forecasted taxable profit. Therefore, the tax asset arising from accumulated tax losses carried forward was limited only to the extent of existing temporary differences as at 31st December 2020. The Company expects to generate taxable profit by improving operational performance in the future.

Accordingly a deferred tax assets of Rs. 295,627,436/- hash been recognised on carried forward tax loss of Rs. 2,111,624,545/- as at 31st December 2020. The company has not recognised deferred tax assets amounting to Rs. 255,564,657/- arising on carried forward tax losses amounting to Rs. 1,825,461,834/- as it is not probable that the future taxable profit will be adequate to utilize the available tax losses in the foreseeable future. (2019: Unrecognized deferred tax Rs. 290,454,243/- on Rs. 2,074,673,161/- carried forward tax lossses).

Notes to the Financial Statements

As at 31st December

	2020 Rs.	2019 Rs.
30. DEFERRED GRANTS AND SUBSIDIES		
Balance at the beginning of the year	138,072,745	143,390,922
Add: Grants Received during the year	-	44,457
	138,072,745	143,435,379
Less: Amortization for the year	(5,362,631)	(5,362,634)
Balance at the end of the year	132,710,114	138,072,745
31 NET LIABILITY TO LESSOR OF JEDB/SLSPC ESTATES		
Gross Liability		
At the beginning of the year	90,811,832	31,550,440
Impact due to initial application of SLFRS 16	-	59,687,972
Re-measurement of Right-of-Use Asset	1,995,117	-
	92,806,949	91,238,412
Interest charges for the year	12,166,078	11,869,649
Payments made during the year	(12,629,285)	(12,296,229)
Total Net Liability	92,343,742	90,811,832
31.1 Leasehold rights can be analysised as follows		
Amount Payable within One Year	569,187	455,933
Amount Payable after One Year and Less than Five Years	3,151,021	2,704,553
Amount Payable More than Five Years	88,623,534	87,651,346
Total Net Liability	92,343,742	90,811,832
Amounts recognised in statement of profit or loss and other comprehensive income		
Interest on lease liability	12,166,078	11,869,649
Amortization of Leasehold right to Bare Land of JEDB / SLSPC Estates	4,330,858	4,235,836
Amount recognized in statement of cash flows		
Total cash outflows for leases	12,629,285	12,296,229
Maturity analysis of contractual undiscounted cash flows		
Within one year	12,697,620	11,912,064
1-2 years	12,697,620	11,912,064
2-5 Years	50,790,480	35,736,192
More than 5 years	231,731,565	241,219,296

Notes to the Financial Statements

For the year ended 31st December	2020 Rs.	2019 Rs.
32. TRADE AND OTHER PAYABLES		
Trade Creditors	120,678,000	63,545,025
Others Creditors	27,673,457	11,726,802
Employee Related Creditors	222,585,576	178,525,630
ESC Payable	-	2,604,414
Accrued Expenses	13,389,859	14,990,263
	384,326,892	271,392,134
33 AMOUNTS DUE TO RELATED PARTIES		
Stassen Exports (Pvt) Limited	739,462	551,688
Balangoda Plantations PLC	7,380,788	5,516,875
Distilleries Company of Sri Lanka Limited	45,047,051	45,038,357
Melsta Logistics (Pvt) Ltd.	1,415,541	3,434,720
Belventage Pvt Ltd	3,248,326	2,816,326
Bogo Power (Pvt) Limited	3,033,080	-
Melsta Technologies Pvt Ltd.	929,837	227,925
	61,794,085	57,585,891
34 CAPITAL COMMITMENTS		
Capital Commitments as at the reported date Budgeted, but not provided for	237,242,102	104,257,000
Total	237,242,102	104,257,000

35 CONTINGENCIES

There have been no contingent liabilities and capital commitments outstanding as at the reporting date.

36 COMPARATIVE INFORMATION

Where necessary information has been rearranged to confirm to current year’s presentation and classification.

Notes to the Financial Statements

As at 31st December 2020

37. RELATED PARTY DISCLOSURES

The details of the significant related party disclosures are as follows.

37.1 Transactions with the Parent and Related entities.

Company	Relationship	Nature of Transaction	Transaction Amount		Balance as at 31 December	
			2020 Rs.	2019 Rs.	2020 Rs.	2019 Rs.
Melstacorp PLC	Parent Company	Loan & Interest	289,508,307	2,465,854,238	2,666,865,913	2,394,607,859
		Settlements	17,250,253	1,225,013,512		
		Reimbursement of expenses	-	183,729		
Other Related Parties						
Stassen Exports (Pvt) Ltd	Related Company	Rent of Colombo Office	2,280,000	2,280,000	739,462	551,688
		Reimbursement of expenses	11,323,068	18,312		
		Settlements	13,415,294	2,160,000		
Balangoda Plantations PLC	Related Company	Fertilizer supplied	-	144,000	7,380,788	5,516,875
		Reimbursement of expenses	1,863,913	2,342,746		
		Fertilizer Received	-	160,325		
Distilleries Company of Sri Lanka PLC	Related Company	Factory Machinery Purchase	-	795,242	45,047,051	45,038,357
		Vehicle expenses	8,694	-		
		Settlements				
Bogo Power (Pvt) Ltd	Related Company	Maintenance expenditure	3,485,653	3,606,277	3,033,080	1,974,242
		Rent & Dividend Income	23,812,366	24,106,313		
		Settlements	32,305,341	25,738,349		
Melsta Logistics (Pvt) Ltd	Related Company	Vehicle expenses	1,291,284	6,777,065	1,415,541	3,434,720
		Settlements	3,310,463	3,342,346		
Milford Exports Ceylon (Pvt) Ltd	Related Company	Loan & Interest	17,820,438	24,500,986	244,153,862	228,235,342
		Loan Interest Paid	1,901,918	23,358,082		
Melsta Technologies (Pvt) Ltd	Related Company	IT Services	701,912	586,200	929,837	227,925
		Settlements		792,275		
Continental Insurance lanka Ltd	Related Company	Refunds-Debit Notes	94,720	68,740	-	20,657
		Credit Notes	74,063	48,083		

The related party transactions were made on relevant commercial terms with the respective parties

37.2 Terms and conditions

Transactions with related parties are carried out in the ordinary course of business on an relevant commercial terms. Outstanding balances at the year-end is unsecured and net settlement occurs in cash.

37.3 Non recurrent related party transactions

There were no non recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 December 2020 audited Financial Statements.

37.4 Recurrent related party transactions

There were recurrent related party transactions which in aggregate value exceeds 10% of the gross revenue/income of the Company as per 31 December 2020 audited Financial Statements. Details of related party disclosures are as follows,

Notes to the Financial Statements

As at 31st December 2020

37. RELATED PARTY DISCLOSURES (Contd…)

Company	Relationship	Nature of transaction	Amount (Credited)/Debited	
			2020 Rs.	2019 Rs.
Melstacorp PLC	Parent Company	Loans & Interest	289,508,307	2,465,854,238
		Revenue as per latest audited financial statements	2,832,067,026	2,006,977,497
		Percentage on revenue	10%	123%

Transactions with related parties are carried out in the ordinary course of business on relevant commercial terms.

37.5 Transactions with the Key Management Personnel of the Company and parent

Key management personnel includes members of Board of directors of the company and key employees having authority and responsibility of planning, directing and controlling the activities of the entity.

	2020 Rs.	2019 Rs.
Short term employment Benefits	7,504,800	6,898,219

37.6 Other Related Party Transactions

Guarantees given by Distilleries Company of Sri Lanka PLC on behalf of the Company.

* Corporate Guarantee of Rs. 50 Mn. for Standard Chartered Bank overdraft facility
* Corporate Guarantee of Rs.160 Mn. for Hatton National Bank overdraft facility

38. RELATED PARTY TRANSACTIONS

There are no related party transactions other than those disclosed in Notes 21, 33 & 37 to the Financial Statements.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Sri Lanka Accounting Standard - LKAS 7 (Statement of Cash flows), requires an entity to disclose information that enables users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Accordingly, changes in liabilities arising from financing activities for the year ended 31st December 2020 are disclosed below.

The funds borrowed by the Company are given in Note 27.

	2020 Rs.	2019 Rs.
Balance as at 01 January 2020	3,250,217,728	2,115,316,015
Net Cash flows from Financing Activities	(44,003,223)	995,985,485
Non Cash Changes	249,947,841	138,916,228
Balance as at 31 December 2020	3,456,162,346	3,250,217,728

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

40.1 Financial Risk Management Framework

The Board of Directors has the overall responsibility for the establishment and oversight of the company's financial risk management framework which includes developing and monitoring the company's financial risk management policies.

The Company's principal financial liabilities comprise loans and borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the company's operations. The Company has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. Accordingly the Company has exposure to namely Credit Risk, Liquidity Risk, Currency Risk and Interest Rate Risk from its use of financial instruments.

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk.

Notes to the Financial Statements

As at 31st December 2020

40.2 Credit Risk

This is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arise principally from the company's receivable from customers.

40.2.1 Trade and Other Receivables

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables.
The Company has a minimal credit risk of its trade receivables as the repayment is guaranteed within seven working days by the Tea auction systems.

40.2.2 Cash and Cash Equivalents

The Company held cash and Cash Equivalents of Rs.27.4 Mn as at 31st December 2020 (2019 – Rs. 47.5 Mn) which represents its maximum credit exposure on these assets.

40.3 Liquidity Risk

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

The Company does not concentrate on a single financial institution, thereby minimizing the exposure to liquidity risk through diversification of funding sources. The Company aims to fund investment activities by funding the long-term investment with long term financial sources and short term investment with short term financing.

The Table below summarizes the maturity profile of the company financial liabilities based on contractual undiscounted payments.

	Carrying Amount Rs.	Contractual Cash flows Rs.	On Demand Rs.	Less than 3 Months Rs.	3 to 12 Months Rs.	2 to 5 years Rs.	> 5 years Rs.
As at 31st December 2020							
Interest bearing loans & borrowing	3,456,162,346	3,456,162,346	-	136,763,789	410,291,308	2,909,107,267	-
Trade & other payables	384,326,892	384,326,892	384,326,892	-	-	-	-
Amount due to related companies	61,794,085	61,794,085	61,794,085	-	-	-	-
Bank Overdraft	101,677,971	101,677,971	101,677,971	-	-	-	-
Lease liability to SLSCC and JEDB	92,343,742	307,917,285	-	3,174,405	9,523,215	63,488,100	231,731,565
	4,096,305,036	4,311,878,579	547,798,948	139,938,174	419,814,523	2,972,595,367	231,731,565
As at 31st December 2019							
Interest bearing loans & borrowing	3,250,217,728	3,250,217,728	-	35,611,574	302,047,135	2,912,559,019	-
Trade & other payables	271,392,134	271,392,134	271,392,134	-	-	-	-
Amount due to related companies	57,585,891	57,585,891	-	-	57,585,891	-	-
Bank Overdraft	27,931,815	27,931,815	27,931,815	-	-	-	-
Lease liability to SLSCC and JEDB	90,811,832	300,779,616	-	2,978,016	8,934,048	35,736,192	253,131,360
	3,697,939,400	3,907,907,184	294,323,949	38,589,590	368,567,074	2,948,295,211	253,131,360

Notes to the Financial Statements

As at 31st December 2020

40.4 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk, currency risk interest rate risk & other price risk such as equity price risk. Financial instrument affected by market risk include loans & borrowings, deposits & derivative financial instruments.

40.4.1 Currency Risk

The Company exposed to currency risk only on purchases that are denominated in a currency other than Sri Lankan Rs. (LKR). The foreign currencies in which these transaction primarily denominated are United Stated Dollar. (USD)

Since the frequency of the transaction done in foreign currencies is very low, the company is not export to a higher degree of currencies risk.

40.4.2 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

The Company held long term borrowings with floating interest rates of Rs. 3.5 Bn. (2019 – Rs. 3.2 Bn.) which represents its maximum credit exposure on these liabilities.

The following table demonstrate,the sensitivity to a reasonably possible change in interest on that portion of loans and borrowings affected.With all other variables held constant,the company's Profit Before Tax is affected through the impact on floating rate borrowings as follows.

Company	Increase/ decrease in Interest rate %	Effect on Profit Before Tax Rs. 000
2020	1%	(30,760,709)
	-1%	30,760,709
2019	1%	(28,557,599)
	1%	28,557,599

40.4.3 Capital Management

The Company's policy is to retain a strong capital base so as to maintain investor, creditor & market confidence and to sustain future development of the business. Capital consists of share capital, reserves and retain earning. The Board of Directors monitors the return on capital, interest covering ratio, dividend to ordinary shareholders.

The gearing ratio at the reporting date is as follows.

	As at 31.12.2020 Rs.	As at 31.12.2019 Rs.
Interest bearing borrowing		
Total Liabilities	5,682,027,839	5,099,398,912
Less: Cash and cash equivalents	(27,432,637)	(47,533,164)
Net Debt	5,654,595,202	5,051,865,748
Equity	1,441,280,352	947,909,464
Gearing ratio	3.92	5.33

41. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Level 1 : Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2 : Valuation techniques based on observable inputs, either directly – i.e. as prices or indirectly – i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 : Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Notes to the Financial Statements

As at 31 December 2020	Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Total carrying amount	Level 1	Level 2	Level 3	Total Fair value
Financial assets measured at fair value								
Investment in Equity Securities - FVOCI	-	-	3,831,734	3,831,734	-	-	3,831,734	3,831,734
Financial assets not measured at fair value								
Trade and other receivables	-	155,520,829	-	155,520,829	-	-	-	-
Amounts due from related parties	-	296,732	-	296,732	-	-	-	-
Cash at banks and in hand	-	27,432,637	-	27,432,637	-	-	-	-
Total financial assets	-	183,250,198	3,831,734	187,081,932	-	-	3,831,734	3,831,734
Financial liabilities not measured at fair value								
Interest bearing borrowings	-	3,456,162,346	-	3,456,162,346	-	-	-	-
Trade and other payables	-	384,326,892	-	384,326,892	-	-	-	-
Amount due to related parties	-	61,794,085	-	61,794,085	-	-	-	-
Lease liability to SLSPC and JEDB	-	92,343,742	-	92,343,742	-	-	-	-
Bank overdrafts	-	101,677,971	-	101,677,971	-	-	-	-
Total financial liabilities	-	4,096,305,036	-	4,096,305,036	-	-	-	-

As at 31 December 2019	Fair value through profit or loss	Amortised cost	Fair value through other comprehensive income	Total carrying amount	Level 1	Level 2	Level 3	Total Fair value
Financial assets measured at fair value								
Investment in Equity Securities- FVOCI	-	-	4,174,701	4,174,701	-	-	4,174,701	4,174,701
Financial assets not measured at fair value								
Trade and other receivables	-	145,547,714	-	145,547,714	-	-	-	-
Amounts due from related party	-	2,178,628	-	2,178,628	-	-	-	-
Cash at banks and in hand	-	47,533,164	-	47,533,164	-	-	-	-
Total financial assets	-	195,259,506	4,174,701	199,434,207	-	-	4,174,701	4,174,701
Financial liabilities not measured at fair value								
Interest bearing borrowings	-	3,250,217,729	-	3,250,217,729	-	-	-	-
Trade and other payables	-	271,392,134	-	271,392,134	-	-	-	-
Amount due to related parties	-	57,585,891	-	57,585,891	-	-	-	-
Lease liability to SLSPC and JEDB	-	90,811,832	-	90,811,832	-	-	-	-
Bank overdrafts	-	27,931,815	-	27,931,815	-	-	-	-
Total financial liabilities	-	3,697,939,401	-	3,697,939,401	-	-	-	-

Notes to the Financial Statements

42. EVENTS AFTER THE REPORTING DATE

42.1 Increase of Daily wage rate of Plantation Workers

In the past wages of the Plantation workers were negotiated between Trade Unions and Regional Plantation Companies (RPCs), once in every two years and a Collective Agreement was signed between the parties. However, the last wage negotiations between the parties were not successful and therefore, the matter was referred to the Wages Board by the Minister of Labour. Consequently, The Wages Board without considering objections of the RPC's decided the minimum daily wage of Rs. 1,000/- comprising of a minimum daily wage of Rs. 900/- and a budgetary relief allowance of Rs. 100/- for workers in tea and rubber growing and manufacture trade and gazetted its decision on 05th March 2021.

However, RPCs instituted a "Writ Application" in the Court of Appeal seeking an interim order, staying and/or suspending the operation of the decision of the Wages Board, but the Honorable Judges of the Court of Appeal issued notice on the Respondents of the case and was not inclined to issue an interim order and the Respondents were directed to file Objections and RPCs were directed to file Counter Objections. The matter was taken for argument at the Court of Appeal on 05th May 2021, counsel for RPCs conducted his oral submission. The matter was postponed for respondent's submissions to 31st May 2021.

As this matter is under the purview of the Court of Appeal at the time of approval of these financial statements, the Board of Directors of the Company concurred with the independent legal experts and decided to continue using the same daily wage rate used in the previous year for the estimation of the benefits to be paid as gratuity at retirement in the calculation of Retirement Benefit Obligations as at 31st December 2020.

The retirement benefit obligations of plantation workers considering the daily wage rate of Rs. 1,000 is Rs. 1,305 Mn. as at 31st December 2020.

Subsequent to the reporting period, no circumstances have arisen which would require adjustments to or disclosures in the financial statements other than above.

43 IMPACT OF COVID 19 ON THE FINANCIAL STATEMENTS

On 11th March 2020, the World Health organization declared the coronavirus outbreak as a pandemic. Responding to the potentially serious threat the COVID – 19 presents to the public health, the Sri Lankan Government authorities have taken measures to contain the outbreak, including introducing restrictions on the cross border movement of people, entry restriction of foreign visitors and the 'lock-down' of certain areas in the Country.

The Company has taken various precautionary measures to protect employees and workmen, their families, and the eco system in which they interact, while at the same time ensuring business continuity. As a step in this direction and taking into account the directives issued by the Government of Sri Lanka, the Company has carried out operations in limited manner during the lock down period. Further, deferment of Capital expenditures, cancellation of company events, restructuring of overhead, deferment of staff bonus payments, reduction salaries senior management during the period were several measures taken by the Company to conserve cash during the lock down period.

The company has been closely monitoring the impact of COVID 19 on the business operations. Despite many challenges, the company being in essential service sector has recommenced all operations which were temporally suspended on 20th March 2020 and have been operational at a reduced scale based on curfew timelines in certain zones. The company is regularly monitoring the situation and operations are being increased up to full capacity level in a phased manner.

The Board of Directors has carries out a preliminary assessment over future business plan after incorporating the potential impact of COVID 19 outbreak, and is of the view that the COVID 19 outbreak may not have significant impact on the business continuity of the company. The Board will continue to monitor the economic conditions and its impact on the business operations and take mitigation actions to minimize the potential impacts and business continuity.

Shareholder and Investor Information

Stock Exchange Listing

The issued Ordinary shares of Madulsima Plantations PLC are listed with the Colombo Stock Exchange of Sri Lanka. The Audited Accounts of the Company for the year ended 31st December 2020 have been submitted to the Colombo Stock Exchange.

Distribution of shareholdings as at 31st December 2020				
No. of Shares Held	**No. of Share Holders**	**No. of Share Holders %**	**Total Holdings**	**Total Holdings %**
1 - 1,000	18,644	97.29	2,797,063	1.65
1,001 - 10,000	438	2.29	1,449,083	0.86
10,001 - 100,000	74	0.39	2,165,598	1.28
100,001 - 1,000,000	5	0.02	825,169	0.48
1,000,001 & Over	3	0.01	162,264,184	95.73
Grand Total	**19,164**	**100.00**	**169,501,097**	**100.00**

Categories of Share Holders				
No. of Shares Held	**No. of Share Holders**	**No. of Share Holders %**	**Total Holdings**	**Total Holdings %**
Individual	19,042	99.36	6,551,626	3.87
Institution	122	0.64	162,949,471	96.13
Grand Total	**19,164**	**100.00**	**169,501,097**	**100.00**
Residents	19,134	99.84	169,004,911	99.71
Non- Residents	30	0.16	496,186	0.29
Grand Total	**19,164**	**100.00**	**169,501,097**	**100.00**

Market of Statistics		
	31st December 2020	**31st December 2019**
Number of shares	169,501,097	169,501,097
Earning/ (Loss) per Share Rs	(1.19)	(4.51)
Net Asset Per Share Rs	8.50	5.59
Dividend Per Share Rs	-	-
Highest Share Price Rs	13.20	8.20
Lowest Share Price Rs	3.70	4.90
Closing Share Price Rs	10.00	6.80

Shareholder and Investor Information

Twenty Five Major Shareholders as at 31st December 2020			
No	**Name**	**No. of Shares**	**%**
1	Melstacorp PLC	94,767,483	55.910
2	Stassen Exports (Pvt) Limited	63,696,701	37.579
3	Secretary to the Treasury	3,800,000	2.242
4	Mrs. J. K. P. Singh	260,851	0.154
5	Deutsche Bank AG Singapore A/C 2 (DCS CLT ACC For Deutsche Bank AG Singapore - PWM WM Client)	149,090	0.088
6	Mr. S. Gobinath	125,000	0.074
7	Dr. M. K. S. Hapuarachchi	122,476	0.072
8	Mr. W. Ajith Kumara	93,000	0.055
9	Merchant Bank of Sri Lanka & Finance PLC/W B R Somaweera	85,500	0.050
10	Mr. T. D. P. Maduranga	80,395	0.047
11	Mr. R. A. P. Jayawardena	69,295	0.041
12	Mrs. M. De Zoysa	67,101	0.040
13	Mr. R. E. Rambukwelle	63,100	0.037
14	Mr. R. Kuhan	55,250	0.033
15	Mr. P. H. Pilana Godakandage	55,000	0.032
16	Mr. G. V. Sanjaya	50,161	0.030
17	Mr. Z. G. Carimjee	50,000	0.029
18	Mr. D. C. Hemapala	50,000	0.029
19	Mr. K. K. P. Ranga	44,873	0.026
20	Mrs. H. R. P. Sanjeevani	44,511	0.026
21	Gampaha District Co-Operative Rural Bank Union Ltd	43,900	0.026
22	Dr. G. S. Perera	41,200	0.024
23	Hatton National Bank PLC/Ravindra Erle Rambukwelle	40,000	0.024
24	Mr. S. Nitharshan	40,000	0.024
25	Mrs. T. S. Perera	39,563	0.023
		163,934,450	**96.716**
	Other	**5,566,647**	**3.284**
	Total	**169,501,097**	**100.000**

- The Percentage of ordinary shares held by the public was 6.51% (2019 - 6.51%) of the issued share capital as at 31st December 2020.
- Total number of shareholders representing the public holds are 19,234.
- The float adjusted market capitalization as at 31st December 2020 is Rs. 110,354,910.00
- The float adjusted Market Capitalization of the company falls under Option 05 of Rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange and the company has compiled with the minimum public holdings requirement applicable under the said option

Performance of Estates 2020 and 2019

Estate	Elevation	Year	Tea Extent ha	Total Crop kg	Yield kg/ha	COP Rs/kg	NSA Rs/kg *
Battawatte	Uva High	2020	209	554,620	1,054	591.43	539.20
		2019	217	345,199	824	650.77	434.52
Cocogalla	Uva High	2020	146	244,653	816	640.36	523.63
		2019	148	97,192	648	909.59	415.08
El Teb	Uva Medium	2020	320	703,660	1,208	585.13	555.54
		2019	326	534,996	911	643.49	498.01
Galloola	Uva High	2020	120	111,319	931	612.40	546.26
		2019	122	75,310	617	711.33	503.80
Mahadowa	Uva High	2020	439	594,714	903	636.10	512.50
		2019	461	499,054	731	677.82	477.31
Roeberry	Uva Medium	2020	425	646,629	1,098	628.46	498.04
		2019	435	534,297	747	718.51	414.84
Uvakellie	Uva High	2020	173	181,491	1,044	533.51	540.71
		2019	179	146,499	812	640.19	501.85
Verellapatna	Uva High	2020	227	625,930	1,786	518.41	535.71
		2019	231	436,321	1,136	628.43	455.46
Kew	Western High	2020	321	315,886	976	813.27	571.77
		2019	324	311,305	962	829.73	501.44
Kirkoswald	Western High	2020	487	509,393	1,002	865.11	567.63
		2019	487	567,763	1,137	809.35	488.97
Theresia	Western High	2020	299	283,051	948	795.33	546.73
		2019	315	312,958	994	777.39	452.35
Venture	Western High	2020	243	312,865	1,243	667.14	567.79
		2019	259	258,464	998	794.00	445.74
Company		2020	3,408	5,084,211	1,077	649.46	539.11
		2019	3,505	4,119,358	900	720.37	464.90

Statement of Value Addition

	Year ended 31.12.2020		Year ended 31.12.2019	
	%	Rs.'000	%	Rs.'000
REVENUE	**-**	**2,832,067**	-	2,006,977
Other Income	**-**	**46,085**	-	67,697
Total Revenue	**-**	**2,878,152**	-	2,074,674
Cost Of Materials and Services Bought	**-**	**1,059,662**	-	1,037,730
Value Addition	**100**	**1,813,719**	100	1,036,944
DISTRIBUTION OF VALUE ADDITION				
A To Employee as Remuneration	**88**	**1,593,963**	124	1,290,586
B To Government as taxes	**-**	**-**	7	71,586
C To Lenders of Capital as Interest	**18**	**318,187**	33	345,869
D To Shareholders as Dividends	**-**	**-**	-	-
E Retained in Business	**-**	**-**	-	-
E1 Provision for Depreciation	**6**	**102,464**	9	92,612
E2 Profit /(Loss) Retained	**(11)**	**(200,895)**	(74)	(763,709)
	100	**1,813,719**	100	1,036,944

Financial Information

	2020 Rs.'000	2019 Rs.'000	2018 Rs.'000	2017 Rs.'000	2016 Rs.'000
Revenue	2,832,067	2,006,977	2,144,945	2,605,104	1,842,069
Profit before Income Tax Expense	(132,077)	(781,066)	(425,166)	108,658	(286,701)
Income Tax Expense	(68,818)	17,358	(175,033)	(64,062)	(5,885)
Profit after Income Tax Expense	(200,895)	(763,709)	(600,199)	44,596	(292,586)
Profit/(Loss) brought forward	(4,693,769)	(3,740,607)	(2,900,407)	(2,817,538)	(2,562,132)
Dividend	-	-	-	-	-
Retained Earnings/(Loss)	(5,077,361)	(4,693,769)	(3,740,607)	(2,900,407)	(2,817,538)
Non Current Assets	6,571,936	5,596,438	5,296,897	4,913,935	4,812,151
Current Assets	551,372	450,870	464,535	343,831	437,507
Current Liabilities	1,095,423	695,024	643,483	1,285,338	1,614,397
Deferred Income	132,710	138,073	143,390	148,546	152,911
Non Current Liabilities	4,586,605	4,404,374	3,313,878	1,373,900	1,007,341
Net Assets	1,441,280	947,909	1,804,071	2,449,982	2,474,960
Share Capital	1,624,761	1,624,761	1,624,761	1,624,761	1,624,761
Timber Reserve	3,594,121	3,376,701	3,220,459	3,063,430	2,933,813
Revaluation Reserve	1,297,144	637,258	637,257	659,258	731,341
Retained Profit/(Loss)	(5,077,361)	(4,693,769)	(3,681,606)	(2,900,407)	(2,817,538)
Fair Value through OCI reserve	2,616	2,959	3,199	2,940	2,583
Share Holders' Funds	1,441,280	947,909	1,804,072	2,449,982	2,474,960
Number of Shares ('000)	169,501	169,501	169,501	169,501	169,501
Earning/(Loss) per Share (Rs)	(1.19)	(4.51)	(3.54)	0.26	(1.73)
Dividend per Share (Rs)	-	-	-	-	-
Net Assets per Share (Rs)	8.50	5.59	10.64	14.45	14.60

District Wise Performance					
	2020	**2019**	**2018**	**2017**	**2016**
Total Production Kgs.					
Madulsima	3,663,016	2,668,868	2,750,106	3,105,439	3,023,199
Bogawantalawa	1,421,195	1,450,490	1,394,128	1,306,877	1,452,012
Total	5,084,211	4,119,358	4,144,234	4,412,315	4,475,210
Estate Crop Kgs					
Madulsima	2,285,484	1,718,233	1,653,172	1,798,370	1,829,367
Bogawantalawa	1,386,475	1,435,694	1,371,986	1,274,860	1,452,012
Total	3,671,959	3,154,197	3,025,158	3,073,229	3,281,380
Yield Kg/ha					
Madulsima	1,110	810	765	831	842
Bogawantalawa	1,027	1,037	973	903	1,025
Total	1,077	900	847	860	914
COP Rs/kg					
Madulsima	592.57	674.83	626.16	552.40	466.01
Bogawantalawa	796.11	804.17	771.30	708.76	628.86
Total	649.46	720.37	679.75	623.44	524.13
NSA Rs/kg *					
Madulsima	528.97	458.98	519.19	546.50	521.01
Bogawantalawa	564.64	476.18	556.14	580.53	440.60
Total	539.11	464.90	531.59	572.39	426.67
Profit/(Loss) Rs/kg *					
Madulsima	(63.60)	(215.85)	(106.97)	(5.90)	(55.00)
Bogawantalawa	(231.47)	(327.99)	(215.16)	(128.23)	(188.26)
Total	(110.35)	(255.47)	(148.16)	(51.05)	(97.46)

Notes

Form of Proxy

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

of……………………………………..………………………………...…………………..…………………..being a member /members

of **M**adulsima **P**lantations PLC hereby appoint…………………………………….of……………………………………… whom failing.

Don Harold Stassen Jayawardena	or failing him
Noor Mohamed Abdul Gaffar	or failing him
Don Hasitha Stassen Jayawardena	or failing him
Arinesarajah Shakthevale	or failing him
D S Kamantha Amarasekera	or failing him

as my/our proxy to represent me/us and*……… ………………………………………………….. to vote on my/our behalf at the Twenty Eighth (28th) Annual General Meeting of the Company will be held as a **"Virtual Meeting" at 10.00 a.m. on Thursday, 29th July 2021, at the "Mini Auditorium" DCSL, 110, Norris Canal Road, Colombo 10, Sri Lanka** and at any adjournment thereof and at every poll which may be taken in consequence of the above said meeting. I/We the undersigned hereby authorize my/our Proxy to vote on my/our behalf in accordance with the preference indicated below:

- Please delete the inappropriate words

	For	**Against**
1) To receive and consider the Report of the Directors and the Financial Statements of the Company for the year ended 31st December 2020 together with the Auditors' Report thereon		
2) To re-elect Mr D H S Jayawardena who is above the age of 70 years as a Director of the Company in terms of Sections 210 and 211 of the Companies Act No. 7 of 2007.		
3) To re-elect Dr N M Abdul Gaffar who is above the age of 70 years as a Director of the Company in terms of Sections 210 and 211 together of the Companies Act No. 7 of 2007.		
4) To re-elect Dr A Shakthevale who is above the age of 70 years as a Director of the Company in terms of Sections 210 and 211 of the Companies Act No. 7 of 2007.		
5) To re-elect Mr D S K Amarasekera who retires by rotation at the Annual General Meeting In terms of Article 92 of the Articles of Association as a Director of the Company		
6) To authorize the Directors to determine the remuneration of the Auditors, Messrs KPMG who are deemed to have been reappointed as Auditors in terms of Section 158 of the Companies Act No.07 of 2007.		
7) To pass the following special resolution to amend the Articles of Association by including No. 52 (a) immediately after the existing Article 52 of the Articles of Association as follows :		

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

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

……………………………
Signature/s

INSTRUCTIONS FOR COMPLETION OF FORM OF PROXY

1. Kindly perfect the Form of Proxy by filling in the mandatory details required above, signing in the space provided and filling in the date of signature.
2. If the Form of Proxy is signed by an Attorney, the relative power of attorney should also accompany the proxy form for registration, if such power of attorney has not already been registered with the Company.
3. In the case of a Company/Corporation, the Form of Proxy shall be executed in the manner specified in the Articles of Association.
4. In the absence of any specific instructions as to voting, the proxy may use his/her discretion in exercising the vote on behalf of his appointor.
5. Duly filled Forms of Proxy should be sent to reach the Company Secretary via e-mail to **bplmplcompanysecretary@gmail.com,** or facsimile on +94 11 2540333 or by post to the registered address of the Company, Madulsima Plantations PLC. # 833, Sirimavo Bandaranaike Mawatha, Colombo 14, Sri Lanka **not less than forty eight (48) hours before the time fixed for the meeting.**

Please provide the following details (mandatory):

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

Folio No : ....

E.mail address of the Shareholder/(s) or proxy holder (other than a Director appointed as proxy) : ....

Mobile No : ....

Fixed Line : ....

MADULSIMA PLANTATIONS PLC
833, Sirimavo Bandaranayaike Mawatha, Colombo - 14
TEL : +94552226115 / FAX : +94552226292
E MAIL : info.mpl@melsta.com
www.melsta.com/our-core-sectors/plantation-services